

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2010**

City of Lenoir, North Carolina

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

Comprehensive Annual Financial Report – Fiscal Year Ended June 30, 2010
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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
M. O. STRAWN

September 8, 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, 2010.

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 19,064. 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 Broadway Street and Mulberry Street bridges, downtown streetscape, the greenway, the Watershed project, the Wetland 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 2009-2010. 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 2009-2010. 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, 2010, provided no instances of material

weaknesses in the internal control structure or significant violations of applicable laws and regulations relative to grant administration.

Cash management – The City uses a pooled cash concept to maximize funds available for investment. As of June 30, 2010 the City’s funds were invested in an interest-bearing demand account, legally authorized investment accounts for escrowed funds, certificates of deposit, and the N. C. Capital Management Trust, a mutual fund registered with the Securities and Exchange Commission. During the fiscal year ended June 30, 2010, the investment program earned \$27,939 including earnings from funds owned by enterprise and capital projects funds but excluding fiduciary funds. The 2009-2010 investment earnings are equivalent to .0022 cents on the City’s ad valorem tax rate.

Pension and other post employment benefits – The City of Lenoir contributes to the statewide Local Governmental Employees’ Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. The City is required to contribute at an actuarially determined rate and during the year ended June 30, 2010, contributions made by the City equaled the required contributions.

The City of Lenoir also administers a public employee retirement system known as the Law Enforcement Officers’ Special Separation Allowance. The system is a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers. Although contributions are actuarially computed, the City funds the program on a pay-as-you-go basis and as of the report date had six employees receiving benefits.

The City contributes to the Supplemental Retirement Income 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. The Plan requires the City to contribute each month an amount equal to five percent of each officers’ salary and all amounts contributed are vested immediately. Also, City employees may make voluntary contributions to the Plan.

The City of Lenoir offers 401(k) and 457(b) plans for employees to participate in on an optional basis.

The City of Lenoir also provides post-retirement health benefits to certain retirees. As of the end of the current fiscal year there are thirty-one retired employees receiving this benefit which is financed on a pay-as-you-go basis. GAAP requires governments to report a liability in the financial statements in connection with an employer’s obligation to provide this benefit based on an actuarial computed amount.

Detailed information on these plans can be found in the Notes to the Financial Statements beginning on page 43.

Risk management – The City of Lenoir participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. These pools provide coverage for general liability and auto liability 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.

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, 2010 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, 2009. This was the twentieth consecutive year that the City of Lenoir has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

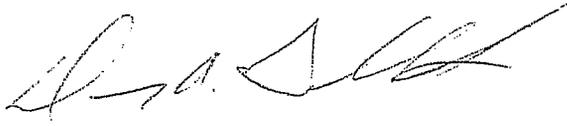
As required by N. C. General Statute 159.34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be sent to the City Clerk to be available for public inspection.

Sincerely,

CITY OF LENOIR



W. Lane Bailey
City Manager



Danny Gilbert
Assistant City Manager/Finance Director

**List of Principal Officials
June 30, 2010**

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

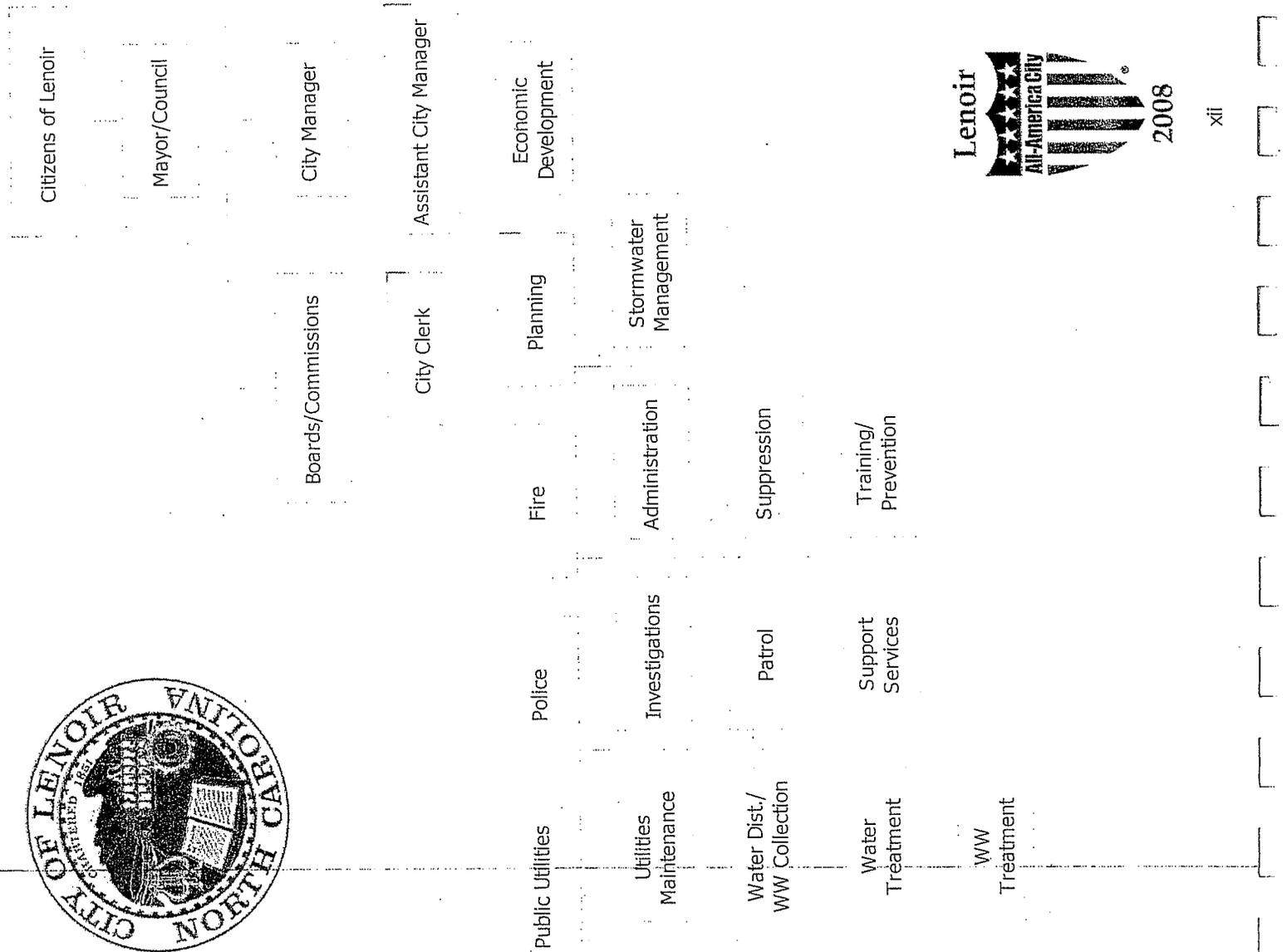
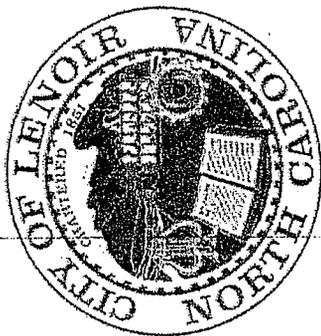
City Manager

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



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, 2009

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emmer".

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, 2010, 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.

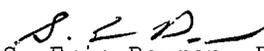
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina as of June 30, 2010, 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 20, 2010 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, 2010

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, 2010. 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

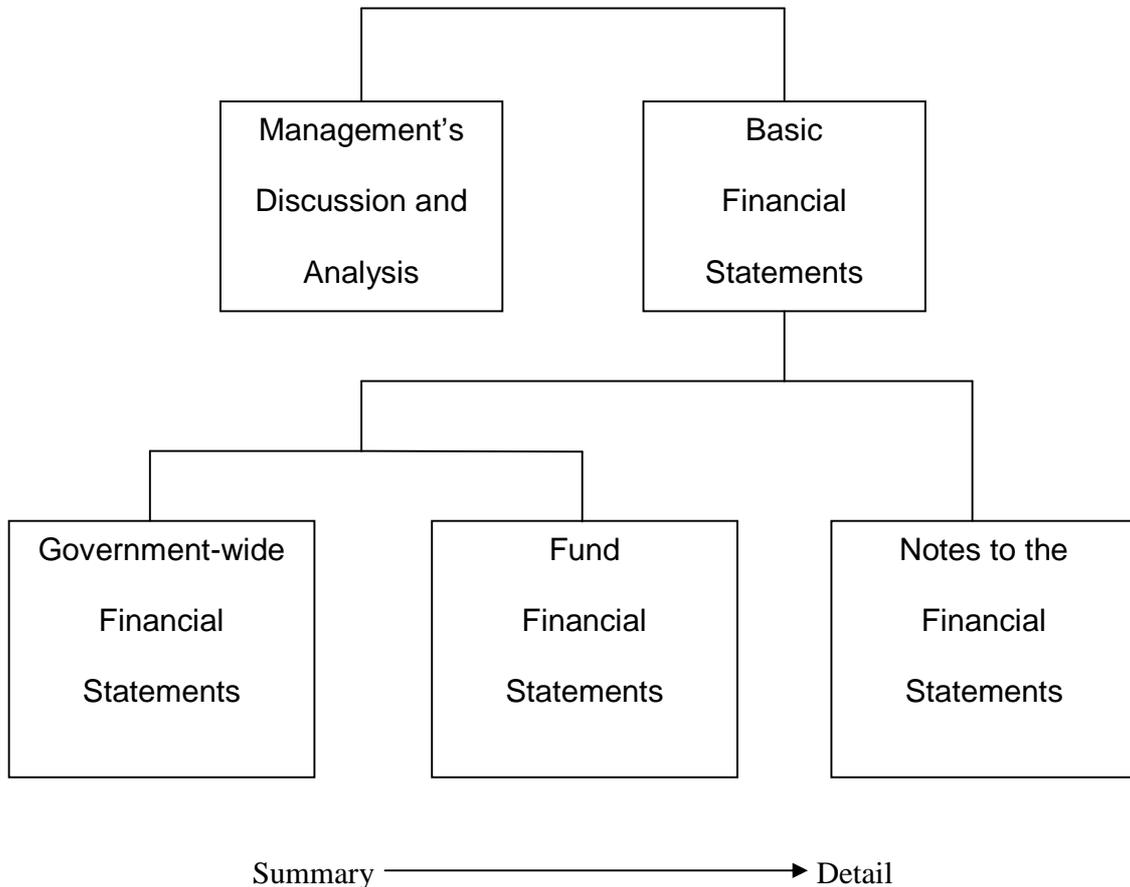
- The assets of the City of Lenoir exceeded its liabilities at the close of the fiscal year by \$62,035,511 (*net assets*).
- The government's total net assets increased by \$63,172 with a \$249,160 decrease in governmental activities and a \$312,332 increase in business-type activities.
- As of the close of the current fiscal year, the City of Lenoir's governmental funds reported combined ending fund balances of \$6,315,208 a decrease of \$605,785 in comparison with the prior year. Approximately 59.67 percent of this total amount or \$3,768,270 is available for spending at the government's discretion (*undesignated fund balance*).
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$3,760,253 or 23.59 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt decreased by \$2,102,646 or 10.17 percent during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Lenoir's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Lenoir.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

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

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

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.

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 unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its members and because the Board is 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.

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

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2010

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.

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 \$62,035,511 as of June 30, 2010 (figure 2).

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

The City of Lenoir's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 6,911,473	\$ 7,757,504	\$ 4,373,794	\$ 5,541,802	\$ 11,285,267	\$ 13,299,306
Capital as sets	27,648,452	28,230,481	42,946,424	42,239,264	70,594,876	70,469,745
Total As sets	34,559,925	35,987,985	47,320,218	47,781,066	81,880,143	83,769,051
Long-Term Liabilites	4,105,282	4,976,274	14,471,218	15,702,873	18,576,500	20,679,147
Other Liabilities	257,938	565,846	1,010,194	551,719	1,268,132	1,117,565
Total Liabilities	4,363,220	5,542,120	15,481,412	16,254,592	19,844,632	21,796,712
Net Assets:						
Invested in capital assets, net of related debt	23,881,197	24,252,972	28,630,531	26,673,159	52,511,728	50,926,131
Restricted	319,048	751,328			319,048	751,328
Unrestricted	5,996,460	5,440,565	3,208,275	4,853,315	9,204,735	10,293,880
Total Net Assets	\$30,196,705	\$30,444,865	\$31,838,806	\$31,526,474	\$62,035,511	\$61,971,339

Figure 2

The largest portion of the City of Lenoir's net assets (84.7 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 (0.52%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9,204,735) may be used to meet the government's ongoing obligations to citizens and creditors. The slight increase in net assets is due mainly to the construction of the Raw Water Intake and the Whitnel Pump Station at the Rhodhiss Water Plant.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 94.16
- Adherence to the adopted budget

Governmental activities: Governmental activities decreased the City's net assets by \$249,160. (Figure 3) Key elements of this decrease are as follows:

- Aging of Capital Assets

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,936,419	\$ 1,610,398	\$ 7,220,490	\$ 7,472,724	\$ 9,156,909	\$ 9,083,122
Operating grants and contributions	2,227,212	1,831,041	-	-	2,227,212	1,831,041
Capital grants and contributions	752,229	800,431	-	-	752,229	800,431
General revenues:						
Property taxes	7,206,622	8,076,972	-	-	7,206,622	8,076,972
Other taxes	3,470,522	3,717,692	-	-	3,470,522	3,717,692
Unrestricted intergovernmental	1,464,036	1,517,749	-	-	1,464,036	1,517,749
Other	863,643	875,817	104,612	133,095	968,255	1,008,912
Total revenues	17,920,683	18,430,100	7,325,102	7,605,819	25,245,785	26,035,919
Expenses:						
General government	2,688,903	3,147,449	-	-	2,688,903	3,147,449
Public safety	8,474,676	8,462,402	-	-	8,474,676	8,462,402
Transportation	2,128,596	2,278,315	-	-	2,128,596	2,278,315
Environmental protection	772,091	754,872	-	-	772,091	754,872
Economic and physical development	1,955,860	1,453,317	-	-	1,955,860	1,453,317
Culture and recreational	2,025,347	2,234,821	-	-	2,025,347	2,234,821
Interest and fees	124,370	158,792	-	-	124,370	158,792
Water and sewer	-	-	7,012,770	6,790,236	7,012,770	6,790,236
Total expenses	18,169,843	18,489,968	7,012,770	6,790,236	25,182,613	25,280,204
Increase in net assets	(249,160)	(59,868)	312,332	815,583	63,172	755,715
Net assets, July 1	30,445,865	30,505,733	31,526,474	30,710,891	61,972,339	61,216,624
Net assets, June 30	\$ 30,196,705	\$ 30,445,865	\$ 31,838,806	\$ 31,526,474	\$ 62,035,511	\$ 61,972,339

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

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

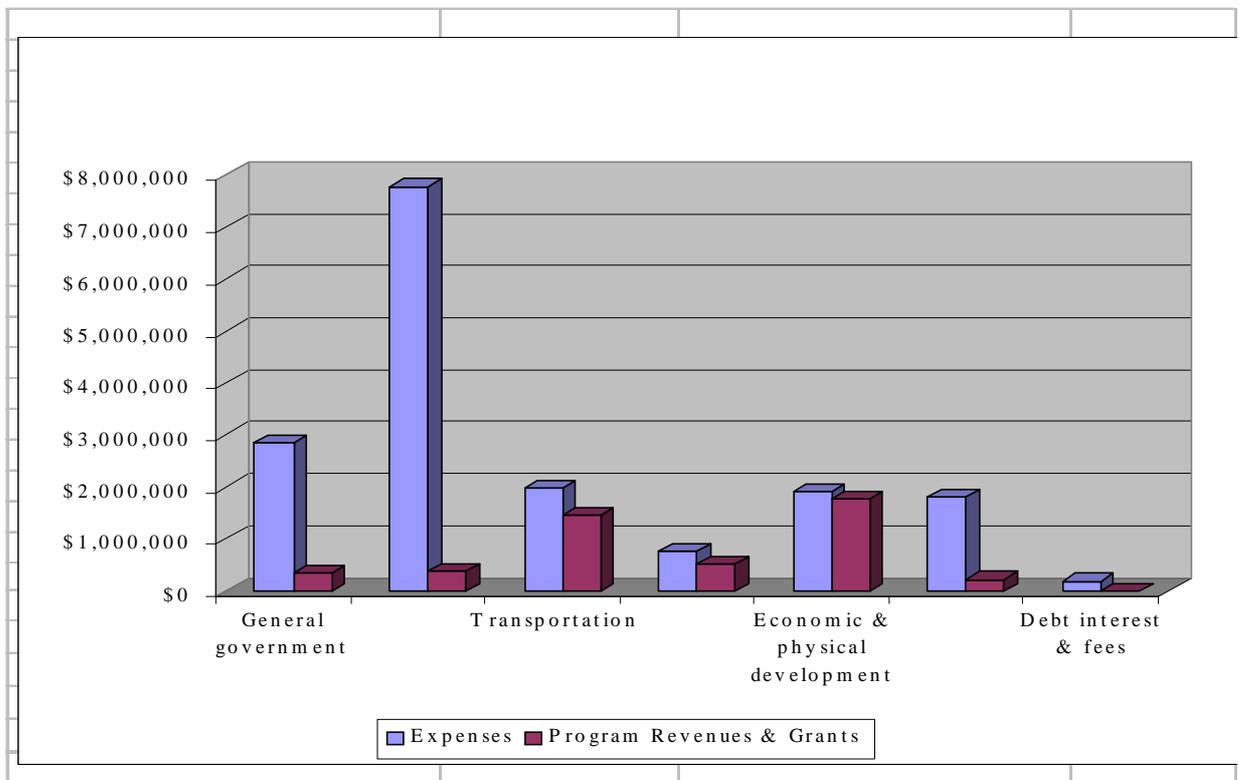
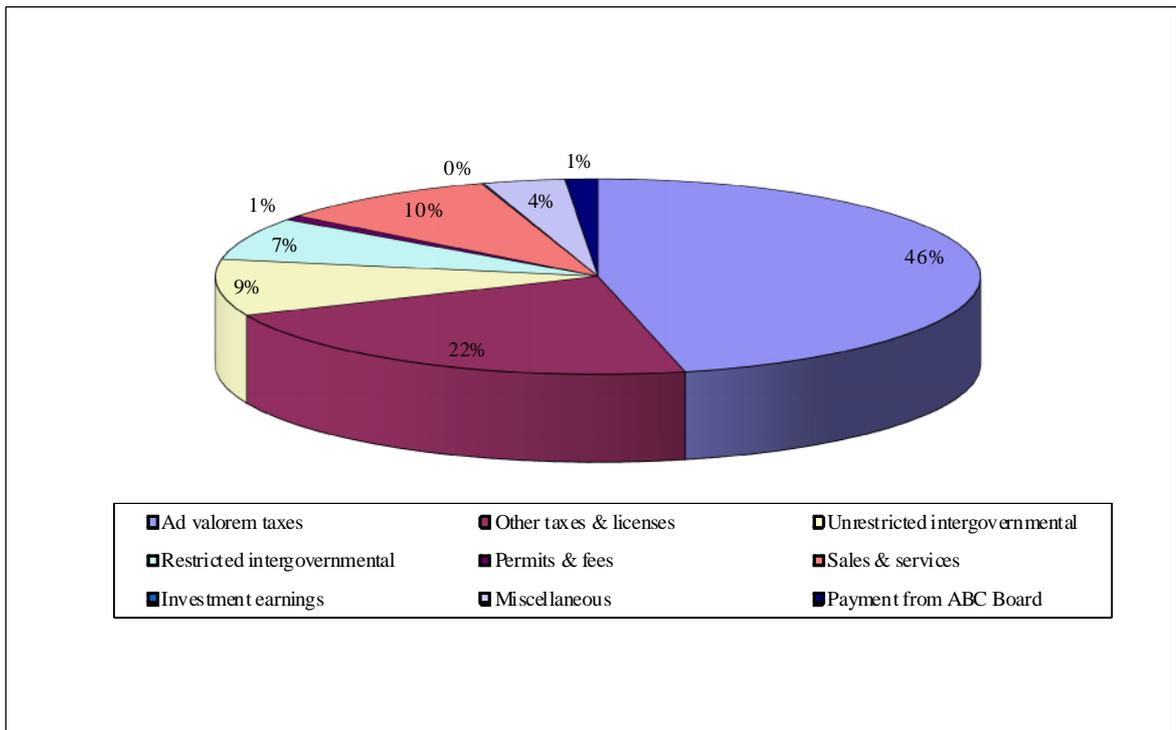


Figure 5 is a graphic presentation of governmental revenues by source.

