

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended
June 30, 2019**

City of Lenoir, North Carolina

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

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CITY MANAGER
SCOTT E. HILDEBRAN

CITY OF LENOIR
NORTH CAROLINA

MAYOR
JOSEPH L. GIBBONS

CITY COUNCIL
J. T. BEAL
T. H. PERDUE
J. I. PERKINS
T. J. ROHR
D. F. STEVENS
C. D. THOMAS
B. K. WILLIS

September 19, 2019

Honorable Mayor Joe Gibbons
Members of the Lenoir City Council
Citizens of the City of Lenoir
Lenoir, North Carolina

North Carolina State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to those requirements, we are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lenoir for the fiscal year ended June 30, 2019.

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



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

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

City of Lenoir Profile

Located in the foothills of the Blue Ridge Mountains, the City of Lenoir is the county seat of Caldwell County. Incorporated in 1851 and named in honor of Revolutionary War hero, General William Lenoir, the City has become an industrial center of northwestern North Carolina, as well as being the hub of commercial and government activity in the county. Lenoir is the largest incorporated area in the County and serves a population of 17,938. 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 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 Biosolids Facility Improvement, Hospital Avenue Sidewalk, Mulberry Recreation Center/Optimist Park Expansion, EPA Brownfield Assessment, MeterSYS AML, Water Treatment Plant Upgrades (Phase II), ARC, HOME and CDBG projects.

The appropriated budget is prepared by fund (e.g. general), function (e.g. public safety), and department (e.g. finance). Department heads may request the City Manager, acting as Budget Officer, make transfers of appropriations within a department. Transfers of appropriations between departments can be approved by the City Manager. Actual-to-budget comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For other activities with appropriated annual budgets, this comparison is presented in the Combining and Individual Fund Financial Statement section of this report. Also included in this section are project-length actual-to-budget comparisons for which a project-length budget has been adopted.

Economic condition and outlook

During fiscal year 2018-2019, the economic indicators for Lenoir continued to show improvement. Retail sales tax revenue increased. The Hickory-Lenoir-Morganton MSA unemployment rate remained low with the availability of more private sector jobs. Local business expansions, impacting increased tax revenue for the City, included Exela Pharma Sciences, Woodgrain Millwork, Blue Ridge Energy and Google.

Major initiatives

During the past year, several capital projects were completed. Renovations were completed at the J. E. Broyhill Park where new shelters, bathroom facilities and a basketball court were built. The Bernhardt Water Plant Improvement project was completed for Phase I. The comprehensive asset inventories were completed for the

water and wastewater systems. Several capital projects are in process at this time. As of June 30, 2019, Fire Station III is 95% complete. The Mulberry Recreation Center/Optimist Park Expansion funded by the PARTF grant is nearing completion. The City continues to construct additional segments to the greenway. Currently, there are approximately 10.5 miles of paved greenway within the corporate limits of the City of Lenoir. Phase II of the improvements and upgrades are almost complete at the Bernhardt Water Treatment Plant and the Biosolids project is making progress. The MeterSYS AMI advance metering project is in the early stages as of June 30, 2019. Financing for General Fund and Enterprise Fund projects are evaluated yearly when the annual budget is developed. Operating funds were utilized to fund current General Fund projects with the exception of the Fire Station III project which utilized long term financing. Current Enterprise Fund projects are utilizing long term financing. It is recognized that short and long term financing may be necessary for upcoming projects.

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, 2019, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations relative to grant administration.

Other information

Independent audit – N. C. General Statutes require an annual independent financial audit of all local government units in the State. Eric Bowman, CPA, has audited the financial records of the City and his opinion has been included in this report. His audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as he considered necessary in the circumstances. His unmodified opinion indicates that the accompanying basic financial statements for the fiscal year ended June 30, 2019 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.

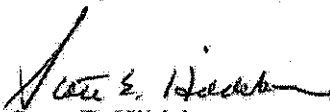
Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lenoir for its comprehensive annual financial report for the year ended June 30, 2018. This was the twenty-first consecutive year that the City of Lenoir has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

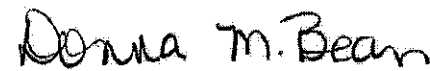
Acknowledgements – We recognize that responsibility for the contents of this report is the City's but it would be inappropriate not to mention the invaluable assistance of the staff in the Morganton, North Carolina, office of our independent auditor, Eric Bowman. Assistance and cooperation was also provided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

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

Sincerely,

CITY OF LENOIR


Scott E. Hildebran
City Manager


Donna M. Bean
Finance Director

City of Lenoir, North Carolina

List of Principal Officials

June 30, 2019

Elected Officials

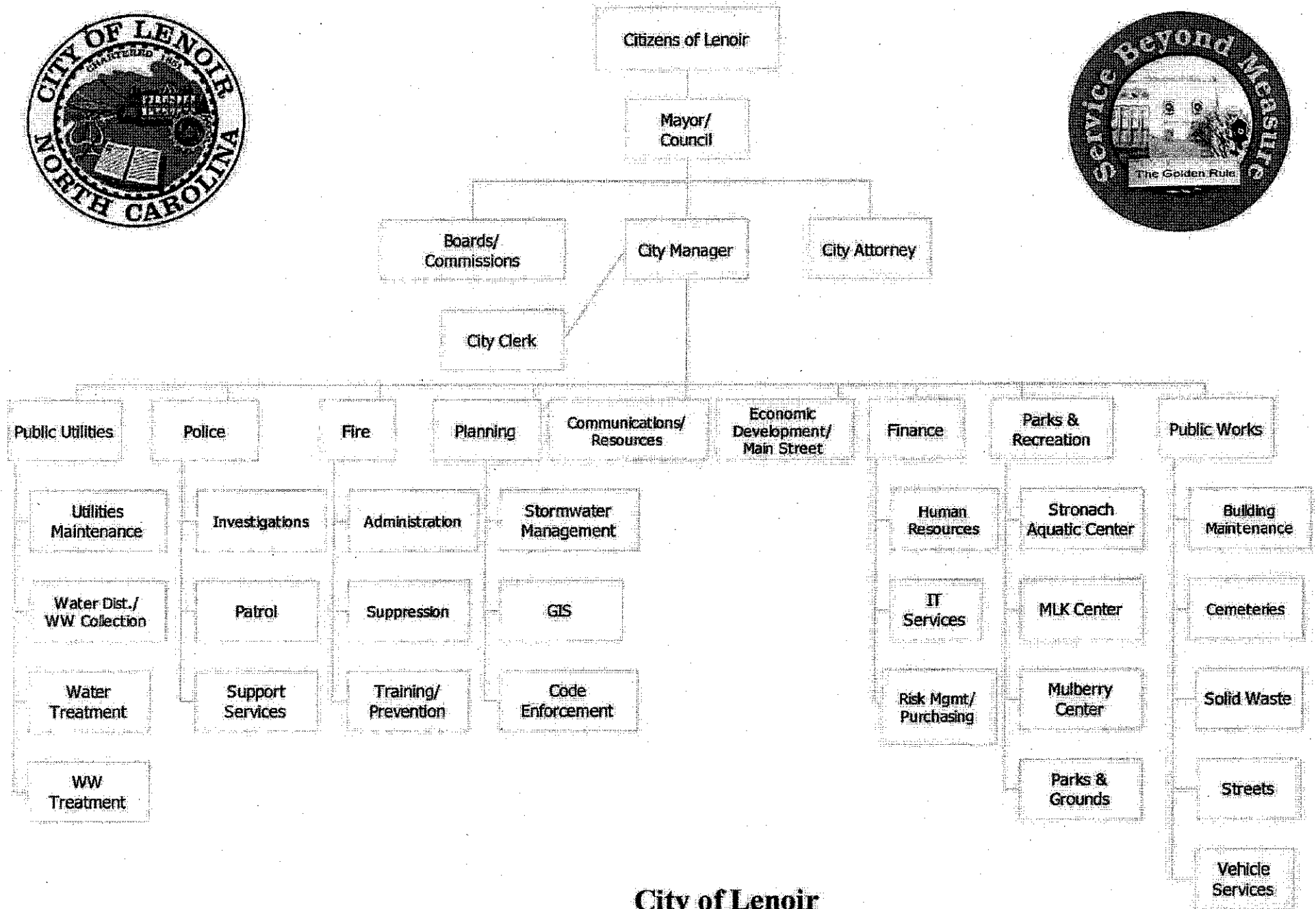
Mayor	Joe L. Gibbons
Mayor Pro Tempore	Ben Willis
City Council	Jonathan Beal
	Todd H. Perdue
	James Ike Perkins
	David F. Stevens
	Crissy Thomas
	Vacant

Appointed Official

City Manager	Scott Hildebran
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Department/Division Heads

City Attorney	T. J. Rohr.
Economic Development Director	Kaylynn Horn
Finance Director	Donna Bean
Fire Chief	Kenneth Hair
Planning Director	Jenny Wheelock
Police Chief	Brent Phelps
Public Utilities Director	Radford Thomas
Public Works Director	Jared Wright
Recreation Director	Kenneth Story



City of Lenoir
Organizational Chart



Government Finance Officers Association

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

Presented to

**City of Lenoir
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lenoir's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Lenoir ABC Board which represents 1 percent, 1 percent and 9 percent, respectively, of the assets, net position and revenues of the component unit. Those statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lenoir ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of City of Lenoir ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

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

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 15, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 74, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 72 through 73, and the Law Enforcement Officer's Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 70 and 71 be presented to supplement the basic financial statements. Such information, although not a required 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lenoir's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019 on our consideration of the City of Lenoir's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lenoir's internal control over financial reporting and compliance.


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

Morganton, North Carolina
September 30, 2019

Management's Discussion and Analysis
For the Year ended June 30, 2019

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, 2019. 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

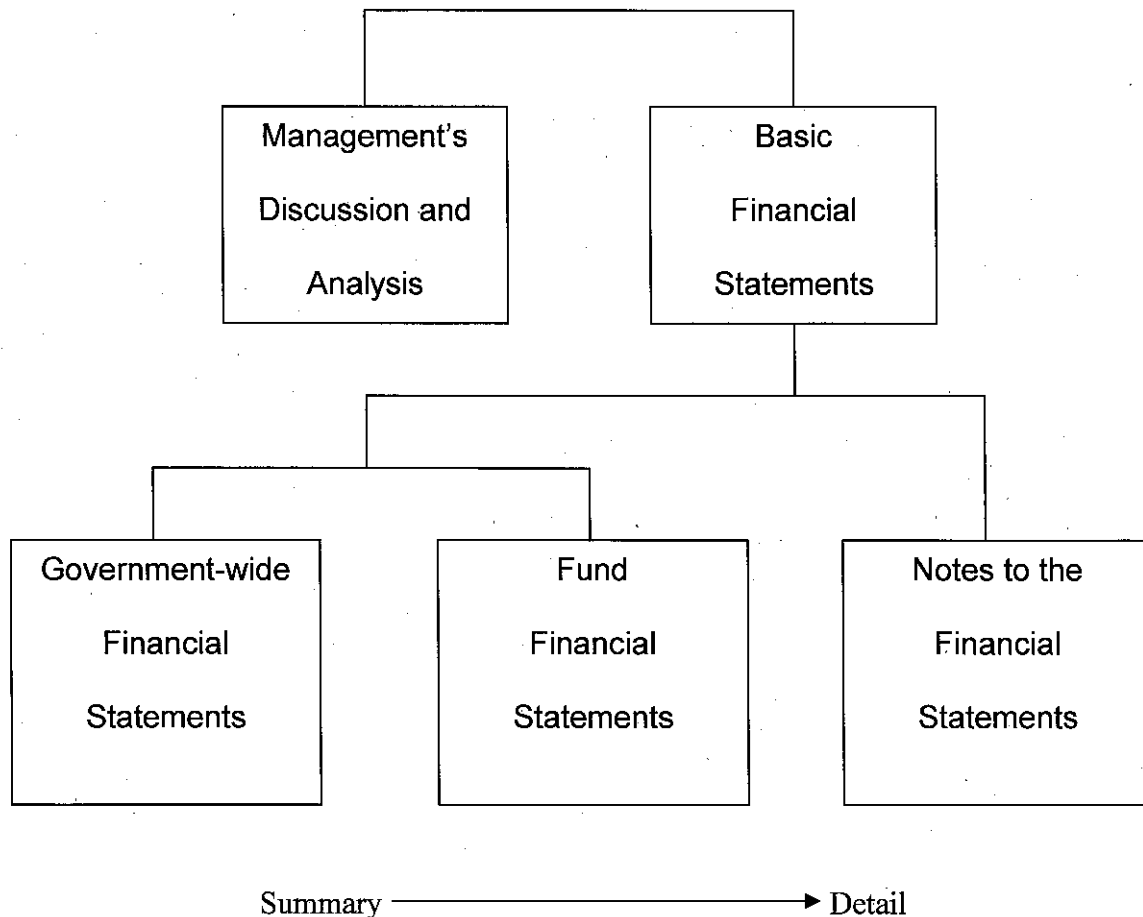
- The assets and deferred outflows of resources of the City of Lenoir exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$84,775,046 (*net position*).
- The government's total net position increased by \$2,886,691 with a 761,864 increase in governmental activities and a \$2,124,827 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 \$12,115,986 an increase of \$866,521 in comparison with the prior year. Approximately 85.01 percent of this total amount or \$10,300,138 is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,829,330 or 56.77 percent of total general fund expenditures for the fiscal year.
- The City of Lenoir's total debt increased by \$5,498,360 or 35.3 percent during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

Management's Discussion and Analysis
For the Year ended June 30, 2019

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

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

Management's Discussion and Analysis
For the Year ended June 30, 2019

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lenoir adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the statement of revenues, expenditures and changes in fund balance. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – City of Lenoir has only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lenoir uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. City of Lenoir has one fiduciary fund, which is an agency fund.

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.

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2019

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lenoir's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 70 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lenoir, assets exceeded liabilities and deferred inflows of resources by \$84,775,046 as of June 30, 2019 (figure 2).

The City of Lenoir's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 13,051,155	\$ 12,060,002	\$ 15,732,959	\$ 15,679,164	\$ 28,784,114	\$ 27,739,166
Capital Assets	24,062,173	23,385,288	60,154,531	53,463,648	84,216,704	76,848,936
Total Assets	<u>\$ 37,113,328</u>	<u>\$ 35,445,290</u>	<u>\$ 75,887,490</u>	<u>\$ 69,142,812</u>	<u>\$ 113,000,818</u>	<u>\$ 104,588,102</u>
Deferred Inflows of Resources	\$ 2,069,857	\$ 1,320,790	\$ 995,101	\$ 619,918	\$ 3,064,958	\$ 614,029
Long-Term Liabilities	\$ 1,667,097	\$ 1,138,974	\$ 19,423,648	\$ 14,453,411	\$ 21,090,745	\$ 15,592,385
Other Liabilities	7,440,002	6,324,056	2,239,487	2,180,507	9,679,489	8,504,563
Total Liabilities	<u>\$ 9,107,099</u>	<u>\$ 7,463,030</u>	<u>\$ 21,663,135</u>	<u>\$ 16,633,918</u>	<u>\$ 30,770,234</u>	<u>\$ 24,096,948</u>
Deferred Inflows of Resources	\$ 439,304	\$ 428,132	\$ 81,192	\$ 115,375	\$ 520,496	\$ 543,507
Net Position:						
Net Investment in						
Capital Assets	\$ 22,395,076	\$ 22,246,314	\$ 40,730,883	\$ 39,010,237	63,125,959	\$ 61,256,551
Restricted	1,815,848	2,216,291			1,815,848	2,216,291
Unrestricted	5,425,858	4,412,313	14,407,381	14,003,200	19,833,239	18,415,513
Total Net Position	<u>\$ 29,636,782</u>	<u>\$ 28,874,918</u>	<u>\$ 55,138,264</u>	<u>\$ 53,013,437</u>	<u>\$ 84,775,046</u>	<u>\$ 81,888,355</u>

Figure 2

The largest portion of the City of Lenoir's net position 74.46 percent reflect its investment in capital assets (e.g. land, buildings, machinery, equipment, etc.), less any related outstanding debt used to acquire those assets. The City of Lenoir uses those

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2019

assets to provide services to its citizens which make those assets not available for future spending. Although the City of Lenoir's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Lenoir's net position 2.14% represents resources that are subject to external restrictions on how they may be used or that are not spendable. The remaining balance of unrestricted net position \$19,833,239 may be used to meet the government's ongoing obligations to citizens and creditors. The increase in net position is due mainly to the increase in net position in the Water and Sewer Fund.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 95.77
- Adherence to the adopted budget
- Capital grants and Contributions

Governmental activities: Governmental activities increased the City's net position by \$761,864. (Figure 3) Key elements of this increase are as follows:

- Revenues exceeded budgeted projections

City of Lenoir, North Carolina

Management's Discussion and Analysis
For the Year ended June 30, 2019

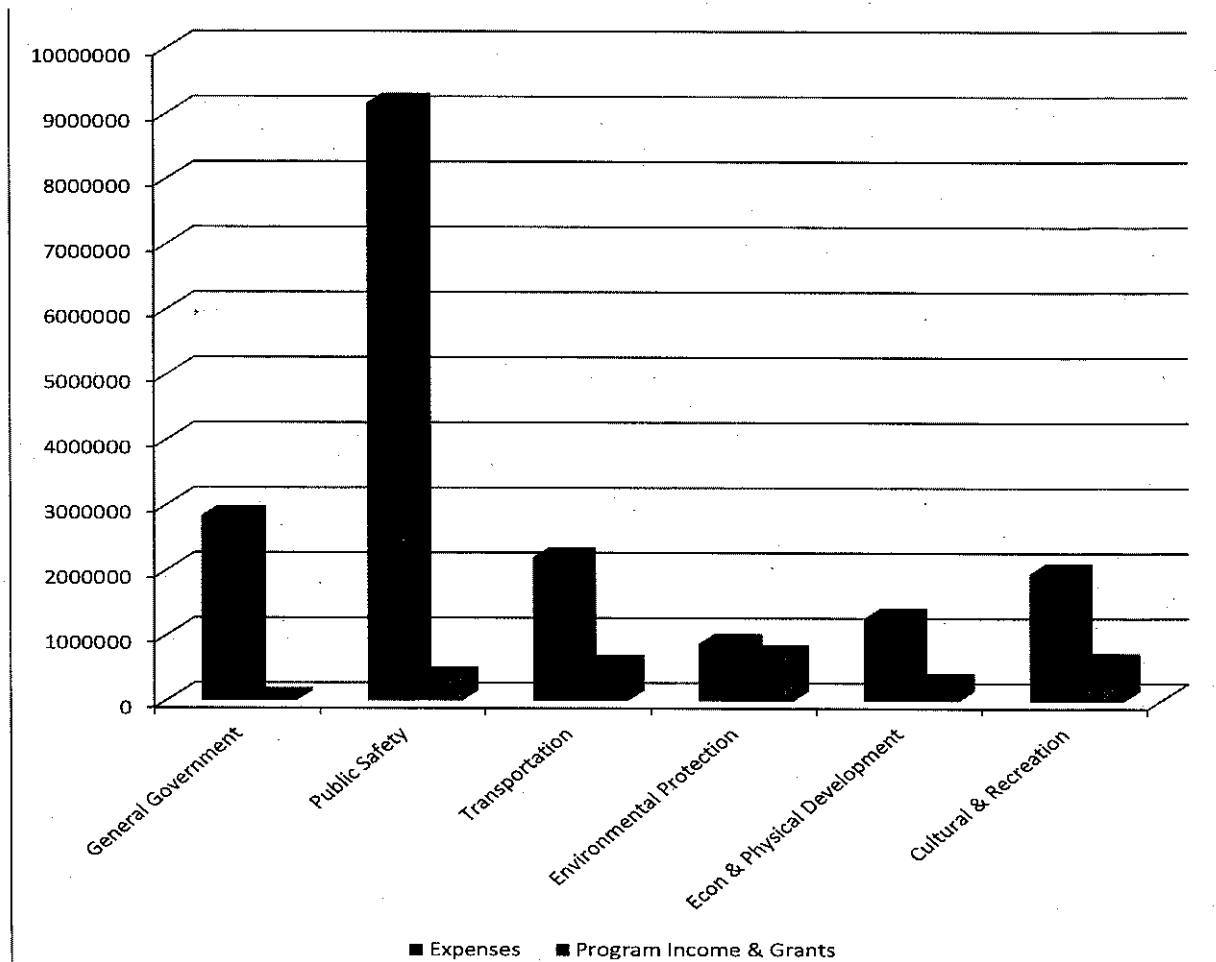
City of Lenoir Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,530,008	\$ 1,598,004	\$ 9,336,640	\$ 8,928,167	\$ 10,866,648	\$ 10,526,171
Operating grants and contributions	844,285	1,219,937	-	-	844,285	1,219,937
Capital grants and contributions	162,485	806,915	231,370	10,986,687	393,855	11,793,602
General revenues:						
Property taxes	8,733,173	8,532,448	-	-	8,733,173	8,532,448
Other taxes	4,076,213	3,797,816	-	-	4,076,213	3,797,816
Unrestricted intergovernmental	2,503,244	2,466,241	-	-	2,503,244	2,466,241
Other	1,248,094	766,013	95,825	42,195	1,343,919	808,208
Total revenues	19,097,502	19,187,374	9,663,835	19,957,049	28,761,337	39,144,423
Expenses:						
General government	2,840,017	2,644,732	-	-	2,840,017	2,644,732
Public safety	9,170,292	8,395,130	-	-	9,170,292	8,395,130
Transportation	2,202,955	2,293,273	-	-	2,202,955	2,293,273
Environmental protection	876,989	854,255	-	-	876,989	854,255
Economic and physical development	1,269,253	1,444,375	-	-	1,269,253	1,444,375
Culture and recreational	1,961,232	1,898,104	-	-	1,961,232	1,898,104
Interest and fees	14,900	27,893	-	-	14,900	27,893
Water and sewer			7,539,008	6,855,249	7,539,008	6,855,249
Total expenses	18,335,638	17,557,762	7,539,008	6,855,249	25,874,646	24,413,011
Change in net position	761,864	1,629,612	2,124,827	13,101,800	2,886,691	14,731,412
Net position, July 1	28,874,918	29,040,263	53,013,437	40,203,839	81,888,355	69,244,102
Restatement		(1,794,957)		(292,202)	-	(2,087,159)
Net position, June 30	\$ 29,636,782	\$ 28,874,918	\$ 55,138,264	\$ 53,305,639	\$ 84,775,046	\$ 81,888,355

