

Lenoir County, North Carolina
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June 30, 2014

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INTRODUCTORY
SECTION

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North Carolina

LENOIR COUNTY, NORTH CAROLINA
LIST OF PRINCIPAL OFFICERS
JUNE 30, 2014

BOARD OF COUNTY COMMISSIONERS

Craig Hill – Chairman

Jackie Brown – Vice-Chairman

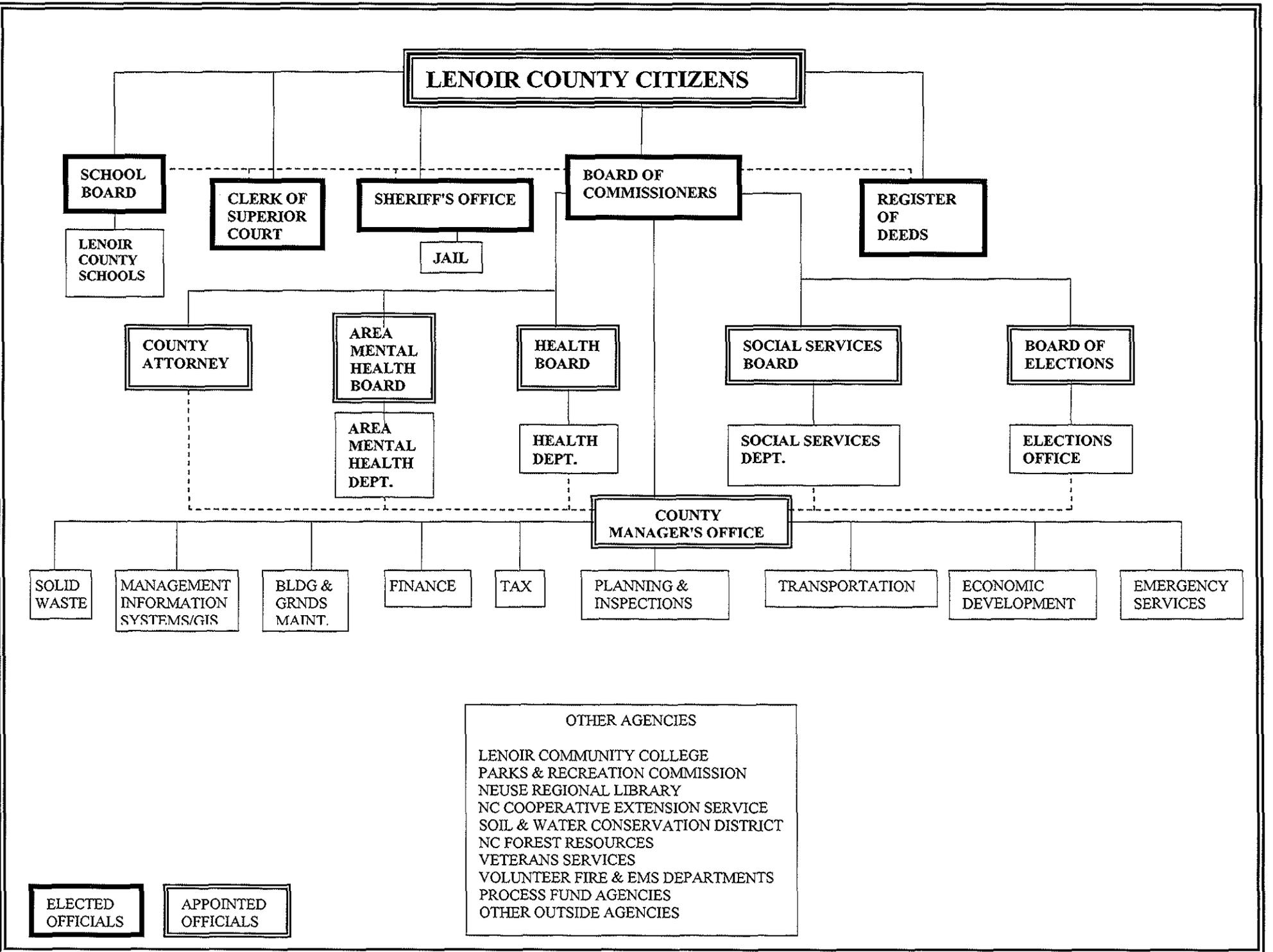
Roland Best
J. Mac Daughety
Reuben Davis
Eric Rouse
Linda Rouse Sutton

COUNTY MANAGER/BUDGET OFFICER

Michael W. Jarman

FINANCE OFFICER

Martha H. Martin



ELECTED OFFICIALS

APPOINTED OFFICIALS

OTHER AGENCIES

LENOIR COMMUNITY COLLEGE
 PARKS & RECREATION COMMISSION
 NEUSE REGIONAL LIBRARY
 NC COOPERATIVE EXTENSION SERVICE
 SOIL & WATER CONSERVATION DISTRICT
 NC FOREST RESOURCES
 VETERANS SERVICES
 VOLUNTEER FIRE & EMS DEPARTMENTS
 PROCESS FUND AGENCIES
 OTHER OUTSIDE AGENCIES

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County of Lenoir

Board of Commissioners
Craig Hill, Chairman
Jackie Brown, Vice-Chairman
Roland Best
Mac Daughety
Reuben J. Davis
Eric Rouse
Linda Rouse Sutton



Lenoir County Courthouse
Post Office Box 3289
130 South Queen Street
Kinston, NC 28502

Telephone: (252) 559-6450
Fax: (252) 559-6454

Michael W. Jarman, County Manager
Thomas L. Hollowell, Asst. Cnty Manager
Vickie F. King, Clerk to the Board

The Board of County Commissioners
Lenoir County
North Carolina

November 26, 2014

Introduction

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements. These financial statements must conform to generally accepted accounting principles (GAAP) and be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we are pleased to present the Financial Statements of Lenoir County for the fiscal year ended June 30, 2014.