Revenue by Source – Governmental Activities
Figure 5



Business-type activities: Business-type activities increased the City of Lenoir's net assets by \$312,332. Key elements of this increase are as follows:

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

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

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, unreserved fund balance of the General Fund was \$3,760,253, while total fund balance reached \$5,876,255. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23.59 percent of total General Fund expenditures, while total fund balance represents 36.86 percent of that same amount. The increase in unreserved fund balance is due mainly to the reductions in account receivable and other receivable which reduce the reserve amount required by state statute.

At June 30, 2010, the governmental funds of City of Lenoir reported a combined fund balance of \$6,315,208 a 8.76 percent decrease over last year. Included in this change in fund balance are decreases in the General Fund, Permanent 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:

General Government, Transportation, Environmental Protection, Cultural and Recreation and Economic and Physical Development were increased by \$429,373 while Public Safety was increased by \$41,100. The resulting \$470,473 was funded by a combination of increased revenues and appropriated fund balance. The increase in the budget was for several economic development grants, a dump truck and a hydraulic mower.

City of Lenoir, North Carolina

Management’s Discussion and Analysis
For the Year ended June 30, 2010

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. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,208,275. The fund’s net assets increased by \$312,332. 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, 2010, totals \$70,595,420 (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 improvements

City of Lenoir’s Capital Assets

Figure 6

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,197,386	\$ 3,197,386	\$ 239,714	\$ 239,714	\$ 3,437,100	\$ 3,437,100
Buildings and improvements	7,245,371	7,175,298	-	-	7,245,371	7,175,298
Infrastructure	12,283,423	12,998,024	-	-	12,283,423	12,998,024
Equipment	3,480,396	3,961,775	791,765	842,999	4,272,161	4,804,774
Plant and systems			36,921,128	37,411,267	36,921,128	37,411,267
Construction in progress	1,441,876	897,998	4,994,361	3,745,284	6,436,237	4,643,282
Total	\$ 27,648,452	\$ 28,230,481	\$ 42,946,968	\$ 42,239,264	\$ 70,595,420	\$ 70,469,745

Additional information on the City’s capital assets can be found in note III. A. 4 and 5, beginning on page 41 of this report.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

Long-term Debt. As of June 30, 2010, the City of Lenoir had total debt outstanding of \$3,949,253 in a State and Water Pollution Control Revolving loans, \$598,000 in a Section 108 Loan, installment purchase contracts of \$12,813,225. (Figure 7)

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

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Section 108 Loan	\$ 598,000	\$ 680,000		\$ -	\$ 598,000	\$ 680,000
Revolving Loans	-	-	3,949,253	1,214,959	3,949,253	1,214,959
Construction Loan				2,566,000	-	2,566,000
Installment Purchase Contracts	2,446,042	3,297,509	10,367,183	11,785,145	12,813,225	15,082,654
Total	\$ 3,044,042	\$ 3,977,509	\$ 14,316,436	\$ 15,566,104	\$ 17,360,478	\$ 19,543,613

The above debt of the City of Lenoir decreased by \$2,183,135 (11.17%) during the past fiscal year. The construction loan was completed and issued as a revolving loan in the amount of \$2,700,000.

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 \$97,626,364.

Additional information regarding the City of Lenoir's long-term debt can be found in note III. B. 5 beginning on page 53 of this report.

Economic Factors and Next Year's Budgets and Rates

While job losses and property values of industrial property continued to decline in the traditional manufacturing economy of the City, the past fiscal year provided indicators that groundwork is being laid for a transition into a more diversified economic base.

During fiscal year 2009-2010, 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, 2010

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, 2009. The General Fund budget was based on less than 6.16 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 3.08 percent decrease in expenditures funded with no rate increase.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2010

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, 2010

(Exhibit A)

	Component Units				
	Governmental Activities	Business Type Activities	Total Primary Government	City of Lenoir ABC Board	Total Reporting Unit
Assets					
Cash and cash equivalents	\$ 5,247,277	\$ 3,791,687	\$ 9,038,964	\$ 115,677	\$ 9,154,641
Cash and cash equivalents - restricted	250,635		250,635		250,635
Taxes receivable (net)	338,327		338,327		338,327
Accounts receivable (net)	577,161	516,227	1,093,388	1,580	1,094,968
Other receivables	485,828		485,828		485,828
Inventories		65,337	65,337	269,198	334,535
Prepaid items	12,245		12,245	2,144	14,389
Due from Other Funds					-
Capital assets:				-	
Nondepreciable Capital Assets	4,566,587	5,234,075	9,800,662		9,800,662
Depreciable Capital Assets	23,081,865	37,712,893	60,794,758	549,161	61,343,919
Total assets	34,559,925	47,320,218	81,880,143	937,760	82,817,903
Liabilities					
Accounts payable	257,018	905,034	1,162,052	132,801	1,294,853
Accrued liabilities			-	71,054	71,054
Due to Other Funds					-
Customer deposits		105,160	105,160		105,160
Unearned revenues	920		920		920
Long term obligations:					
Due in less than one year	1,131,201	1,859,053	2,990,254		2,990,254
Due in more than one year	2,974,081	12,612,165	15,586,246		15,586,246
Total liabilities	4,363,220	15,481,412	19,844,632	203,855	20,048,487
Net assets					
Invested in capital assets, net of related debt	23,881,197	28,630,531	52,511,728	549,161	53,060,889
Restricted for:					
Cemetery (Nonexpendable)	251,441		251,441		251,441
Public Safety	67,607		67,607		67,607
Net assets - restricted				87,047	87,047
Unrestricted	5,996,460	3,208,275	9,204,735	97,697	9,302,432
Total net assets	\$ 30,196,705	\$ 31,838,806	\$ 62,035,511	\$ 733,905	\$ 62,769,416

City of Lenoir, North Carolina

Statement of Activities
 Year Ended June 30, 2010
 (Exhibit B)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total	City of Lenoir ABC Board	
Primary government:									
Governmental activities:									
General government	\$ 2,688,903	\$ 664,933	\$ 197,291		\$ (1,826,679)	\$ -	\$ (1,826,679)	\$ -	\$ (1,826,679)
Public safety	8,474,676	196,711	287,028		(7,990,937)	-	(7,990,937)	-	(7,990,937)
Transportation	2,128,596	19,926	562,020	391,456	(1,155,194)	-	(1,155,194)	-	(1,155,194)
Environmental protection	772,091	562,743			(209,348)	-	(209,348)	-	(209,348)
Economic and physical development	1,955,860	238,413	1,180,873	255,456	(281,118)	-	(281,118)	-	(281,118)
Culture and recreation	2,025,347	253,693		105,317	(1,666,337)	-	(1,666,337)	-	(1,666,337)
Interest and fees	124,370				(124,370)	-	(124,370)	-	(124,370)
Total governmental activities	<u>18,169,843</u>	<u>1,936,419</u>	<u>2,227,212</u>	<u>752,229</u>	<u>(13,253,983)</u>	<u>-</u>	<u>(13,253,983)</u>	<u>-</u>	<u>(13,253,983)</u>
Business-type activities:									
Water and sewer activity	7,012,770	7,220,490			-	207,720	207,720	-	207,720
Total business-type activities	<u>7,012,770</u>	<u>7,220,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,720</u>	<u>207,720</u>	<u>-</u>	<u>207,720</u>
Total primary government	<u>\$ 25,182,613</u>	<u>\$ 9,156,909</u>	<u>\$ 2,227,212</u>	<u>\$ 752,229</u>	<u>(13,253,983)</u>	<u>207,720</u>	<u>(13,046,263)</u>	<u>-</u>	<u>(13,046,263)</u>
Alcohol and store activity	\$ 2,700,029	\$ 2,921,917			-	-	-	221,888	221,888
Total component units	<u>\$ 2,700,029</u>	<u>\$ 2,921,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,888</u>	<u>221,888</u>
General revenues:									
Ad valorem taxes					7,206,622		7,206,622		7,206,622
Other taxes and licenses					3,470,522		3,470,522		3,470,522
Unrestricted intergovernmental					1,464,036		1,464,036		1,464,036
Miscellaneous					598,575	94,946	693,521	454	693,975
Gain on sale of capital assets					29,815		29,815		29,815
Payment from ABC Board					216,980		216,980		216,980
Profit distributions							-	(244,808)	(244,808)
Interest earned on investments					18,273	9,666	27,939	1,666	29,605
Total general revenues					<u>13,004,823</u>	<u>104,612</u>	<u>13,109,435</u>	<u>(242,688)</u>	<u>12,866,747</u>
Change in net assets					(249,160)	312,332	63,172	(20,800)	42,372
Net assets - beginning					30,445,865	31,526,474	61,972,339	754,705	62,727,044
Net assets - ending					<u>\$ 30,196,705</u>	<u>\$ 31,838,806</u>	<u>\$ 62,035,511</u>	<u>\$ 733,905</u>	<u>\$ 62,769,416</u>

City of Lenoir, North Carolina

**Balance Sheet
Governmental Funds
June 30, 2010
(Exhibit C)**

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,012,587	\$ -	\$ 234,690	\$ 5,247,277
Cash and cash equivalents-restricted			250,635	250,635
Taxes receivable (net)	338,327			338,327
Accounts receivable (net)	577,161			577,161
Other receivables	408,991	76,031	806	485,828
Prepaid items	12,245			12,245
Due From Other Funds	51,065			51,065
Total assets	<u>\$ 6,400,376</u>	<u>\$ 76,031</u>	<u>\$ 486,131</u>	<u>\$ 6,962,538</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	184,874	16,949	55,195	257,018
Deferred revenues	339,247			339,247
Due to Other Funds		51,065		51,065
Total liabilities	<u>524,121</u>	<u>68,014</u>	<u>55,195</u>	<u>647,330</u>
Fund balances:				
Reserved by State Statute	1,037,217			1,037,217
Reserved for Prepaid Items	12,245			12,245
Reserve for Federal Forfeiture	67,607			67,607
Reserved for Wireless 911	297,438			297,438
Reserved for Land Development	680,586			680,586
Reserved for Tourism Development Authority	20,909			20,909
Reserved for Cemetery Care			251,441	251,441
Unreserved:				
Undesignated	3,760,253	8,017		3,768,270
Undesignated:				
Capital projects fund			179,495	179,495
Total fund balances	<u>5,876,255</u>	<u>8,017</u>	<u>430,936</u>	<u>6,315,208</u>
Total liabilities and fund balances	<u>\$ 6,400,376</u>	<u>\$ 76,031</u>	<u>\$ 486,131</u>	<u>\$ 6,962,538</u>

City of Lenoir, North Carolina

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2010**

(Exhibit C-1)

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

Ending fund balance - governmental funds	\$	6,315,208
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		27,648,452
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		338,327
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(4,105,282)</u>
Net assets of governmental activities	\$	<u>30,196,705</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2010
 (Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 7,274,284			\$ 7,274,284
Other taxes and licenses	3,470,522			3,470,522
Unrestricted intergovernmental revenues	1,464,036			1,464,036
Restricted intergovernmental revenues	1,110,953	1,573,541	496,773	3,181,267
Permits and fees	117,900			117,900
Sales and services	1,481,369			1,481,369
Investment earnings	14,579	61	3,634	18,274
Miscellaneous	542,745		55,830	598,575
Payment from ABC Board	216,980			216,980
Total revenues	15,693,368	1,573,602	556,237	17,823,207
Expenditures				
Current:				
General Government	2,631,150			2,631,150
Public safety	7,899,057	90,650		7,989,707
Transportation	1,418,212			1,418,212
Environmental protection	679,803			679,803
Economic and physical development	526,443	1,427,567		1,954,010
Cultural and recreational	1,829,162			1,829,162
Capital projects			901,626	901,626
Debt service:				
Principal retirement	851,467	82,000		933,467
Interest and fees	106,730	17,640		124,370
Total expenditures	15,942,024	1,617,857	901,626	18,461,507
Excess (deficiency) of revenues over (under) expenditures	(248,656)	(44,255)	(345,389)	(638,300)
Other financing sources (uses)				
Proceeds from disposal of capital assets	32,515			32,515
Transfers:	(60,000)		60,000	
Total other financing sources (uses)	(27,485)	-	60,000	32,515
Net change in fund balances	(276,141)	(44,255)	(285,389)	(605,785)
Fund balance - beginning	6,152,396	52,272	716,325	6,920,993
Fund balance - ending	\$ 5,876,255	\$ 8,017	\$ 430,936	\$ 6,315,208

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, 2010

(Exhibit D-1)

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

Net change in fund balances - total governmental funds \$ (605,785)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is less than depreciation. (579,328)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 64,961

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. 933,467

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. (62,475)

Change in net assets of governmental activities \$ (249,160)

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, 2010
(Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 7,127,366	\$ 7,167,466	\$ 7,274,284	\$ 106,818
Other taxes and licenses	3,806,933	3,806,933	3,470,522	(336,411)
Unrestricted intergovernmental revenues	1,543,430	1,543,430	1,464,036	(79,394)
Restricted intergovernmental revenues	1,019,412	1,069,412	1,110,953	41,541
Permits and fees	129,600	129,600	117,900	(11,700)
Sales and services	1,572,784	1,572,784	1,481,369	(91,415)
Investment earnings	187,000	187,000	14,579	(172,421)
Miscellaneous	293,803	479,123	542,745	63,622
Payment from ABC Board	232,500	232,500	216,980	(15,520)
Total revenues	<u>15,912,828</u>	<u>16,188,248</u>	<u>15,693,369</u>	<u>(494,879)</u>
EXPENDITURES				
Current:				
General Government	2,364,942	2,725,229	2,631,150	94,079
Public safety	7,913,027	7,954,127	7,899,057	55,070
Transportation	1,367,044	1,513,044	1,418,212	94,832
Environmental protection	720,788	690,788	679,803	10,985
Economic and physical development	599,666	604,666	526,443	78,223
Cultural and recreational	2,008,992	1,957,078	1,829,162	127,916
Debt service:				
Principal retirement	858,072	858,072	851,467	6,605
Interest and fees	105,297	105,297	106,730	(1,433)
Total expenditures	<u>15,937,828</u>	<u>16,408,301</u>	<u>15,942,024</u>	<u>466,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000)</u>	<u>(220,053)</u>	<u>(248,655)</u>	<u>(28,602)</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	-	195,053		(195,053)
Proceeds from disposal of capital assets	25,000	25,000	32,515	7,515
Transfers out:				
To Capital Projects			(60,000)	(60,000)
Total other financing sources (uses)	<u>25,000</u>	<u>220,053</u>	<u>(27,485)</u>	<u>(247,538)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(276,140)</u>	<u>\$ (276,140)</u>
FUND BALANCE - BEGINNING			<u>6,152,396</u>	
FUND BALANCE - ENDING			<u>\$ 5,876,256</u>	

City of Lenoir, North Carolina

Statement of Net Assets

Proprietary Funds

June 30, 2010

(Exhibit F)

	Enterprise Fund
	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 3,791,687
Accounts receivable (net)	516,227
Inventories	65,337
Total current assets	<u>4,373,251</u>
Noncurrent assets	
Capital assets, net	42,946,967
Total noncurrent assets	<u>42,946,967</u>
Total assets	<u>47,320,218</u>
Liabilities	
Current liabilities	
Accounts payable	905,034
Installment purchase contracts - current	1,394,917
Revolving loan payable - current	392,136
Customer deposits	105,160
Compensated absences payable	72,000
Total current liabilities	<u>2,869,247</u>
Noncurrent liabilities	
Revolving loan payable	3,557,117
Installment purchase contracts payable	8,972,266
OPEB Liability	29,221
Compensated absences payable	53,561
Total noncurrent liabilities	<u>12,612,165</u>
Total liabilities	<u>15,481,412</u>
Net assets	
Invested in capital assets, net of related debt	28,630,531
Unrestricted net assets	3,208,275
Total net assets	<u>\$ 31,838,806</u>

City of Lenoir, North Carolina

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

Proprietary Funds

Year Ended June 30, 2010

(Exhibit G)

	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Operating revenues	
Water sales	\$ 4,730,463
Wastewater treatment charges	2,228,398
Water and sewer taps	28,400
Late payment charges	233,229
Miscellaenous	94,946
Total operating revenues	<u>7,315,436</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,348,334
Water distribution	1,234,836
Water resources	475,425
Wastewater collection	554,775
Wastewater pretreatment	183,197
Gunpowder Wastewater Treatment Plant	480,754
Lower Creek Wastewater Treatment Plant	1,224,178
Change in OPEB Expense	9,530
Depreciation	1,045,413
Total operating expenses	<u>6,556,442</u>
Operating income (loss)	<u>758,994</u>
Nonoperating revenue (expense)	
Interest earned on investments	9,666
Interest paid on long-term debt	(456,328)
Total nonoperating revenue (expense)	<u>(446,662)</u>
Income (loss) before transfers and contributions	312,332
Change in net assets	<u>312,332</u>
Total net assets - beginning, as previously reported	<u>31,526,474</u>
Total net assets - ending	<u>\$ 31,838,806</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2010

(Exhibit H)

	Enterprise Fund
	Water and Sewer Fund
Operating activities	
Cash received from customers and users	\$ 7,364,974
Cash paid to suppliers for goods and services	(5,978,021)
Cash paid for employee benefits	(1,639,254)
Customer deposits returned	5,435
Net cash provided by (used in) operating activities	(246,866)
Capital and related financing activities	
Acquisition and construction of capital assets	(1,753,115)
Principal paid on debt	1,325,859
Interest paid on debt	(456,328)
Net cash provided (used) by capital and related financing activities	(883,584)
Investing activities	
Interest on investments	9,666
Net cash provided (used) in investing activities	9,666
Net increase in cash and cash equivalents/investments	(1,120,784)
Cash and cash equivalents/investments	
Beginning of year	4,912,471
End of year	\$ 3,791,687

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2010

(Exhibit H)

	Enterprise Fund
	Water and Sewer Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 758,994
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,045,413
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	49,538
(Increase) decrease in inventory	(1,771)
Increase (decrease) in accounts payable and accrued liabilities	(2,112,959)
Increase (decrease) in customer deposits	5,435
Increase (decrease) in compensated absence payable	8,484
Total adjustments	(1,005,860)
Net cash provided by (used in) operating activities	\$ (246,866)

City of Lenoir, North Carolina

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

(Exhibit I)

	Agency Fund
<hr/>	
Assets	
Cash and cash equivalents	\$ 6,353
Total assets	<u>\$ 6,353</u>
Liabilities	
Due to agency	\$ 6,353
Total liabilities	<u>\$ 6,353</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, N. C. 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 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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 eleven Special Revenue Fund projects including the Governor's Highway Safety Grant, E-911; 2005, 2006, 2007, 2008 and 2009 Community Development Entitlement Grants; and 2006, 2007, 2008 and 2009 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 Broadway Street Bridge, Mulberry Street Bridge, Downtown Streetscape, Greenway, Watershed Project, and Wilson Park Wetland.