Management's Discussion and Analysis
For the Year ended June 30, 2019

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

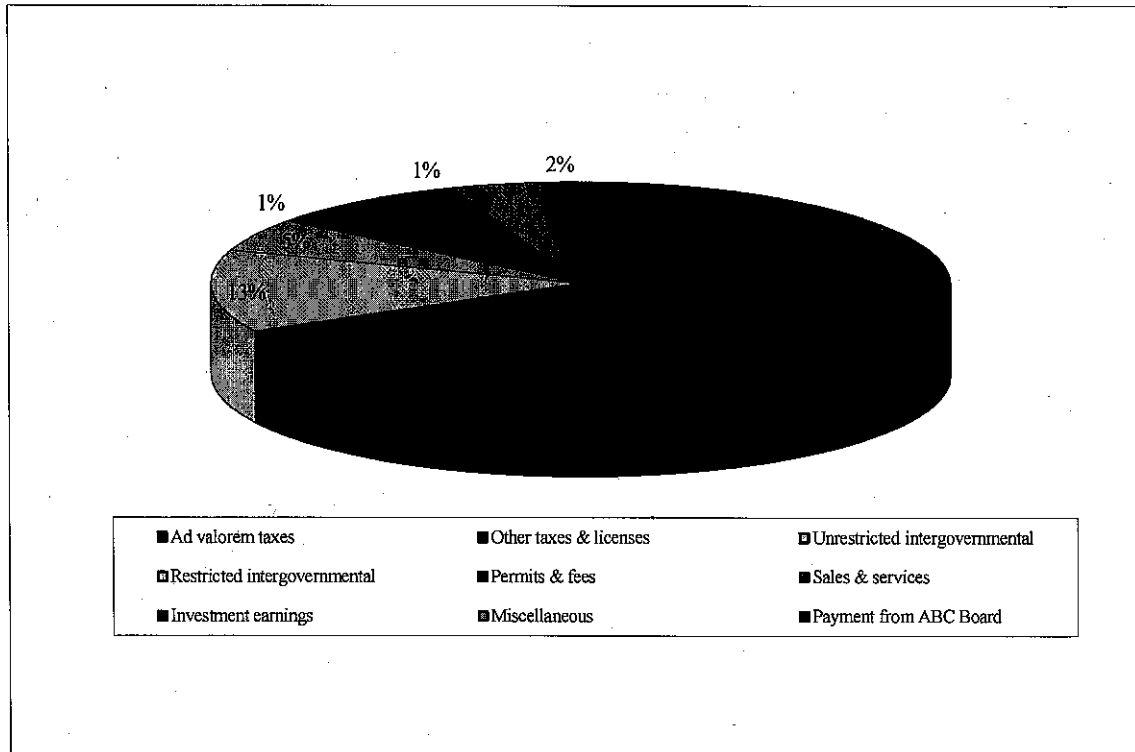
City of Lenoir
Expenses and Program Revenues and Operating Grants – Governmental Activities
Figure 4



Management's Discussion and Analysis
For the Year ended June 30, 2019

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

Revenue by Source – Governmental Activities
Figure 5



Business-type activities: Business-type activities increased the City of Lenoir's net position by \$2,124,827. Key elements of this increase are as follows:

- Increase in water charges and capital grants

Management's Discussion and Analysis
For the Year ended June 30, 2019

Financial Analysis of the City's Funds

As noted earlier, the City of Lenoir uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Lenoir's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lenoir's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Lenoir. At the end of the current fiscal year, available fund balance of the General Fund was \$9,829,330, while total fund balance reached \$11,361,196. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 56.77 percent of total General Fund expenditures, while total fund balance represents 65.62 percent of that same amount. The increase in unassigned fund balance of \$1,407,608 is due mainly to increases in Ad Valorem and Local Options Sales tax revenue of approximately \$431,505 and decrease in Stabilization by State Statute of \$146,223.

At June 30, 2019, the governmental funds of City of Lenoir reported a combined fund balance of \$12,115,986 a 7.70 percent increase over last year. Included in this change in fund balance are increases in the General Fund. The General Fund increased \$995,347 due to increases in Ad Valorem and Local Option taxes.

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, Cultural and Recreation and Debt Service increased by \$307,948 while Public Safety, Transportation, Environmental Protection and Economic and Physical Development decreased by \$230,003. The increase in budget was primarily for economic development.

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

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2019

net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$14,407,381. The fund's net position increased by \$2,124,827. 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, 2019, totals \$84,216,704 (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 – Fire Station
- Construction in Progress – Biosolids Facility
- Vehicles
- Water Treatment Plant Completion

City of Lenoir's Capital Assets

Figure 6

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,992,357	\$ 2,992,357	\$ 251,714	\$ 251,714	\$ 3,244,071	\$ 3,244,071
Construction in progress	1,775,949	405,529	8,349,051	6,546,850	\$ 10,125,000	\$ 6,952,379
Buildings and improvements	5,972,087	6,276,837			5,972,087	6,276,837
Infrastructure	11,110,414	11,279,551		-	11,110,414	11,279,551
Equipment	2,211,366	2,431,014	3,747,785	3,562,381	5,959,151	5,993,395
Plant and systems			47,805,981	43,102,703	47,805,981	43,102,703
Total	\$ 24,062,173	\$ 23,385,288	\$ 60,154,531	\$ 53,463,648	\$ 84,216,704	\$ 76,848,936

Additional information on the City's capital assets can be found in note III. A. 4 and 5, beginning on page 45 of this report.

Long-term Debt. As of June 30, 2019, the City of Lenoir had total debt outstanding of \$14,656,371 in State and Water Pollution Control Revolving loans and installment purchase contracts of \$6,434,374. (Figure 7)

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

Figure 7

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct Placement Revolving Loans		\$	\$ 14,656,371	\$ 13,823,454	\$ 14,656,371	\$ 13,823,454
Direct Placement Installment Purchase Contracts	\$ 1,667,097	1,138,974	4,767,277	629,957	\$ 6,434,374	\$ 1,768,931
Total	\$ 1,667,097	\$ 1,138,974	\$ 19,423,648	\$ 14,453,411	\$ 21,090,745	\$ 15,592,385

The above debt of the City of Lenoir increased by \$5,498,360 (35.3%) during the past fiscal year.

As mentioned in the financial highlights section of this document, the City of Lenoir has an "A" rating from Standard & Poor's, dated March of 1999; an "A2" rating from Moody's Investors Services dated July of 1997; and an "81" council rating from the North Carolina Municipal Council, Inc., dated January of 1999.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries less statutory deductions for bonds applicable to water systems. The legal debt margin for City of Lenoir is \$174,260,868.

Additional information regarding the City of Lenoir's long-term debt can be found beginning on page 63 of this report.

Economic Factors and Next Year's Budgets and Rates

During fiscal year 2018-2019, the economic indicators for Lenoir exhibited small, but significant gains, reflecting that the economy of the City is continuing to recover from the impact of the national recession. Retail sales tax revenue and local occupancy tax revenue both increased. The Hickory-Lenoir-Morganton MSA unemployment rate continued to decline with the availability of more private sector jobs.

City of Lenoir, North Carolina

Management's Discussion and Analysis For the Year ended June 30, 2019

The city is still benefiting from the designation of Lenoir as a North Carolina Certified Retirement Community, due to additional state marketing targeted toward active retirees who have expressed an interest in relocating to western North Carolina. The City continues to work to transition into a more diversified economic base.

The City is planning additional segments to the greenway. We now have approximately 10.5 miles of paved greenway within the corporate limits. The project is a partnership involving the N.C. Department of Transportation, the City of Lenoir, and Caldwell County Pathways Committee.

Budget Highlights for the Fiscal Year Ending June 30, 2020

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, 2019. The General Fund budget was based on less than 2.00 percent increase in total revenues and expenditures from the prior year. In addition, the Hospital Avenue project will be completed with an estimated cost of \$850,000.

Business-Type Activities: Again in light of economic pressures, the City of Lenoir, in the last 4 to 5 years has seen water consumption drop with a resulting lowering of water and sewer revenue. The Water and Sewer Fund budget was adopted with a 8.00 percent increase in expenditures funded with a rate increase of 1.1 percent for water and 2.5 percent for sewer.

In addition, improvements to the Meter Project will be completed at an estimated cost of \$4.3 million. Bio solids facility improvements will be funded by a remaining Clean Water Loan of approximately \$5.7 million.

Requests for Information

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

Basic Financial Statements

City of Lenoir, North Carolina
Statement of Net Position
June 30, 2019
(Exhibit A)

	Governmental Activities	Business Type Activities	Total Primary Government	Component Units		Total Reporting Unit
				City of Lenoir ABC Board	City of Lenoir LTDA	
Assets						
Cash and cash equivalents	\$ 11,002,254	\$ 7,433,828	\$ 18,436,082	\$ 345,645	\$ 168,271	\$ 18,949,998
Cash and cash equivalents - restricted	283,982	6,141,591	6,425,573			6,425,573
Taxes receivable (net)	236,526		236,526			236,526
Accounts receivable (net)	873,362	566,813	1,440,175		10,843	1,451,018
Other receivables	655,031	1,418,012	2,073,043			2,073,043
Inventories		172,715	172,715	411,318		584,033
Prepaid expenses			-	7,227		7,227
Capital assets:						
Nondepreciable Capital Assets	4,768,306	8,600,765	13,369,071	155,849		13,524,920
Depreciable Capital Assets	19,293,867	51,553,766	70,847,633	223,807		71,071,440
Total assets	37,113,328	75,887,490	113,000,818	1,143,846	179,114	114,323,778
Deferred Outflows of Resources	2,069,857	995,101	3,064,958	95,036		3,159,994
Liabilities						
Accounts payable	698,643	335,687	1,034,330	279,706		1,314,036
Compensated Absences	341,726	76,343	418,069			418,069
Customer deposits		134,335	134,335			134,335
Long term obligations:						
Due in less than one year	478,922	1,629,949	2,108,871			2,108,871
Due in more than one year	1,188,175	17,793,699	18,981,874			18,981,874
Total OPEB Liability	2,445,247	398,063	2,843,310			2,843,310
Compensated Absences	227,818	63,529	291,347			291,347
Total Pension Liability	1,439,440		1,439,440			1,439,440
Net Pension Liability	2,287,128	1,231,530	3,518,658	52,429		3,571,087
Total liabilities	9,107,099	21,663,135	30,770,234	332,135	-	31,102,369
Deferred Inflows of Resources	439,304	81,192	520,496	271		520,767
Net Position						
Net investment in capital assets	22,395,076	40,730,883	63,125,959	379,656		63,505,615
Restricted for:						
Cemetery (Nonexpendable)	283,982		283,982			283,982
Stabilization by State Statute	1,399,198		1,399,198		10,843	1,410,041
Public Safety	132,668		132,668			132,668
Unrestricted	5,425,858	14,407,381	19,833,239	526,820	168,271	20,528,330
Total Net Position	\$ 29,636,782	\$ 55,138,264	\$ 84,775,046	\$ 906,476	\$ 179,114	\$ 85,860,636

City of Lenoir, North Carolina

Statement of Activities

Year Ended June 30, 2019

(Exhibit B)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units		Total Reporting Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			City of Lenoir ABC Board	City of Lenoir LTDA	
					Governmental Activities	Business-type Activities	Total			
Primary government:										
Governmental activities:										
General government	\$ 2,840,017	\$ 21,209	\$ 22,918		\$ (2,795,890)		\$ (2,795,890)			\$ (2,795,890)
Public safety	9,170,292	366,495			(8,803,797)		(8,803,797)			(8,803,797)
Transportation	2,202,955		553,191		(1,649,764)		(1,649,764)			(1,649,764)
Environmental protection	876,989	712,381			(164,608)		(164,608)			(164,608)
Economic and physical development	1,269,253	8,018	268,176		(993,059)		(993,059)		(77,234)	(1,070,293)
Culture and recreation	1,961,232	421,905		162,485	(1,376,842)		(1,376,842)			(1,376,842)
Interest and fees	14,900				(14,900)		(14,900)			(14,900)
Total governmental activities	18,335,638	1,530,008	844,285	162,485	(15,798,860)	-	(15,798,860)	-	(77,234)	(15,876,094)
Business-type activities:										
Water and sewer activity	7,539,008	9,336,640		231,370	-	2,029,002	2,029,002			2,029,002
Total business-type activities	7,539,008	9,336,640	-	231,370	-	2,029,002	2,029,002	-	-	2,029,002
Total primary government	\$ 25,874,646	\$ 10,866,648	\$ 844,285	\$ 393,855	(15,798,860)	2,029,002	(13,769,858)			(13,847,092)
Alcohol and store activity	\$ 2,778,949	\$ 2,807,226			-	-	-	28,277		28,277
Total component units	\$ 2,778,949	\$ 2,807,226	\$ -	\$ -	-	-	-	28,277		28,277
General revenues:										
Ad valorem taxes					8,733,173		8,733,173			8,733,173
Sales Taxes					4,076,213		4,076,213			4,076,213
Gross Receipts on Rental Vehicles					5,442		5,442			5,442
Occupancy Taxes							-		105,258	105,258
Utility Sales Taxes					2,426,156		2,426,156			2,426,156
Beer and Wine Taxes					77,088		77,088			77,088
Miscellaneous					774,034		774,034			774,034
Payment from ABC Board					291,964		291,964			291,964
Interest earned on investments					176,654	95,825	272,479	978	2,368	275,825
Total general revenues					16,560,724	95,825	16,656,549	978	107,626	16,765,153
Change in net position					761,864	2,124,827	2,886,691	29,255	30,392	2,946,338
Net Position - beginning					28,874,918	53,013,437	81,888,355	877,221	148,722	82,914,298
Net Position - ending					\$ 29,636,782	\$ 55,138,264	\$ 84,775,046	\$ 906,476	\$ 179,114	\$ 85,860,636

City of Lenoir, North Carolina

Balance Sheet
Governmental Funds
June 30, 2019
(Exhibit C)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,434,622	\$ 386,187	\$ 181,445	\$ 11,002,254
Cash and cash equivalents-restricted			283,982	283,982
Taxes receivable (net)	236,526			236,526
Accounts receivable (net)	873,362			873,362
Other receivables	525,836	29,188	100,007	655,031
Total assets	<u>\$ 12,070,346</u>	<u>\$ 415,375</u>	<u>\$ 565,434</u>	<u>\$ 13,051,155</u>
Liabilities:				
Accounts payable	472,624	20,216	205,803	698,643
Total liabilities	<u>472,624</u>	<u>20,216</u>	<u>205,803</u>	<u>698,643</u>
Deferred Inflow of Resources:				
Unavailable Property Taxes	236,526			236,526
Total Deferred Inflows of Resources	<u>236,526</u>	<u>-</u>	<u>-</u>	<u>236,526</u>
Fund balances:				
Non Spendable				
Cemetery Care			283,982	283,982
Restricted				
Stabilization by State Statute	1,399,198			1,399,198
Public Safety	132,668			132,668
Assigned				
To Future Capital Projects			75,649	75,649
To Future Economic Development		395,159		395,159
Unassigned	9,829,330			9,829,330
Total fund balances	<u>11,361,196</u>	<u>395,159</u>	<u>359,631</u>	<u>12,115,986</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,070,346</u>	<u>\$ 415,375</u>	<u>\$ 565,434</u>	<u>\$ 13,051,155</u>

City of Lenoir, North Carolina

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

June 30, 2019

(Exhibit C-1)

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

Ending fund balance - governmental funds	\$ 12,115,986
--	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,062,173
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Deferred outflows of resources related to pensions are not reported in the funds.	2,069,857
---	-----------

Deferred inflows of resources related to pensions are not reported in the funds.	(439,304)
--	-----------

Liability for earned revenues are considered deferred inflow of resources in the funds.	236,526
---	---------

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,408,456)</u>
---	--------------------

Net position of governmental activities	<u>\$ 29,636,782</u>
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City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019
(Exhibit D)

	General	Special Revenue Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 8,772,029			\$ 8,772,029
Other taxes and licenses	4,082,560			4,082,560
Unrestricted intergovernmental revenues	2,503,244			2,503,244
Restricted intergovernmental revenues	576,109	268,176	162,485	1,006,770
Permits and fees	163,124			163,124
Sales and services	1,361,240		5,644	1,366,884
Investment earnings	176,654			176,654
Miscellaneous	443,110	318,734	11,285	773,129
Payment from ABC Board	291,964			291,964
Total revenues	18,370,034	586,910	179,414	19,136,358
Expenditures				
Current:				
General Government	2,705,252			2,705,252
Public safety	8,872,350			8,872,350
Transportation	1,832,873			1,832,873
Environmental protection	828,952			828,952
Economic and physical development	549,765	668,857		1,218,622
Cultural and recreational	1,738,718			1,738,718
Capital projects			1,586,293	1,586,293
Debt service:				
Principal retirement	771,877			771,877
Interest and fees	14,900			14,900
Total expenditures	17,314,687	668,857	1,586,293	19,569,837
Excess (deficiency) of revenues over (under) expenditures	1,055,347	(81,947)	(1,406,879)	(433,479)
Other financing sources (uses)				
Financing Issuances			1,300,000	1,300,000
Transfers	(60,000)		60,000	-
Total other financing sources (uses)	(60,000)	-	1,360,000	1,300,000
Net change in fund balances	995,347	(81,947)	(46,879)	866,521
Fund balance - beginning	10,365,849	477,106	406,510	11,249,465
Fund balance - ending	\$ 11,361,196	\$ 395,159	\$ 359,631	\$ 12,115,986

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, 2019

(Exhibit D-1)

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

Net change in fund balances - total governmental funds	\$	866,521
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay is more than depreciation.		676,885
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(38,856)
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.		(528,123)
Contributions to the pension plan in the current year are not included in the statement of activities		580,141
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(794,704)</u>
Change in net position of governmental activities	\$	<u>761,864</u>

City of Lenoir, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2019
(Exhibit E)