The financial statements and supplemental schedules that make up this report consist of management's representations concerning the finances of Lenoir County. Management accepts full responsibility for the completeness and reliability of all information contained in this report. To provide a reasonable basis for making these representations, the management of Lenoir County has established a comprehensive internal control system that is designed not only to protect the assets of Lenoir County from misuse, loss, or theft but also to compile sufficient, accurate, and reliable information for the preparation of Lenoir County's financial statements in conformity with GAAP. The cost of an internal control system should not outweigh its benefits; therefore, Lenoir County's comprehensive internal control system has been designed to provide a reasonable assurance rather than absolute assurance that the financial statements are free of material misstatement. We believe the data as presented is accurate in all material aspects, that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County, and that all disclosures have been included to enable the reader to gain a better understanding of the County's financial affairs.

Lenoir County's financial statements have been audited by the certified public accounting firm of Carr Riggs & Ingram. The goal of the independent audit is to provide reasonable assurance that the financial statements of Lenoir County for the fiscal year ended June 30, 2014 are free of material misstatement. To accomplish this, the independent auditing firm examines, on a test basis, evidence to support the amounts and disclosures in the financial statements; assess the accounting principles employed and significant estimates made by the management of the County; and evaluate the overall presentation of the financial statement. The independent auditor concluded, based upon their audit findings, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of Lenoir County for the fiscal year ended June 30, 2014, are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Lenoir County is part of a much broader federally mandated "Single Audit". The "Single Audit" is designed to comply with the special requirements of federal grantor agencies. The standards governing "Single Audits" require the independent auditor to report on the fair presentation of the audited unit's financial statements and on the unit's internal controls and compliance with legal requirements. Special emphasis is placed on the audited unit's internal controls and legal requirements involving the administration of federal grants and awards.

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). The MD&A is designed to

complement this letter of transmittal and should be read in conjunction with it. Lenoir County's MD&A can be found immediately following the independent auditor's report.

Description & Brief History of the County

Lenoir County is located in the Coastal Plains region of Eastern North Carolina approximately midway between South Carolina and Virginia. Encompassing an area of 401.96 square miles, the County is an irregular pentagon in shape and is bound on the north by Greene County, on the east by part of Jones, Pitt and Craven Counties, on the south by Jones County and on the west by Wayne and Duplin Counties.

The land is good land... an eastward-sloping plain crossed by shallow valleys and interrupted by a few gently rolling hills. From an elevation of 125 feet above sea level near the Dawson community in the western section of the county, the land drops to 44 feet at the headwaters of the Trent River in the southeast section. Along the river and a few of the larger creeks are broad lowland areas carved in the distant past as the streams changed course or as water rushed downstream in times of heavy rain or storm. The normally placid Neuse River snakes its way for 75 miles through the center of the county, dividing it into almost two equal parts. The river depth fluctuates with the seasons from a low of two feet to a 1999 high water mark of almost 28 feet. Its width averages 50-300 feet. Other streams include Southwest, Contentnea, Bear Creek, Falling Creek and Briery Run.

Three (3) municipalities are within the County, the largest being the City of Kinston, which serves as the county seat and is located near the center of the County. The Town of La Grange is located in the western part of the County and the Town of Pink Hill is located in the southern part of the County. A fourth town, entitled Grifton, located in the northeast section of the County, has a small section of its corporate limits located in Lenoir County south of Contentnea Creek with the major land area of the town located in Pitt County.

The County has a commissioner/manager form of government with a total of seven (7) commissioners; two (2) commissioners are elected "at-large" while five (5) commissioners live in and are elected by district. All run on a partisan basis and serve four-year staggered terms. The Chairman serves as the presiding officer and is a voting member and ceremonial leader. Commissioners hold policymaking and legislative authority, and they are responsible for adopting the budget and appointing the County Manager. The Manager is responsible for implementing policies, managing daily and long-range operations, and appointing Department Managers with the exception of those elected or board appointed by statute.

The County is a full service government, giving its citizens a wide range of services that include public safety, sanitation, health, mental health, and social services, cultural and recreational activities, and general administration. This report includes all of the County's activities in maintaining these services. The County also extends financial support to certain boards, agencies, and commissions to help their efforts in serving citizens. Among these are the Lenoir County Board of Education, Lenoir Community College, Eastern Carolina Council of Governments, North Carolina Cooperative Extension Service, Lenoir Soil & Water Conservation District, Neuse Regional Library, Lenoir County Council on Aging, Inc., North Carolina Division of Forest Resources, three (3) rescue squads, and eleven (11) volunteer fire departments.