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 BellSouth 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.

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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, 2010, 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, 2010. The ordinances increased appropriations by \$470,473 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 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 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 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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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 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.

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, 2009. As allowed by State law, the City has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

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

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

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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:

Reserved:

Reserved 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.

Reserved for Powell Bill - Portion of fund balance that is available for appropriation but legally segregated for qualifying street maintenance purposes.

Reserved for D.A.R.E. - Federal Forfeiture, and Explorer Post 246 - Portion of fund balance that is available for appropriation but legally segregated for qualifying public safety projects.

Reserved for Wireless 911 – Portion of fund balance that is available for appropriation but legally segregated for qualifying Wireless Enhanced 911 expenses.

Reserved for Tourism Development Authority – Portion of fund balance that is reserved for the Lenoir Tourism Development Authority.

Reserved for Prepaid Items – Portion of fund balance that is reserved for items paid for during the reporting period for services or goods rendered in the subsequent fiscal year.

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

Reserved for Capital Equipment – Portion of fund balance set aside for capital purchases.

Designated for Police Benefit and Adopt-A-Cop - Portion of fund balance that is available for appropriation but segregated for qualifying public safety projects.

Unreserved:

Undesignated - Portion of fund balance available for appropriation that is uncommitted at year-end.

F. Management Estimates

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

G. Reconciliation of Government-Wide and Fund Financial Statements

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets** – The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$23,881,497 consists of several elements as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

<u>Description</u>	<u>Amount</u>
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)	\$ 71,005,045
Less accumulated depreciation	<u>(43,356,594)</u>
Net capital assets	27,648,452
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not government-wide	338,327
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	(3,044,042)
Compensated absences	(505,633)
Pension obligation	<u>(555,607)</u>
Total adjustment	<u><u>\$ 23,881,497</u></u>

- 2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities** – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$356,625 as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,236,175
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,815,503)
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	933,467
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	33,053
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	(69,887)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(25,641)
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	67,662
Revenues recognized in the fund statements but not in the statement of activities:	
Sale of fixed assets	(32,516)
Gain on the sale of fixed assets is recorded in the government-wide statements only	29,815
Total adjustment	<u>\$ 356,625</u>

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. Excess of Expenditures over Appropriations - For the year ended June 30, 2010, expenditures exceeded budgeted amounts at the department level due to vehicle expenses (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Cemeteries	\$216

These over-expenditures were immaterial and approved by the Board subsequent to year-end.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits - All of the City'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 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 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 and ABC Board have no policy regarding outstanding risk for deposits.

At year-end, the City's deposits had a carrying amount of \$3,265,767 and a bank balance of \$3,434,148. Of the bank balance, \$1,000,000 was covered by federal depository insurance with the remainder held in Pooling Method depositories as discussed above.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

At year-end, the ABC Board's deposits had a carrying amount of \$111,277 and a bank balance of \$147,292. The bank balance was covered by federal depository insurance.

2. Investments - General Statute 159-30(c) authorizes the City and the ABC Board to invest in obligations of the U. S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligation is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and The North Carolina Capital Management Trust, an SEC-registered mutual fund. The City pools monies from several funds to facilitate disbursement and investment and maximize investment income. The City and ABC Board have no policy regarding credit risk for investments.

The City held no investments that were categorized by level or risk at year-end. All invested funds were with The North Carolina Capital Management Trust, which is exempt from risk categorization because the City does not own any identifiable securities, but is a shareholder of a percentage of the fund. As of June 30, 2009, the credit rating of the fund was AAAM, with a weighted average maturity of 51 days. Total investments are as follows:

	Carrying Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 6,021,847</u>	<u>\$ 6,021,847</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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	\$ 810,715
Allowance for Miscellaneous	
General Fund Receivables	<u>15,000</u>
Subtotal	<u>825,715</u>
Water and Sewer Fund:	
Allowance for Uncollectible	
Water and Sewer Receivables	<u>150,000</u>
 Total	 <u>\$ 975,715</u>

4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2010 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	897,997	901,626	(357,747)	1,441,876
Total capital assets not being depreciated	<u>4,022,708</u>	<u>901,626</u>	<u>(357,747)</u>	<u>4,566,587</u>
Capital assets being depreciated:				
Buildings and improvements	13,245,552	357,747		13,603,299
Infrastructure	41,369,510			41,369,510
Equipment	11,160,506	334,549	(29,405)	11,465,650
Total capital assets being depreciated	<u>65,775,568</u>	<u>692,296</u>	<u>(29,405)</u>	<u>66,438,459</u>
Less accumulated depreciation for:				
Buildings and improvements	5,984,408	287,673		6,272,081
Infrastructure	28,371,487	741,304		29,112,791
Equipment	7,211,900	786,525	(26,704)	7,971,722
Total accumulated depreciation	<u>41,567,795</u>	<u>\$ 1,815,502</u>	<u>\$ (26,704)</u>	<u>43,356,594</u>
Total capital assets being depreciated, net	<u>24,207,773</u>			<u>23,081,865</u>
Total capital assets - governmental activities	<u>\$ 28,230,481</u>			<u>\$ 27,648,452</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

General Government	\$181,295
Public Safety	562,541
Transportation	765,214
Environmental Protection	80,884
Economic and Physical Development	10,457
Cultural and Recreational	<u>215,111</u>
Total Depreciation Expense	\$1,815,502

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2010, 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	3,745,284	1,698,407	(449,330)	4,994,361
Total capital assets not being depreciated	<u>3,984,998</u>	<u>1,698,407</u>	<u>(449,330)</u>	<u>5,234,075</u>
Capital assets being depreciated:				
Plant and systems	53,862,503	449,330		54,311,833
Equipment	3,176,482	54,710		3,231,191
Total capital assets being depreciated	<u>57,038,985</u>	<u>504,040</u>	<u>-</u>	<u>57,543,024</u>
Less accumulated depreciation for:				
Plant and systems	16,451,236	939,469		17,390,705
Equipment	2,333,483	105,944		2,439,426
Total accumulated depreciation	<u>18,784,719</u>	<u>\$ 1,045,413</u>	<u>\$ -</u>	<u>19,830,132</u>
Total capital assets being depreciated, net	<u>38,254,266</u>			<u>37,712,892</u>
Total capital assets - business type activities (Water and Sewer Fund)	<u>\$ 42,239,264</u>			<u>\$ 42,946,967</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

6. Component Unit Capital Assets

The capital assets of the ABC Board at June 30, 2010, are composed of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 155,849			\$ 155,849
Total capital assets not being depreciated	<u>155,849</u>	<u>-</u>	<u>-</u>	<u>155,849</u>
Capital assets being depreciated:				
Buildings and improvements	560,723			560,723
Store equipment	156,894			156,894
Office equipment	21,879			21,879
Total capital assets being depreciated	<u>739,496</u>	<u>-</u>	<u>-</u>	<u>739,496</u>
Less accumulated depreciation for:				
Buildings and improvements	232,130			232,130
Store equipment	65,897			65,897
Office equipment	21,222			21,222
Total accumulated depreciation	<u>319,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>319,249</u>
Total capital assets being depreciated, net	<u>420,247</u>			<u>420,247</u>
Total capital assets	<u>\$ 576,096</u>			<u>\$ 576,096</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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

enforcement and for law enforcement officers is 11.34% and 11.4%, 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 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. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City's contributions to LGERS for the years ended June 30, 2008, 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, 2009, the Separation Allowance's membership consisted of:

City of Lenoir, North Carolina
Notes to the Financial Statements
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Retirees currently receiving benefits	9
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>53</u>
Total	<u><u>62</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, 2009 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 4.5% to 12.3% per year of which 3.75% is assumed due to inflation and the balance to merit or seniority. The assumptions did not include post-retirement benefit increases.

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

City of Lenoir, North Carolina
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Annual required contribution	\$75,825
Interest on net pension obligation	27,142
Adjustment to annual required pension contribution	<u>(23,583)</u>
Annual pension cost	\$79,384
Employer contributions made for fiscal year ending 6-30-2010	0
Employer Benefits Paid	<u>\$112,437</u>
Increase(decrease) in net pension obligation	(\$33,053)
Net pension obligation beginning of fiscal year	<u>374,373</u>
Net pension obligation end of year	<u><u>\$341,320</u></u>

The following schedule contains trend information for fiscal years ending June 30, 2008, 2009 and 2010.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 72,916	\$ 75,394	\$ 79,384
Percentage of APC Contributed	0.00%	0.00%	0.00%
Net Pension Obligation	\$ 410,926	\$ 374,373	\$ 341,320

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	5.00%
Amortization Method	Level % of pay closed	Projected Salary Increase	4.5%-12.3%
Remaining Amortization	21 Years	Includes Inflation at	3.75%
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, 2010 were \$131,394, which consisted of \$104,766 from the City and \$26,628 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, 2008, 2009, and 2010 were \$26,451, \$27,687 and \$24,948 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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

Plan is administered by Public Employees Benefit Services Securities Corporation. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are not reported in the City's financial statements.

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

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

As of June 30, 2010, there were twenty-three 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, 2010, the City recognized \$99,399 of expenditures for retiree health benefits or 1.09% 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	11	16
Active plan members	<u>150</u>	<u>120</u>
Total	161	136

1. Summary of Significant Accounting Policies – Post-employment expenditures are made from the City's General Fund, which is maintained on the modified

City of Lenoir, North Carolina
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For the Year Ended June 30, 2010

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, 2010, 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:

Annual Required Contribution	\$79,417
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	<u> </u>
Annual OPEB Cost Contributions Made	<u>\$79,417</u>
Increase in Net OPEB Obligation	\$79,417
Net OPEB Liability, July 1, 2009	<u>\$164,091</u>
Net OPEB Liability, June 30, 2010	<u>\$243,508</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
2010	\$79,417	0%	\$243,508
2009	\$164,091	0%	\$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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 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.

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.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a:b)	Covered Payroll	UAAL as a % of Covered Payroll (b-a:c)
12/31/2008	\$0	\$1,717,145	\$1,717,145	0%	\$8,514,138	20.25%
<u>Year Ended June 30</u>			<u>Annual Required Contribution</u>			<u>Percentage Contributed</u>
2010			\$79,417			0%
2009			\$164,091			0%

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:

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 year ending June 30, 2010 was determined by using the alternative measurement method.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

2. Payables – Payables and accrued liabilities at June 30, 2010 were as follows at the government-wide level:

	<u>Vendors</u>	<u>Benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 257,018</u>		<u>\$ 257,018</u>
Business-type activities:			
Water & Sewer	<u>\$ 905,034</u>		<u>\$ 905,034</u>

3. 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, 2010 is composed of the following elements:

	<u>Deferred</u>	<u>Unearned</u>
Taxes receivable (General Fund)	\$ 338,327	\$ -
Membership and fees paid in advance (General Fund)	920	920
Total	<u>\$ 339,247</u>	<u>\$ 920</u>

4. 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.

City of Lenoir, North Carolina
Notes to the Financial Statements
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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.

5. 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. The initial loan payment will be November 1, 2010 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, 2010 the total loan balance was \$971,967 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, 2010 the total loan balance was \$105,693 with an interest rate of 5.85% for an original term of fifteen (15) years.

c. Installment Purchase Contracts

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

City of Lenoir, North Carolina
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DESCRIPTION	COST	DATE	TERM	RATE	FREQUENCY
Water lines purchased from Caldwell County	\$ 1,275,000	9-1-95	15 years	non-interest bearing	\$7,083 monthly
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
Capital Equipment	\$892,500	2/27/04	7 years	2.74%	\$15,313 quarterly
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
Capital Equipment	\$515,400	11/16/2006	4 years	3.64%	\$34,753 quarterly
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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

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

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
<u>Installment Contracts</u>				
2011	\$ 747,201	\$ 77,765	\$ 1,394,917	\$ 375,939
2012	581,910	51,392	1,430,348	325,334
2013	430,056	39,672	1,481,823	272,779
2014	85,859	25,352	1,553,748	218,284
2015	85,859	22,081	1,468,623	160,650
2016-2020	429,298	61,336	2,935,763	264,799
2021-2025	85,859	2,454	101,961	2,923
Total	<u>2,446,042</u>	<u>280,052</u>	<u>10,367,183</u>	<u>1,620,708</u>
<u>Section 108 Loan</u>				
2011	86,000	35,880	-	-
2012	92,000	30,720	-	-
2013	96,000	25,200	-	-
2014	102,000	19,440	-	-
2015	108,000	13,320	-	-
2016-2020	114,000	6,840	-	-
Total	<u>598,000</u>	<u>131,400</u>	<u>-</u>	<u>-</u>
<u>Revolving Loans</u>				
2011	-	-	392,136	124,074
2012	-	-	392,136	92,389
2013	-	-	392,136	79,214
2014	-	-	392,136	66,038
2015	-	-	149,145	59,180
2016-2030	-	-	2,231,564	443,854
Total	<u>-</u>	<u>-</u>	<u>3,949,253</u>	<u>864,749</u>
Total Debt Due	<u>\$ 3,044,042</u>	<u>\$ 411,452</u>	<u>\$ 14,316,436</u>	<u>\$ 2,485,457</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

The following is a summary of changes in long-term obligations for the year-ended June 30, 2010:

	Balance July 1, 2009	Additions	Payments	Balance June 30, 2010	Current Portion of Long-term Liabilities
Governmental activities:					
Installment purchase contracts	\$ 3,297,509		\$ (851,467)	\$ 2,446,042	\$ 747,201
Compensated absences	479,992	25,641		505,633	298,000
Section 108 Loan	680,000		(82,000)	598,000	86,000
Pension obligation	374,373		(33,053)	341,320	-
Post employment benefits	144,400	69,887		214,287	-
Total governmental activities	\$ 4,976,274	\$ 95,528	\$ (966,520)	\$ 4,105,282	\$ 1,131,201

	Balance July 1, 2009	Additions	Payments	Balance June 30, 2010	Current Portion of Long-term Liabilities
Business-type activities:					
Installment purchase contracts	\$ 11,785,145		\$ (1,417,962)	\$ 10,367,183	\$ 1,394,917
Revolving loan	1,214,959	2,977,285	(242,991)	3,949,253	392,136
Construction loan	2,566,000		(2,566,000)	-	
Compensated absences	117,077	8,484		125,561	72,000
Post employment benefits	19,691	9,530		29,221	
Total business-type activities	\$ 15,702,872	\$ 2,995,299	\$ (4,226,953)	\$ 14,471,218	\$ 1,859,053

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, 2010, the City of Lenoir had a legal debt margin of \$97,626,364.

d. Construction Commitments

The government has active construction projects as of June 30, 2010. The project includes the Raw Water Intake Improvements. At June 30, 2010, the government's commitments with contractors are as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2010

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Raw Water Intake	\$1,732,887	\$3,009,933

e. Interfund Activity

Transfers in (out) for the year ended June 30, 2010 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	\$ -	\$ -	\$ 60,000	\$ 60,000
Total transfers out	\$ -	\$ -	\$ 60,000	\$ 60,000

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

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 \$67,320 to the Airport Authority during the year ended June 30, 2010.

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, 2010. 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, 2010.

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 23, 2010, which is the date the financial statements were available to be issued.

Required Supplementary Information

This section contains the following additional information required by generally accepted accounting principles: Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance, Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance and Schedule of Funding Progress and Employer Contributions for Other Post-Employment Benefits (OPEB).