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 8,424,961	\$ 8,424,961	\$ 8,772,029	\$ 347,068
Other taxes and licenses	3,534,000	3,534,000	4,082,560	548,560
Unrestricted intergovernmental revenues	2,493,000	2,480,000	2,503,244	23,244
Restricted intergovernmental revenues	574,000	573,000	576,109	3,109
Permits and fees	173,500	174,500	163,124	(11,376)
Sales and services	1,312,400	1,311,000	1,361,240	50,240
Investment earnings	45,200	45,200	176,654	131,454
Miscellaneous	333,270	315,170	443,110	127,940
Payment from ABC Board	232,500	232,500	291,964	59,464
Total revenues	17,122,831	17,090,331	18,370,034	1,279,703
EXPENDITURES				
Current:				
General Government	2,485,008	2,757,453	2,705,252	52,201
Public safety	8,759,856	8,751,855	8,872,350	(120,495)
Transportation	1,844,464	1,792,462	1,832,873	(40,411)
Environmental protection	869,151	829,151	828,952	199
Economic and physical development	610,950	480,950	549,765	(68,815)
Cultural and recreational	1,709,596	1,742,094	1,738,718	3,376
Debt service:				
Principal retirement	828,908	831,306	771,877	59,429
Interest and fees	14,898	15,505	14,900	605
Total expenditures	17,122,831	17,200,776	17,314,687	(113,911)
Excess (deficiency) of revenues over (under) expenditures	-	(110,445)	1,055,347	1,165,792
OTHER FINANCING SOURCES (USES)				
Transfers in (out):		(235,000)	(60,000)	175,000
Appropriated fund balance		345,445		(345,445)
Total other financing sources (uses)	-	110,445	(60,000)	(170,445)
Net change in fund balances	\$ -	\$ -	995,347	\$ 995,347
FUND BALANCE - BEGINNING			10,365,849	
FUND BALANCE - ENDING			\$ 11,361,196	

City of Lenoir, North Carolina

Statement of Net Position

Proprietary Funds

June 30, 2019

(Exhibit F)

	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 7,433,828
Accounts receivable (net)	566,813
Due from other Governmental Entities	1,418,012
Inventories	172,715
Restricted Cash and cash equivalents	6,141,591
Total current assets	<u>15,732,959</u>
Noncurrent assets	
Capital assets, net	<u>60,154,531</u>
Total assets	<u>75,887,490</u>
Deferred Outflows of Resources	
Pension Deferrals	968,237
OPEB Deferrals	26,864
Total Deferred Outflows of Resources	<u>995,101</u>
Liabilities	
Current liabilities	
Accounts payable	335,687
Installment purchase contracts - current	708,954
Revolving loan payable - current	920,995
Customer deposits payable from Restricted Assets	134,335
Compensated absences payable	76,343
Total current liabilities	<u>2,176,314</u>
Noncurrent liabilities	
Revolving loan payable	13,735,376
Installment purchase contracts payable	4,058,323
OPEB Liability	398,063
Compensated absences payable	63,529
Net Pension Liability	1,231,530
Total noncurrent liabilities	<u>19,486,821</u>
Total liabilities	<u>21,663,135</u>
Deferred Inflows of Resources	
Pension Deferrals	46,720
OPEB Deferrals	34,472
Total Deferred Inflows of Resources	<u>81,192</u>
Net Position	
Net investment in capital assets	40,730,883
Unrestricted Net Position	14,407,381
Total Net Position	<u>\$ 55,138,264</u>

City of Lenoir, North Carolina

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

Proprietary Funds

Year Ended June 30, 2019

(Exhibit G)

	Enterprise Fund Water and Sewer Fund
Operating revenues	
Water sales	\$ 6,015,804
Wastewater treatment charges	2,898,910
Water and sewer taps	71,784
Late payment charges	235,720
Miscellaneous	114,422
Total operating revenues	<u>9,336,640</u>
Operating expenses	
Rhodhiss Water Treatment Plant	1,322,391
Water distribution	1,152,857
Water resources	688,343
Wastewater collection	848,505
Wastewater pretreatment	89,789
Gunpowder Wastewater Treatment Plant	549,276
Lower Creek Wastewater Treatment Plant	1,344,496
Depreciation	1,428,765
Total operating expenses	<u>7,424,422</u>
Operating income (loss)	<u>1,912,218</u>
Nonoperating revenue (expense)	
Interest earned on investments	95,825
Interest paid on long-term debt	(114,586)
Total nonoperating revenue (expense)	<u>(18,761)</u>
Income (loss) before transfers and contributions	1,893,457
Capital contributions	<u>231,370</u>
Change in Net Position	2,124,827
Total Net Position - beginning	<u>53,013,437</u>
Total Net Position - ending	<u>\$ 55,138,264</u>

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

(Exhibit H)

	Enterprise Fund
	Water and Sewer Fund
Operating activities	
Cash received from customers and users	\$ 9,248,417
Cash paid to suppliers for goods and services	(3,401,930)
Cash paid for employee benefits	(2,359,158)
Customer deposits received (paid out)	1,672
Net cash provided by (used in) operating activities	3,489,001
Capital and related financing activities	
Net proceeds from financing	5,468,082
Grants Received	379,155
Acquisition and construction of capital assets	(8,729,831)
Principal paid on debt	(1,180,373)
Interest paid on debt	(114,586)
Net cash provided (used) by capital and related financing activities	(4,177,553)
Investing activities	
Interest on investments	95,825
Net cash provided (used) in investing activities	95,825
Net increase in cash and cash equivalents/investments	(592,727)
Cash and cash equivalents/investments	
Beginning of year	14,168,146
End of year	\$ 13,575,419

City of Lenoir, North Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

(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)	\$ 1,912,218
Adjustments to reconcile operating income (loss)	
to net cash provided by (used in) operating	
activities:	
Depreciation	1,428,765
Change in assets and liabilities	
(Increase) decrease in accounts receivable and accruals	(88,223)
(Increase) decrease in inventory	(23,557)
Increase (decrease) in accounts payable and	
accrued liabilities	209,645
Increase (decrease) in customer deposits	1,673
Increase (decrease) in compensated absence payable	2,902
(Increase)decrease in deferred outflows of resources- OPEB	(14,854)
Increase(decrease) in deferred inflows of resources-OPEB	11,415
Increase(decrease) in OPEB liability	12,635
(Increase) decrease in deferred outflows	(360,328)
Increase (decrease) in deferred inflows	(45,598)
Increase (decrease) in Net Pension Liability	442,308
Total adjustments	1,576,783
Net cash provided by (used in) operating activities	\$ 3,489,001

City of Lenoir, North Carolina

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

(Exhibit I)

	Agency Fund
Assets	
Cash and cash equivalents	\$ 1,941
Total assets	<u>\$ 1,941</u>
Liabilities	
Due to participants	\$ 1,941
Total liabilities	<u>\$ 1,941</u>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

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

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

City of Lenoir Board of Alcoholic Control

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

Lenoir Tourism Development Authority

The members of the Lenoir Tourism Development Authority's (LTDA Board) governing board are appointed by the City. The LTDA collects a 3% room occupancy tax from the rental of any room, lodging or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the city. Since the City of Lenoir appoints the LTDA Board, it can also impose its will thus meeting the criteria for inclusion as a component unit. In addition, the City has the power to remove appointed members of the LTDA governing board and has the ability to approve the budget of the LTDA. Complete financial statements for the LTDA board may be obtained City Hall, City of Lenoir, 801 West Ave., NW, Lenoir, NC 28645.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 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 six Special Revenue Fund projects including the 2016, 2017 and 2018 Community Development Entitlement Grants; and 2016, 2017 and 2018 Unifour HOME Consortium Grants.

The City Reports the following nonmajor governmental funds:

Capital Project Fund

The Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City has three projects within the Capital Project Fund: the Mulberry Optimist, Hospital Avenue and Fire Station III projects.

Permanent Fund

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

The City reports the following major enterprise fund:

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

The City reports the following fund type:

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the City holds on behalf of others. The City maintains the following agency fund: CheckFree Pay which accounts for collection of payments for flex spending. We excluded these activities from the City's government-wide financial statement because the city cannot use these assets to finance its operation.

C. Measurement Focus and Basis of Accounting – In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The City's one fiduciary fund (an agency fund) has no measurement focus and is excluded from the government-wide financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that are billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the city are recognized as revenue. Sales tax are considered a shared revenue for the City of Lenoir because the tax is levied by Caldwell County and then remitted to and distributed by the state. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as deferred inflows of resources.

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

D. Budgetary Data - As required by the N. C. Local Government Budget and Fiscal Control Act (G.S. 159), the governing board must adopt by July 1 an annual balanced budget ordinance for all governmental and proprietary funds except for those funds, which operate under project ordinances. The City has adopted project ordinances for the Capital Projects and Special Revenue Funds. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system in recording transactions, as required by G.S. 159-26(c).

Appropriations are made at the departmental level and are amended as necessary by the governing board. All appropriations (other than funds with multi-year budgets) lapse at year-end. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for project ordinances. The City Manager is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any department must be approved by the governing board. The amended budget ordinance as of June 30, 2019, 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, 2019. The ordinances increased appropriations by \$77,945 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, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments - All deposits of the City, LTDA and the ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan whose principal office is located in North Carolina. Also, the City, LTDA and ABC Board may establish time deposit accounts in the form of NOW accounts, SuperNOW, money market accounts, and certificates of deposit. State law, G.S. 159-30(c) authorizes the City and the ABC Board to invest in obligations of the United States or obligations

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT); a SEC-registered mutual fund.

The City, LTDA and ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

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

2a. Restricted Assets - Permanent Fund restricted cash represents the nonexpendable portion of the cemetery funds. Customer deposits represent cash received before any services are supplied.

City of Lenoir Restricted Cash

Governmental Activities		
Permanent Funds	Non expendable portion	<u>\$ 283,982</u>
Business Type Activities		
Water and Sewer Fund	Customer Deposits	134,335
	Unspent Capital Projects	<u>6 007 256</u>
	Total	<u>\$ 6 141 591</u>

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

as of January 1, 2018. 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 and Prepaid Items - Inventories of the City and ABC Board are maintained for all enterprise fund supplies. Inventories of the City are valued at cost and at fair market value for the ABC Board. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets - Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000. The City and the ABC Board's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition cost. General infrastructure assets acquired prior to July 1, 2002, consist of the road, bridges and drainage networks that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

7. Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable, if any, are reported net of the applicable bond premiums or discount. Bond issuance costs are expensed in the reporting in which they occurred. Prepaid insurance costs are expenses over the life of the debt.

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

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

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

9. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of

resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The city has one item that meet the criterion for this category – contributions made to the pension plan and for OPEB costs in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has one item that meets the criterion for this category-deferrals of pension expense. The funds statements also reports an additional deferred inflow-property taxes receivable.

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State

statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote or quorum of City of Lenoir's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

Assigned for Future Economic Development – Portion of fund balance set aside for economic development.

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

For purposes of fund balance classifications, funds are to be spent from restricted fund balance first followed by committed fund balance, assigned fund balance and last unassigned fund balance. The General fund is the only fund that reports an unassigned fund balance. The City of Lenoir has not established a stabilization arrangement.

11. Defined Benefit Cost – Sharing Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been

determined on the same basis as they are reported by LGERS. For the purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Lenoir employer contributions are recognized when due and the City of Lenoir has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F. Management Estimates

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

G. Reconciliation of Government-Wide and Fund Financial Statements

- 1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets** – The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$17,520,796 consists of several elements as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

Description					Amount
Capital assets in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement governmental activities column)					\$ 81,185,602
Less accumulated depreciation					(57,123,429)
Net capital assets					24,062,173
Deferred Outflows of Resources related to OPEB are not reported in the funds					84,344
Deferred Outflows of Resources related to pensions are not reported in the funds					1,985,513
Deferred Inflows of Resources related to pension are not reported in the funds					(227,545)
Deferred Inflows of Resources related to OPEB are not reported in the funds					(211,759)
Liabilities for revenue are considered deferred inflows of resources in the fund statements					236,526
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:					
Leases and installment financing					(1,667,097)
Compensated absences					(569,544)
Total OPEB Liability					(2,445,247)
Net Pension Liability					(2,287,128)
Total Pension Liability					(1,439,440)
Total adjustment					\$ 17,520,796

- 2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities** – The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(104,657) as follows:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,089,908
Depreciation expense, the allocation of those assets over their useful lives, is recorded in the statement of activities, but not in the fund statements	(1,413,023)
The issuance of long term debt provides resources for governmental funds but has no effect on net position	(1,300,000)
Principal payments on debt owed are recorded as a use of funds in the fund statements but again affect only the statement of net assets in the government-wide statements	771,877
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(21,832)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Recording of tax receipts in the fund statements	(38,856)
Pension Expense	(698,921)
OPEB Plan Expense	(221,637)
Contribution to the pension plan in the current year and not included in the statement of activities	580,141
Retirement Benefits Paid not included in funds	54,045
OPEB Benefit Payments and Administration Costs made in the current fiscal year are not included in the Statement of Activities	93,641
Total adjustment	<u>\$ (104,657)</u>

II. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

A. Excess of Expenditures over Appropriations - For the year ended June 30, 2019, expenditures exceeded budgeted amounts at the department level as follows:

<u>Fund/Department</u>	<u>Excess</u>	<u>Fund/Department</u>	<u>Excess</u>
General Fund:		Enterprise Fund:	
Transportation	\$ 40,411	Lower Creek	
Fire	129,066	Wastewater	
Downtown		Treatment	\$ 64,272
District	1,594	Transfers Out	78,260
Planning	67,221	Total	<u>\$ 142,532</u>
Total	<u>\$238,292</u>		

These over-expenditures were approved subsequent to year end. It is the City's intention to amend their budget on a more timely basis in the future.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

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

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the unit or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City, LTDA or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City, LTDA and ABC Board have no policy regarding outstanding risk for deposits.

At year-end, the City's deposits, including fiduciary funds, had a carrying amount of \$13,099,235 and a bank balance of \$13,491,607. Of the bank balance, \$1,000,000 was covered by federal depository insurance with the remainder held in Pooling Method depositories as discussed above.

At year-end, the ABC Board's deposits had a carrying amount of \$341,245 excluding cash on hand, and a bank balance of \$308,621. The bank balance was covered by federal depository insurance.

At year-end, the LTDA's deposits had a carrying amount of \$168,271 and a bank balance of \$168,271. 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-Government Portfolio, 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-Government Portfolio, 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, 2019, the credit rating of the fund was AAAM by Standard and Poor's, with a weighted average maturity of 51 days. Total investments are as follows:

	Carrying Value	Fair Value
North Carolina Capital Management Trust	<u>\$ 11,764,361</u>	<u>\$ 11,764,361</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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	<u>\$ 1,286,787</u>

Water and Sewer Fund:

Allowance for Uncollectible	
Water and Sewer Receivables	<u>200,000</u>

Receivables net of allowances at June 30, 2019 were as follows at the government wide level:

<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Inter - Governmental</u>	<u>Local Option</u>	<u>Total</u>
<u>\$690,010</u>	<u>\$566,813</u>	<u>\$236,526</u>	<u>\$1,547,207</u>	<u>\$709,188</u>	<u>\$3,749,744</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

4. General Capital Assets

The capital asset activity for the governmental activities as of June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,992,357	\$ -		\$ 2,992,357
Construction work in progress	405,529	1,586,293	215,873	1,775,949
Total capital assets not being depreciated	<u>3,397,886</u>	<u>1,586,293</u>	<u>215,873</u>	<u>4,768,306</u>
Capital assets being depreciated:				
Buildings and improvements	14,996,356	-		14,996,356
Infrastructure	44,895,761	338,727		45,234,488
Equipment	15,805,691	380,761		16,186,452
Total capital assets being depreciated	<u>75,697,808</u>	<u>719,488</u>	<u>-</u>	<u>76,417,296</u>
Less accumulated depreciation for:				
Buildings and improvements	8,719,519	304,750		9,024,269
Infrastructure	33,616,210	507,864		34,124,074
Equipment	13,374,677	600,409		13,975,086
Total accumulated depreciation	<u>55,710,406</u>	<u>\$ 1,413,023</u>	<u>\$ -</u>	<u>57,123,429</u>
Total capital assets being depreciated, net	<u>19,987,402</u>	<u>(693,535)</u>		<u>19,293,867</u>
Total capital assets - governmental activities	<u>\$ 23,385,288</u>	<u>\$ 892,758</u>	<u>215,873</u>	<u>\$ 24,062,173</u>

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

General Government	\$ 127 786
Public Safety	430 703
Transportation	523 202
Environmental Protection	48 037
Economic and Physical Development	50 631
Cultural and Recreational	<u>232 664</u>
Total Depreciation Expense	<u>\$ 1 413 023</u>

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

5. Business-Type Capital Assets

The capital asset activity for the business-type activities at June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities (Water and Sewer Fund)				
Capital assets not being depreciated:				
Land	\$ 251,714			\$ 251,714
Construction work in progress	6,546,850	7,472,402	5,670,201	8,349,051
Total capital assets not being depreciated	6,798,564	7,472,402	5,670,201	8,600,765
Capital assets being depreciated:				
Plant and systems	68,694,716	5,907,043		74,601,759
Equipment	7,369,700	410,404		7,780,104
Total capital assets being depreciated	76,064,416	6,317,447	-	82,381,863
Less accumulated depreciation for:				
Plant and systems	25,592,013	1,203,765		26,795,778
Equipment	3,807,319	225,000		4,032,319
Total accumulated depreciation	29,399,332	1,428,765	\$ -	30,828,097
Total capital assets being depreciated, net	46,665,084	4,888,682		51,553,766
Total capital assets - business type activities (Water and Sewer Fund)	\$ 53,463,648	\$ 12,361,084	\$ 5,670,201	\$ 60,154,531

6. Construction Commitments – The City of Lenoir has the following construction projects as of June 30, 2019.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water Treatment Upgrade	\$ 6,672,352	\$ 2,368,621
Mulberry Optimist	238,559	88,641
Hospital Avenue	52,582	812,418
Metering Project	80,986	3,681,659
Biosolids Facility	564,721	5,001,279
Fire Station	181,437	218,563

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

7. Component Unit Capital Assets

The capital assets of the ABC Board at June 30, 2019, 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	155,849	-	-	155,849
Capital assets being depreciated:				
Buildings and improvements	580,126			580,126
Store equipment	141,845		-	141,845
Office equipment	18,557	1,399		19,956
Total capital assets being depreciated	740,528	1,399	-	741,927
Less accumulated depreciation for:				
Buildings and improvements	384,552	16,873		401,425
Store equipment	84,491	14,084	-	98,575
Office equipment	17,097	1,023		18,120
Total accumulated depreciation	486,140	\$ 31,980	\$ -	518,120
Total capital assets being depreciated, net	254,388	(30,581)	-	223,807
Total capital assets	\$ 410,237	\$ (30,581)	\$ -	\$ 379,656

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

1. Plan Description. The City of Lenoir contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual

Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 of creditable service regardless of age, or have completed service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statue 128-30 and may be amended only by the North Carolina General Assembly. City of Lenoir employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lenoir contractually required contribution rate for the fiscal year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lenoir were \$806,822 for the year ended June 30, 2019.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions.

At June 30, 2019, the City reported a liability of \$3,518,658 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial Valuation as of December 31, 2017. The total pension liability was rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the City's proportion was 0.1483%, which was an increase of 0.0007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$910,776. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Diff. of expected and actual experience	\$ 542,845	\$ 18,215
Changes of assumptions	933,716	-
Net diff. in projected & actual earnings on pension plan investments	483,007	-
Changes in proportion and diff. between city contributions and proportionate share of contributions	-	115,272
City contributions subsequent to the		

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

measurement date	<u>806,822</u>	<u>-</u>
Total	<u>\$ 2,766,390</u>	<u>\$ 133,487</u>

\$806,822 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 879,734
2021	570,466
2022	95,486
2023	<u>280,393</u>
Total	<u>\$1,826,079</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent. Including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 years expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as

well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the Net pension liability (asset)	\$8,452,121	\$ 3,518,658	\$(603,821)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description. The City of Lenoir administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	6
Terminated employees entitled to but not yet receiving benefits	0
Active plan members	<u>49</u>
Total	<u>55</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies.