In the eighteenth century, North Carolina did not yet have a permanent capital, and if Governor Arthur Dobbs had gotten his way, the seat of government would have been established in Lenoir County. Dobbs, royal governor of the colony from 1754 to 1765, attempted to establish a permanent capital in present-day Lenoir County, on 850 acres of Tower Hill, on the north side of the Neuse River about three miles east of the present location of Kinston, which site Dobbs purchased for this purpose. Dobbs had a particular interest in public architecture, having been supervisor of construction of public buildings in Ireland and a promoter of new public architecture during his tenure in North Carolina. In 1758 he proposed that a complex of public buildings, to be known as George City, be built at Tower Hill. Detailed specifications both for the plan of the new town and the design of the public buildings were included in the "Act for erecting a City on Neuse River, upon the Plantation called Tower-Hill, fixing the Seat of Government therein, and building a Governor's House, and public offices in the same." The act was passed but never executed, in part because of sectional rivalries regarding the location of the seat of government. In 1766 New Bern was selected as the capital.

The period following the Revolution was one of corruption and lawlessness in Dobbs County, especially in the far reaches of the area where Greene County is now located. Lack of honest qualified leaders and difficulties in administering justice in the remote sections of the county resulted in an emergence of many individuals who

sought riches and power by any means, without regard to law. Government, in some areas, was non-existent, tax collections were scant, and law and order a farce. In efforts to remedy the situation, a bill was introduced in the General Assembly in December, 1791 to divide Dobbs County into two new counties with courts, prisons and stocks in each. An opponent of the bill, General William Graham, declared it was the first time he had ever heard of destroying a government to establish law and order. The new counties were to be named Lenoir and Glasgow. A strong effort was made to name one of the counties for Stephen Cabarrus, then president of the State Senate. The name of Lenoir was stricken from the bill and Cabarrus substituted. Then, following arguments by Lenoir partisans, Cabarrus was stricken and Lenoir re-inserted. Thus, Lenoir County came very close to being Cabarrus County. The act of abolishing Dobbs County and creating Lenoir County was ratified on January 21, 1792, and Kinston was named the County Seat. Lenoir County's name honors General William Lenoir, described by his contemporaries as a "venerable patriot and soldier", and who played a major role in the affairs of the state of North Carolina.

In Lenoir County, as elsewhere in North Carolina during the eighteenth century, the sale of early land grants, the economics of a plantation economy, and the lack of urban amenities created a far-flung society. Its members lived on large estates and used the county seat primarily for trade and government business. At the turn of the 19th century both town and county remained sparsely settled, with 4,005 people in the county, 107 of whom lived in Kinston. A spirit of enterprise swept Lenoir County between 1850 and 1860, much of it undoubtedly due to the arrival of the Atlantic and North Carolina Railroad. On March 8, 1865, Lenoir County underwent its final battle of war, known variously as the Battle of Wyse Fork and the Battle of Southwest Creek. In Lenoir County the twentieth century—the tobacco century—can properly be considered to have started in 1895, when Jessie Willis Grainger with 500 dollars worth of tobacco seeds became the Johnny Appleseed of tobacco. There was apparently a spate of arson in Kinston in 1895 in which much of the downtown district was destroyed. Around 1940, 640 acres were purchased at \$25 per acre to build an airport. The base became known as Stallings Field in honor of two (2) Kinston brothers, killed during WW II in 1945. In the early 1950's, the event that began the large-scale employment shift from agriculture to factory jobs was the construction of the E. I. Dupont de Nemours and Company dacron fiber plant; it was the first plant in the world to produce the new synthetic fiber dacron polyester.

Source: Lenoir County – 200 Years of Progress – 1776-1976
Published by the Lenoir County Board of Commissioners
And the Kinston-Lenoir County Bicentennial Commission

Coastal Plain & Fancy: The Historic Architecture of Lenoir County and Kinston, North Carolina
(1998); M. Ruth Little, Published by the City of Kinston and the Lenoir Historic Association

Economic Outlook

FY 2013-14 has proven to be another exciting and active year for Lenoir County Economic Development. Lenoir County announced 7 industrial expansions, 431 jobs created, and \$98.8 million in investments for the year. With advancements in technology, the need to educate and train our youth and employable workforce is essential. The State of North Carolina's initiative to promote science, technology, engineering, and mathematics (STEM) continues to expand its influence upon Lenoir County Government, Lenoir County Public Schools, and industries.

Spirit AeroSystems began production of the center fuselage panels for the Airbus A350 XWB at its new 600,000 SF facility in 2010. In 2013, the first flight of the Airbus A350 XWB took place in France. The maiden flight for the Airbus A350 XWB in North America occurred in May 2014, at the North Carolina Global TransPark in Kinston.

Construction of the C. F. Harvey Parkway – Section A was completed and opened in May 2014. In July 2014, the Lenoir County Transportation Committee submitted C. F. Harvey Parkway – Section C as its top priority project to the Rural Planning Organization.

The extension of Smithfield Way, in the Hwy 70 West Industrial Park to U.S. Hwy 258, is under construction. This extension will provide needed ingress / egress for the thousands of workers employed at businesses located within the park. The extension is expected to be completed in the spring of 2015.

Smithfield Farmland completed an \$85.5 million expansion in the Highway 70 West Industrial Park in 2012. This new facility is a "state-of-the-art" food processing facility utilizing robotic technology. Smithfield Farmland has completed its merger/acquisition with Shaunghi. This merger/acquisition greatly benefits American agriculture and positions Smithfield Farmland as one of the largest food processing companies in the world. Smithfield Farmland announced an additional \$16 million in capital investments at its facility in Lenoir County in 2014, installing additional equipment to support and expand an existing line.