City of Lenoir, North Carolina

Required Supplementary Information
Law Enforcement Officers' Special Separation Allowance
 Schedule of Funding Progress and Employer Contributions
 For the Year Ended June 30, 2010

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)
12/31/2009	\$ -	\$ 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%
12/31/2000 *	\$ -	\$ 457,214	\$ 457,214	0.00%	\$ 1,512,697	30.23%

* Reflects changes in actuarial assumptions

	Annual Required Contribution	Percentage Contributed
6/30/2010	\$ 79,384	0.00%
6/30/2009	\$ 75,934	0.00%
6/30/2008	\$ 72,916	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	12/31/2009	Actuarial Assumptions:	
Actuarial Cost Method	Projected Unit Credit	Investment Rate of Return	5.00%
Amortization Method	Level percent of pay closed	Projected Salary Increase	4.5% - 12.3%
Remaining Amortization Period	21 Years	Includes Inflation at	3.75%
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, 2010

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)
12/31/2008	\$ -	\$ 1,717,145	\$ 1,717,145	0.00%	\$ 8,514,138	20.17%

Schedule of Employer Contributions

For the Year Ended June 30, 2010

	Annual Required Contribution	Percentage Contributed
6/30/2010	\$ 79,417	0.00%
6/30/2009	\$ 164,091	0.00%

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 year ended June 30, 2010 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 Comparative Balance Sheets

June 30, 2010 and 2009

(Schedule 1)

	2010	2009
Assets		
Cash and cash equivalents	\$ 5,012,587	\$ 5,367,546
Taxes receivable (net)	338,327	374,765
Accounts receivable (net)	577,161	698,139
Other receivables	408,991	499,714
Prepaid items	12,245	16,791
Due from other funds	51,065	
Total assets	<u>\$ 6,400,376</u>	<u>\$ 6,956,956</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 184,874	\$ 530,079
Deferred revenues	339,247	274,480
Total liabilities	<u>524,121</u>	<u>804,559</u>
Fund balances:		
Reserved by State Statute	1,037,217	1,197,853
Reserved for Prepaid Items	12,245	16,791
Reserved for Powell Bill	-	123,255
Reserved for D.A.R.E.	-	5,876
Reserved for Explorer Post 246	-	7,006
Reserve for Federal Forfeiture	67,607	63,328
Reserved for Wireless 911	297,438	296,893
Reserved for Land Development	680,586	787,563
Reserved for Tourism Development Authority	20,909	-
Unreserved:		
Designated for Police Benefit	-	6,584
Designated for Adopt-A-Cop	-	1,209
Undesignated	3,760,253	3,646,038
Total fund balances	<u>5,876,255</u>	<u>6,152,396</u>
Total liabilities and fund balances	<u>\$ 6,400,376</u>	<u>\$ 6,956,955</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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 1)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
REVENUES:				
Ad valorem taxes				
Taxes - Net of discounts	\$ 7,127,366	\$ 7,205,265	\$ 77,899	\$ 8,067,040
Penalties and interest	40,100	69,019	28,919	60,422
Total	<u>7,167,466</u>	<u>7,274,284</u>	<u>106,818</u>	<u>8,127,462</u>
Other taxes and licenses:				
Local option sales tax	3,678,433	3,349,232	(329,201)	3,588,163
Privilege licenses	50,000	48,307	(1,693)	48,202
Motor vehicle tags	68,500	71,035	2,535	72,778
Gross receipts on rental vehicles	10,000	1,948	(8,052)	8,549
Total	<u>3,806,933</u>	<u>3,470,522</u>	<u>(336,411)</u>	<u>3,717,692</u>
Unrestricted intergovernmental revenues:				
Utilities franchise tax	1,460,000	1,436,846	(23,154)	1,432,627
Beer and wine tax	83,430	27,190	(56,240)	85,122
Total	<u>1,543,430</u>	<u>1,464,036</u>	<u>(79,394)</u>	<u>1,517,749</u>
Restricted intergovernmental revenues:				
State Street - Aid allocation	610,000	562,020	(47,980)	640,081
Contribution from Caldwell County	197,290	197,291	1	144,939
Public safety grants	209,122	325,982	116,860	216,380
Federal forfeitures	53,000	25,115	(27,885)	14,951
Wireless 911 revenues	-	545	545	4,579
Total	<u>1,069,412</u>	<u>1,110,953</u>	<u>41,541</u>	<u>1,020,930</u>
Permits and fees:				
Public safety fees and charges	111,100	85,763	(25,337)	151,214
Public works fees	13,000	19,926	6,926	24,169
Planning department fees and charges	5,500	12,211	6,711	7,665
Total	<u>129,600</u>	<u>117,900</u>	<u>(11,700)</u>	<u>183,048</u>
Sales and services:				
Bulk container service and sales	13,000	1,803	(11,197)	15,272
Solid waste fees	510,000	560,940	50,940	525,142
Cemetery lots and marker sales	105,000	92,144	(12,856)	94,056
Recreation department fees- centers and parks	106,334	105,329	(1,005)	85,586
Recreation department fees- aquatic/fitness center	114,750	138,728	23,978	132,885
Concessions	7,000	9,636	2,636	6,831
Telephone collection fees	19,000	13,939	(5,061)	14,383
Fire line charges	230,000	227,012	(2,988)	210,111

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 2)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
REVENUES (Continued)				
Sales and services (Continued)				
Rentals	\$ 27,700	\$ 27,928	228	\$ 27,700
Vehicle maintenance contracts	440,000	303,910	(136,090)	310,805
Total	<u>1,572,784</u>	<u>1,481,369</u>	<u>(91,415)</u>	<u>1,422,771</u>
Interest on investments	187,000	14,579	(172,421)	109,520
Miscellaneous:				
Other	479,123	542,745	63,622	124,834
Total	<u>479,123</u>	<u>542,745</u>	<u>63,622</u>	<u>124,834</u>
Payment from Component Unit:				
City of Lenoir ABC Board				
Law enforcement	7,500	6,980	(520)	10,770
Profit distribution	225,000	210,000	(15,000)	281,457
Total	<u>232,500</u>	<u>216,980</u>	<u>(15,520)</u>	<u>292,227</u>
Total revenues	<u>16,188,248</u>	<u>15,693,368</u>	<u>(494,880)</u>	<u>16,516,233</u>
EXPENDITURES				
General Government:				
Administrative:				
Salaries and wages	652,360	661,241	(8,881)	627,818
Personnel benefits	190,436	190,476	(40)	205,940
Professional services	54,500	52,947	1,553	56,201
Telephone and postage	26,500	20,374	6,126	24,416
Utilities	18,000	12,421	5,579	12,942
Travel and training	40,000	38,696	1,304	35,678
Maintenance - building and equipment	18,000	8,232	9,768	6,273
Advertising and printing	5,000	2,384	2,616	5,942
Tax collection fees	15,000	11,071	3,929	14,558
Supplies	72,100	48,410	23,691	71,999
Contracted services	130,500	141,091	(10,591)	152,394
Election expense	8,000	8,513	(513)	-
Dues and subscriptions	45,000	42,676	2,324	42,585
Insurance and bonds	31,508	29,084	2,424	33,017
Contribution to Foothills Regional				
Airport	67,320	67,320	-	67,320
Economic development	352,929	350,563	2,366	624,267
Capital improvements and equipment	150,347	133,693	16,654	17,599
Other operating expenses	75,655	44,909	30,746	81,535
Reimbursement of administrative costs for Water Fund	(375,409)	(354,349)	(21,060)	(296,376)
Total Administrative	<u>1,577,746</u>	<u>1,509,754</u>	<u>67,993</u>	<u>1,784,109</u>
Building Maintenance:				
Salaries and wages	175,868	173,582	2,286	169,094
Personnel benefits	66,869	63,598	3,271	67,110
Telephone and postage	2,000	1,677	323	1,724
Travel and training	500	935	(435)	-
Maintenance - building and equipment	37,000	15,865	21,135	17,916
Supplies	5,000	5,635	(635)	6,616

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 3)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
General Government (Continued)				
Building Maintenance (Continued)				
Uniforms	\$ 2,600	\$ 1,776	\$ 824	\$ 1,999
Contracted services	1,000	150	850	147
Insurance and bonds	8,500	7,383	1,117	7,396
Other operating expenses	2,500	1,745	755	2,592
Reimbursement of administrative costs for Water Fund	(34,411)	(12,884)	(21,527)	(12,938)
Total Building Maintenance	<u>267,426</u>	<u>259,462</u>	<u>7,964</u>	<u>261,656</u>
Engineering:				
Salaries and wages	108,552	120,106	(11,554)	130,124
Personnel benefits	35,470	38,317	(2,847)	42,797
Telephone and postage	5,000	4,989	11	5,240
Utilities	19,200	24,716	(5,516)	25,480
Maintenance - building and equipment	44,500	22,044	22,456	24,337
Travel and training	1,500	2,684	(1,184)	3,487
Supplies	2,800	4,515	(1,715)	13,404
Uniforms	650	456	194	2,768
Contracted services	10,000	431	9,569	3,612
Dues and subscriptions	1,100	686	414	757
Insurance and bonds	16,000	13,896	2,104	14,236
Other operating expenses	3,800	3,886	(86)	9,648
Capital improvements and equipment	-	-	-	26,900
Reimbursement of administrative costs for Water Fund	(50,000)	(46,071)	(3,929)	(51,533)
Total Engineering	<u>198,572</u>	<u>190,655</u>	<u>7,917</u>	<u>251,257</u>
Cemetery:				
Salaries and wages	26,943	37,353	(10,410)	54,788
Personnel benefits	10,672	10,617	55	12,402
Telephone and postage	1,000	2,517	(1,517)	1,989
Utilities	12,000	4,817	7,183	2,959
Travel and training	-	250	(250)	-
Maintenance - building and equipment	1,000	1,577	(577)	4,310
Supplies	6,000	4,368	1,632	10,545
Uniforms	400	-	400	-
Contracted services	24,000	3,918	20,082	1,943
Purchase for resale	35,000	51,278	(16,278)	48,920
Insurance and bonds	7,000	6,732	268	5,712
Other operating expenses	2,000	2,803	(803)	-
Total Cemetery	<u>126,015</u>	<u>126,231</u>	<u>(216)</u>	<u>143,569</u>
Vehicle Services:				
Salaries and wages	116,843	110,918	5,925	115,323
Personnel benefits	49,299	47,014	2,285	59,972

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 4)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
General Government (Continued)				
Vehicle Services (Continued)				
Telephone and postage	\$ 2,030	\$ 2,374	\$ (344)	\$ 2,061
Utilities	11,698	22,022	(10,324)	18,649
Maintenance - building and equipment	17,000	11,092	5,908	17,064
Travel and training	4,000	6,979	(2,979)	7,074
Departmental supplies	51,000	80,526	(29,526)	147,858
Uniforms	3,000	5,439	(2,439)	7,657
Contracted services	2,000	4,330	(2,330)	2,482
Capital improvements and equipment		12,449	(12,449)	972,220
Insurance and bonds	10,500	9,120	1,380	8,955
Other operating expenses	378,100	318,186	59,914	271,101
Reimbursement of administrative costs for Water Fund	(90,000)	(85,402)	(4,598)	(86,914)
Total Vehicle Services	555,470	545,047	10,423	1,543,502
Total General Government	2,725,229	2,631,150	94,079	3,984,092
Public Safety:				
Police:				
Salaries and wages	2,693,034	2,601,061	91,973	2,617,590
Personnel benefits	1,107,465	1,098,618	8,847	1,107,045
Professional services	5,000	3,106	1,894	4,620
Telephone and postage	58,630	59,296	(666)	62,848
Utilities	28,000	32,698	(4,698)	30,986
Travel and training	21,510	31,743	(10,233)	42,221
Maintenance - building and equipment	196,250	222,270	(26,020)	190,848
Supplies	73,575	79,788	(6,213)	80,542
Uniforms	31,090	40,034	(8,944)	44,148
Contracted services	92,770	210,196	(117,426)	203,402
Insurance and bonds	164,120	143,164	20,956	139,571
Federal forfeitures	32,000	20,835	11,165	13,271
Police benefit	10,000	4,339	5,661	5,437
Capital improvements and equipment	135,300	75,060	60,240	48,524
D.A.R.E.	6,000	4,046	1,954	4,889
Explorer Post 246	2,000	1,031	969	108
Adopt-A-Cop	5,000	6,194	(1,194)	5,575
Other operating expenses	15,850	22,150	(6,300)	20,100
Total Police	4,677,594	4,655,625	21,969	4,621,724
Fire:				
Salaries and wages	2,082,732	2,124,437	(41,705)	2,038,141
Personnel benefits	805,573	794,707	10,866	796,073

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 5)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
Public Safety (Continued)				
Fire (Continued)				
Professional services	\$ 1,000	\$ 4,720	\$ (3,720)	\$ 80
Telephone and postage	17,190	15,416	1,774	15,775
Utilities	36,782	37,197	(415)	34,152
Travel and training	30,500	19,935	10,565	21,004
Maintenance - building and equipment	84,000	87,510	(3,510)	81,870
Supplies	34,280	21,070	13,210	35,020
Uniforms	30,400	16,510	13,890	80,530
Contracted services	35,500	21,994	13,506	23,685
Dues and subscriptions	5,000	2,888	2,112	2,525
Insurance and bonds	101,873	90,180	11,693	88,158
Other operating expenses	11,703	6,868	4,835	10,098
Total Fire	3,276,533	3,243,432	33,101	3,227,113
Total Public Safety	7,954,127	7,899,057	55,070	7,848,837
Transportation:				
Streets:				
Salaries and wages	412,608	404,691	7,917	406,040
Personnel benefits	169,763	150,537	19,226	149,215
Professional services	19,000	5,154	13,846	15,312
Telephone and postage	2,000	678	1,322	629
Utilities	275,000	293,530	(18,530)	270,591
Travel and training	1,500	936	564	936
Maintenance - building and equipment	177,000	191,796	(14,796)	129,386
Street repairs and maintenance	250,000	214,429	35,571	416,102
Supplies	15,000	5,147	9,853	7,665
Street signs and pavement marking	115,000	85,921	29,079	78,773
Uniforms	6,950	4,226	2,724	4,832
Capital improvements and equipment	60,000	59,023	977	
Insurance and bonds	36,559	33,587	2,972	30,429
Reimbursement of administrative costs for Water Fund	(33,336)	(45,129)	11,793	(35,610)
Other operating expenses	6,000	13,685	(7,685)	5,513
Total Transportation	1,513,044	1,418,212	94,832	1,479,813
Environmental Protection:				
Sanitation:				
Salaries and wages	318,353	306,720	11,633	298,338
Personnel benefits	137,535	119,553	17,982	117,666
Telephone and postage	500	1,938	(1,438)	1,137
Travel and training	2,000	958	1,042	53
Maintenance - building and equipment	97,000	114,650	(17,650)	116,006
Supplies	2,500	1,239	1,261	918
Advertising and printing	1,000	2,299	(1,299)	2,205
Insurance and bonds	30,000	26,373	3,627	28,140
Uniforms	5,000	3,684	1,316	5,339

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 6)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
Environmental Protection (Continued)				
Sanitation (Continued)				
Purchases for resale	\$ 6,200	\$ 269	\$ 5,931	\$ 450
Tipping fees	63,000	65,164	(2,164)	55,318
Recycling services	25,000	24,739	261	15,439
Capital Improvements	-	-	-	253,406
Other operating expenses	2,700	12,217	(9,517)	31,299
Total Environmental Protection	690,788	679,803	10,985	925,713
Economic and Physical Development:				
Downtown District:				
Salaries and wages	98,368	96,162	2,206	96,548
Personnel benefits	29,236	28,323	913	28,110
Professional services	5,000	-	5,000	748
Telephone and postage	3,700	2,097	1,603	1,599
Travel and training	3,500	4,546	(1,046)	3,669
Maintenance - equipment and streetscape	4,000	3,882	118	3,918
Advertising and printing	5,000	6,428	(1,428)	3,389
Departmental supplies	2,500	1,904	596	1,702
Contracted services	15,000	22,739	(7,739)	36,841
Events and promotions	4,500	4,467	33	5,121
Façade incentive grants	25,000	270	24,730	16,747
Dues and subscriptions	2,500	995	1,505	945
Other operating expenses	34,800	24,400	10,400	11,560
Total Downtown District	233,104	196,214	36,890	210,895
Planning:				
Salaries and wages	257,588	208,146	49,442	179,536
Personnel benefits	83,883	72,707	11,176	59,385
Professional services	7,500	30,295	(22,795)	5,474
Contracted services	7,000	7,623	(623)	28,079
Telephone and postage	5,500	4,264	1,236	4,521
Travel and training	8,000	7,613	387	9,830
Maintenance - equipment	7,000	3,165	3,835	6,449
Advertising and printing	4,000	1,522	2,478	1,169
Supplies	10,672	14,515	(3,843)	12,246
Dues and subscriptions	1,500	1,926	(426)	1,536
Insurance and bonds	14,500	12,593	1,907	12,115
Capital improvements and equipment	-	-	-	7,127
Annexation costs	5,000	20	4,980	-
Building demolition	-	20,409	(20,409)	4,575
Other operating expenses	1,500	850	650	1,313
Reimbursement for administrative costs for Water Fund	(42,081)	(55,420)	13,339	(42,817)
Total Planning	371,562	330,229	41,333	290,537
Total Economic and Physical Development	604,666	526,443	78,223	501,433

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 7)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
Culture and Recreation:				
Recreation Centers and Parks:				
Salaries and wages	\$ 486,535	\$ 452,339	\$ 34,196	\$ 446,886
Personnel benefits	152,088	139,053	13,035	137,581
Professional services	1,000	380	620	20,917
Basketball league	9,500	6,899	2,601	12,350
Softball & baseball leagues	10,000	4,770	5,230	10,157
Miscellaneous leagues and programs	62,826	46,912	15,914	20,582
Harambee Festival	9,500	5,215	4,285	14,625
Telephone and postage	14,032	9,139	4,893	10,304
Utilities	91,000	109,252	(18,252)	141,641
Travel and training	8,000	5,792	2,208	7,708
Insurance and bonds	34,700	34,641	59	32,594
Capital improvements and equipment	45,000	1,337	43,664	83,739
Maintenance - building and equipment	77,100	94,200	(17,100)	221,919
Supplies	48,220	40,119	8,101	47,806
Dues and subscriptions	250	158	93	187
Advertising and printing	5,500	6,363	(863)	5,998
Uniforms	1,812	1,214	598	1,705
Contracted services	24,585	33,091	(8,506)	17,374
Concessions and purchases for resale	10,000	7,570	2,430	8,501
Other operating expenses	7,965	9,146	(1,181)	34,733
Total Recreation Centers and Parks	1,099,613	1,007,590	92,023	1,277,308
Aquatic and Fitness Center:				
Salaries and wages	261,508	237,183	24,325	240,887
Personnel benefits	76,934	61,287	15,647	56,322
Miscellaneous leagues and programs	500	-	500	501
Telephone and postage	4,050	2,792	1,258	3,533
Utilities	91,500	103,574	(12,074)	88,652
Travel and training	3,076	3,178	(102)	3,154
Maintenance - building and equipment	20,500	36,155	(15,655)	72,632
Supplies	42,026	40,027	1,999	41,158
Uniforms	1,238	1,321	(83)	1,907
Advertising and printing	6,342	3,660	2,682	3,867
Contracted services	13,825	8,772	5,053	14,835
Dues and Subscriptions	500	289	211	392
Concessions and purchases for resale	6,500	3,803	2,697	4,831
Capital improvements and equipment	-	-	-	38,487
Insurance and bonds	7,800	6,775	1,025	6,442
Other operating expenses	2,012	1,777	235	1,731
Total Aquatic and Fitness Center	538,311	510,593	27,718	579,331
Landscaping:				
Salaries and wages	149,720	150,860	(1,140)	136,372
Personnel benefits	61,642	52,771	8,871	47,411
Telephone and postage	2,000	1,116	884	817
Utilities	4,000	1,297	2,703	1,726
Travel and training	3,000	8	2,992	1,032
Maintenance - building and equipment	36,000	28,034	7,966	37,453
Supplies	42,000	34,354	7,646	24,687

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 2, Page 8)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
EXPENDITURES (Continued)				
Culture and Recreation (Continued)				
Landscaping (Continued)				
Uniforms	\$ 3,000	\$ 2,859	\$ 141	\$ 2,162
Contracted services	12,000	125	11,875	3,500
Capital improvements and equipment	-	35,000	(35,000)	21,699
Insurance and bonds	2,792	2,899	(107)	4,108
Other operating expenses	3,000	1,658	1,342	1,327
Total Landscaping	<u>319,154</u>	<u>310,980</u>	<u>8,174</u>	<u>282,293</u>
Total Culture and Recreation	<u>1,957,078</u>	<u>1,829,163</u>	<u>127,915</u>	<u>2,138,932</u>
Debt Service:				
Principal	858,072	851,467	6,605	854,228
Interest	105,297	106,730	(1,433)	129,489
Total Debt Service	<u>963,369</u>	<u>958,197</u>	<u>5,172</u>	<u>983,717</u>
Total Expenditures	<u>16,408,301</u>	<u>15,942,024</u>	<u>466,277</u>	<u>17,862,537</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(220,053)</u>	<u>(248,656)</u>	<u>(28,603)</u>	<u>(1,346,304)</u>
OTHER FINANCING SOURCES (USES):				
Appropriated fund balance	195,053		(195,053)	
Proceeds from sale of capital assets	25,000	32,515	7,515	31,193
Installment purchase issuance			-	621,653
Transfers in:				
From Special Revenue				994
Transfers out:				
To Capital Projects Fund		(60,000)	(60,000)	
Total other financing sources (uses)	<u>220,053</u>	<u>(27,485)</u>	<u>(247,538)</u>	<u>653,840</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>(276,141)</u>	<u>\$ (276,141)</u>	<u>(692,464)</u>
FUND BALANCE:				
Beginning of year		<u>6,152,396</u>		<u>6,844,860</u>
End of year		<u>\$ 5,876,255</u>		<u>\$ 6,152,396</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; E-911; 2005, 2006, 2007, 2008 and 2009 CDBG Entitlement Programs, and 2006, 2007, 2008 and 2009 Unifour HOME Consortium Programs.