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

- 3. Actuarial Assumptions.** The entry age actuarial cost method was used in December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98 percent

The discount rate is based on the yield of the S&P Municipal bond 20 Year High Grade Rate Index as of December 31, 2017,

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

- 4. Contributions.** The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$109,230 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the city reported a total pension liability of \$1,439,440. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$106,915.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Difference between expected and actual experience	\$ 75,239	\$ 73,212
Changes in Assumptions	56,414	67,566
City benefits payments made subsequent to the measurement date	55,707	
Total	<u>\$ 187,360</u>	<u>\$ 140,778</u>

\$55,707 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended 30:

2020	\$ (4,468)
2021	(4,468)
2022	(4,468)
2023	(805)
2024	4,671
Thereafter	413

\$55,707 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 1,564,916	\$ 1,439,440	\$ 1,325,810

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	<u>2019</u>
Beginning Balance	\$ 1,398,684
Service Cost	67,948
Interest on the total pension liability	42,600
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	90,050
Changes of assumptions or other inputs	(58,695)
Benefits payments	(101,147)
Other changes	-
Ending balance of the total pension liability	<u>\$ 1,439,440</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2104.

**Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of
Related to Pensions**

Following is information related to the proportionate share and pension expense for all pension plans:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

	LGERS	LEOSSA	TOTAL
Pension Expense	\$ 910,776	\$ 106,915	\$ 1,017,691
Pension Liability	3,518,658	1,439,440	4,958,098
Proportionate share of the net pension Liability	0.14832%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	542,845	75,239	618,084
Changes of assumptions	933,716	56,414	990,130
Net difference between projected and actual earnings on plan investments	483,007		483,007
Changes in proportion and differences between contributions and proportionate share of contributions			
Benefit payments and administrative costs paid subsequent to the measurement date	806,822	55,707	862,529
Total	2,766,390	187,360	2,953,750
Deferred of Inflows of Resources			
Differences between expected and actual experience	18,215	73,212	91,427
Changes of assumptions		67,566	67,566
Net difference between projected and actual earnings on plan investments			
Changes in proportion and differences between contributions and proportionate share of contributions	115,272		115,272
Total	\$ 133,487	\$ 140,778	\$ 274,265

c. Supplemental Retirement Income Plan for Law Enforcement

1. Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 140 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy. Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, City employees may make voluntary contributions to the Plan. The City made contributions of \$190,654 for the reporting year. No amounts were forfeited.

d. ABC Board - Local Government Employees' Retirement System

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

2. Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The ABC Board is required to contribute at an actuarially determined rate. The ABC Board's current rate for employees not engaged in law enforcement is 7.75% 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, 2017, 2018, and 2019 were \$30,848, \$28,438 and \$26,743 respectively. The contribution made or accrued by the ABC Board equaled the required contribution for the period.

e. Deferred Compensation Plan - The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Public Employees Benefit Services Securities Corporation. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are not reported in the City's financial statements.

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

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

As of June 30, 2018, there were twelve employees who had retired with 30 years of service who were receiving the 50 percent-premium-coverage benefit and three employees who had retired with sufficient years of service to receive the 25 percent-premium-coverage benefits. The City finances the plan on a pay-as-you-go basis and for the fiscal year ended June 30, 2019.

Membership in the plan included the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees	Public Safety Officers
Retirees receiving benefits	5	7
Active plan members	<u>139</u>	<u>108</u>
Total	<u>144</u>	<u>115</u>

Total OPEB Liability

The City's total OPEB liability of \$2,843,310 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

Inflation	2.5 percent
Real Wage Growth	1.0 percent
Wage Inflation	3.5 percent
Salary increases	3.5 to 7.75 percent
Index rate	3.56 to 3.89 percent
Pre-Medicare Cost Trends	7.50 percent

The discount rate is used to measure the Total OPEB liability was based on the average 20 year Municipal Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	<u>\$ 2,762,236</u>
Changes for the year	
Service cost	185,487
Interest	96,154
Changes of benefit terms	-
Differences between expected and actual experience	35,565
Changes in assumptions or other inputs	(112,515)
Benefit payments	<u>(123,617)</u>
Net Changes	<u>81,074</u>
Balance at June 30, 2019	<u>2,843,310</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.18% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,199,861	\$ 2,843,310	\$ 2,531,105

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

	<u>2.89%</u>		<u>3.89%</u>		<u>4.89%</u>
Total OPEB Liability	\$ 2,430,791		\$ 2,843,310		\$ 3,349,499

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$257,718. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,099	\$
Changes in assumptions		246,231
Benefit payments and administrative cost made subsequent to the measurement date	54,109	
Total	<u>\$ 111,208</u>	<u>\$ 246,231</u>

\$54,109 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ (23,923)
2021	(23,923)
2022	(23,923)
2023	(23,923)
2024	(23,923)
Thereafter	(69,517)

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. Other Employment Benefits - The City provides death benefits to law enforcement officers through the Death Benefit Plan for members of LGERS. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

3. Payables – Payables and accrued liabilities at June 30, 2019 were as follows at the government-wide level:

	Vendors	Benefits	Total
Governmental Activities:	\$ 355,548	\$ 343,095	\$ 698,643
Business-type activities:	\$ 269,788	\$ 65,899	\$ 335,687

4. Deferred Outflows/Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contribution to LGERS made subsequent to measurement dates		\$ 806,822
Benefit payments made and administrative expenses for LEOSSA 1-1-17 to 6-30-17		55,707
Benefit payments made and administrative expenses for OPEB made subsequent to measurement date		54,109
Differences between expected and actual experience		675,183
Changes of assumptions		990,130
Net difference between projected and actual		483,007
Total		\$ 3,064,958

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

Deferred Inflows of Resources at year-end is comprised of the following:

					Fund	Government
					Statements	Wide
Changes in Assumptions and Inputs					\$ -	\$ 313,797
Taxes receivable, less penalties (General Fund)					236,526	-
Differences between expected and actual experience						91,427
Changes in proportion and differences between employer contributions and proportionate share of contributions						115,272
Total					\$ 236,526	\$ 520,496

5. Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of at least \$2 million per occurrence, property coverage up to the total insurance values, and worker's compensation coverage up to the statutory limits.

The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. The City's health insurance provides unlimited lifetime coverage for in network and \$1 million for out of network. The City does not carry flood insurance.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 each.

The Lenoir ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Board has property general liability; auto liability, workmen's compensation and employees' health coverage. The Board also has liquor legal liability coverage. There

have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three years.

6. Long-Term Obligations

a. Drinking Water Revolving Loan

The City of Lenoir has received a direct placement revolving loan to replace the Whitnel Pump Station. As of June 30, 2019 the loan balance was \$1,637,507 at an interest rate of 2.485% for a term of 20 years.

b. Drinking Water Revolving Loan

The City of Lenoir has received a direct placement revolving loan for raw water intake improvements. As of June 30, 2019 the loan balance was \$2,374,265 at an interest rate of 2.22% for a term of 20 years.

c. Drinking Water Revolving Loan

The City of Lenoir has received a direct placement revolving loan award of \$5,865,000 for Rhodhiss water plant improvements. As of June 30, 2019 the amount drawn down was \$4,950,203 at an interest rate of 0.0%.

d. Clean Water Revolving Loans

1. The City of Lenoir has received a direct placement revolving loan for Powell Road improvements. As of June 30, 2019 the loan balance was \$231,400 at an interest rate of 0% for a term of 20 years.
2. The City of Lenoir has received a direct placement revolving loan for Gunpowder Wastewater Treatment improvements. As of June 30, 2019 the loan balance was \$3,274,930 at an interest rate of 0% for a term of 20 years.
3. The City of Lenoir has received a direct placement revolving loan for Meadowood Wastewater Treatment improvements. As of June 30, 2019, the loan balance was \$1,310,685 at an interest rate of 0% for a term of 20 years.
4. The City of Lenoir has received a direct placement revolving loan award of \$6,600,000 for Biosolids Facility Improvements. The City has recorded a receivable of \$877,381 equal to the amount of expenditures incurred to date. No actual draw down of funds has occurred pending certain administrative requirements. Thus at June 30, 2019 the N.C. Department of Environmental Quality has not provided an amortization schedule.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

All direct placement revolving loans are collateralized by the faith, credit and taxing power of the City.

e. Installment Purchase Contracts

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

DESCRIPTION	COST	DATE	TERM	RATE	PAYMENT AMOUNT AND FREQUENCY
Rhodhiss Water Treatment Plant renovations and utility line construction	\$ 2,700,000	6/30/2005	15 years	2.31%	\$88,019 semi-annual
Whitnel Pump Station	\$2,977,285	11/1/2010	20 years	2.485%	\$219,009 semi-annual
Streetscape, Recreation, & Downtown	\$1,410,000	8/27/2013	8 years	2.49%	\$49,878 semi-annual
Utility Line Projects	\$1,190,000				
Capital Equipment	\$1,413,850	1/21/2015	4 years	1.44%	\$91,094 quarterly
Capital Equipment	\$1,372,000	5/4/2016	4 years	1.47%	\$88,429 quarterly
Fire Station	\$1,300,000	1/6/2019	10 years	0.00%	\$10,807 monthly
Water Metering	\$4,400,000	6/1/2019	10 years	2.93%	\$440,000 annually plus interest

The equipment financed is collateral for the debts except in the case of utility lines. Utility lines are collateralized by the full faith, credit and taxing power of the City.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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). It also does not include Clean Water direct placement revolving loan of \$877,381 for which there is no amortization schedule (see long term obligations 6e included in these notes).

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
Direct Placement Installment Contracts				
2020	478,922	5,680	708,954	117,000
2021	215,543	1,603	538,323	114,152
2022	129,684		440,000	99,743
2023	129,684		440,000	86,872
2024	129,684		440,000	74,003
2025-2029	583,580		2,200,000	177,262
Total	1,667,097	7,283	4,767,277	669,032
Direct Placement Revolving Loans				
2020	-	-	920,995	93,319
2021	-	-	920,995	85,572
2022	-	-	920,995	77,827
2023	-	-	920,995	70,080
2024	-	-	920,995	62,347
2025-2029			4,604,976	195,472
2030-2034			3,644,245	27,929
2035-2039			924,794	-
Total	-	-	13,778,990	612,546
Total Debt Due	\$ 1,667,097	\$ 7,283	\$ 18,546,267	\$ 1,281,578

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

The following is a summary of changes in long-term obligations for the year-ended June 30, 2019:

	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Current Portion of Long-term Liabilities
Governmental activities:					
Direct Placement Installment					
purchase contracts	\$ 1,138,974	\$ 1,300,000	\$ 771,877	\$ 1,667,097	\$ 478,922
Compensated absences	547,712	380,200	358,368	\$ 569,544	341,726
Total OPEB Liability	2,376,808	68,439		\$ 2,445,247	-
Net Pension Liability	1,465,697	821,431	-	\$ 2,287,128	
Total Pension Liability	1,398,684	40,756		\$ 1,439,440	
Total governmental activities	\$ 6,927,875	\$ 2,610,826	\$ 1,130,245	\$ 8,408,456	\$ 820,648
Business-type activities:					
Direct Placement Installment					
purchase contracts	\$ 629,957	\$ 4,400,000	\$ 262,680	\$ 4,767,277	\$ 708,954
Direct Placement Revolving					
loans	13,823,454	1,750,610	917,693	\$ 14,656,371	920,995
Compensated absences	136,970	124,912	122,010	\$ 139,872	76,343
Total OPEB Liability	385,428	12,635		\$ 398,063	
Net Pension Liability	789,222	442,308	-	\$ 1,231,530	
Total business-type activities	\$ 15,765,031	\$ 6,730,465	\$ 1,302,383	\$ 21,193,113	\$ 1,706,292

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

At June 30, 2019, the City of Lenoir had a legal debt margin of \$174,260,868.

e. Interfund Activity

1. Transfers in (out) for the year ended June 30, 2019 are summarized below:

	Transfers In	Transfers (Out)
General Fund		\$ 60,000
Capital Projects	\$ 60,000	
Total	<u>\$ 60,000</u>	<u>\$ 60,000</u>

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

f. Fund Balance

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

Total fund balance – General Fund	\$11,361,196
Less:	
Stabilization by State Statute	(1,399,198)
Public Safety	<u>(132,668)</u>
Remaining Fund Balance	<u>\$9,829,330</u>

IV. JOINT VENTURES

The City, in conjunction with the City of Morganton, County of Caldwell, and County of Burke participates in a regional airport known as the Foothills Regional Airport Authority (Airport Authority). The Airport Authority was established by act of the North Carolina General Assembly, Session Law 2000-9, House Bill 1517, and ratified June 14, 2000. The Airport Authority is successor in interest to the former Morganton-Lenoir Airport Authority. Each participating entity appoints two members to the eight-member board.

City of Lenoir, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 \$47,137 to the Airport Authority during the year ended June 30, 2019.

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, 2019. 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 \$221,255 for membership fees and miscellaneous services to the Council during the year ended June 30, 2019.

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. AD VALOREM TAX ABATEMENTS

The City of Lenoir negotiates tax abatement agreements on an individual basis. The City has the following tax abatement agreement as of June 30, 2019:

<u>Purpose</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Technology Business	\$ 5,619,341

VIII. 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.

IX. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 30, 2019, which is the date the financial statements were available to be issued.

X. CHANGES IN ACCOUNTING PRINCIPLE

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in the fiscal year ending June 30, 2019. The implementation of the statement required the City to make changes to note disclosures related to debt.

Required Supplementary Information

This section contains the following additional information required by generally accepted accounting principles: Schedule of Changes in Total Pension Liability – Law Enforcement Officer’s Separation Allowance and Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officer’s Special Separation allowance, Schedule of Proportionate Share of Net Position Liability for the Local Government Employee’s Retirement System, Schedule of Contributions – Local Government Employee’s Retirement System, and Schedule of Changes in Total OPEB Liability and Related Ratios.

City of Lenoir, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,398,684	\$ 1,396,709	\$ 1,392,024
Service Cost	67,948	58,590	66,853
Interest on the total pension liability	42,600	52,293	48,350
Changes of benefit terms		-	-
Differences between expected and actual experience in the measurement of the total pension liability	90,050	(108,752)	-
Changes of assumptions or other inputs	(58,695)	83,798	(35,166)
Benefit payments	(101,147)	(83,954)	(75,352)
Other changes		-	-
Ending balance of the total pension liability	<u>\$ 1,439,440</u>	<u>\$ 1,398,684</u>	<u>\$ 1,396,709</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

City of Lenoir, North Carolina

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last three Fiscal Years**

	2019	2018	2017
Total pension liability	\$ 1,439,440	\$ 1,398,684	\$ 1,396,709
Covered payroll	2,149,794	2,111,812	2,281,424
Total pension liability as a percentage of covered payroll	66.96%	66.23%	61.22%

Notes to the schedules:

The City of Lenoir has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

City of Lenoir, North Carolina

**City of Lenoir, Proportionate Share of
Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years ***

	2019	2018	2017	2016	2015	2014
City of Lenoir's proportion of the net pension Liability (asset) (%)	0.14832	0.14760	0.15629	0.17028	0.17121	0.17480
City of Lenoir's proportion of the net pension Liability (asset) (\$)	3,518,658	2,254,519	3,316,997	764,206	(1,009,704)	2,107,011
City of Lenoir's covered payroll	\$ 9,423,098	\$ 9,078,556	\$ 8,853,134	\$ 8,793,080	\$ 8,391,018	\$ 8,002,600
City of Lenoir's proportion of the net pension Liability (asset) as a percentage of its covered-employee payroll	37.34%	24.83%	37.47%	8.69%	-12.03%	26.33%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

City of Lenoir, North Carolina

City of Lenoir' Contributions

**Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 806,822	\$ 737,446	\$ 688,015	\$ 614,029	\$ 631,871	\$ 1,146,176
Contributions in relation to the contractually required contribution	806,822	737,446	688,015	614,029	631,871	1,146,176
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Lenoir's covered payroll	\$ 9,992,166	\$ 9,423,098	\$ 9,078,556	\$ 8,853,134	\$ 8,793,080	\$ 8,391,018
Contributions as a percentage of covered-employee payroll	8.07%	7.83%	7.58%	6.94%	7.19%	13.66%

City of Lenoir, North Carolina

**Schedule of Changes in the
Total OPEB Liability
and Related Ratios
For the Last Two Fiscal Years**

Total OPEB Liability	2019	2018
Service cost	\$ 185,487	\$ 202,646
Interest	96,154	80,910
Changes of benefit terms		
Differences between expected and actual experience	35,565	31,920
Changes of assumptions	(112,515)	(183,907)
Benefit payments	(123,617)	(113,933)
Net change in total OPEB liability	81,074	17,636
Total OPEB liability - beginning	2,762,236	2,744,600
Total OPEB liability - ending	\$ 2,843,310	\$ 2,762,236
 Covered payroll	 8,933,828	 8,740,620
Total OPEB liability as a percentage of covered payroll	31.83%	31.60%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2019	3.89%
2018	3.18%

General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

This fund receives ad valorem tax revenue, local option sales taxes, federal- and state-shared revenues, licenses, permits, and fees. The major operating activities include general government, public safety, public works, parks and recreation, and other governmental service functions.

City of Lenoir, North Carolina

General Fund

Supplemental Balance Sheets

June 30, 2019

(Schedule 1)

	<u>2019</u>
Assets	
Cash and cash equivalents	\$ 10,434,622
Taxes receivable (net)	236,526
Accounts receivable (net)	873,362
Other receivables	525,836
Total assets	<u>\$ 12,070,346</u>
Liabilities:	
Accounts payable	<u>\$ 472,624</u>
Deferred Inflow of Resources	
Unavailable Property Taxes	236,526
Total deferred inflow of resources	<u>\$ 236,526</u>
Fund balances:	
Restricted	
Stabilization by State Statute	1,399,198
Public Safety	132,668
Unassigned	9,829,330
Total fund balances	<u>11,361,196</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,070,346</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, 2019

(Schedule 2, Page 1)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Ad valorem taxes			
Taxes - Net of discounts	\$ 8,331,961	\$ 8,679,746	\$ 347,785
Penalties and interest	93,000	92,283	(717)
Total	8,424,961	8,772,029	347,068
Other taxes and licenses:			
Local option sales tax	3,530,000	4,076,213	546,213
Privilege licenses	1,000	905	(95)
Gross receipts on rental vehicles	3,000	5,442	2,442
Total	3,534,000	4,082,560	548,560
Unrestricted intergovernmental revenues:			
Utilities Sales tax	2,400,000	2,426,156	26,156
Beer and wine tax	80,000	77,088	(2,912)
Total	2,480,000	2,503,244	23,244
Restricted intergovernmental revenues:			
State Street - Aid allocation	565,000	553,191	(11,809)
Grants	-	22,918	22,918
Substance Control	8,000	-	(8,000)
Total	573,000	576,109	3,109
Permits and fees:			
Public safety fees and charges	149,500	142,021	(7,479)
Public works fees	15,000	8,018	(6,982)
Planning department fees and charges	10,000	13,085	3,085
Total	174,500	163,124	(11,376)
Sales and services:			
Bulk container service and sales	3,000	7,984	4,984
Solid waste fees	695,000	712,381	17,381
Cemetery lots and marker sales	140,000	167,263	27,263
Recreation department fees- centers and parks	63,400	47,855	(15,545)
Recreation department fees- aquatic/fitness center	130,500	127,034	(3,466)
Concessions	13,400	17,477	4,077
Telephone collection fees	19,000	19,044	44
Fire line charges	220,000	224,474	4,474