Pactiv announced an expansion at its facility in Kinston in 2013. This expansion created 26 new jobs and represented a \$3.25 million investment. Pactiv has also purchased/leased an additional building in Lenoir County for warehousing and distribution.

Strata Solar Farms has completed three sites and has begun the construction on two additional sites in Lenoir County. Each site represents an investment of \$20 million and employs an average of 100 contracted laborers.

The Woodmen of the World Community Center opened in July 2012. The Lions Water Adventure Park won the World Water Park Association's Leading Edge Award in October 2014 for having total accessibility for visual impaired persons. Attendance at The Lions Water Adventure Park for the summer season was over 121,000, with 70% visiting from outside Lenoir County. Park revenues for the summer peaked at \$990,000. To support summer positions at the Park, 130 jobs were created and filled. Several local businesses stated that the attendance at the Park impacted their business positively by 20-30% over the summer.

West Pharmaceuticals has completed their 30,000 SF clean room facility expansion at its current location in the Highway 70 West Industrial Park. The Lenoir County facility obtained industry designation as a world class facility. West Pharmaceuticals continues to improve and grow its Lenoir County operations.

Mother Earth Brewing, LLC, a craft beer brewery, celebrated its 5th year Anniversary on Saturday, October 25, 2014. Recently, Mother Earth began the manufacture and distribution of a line of distilled spirits, which includes gin, grappa, rum, and whiskey. Spirits were released for the first time during the 5th year Anniversary Celebration. Over 80 bottles of Spirits were purchased on the day of release.

Electrolux celebrated its 25th Anniversary on Saturday, October 18, 2014. Representatives from Electrolux's corporate office, the Governor and representatives from his office, local elected officials, and local employees and their families helped to celebrate the occasion.

In 2014, "A Chef's Life" began its second season on PBS. This character driven documentary and cooking show has received 92% national coverage, 1.1 million viewers per episode as of March 2014, a Peabody award, and local and state recognition. "A Chef's Life" continues to educate our nation about the traditional and modern aspects of Eastern North Carolina by highlighting and supporting a farm-to-table culture.

A Kinston Riverwalk has been designed with three phases of construction. Phase I has received funding and will begin construction in the Spring 2015. The route for Phase I will begin at Pearson Park and end at the old Power Plant on Atlantic Avenue. Phase I is expected to be paved, elevated, and lighted. The North Carolina Department of Transportation, City of Kinston, and other Partners have come together to fund this project. The estimated cost of the entire project is \$2 million.

Horseware, maker of equestrian blankets, announced an expansion of their facilities in Lenoir County with the purchase of a new building on Highway 11/Cunningham Farm Road in Kinston.

Neuse Sport Shop, Inc. announced an expansion of their facility creating 15 new jobs and investing \$1.5 million at their facility on Hwy 70 East of Kinston. The expansion includes plans to build warehousing space and an indoor shooting range.

Lenoir County Economic Development will continue to prepare Lenoir County to effectively compete for economic development projects and to market the County's strategic assets to a variety of industrial and business prospects. Building new relationships and maintaining existing relationships is a continuing goal for the future.

Major Initiatives

During fiscal year 2013-14, the County government made progress on different fronts. Key events/actions included:

- 1) Completed the construction of a 192 bed jail which began in November 2010. This project should be completely closed out by December 2014
- 2) The County obtained permits from the Division of Waste Management for the construction of a second 5-year MSW cell at the landfill, but may delay construction until funding is available in the Solid Waste Fund, so funds won't have to be borrowed.
- 3) Began the construction of a backup PSAP in Jones County, part of the process of the \$7.4 million grant for the Jones Lenoir Emergency Communications Center (JLECC)
- 4) Worked with the City of Kinston to obtain funding for the upgrade of the sewer system within the Hwy 70 West Industrial Park – a joint project of the City of Kinston and the County.
- 5) Held joint work sessions with elected and appointed officials of the City of Kinston to discuss mutually beneficial solutions to common problems.

Department Focus

Each year in a transmittal letter to this report, the accomplishments of a single County department for that fiscal year, are highlighted. This year, the Lenoir County Emergency Services Department has been designated for recognition.

The Lenoir County Emergency Services Department is comprised of four Divisions: Communications/911: Emergency Management; Emergency Medical Services (EMS); and Fire Marshal. The Communications/911 Division dispatches all law enforcement, fire, and EMS calls for Jones and Lenoir Counties. The Emergency Management Division is responsible for emergency preparedness, mitigation, response, and recovery from natural and man-made disasters. The Emergency Medical Services (EMS) Division provides quality advanced life support care to all areas of the County and coordinates with private ambulance providers operating within the County. The Fire Marshall Division is responsible for fire inspections, investigations, public safety programs, exercise training, and coordination with volunteer fire departments operating within the County. For FY13-14, the Emergency Services Department had a total of 85 full time employees and 16 part time employees. The combined budget for all divisions was \$8,002,365.