City of Lenoir, North Carolina

Special Revenue Fund

Supplemental Comparative Balance Sheets

June 30, 2010 and 2009

(Schedule 3)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents		\$ 273
Other receivables	\$ 76,031	\$ 52,000
Total assets	<u>\$ 76,031</u>	<u>\$ 52,273</u>
 Liabilities and fund balances		
Liabilities:		
Accounts payable	16,949	1
Due to other funds	51,065	
Total liabilities	<u>68,014</u>	<u>1</u>
Fund balances:		
Undesignated	8,017	52,272
Total fund balances	<u>8,017</u>	<u>52,272</u>
 Total liabilities and fund balances	<u>\$ 76,031</u>	<u>\$ 52,273</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, 2010

(Schedule 4, Page 1)

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
GOVERNOR'S HIGHWAY SAFETY GRANT:					
Revenues:					
Intergovernmental	118,451	63,613	46,334	109,947	(8,504)
Interest earned on investments				-	-
Total revenues	<u>118,451</u>	<u>63,613</u>	<u>46,334</u>	<u>109,947</u>	<u>(8,504)</u>
Expenditures:					
Departmental Supplies	1,685		23,794	23,794	(22,109)
Training	7,500	960	6,330	7,290	210
Capital equipment	153,266	95,916	16,100	112,016	41,250
Total expenditures	<u>162,451</u>	<u>96,876</u>	<u>46,224</u>	<u>143,100</u>	<u>19,351</u>
Expenditures (over) revenues	<u>(44,000)</u>	<u>(33,263)</u>	<u>110</u>	<u>(33,153)</u>	<u>10,847</u>
E-911					
Revenues:					
E-911 charges	-	150,561		150,561	150,561
Interest earned on investments	130,680	10,929	61	10,990	(119,690)
Total revenues	<u>130,680</u>	<u>161,490</u>	<u>61</u>	<u>161,551</u>	<u>30,871</u>
Expenditures:					
Departmental supplies	5,500	18,396		18,396	(12,896)
Maintenance - equipment	1,688	67,282	44,426	111,708	(110,020)
Contracted services	123,492	74,347		74,347	49,145
Total expenditures	<u>130,680</u>	<u>160,025</u>	<u>44,426</u>	<u>204,451</u>	<u>(73,771)</u>
Expenditures (over) revenues	<u>-</u>	<u>1,465</u>	<u>(44,365)</u>	<u>(42,900)</u>	<u>(42,900)</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, 2010
(Schedule 4, Page 2)

Project Authorization	Actual		Total To Date	Variance Positive (Negative)	
	Prior Years	Current Year			
2005 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	169,395	169,395	169,395		
Expenditures:					
Debt principal	129,000	143,000	143,000	(14,000)	
Debt interest	-	60,000	60,000	(60,000)	
Wastewater system improvements	6,516	6,516	6,516	-	
Administration	33,879	40,396	40,396	(6,517)	
Acquisition	288,000	288,000	288,000	-	
Underground utilities	287,429	301,745	301,745	(14,316)	
Demolition	25,746	25,746	25,746	-	
Construction parking facilities	221,000	228,022	228,022	(7,022)	
Construction sidewalks	9,000	9,000	9,000	-	
Engineering and environmental	68,825	40,970	40,970	27,855	
Total expenditures	1,069,395	1,143,395	-	(74,000)	
Expenditures (over) revenues	(900,000)	(974,000)	-	(74,000)	
2006 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	151,895	151,895	151,895		
Expenditures:					
Debt principal	121,516			121,516	
Debt interest		40,656	40,656	(40,656)	
Administration	30,379	63,455	63,455	(33,076)	
Total expenditures	151,895	104,111	-	47,784	
Expenditures (over) revenues	-	47,784	47,784	47,784	
2007 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	151,081	136,519	14,562	151,081	
Expenditures:					
Debt principal	135,981	\$ 77,000	\$ 14,562	\$ 91,562	44,419
Debt interest		\$ 29,303		\$ 29,303	(29,303)
Administration	15,100			\$ -	15,100
Total expenditures	151,081	\$ 106,303	\$ 14,562	\$ 120,865	30,216
Expenditures (over) revenues	-	30,216	-	30,216	30,216
2008 COMMUNITY DEVELOPMENT BLOCK GRANT:					
Revenues:					
Intergovernmental	145,539	15,455	113,291	128,746	(16,793)
Expenditures:					
Debt principal	116,432		\$ 82,000	\$ 82,000	34,432
Debt interest		\$ 4,000	\$ 17,640	\$ 21,640	(21,640)
Administration	29,107	\$ 15,455	\$ 13,651	\$ 29,106	1
Total expenditures	145,539	\$ 19,455	\$ 113,291	\$ 132,746	12,793
Expenditures (over) revenues	-	(4,000)	-	(4,000)	(4,000)

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, 2010
(Schedule 4, Page 3)

		Actual			
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
2009 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:				-	-
Intergovernmental	186,143		46,386	46,386	(139,757)
Expenditures:					
Debt principal	117,297				(117,297)
Debt interest					-
Sidewalk Project	39,522		17,062	17,062	(22,460)
Administration	29,324		29,324	29,324	-
Total expenditures	186,143	-	46,386	46,386	(139,757)
Expenditures (over) revenues	-	-	-	-	-
2006 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,075,187	1,084,207	250	1,084,457	9,270
From ADDI	21,926			-	(21,926)
Program income	299,950	272,699		272,699	(27,251)
Total revenue	1,397,063	1,356,906	250	1,357,156	(39,907)
Expenditures:					
Downpayment assistance	878,417	827,815		827,815	50,602
CHDO	161,128	161,128	250	161,378	(250)
Administration	107,518	114,849		114,849	(7,331)
Multi-family housing	250,000	253,114		253,114	(3,114)
Total expenditures	1,397,063	1,356,906	250	1,357,156	39,907
Expenditures (over) revenues	-	-	-	-	-
2007 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,066,943	993,755	70,041	1,063,796	(3,147)
From ADDI	21,926			-	(21,926)
Program income	249,950	220,631		220,631	(29,319)
Total revenue	1,338,819	1,214,386	70,041	1,284,427	(54,392)
Expenditures:					
Downpayment assistance	822,134	1,003,237		1,003,237	(181,103)
CHDO	160,041	90,000		90,000	70,041
Administration	106,694	86,322		86,322	20,372
Multi-family housing	249,950	34,828	70,041	104,869	145,081
Total expenditures	1,338,819	1,214,387	70,041	1,284,428	54,391
Expenditures (over) revenues	-	(1)	-	(1)	(1)
2008 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,065,471	492,965	511,766	1,004,731	(60,740)
From ADDI	8,859			-	(8,859)
Program income	295,000	205,898		205,898	(89,102)
Total revenue	1,369,330	698,863	511,766	1,210,629	(158,701)
Expenditures:					
Downpayment assistance	512,962	306,122	192,228	498,350	14,612
Program Income	295,000	210,368	21,500	231,868	63,132
CHDO	159,821	100,000	59,829	159,829	(8)
Administration	106,547	82,373	15,209	97,582	8,965
Multi-family housing	295,000		223,000	223,000	72,000
Total expenditures	1,369,330	698,863	511,766	1,210,629	158,701
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, 2010
(Schedule 4, Page 4)

	Project Authorization	Actual		Total To Date	Variance Positive (Negative)
		Prior Years	Current Year		
2009 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,184,021		594,746	594,746	589,275
Program income	220,000		176,165	176,165	43,835
Total revenue	1,404,021	-	770,911	770,911	633,110
Expenditures:					
Downpayment assistance	488,015	-	446,220	446,220	41,795
Program Income	220,000	-	216,165	216,165	3,835
CHDO	177,604				177,604
Administration	118,402	-	108,526	108,526	9,876
Multi-family housing	400,000	-		-	400,000
Total expenditures	1,404,021	-	770,911	770,911	633,110
Expenditures (over) revenues	-	-	-	-	-
Expenditures (over) revenues - all grants	\$ (944,000)	\$ (931,799)	\$ (44,255)	\$ (976,054)	\$ (32,054)
Other financing sources:					
Transfers to General Fund	44,000	30,204		30,204	(13,796)
Proceeds from Section 108 financing	900,000	900,000		900,000	-
Total other financing sources	944,000	930,204	-	930,204	(13,796)
Expenditures (over) revenues - all grants	\$ -	\$ (1,595)	(44,255)	\$ (45,850)	\$ (45,850)
FUND BALANCE:					
Beginning of year			52,272		
End of year			\$ 8,017		

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, 2010

(Schedule 5)

	Capital Project Fund	Permanent Fund
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 234,690	
Cash and cash equivalents-restricted		250,635
Other receivables		806
Total assets	<u>\$ 234,690</u>	<u>\$ 251,441</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 55,195	\$ -
Total liabilities	<u>55,195</u>	<u>-</u>
Fund balances:		
Fund Balance	179,495	251,441
Total fund balances	<u>179,495</u>	<u>251,441</u>
Total liabilities and fund balances	<u>\$ 234,690</u>	<u>\$ 251,441</u>

**Total Nonmajor
Governmental
Funds**

\$	234,690
	250,635
	806
\$	<u>486,131</u>

\$	<u>55,195</u>
	<u>55,195</u>

	<u>430,936</u>
	<u>430,936</u>

\$	<u>486,131</u>
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City of Lenoir, North Carolina

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

For the Year Ended June 30, 2010

(Schedule 6)

	Capital Project Fund	Permanent Fund
Revenues		
Restricted intergovernmental revenues	\$ 496,773	\$ -
Investment earnings	490	3,144
Miscellaneous	55,710	120
Total revenues	<u>552,973</u>	<u>3,264</u>
Expenditures		
Current:		
Capital projects	901,626	-
Total expenditures	<u>901,626</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(348,653)</u>	<u>3,264</u>
Other financing sources (uses)		
From General Fund	60,000	
Total other financing sources (uses)	<u>60,000</u>	<u>-</u>
Net change in fund balances	(288,653)	3,264
Fund balance - beginning	<u>468,148</u>	<u>248,177</u>
Fund balance - ending	<u>\$ 179,495</u>	<u>\$ 251,441</u>

**Total Nonmajor
Governmental
Funds**

\$ 496,773
3,634

55,830

556,237

901,626

901,626

(345,389)

60,000

60,000

(285,389)

716,325

\$ 430,936

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 Broadway Street Bridge, Mulberry Street Bridge, Downtown Streetscape, Greenway, Water Shed Project and Wilson Park Wetland 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, 2010

(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	178,693	304,193	482,886	(237,114)
	<u>720,000</u>	<u>178,693</u>	<u>304,193</u>	<u>482,886</u>	<u>(237,114)</u>
Expenditures:					
Engineering	200,000	230,456	71,510	301,966	(101,966)
Construction	700,000	4,921	390,300	395,221	304,779
Total expenditures	<u>900,000</u>	<u>235,377</u>	<u>461,810</u>	<u>697,187</u>	<u>202,813</u>
Expenditures (over) revenues	<u>(180,000)</u>	<u>(56,684)</u>	<u>(157,617)</u>	<u>(214,301)</u>	<u>(34,301)</u>
MULBERRY STREET BRIDGE					
Revenues:					
NC highway grant	720,000	86,395	87,263	173,658	(546,342)
Expenditures:					
Engineering	200,000	176,199	41,385	217,584	(17,584)
Construction	700,000	18,879		18,879	681,121
Total expenditures	<u>900,000</u>	<u>195,078</u>	<u>41,385</u>	<u>236,463</u>	<u>663,537</u>
Expenditures (over) revenues	<u>(180,000)</u>	<u>(108,683)</u>	<u>45,878</u>	<u>(62,805)</u>	<u>117,195</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		71,276	490	71,766	71,766
Paver revenue	44,700	83,463	55,710	139,173	94,473
Total revenue	<u>719,700</u>	<u>778,954</u>	<u>56,200</u>	<u>835,154</u>	<u>115,454</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	778,434	16,491	794,925	(160,275)
Public Square	169,700	249,789	185,520	435,309	(265,609)
Contingency	45,500			-	45,500
Total expenditures	<u>1,331,700</u>	<u>1,512,989</u>	<u>202,011</u>	<u>1,715,000</u>	<u>(383,300)</u>
Expenditures (over) revenues	<u>(612,000)</u>	<u>(734,035)</u>	<u>(145,811)</u>	<u>(879,846)</u>	<u>(267,846)</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, 2010

(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		88,835	(92,400)
Clean water trust fund grant	40,000	40,000		40,000	-
Contributions from Outside Agency		14,080		14,080	14,080
Interest earned on investments		2,164		2,164	2,164
Property contribution	189,400	189,400		189,400	-
Total revenue	410,635	334,479	-	334,479	(76,156)
Expenditures:					
Administrative	4,200	70,786		70,786	(66,586)
Property acquisition	632,492	229,885		229,885	402,607
Construction	294,486	548,235	127,994	676,229	(381,743)
Total expenditures	931,178	848,906	127,994	976,900	(45,722)
Expenditures (over) revenues	(520,543)	(514,427)	(127,994)	(642,421)	(121,878)
WATERSHED PROJECT					
Revenues:					
NC DENR Grant	250,000	179,432	105,317	284,749	(34,749)
Expenditures:					
Engineering/Construction	250,000	268,445	68,426	336,871	(86,871)
Expenditures (over) revenues		(89,013)	36,891	(52,122)	(121,620)
WILSON PARK WETLAND PROJECT					
Revenues:					
NC DENR Grant	120,000	120,000		120,000	-
Expenditures:					
Engineering/Construction	120,000	139,714		139,714	(19,714)
Expenditures (over) revenues		(19,714)	-	(19,714)	(19,714)
Expenditures (over) under revenues - all projects	(1,492,543)	(1,522,556)	(348,653)	(1,871,209)	(448,164)
OTHER FINANCING SOURCES(USES):					
Financing issuances	504,500	1,094,550		1,094,550	590,050
Transfer from General Fund	988,043	594,928	60,000	654,928	(333,115)
Total other financing sources	1,492,543	1,689,478	60,000	1,749,478	256,935
Revenues and other financing sources over expenditures	\$ -	166,922	(288,653)	\$ (121,731)	\$ (191,229)
Fund balance beginning of year		301,226	468,148		
Fund balance end of year		\$ 468,148	\$ 179,495		

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 8)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
Revenues:				
Cemetery fees	\$ 120	\$ 120		\$ 670
Interest earned on investments	3,144	3,144	-	6,724
Total revenues	<u>3,264</u>	<u>3,264</u>	-	<u>7,394</u>
Revenues over expenditures	<u>3,264</u>	<u>3,264</u>	-	<u>7,394</u>
Other Financing Sources(Uses)				
To General Fund	-		-	
Revenues and other sources under expenditures and other uses	<u>3,264</u>	<u>3,264</u>	-	<u>7,394</u>
Fund Balance:				
Beginning of year		<u>248,177</u>		<u>240,783</u>
End of year		<u>\$ 251,441</u>		<u>\$ 248,177</u>

Agency Fund

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

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2010
(Schedule 9)

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
<u>CheckFree Pay</u>				
Assets				
Cash and cash equivalents	\$ 5,123	\$ 17,790	\$ 19,167	\$ 3,746
Total assets	<u>\$ 5,123</u>	<u>\$ 17,790</u>	<u>\$ 19,167</u>	<u>\$ 3,746</u>
Liabilities				
Due to other funds	\$ 5,123	\$ 17,790	\$ 19,167	\$ 3,746
Total liabilities	<u>\$ 5,123</u>	<u>\$ 17,790</u>	<u>\$ 19,167</u>	<u>\$ 3,746</u>
<u>Flex Spending</u>				
Assets				
Cash and cash equivalents	\$ 1,386	\$ 62,033	\$ 60,812	\$ 2,607
Total assets	<u>\$ 1,386</u>	<u>\$ 62,033</u>	<u>\$ 60,812</u>	<u>\$ 2,607</u>
Liabilities				
Due to other funds	\$ 1,386	\$ 62,033	\$ 60,812	\$ 2,607
Total liabilities	<u>\$ 1,386</u>	<u>\$ 62,033</u>	<u>\$ 60,812</u>	<u>\$ 2,607</u>
<u>Total All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 6,509	\$ 79,823	\$ 79,979	\$ 6,353
Total assets	<u>\$ 6,509</u>	<u>\$ 79,823</u>	<u>\$ 79,979</u>	<u>\$ 6,353</u>
Liabilities				
Due to other funds	\$ 6,509	\$ 79,823	\$ 79,979	\$ 6,353
Total liabilities	<u>\$ 6,509</u>	<u>\$ 79,823</u>	<u>\$ 79,979</u>	<u>\$ 6,353</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 Comparative Balance Sheets**