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, 2019

(Schedule 2, Page 2)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES (Continued)			
Sales and services (Continued)			
Rentals	\$ 24,200	\$ 30,872	6,672
Vehicle maintenance contracts	2,500	6,856	4,356
Total	1,311,000	1,361,240	50,240
Interest on investments	45,200	176,654	131,454
Miscellaneous:			
Contributions	-	5,000	\$ 5,000
Other	315,170	438,110	122,940
Total	315,170	443,110	127,940
Payment from Component Unit:			
City of Lenoir ABC Board			
Law enforcement	7,500		(7,500)
Profit distribution	225,000	291,964	66,964
Total	232,500	291,964	59,464
Total revenues	17,090,331	18,370,034	1,279,703
EXPENDITURES			
General Government:			
Administrative:			
Salaries and wages		841,848	
Personnel benefits		286,820	
Professional services		128,725	
Telephone and postage		26,210	
Utilities		14,910	
Travel and training		50,140	
Maintenance - building and equipment		4,912	
Advertising and printing		6,115	
Tax collection fees		31,820	
Supplies		26,696	
Contracted services		104,017	
Election expense			
Dues and subscriptions		50,030	
Insurance and bonds		31,626	
Contribution to Foothills Regional			
Airport		47,137	
Economic development		8,275	
Capital improvements and equipment		159,390	
Other operating expenses		11,476	
Reimbursement of administrative			
costs for Water Fund		(337,264)	
Total Administrative	1,524,859	1,492,883	31,976
Building Maintenance:			
Salaries and wages		209,780	
Personnel benefits		75,733	
Telephone and postage		1,769	
Utilities		7,991	
Maintenance - building and equipment		21,431	
Supplies		2,373	

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, 2019

(Schedule 2, Page 3)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Building Maintenance (Continued)			
Uniforms		\$ 1,798	
Insurance and bonds		6,765	
Capital Improvements and Equipment		35,000	
Other operating expenses		3,568	
Reimbursement of administrative costs for Water Fund		(15,243)	
Total Building Maintenance	354,419	350,965	3,454
Engineering:			
Salaries and wages		122,066	
Personnel benefits		33,598	
Professional services		98,964	
Telephone and postage		1,416	
Utilities		18,779	
Maintenance - building and equipment		10,203	
Travel and training		276	
Supplies		2,737	
Uniforms		433	
Contracted services		7,860	
Dues and subscriptions		250	
Insurance and bonds		12,401	
Other operating expenses		2,741	
Capital improvements and equipment		250	
Reimbursement of administrative costs for Water Fund		(36,288)	
Total Engineering	282,800	275,686	7,114
Cemetery:			
Salaries and wages		176,257	
Personnel benefits		72,194	
Telephone and postage		607	
Utilities		7,557	
Maintenance - building and equipment		10,164	
Supplies		17,925	
Contracted services		11,145	
Purchase for resale		49,752	
Insurance and bonds		6,989	
Capital improvements and equipment		9,900	
Other operating expenses		431	
Total Cemetery	362,966	362,921	45
Vehicle Services:			
Salaries and wages		146,486	
Personnel benefits		55,538	

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, 2019**

(Schedule 2, Page 4)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
General Government (Continued)			
Vehicle Services (Continued)			
Telephone and postage		\$ 1,009	
Utilities		8,623	
Maintenance - building and equipment		36,301	
Travel and training		1,374	
Departmental supplies		47,815	
Uniforms		1,441	
Contracted services		11,449	
Capital improvements and equipment			
Insurance and bonds		8,649	
Other operating expenses		1,053	
Reimbursement of administrative costs for Water Fund		(96,941)	
Total Vehicle Services	232,409	222,797	9,612
Total General Government	2,757,453	2,705,252	52,201
Public Safety:			
Police:			
Salaries and wages		3,111,242	
Personnel benefits		1,082,192	
Professional services		5,770	
Telephone and postage		62,670	
Utilities		29,053	
Travel and training		52,290	
Maintenance - building and equipment		166,002	
Supplies		71,086	
Uniforms		80,584	
Contracted services		126,394	
Insurance and bonds		124,625	
Substance Control			
Police benefit		9,336	
Capital improvements and equipment		278,896	
D.A.R.E.		3,177	
Explorer Post 246		1,928	
Adopt-A-Cop		6,990	
Other operating expenses		58,773	
Total Police	5,279,579	5,271,008	8,571
Fire:			
Salaries and wages		2,389,720	
Personnel benefits		801,719	

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, 2019

(Schedule 2, Page 5)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Public Safety (Continued)			
Fire (Continued)			
Telephone and postage		\$ 5,251	
Professional Services		26,683	
Utilities		44,500	
Travel and training		14,327	
Maintenance - building and equipment		88,583	
Supplies		22,834	
Uniforms		18,958	
Contracted services		74,195	
Dues and subscriptions		5,009	
Insurance and bonds		81,896	
Other operating expenses		2,568	
Capital Improvemnst		25,099	
Total Fire	3,472,276	3,601,342	(129,066)
Total Public Safety	8,751,855	8,872,350	(120,495)
Transportation:			
Streets:			
Salaries and wages		465,412	
Personnel benefits		174,494	
Professional services		2,700	
Telephone and postage		3,893	
Utilities		344,598	
Travel and training		3,818	
Maintenance - building and equipment		136,063	
Street repairs and maintenance		483,806	
Supplies		6,949	
Street signs and pavement marking		32,778	
Uniforms		5,288	
Insurance and bonds		30,193	
Capital Improvements		153,120	
Reimbursement of administrative costs for Water Fund		(13,709)	
Other operating expenses		3,470	
Total Transportation	1,792,462	1,832,873	(40,411)
Environmental Protection:			
Sanitation:			
Salaries and wages		409,249	
Personnel benefits		154,476	
Telephone and postage		3,570	
Travel and training			
Maintenance - building and equipment		108,655	
Supplies		1,692	
Advertising and printing		3,297	
Insurance and bonds		24,462	
Uniforms		7,057	
Contracted Services		2,604	

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, 2019

(Schedule 2, Page 6)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Environmental Protection (Continued)			
Sanitation (Continued)			
Purchases for resale		\$ 5,317	
Tipping fees		74,553	
Recycling services		30,498	
Other operating expenses		3,522	
Capital Outlay			
Total Environmental Protection	829,151	828,952	199
Economic and Physical Development:			
Downtown District:			
Salaries and wages		90,635	
Personnel benefits		28,655	
Professional services			
Telephone and postage		1,202	
Travel and training		9,566	
Maintenance - equipment and streetscape		691	
Advertising and printing		14,850	
Departmental supplies		4,866	
Contracted services		5,882	
Events and promotions		12,557	
Façade incentive grants		2,274	
Dues and subscriptions		688	
Capital improvements and equipment		1,250	
Other operating expenses		12,214	
Total Downtown District	183,736	185,330	(1,594)
Planning:			
Salaries and wages		270,890	
Personnel benefits		78,103	
Professional services		6,181	
Contracted services		9,338	
Telephone and postage		4,334	
Travel and training		3,433	
Maintenance - equipment		610	
Advertising and printing		1,823	
Supplies		3,237	
Dues and subscriptions		2,507	
Insurance and bonds		11,008	
Building demolition		27,053	
Other operating expenses		8,510	
Reimbursement for administrative costs for Water Fund		(62,592)	
Total Planning	297,214	364,435	(67,221)
Total Economic and Physical Development	480,950	549,765	(68,815)

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, 2019

(Schedule 2, Page 7)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES (Continued)			
Culture and Recreation:			
Recreation Centers and Parks:			
Salaries and wages		\$ 558,100	
Personnel benefits		171,626	
Professional services		1,790	
Basketball league		9,485	
Softball & baseball leagues		5,448	
Miscellaneous leagues and programs		55,398	
Harambee Festival		17,212	
Telephone and postage		5,968	
Utilities		106,244	
Travel and training		6,696	
Insurance and bonds		36,701	
Maintenance - building and equipment		67,819	
Supplies		48,794	
Advertising and printing		4,942	
Uniforms		3,698	
Contracted services		34,102	
Concessions and purchases for resale		3,079	
Capital Outlay		250	
Other operating expenses		7,130	
Total Recreation Centers and Parks	1,147,785	1,144,482	3,303
Aquatic and Fitness Center:			
Salaries and wages		307,036	
Personnel benefits		83,043	
Telephone and postage		1,391	
Utilities		100,063	
Travel and training		1,944	
Maintenance - building and equipment		35,254	
Supplies		36,883	
Uniforms		844	
Advertising and printing		1,415	
Contracted services		10,389	
Concessions and purchases for resale		7,336	
Insurance and bonds		6,815	
Other operating expenses		1,823	
Total Aquatic and Fitness Center	594,309	594,236	73

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, 2019**

(Schedule 2, Page 8)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Total Culture and Recreation	1,742,094	1,738,718	3,376
Debt Service:			
Principal	831,306	771,877	59,429
Interest	15,505	14,900	605
Total Debt Service	846,811	786,777	60,034
Total Expenditures	17,200,776	17,314,687	(113,911)
REVENUES OVER/(UNDER) EXPENDITURES	(110,445)	1,055,347	1,165,792
OTHER FINANCING SOURCES (USES):			
Transfers in (out):	(235,000)	(60,000)	175,000
Appropriated Fund Balance	345,445		(345,445)
Total other financing sources (uses)	110,445	(60,000)	(170,445)
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ -	995,347	\$ 995,347
FUND BALANCE:			
Beginning of year		10,365,849	
End of year		\$ 11,361,196	

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: CDBG Entitlement Programs, and Unifour HOME Consortium Programs.

City of Lenoir, North Carolina

Special Revenue Fund

Supplemental Balance Sheets

June 30, 2019

(Schedule 3)

	2019
Assets	
Cash and cash equivalents	\$ 386,187
Grants Receivable	29,188
Total assets	<u>\$ 415,375</u>
Liabilities and fund balances	
Liabilities:	
Accounts payable	<u>20,216</u>
Total liabilities	<u>20,216</u>
Fund balances:	
Unassigned	<u>395,159</u>
Total fund balances	<u>395,159</u>
Total liabilities and fund balances	<u>\$ 415,375</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, 2019

(Schedule 4, Page 1)

			Actual		
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
2016 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:					
Intergovernmental	140,653	52,437	88,216	140,653	-
Expenditures:					
Public Facilities Improvements	112,599	24,383	88,216	112,599	-
Debt principal and Interest	28,054	28,054		28,054	-
Total expenditures	140,653	52,437	88,216	140,653	-
Expenditures (over) revenues	-	-	-	-	-
2017 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:					
Intergovernmental	131,683	26,336	47,137	73,473	(58,210)
Expenditures:					
Clearance	13,347				13,347
Public Facilities Improvement	92,000	-	47,137	47,137	44,863
Administration	26,336	26,336	-	26,336	-
Total expenditures	131,683	26,336	47,137	73,473	58,210
Expenditures (over) revenues	-	-	-	-	-
2018 COMMUNITY DEVELOPMENT					
BLOCK GRANT:					
Revenues:					
Intergovernmental	137,666		27,533	27,533	(110,133)
Expenditures:					
Public Facilities Improvement	110,133	-	-	-	110,133
Administration	27,533		27,533	27,533	-
Total expenditures	137,666	-	27,533	27,533	110,133
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, 2019

(Schedule 4, Page 2)

			Actual		
	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
2016 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	793,802	753,802	-	753,802	(40,000)
Program Income	278,000	440,657		440,657	162,657
Total revenue	1,071,802	1,194,459	-	1,194,459	122,657
Expenditures:					
Downpayment assistance	566,351	288,351	-	288,351	278,000
Program Income	-			-	-
CHDO	119,071	89,566		89,566	29,505
Administration	79,380	79,380	-	79,380	-
Multi-family housing	307,000	300,000		300,000	7,000
Total expenditures	1,071,802	757,297	-	757,297	314,505
Expenditures (over) revenues	-	437,162	-	437,162	437,162
2017 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	794,513	283,170	11,223	294,393	(500,120)
Program income	386,716	316,990	22,421	339,411	(47,305)
Total revenue	1,181,229	600,160	33,644	633,804	(547,425)
Expenditures:					
Downpayment assistance	481,778	199,942	280,000	479,942	1,836
CHDO	440,000	299,000	-	299,000	141,000
Administration	99,451	67,745	31,640	99,385	66
Multi-family housing	160,000		-	-	160,000
Total expenditures	1,181,229	566,687	311,640	878,327	302,902
Expenditures (over) revenues	-	33,473	(277,996)	(244,523)	(244,523)

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, 2019

(Schedule 4, Page 3)

			Actual		Variance
	Project Authorization	Prior Years	Current Year	Total To Date	Positive (Negative)
2018 UNIFOUR HOME CONSORTIUM:					
Revenues:					
Intergovernmental	1,152,451	-	94,067	94,067	(1,058,384)
Program income	300,000	-	296,313	296,313	(3,687)
Total revenue	<u>1,452,451</u>	<u>-</u>	<u>390,380</u>	<u>390,380</u>	<u>(1,062,071)</u>
Expenditures:					
Downpayment assistance	500,338	-	111,103	111,103	389,235
CHDO	172,868	-	-	-	172,868
Administration	115,245	-	83,228	83,228	32,017
Multi-family housing	664,000	-	-	-	664,000
Total expenditures	<u>1,452,451</u>	<u>-</u>	<u>194,331</u>	<u>194,331</u>	<u>1,258,120</u>
Expenditures (over) revenues	<u>-</u>	<u>-</u>	<u>196,049</u>	<u>196,049</u>	<u>196,049</u>
Expenditures (over) revenues - all grants	<u>\$ -</u>	<u>\$ 470,635</u>	<u>\$ (81,947)</u>	<u>\$ 388,688</u>	<u>\$ 388,688</u>
Other financing sources:					
Transfers from General Fund		6,471		6,471	6,471
Total other financing sources	<u>-</u>	<u>6,471</u>	<u>-</u>	<u>6,471</u>	<u>6,471</u>
Expenditures (over) revenues and other financing sources- all grants	<u>\$ -</u>	<u>\$ 477,106</u>	<u>(81,947)</u>	<u>\$ 395,159</u>	<u>\$ 395,159</u>
FUND BALANCE:					
Beginning of year			477,106		
End of year			<u>\$ 395,159</u>		

Nonmajor Governmental Funds

The Nonmajor Governmental Funds include the Capital Projects Fund and the Permanent Fund.

City of Lenoir, North Carolina

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(Schedule 5)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	181,445	283,982	465,427
Grant Receivable	100,007		100,007
Total assets	<u>\$ 281,452</u>	<u>\$ 283,982</u>	<u>\$ 565,434</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 205,803	\$ -	\$ 205,803
Total liabilities	<u>205,803</u>	<u>-</u>	<u>205,803</u>
Fund balances:			
Restricted Cementary Care	-	283,982	283,982
Unassigned	75,649	-	75,649
Total fund balances	<u>75,649</u>	<u>283,982</u>	<u>359,631</u>
Total liabilities and fund balances	<u>\$ 281,452</u>	<u>\$ 283,982</u>	<u>\$ 565,434</u>

City of Lenoir, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019
(Schedule 6)

	Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Restricted intergovernmental revenues	\$ 162,485	\$ -	\$ 162,485
Investment earnings	5,111	533	5,644
Miscellaneous		11,285	11,285
Total revenues	<u>167,596</u>	<u>11,818</u>	<u>179,414</u>
Expenditures			
Current:			
Capital projects	1,586,293	-	1,586,293
Total expenditures	<u>1,586,293</u>	<u>-</u>	<u>1,586,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,418,697)</u>	<u>11,818</u>	<u>(1,406,879)</u>
Other financing sources (uses)			
Financing Issuances	1,300,000		1,300,000
Transfers	60,000	-	60,000
Total other financing sources (uses)	<u>1,360,000</u>	<u>-</u>	<u>1,360,000</u>
Net change in fund balances	<u>(58,697)</u>	<u>11,818</u>	<u>(46,879)</u>
Fund balance - beginning	<u>134,346</u>	<u>272,164</u>	<u>406,510</u>
Fund balance - ending	<u>\$ 75,649</u>	<u>\$ 283,982</u>	<u>\$ 359,631</u>

General Capital Project Fund

The General Capital Project Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Projects are the Mulberry Optimist, Hospital Avenue, North Main Street and Fire Station III.

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, 2019

(Schedule 7)

	Actual				Variance
	Project Authorization	Prior Years	Current Year	Total To Date	Positive Negative
FIRE STATION III					
Revenues:					
Interest Earned	-	-	5,111	5,111	5,111
Expenditures:					
Purchase of Facility	1,128,615	-	1,086,621	1,086,621	41,994
Renovations	400,000	-	181,437	181,437	218,563
Equipment	107,000	-	95,359	95,359	11,641
Total expenditures	1,635,615	-	1,363,417	1,363,417	272,198
Expenditures (over) revenues	(1,635,615)	-	(1,358,306)	(1,358,306)	277,309
MULBERRY OPTIMIST					
Revenues:					
Partf Grant	327,200		162,485	162,485	(164,715)
Expenditures:					
Construction	327,200	72,835	165,724	238,559	88,641
Engineering	100,000	23,926	-	23,926	76,074
Total expenditures	427,200	96,761	165,724	262,485	164,715
Expenditures (over) revenues	(100,000)	(96,761)	(3,239)	(100,000)	-
HOSPITAL AVENUE					
Revenues:					
NC DOT Grant	800,000			-	(800,000)
Expenditures:					
Administration	30,000				30,000
Engineering	105,000	40,313	57,152	97,465	7,535
Construction	865,000	52,582	-	52,582	812,418
Total expenditures	1,000,000	92,895	57,152	150,047	849,953
Expenditures (over) revenues	(200,000)	(92,895)	(57,152)	(150,047)	49,953
Expenditures (over) under revenues- all projects	(1,935,615)	(189,656)	(1,418,697)	(1,608,353)	327,262
OTHER FINANCING SOURCES(USES):					
Financing issuances	1,300,000		1,300,000	1,300,000	-
Transfer from General Fund	635,615	324,002	60,000	384,002	(251,613)
Total other financing sources	1,935,615	324,002	1,360,000	1,684,002	(251,613)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 134,346	\$ (58,697)	\$ 75,649	\$ 75,649
Fund balance beginning of year			134,346		
Fund balance end of year			\$ 75,649		

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, 2019**

(Schedule 8)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Revenues:			
Sales	\$ 1,000	\$ 11,285	10,285
Interest earned on investments		533	533
Total revenues	1,000	11,818	10,818
Expenditures:			
Improvements	1,000		1,000
Revenues over expenditures	-	11,818	11,818
Fund Balance:			
Beginning of year		272,164	
End of year		\$ 283,982	

Agency Fund

The Agency Fund accounts for Flexcare payments.

City of Lenoir, North Carolina

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For Fiscal Year Ended June 30, 2019
(Schedule 9)

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
<u>Flex Spending</u>				
Assets				
Cash and cash equivalents	\$ 1,941	\$ 89,440	\$ 89,440	\$ 1,941
Total assets	<u>\$ 1,941</u>	<u>\$ 89,440</u>	<u>\$ 89,440</u>	<u>\$ 1,941</u>
Liabilities				
Due to other funds	\$ 1,941	\$ 89,440	\$ 89,440	\$ 1,941
Total liabilities	<u>\$ 1,941</u>	<u>\$ 89,440</u>	<u>\$ 89,440</u>	<u>\$ 1,941</u>

Enterprise Fund

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

The Water and Sewer Fund accounts for the City's water filtration and distribution and wastewater collection and treatment operations.