In FY12-13, the Emergency Services Director was approached by Jones County officials to see if Lenoir County would be willing to receive and process all of its 911 calls, as well as dispatch all public safety agencies within Jones County. Because the State NC 911 Board had adopted a policy of requiring every primary Public Safety Answering Point (PSAP) to have a backup PSAP, this seemed the right time to pursue grant funding to consolidate the E911 Communication Centers of both counties. A consulting firm was enlisted to assist in obtaining an NC 911 Board grant and to coordinate with architects, contractors, and the NC 911 Board to make this consolidation a success. The NC 911 Board awarded the consolidated "Jones- Lenoir Emergency Communications Center" (JLECC) Project a \$7.4 million grant to aid in the consolidation. Along with the grant, both Jones and Lenoir Counties are using their available 911 fund balances to complete the funding for the project. Utilizing both the grant and fund balances will allow for the new construction of a backup PSAP center in Jones County, renovations to the primary PSAP center in Lenoir County, and the purchase of new digital 800MHz radios for both counties. Although construction did not begin until January of 2014, the Lenoir County E 911 Center began receiving and dispatching calls for Jones County in July of 2013. The anticipated completion date of the entire project is January 2015.

After much deliberation and consultation with County Administration, the Emergency Services Director eliminated the Non-Emergency Medical Transport section of the EMS Division and approved for private ambulance providers to provide this service within the County. There are now four (4) private companies offering non-emergency medical transportation in Lenoir County, three (3) of which operate at the EMT-Basic level and one (1) which operates at the EMT-Paramedic level.

The EMS Division conducted research into the feasibility of establishing a Community Paramedicine Program. The goal of this program is to reduce the number of unnecessary EMS trips generated by return patients, commonly known as frequent callers. The Program allows an assigned EMT-Paramedic to make home visits to those patients identified in the system as frequent callers and assist them with scheduling necessary doctor's appointments, medication compliance, as well as assisting them with other community services they may need: i.e., DSS. As the cost of EMS services rises and the payments generated from Medicare, Medicaid, and private insurance companies declines, this model program is rapidly gaining national attention.

The Emergency Services Department will continue to strive to provide the highest level of services and protection to the citizens of Lenoir County.

Cash Management

The County's strict investment policy provides strong controls over the safety and liquidity of County assets. Most of the available funds are invested in North Carolina Capital Management Trust – Cash Account. This is a mutual fund authorized by the Local Government Commission that provides safe, attractive rates, and liquidity. Certificates of Deposit are held solely in banks using the "Pooled Collateralization" method of securement. As these expire, the Finance Office obtains quotes from local institutions that use the pooled method before reinvesting the funds.

Risk Management

Lenoir County obtains insurance for property damage and general liability through a local insurance agent, competitively quoted. In addition, all county employees are covered by professional liability insurance. The County participates in two self-funded insurance programs, one for health insurance and one for workers compensation insurance. The health insurance program is administered by MedCost Benefit Services and the workers compensation insurance program is administered by Discovery Insurance Services.

Pension and Other Post Employment Benefits

Lenoir County contributes to the Local Government Employees Retirement System. This statewide plan is administered by the State of North Carolina. The plan provides retirement and disability benefits to plan members and their beneficiaries. Plan members are required to contribute six percent of their annual covered salary. Contribution requirements are established and may be amended by the North Carolina General Assembly.

Lenoir County contributes to the Supplemental Retirement Income Plan for Law Enforcement Officers. The plan provides retirement benefits to sworn law enforcement officers employed by the County. The County contributes five percent of the officer's salary and the officers may make voluntary contributions.

Lenoir County contributes to the Register of Deeds' Supplemental Pension Fund, which is a noncontributory, defined contribution plan. The Fund provides supplemental pension benefits to eligible retired Registers of Deeds. The Fund is administered by the North Carolina Department of State Treasurer.

Lenoir County provides health care benefits to retired county employees who participate in the North Carolina Local Government Employee's Retirement System and have at least thirty years of creditable service with the County or are 60 years of age and have at least 25 years of creditable service with the County. The retired employees pay the same cost for this benefit as regular-active county employees. Currently, thirty-two retired employees are eligible for post-retirement health benefits.

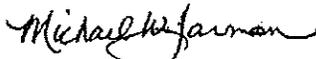
Lenoir County has chosen to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System. This plan is administered by the State of North Carolina and is funded on a one-year term cost basis. Contributions are determined as a percentage of monthly payroll based upon rates set annually by the State.

Additional information on Lenoir County's pension plan and post employment benefits can be found in Note III in the notes to the financial statements.

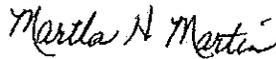
Awards and Acknowledgements

Preparation of this report would not have been possible without the dedicated and often times unnoticed efforts by the staff of the County Manager's Office and the Finance Department: Tommy Hollowell, Joyce Miller and Rose Fox. We also recognize all department managers and administrative staff for adhering to sound accounting, purchasing, and budgetary principles in carrying through on daily obligations. Without their efforts, this report would not have been possible.