June 30, 2010

(Schedule 10)

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,791,687	\$ 4,912,471
Accounts receivable (net)	516,227	565,765
Inventories	65,337	63,566
Total current assets	<u>4,373,251</u>	<u>5,541,802</u>
Noncurrent assets		
Capital assets, net	42,946,967	42,239,264
Total noncurrent assets	<u>42,946,967</u>	<u>42,239,264</u>
Total assets	<u>47,320,218</u>	<u>47,781,066</u>
Liabilities		
Current liabilities		
Accounts payable	905,034	451,995
Construction Loan Payable	-	2,566,000
Installment purchase contracts - current	1,394,917	1,417,962
Revolving loan payable - current	392,136	242,992
Customer deposits	105,160	99,725
Compensated absences payable	72,000	72,000
Total current liabilities	<u>2,869,247</u>	<u>4,850,674</u>
Noncurrent liabilities		
Revolving loan payable	3,557,117	971,967
Installment purchase contracts payable	8,972,266	10,367,183
OPEB Liability	29,221	19,691
Compensated absences payable	53,561	45,077
Total noncurrent liabilities	<u>12,612,165</u>	<u>11,403,918</u>
Total liabilities	<u>15,481,412</u>	<u>16,254,592</u>
Net assets		
Invested in capital assets, net of related debt	28,630,531	26,673,159
Unrestricted net assets	3,208,275	4,853,315
Total net assets	<u>\$ 31,838,806</u>	<u>\$ 31,526,474</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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 11, Part I)

	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
REVENUES:				
Operating revenues:				
Water sales	\$ 5,373,697	\$ 4,730,463	\$ (643,234)	\$ 4,796,259
Wastewater treatment charges	2,804,447	2,228,398	(576,049)	2,376,556
Water and sewer taps	60,000	28,400	(31,600)	44,919
Late payment/reconnect fees	197,000	233,229	36,229	254,990
Miscellaneous	43,000	94,946	51,946	55,100
Total operating revenues	<u>8,478,144</u>	<u>7,315,436</u>	<u>(1,162,708)</u>	<u>7,527,824</u>
Nonoperating revenues:				
Interest on investments	75,000	8,236	(66,764)	64,243
Fund balance	188,000	-	(188,000)	
TOTAL REVENUES	<u><u>\$8,741,144</u></u>	<u><u>\$7,323,672</u></u>	<u><u>(\$1,417,472)</u></u>	<u><u>\$7,592,067</u></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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 11, Part II, Page 1)

EXPENDITURES:	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
Rhodhiss Water Treatment Plant:				
Salaries and wages	\$ 273,322	\$ 279,592	\$ (6,270)	\$ 274,251
Personnel benefits	108,007	102,997	5,010	107,868
Telephone and postage	2,700	3,034	(334)	2,857
Utilities	313,000	341,502	(28,502)	203,925
Travel and training	2,400	605	1,795	817
Maintenance:				
Building and grounds	12,000	4,790	7,210	3,543
Equipment	60,000	81,215	(21,215)	48,238
Motor equipment operation and mainten	7,200	5,713	1,487	6,630
Departmental supplies	11,000	15,852	(4,852)	9,695
Uniforms	3,000	2,158	842	3,337
Contracted services	126,000	134,634	(8,634)	115,928
State testing	20,000	16,089	3,911	21,571
Chemicals	265,000	212,998	52,002	194,877
Insurance and bonds	22,842	20,626	2,216	18,126
Utility service fees	107,015	119,851	(12,836)	105,238
Miscellaneous	9,700	6,678	3,022	6,423
Total Rhodhiss Water Treatment Plant	1,343,186	1,348,334	(5,148)	1,123,323
Water Distribution:				
Salaries and wages	408,622	387,674	20,948	394,491
Personnel benefits	154,082	143,696	10,386	157,553
Professional services	60,000	112,430	(52,430)	54,110
Telephone and postage	38,000	47,695	(9,695)	47,391
Utilities	55,000	31,664	23,336	78,186
Travel and training	2,000	20	1,980	1,323
Maintenance:				
Equipment	12,000	4,426	7,574	3,793
Distribution system	62,000	27,272	34,728	23,660
Motor equipment operation and mainten	56,300	51,254	5,046	52,656
Departmental supplies	100,000	75,005	24,995	75,570
Uniforms	4,000	3,767	233	5,241
Insurance and bonds	71,000	61,666	9,334	62,627
Contracted services	75,000	96,918	(21,918)	39,685
Service extensions	5,000		5,000	
Subdivision reimbursement	50,000	7,920	42,080	27,980
Miscellaneous	5,500	3,417	2,083	14,906
Utility service fees	107,015	119,851	(12,836)	105,238
Economic development	150,000	51,677	98,323	174,342
Total Water Distribution	1,415,519	1,226,352	189,167	1,318,751
Water Resources				
Salaries and wages	262,441	250,198	12,243	221,454
Personnel benefits	89,160	82,025	7,135	72,269
Professional services	70,000	84,853	(14,853)	48,620

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
Water Resources (Continued)				
Travel and training	\$ 4,000	\$ 2,171	\$ 1,829	\$ 2,492
Telephone and postage	3,500	3,680	(180)	3,633
Equipment maintenance	36,500	22,726	13,774	13,727
Motor equipment operation and mainten	22,500	18,735	3,765	11,660
Departmental supplies	7,000	2,045	4,955	4,277
Uniforms	1,200	1,424	(224)	1,216
Contracted services	5,000	4,387	613	5,176
Insurance and bonds	950	825	125	766
Miscellaneous	5,350	2,356	2,994	2,467
Total Water Resources	507,601	475,425	32,176	387,756
Wastewater Collection				
Salaries and wages	189,043	170,889	18,154	166,175
Personnel benefits	68,903	63,955	4,948	67,971
Professional services	30,000	23,576	6,424	50,592
Telephone and postage	1,000	702	298	555
Utilities	20,500	10,466	10,034	20,259
Travel and training	2,000	15	1,985	583
Maintenance:				
Equipment	8,000	538	7,462	970
Sewage collection system	114,000	29,374	84,626	22,210
Motor equipment operation and mainten	35,000	27,786	7,214	34,604
Departmental supplies	20,000	8,854	11,146	15,513
Uniforms	2,500	1,386	1,114	2,314
Contracted services	90,000	32,445	57,555	57,042
Subdivision reimbursement	50,000	7,920	42,080	27,979
Insurance and bonds	53,809	53,552	257	50,011
Miscellaneous	30,500	3,466	27,034	3,682
Service extensions	5,000	-	5,000	480
Utility service fees	107,015	119,851	(12,836)	105,238
Total Wastewater Collection	827,270	554,775	272,495	626,179
Lower Creek Wastewater Treatment Plant:				
Salaries and wages	283,453	295,219	(11,766)	289,244
Personnel benefits	112,718	111,606	1,112	107,043
Professional services	160,000	2,431	157,569	1,480
Telephone and postage	4,000	2,751	1,249	3,539
Utilities	295,000	316,220	(21,220)	303,092
Travel and training	3,000	466	2,534	1,226
Maintenance:				
Building and grounds	10,000	4,279	5,721	316
Equipment	55,000	101,562	(46,562)	39,523
Motor equipment operation and mainten	15,000	13,993	1,007	10,175
Departmental supplies	2,000	51,558	(49,558)	31,258
Uniforms	1,500	2,255	(755)	1,530
Contracted services	9,500	11,256	(1,756)	13,367
Chemicals	180,000	160,905	19,095	184,375
Insurance and bonds	23,203	20,340	2,863	18,294
Miscellaneous	7,500	9,486	(1,986)	7,625
Utility service fees	107,015	119,851	(12,836)	105,238
Total Lower Creek Wastewater Treatment Plant	1,268,889	1,224,178	44,711	1,117,324

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2010		VARIANCE POSITIVE (NEGATIVE)	2009
	BUDGET	ACTUAL		ACTUAL
Gunpowder Wastewater Treatment Plant:				
Salaries and wages	\$ 47,068	\$ 47,071	\$ (3)	\$ 46,384
Personnel benefits	17,527	16,306	1,221	17,098
Professional services	5,000	14,488	(9,488)	4,210
Telephone and postage	3,000	3,455	(455)	3,265
Utilities	173,000	143,871	29,129	148,447
Travel and training	500	-	500	-
Maintenance:				
Building and grounds	7,500	4,646	2,854	1,558
Equipment	12,000	11,873	127	8,962
Motor equipment operation and mainten	12,000	8,741	3,259	6,876
Departmental supplies	10,000	25,047	(15,047)	9,465
Uniforms	1,600	1,260	340	1,235
Contracted services	8,000	7,524	476	18,304
Chemicals	80,000	59,300	20,700	76,532
Insurance and bonds	17,605	15,290	2,315	13,880
Miscellaneous	4,200	2,031	2,169	3,630
Utility service fees	107,015	119,851	(12,836)	105,238
Total Gunpowder Wastewater Treatment Plant	<u>506,015</u>	<u>480,754</u>	<u>25,261</u>	<u>465,085</u>
Wastewater Pretreatment:				
Salaries and wages	94,651	97,942	(3,291)	92,230
Personnel benefits	34,777	33,959	818	32,941
Travel and training	450	1,395	(945)	581
Equipment maintenance	1,000	186	814	876
Motor equipment operation and mainten	2,200	1,112	1,088	1,260
Uniforms	450	280	170	274
Supplies	24,000	17,536	6,464	13,578
Contracted services	35,000	27,073	7,927	29,683
Miscellaneous	1,000	3,714	(2,714)	624
Total Wastewater Pretreatment	<u>193,528</u>	<u>183,197</u>	<u>10,331</u>	<u>172,048</u>
Budgetary appropriations:				
Interest paid	456,334	456,328	6	509,737
Debt principal	2,034,802	1,660,953	373,849	1,654,669
Capital outlay:				
Water and sewer systems	188,000		188,000	18,731
Equipment		54,710	(54,710)	469,254
Total budgetary appropriations	<u>2,679,136</u>	<u>2,171,991</u>	<u>507,145</u>	<u>2,652,392</u>
TOTAL EXPENDITURES	<u>\$ 8,741,144</u>	<u>\$ 7,665,006</u>	<u>\$ 1,076,138</u>	<u>\$ 7,862,858</u>

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, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

(Schedule 11, Part III)

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

	2010 <u>Actual</u>	2009 <u>Actual</u>
Total revenues and other financing sources on Schedule 7, Part I, Water and Sewer	\$ 7,323,672	\$ 7,592,067
Total expenditures on Schedule 7, Part II, Water and Sewer	<u>7,665,006</u>	<u>7,862,858</u>
Revenues and other sources over (under) expenditures and other uses:	<u>(341,334)</u>	<u>(270,791)</u>
Reconciling items:		
Debt principal	1,660,953	1,654,669
Bad Debt Expense (Increase)	-	(50,000)
(Increase) decrease in OPEB Liability	(9,530)	(19,691)
Capital outlay	54,710	487,985
Interest earned Capital Projects	1,430	13,752
(Increase) decrease in accrued vacation pay	(8,484)	(6,534)
Depreciation expense	<u>(1,045,413)</u>	<u>(993,807)</u>
Total reconciling items	<u>653,666</u>	<u>1,086,374</u>
Change in Net Assets (Exhibit G)	<u>\$ 312,332</u>	<u>\$ 815,583</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 Whitnel Pump Station.

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, 2010

(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	177,168	62,382
Total expenditures	271,000	-	177,168	177,168	93,832
Expenditures (under) revenues	(271,000)	-	(177,168)	(177,168)	(93,832)
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)	(177,168)	(177,168)
BERNHARDT PLANT RENOVATIONS:					
Revenues:					
Clean Water Trust Fund Grant	\$ 350,000	\$ 350,000		\$ 350,000	\$ -
Interest on investments	-	116,518	782	117,300	117,300
Total revenues	350,000	466,518	782	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	503,314		503,314	367,066
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		400,149	70,057	470,206	(470,206)
Blue Ridge Forest	188,000		7,415	7,415	180,585
Purchase of land	900,000	906,458		906,458	(6,458)
Total expenditures	2,638,000	2,220,534	77,472	2,298,006	339,994
Expenditures (under) revenues	(2,288,000)	(1,754,016)	(76,690)	(1,830,706)	457,294
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					
	-	345,984	(76,690)	269,294	269,294

**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, 2010

(Schedule 12, Page 2)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
RAW WATER INTAKE					
Revenues:					
Contributions from Outside Sources		550,000		550,000	550,000
Grants	1,500,000				(1,500,000)
Interest on investments		68,194		68,194	68,194
Total revenues	<u>1,500,000</u>	<u>618,194</u>	<u>-</u>	<u>618,194</u>	<u>(881,806)</u>
Expenditures:					
Engineering/surveying	780,000	3,392	152,411	155,803	624,197
Construction	5,020,000		1,141,661	1,141,661	3,878,339
Contingency	750,000				750,000
Total expenditures	<u>6,550,000</u>	<u>3,392</u>	<u>1,294,072</u>	<u>1,297,464</u>	<u>5,252,536</u>
Expenditures (under) revenues	(5,050,000)	614,802	(1,294,072)	(679,270)	4,370,730
Other financing sources (uses):					
State Revolving Loan issuance	<u>5,050,000</u>		<u>-</u>	<u>-</u>	<u>(5,050,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>614,802</u>	<u>(1,294,072)</u>	<u>(679,270)</u>	<u>(679,270)</u>
WHITNEL PUMP STATION					
Revenues:					
Contributions from Outside Sources	500,000	500,000		500,000	-
Interest on investments		8,841	648	9,489	9,489
Total revenues	<u>500,000</u>	<u>508,841</u>	<u>648</u>	<u>509,489</u>	<u>9,489</u>
Expenditures:					
Engineering/surveying	500,000	547,858		547,858	(47,858)
Construction	2,958,000	2,814,761	149,695	2,964,456	(6,456)
Contingency	142,000			-	142,000
Total expenditures	<u>3,600,000</u>	<u>3,362,619</u>	<u>149,695</u>	<u>3,512,314</u>	<u>87,686</u>
Expenditures (under) revenues	(3,100,000)	(2,853,778)	(149,047)	(3,002,825)	97,175
Other financing sources (uses):					
State Revolving Loan issuance	<u>3,100,000</u>	<u>2,566,000</u>	<u>411,285</u>	<u>2,977,285</u>	<u>(122,715)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>(287,778)</u>	<u>262,238</u>	<u>(25,540)</u>	<u>(25,540)</u>
Total Water and Sewer Capital Project Fund	<u>\$ -</u>	<u>\$ 673,008</u>	<u>\$ (1,285,692)</u>	<u>\$ (612,684)</u>	<u>\$ (612,684)</u>

Additional Financial Data

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

City of Lenoir, North Carolina

Schedule of Cash and Investment Balances

June 30, 2010

(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	214,992	214,992
In escrow accounts	531,129	531,129
In certificates of deposit	2,519,646	2,519,646
Total Cash	<u>3,267,752</u>	<u>3,267,752</u>
Investments - North Carolina Capital Management Trust	6,021,847	6,021,847
Total Cash and Investments	<u>\$ 9,289,599</u>	<u>\$ 9,289,599</u>
Distribution by Funds:		
Governmental Fund types - net of overdrafts	\$ 5,247,277	\$ 5,247,277
Enterprise Fund	3,791,687	3,791,687
Permanent Fund	250,635	250,635
Total	<u>\$ 9,289,599</u>	<u>\$ 9,289,599</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable

June 30, 2010

(Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2009	Additions	Collections and Credits	Uncollected Balance 6/30/2010
2009-2010	\$ -	\$ 7,414,997	\$ 6,982,155	\$ 432,842
2008-2009	422,400		225,301	197,099
2007-2008	204,507		51,235	153,272
2006-2007	118,287		14,141	104,146
2005-2006	91,801		10,967	80,834
2004-2005	43,543		3,977	39,566
2003-2004	45,647		1,066	44,581
2002-2003	36,403		540	35,863
2001-2002	31,621		4,208	27,413
2000-2001	33,524		98	33,426
1999-2000	16,441		16,441	-
Total	\$ 1,044,174	\$ 7,414,997	\$ 7,310,129	1,149,042
Less allowance for uncollectible ad valorem taxes receivable:				
Ad valorem and vehicle			\$ 799,132	
Downtown Service District			11,583	810,715
Ad valorem taxes receivable - net				<u>\$ 338,327</u>
Reconciliation with revenues:				
Ad valorem taxes				\$ 7,274,284
Discounts allowed				83,681
Prior year releases				4,742
Amounts written off per statute of limitations				16,441
Subtotal				<u>7,379,148</u>
Less penalties and interest collected				<u>69,019</u>
Total collections and credits				<u>\$ 7,310,129</u>

City of Lenoir, North Carolina

Analysis of Current Tax Levy

June 30, 2010

(Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 1,327,663,704	\$ 0.54	\$ 7,169,384	\$ 7,169,384	
Downtown Service District	14,752,800	0.25	36,882	36,882	
Motor Vehicles:					
General	94,859,815	0.54	512,243		\$ 512,243
Downtown Service District	59,200	0.25	148		\$ 148
Discoveries			303,323	303,323	
Releases			(606,983)	(597,503)	(9,480)
Total for year	<u>1,437,335,519</u>		7,414,997	6,912,086	502,911
Less uncollected tax at June 30, 2010 (schedule 14)			432,842	330,082	102,760
Current year's taxes collected			<u>\$ 6,982,155</u>	<u>\$ 6,582,004</u>	<u>\$ 400,151</u>
Percent current year collected			94.16%	95.22%	79.57%

*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, 2010
(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	\$ 656,136	\$ 759,098	\$ -	\$ 3,303,073
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	1,391,374	759,098	-	4,908,273
Public Safety:						-
Police	170,165	1,606,695	3,451,558	-	-	5,228,418
Fire	207,202	692,229	3,014,621	-	-	3,914,052
Total public safety	377,367	2,298,924	6,466,179	-	-	9,142,470
Transportation:						
Streets	55,277	3,145,937	1,616,666	39,877,500	1,289,668	45,985,048
Environmental protection:						
Sanitation	9,500	19,969	1,200,125	-	-	1,229,594
Economic & physical development:						
Planning & Main Street	-	12,233	60,377	-	-	72,610
Recreation and culture:						
Recreation	1,507,206	6,475,783	480,152	732,912	152,208	9,348,260
Landscaping	10	54,831	263,949	-	-	318,790
Total recreation & culture	1,507,216	6,530,614	744,101	732,912	152,208	9,667,050
Total governmental funds capital assets	\$ 3,197,386	\$ 13,517,452	\$ 11,478,821	\$ 41,369,510	\$ 1,441,876	\$ 71,005,045