City of Lenoir, North Carolina

Enterprise Fund - Water and Sewer Fund

Supplemental Balance Sheet

June 30, 2019

(Schedule 10)

	<u>2019</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 7,433,828
Accounts receivable (net)	566,813
Due from other Governmental Entities	1,418,012
Inventories	172,715
Restricted Cash and cash equivalents	6,141,591
Total current assets	<u>15,732,959</u>
Noncurrent assets	
Capital assets, net	<u>60,154,531</u>
Total assets	<u>75,887,490</u>
Deferred Outflows of Resources	
Pension Deferrals	968,237
OPEB Deferrals	26,864
Total Deferred Outflows of Resources	<u>995,101</u>
Liabilities	
Current liabilities	
Accounts payable	335,687
Installment purchase contracts - current	708,954
Revolving loan payable - current	920,995
Customer deposits payable from Restricted Assets	134,335
Compensated absences payable	76,343
Total current liabilities	<u>2,176,314</u>
Noncurrent liabilities	
Revolving loan payable	13,735,376
Installment purchase contracts payable	4,058,323
Total OPEB Liability	398,063
Compensated absences payable	63,529
Net Pension Liability	1,231,530
Total noncurrent liabilities	<u>19,486,821</u>
Total liabilities	<u>21,663,135</u>
Deferred Inflows of Resources:	
Pension Deferrals	46,720
OPEB Deferrals	34,472
Total Deferred Inflows of Resources	<u>81,192</u>
Net Position	
Net investment in capital assets	40,730,883
Unrestricted Net Position	14,407,381
Total Net Position	<u>\$ 55,138,264</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, 2019

(Schedule 11, Part I)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
REVENUES:			
Operating revenues:			
Water sales	\$ 5,486,000	\$ 6,015,804	\$ 529,804
Wastewater treatment charges	3,060,000	2,898,910	(161,090)
Water and sewer taps	32,000	71,784	39,784
Late payment/reconnect fees	229,000	235,720	6,720
Miscellaneous	74,000	114,422	40,422
Total operating revenues	<u>8,881,000</u>	<u>9,336,640</u>	<u>455,640</u>
Nonoperating revenues:			
Interest on investments	9,000	95,284	86,284
Total Nonoperating Revenues	<u>9,000</u>	<u>95,284</u>	<u>86,284</u>
Total Revenues	<u>\$ 8,890,000</u>	<u>\$ 9,431,924</u>	<u>\$ 541,924</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, 2019

(Schedule 11, Part II, Page 1)

	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
EXPENDITURES:			
Rhodhiss Water Treatment Plant:			
Salaries and wages		\$ 364,526	
Personnel benefits		124,527	
Telephone and postage		1,608	
Utilities		340,517	
Maintenance:			
Building and grounds		4,373	
Equipment		53,074	
Motor equipment operation and maintenance		35,984	
Departmental supplies		8,635	
Uniforms		4,605	
Contracted services		61,473	
State testing		17,451	
Chemicals		158,788	
Insurance and bonds		22,617	
Utility service fees		112,407	
Miscellaneous		6,322	
Total Rhodhiss Water Treatment Plant	1,446,857	1,316,907	129,950
Water Distribution:			
Salaries and wages		375,544	
Personnel benefits		129,684	
Telephone and postage		60,854	
Utilities		23,082	
Travel and training		3,549	
Maintenance:			
Equipment		74,472	
Distribution system		39,365	
Departmental supplies		84,534	
Uniforms		3,309	
Insurance and bonds		61,636	
Contracted services		128,825	
Professional Fees		48,473	
Miscellaneous		2,388	
Utility service fees		112,407	
Total Water Distribution	1,618,460	1,148,122	470,338
Water Resources			
Salaries and wages		309,810	
Personnel benefits		97,388	
Professional services		204,279	

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, 2019

(Schedule 11, Part II, Page 2)

EXPENDITURES (Continued)	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Water Resources (Continued)			
Travel and training		\$ 2,975	
Telephone and postage		1,839	
Equipment maintenance		25,223	
Motor equipment operation and maintenance		18,611	
Departmental supplies		14,109	
Uniforms		2,414	
Insurance and bonds		3,484	
Miscellaneous		4,971	
Total Water Resources	706,554	685,103	21,451
Wastewater Collection			
Salaries and wages		256,609	
Personnel benefits		95,453	
Telephone and postage		1,538	
Utilities		53,401	
Travel and training		1,335	
Maintenance:			
Equipment		5,407	
Sewage collection system		103,526	
Motor equipment operation and maintenance		52,161	
Departmental supplies		18,245	
Uniforms		3,084	
Contracted services		88,249	
Insurance and bonds		49,370	
Miscellaneous		4,231	
Utility service fees		112,407	
Total Wastewater Collection	898,239	845,016	53,223
Lower Creek Wastewater Treatment Plant:			
Salaries and wages		390,447	
Personnel benefits		149,839	
Telephone and postage		5,077	
Utilities		311,615	
Travel and training		1,754	
Maintenance:			
Building and grounds		2,409	
Equipment		44,520	
Motor equipment operation and maintenance		18,335	
Departmental supplies		29,050	
Uniforms		3,124	
Contracted services		194,607	
Chemicals		52,979	
Insurance and bonds		20,278	
Miscellaneous		2,572	
Utility service fees		112,407	
Total Lower Creek Wastewater Treatment Plant	1,274,741	1,339,013	(64,272)

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, 2019

(Schedule 11, Part II, Page 3)

EXPENDITURES (Continued)	2019		VARIANCE POSITIVE (NEGATIVE)
	BUDGET	ACTUAL	
Gunpowder Wastewater Treatment Plant:			
Salaries and wages		\$ 56,437	
Personnel benefits		20,494	
Telephone and postage		2,218	
Utilities		207,979	
Maintenance:			
Equipment		25,447	
Motor equipment operation and maintenance		18,264	
Departmental supplies		6,376	
Uniforms		1,552	
Contracted services		20,504	
Chemicals		60,100	
Insurance and bonds		15,385	
Miscellaneous		118	
Utility service fees		112,408	
Total Gunpowder Wastewater Treatment Plant	621,579	547,282	74,297
Wastewater Pretreatment:			
Salaries and wages		40,612	
Personnel benefits		13,657	
Travel and training		881	
Equipment maintenance		47	
Motor equipment operation and maintenance		16,503	
Uniforms		516	
Supplies		3,835	
Contracted services		12,560	
Miscellaneous		680	
Total Wastewater Pretreatment	189,690	89,291	100,399
Budgetary appropriations:			
Interest paid	114,586	114,586	-
Debt principal	1,222,894	1,180,373	42,521
Capital outlay:			
Equipment	796,400	647,245	149,155
Transfers Out	-	78,260	(78,260)
Total budgetary appropriations	2,133,880	2,020,464	113,416
TOTAL EXPENDITURES	\$ 8,890,000	\$ 7,991,198	\$ 898,802

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, 2019

(Schedule 11, Part III)

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

	2019 Actual
Total revenues and other financing sources on Schedule 11, Part I, Water and Sewer	\$ 9,431,924
Total expenditures on Schedule 7, Part II, Water and Sewer	7,991,198
Revenues and other sources over (under) expenditures and other uses:	1,440,726
Reconciling items:	
Grants - Capital Projects	231,370
Interest Earned - Capital Projects	541
Debt principal	1,180,373
Capital outlay	647,245
Transfer to Capital Projects	78,260
Increase in accrued vacation pay	(2,902)
Depreciation expense	(1,428,765)
Increase in Inventory	23,557
Increase in Deferred Outflows	360,328
Decrease in Deferred Inflows	45,598
Increase in Net Pension Liability	(442,308)
Increase (Decrease) in deferred outflows of resources - OPEB	14,854
(Increase) Decrease in deferred outflows of resources - OPEB	(11,415)
(Increase) Decrease in OPEB Liability	(12,635)
Total reconciling items	684,101
Change in Net Position (Exhibit G)	\$ 2,124,827

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 AIA Water and Sewer, Water Treatment Plant Upgrade – Phase II, Rhodhiss Water, Steele College Sewer, Biosolids Facility Improvements and Brownfield Assessments and Metering.

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, 2019

(Schedule 12, Page 1)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
Brownfield Assessments					
Revenues:					
EPA Grant	\$ 300,000	\$ -	\$ 42,520	\$ 42,520	\$ (257,480)
Expenditures:					
Professional Services	300,000	-	42,520	42,520	257,480
Total expenditures	300,000	-	42,520	42,520	257,480
Expenditures (under) revenues	-	-	-	-	-
AIA Water and Sewer					
Revenues:					
AIA Grant	\$ 198,000	\$ -	\$ 188,850	\$ 188,850	\$ (9,150)
Expenditures:					
Professional Services	220,000	23,970	186,880	210,850	9,150
Expenditures (under) revenues	(22,000)	(23,970)	1,970	(22,000)	-
Other financing sources (uses):					
Transfers From Other Funds	22,000	22,000	-	22,000	-
Total Other financing sources(uses):	22,000	22,000	-	22,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	-	(1,970)	1,970	-	-
Metering Project					
Revenues:					
Interest Earned	\$ -	\$ -	\$ 541	541	541
Expenditures:					
Metering System	3,762,645	-	80,986	80,986	3,681,659
Management Feed	339,130			-	339,130
Contingency	298,225				298,225
Total expenditures	4,400,000	-	80,986	80,986	4,319,014
Expenditures (under) revenues	(4,400,000)	-	(80,445)	(80,445)	4,319,555
Other financing sources (uses):					
Financing Issuances	4,400,000		4,400,000	4,400,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 4,319,555	\$ 4,319,555	\$ 4,319,555

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, 2019

(Schedule 12, Page 2)

	Project Authorization	Prior Years	Current Year	Total To Date	Variance Positive (Negative)
Water Treatment Plant					
Upgrade - Phase II					
Revenues:					
Contributions-Private Industry	\$ 10,050,000	\$ 10,050,000	\$ -	\$ 10,050,000	-
Expenditures:					
Engineering	615,000	108,560	212,857	\$ 321,417	293,583
Construction	9,395,000	1,750,624	5,275,755	\$ 7,026,379	2,368,621
Administration	40,000	66	302	\$ 368	39,632
Total expenditures	10,050,000	1,859,250	5,488,914	7,348,164	2,701,836
Expenditures (under) revenues	-	8,190,750	(5,488,914)	2,701,836	2,701,836
Rhodhiss Water					
Revenues:					
Drinking Water Loan	\$ 5,865,000	\$ 4,370,224	\$ 873,229	5,243,453	(621,547)
Expenditures:					
Engineering	965,000	642,592	319,532	962,124	2,876
Construction	4,615,000	3,795,043	575,149	4,370,192	244,808
Closing Fees	117,300	117,300	-	117,300	-
Contingency	237,500			-	237,500
Administration	47,500		9,735	9,735	37,765
Total expenditures	5,982,300	4,554,935	904,416	5,459,351	522,949
Expenditures (under) revenues	(117,300)	(184,711)	(31,187)	(215,898)	(98,598)
Other financing sources (uses):					
Transfer from Other Funds	117,300	137,300	78,598	215,898	98,598
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (47,411)	\$ 47,411	\$ -	\$ -

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, 2019

(Schedule 12, Page 3)

Steele College Sewer

Revenues:					
ARC Grant	\$ 273,000	\$ 219,307	\$ -	219,307	(53,693)
Expenditures:					
Engineering	32,000	55,600	-	55,600	(23,600)
Construction	357,000	257,712	-	257,712	99,288
Administration	1,000	994	-	994	6
Total expenditures	390,000	314,306	-	314,306	75,694
Expenditures (under) revenues	(117,000)	(94,999)	-	(94,999)	22,001
Other financing sources (uses):					
Transfer from Other Funds	117,000	95,337	(338)	94,999	(22,001)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 338	\$ (338)	\$ -	\$ -

Biosolids Facility Improvements

Revenues:					
Clean Water Trust Loan	\$ 6,600,000		\$ 877,381	877,381	(5,722,619)
Expenditures:					
Engineering	813,000	108,695	203,965	312,660	500,340
Construction	5,566,000		564,721	564,721	5,001,279
Administration	221,000			-	221,000
	6,600,000	108,695	768,686	877,381	5,722,619
Expenditures (under) revenues	-	(108,695)	108,695	-	-
Total Water and Sewer Capital Project Fund	\$ -	\$ 8,033,012	\$ (1,011,621)	\$ 7,021,391	\$ 7,021,391

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, 2019

(Schedule 13)

	<u>Cost Value</u>	<u>Fair Value</u>
Cash and Investments in the form of:		
Cash:		
On hand	\$ 2,185	\$ 2,185
In demand deposits	10,555,364	10,555,364
In certificates of deposit	2,539,745	2,539,745
Total Cash	<u>13,097,294</u>	<u>13,097,294</u>
Investments - North Carolina Capital North Carolina Capital Management Trust	<u>11,764,361</u>	<u>11,764,361</u>
Total Cash and Investments	<u>\$ 24,861,655</u>	<u>\$ 24,861,655</u>
Distribution by Funds:		
Governmental Fund types	\$ 11,286,236	\$ 11,286,236
Enterprise Fund	13,575,419	13,575,419
Total	<u>\$ 24,861,655</u>	<u>\$ 24,861,655</u>

City of Lenoir, North Carolina

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

(Schedule 14)

Fiscal Year	Uncollected Balance 7/1/2018	Additions	Collections and Credits	Uncollected Balance 6/30/2019
2018-2019		\$ 8,913,824	\$ 8,536,906	\$ 376,918
2017-2018	\$ 295,533		111,250	184,283
2016-2017	200,449		42,251	\$ 158,198
2015-2016	152,280		26,747	125,533
2014-2015	138,559		27,504	111,055
2013-2014	186,798		16,078	170,720
2012-2013	132,357		17,813	114,544
2011-2012	127,559		11,914	115,645
2010-2011	152,286		10,243	142,043
2009-2010	25,194		820	24,374
2008-2009	76,247		76,247	-
Total	\$ 1,487,262	\$ 8,913,824	\$ 8,877,773	\$ 1,523,313

Less allowance for uncollectible
ad valorem taxes receivable:

Ad valorem and vehicle	\$ 1,280,129	
Downtown Service District	6,658	1,286,787

\$

Ad valorem taxes receivable - net	\$ 236,526
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Reconciliation with revenues:

Ad valorem taxes (Schedule 2)	\$ 8,772,029
Discounts allowed	98,700
Prior year releases	31,344
Amounts written off per statute of limitations	67,983
Subtotal	8,970,056
Less penalties and interest collected	92,283

Total collections and credits	\$ 8,877,773
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City of Lenoir, North Carolina

Analysis of Current Tax Levy

June 30, 2019

(Schedule 15)

	Total Property Valuation	Rate	Amount of Levy	Total Levy	
				Property Excluding Vehicles	Motor Vehicles
Original levy:					
Ad Valorem	\$ 2,293,459,472	\$ 0.58	\$ 13,302,065	\$ 13,302,065	
Downtown Service District	13,216,900	0.25	33,042	33,042	
Motor Vehicles:					
General	135,218,793	0.58	784,269		\$ 784,269
Discoveries			424,647	424,647	
Releases			(5,630,199)	(5,630,199)	
Total for year	<u>2,441,895,165</u>		8,913,824	8,129,555	784,269
Less uncollected tax at June 30, 2019 (schedule 14)			<u>376,918</u>	<u>376,918</u>	
Current year's taxes collected			<u>\$ 8,536,906</u>	<u>\$ 7,752,637</u>	<u>\$ 784,269</u>
Percent current year collected			95.77%	95.36%	100.00%

***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, 2019
(Schedule 16)

Function and Activity	Land	Buildings and Improvements	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Administrative	\$ 769,701	\$ 767,504	\$ 1,160,685	\$ 1,740,011	\$ -	\$ 4,437,901
Vehicle services	-	-	326,688	-	-	326,688
Building maintenance	-	-	161,634	-	-	161,634
Public works administration	137,051	477,074	278,159	-	-	892,284
Cemeteries	105,673	150,164	89,764	-	-	345,601
Total general government	1,012,425	1,394,742	2,016,930	1,740,011	-	6,164,108
Public Safety:						
Police	170,165	1,606,695	5,088,563	-	-	6,865,423
Fire	237,774	692,229	3,883,757	-	1,147,544	5,961,304
Total public safety	407,939	2,298,924	8,972,320	-	1,147,544	12,826,727
Transportation:						
Streets	55,277	3,973,098	2,524,890	42,424,637	308,768	49,286,670
Environmental protection:						
Sanitation	9,500	19,969	1,430,562	-	-	1,460,031
Economic & physical development:						
Planning & Main Street	-	12,233	91,351	-	57,152	160,736
Recreation and culture:						
Recreation	1,507,206	6,901,286	836,140	1,069,840	262,485	10,576,957
Landscaping	10	396,104	314,259	-	-	710,373
Total recreation & culture	1,507,216	7,297,390	1,150,399	1,069,840	262,485	11,287,330
Total governmental funds capital assets	\$ 2,992,357	\$ 14,996,356	\$ 16,186,452	\$ 45,234,488	\$ 1,775,949	\$ 81,185,602

Statistical Section

This part of the City of Lenoir's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of understanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Governmental activities					
Net investment in capital assets	\$ 23,881,197	\$ 24,687,510	\$ 24,742,318	\$ 23,908,648	\$ 23,511,733
Restricted	319,048	2,068,699	1,628,404	2,090,733	2,033,820
Unrestricted	5,996,460	3,495,229	2,749,865	2,589,418	2,847,028
Total governmental activities net position	\$ 30,196,705	\$ 30,251,438	\$ 29,120,587	\$ 28,588,799	\$ 28,392,581
Business-type activities					
Net investment in capital assets	\$ 28,630,531	\$ 30,152,606	\$ 31,523,163	\$ 32,458,799	\$ 33,769,317
Unrestricted	\$ 3,208,275	\$ 3,602,725	\$ 3,311,422	\$ 3,272,193	\$ 3,217,991
Total business-type activities net position	\$ 31,838,806	\$ 33,755,331	\$ 34,834,585	\$ 35,730,992	\$ 36,987,308
Primary government					
Net investment in capital assets	\$ 52,511,728	\$ 54,840,116	\$ 56,265,481	\$ 56,367,447	\$ 57,281,050
Restricted	319,048	2,068,699	1,628,404	2,090,733	2,033,820
Unrestricted	9,204,735	6,329,412	6,061,287	5,861,611	6,065,019
Total primary government net position	\$ 62,035,511	\$ 63,238,227	\$ 63,955,172	\$ 64,319,791	\$ 65,379,889

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Governmental activities					
Net investment in capital assets	\$ 23,067,714	\$ 22,408,717	\$ 22,249,268	\$ 22,246,314	\$ 22,395,076
Restricted	2,064,013	2,185,690	1,864,853	2,216,291	1,815,848
Unrestricted	2,799,456	3,588,550	4,926,142	4,412,313	5,425,858
Total governmental activities net position	\$ 27,931,183	\$ 28,182,957	\$ 29,040,263	\$ 28,874,918	\$ 29,636,782
Business-type activities					
Net investment in capital assets	\$ 34,672,805	\$ 35,531,735	\$ 36,016,281	\$ 39,010,237	\$ 40,730,883
Unrestricted	\$ 2,921,449	\$ 3,096,389	\$ 4,187,558	\$ 14,003,200	\$ 14,407,381
Total business-type activities net position	\$ 37,594,254	\$ 38,628,124	\$ 40,203,839	\$ 53,013,437	\$ 55,138,264
Primary government					
Net investment in capital assets	\$ 57,740,519	\$ 57,940,452	\$ 58,265,549	\$ 61,256,551	\$ 63,125,959
Restricted	2,064,013	2,185,690	1,864,853	2,216,291	1,815,848
Unrestricted	5,720,905	6,684,939	9,113,700	18,415,513	19,833,239
Total primary government net position	\$ 65,525,437	\$ 66,811,081	\$ 69,244,102	\$ 81,888,355	\$ 84,775,046

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

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Expenses					
Governmental activities:					
General government	\$ 2,688,903	\$ 2,521,169	\$ 3,195,538	\$ 3,046,921	\$ 3,179,927
Public safety	8,474,676	8,609,721	8,215,430	8,207,917	8,048,078
Transportation	2,128,596	2,131,705	2,097,876	2,347,838	2,261,096
Environmental protection	772,091	829,299	703,246	855,159	842,366
Economic and physical development	1,955,860	1,683,790	2,197,798	1,355,971	1,282,460
Culture and recreation	2,025,347	2,051,873	2,196,855	2,007,287	2,040,197
Interest and fees	124,370	106,965	90,971	65,475	47,645
Total governmental activities expenses	18,169,843	17,934,522	18,697,714	17,886,568	17,701,769
Business-type activities:					
Water and sewer	7,012,770	6,748,649	7,049,311	6,961,985	7,112,339
Total primary government expenses	\$ 25,182,613	\$ 24,683,171	\$ 25,747,025	\$ 24,848,553	\$ 24,814,108
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 664,933	\$ 777,946	\$ 1,059,899	\$ 410,011	\$ 516,150
Public safety	196,711	194,263	180,689	411,362	383,282
Transportation	19,926	21,151	29,707	19,484	9,772
Environmental protection	562,743	556,164	629,383	630,546	626,488
Economic and physical development	238,413	106,171	4,851	2,300	3,100
Culture and recreation	253,693	216,991	212,195	263,552	214,129
Operating grants and contributions	2,227,212	2,006,622	2,871,333	1,685,037	1,702,475
Capital grants and contributions	752,229	868,037	202,102	365,146	225,658
Total governmental activities program revenues	4,747,345	5,190,159	5,190,159	3,787,438	3,681,054
Business-type activities:					
Charges for services:					
Water and sewer	7,220,490	7,241,793	7,575,832	7,777,598	7,947,875
Operating grants and contributions	-	1,374,704	-	-	-
Capital grants and contributions	-	-	500,000	-	-
Total business-type activities program revenues	7,220,490	8,616,497	8,075,832	7,777,598	7,947,875
Total primary government program revenues	\$ 11,967,835	\$ 13,806,656	\$ 13,265,991	\$ 11,565,036	\$ 11,628,929
Net (Expense)/Revenue					
Governmental activities	\$ (13,422,498)	\$ (12,744,363)	\$ (13,507,555)	\$ (14,099,130)	\$ (14,020,715)
Business-type activities	207,720	1,867,848	1,026,521	815,613	835,536
Total primary government net expense	\$ (13,214,778)	\$ (10,876,515)	\$ (12,481,034)	\$ (13,283,517)	\$ (13,185,179)