Respectfully Submitted,



Michael W. Jarman
County Manager / Budget Officer



Martha H. Martin
Finance Officer

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FINANCIAL
SECTION

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Independent Auditor's Report

To the Board of County Commissioners
Lenoir County, 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 Lenoir County, North Carolina as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lenoir County'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 Lenoir County ABC Board and the Lenoir County Tourism Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lenoir County ABC Board and the Lenoir County Tourism Authority are 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lenoir County ABC Board and the Lenoir County Tourism Authority were not audited in accordance with *Government 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 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 principles 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 on 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Lenoir County, North Carolina, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the School Capital Outlay 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 the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 5 through 12 and 62 through 66 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 consisted of inquires 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Lenoir County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, and the Schedule of Expenditures of Federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the 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 taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of Lenoir County'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 the 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 Lenoir County's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

La Grange, North Carolina
November 26, 2014

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Management's Discussion and Analysis

As management of Lenoir County, we offer readers of Lenoir County's financial statements this mandatory narrative overview and analysis of the financial activities of Lenoir County for the fiscal year ended June 30, 2014. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

At the close of the fiscal year, June 30, 2014, the following is true:

- The net position of the County totaled \$4,087,145; the major categorical breakout of net position follows:

	% of Total		% of Total	
	2014	Net Position	2013	Net Position
Investment in Capital Assets, net of related debt	\$ 21,151,365	517.51%	\$ 15,888,599	-296.5%
Restricted	12,949,034	316.82%	14,105,002	-263.2%
Unrestricted	(30,013,254)	-734.33%	(35,352,811)	659.7%
Total Net Position	\$ 4,087,145	100.0%	\$ (5,359,210)	100.0%

*Note: Unrestricted net position includes cash and cash equivalents and net receivables minus current and long-term liabilities

*Note: Net position equals gross assets minus liabilities

- Total net position of the County increased by \$9,446,355, primarily due to the increase in Capital Assets and the decrease in the amount of debt owed. This compares to a decrease of \$2,549,148 in the prior year. This increase in net position should not be interpreted to mean an equal increase in fund balance.
- The combined ending fund balance of all Governmental Funds is \$37,381,610 broken out as follows:

	General		Other		Total	
	Fund		Governmental		Governmental	
	2014	2013	2014	2013	2014	2013
Stabilization by state statute	\$ 4,491,679	\$ 3,853,215	\$ 1,351,173	\$ 884,907	\$ 5,842,852	\$ 4,738,122
Assigned	11,117,117	11,238,994	9,843,666	11,578,350	20,960,783	22,817,344
Unassigned	10,828,590	8,672,516	(250,615)	(137,074)	10,577,975	8,535,442
Total Fund Balances	\$ 26,437,386	\$ 23,764,725	\$ 10,944,224	\$ 12,326,183	\$ 37,381,610	\$ 36,090,908

- The combined ending fund balance for all Governmental Funds increased by \$ 1,290,702 in comparison to a decrease of \$4,311,709 in the prior year, mainly due to the revenues coming in higher than expenditures. A contributing factor to revenues coming in higher than expenditures was the implementation of a new Vehicle Tax collection program, now administered by the State of North Carolina. This new collection method created a 2-3 month overlap of vehicle taxes collected and occurred in FY13-14 only. Another contributing factor to revenues coming in greater than expenditures was the reinstatement of a 3-1/2 cents property tax to cover the debt service on the 2007 and 2008 General Obligations bonds and the 2013 Refunding bonds. This additional property tax was actually reduced by the Commissioners in FY09-10 against the recommendation of County Administration. A breakdown follows:

General Fund	2,672,661
Other Governmental Funds	(1,381,959)
Total Decrease	\$ 1,290,702

- In the General Fund, the total unassigned fund balance was \$10,828,590 or 18.42% of General Fund expenditures, as compared to \$8,672,516 or 14.7% in the prior year. The following chart provides a breakdown of the assigned and unassigned fund balances:

	% of General		% of General	
	2014	Fund Expenditures	2013	Fund Expenditures
Assigned	11,117,117	18.91%	11,238,994	19.0%
Unassigned	10,828,590	18.42%	8,672,516	14.7%
Total General Fund	\$ 21,945,707	37.33%	\$ 19,911,510	33.7%

- Lenoir County's total net debt decreased by \$5,665,784 (6.8%) during the current fiscal year. The key factor in this decrease was payment on Series 2007 and Series 2008 General Obligation Bonds, payment on the Series 2013 Refunding Bonds and paying off of the Eastern Region loan for the Shell Building.
- Lenoir County continues to maintain the following bond ratings:

Moody's	Aa2
Standard & Poor's	AA-

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Lenoir County's basic financial statements. The County'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 County 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 Lenoir County.

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 11) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County'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 statements; 3) the proprietary fund statements; and 4) the fiduciary and agency fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. 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 County'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 County's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business activities; and 3) component units. The governmental activities include most of the County's basic services such as general government, public safety, human services, cultural and recreational, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the landfill services offered by Lenoir County. The final category is the component units. Although it is a legally separate entity from the County, the Lenoir County ABC Board is important to the County because the County exercises control over the ABC Board by appointing its members and because the ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The Lenoir County Industrial Facility and Pollution Control Financing Authority exists to issue and service revenue bond debt of private businesses for economic development. The Authority has no financial transactions or account balances; therefore it is not presented in the basic financial statements.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County'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. Lenoir County, 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 County's budget ordinance. All of the funds of Lenoir County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds- Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in the 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 current financial resources 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 County'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.

Lenoir County 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 County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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 legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds- Lenoir County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Lenoir County uses enterprise funds to account for its Solid Waste Landfill operations. These funds are the same as those separate activities 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. Lenoir County has two fiduciary funds; both are agency funds.

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 are on pages 27-60 of this report.