City of Lenoir, North Carolina

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 Eight Fiscal Years

(accrual basis of accounting)
(unaudited)

	Fiscal Year			
	2002-2003	2003-2004	2004-2005	2005-2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 20,780,909	\$ 21,624,643	\$ 22,061,411	\$ 22,394,419
Restricted	657,823	555,638	535,140	793,977
Unrestricted	3,321,546	3,297,785	3,202,086	3,820,178
Total governmental activities net assets	<u>\$ 24,760,278</u>	<u>\$ 25,478,066</u>	<u>\$ 25,798,637</u>	<u>\$ 27,008,574</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 15,028,018	\$ 20,769,721	\$ 22,091,119	\$ 22,490,872
Restricted				
Unrestricted	\$ 7,534,897	\$ 1,806,445	\$ 1,972,867	\$ 4,430,821
Total business-type activities net assets	<u>\$ 22,562,915</u>	<u>\$ 22,576,166</u>	<u>\$ 24,063,986</u>	<u>\$ 26,921,693</u>
Primary government				
Invested in capital assets, net of related debt	\$ 35,808,927	\$ 42,394,364	\$ 44,152,530	\$ 44,885,291
Restricted	657,823	555,638	535,140	793,977
Unrestricted	10,856,443	5,104,230	5,174,953	8,250,999
Total primary government net assets	<u>\$ 47,323,193</u>	<u>\$ 48,054,232</u>	<u>\$ 49,862,623</u>	<u>\$ 53,930,267</u>

	Fiscal Year			
	2006-2007	2007-2008	2008-2009	2009-2010
Governmental activities				
Invested in capital assets, net of related debt	\$ 22,797,645	\$ 22,986,647	\$ 24,252,972	\$ 23,881,197
Restricted	887,159	1,102,646	752,328	319,048
Unrestricted	6,041,293	6,416,440	5,440,565	5,996,460
Total governmental activities net assets	<u>\$ 29,726,097</u>	<u>\$ 30,505,733</u>	<u>\$ 30,445,865</u>	<u>\$ 30,196,705</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 23,447,459	\$ 24,623,994	\$ 26,673,159	\$ 28,630,531
Restricted				
Unrestricted	\$ 5,984,846	\$ 6,086,897	\$ 4,853,315	\$ 3,208,275
Total business-type activities net assets	<u>\$ 29,432,305</u>	<u>\$ 30,710,891</u>	<u>\$ 31,526,474</u>	<u>\$ 31,838,806</u>
Primary government				
Invested in capital assets, net of related debt	\$ 46,245,104	\$ 47,610,641	\$ 50,926,131	\$ 52,511,728
Restricted	887,159	1,102,646	752,328	319,048
Unrestricted	12,026,139	12,503,337	10,293,880	9,204,735
Total primary government net assets	<u>\$ 59,158,402</u>	<u>\$ 61,216,624</u>	<u>\$ 61,972,339</u>	<u>\$ 62,035,511</u>

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 Eight Fiscal Years
(accrual basis of accounting)
(unaudited)

	Fiscal Year			
	2002-2003	2003-2004	2004-2005	2005-2006
Expenses				
Governmental activities:				
General government	\$ 2,067,383	\$ 2,431,126	\$ 2,454,329	\$ 2,287,280
Public safety	6,339,563	7,025,752	7,476,799	7,367,978
Transportation	1,771,298	1,929,235	2,001,950	1,987,133
Environmental protection	1,025,396	692,424	734,558	709,224
Economic and physical development	1,672,187	2,159,820	2,161,581	2,232,939
Culture and recreation	1,266,873	1,610,944	1,545,599	1,650,517
Interest and fees	145,307	67,979	94,776	96,311
Total governmental activities expenses	<u>14,288,007</u>	<u>15,917,280</u>	<u>16,469,592</u>	<u>16,331,382</u>
Business-type activities:				
Water and sewer	6,489,489	6,085,390	5,980,258	6,180,758
Total primary government expenses	<u>\$ 20,777,496</u>	<u>\$ 22,002,670</u>	<u>\$ 22,449,850</u>	<u>\$ 22,512,140</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 807,755	\$ 719,012	\$ 842,158	\$ 919,369
Public safety	48,425	66,927	79,986	177,690
Transportation	25,932	25,274	12,316	32,916
Environmental protection	637,931	86,438	14,958	452,279
Economic and physical development	6,575	7,412	7,648	5,625
Culture and recreation	168,804	164,448	153,557	152,553
Operating grants and contributions	2,271,344	2,737,525	2,534,568	2,956,330
Capital grants and contributions		1,306,050	1,532,924	391,751
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>
Business-type activities:				
Charges for services:				
Water and sewer	5,561,166	5,860,885	6,799,186	7,011,120
Operating grants and contributions	-	-	-	-
Capital grants and contributions	25,000		365,400	1,580,890
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>
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>
Net (Expense)/Revenue				
Governmental activities	\$ (10,321,241)	\$ (10,804,194)	\$ (11,291,477)	\$ (11,242,869)
Business-type activities	(903,323)	(224,505)	1,184,328	2,411,252
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>

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

	Fiscal Year			
	2002-2003	2003-2004	2004-2005	2005-2006
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
Other taxes and licenses	2,381,079	2,648,948	2,844,646	2,992,602
Unrestricted intergovernmental	1,255,464	1,239,037	1,272,757	1,165,617
Miscellaneous	82,511	836,368	792,211	837,805
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
Interest earned on investments	57,725	45,437	53,823	146,230
Total governmental activities	10,394,079	11,521,984	11,612,051	12,452,806
Business-type activities:				
Miscellaneous	159,747	150,274	151,235	274,373
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
Total business-type activities	(325,390)	(382,581)	303,491	446,455
Total primary government	\$ 10,068,689	\$ 11,139,403	\$ 11,915,542	\$ 12,899,261
Changes in Net Assets				
Governmental activities	\$ 72,838	\$ 717,790	\$ 320,574	\$ 1,209,937
Business-type activities	(1,228,713)	(607,086)	1,487,819	2,857,707
Total primary government	\$ (1,155,875)	\$ 110,704	\$ 1,808,393	\$ 4,067,644

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 Eight Fiscal Years
(accrual basis of accounting)
(unaudited)

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

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

	Fiscal Year			
	2006-2007	2007-2008	2008-2009	2009-2010
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Ad valorem taxes	\$ 6,995,180	\$ 7,127,521	\$ 8,076,972	\$ 7,206,622
Other taxes and licenses	3,249,329	3,964,985	3,717,692	3,470,522
Unrestricted intergovernmental	1,244,682	1,424,792	1,517,749	1,464,036
Miscellaneous	765,656	384,877	435,693	598,575
Gain (loss) on sale of fixed assets		12,225	25,862	29,815
Transfers	-	-		
Payment from ABC Board	164,229	152,732	292,227	216,980
Interest earned on investments	284,435	288,351	122,035	18,273
Total governmental activities	12,703,511	13,355,483	14,188,230	13,004,823
Business-type activities:				
Miscellaneous	37,690	295,403	55,100	94,946
Gain (loss) on sale of fixed assets	-	-		
Transfers	-	-		
Interest earned on investments	257,750	236,414	77,995	9,666
Total business-type activities	295,440	531,817	133,095	104,612
Total primary government	\$ 12,998,951	\$ 13,887,300	\$ 14,321,325	\$ 13,109,435
Changes in Net Assets				
Governmental activities	\$ 2,717,523	\$ 779,636	\$ (59,868)	\$ (249,160)
Business-type activities	2,510,612	1,278,586	815,583	312,332
Total primary government	\$ 5,228,135	\$ 2,058,222	\$ 755,715	\$ 63,172

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				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
General Fund					
Reserved	\$ 1,440,845	\$ 1,380,124	\$ 1,478,239	\$ 1,573,129	\$ 1,769,710
Unreserved	2,249,785	1,530,534	2,163,738	1,797,042	2,024,965
Designated for subsequent year's expenditures	268,535	331,800	419,765	470,000	-
Total general fund	<u>\$ 3,959,165</u>	<u>\$ 3,242,458</u>	<u>\$ 4,061,742</u>	<u>\$ 3,840,171</u>	<u>\$ 3,794,675</u>
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue funds	\$ -	\$ -	\$ -	\$ 37,003	\$ 3
Capital project funds	79,434	1,374,587	181,626	217,020	152,022
Permanent fund	-	-	274,126	263,170	276,356
Total all other governmental funds	<u>\$ 79,434</u>	<u>\$ 1,374,587</u>	<u>\$ 455,752</u>	<u>\$ 517,193</u>	<u>\$ 428,381</u>

	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
General Fund					
Reserved	\$ 2,120,509	\$ 3,414,011	\$ 3,525,760	\$ 2,498,565	\$ 2,116,002
Unreserved	2,285,977	3,188,151	3,319,100	3,653,831	3,760,253
Designated for subsequent year's expenditures	-	-	-	-	-
Total general fund	<u>\$ 4,406,486</u>	<u>\$ 6,602,162</u>	<u>\$ 6,844,860</u>	<u>\$ 6,152,396</u>	<u>\$ 5,876,255</u>
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue funds	\$ 90,007	\$ 87,648	\$ 194,704	\$ 52,272	\$ 8,017
Capital project funds	401,225	607,438	757,817	468,148	179,495
Permanent fund	287,821	230,543	240,783	248,177	251,441
Total all other governmental funds	<u>\$ 779,053</u>	<u>\$ 925,629</u>	<u>\$ 1,193,304</u>	<u>\$ 768,597</u>	<u>\$ 438,953</u>

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

(modified accrual basis of accounting)
(unaudited)

	Fiscal Year				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Revenues					
Ad valorem taxes	\$ 4,784,818	\$ 5,389,966	\$ 5,918,019	\$ 5,885,658	\$ 6,352,006
Other taxes and licenses	2,066,936	1,993,631	2,381,079	2,648,948	2,844,646
Unrestricted intergovernmental revenues	2,297,415	1,240,304	1,255,464	1,239,037	1,272,757
Restricted intergovernmental revenues	2,179,010	2,549,954	2,271,344	2,737,525	2,737,488
Permits and fees	97,051	99,163	83,900	1,434,444	168,753
Sales and services	1,422,361	1,436,406	1,611,522	941,117	941,870
Investment earnings	183,466	94,223	57,725	45,437	53,823
Miscellaneous	145,329	131,744	82,511	836,368	2,122,215
Payment from ABC Board	251,670	250,969	219,711	228,609	218,371
Total revenues	<u>13,428,056</u>	<u>13,186,360</u>	<u>13,881,275</u>	<u>15,997,143</u>	<u>16,711,929</u>
Expenditures					
General government	2,223,360	2,064,277	1,824,162	2,363,329	2,321,369
Public safety	6,104,094	6,166,215	5,931,083	6,673,594	7,153,289
Transportation	1,142,769	1,344,519	1,032,493	1,226,625	1,198,540
Environmental protection	962,760	1,028,149	937,413	628,934	675,569
Economic and physical development	1,227,503	1,674,858	1,663,931	2,153,791	2,152,590
Cultural and recreation	1,443,705	1,352,582	1,135,762	1,483,969	1,411,359
Capital outlay	512,959	822,460	1,331,185	2,335,600	2,462,304
Debt service:					
Interest	26,400	19,800	124,942	67,980	94,775
Principal	100,000	100,000	782,404	697,971	601,831
Total expenditures	<u>13,743,550</u>	<u>14,572,860</u>	<u>14,763,375</u>	<u>17,631,793</u>	<u>18,071,626</u>
Excess of revenues over (under) expenditures	<u>(315,494)</u>	<u>(1,386,500)</u>	<u>(882,100)</u>	<u>(1,634,650)</u>	<u>(1,359,697)</u>
Other Financing Sources (Uses)					
Proceeds from installment purchase	189,632	1,765,456	-	892,500	1,199,300
Proceeds from disposal of capital assets	184,198	-	36,990	-	112,461
Transfers in	318,178	263,765	572,361	712,881	265,635
Transfers out	(41,155)	(64,275)	(89,624)	(130,861)	(352,006)
Total other financing sources (uses)	<u>650,853</u>	<u>1,964,946</u>	<u>519,727</u>	<u>1,474,520</u>	<u>1,225,390</u>
Net change in fund balances	<u>\$ 335,359</u>	<u>\$ 578,446</u>	<u>\$ (362,373)</u>	<u>\$ (160,130)</u>	<u>\$ (134,307)</u>
Debt service as a percentage of noncapital expenditures	0.96%	0.87%	6.76%	5.01%	4.46%

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				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Revenues					
Ad valorem taxes	\$ 7,054,808	\$ 7,021,088	\$ 7,058,906	\$ 8,127,462	\$ 7,274,284
Other taxes and licenses	2,992,602	3,249,329	3,964,985	3,717,692	3,470,522
Unrestricted intergovernmental revenues	1,165,617	1,244,682	1,424,792	1,517,749	1,464,036
Restricted intergovernmental revenues	3,253,485	3,090,169	2,974,919	2,877,185	1,110,953
Permits and fees	136,040	138,612	142,632	183,048	117,900
Sales and services	1,509,588	1,501,516	1,603,518	1,422,771	1,481,369
Investment earnings	146,230	284,435	288,351	122,034	14,578
Miscellaneous	1,027,205	2,265,656	339,070	194,559	542,745
Payment from ABC Board	207,863	164,229	152,732	292,227	216,980
Total revenues	17,493,438	18,959,716	17,949,905	18,454,728	15,693,367
Expenditures					
General government	2,171,212	3,648,956	2,957,706	3,984,092	2,485,008
Public safety	7,080,079	7,288,312	7,446,694	7,945,639	7,823,997
Transportation	1,176,854	1,062,932	1,232,217	1,479,813	1,359,189
Environmental protection	653,224	568,268	702,619	925,713	679,803
Economic and physical development	2,355,938	1,590,722	2,038,156	1,505,639	526,443
Cultural and recreation	1,507,834	1,675,889	1,660,371	2,138,932	1,794,162
Capital outlay	3,275,177	930,585	529,984	1,154,897	315,225
Debt service:					
Interest	98,281	203,560	146,795	158,793	851,467
Principal	717,440	837,537	1,066,530	931,228	106,730
Total expenditures	19,036,039	17,806,761	17,781,072	20,224,745	15,942,024
Excess of revenues over (under) expenditures	(1,542,601)	1,152,955	168,833	(1,770,017)	(248,657)
Other Financing Sources (Uses)					
Proceeds from installment purchase	2,454,000	1,189,297	305,000	621,653	
Proceeds from disposal of capital assets	51,084		36,540	31,193	32,516
Transfers in	173,725	285,946	300,000		
Transfers out	(173,725)	(285,946)	(300,000)		(60,000)
Total other financing sources (uses)	2,505,084	1,189,297	341,540	652,846	(27,484)
Net change in fund balances	\$ 962,483	\$ 2,342,252	\$ 510,373	\$ (1,117,171)	\$ (276,141)
Debt service as a percentage of noncapital expenditures	5.18%	6.17%	7.03%	5.72%	6.13%

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
2009-2010	\$ 1,295,925,277	\$ 226,385,486	\$ 47,677,991	\$ 179,894,259	\$ 1,342,416,504	\$ 0.540
2008-2009	\$ 1,278,292,193	\$ 394,815,479	\$ 52,755,382	\$ 180,616,306	\$ 1,492,491,366	\$ 0.540
2007-2008	\$ 1,035,914,424	\$ 289,825,992	\$ 48,887,415	\$ 16,267,165	\$ 1,309,473,251	\$ 0.540
2006-2007	\$ 1,018,965,821	\$ 276,199,997	\$ 45,431,078	\$ 16,267,165	\$ 1,278,898,653	\$ 0.540
2005-2006	* \$ 995,405,224	\$ 299,678,338	\$ 40,670,706	\$ 15,925,498	\$ 1,279,158,064	\$ 0.540
2004-2005	\$ 862,613,830	\$ 289,804,027	\$ 41,022,024	\$ 12,274,563	\$ 1,140,143,294	\$ 0.540
2003-2004	\$ 850,939,400	\$ 266,423,454	\$ 42,614,115	\$ 11,716,920	\$ 1,105,645,934	\$ 0.500
2002-2003	\$ 891,189,200	\$ 325,838,422	\$ 43,193,844	\$ 11,579,713	\$ 1,205,447,909	\$ 0.500
2001-2002	* \$ 772,679,416	\$ 318,521,097	\$ 43,324,613	\$ 7,637,773	\$ 1,083,562,740	\$ 0.470
2000-2001	\$ 654,611,300	\$ 303,036,732	\$ 41,188,731	\$ 7,230,115	\$ 950,417,917	\$ 0.490

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
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
2000-2001	\$ 0.4900	\$ 0.1900	\$	\$ 0.5829	\$ 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	2000				2009		
	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
Broyhill Furniture Industries, Inc.	\$ 81,427,410	1	\$ 991,606,648	8.21%	\$ 26,987,008	3	\$ 1,437,335,519
Bernhardt Furniture Company	33,146,400	2		3.34%	\$ 29,812,159	2	
Kincaid Furniture Company, Inc.	21,428,699	3		2.16%	\$ 18,630,259	5	
Cambridge Industries, Inc.	15,959,375	4		1.56%			
Yale/Nacco Materials Handling Corp.	13,828,142	5		1.39%			
Singer Furniture	13,031,200	6		1.31%			
BellSouth	12,914,618	7		1.30%			
American & Efird Thread Mills, Inc./Paxar	12,234,698	8		1.23%			
Duke Energies	12,047,359	9		1.21%	\$ 19,389,370	4	
Thomasville Furniture Industries	10,600,727	10		1.07%	\$ 12,585,818	7	
Google/Tapaha					\$ 127,097,761	1	
Bemis					\$ 15,487,004	6	
Neptco					\$ 12,197,513	8	
Meridian Automotive					\$ 11,499,815	9	
Greer Labs					\$ 11,082,720	10	
Total	<u>\$ 226,618,628</u>		<u>\$ 991,606,648</u>	22.80%	<u>\$ 284,769,427</u>		<u>\$ 1,437,335,519</u>