Table 2, (Page 2)

City of Lenoir

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 7,206,622	\$ 7,370,866	\$ 6,824,494	\$ 7,514,078	\$ 7,544,703
Other taxes and licenses	3,470,522	3,762,006	3,840,310	3,902,194	3,516,230
Unrestricted intergovernmental	1,464,036	1,524,091	1,539,309	1,743,940	2,046,411
Miscellaneous	598,575	229,488	86,751	260,959	469,942
Gain (loss) on sale of capital assets	29,815		16,794	(74,023)	20,993
Transfers					
Payment from ABC Board	216,980	207,532	219,868	213,630	223,333
Interest earned on investments	18,273	10,351	7,163	6,564	2,885
Total governmental activities	13,004,823	13,104,334	12,534,689	13,567,342	13,824,497
Business-type activities:					
Miscellaneous	94,946	44,429	49,674	78,318	419,534
Gain (loss) on sale of capital assets					
Transfers					
Interest earned on investments	9,666	4,248	3,059	2,476	1,246
Total business-type activities	104,612	48,677	52,733	80,794	420,780
Total primary government	\$ 13,109,435	\$ 13,153,011	\$ 12,587,422	\$ 13,648,136	\$ 14,245,277
Changes in Net Position					
Governmental activities	\$ (417,675)	\$ 359,971	\$ (972,866)	\$ (531,788)	\$ (196,218)
Business-type activities	312,332	1,916,525	1,079,254	896,407	1,256,316
Total primary government	\$ (105,343)	\$ 2,276,496	\$ 106,388	\$ 364,619	\$ 1,060,098

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

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Expenses					
Governmental activities:					
General government	\$ 4,322,095	\$ 2,603,033	\$ 2,961,015	\$ 2,644,732	\$ 2,840,017
Public safety	7,800,350	8,548,540	8,524,080	8,395,130	9,170,292
Transportation	2,160,348	2,723,651	2,287,481	2,293,273	2,202,955
Environmental protection	947,928	841,519	824,414	854,255	876,989
Economic and physical development	741,650	2,062,599	1,995,872	1,444,375	1,269,253
Culture and recreation	1,807,111	2,048,795	1,818,534	1,898,104	1,961,232
Interest and fees	36,863	41,567	85,777	27,893	14,900
Total governmental activities expenses	17,816,345	18,869,704	18,497,173	17,557,762	18,335,638
Business-type activities:					
Water and sewer	7,135,710	7,163,620	7,404,767	6,855,249	7,539,008
Total primary government expenses	\$ 24,952,055	\$ 26,033,324	\$ 25,901,940	\$ 24,413,011	\$ 25,874,646
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 342,440	\$ 307,754	\$ 49,015	\$ 67,384	\$ 21,209
Public safety	416,602	330,033	450,241	400,097	366,495
Transportation	34,234	-	-	-	-
Environmental protection	632,824	703,382	699,283	707,721	712,381
Economic and physical development	1,425	9,135	171,180	14,079	8,018
Culture and recreation	376,314	236,656	417,561	408,723	421,905
Operating grants and contributions	1,960,332	2,456,352	2,000,718	1,219,937	844,285
Capital grants and contributions	267,678	346,740	31,300	806,915	162,485
Total governmental activities program revenues	4,031,849	4,390,052	3,819,298	3,624,856	2,536,778
Business-type activities:					
Charges for services:					
Water and sewer	7,919,136	8,008,234	8,920,594	8,928,167	9,336,640
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	201,294	87,956	50,000	-	-
Total business-type activities program revenues	8,120,430	8,096,190	8,970,594	8,928,167	9,336,640
Total primary government program revenues	\$ 12,152,279	\$ 12,486,242	\$ 12,789,892	\$ 12,553,023	\$ 11,873,418
Net (Expense)/Revenue					
Governmental activities	\$ (13,784,496)	\$ (14,479,652)	\$ (14,677,875)	\$ (13,932,906)	\$ (15,798,860)
Business-type activities	984,720	932,570	1,565,827	13,059,605	2,029,002
Total primary government net expense	\$ (12,799,776)	\$ (13,547,082)	\$ (13,112,048)	\$ (873,301)	\$ (13,769,858)

Table 2, (Page 4)

City of Lenoir

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General Revenues and Other Changes in Net Position					
Governmental activities:					
Ad valorem taxes	\$ 7,983,791	\$ 7,940,493	\$ 9,363,301	\$ 8,532,448	\$ 8,733,173
Other taxes and licenses	3,425,571	3,394,782	3,656,826	3,797,816	4,076,213
Unrestricted intergovernmental	2,329,079	2,515,699	2,491,212	2,471,344	2,508,686
Miscellaneous	280,748	604,938	747,542	392,714	774,034
Gain (loss) on sale of capital assets	22,065	-	13,355		
Payment from ABC Board	259,307	265,555	261,270	264,661	291,964
Interest earned on investments	3,382	9,959	23,190	103,535	176,654
Total governmental activities	14,303,943	14,731,426	16,556,696	15,562,518	16,560,724
Business-type activities:					
Miscellaneous	149,263	97,140			
Interest earned on investments	1,111	4,160	9,888	42,195	95,825
Total business-type activities	150,374	101,300	9,888	42,195	95,825
Total primary government	\$ 14,454,317	\$ 14,832,726	\$ 16,566,584	\$ 15,604,713	\$ 16,656,549
Changes in Net Position					
Governmental activities	\$ 519,447	\$ 251,774	\$ 1,878,821	\$ 1,629,612	\$ 761,864
Business-type activities	1,135,094	1,033,870	1,575,715	13,101,800	2,124,827
Total primary government	\$ 1,654,541	\$ 1,285,644	\$ 3,454,536	\$ 14,731,412	\$ 2,886,691

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

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
General Fund					
NonSpendable		\$ 29,608	\$ 34,643	\$ 6,827	
Restricted	2,116,002	2,012,151	1,762,940	1,827,592	1,777,269
Assigned		610,557	555,964	468,178	396,760
Unassigned	3,760,253	2,896,417	3,028,662	3,211,745	3,574,740
Total general fund	<u>\$ 5,876,255</u>	<u>\$ 5,548,733</u>	<u>\$ 5,382,209</u>	<u>\$ 5,514,342</u>	<u>\$ 5,748,769</u>
All Other Governmental Funds					
NonSpendable	\$ 251,441	\$ 253,553	\$ 255,181	\$ 256,314	\$ 256,551
Restricted	187,512				
Assigned		(238,358)	(316,786)	(228,544)	
Total all other governmental funds	<u>\$ 438,953</u>	<u>\$ 15,195</u>	<u>\$ (81,605)</u>	<u>\$ 27,770</u>	<u>(169,149)</u>
					<u>\$ 87,402</u>

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General Fund					
NonSpendable					
Restricted	1,807,016	1,928,261	1,600,448	1,944,127	1,531,866
Assigned	363,889	305,812			
Unassigned	4,061,603	4,554,559	7,222,443	8,421,722	9,829,330
Total general fund	<u>\$ 6,232,508</u>	<u>\$ 6,788,632</u>	<u>\$ 8,822,891</u>	<u>\$ 10,365,849</u>	<u>\$ 11,361,196</u>
All Other Governmental Funds					
NonSpendable	\$ 256,997	\$ 257,429	\$ 264,405	\$ 272,164	\$ 283,982
Restricted					
Assigned		14,335	35,358	134,346	75,649
Unassigned	60,311	376,804	414,060	477,106	395,159
Total all other governmental funds	<u>\$ 317,308</u>	<u>\$ 648,568</u>	<u>\$ 713,823</u>	<u>\$ 883,616</u>	<u>\$ 754,790</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				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Revenues					
Ad valorem taxes	\$ 7,274,284	\$ 7,245,878	\$ 7,020,833	\$ 7,455,803	\$ 7,593,573
Other taxes and licenses	3,470,522	3,762,008	3,840,310	3,902,194	3,516,230
Unrestricted intergovernmental revenues	1,464,036	1,524,091	1,539,309	1,743,940	2,046,411
Restricted intergovernmental revenues	1,110,953	938,984	3,224,873	2,050,183	2,079,522
Permits and fees	117,900	199,682	196,548	200,737	191,572
Sales and services	1,481,369	1,551,101	1,669,626	1,536,518	1,561,348
Investment earnings	14,578	8,798	7,163	6,564	2,885
Miscellaneous	542,745	219,547	86,751	260,959	318,553
Payment from ABC Board	216,980	207,532	219,868	213,630	223,333
Total revenues	15,693,367	15,657,619	17,805,281	17,370,528	17,533,427
Expenditures					
General government	2,485,008	2,303,427	3,001,812	2,950,137	3,613,421
Public safety	7,823,997	7,981,579	7,802,219	7,859,864	7,582,589
Transportation	1,359,189	1,418,860	1,364,885	1,733,257	1,634,821
Environmental protection	679,803	748,417	775,384	785,039	731,850
Economic and physical development	528,443	580,395	2,187,637	1,365,763	1,280,943
Cultural and recreation	1,794,162	1,805,049	2,023,630	1,887,295	1,856,223
Capital outlay	315,225	656,659	265,098	10,561	507,125
Debt service:					
Interest	106,730	78,943	90,971	65,475	47,645
Principal	851,467	778,766	908,763	625,924	493,910
Total expenditures	15,942,024	16,352,095	18,420,399	17,283,315	17,748,527
Excess of revenues over (under) expenditures	(248,657)	(694,476)	(615,118)	87,213	(215,100)
Other Financing Sources (Uses)					
Proceeds from installment purchase		526,000	355,000		487,000
Proceeds from disposal of capital assets	32,516		16,794	134,295	22,159
Transfers in					
Transfers out	(60,000)	(138,637)			
Total other financing sources (uses)	(27,484)	387,363	371,794	134,295	509,159
Net change in fund balances	\$ (276,141)	\$ (307,113)	\$ (243,324)	\$ 221,508	\$ 294,059
Debt service as a percentage of noncapital expenditures	6.13%	13.10%	5.51%	4.00%	3.14%

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				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Revenues					
Ad valorem taxes	\$ 7,970,787	\$ 8,065,223	\$ 9,166,101	\$ 8,618,921	\$ 8,772,029
Other taxes and licenses	3,425,571	3,399,359	3,663,224	3,803,849	4,082,560
Unrestricted intergovernmental revenues	2,329,079	2,511,122	2,484,814	2,466,241	2,503,244
Restricted intergovernmental revenues	2,228,010	3,127,130	2,348,540	2,337,191	1,006,770
Permits and fees	219,678	140,186	410,954	200,465	163,124
Sales and services	1,584,161	1,446,774	1,376,326	1,397,539	1,366,884
Investment earnings	3,382	9,959	23,190	103,535	178,654
Miscellaneous	280,748	280,900	444,984	81,445	773,129
Payment from ABC Board	259,307	265,555	261,270	264,661	291,964
Total revenues	18,300,723	19,246,208	20,179,403	19,273,847	19,136,358
Expenditures					
General government	4,301,172	3,802,309	2,967,616	2,480,103	2,705,252
Public safety	7,979,458	8,151,625	8,069,133	8,218,970	8,872,350
Transportation	1,707,089	2,171,511	1,706,137	1,785,968	1,832,873
Environmental protection	830,334	747,116	737,853	768,562	828,952
Economic and physical development	1,548,040	2,031,820	1,948,644	1,423,265	1,218,622
Cultural and recreation	1,805,187	1,852,262	1,588,087	1,645,553	1,738,718
Capital Projects	222,806	134,848	78,985	332,694	1,586,293
Debt service:					
Interest	36,862	41,567	85,777	27,893	14,900
Principal	592,045	797,766	897,657	878,088	771,877
Total expenditures	19,022,993	19,730,824	18,079,889	17,561,096	19,569,837
Excess of revenues over (under) expenditures	(722,270)	(484,616)	2,099,514	1,712,751	(433,479)
Other Financing Sources (Uses)					
Proceeds from installment purchase	1,413,850	1,372,000			1,300,000
Proceeds from disposal of capital assets	22,065				
Transfers in					
Transfers out					
Total other financing sources (uses)	1,435,915	1,372,000	-	-	1,300,000
Net change in fund balances	\$ 713,645	\$ 887,384	\$ 2,099,514	\$ 1,712,751	\$ 866,521
Debt service as a percentage of noncapital expenditures	3.35%	4.28%	5.61%	5.37%	4.50%

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
2018-2019	\$ 1,394,245,059	\$ 895,239,279	\$ 72,349,980	\$ 24,793,044	\$ 2,337,041,274	\$ 0.5885
2017-2018	\$ 1,388,864,759	\$ 711,369,446	\$ 70,176,826	\$ 24,813,413	\$ 2,145,597,618	\$ 0.5885
2016-2017	\$ 1,387,808,159	\$ 720,630,608	\$ 63,722,866	\$ 25,978,451	\$ 2,146,183,182	\$ 0.5885
2015-2016	\$ 1,294,147,156	\$ 779,096,233	\$ 64,291,555	\$ 28,814,496	\$ 2,110,720,448	\$ 0.5800
2014-2015	\$ 1,233,668,756	\$ 718,193,985	\$ 51,204,570	\$ 27,488,880	\$ 1,975,578,431	\$ 0.5800
2013-2014 *	\$ 1,130,125,353	\$ 498,978,974	\$ 50,029,243	\$ 27,462,677	\$ 1,651,670,893	\$ 0.5600
2012-2013	\$ 1,292,901,589	\$ 327,303,390	\$ 53,176,053	\$ 199,850,139	\$ 1,473,530,893	\$ 0.5600
2011-2012	\$ 1,255,742,776	\$ 264,497,419	\$ 46,472,323	\$ 182,117,594	\$ 1,384,594,924	\$ 0.5400
2010-2011	\$ 1,278,228,976	\$ 241,451,644	\$ 47,030,270	\$ 182,808,563	\$ 1,383,902,327	\$ 0.5400
2009-2010	\$ 1,295,925,277	\$ 178,707,495	\$ 47,677,991	\$ 179,894,259	\$ 1,294,738,526	\$ 0.5400

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.

Beginning in 2017, the City of Lenoir collects funds for the former Rescue Squad rates.

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			Total Direct & Overlapping Rate
	City of Lenoir Basic Rate	Downtown Service District	Rescue Readiness	Caldwell County Basic Rate	Rescue Squad		
2018-2019	\$ 0.5800	\$ 0.2500	\$ 0.0085	\$ 0.6300			\$ 1.2185
2017-2018	\$ 0.5800	\$ 0.2500	\$ 0.0085	\$ 0.6300			\$ 1.2185
2016-2017	\$ 0.5800	\$ 0.2500	\$ 0.0085	\$ 0.6300			\$ 1.2185
2015-2016	\$ 0.5800	\$ 0.2500		\$ 0.6000	\$ 0.0085		\$ 1.1885
2014-2015	\$ 0.5800	\$ 0.2500		\$ 0.6000	\$ 0.0085		\$ 1.1885
2013-2014	\$ 0.5800	\$ 0.2500		\$ 0.6000	\$ 0.0085		\$ 1.1885
2012-2013	\$ 0.5600	\$ 0.2500		\$ 0.6299	\$ 0.0085		\$ 1.1984
2011-2012	\$ 0.5400	\$ 0.2500		\$ 0.6599	\$ 0.0085		\$ 1.2084
2010-2011	\$ 0.5400	\$ 0.2500		\$ 0.6599	\$ 0.0085		\$ 1.2084
2009-2010	\$ 0.5400	\$ 0.2500		\$ 0.6599	\$ 0.0085		\$ 1.2084

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.
 - * Beginning in 2017, the City of Lenoir collects funds for the former Rescue Squad rates.

Table 7
City of Lenoir, North Carolina
Principal Property Taxpayers
Current Year and Ten Years Ago
(unaudited)

Taxpayers	2008				2018			
	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Total City Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
			\$ 1,492,491,366				\$ 2,337,041,274	
Google/Tapaha	172,088,630	1		11.53%	1,041,015,722	1		44.54%
Duke Energies	22,038,982	4		1.48%	29,716,412	2		1.27%
Bernhardt Furniture Company	25,396,122	3		1.70%	26,165,992	3		1.12%
Blue Ridge Electric	16,105,585	5		1.08%	25,843,667	4		1.11%
Broyhill/Heritage Home Group	28,180,123	2		1.89%	22,408,316	5		0.96%
Exela				0.00%	20,539,703	6		0.88%
Stallergenes Greer USA				0.00%	19,982,630	7		0.86%
Bemis	16,078,449	6			18,672,922	8		0.80%
Wal-Mart					17,216,162	9		0.74%
Woodgrain Millwork					16,482,448	10		0.71%
Kincaid Furniture Company, Inc.	14,400,745	7		0.96%				0.00%
Thomasville Furniture Industries	12,827,973	8		0.86%				0.00%
Neptco, Inc.	12,197,513	9		0.82%				0.00%
Meridian Automotive	11,860,978	10		0.79%				
Total	\$ 331,175,100		\$ 1,492,491,366	21.11%	\$ 1,238,043,974		\$ 2,337,041,274	52.97%

Source: Caldwell County Tax Assessor

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 8,913,824	\$ 8,536,906	95.77%		\$ 8,536,906	95.77%
2018	\$ 8,620,779	\$ 8,325,246	96.57%	\$ 111,250	\$ 8,436,496	97.86%
2017	\$ 9,251,407	\$ 8,970,238	96.96%	\$ 122,971	\$ 9,093,209	98.29%
2016	\$ 8,345,390	\$ 8,054,641	96.52%	\$ 165,216	\$ 8,219,857	98.50%
2015	\$ 8,014,444	\$ 7,693,343	95.99%	\$ 210,046	\$ 7,903,389	98.61%
2014	\$ 7,797,546	\$ 7,367,200	94.48%	\$ 259,626	\$ 7,626,826	97.81%
2013	\$ 7,614,484	\$ 7,176,790	94.25%	\$ 323,150	\$ 7,499,940	98.50%
2012	\$ 7,249,166	\$ 6,764,851	93.32%	\$ 368,670	\$ 7,133,521	98.40%
2011	\$ 7,274,696	\$ 6,782,376	93.23%	\$ 350,277	\$ 7,132,653	98.05%
2010	\$ 7,414,997	\$ 6,982,155	94.16%	\$ 408,468	\$ 7,390,623	99.67%

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				
2019	\$ -	\$ 1,667,097.00	\$ -	\$ 14,656,371.00	\$ 4,767,277.00	\$ 21,090,745.00	0.16%	1,175.76	
2018	\$ -	\$ 1,138,974.00	\$ -	\$ 13,823,454.00	\$ 629,957.00	\$ 15,592,385.00	0.21%	869.00	
2017	\$ -	\$ 2,017,062.00	\$ -	\$ 11,274,614.00	\$ 1,128,608.00	\$ 14,420,284.00	0.22%	792.28	
2016	\$ -	\$ 2,914,719.00	\$ -	\$ 10,471,807.00	\$ 2,134,218.00	\$ 15,520,744.00	0.20%	869.90	
2015	\$ -	\$ 2,226,485.00	\$ 114,000.00	\$ 8,631,408.00	\$ 3,003,924.00	\$ 13,975,817.00	0.22%	783.31	
2014	\$ -	\$ 1,296,679.00	\$ 222,000.00	\$ 5,669,271.00	\$ 4,515,789.00	\$ 11,703,739.00	0.25%	653.40	
2013	\$ -	\$ 1,201,586.00	\$ 324,000.00	\$ 6,243,763.00	\$ 6,060,089.00	\$ 13,829,438.00	0.20%	763.09	
2012	\$ -	\$ 1,731,513.00	\$ 420,000.00	\$ 6,818,254.00	\$ 7,541,918.00	\$ 16,511,685.00	0.17%	911.09	
2011	\$ -	\$ 2,193,276.00	\$ 512,000.00	\$ 3,557,397.00	\$ 8,972,267.00	\$ 15,234,940.00	0.18%	834.29	
2010	\$ -	\$ 2,446,042.00	\$ 598,000.00	\$ 3,949,253.00	\$ 10,367,183.00	\$ 17,360,478.00	0.16%	910.64	

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.
* 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
2019	\$ -	0.00%	\$ -
2018	\$ -	0.00%	\$ -
2017	\$ -	0.00%	\$ -
2016	\$ -	0.00%	\$ -
2015	\$ -	0.00%	\$ -
2014	\$ -	0.00%	\$ -
2013	\$ -	0.00%	\$ -
2012	\$ -	0.00%	\$ -
2011	\$ -	0.00%	\$ -
2010	\$ -	0.00%	\$ -

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Table 13 for personal income and population data.