Other Information- In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Lenoir County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of Lenoir County equaled 4,087,145 as of June 30, 2014. As of June 30, 2013, the net position of Lenoir County stood at \$(5,359,210). The County's net position increased by \$9,446,355 for the fiscal year ended June 30, 2014, compared to a decrease of \$2,549,148 for the fiscal year ended June 30, 2013. A large portion of Lenoir County's net position, \$21,151,365, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Lenoir County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lenoir County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Lenoir County's net position, \$12,949,034, represents resources that are subject to external restrictions on how they may be used. Unrestricted net position increased \$5,340,557, as compared to the prior fiscal year. As stated earlier, the County's Capital Assets increased by \$3,642,798 in FY13-14, mainly due to the addition of new equipment and building construction/improvements associated with the Jones Lenoir Emergency Communications Center (JLECC). Also a contributing factor, was the paying off of a \$1.4 million loan with the Eastern Region. In the prior fiscal year, ending June 30, 2013, the amount of net position invested in capital assets net of related debt was \$15,888,599 with restricted assets standing at \$14,105,002. The remaining \$(35,352,811) was unrestricted net position for that year.

Lenoir County's Net Position

	Governmental Activities		Business-type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Current and other assets	41,778,016	41,537,783	\$ 4,450,047	\$ 4,435,617	\$ 46,228,063	\$ 45,973,400
Capital assets	36,768,300	33,038,184	\$ 863,196	950,515	37,631,496	33,988,699
Total assets	<u>\$ 78,546,316</u>	<u>\$ 74,575,967</u>	<u>\$ 5,313,243</u>	<u>\$ 5,386,132</u>	<u>\$ 83,859,559</u>	<u>\$ 79,962,099</u>
Long-term liabilities outstanding	\$ 76,755,572	\$ 82,428,426	\$ 1,451,402	\$ 1,444,332	\$ 78,206,974	\$ 83,872,758
Other liabilities	1,179,056	1,171,489	110,634	137,351	1,289,690	1,308,840
Total liabilities	<u>\$ 77,934,628</u>	<u>\$ 83,599,915</u>	<u>\$ 1,562,036</u>	<u>\$ 1,581,683</u>	<u>\$ 79,496,664</u>	<u>\$ 85,181,598</u>
Deferred inflows of resources	275,750	139,711			-	275,750
Net position						
Invested in capital assets, net of related debt	\$ 20,290,664	\$ 14,938,084	\$ 860,701	\$ 950,515	\$ 21,151,365	\$ 15,888,599
Restricted	11,429,426	14,105,002	-	-	11,429,426	14,105,002
Unrestricted	(31,384,152)	(38,206,745)	2,890,506	2,853,934	(28,493,646)	(35,352,811)
Total net position	<u>\$ 335,938</u>	<u>\$ (9,163,659)</u>	<u>\$ 3,751,207</u>	<u>\$ 3,804,449</u>	<u>\$ 4,087,145</u>	<u>\$ (5,359,210)</u>

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

- Sales Tax revenues up \$202,319 from prior year
- Property Tax revenues up \$3,926,333 over prior year
- Miscellaneous revenues down \$305,329 from prior year
- Long term liabilities decreased as the result of School Bond and Jail debt payments and the paying off of the Eastern Region loan for the Shell Building

Lenoir County's Change in Net Position

	Governmental Activities		Business-type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 10,033,747	\$ 8,814,497	\$ 2,520,560	\$ 2,700,965	\$ 12,554,307	\$ 11,515,462
Operating grants and contributions	14,550,838	13,999,068	21,324	24,038	14,572,162	14,023,106
Capital grants and contributions	6,718,900	2,426,250	-	-	6,718,900	2,426,250
General revenues:						
Property taxes	36,364,756	32,426,431	-	-	36,364,756	32,426,431
Other taxes	10,274,467	9,568,298	22,948	18,777	10,297,415	9,587,075
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	47,138	272,032	(48,484)	(50,000)	(1,346)	222,032
Total revenues	77,989,846	67,506,576	2,516,348	2,693,780	80,506,194	70,200,356
Expenses:						
General government	11,194,424	9,408,959	-	-	11,194,424	9,408,959
Public safety	17,463,280	19,645,336	-	-	17,463,280	19,645,336
Economic and community development	5,245,760	4,586,620	-	-	5,245,760	4,586,620
Human services	16,894,323	17,499,808	-	-	16,894,323	17,499,808
Cultural and recreational	1,569,436	1,601,149	-	-	1,569,436	1,601,149
Education	13,029,607	13,259,765	-	-	13,029,607	13,259,765
Interest on long-term debt	3,093,419	3,866,255	-	-	3,093,419	3,866,255
Landfill	-	-	2,569,589	2,881,612	2,569,589	2,881,612
Total expenses	68,490,249	69,867,892	2,569,589	2,881,612	71,059,838	72,749,504
Increase/Decrease in net position	9,499,597	(2,361,316)	(53,242)	(187,832)	9,446,355	(2,549,148)
Net position, July 1	(9,163,659)	(6,802,343)	3,804,449	3,992,281	(5,359,210)	(2,810,062)
Net position, June 30	\$ 335,938	\$ (9,163,659)	\$ 3,751,207	\$ 3,804,449	\$ 4,087,145	\$ (5,359,210)

Governmental activities: Governmental activities increased the County's net position by \$9,499,597, representing 100.01% of the total increase in net position of Lenoir County. This compares to a decrease of \$2,361,316 in the prior fiscal year, which represented 92.6% of the decrease in the County's net position. The key element of this increase in FY13-14 was additional revenue received from the overlap of motor vehicle tax collections, the increase in the property tax rate and the reduction in interest on long-term debt as a result of paying off the \$1.4 million loan with the Eastern Region.