Source: Caldwell County Tax Assessor

**Percentage of
Total City Taxable
Assessed
Value**

1.88%
2.07%
1.30%

0.00%
0.00%
0.00%
0.00%
1.35%
0.88%

8.84%
1.08%
0.85%
0.80%

19.04%

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
2010	\$ 7,414,997	\$ 6,982,155	94.16%		\$ 6,982,155	94.16%
2009	\$ 8,360,977	\$ 7,938,577	94.95%	\$ 225,301	\$ 8,163,878	97.64%
2008	\$ 7,256,869	\$ 6,833,707	94.17%	\$ 269,890	\$ 7,103,597	97.89%
2007	\$ 7,142,878	\$ 6,823,643	95.53%	\$ 215,089	\$ 7,038,732	98.54%
2006	\$ 7,112,171	\$ 6,819,748	95.89%	\$ 211,589	\$ 7,031,337	98.86%
2005	\$ 6,379,392	\$ 6,087,777	95.43%	\$ 252,049	\$ 6,339,826	99.38%
2004	\$ 5,977,735	\$ 5,700,813	95.37%	\$ 232,341	\$ 5,933,154	99.25%
2003	\$ 6,144,931	\$ 5,827,731	94.84%	\$ 281,337	\$ 6,109,068	99.42%
2002	\$ 5,340,571	\$ 5,136,066	96.17%	\$ 177,092	\$ 5,313,158	99.49%
2001	\$ 4,878,263	\$ 4,662,112	95.57%	\$ 182,725	\$ 4,844,837	99.31%

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				
2010	\$ -	\$ 2,446,042	\$ 598,000	\$ 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	0.17%	\$ 896	
2008	\$ -	\$ 3,530,084	\$ 757,000	\$ 1,457,951	\$ 13,196,821	\$ 18,941,856	0.14%	\$ 999	
2007	\$ -	\$ 4,291,535	\$ 831,000	\$ 1,700,943	\$ 14,544,131	\$ 21,367,609	0.13%	\$ 1,150	
2006	\$ -	\$ 3,870,775	\$ 900,000	\$ 1,943,935	\$ 15,888,695	\$ 22,603,405	0.12%	\$ 1,223	
2005	\$ -	\$ 3,034,215	\$ -	\$ 2,186,927	\$ 13,824,187	\$ 19,045,329	0.14%	\$ 1,032	
2004	\$ -	\$ 2,436,745	\$ -	\$ 2,429,919	\$ 14,337,723	\$ 19,204,387	0.13%	\$ 1,039	
2003	\$ 100,000	\$ 2,142,218	\$ -	\$ 2,672,910	\$ 15,383,242	\$ 20,298,370	0.12%	\$ 1,098	
2002	\$ 350,000	\$ 2,824,621	\$ -	\$ 2,915,902	\$ 11,994,689	\$ 18,085,212	0.13%	\$ 1,077	
2001	\$ 600,000	\$ 1,679,631	\$ -	\$ 3,158,894	\$ 9,348,714	\$ 14,787,239	0.17%	\$ 928	

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
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
2001	\$ 600,000	0.06%	\$ 37.64

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, 2010
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable
Debt repaid with property taxes		
Caldwell County General Obligation Bonds	\$ 43,825,627	26.74%
Other debt		
Caldwell County equity purchase contracts	7,090,000	26.74%
Subtotal, overlapping debt		
Lenoir direct debt		
Total direct and overlapping debt		

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 unit's total taxable assessed value. This approach was also used for Caldwell County's other debt.

**Estimated
Share of
Direct and
Overlapping
Debt**

\$ 11,718,973

1,895,866

13,614,839

4,105,282

\$ 17,720,121

it by each

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, 2010:

Assessed valuation - January 1, 2009	\$ 1,437,335,519	
Debt Limit - 8% of assessed value		\$ 114,986,842
Gross long-term debt	\$ 17,360,478	
Less statutory deductions		
Bonds applicable to water system	<u>-</u>	<u>17,360,478</u>
Legal debt margin		<u>\$ 97,626,364</u>

	Fiscal Year				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Debt limit	\$ 79,328,517	\$ 90,150,988	\$ 99,891,340	\$ 91,860,804	\$ 91,178,633
Total net debt applicable to limit	<u>14,787,239</u>	<u>18,085,212</u>	<u>20,298,372</u>	<u>19,204,389</u>	<u>19,045,329</u>
Legal debt margin	<u>\$ 64,541,278</u>	<u>\$ 72,065,776</u>	<u>\$ 79,592,968</u>	<u>\$ 72,656,415</u>	<u>\$ 72,133,304</u>
Total net debt applicable to the limit as a percentage of debt limit	18.64%	20.06%	20.32%	20.91%	20.89%

	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Debt limit	\$ 102,141,496	\$ 102,277,255	\$ 104,757,860	\$ 119,399,309	\$ 114,986,842
Total net debt applicable to limit	<u>22,603,405</u>	<u>21,387,609</u>	<u>18,966,321</u>	<u>19,543,613</u>	<u>17,360,478</u>
Legal debt margin	<u>\$ 79,538,091</u>	<u>\$ 80,889,646</u>	<u>\$ 85,791,539</u>	<u>\$ 99,855,696</u>	<u>\$ 97,626,364</u>
Total net debt applicable to the limit as a percentage of debt limit	22.13%	20.91%	18.10%	16.37%	15.10%

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	
2009	19,064	*		*	
2008	18,952	\$	2,246	\$	28,127
2007	18,954	\$	2,162	\$	27,240
2006	18,588	\$	2,177	\$	27,520
2005	18,479	\$	2,086	\$	26,480
2004	18,458	\$	2,039	\$	26,005
2003	18,492	\$	1,984	\$	25,148
2002	18,492	\$	1,945	\$	25,235
2001	16,793	\$	1,965	\$	24,224
2000	15,939	\$	1,855	\$	24,660

Sources: Per capita personal income and personal income are for Caldwell County and is provided by the U.S. Bureau of Economic A
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

**Unemployment
Rate**

- 13.4%
- 10.7%
- 7.4%
- 7.8%
- 7.8%
- 7.3%
- 7.9%
- 8.1%
- 8.3%
- 5.1%

ic Analys

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

Employer	2010		2000	
	Range of Employees	Rank	Range of Employees	Rank
Caldwell County Schools	1,000+	1		
Merchants Distributors	1,000+	2		
Caldwell Memorial Hospital	500-999	3	500-999	4
Bernhardt Furniture Co., Inc.	500-999	4	1,000+	2
Caldwell Community College and Tech Institute	500-999	5		
Broyhill Furniture Industries, Inc.	500-999	6	1,000+	1
Wal-Mart Associates, Inc.	500-999	7		
Caldwell County	500-999	8	500-999	5
Universal Mental Health Services	250-499	9		
Thomasville Furniture Industries, Inc.	250-499	10		
Caldwell Freight Lines, Inc.	250-499	11		
City of Lenoir	250-499	12		
Fairfield Chair Co.	250-499	13	250-499	10
Avery Dennison	250-499	14		
Kincaid Furniture Co., Inc.	250-499	15	1,000+	3
Lowe's Home Centers	250-499	16		
Rpm Wood Finishes Group	250-499	17		
Chemical Coating, Inc.	100-249	16		
Greer Laboratories	100-249	18		
Vantage Foods	100-249	19		
Neptco	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: The Employment Security Commission could not provide data prior to 2000 and could provide data only for Caldwell County. Employment data is only available in ranges. Data for 2000 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				
	2001	2002	2003	2004	2005
General Government					
Administrative	13.0	12.0	12.0	11.0	12.0
Building Maintenance	5.0	5.0	5.0	4.0	4.0
Engineering	3.0	2.0	2.0	3.0	3.0
Cemeteries	2.0	3.0	3.0	3.0	
Vehicle Services	7.0	6.0	6.0	5.5	4.0
Public Safety					
Police	72.0	73.0	74.5	77.0	75.0
Fire	63.0	64.0	62.0	62.0	63.0
Transportation					
Streets	16.0	17.0	15.0	16.0	13.0
Environmental Protection					
Sanitation	13.0	12.0	15.0	13.0	11.0
Economic and Physical Development					
Downtown District	0.5			1.5	2.0
Planning	4.0	3.0	3.0	3.0	3.0
Culture and Recreation					
Centers and Parks	14.5	12.5	7.5	10.5	10.0
Aquatic and Fitness Center	19.0	17.5	13.0	14.5	15.0
Landscaping	8.0	8.0	6.0	9.0	7.0
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	8.5	9.0
Water Distribution	22.0	19.0	13.0	19.5	18.0
Wastewater Collection	3.0	6.0	5.0	7.0	
Wastewater Pretreatment	3.0	3.0	3.0	3.0	6.0
Gunpowder and Lower Creek Wastewater Treatment Plants	10.0	11.0	11.0	11.0	10.0
Total	287.0	283.0	265.0	282.0	268.0

	Full-time-Equivalent Employees as of June 30				
	2006	2007	2008	2009	2010
General Government					
Administrative	10.0	12.5	10.5	14.0	13.0
Building Maintenance	5.0	5.0	5.0	6.0	6.0
Engineering	3.0	3.0	3.0	3.0	2.0
Cemeteries		1.0	1.0	1.0	1.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	70.5	73.0	78.0	76.0	76.0
Fire	60.0	60.0	63.0	65.0	65.0
Transportation					
Streets	15.0	12.0	13.0	14.5	14.5
Environmental Protection					
Sanitation	12.0	13.0	11.5	12.5	12.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	3.0	4.0	4.0	5.0	6.0
Culture and Recreation					
Centers and Parks	9.0	14.0	31.0	29.0	28.0
Aquatic and Fitness Center	17.0	18.5	22.0	22.5	21.0
Landscaping	6.5	6.0	8.0	6.5	6.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	8.0	9.0	9.0	9.0	9.0
Water Distribution	17.0	15.0	17.0	13.0	14.0
Water Resources				6.0	5.0
Wastewater Collection	6.0	6.0	6.0	6.0	6.0
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
Total	262.0	272.0	302.0	309.0	305.5

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

Date of Incorporation: 1851
Form of Government: Council and Manager
Area in Square Miles: 19.1

Program/Function	Fiscal Year				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Police					
Physical arrests	2,584	2,456	2,524	1,546	3,492
Incident reports	3,483	2,556	2,616	2,220	1,471
Parking violations	1,468	1,647	1,815	2,577	2,169
Citations issued	4,507	3,531	2,955	3,269	4,057
Fire					
Calls answered	1,862	1,960	1,854	1,879	1,927
Inspections	498	454	454	413	509
Sanitation					
Refuse collected (tons per day)	*	28.44	28.40	*	*
Streets					
Street resurfacing (miles)	3.50	3.25	3.00	0.00	2.75
Parks and Recreation					
Aquatic/Fitness memberships	*	*	*	*	*
Aquatic/Fitness admissions	*	*	*	*	*
Youth sports participants	443	584	582	588	556
Adult sports participants	454	354	328	417	245
Water system					
New connections	105	103	97	39	99
Water main breaks	44	42	30	81	34
Number of utility customers	8,747	7,207	8,884	9,138	9,478
Daily avg consumption in million gallons	7.3	6.5	6.2	6.2	6.2
Wastewater system					
Number of utility customers	7,095	8,835	7,237	7,489	7,819
Daily avg treatment in million gallons	2.866	2.9	3.576	3.28	3.28

Program/Function	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Police					
Physical arrests	1,878	2,099	1,842	1,861	1,918
Incident reports	2,242	2,087	2,168	2,136	2,221
Parking violations	1,768	1,484	1,442	1,029	858
Citations issued	4,432	3,850	2,837	2,062	2,548
Fire					
Calls answered	2,406	2,599	2,417	2,414	2,566
Inspections	422	490	379	311	405
Sanitation					
Refuse collected (tons per day)	48.68	45.71	34.77	27.58	22.92
Streets					
Street resurfacing (miles)	2.75	1.00	1.50	1.36	0.75
Parks and Recreation					
Aquatic/Fitness memberships	540	1,085	506	743	1,353
Aquatic/Fitness admissions	*		7,369	7,440	9,046
Youth sports participants	366	612	1008	1040	1034
Adult sports participants	203	320	395	558	324
Water system					
New connections	78	56	39	35	25
Water main breaks	52	43	43	38	17
Number of utility customers	9,544	9,647	9,702	9,743	9,670
Daily avg consumption in million gallons	6.3	6.4	6.2	5.8	5.6
Wastewater system					
Number of utility customers	7,851	8,324	8,403	8,463	8,320
Daily avg treatment in million gallons	2.92	3.41	3.41	3.82	4.25

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				
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Police					
Stations	1	1	1	1	1
Substations	0	5	5	5	5
Patrol units	40	72	72	68	38
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	6	6
Streets					
Miles of paved streets	100.42	107.41	107.41	110.66	110.52
Miles of unpaved streets	2.94	3.11	3.11	3.06	3.02
Street lights	2,289	2,336	2,384	2,556	2,496
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	12	8
Baseball/softball diamonds	6	6	6	6	6
Soccer fields	2	11	11	11	11
Miles of greenway	0	0	0	0	2
Water system					
Miles of water lines	198.42	198.75	198.82	199.25	207.8
Fire hydrants	865	987	987	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	195.9
Miles of storm sewers	20	20	21	25	25
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2
Program/Function	Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Police					
Stations	1	1	1	1	1
Substations	5	5	5	5	5
Patrol units	59	52	52	52	52
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	6	6	6	6	7
Streets					
Miles of paved streets	119.66	119.79	120.52	121.55	121.55
Miles of unpaved streets	3.02	2.69	2.64	2.64	2.64
Street lights	2,461	2,545	2,556	2,567	2,575
Parks and Recreation					
Community centers	3	4	4	4	4
Parks	2	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	8	10	10	10	10
Soccer fields	11	11	12	12	12
Miles of greenway	4.38	7.20	7.80	8.00	8.00
Water system					
Miles of water lines	207.8	207.8	208.0	219.4	219.4
Fire hydrants	991	992	992	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	196.07	205.07	205.07	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2

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

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 unit, 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, 2010, which collectively comprises the City of Lenoir's basic financial statements dated August 20, 2010. 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.

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

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

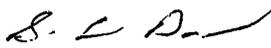
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 2010-1 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 20, 2010

S. Eric Bowman, P.A.

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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 compliance of the City of Lenoir, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (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, 2010. 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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2010.

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

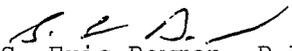
Internal Control Over Compliance

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 in order 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 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 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 20, 2010

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Report On Compliance With Requirements Applicable To
Its Major State Program 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 its major State program for the year ended June 30, 2010. The City of Lenoir's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is 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; and 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 its major State program for the year ended June 30, 2010.

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 in order 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 20, 2010

CITY OF LENOIR, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? ___yes Xno
- * Significant deficiencies identified
that are not considered to be
material weaknesses Xyes ___none reported
- Noncompliance material to financial
statements noted ___yes Xno

Federal Awards

Internal control over major federal programs:

- * Material weakness(es) identified? ___yes Xno
- * Reportable condition(s) identified
that are not considered to be
material weaknesses ___yes Xnone reported

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

Any audit findings disclosed that are required
to be reported in accordance with Section\
510(a) of Circular A-133 ___yes Xno

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
14.239	Home Investments Partnership Program
20.205	U.S. Department of Transportation - Street Improvements
66.468	U.S. Environmental Protection Agency - Drinking Water Loan Assistance

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section I. Summary of Auditor's Results

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

\$300 000

Auditee qualified as low-risk auditee?

X yes ___ no

State Awards

Internal control over major State programs:

* Material weakness(es) identified?

___ yes X no

* 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 State programs: Unqualified

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

___ yes X no

Identification of major State programs:

Program Name

N.C. Department of Transportation:
Powell Bill

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

Internal Controls Over Financial Reporting

2010-1

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.

Schedule of Federal and State Awards
 For the Year Ended June 30, 2010
 (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		\$ 157,176	\$	\$	\$ 157,176
Community Development Block Grant - ARRA	14.253		17,062			17,062
Subtotal Community Development Block Grant			174,238			174,238
Passed Through the N.C. Department of Commerce:						
HOME Investments Partnership Program:						
Unifour HOME Consortium	14.239	M-07-DC-37-0208	70,292			70,292
Unifour HOME Consortium	14.239	M-08-DC-37-0208	511,766			511,766
Unifour HOME Consortium	14.239	M-09-DC-37-0208	594,746			594,746
Subtotal Unifour HOME Consortium			1,176,804			1,176,804
Total U.S. Department of Housing and Urban Development			1,351,042			1,351,042
<u>U.S. Department of Justice</u>						
Direct Program:						
COPS Grant	16.710		50,000		3,636	53,636
Bullet Proof Vests	16.607		5,912			5,912
Total U.S. Department of Justice			55,912		3,636	59,548
<u>Department of Homeland Security</u>						
Passed Through N.C. Department of Crime Control and Public Safety:						
Emergency Assistance	97.036	2008-FF-366	159,122			159,122

Schedule of Federal and State Awards
 For the Year Ended June 30, 2010
 (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 Transportation						
Passed Through the N. C. Department of Transportation:						
Governor's Highway Safety Program	20.600	PT-09-04	173			173
Governor's Highway Safety Program	20.600	PT-10-07	22,366			22,366
Governor's Highway Safety Program	20.610	K9-10-04	23,794			23,794
Subtotal Governor's Highway Safety Program			46,333			46,333
Street Improvements-Broadway Street	20.205	B-3932	304,193		76,048	380,241
Street Improvements-Mulberry Street	20.205	B-3933	87,264		21,816	109,080
Subtotal Street Improvements			391,457		97,864	489,321
Total U.S. Department of Transportation			437,790		97,864	535,654
U.S. Environmental Protection Agency						
Passed Through the N. C. Department of Environment and Natural Resources:						
Drinking Water Revolving Loan Assistance	66.468	DEH 1058	411,285			411,285
Total Federal Cash Awards			<u>\$ 2,415,151</u>	<u>\$</u>	<u>\$ 101,500</u>	<u>\$ 2,516,651</u>

Schedule of Federal and State Awards
For the Year Ended June 30, 2010
 (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			\$ _____	\$ 685,478	\$ _____	\$ 685,478
<u>N.C. Department of Public Instruction</u> Intervention/Prevention Program						
			_____	110,948	_____	110,948
<u>N.C. Department of Environment and Natural Resource</u>						
Clean Water Management Trust			_____	105,317	_____	105,317
Clean Water Bond			_____	40,000	_____	40,000
Total N.C. Department of Environment and Natural Resources						
			_____	145,317	_____	145,317
<u>N.C. Department of Commerce</u> Economic Infrastructure						
			_____	215,510	_____	215,510
			_____	1,157,253	_____	1,157,253
Total State Cash Awards						
			\$ 2,415,151	\$ 1,157,253	\$ 101,500	\$ 3,673,904
Total Federal and State Awards						

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, 2010.

Program Title	Federal CFDA	Amount Outstanding
Section 108 HUD Loan	14,218	\$ 598,000
Drinking Water Revolving Loan	66,468	<u>2,977,285</u>
Total		<u>\$ 3,575,285</u>

CITY OF LENOIR, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2010

Finding: 2010-1

- 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, 2009

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