Table 11
City of Lenoir, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
	\$ -	35.29%	\$ -
Other debt			
Caldwell County equity purchase contracts	46,300,343	35.29%	16,339,391
Subtotal, overlapping debt			16,339,391
Lenoir direct debt			1,667,097
Total direct and overlapping debt			\$ 18,006,488

Sources: Assessed value data used to estimate applicable percentages provided by the Caldwell County assessor. Debt outstanding provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lenoir. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and, therefore, responsible for repaying the debt - of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Caldwell County's other debt.

Table 12
City of Lenoir, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

Calculation of legal debt margin as of June 30, 2019:

Assessed valuation - January 1, 2018	\$ 2,441,895,165	
Debt Limit - 8% of assessed value		\$ 195,351,613
Gross long-term debt	\$ 21,090,745	
Less statutory deductions		
Bonds applicable to water system	<u>-</u>	\$ 21,090,745
Legal debt margin		<u><u>\$ 174,260,868</u></u>

	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Debt limit	\$ 114,986,842	\$ 115,475,983	\$ 118,214,283	\$ 126,641,794	\$ 144,008,225
Total net debt applicable to limit	<u>17,360,478</u>	<u>18,879,854</u>	<u>16,502,686</u>	<u>13,829,441</u>	<u>11,703,739</u>
Legal debt margin	<u>\$ 97,626,364</u>	<u>\$ 96,596,129</u>	<u>\$ 101,711,597</u>	<u>\$ 112,812,353</u>	<u>\$ 132,304,486</u>
Total net debt applicable to the limit as a percentage of debt limit	15.10%	16.35%	13.96%	10.92%	8.13%

	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Debt limit	\$ 163,608,583	\$ 174,059,007	\$ 177,626,097	\$ 181,760,945	\$ 195,351,613
Total net debt applicable to limit	<u>13,976,817</u>	<u>15,520,744</u>	<u>14,420,284</u>	<u>15,592,385</u>	<u>21,090,745</u>
Legal debt margin	<u>\$ 149,631,766</u>	<u>\$ 158,538,263</u>	<u>\$ 163,205,813</u>	<u>\$ 166,168,560</u>	<u>\$ 174,260,868</u>
Total net debt applicable to the limit as a percentage of debt limit	8.54%	8.92%	8.12%	8.58%	10.80%

Note: Under N. C. Statutes the City's outstanding debt should not exceed 8% of total assessed property value less statutory deductions.

Table 13
City of Lenoir, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years
(unaudited)

Calendar Year	Population	Personal Income (In Millions)	Per Capita Personal Income	Unemployment Rate
2018	17,938	\$ 2,772	\$ 33,815	4.8%
2017	17,943	\$ 2,647	\$ 32,508	4.5%
2016	18,201	\$ 2,475	\$ 31,271	5.6%
2015	17,842	\$ 2,460	\$ 31,263	5.6%
2014	17,842	\$ 2,451	\$ 30,091	7.2%
2013	17,912	\$ 2,379	\$ 29,012	7.5%
2012	18,123	\$ 2,304	\$ 28,121	12.9%
2011	18,123	\$ 2,240	\$ 27,261	13.5%
2010	18,261	\$ 2,238	\$ 26,958	12.4%
2009	19,064	\$ 2,235	\$ 27,969	13.4%

Sources:

Per capita personal income and personal income are for Caldwell County and is provided by the U.S. Bureau of Economic Analysis.
Population is for the City of Lenoir and provided by the U.S. Census. Unemployment rate is for the Caldwell County and provided by the N.C. Commerce.

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

Employer	2018			2008		
	Range of Employees	Rank	% of Total Employment	Range of Employees	Rank	% of Total Employment
Caldwell County Schools	1,000+	1	4.0%	1000+	1	4.1%
Merchants Distributors	1,000+	2	3.2%	1000+	2	3.8%
Bernhardt Furniture Co., Inc.	1,000+	3	2.9%	1000+	3	3.4%
Caldwell Memorial Hospital	500-999	4	2.7%	500-999	5	3.0%
Caldwell County	500-999	5	2.4%	500-999	8	2.5%
Wal-Mart Associates, Inc.	500-999	6	2.1%	250-499	16	0.8%
Caldwell Community College and Tech Institute	500-999	7	1.9%	500-999	6	2.8%
Sealed Air Corporation - Manufacturing	250-499	8	1.3%	100-249	18	0.7%
Sealed Air - Transportation	250-499	9	1.3%			
Fairfield Chair Co.	250-499	10	1.2%	250-499	11	1.5%
Foothills Temporary Employment	250-499	11	1.1%			
City of Lenoir	250-499	12	1.1%	250-499	13	1.2%
Exela Pharma Sciences LLC	250-499	13	1.0%			
Stallergenes/Greer Laboratories	250-499	14	0.9%	100-249	19	0.5%
Skill Creations	250-499	15	0.9%			
RPM Wood Finishes Group/Chemical Coatings	250-499	16	0.8%	250-499	15	0.9%
FedEx Ground Package System	250-499	17	0.7%			
Swift Beef/Vantage Foods	250-499	18	0.7%	100-249	20	0.5%
Bemis Manufacturing	100-249	19	0.6%	100-249	17	0.8%
Chase/Neptco, Inc.	100-249	20	0.5%			
Heritage Home Group/Broyhill Furniture				500-999	4	3.1%
Thomasville Furniture Industries				500-999	7	2.7%
Universal Mental Health Services				500-999	9	2.3%
Avery Dennison/Paxar				250-499	10	1.6%
Kincaid Furniture Co., Inc.				250-499	12	1.3%
Caldwell Freight Lines				250-499	14	1.0%

Source: NC COMMERCE/Employment Sec. Commission

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

	Full-time-Equivalent Employees as of June 30				
	2015	2016	2017	2018	2019
General Government					
Administrative	13.5	13.5	13.0	13.5	13.0
Building Maintenance	6.0	6.0	6.0	6.0	6.0
Engineering	2.0	2.0	2.0	2.0	2.0
Cemeteries	1.0	3.0	3.0	5.0	6.0
Vehicle Services	4.0	4.0	4.0	4.0	4.0
Public Safety					
Police	70.0	69.5	74.5	76.0	78.0
Fire	57.5	59.0	59.5	59.5	60.5
Transportation					
Streets	14.5	13.5	14.5	15.0	15.5
Environmental Protection					
Sanitation	12.5	12.5	12.5	13.5	13.5
Economic and Physical Development					
Downtown District	2.0	2.0	2.0	2.0	2.0
Planning	5.0	5.5	5.0	5.0	4.0
Culture and Recreation					
Centers and Parks	25.5	25.0	25.0	24.5	24.5
Aquatic and Fitness Center	25.0	27.0	21.0	21.0	21.0
Landscaping	8.0	6.0	6.0	6.5	6.5
Water and Sewer Utility					
Bernhardt Water Treatment Plant	9.0	9.0	9.0	9.0	9.0
Water Distribution	12.5	12.5	13.5	13.5	14.0
Water Resources	6.0	7.0	7.0	5.0	5.0
Wastewater Collection	5.5	5.5	5.5	7.5	7.5
Wastewater Pretreatment	3.0	3.0	3.0	3.0	3.0
Gunpowder and Lower Creek					
Wastewater Treatment Plants	11.0	11.0	11.0	11.0	11.0
Total	293.5	296.5	297.0	302.5	306.0

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

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

Program/Function	Fiscal Year				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Police					
Physical arrests	1,918	1,935	2,179	2,121	2,357
Incident reports	2,221	2,051	1,946	2,007	2,066
Parking violations	858	863	349	575	690
Citations issued	2,548	2,571	2,846	2,683	3,344
Fire					
Calls answered	2,566	2,563	2,431	2,610	2,610
Inspections	405	311	297	355	337
Sanitation					
Refuse collected (tons per day)	22.92	27.26	25.93	23.54	23.98
Streets					
Street resurfacing (miles)	0.75	0.75	0.00	1.49	2.20
Parks and Recreation					
Aquatic/Fitness memberships	1,353	1,053	1,906	2,078	2,379
Aquatic/Fitness admissions	9,046	11,552	11,640	11,509	19,919
Youth sports participants	1034	1045	1070	1115	1155
Adult sports participants	324	288	265	235	125
Water system					
New connections	25	30	25	21	22
Water main breaks	17	28	35	29	30
Number of utility customers	9,670	9,673	9,583	9,684	9,657
Daily avg consumption in million gallons	5.6	6.2	7.2	5.5	6.1
Wastewater system					
Number of utility customers	8,320	8,209	8,110	8,002	7,862
Daily avg treatment in million gallons	4.25	3.43	3.14	3.99	3.41

Program/Function	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Police					
Physical arrests	2,134	2,439	2,523	2,501	2,942
Incident reports	2,140	2,187	2,442	2,561	2,567
Parking violations	688	416	385	246	267
Citations issued	3,264	3,190	3,305	3,074	3,950
Fire					
Calls answered	2,731	2,941	3,022	2,918	3,238
Inspections	310	352	309	296	301
Sanitation					
Refuse collected (tons per day)	25.15	30.35	30.93	26.57	27.70
Streets					
Street resurfacing (miles)	2.97	3.19	2.93	4.10	3.18
Parks and Recreation					
Aquatic/Fitness memberships	2,775	2,665	1,451	2,032	1,401
Aquatic/Fitness admissions	37,122	36,214	36,475	36,728	28,761
Youth sports participants	1190	1310	1330	1345	1275
Adult sports participants	100	110	105	105	110
Water system					
New connections	18	32	26	32	46
Water main breaks	28	30	39	43	52
Number of utility customers	9,678	9,706	9,813	10,980	10,968
Daily avg consumption in million gallons	6.4	6.0	6.2	6.2	6.3
Wastewater system					
Number of utility customers	7,877	7,897	8,008	8,951	8,891
Daily avg treatment in million gallons	3.65	3.90	3.46	4.03	4.32

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				
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Police					
Stations	1	1	1	1	1
Substations	5	5	5	2	2
Patrol units	52	52	52	47	47
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	7	7	7	7	7
Streets					
Miles of paved streets	121.55	121.55	121.55	121.55	121.55
Miles of unpaved streets	2.64	2.64	2.64	2.39	2.39
Street lights	2,575	2,577	2,576	2,633	2,633
Parks and Recreation					
Community centers	4	4	4	4	4
Parks	4	4	4	4	4
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	12	12	12	12	12
Miles of greenway	8.00	10.00	10.00	10.00	10.00
Water system					
Miles of water lines	219.4	219.4	219.4	219.4	219.4
Fire hydrants	1,070	1,070	1,070	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	215.11	215.11	215.11	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2
Program/Function	Fiscal Year				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Police					
Stations	1	1	1	1	1
Substations	2	2	2	2	2
Patrol units	47	47	47	47	47
Fire					
Stations	2	2	2	2	2
Sanitation					
Collection trucks	7	7	10	10	10
Streets					
Miles of paved streets	121.55	121.55	124.64	124.96	124.57
Miles of unpaved streets	2.39	2.39	2.69	2.69	2.61
Street lights	2,633	2,633	2,644	2,644	2,651
Parks and Recreation					
Community centers	4	4	4	4	4
Parks	4	4	4	5	5
Swimming pools	2	2	2	2	2
Tennis courts	6	6	6	6	6
Baseball/softball diamonds	10	10	10	10	10
Soccer fields	12	12	12	12	12
Baseball Batting Cages				2	2
Miles of greenway	10.00	10.00	10.00	10.25	10.50
Water system					
Miles of water lines	219.4	219.4	219.4	219.4	219.4
Fire hydrants	1,070	1,070	1,070	1,070	1,070
Storage capacity (millions of gallons)	13.4	13.4	13.4	13.4	13.4
Maximum daily capacity (millions of gallons)	12	12	12	12	12
Treatment Plants	1	1	1	1	1
Wastewater system					
Miles of sewage lines	215.11	215.11	215.11	215.11	215.11
Miles of storm sewers	20	20	20	20	20
Maximum daily capacity (millions of gallons)	8	8	8	8	8
Treatment Plants	2	2	2	2	2

S. Eric Bowman, P.A.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lenoir, North Carolina, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises the City of Lenoir's basic financial statements, and have issued our report thereon dated September 30, 2019. Our report includes a reference to other auditors who audited the financial statements of the City of Lenoir ABC Board, as described in our report on the City of Lenoir's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the City of Lenoir ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lenoir's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as 2019-003.


City of Lenoir's Response to Findings

City of Lenoir's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

Morganton, North Carolina
September 30, 2019

S. Eric Bowman, P.A.

CERTIFIED PUBLIC ACCOUNTANT

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Report On Compliance For Each of Its Major Federal Programs;
Report on Internal Control Over Compliance;
Required by the Uniform Guidance
and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each of Its Major Federal Programs

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Lenoir's major federal programs for the year ended June 30, 2019. The City of Lenoir's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Lenoir's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles and Audit Requirements for federal awards (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lenoir complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

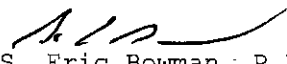
Report on Internal Control Over Compliance

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

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

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

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


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Report On Compliance For Its Major State Program;
Report on Internal Control Over Compliance;
Required by the Uniform Guidance and the
State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Its Major State Program

We have audited the City of Lenoir, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Lenoir's major state program for the year ended June 30, 2019. The City of Lenoir's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Lenoir's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and applicable sections of the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Lenoir's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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

Opinion on Its Major State Program

In our opinion, the City of Lenoir complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2019.

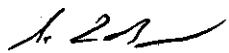
Report on Internal Control Over Compliance

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

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

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

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


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

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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? X yes no

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

Noncompliance material to financial
statements noted X yes no

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified? yes X no

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

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

Any audit findings disclosed that are required
to be reported in accordance with the
Uniform Guidance yes X no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
	<u>U.S. Environmental Protection Agency</u>
66.458	Clean Water Revolving Loan
66.468	Brownfields Assessment and Clean Up Cooperative Agreement

CITY OF LENOIR, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I. Summary of Auditor's Results

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

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

State Awards

Internal control over major State programs:

* Material weakness(es) identified?

 yes X no

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

 yes X none reported

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

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

 yes X no

Identification of major State programs:

Program Name

Powell Bill

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

Internal Controls Over Financial Reporting

2019-001

Criteria:

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

Condition:

The City overexpended several
departments in the General Fund totaling
\$238,292 and several departments in the
Enterprise Fund totaling \$142,532.

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

Cause: Auditor reclassifications, unforeseen accounts payable, and oversight.

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

Management Response: The City agrees with this finding.

Uncorrected Findings: This finding was not corrected primarily because of unforeseen payables and oversight.

2019-002

Criteria: The City should insure that the bank reconciliations are agreed to the general ledger cash accounts monthly.

Condition: Currently the City is properly reconciling the bank as to deposits in transit, outstanding checks, etc. but is not properly agreeing the reconciliation to the general ledger cash accounts.

Effect: Any error in the general ledger cash accounts will not be timely corrected.

Cause: Several people are involved in the reconciliation process. Proper oversight to coordinate their functions was not done.

Recommendation: The City finance director should insure that the reconciliation process includes agreement to the proper general ledger cash accounts.

Management Response: The City agrees with this finding.

2019-003 Material Non Compliance

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

Condition: The City overexpended several departments in the General Fund totaling \$238 292 and several departments in the Enterprise Fund totaling \$142 532.

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

Cause: Auditor reclassifications, unforeseen accounts payable, and oversight.

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

Management Response: The City agrees with this finding.

Section III. Findings and Questioned Costs Related to Federal Awards:

None Reported.

Section IV. Findings and Questioned Costs Related to State Awards:

None Reported.

CITY MANAGER
SCOTT E. HILDEBRAN



CITY OF LENOIR
NORTH CAROLINA

MAYOR
Joseph L. Gibbons

CITY COUNCIL
J.T. BEAL
T.H. PERDUE
J.I. PERKINS
D.F. STEVENS
C.D. THOMAS
B.K. WILLIS

CITY OF LENOIR, NORTH CAROLINA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2019

Finding: 2019-001, 2019-003

- A. Name of Contact Person: Donna Bean, Finance Officer
- B. Corrective Action: The City will continue to amend the budget as conditions warrant.
- C. Proposed Completion Date: The Board will implement the above as soon as possible.

Finding: 2019-002

- A. Name of Contact Person: Donna Bean, Finance Officer
- B. Corrective Action: The City will properly reconcile cash to the general ledger.
- C. Proposed Completion Date: The Board will implement the above immediately.



CITY OF LENOIR

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

Finding 2018-001

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

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year ended June 30, 2019
(Schedule 18, (Page 1))

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
Federal Grants:						
Cash Programs:						
<u>U.S. Department of Housing and Urban Development</u>						
Direct Program:						
Community Development Block Grant - Entitlement Program	14.218		\$ 162,886		\$ -	\$ 162,886
Passed through the N.C. Department of Commerce:						
HOME Investment Partnership Program:						
Unifour HOME Consortium	14.239	M-18-DC-37-0208	94,067			94,067
Unifour HOME Consortium	14.239	M-17-DC-37-0208	11,223			11,223
Subtotal Unifour HOME Consortium			105,290			105,290
Total U.S. Department of Housing and Urban Development			268,176			268,176
<u>U.S. Department of Justice</u>						
Direct Program:						
Equitable Sharing	16.922		22,918			22,918
<u>U.S. Environmental Protection Agency</u>						
Passed through the N.C. Department of Environmental Quality:						
Clean Water Revolving Loan	66.458	E-SRP-W-17-0044	877,381			877,381
Drinking Water Revolving Loan	66.468	H-LRX-F-15-1875	873,229			873,229
Direct Program:						
Brownfields Assessment and Cleanup Cooperative Agreements	66.468		42,520			42,520
Total U.S. Environmental Protection Agency			1,793,130			1,793,130
Total Federal Cash Awards			\$ 2,084,224	\$ -	\$ -	\$ 2,084,224

City of Lenoir, North Carolina

Schedule of Federal and State Awards
For the Year ended June 30, 2019
(Schedule 18, (Page 2))

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
State Awards:						
Cash Programs						
N.C. Department of Transportation			\$ -	\$ 553,191	\$ -	\$ 553,191
Powell Bill						
N.C. Department of Environmental Quality			-	188,850	-	188,850
Water and Wastewater Asset Inventory and Assessment						
N.C. Department of Natural and Cultural Resources				162,485	3,239	165,724
N.C. Parks and Recreation Trust Fund (Partf)						
Total State Cash Awards			-	904,526	3,239	907,765
Total Federal and State Awards			\$ 2,084,224	\$ 904,526	\$ 3,239	\$ 2,991,989

Note 1 - Basis of Presentation:

The accompanying schedule of Federal and State awards (the Schedule) includes the federal and state award activity of the City of Lenoir under programs of the federal and state governments for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of City of Lenoir, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Lenoir.

Note 2 - Summary of Significant Accounting Policies:

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

Note 3 - Loans Outstanding

The City of Lenoir had the following loan balance outstanding at June 30, 2019

Program Title	Federal CFDA	Amount Outstanding
Clean Water Revolving Loan	66.458	\$ 877,381
Drinking Water Revolving Loan	66.468	4,950,203
Total		\$ 5,827,584