Business-type activities: Business-type activities decreased Lenoir County's net position by \$53,242, representing -.01% of the total change in net position of Lenoir County. This compares to a decrease of \$187,832 in the prior fiscal year, which represented 7.4% of the change in the County's net position. The key element of the decrease in FY13-14 was Landfill revenues less than expenditures due to write off of prior years' accumulated bad debt.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Lenoir County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Lenoir County's financing requirements. Specifically, fund balance available for appropriation 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 Lenoir County. At the end of the current fiscal year, Lenoir County's unassigned fund balance available in the General Fund was \$10,828,590, while total fund balance was \$26,437,386. The Governing Body of Lenoir County has determined that the County should maintain an available fund balance of 20% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 18.42% of General Fund expenditures, while 18.91% of that same amount has been assigned for future expenditures.

At June 30, 2014, the governmental funds of Lenoir County reported a combined fund balance of \$37,381,610, a 3.58% increase from last year. The primary reason for this increase was the 2-3 month overlap in collecting motor vehicle taxes, due to the State taking on motor vehicle tax collections at the time of license plate renewal. Another factor in the increase in revenue was the additional 3-1/2 cents property tax increase approved by the Commissioners. This property tax was earmarked to cover the debt service on the 2007 and 2008 General Obligation bonds as well as the 2013 Refunding bonds.

General Fund Budgetary Highlights: During the year, the County revised the budget on several occasions. 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. Total amendments to the General Fund increased budgeted revenues by \$2.1 million. Approximately \$237,608 represented increases in funding over the original budgeted amount for Health and approximately \$489,391 for appropriations for the Sheriff/Jail Departments, due to the adding of five additional jailer positions and re-appropriating Civil Process funds. Other increases occurred within the Non-Departmental Department due to new Unemployment Insurance mandates by the State and increased Workers Compensation costs.

Proprietary Fund. Lenoir County's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to \$2,890,506 as compared to \$2,853,934 in the prior year. The total net position of the Solid Waste Fund decreased by \$53,242. This decrease was mainly due to the write off of prior years' accumulated bad debt, as well as the accumulation of post closure expenses.

Capital Asset and Debt Administration

Capital assets. Lenoir County's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totaled \$37,631,496 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year included:

- Purchase of CAD hardware & software for Jones/Lenoir Emergency Communications Center consolidation
- Purchase of five (5) new vans for Transit
- Purchase of one (1) used ambulance for EMS
- Purchase of nine (9) new vehicles for the Sheriff Department
- Purchase of nine (9) new digital radios for the Town of LaGrange
- Purchase of four (4) new digital radios for the Sheriff Department
- Purchase of two (2) new canines for the Sheriff Department
- Purchase of one (1) used tractor and implements for the Recreation Department

Lenoir County's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,668,140	\$ 6,764,740	\$ 335,543	\$ 335,543	\$ 7,003,683	\$ 7,100,283
Construction in progress	5,233,118	-	-	-	5,233,118	-
Buildings and systems Improvements	36,981,519	36,981,519	5,446,226	5,446,226	42,427,745	42,427,745
Equipment	411,077	411,077	-	-	411,077	411,077
Vehicles and motor equipment	4,777,985	4,664,600	1,212,120	1,389,318	5,990,105	6,053,918
Subtotal	\$ 58,559,909	\$ 53,244,495	\$ 7,665,256	\$ 7,760,809	\$ 66,225,165	\$ 61,005,304
Less accumulated depreciation	21,791,609	20,206,311	6,802,060	6,810,294	28,593,669	27,016,605
Total	\$ 36,768,300	\$ 33,038,184	\$ 863,196	\$ 950,515	\$ 37,631,496	\$ 33,988,699

Additional information on the County's capital assets can be found in Note III, A, 5 of the Notes to the Financial Statements.

Long Term Debt. As of June 30, 2014, Lenoir County had total bonded debt outstanding of \$54,065,000, all of which is debt backed by the full faith and credit of the County.

**Lenoir County's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$ 54,065,000	\$ 57,870,000
Installment Purchases	16,301,923	18,100,100
Total	\$ 70,366,923	\$ 75,970,100

Lenoir County's total debt decreased by \$5,603,177 (7.38 %) during the past fiscal year. General Obligation Bonded Debt decreased by \$3,805,000 due to the principal retirement of a portion of the Series 2007 and Series 2008 General Obligation Bonds and Series 2013 Refunding Bonds. Installment debt decreased by \$1,798,177 due to an installment payment on Recovery Zone Economic Development bonds for the construction of a new jail and the paying off of a \$1.4 million Eastern Region loan.

As mentioned in the financial highlights section of this document, Lenoir County maintained its bond ratings of an Aa2 bond rating from Moody's Investor Services and an AA- rating from Standard and Poor's Corporation. These bond ratings are a clear indication of the sound financial condition of the County.

The State of North Carolina limits 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 the government's boundaries. The legal debt margin for Lenoir County is \$267,380,710.

Additional information regarding Lenoir County's long-term debt can be found in note 7, beginning on page 53 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators affect the growth and prosperity of the County.

- The nation, state and county are emerging from the longest recession since the Great Depression of the 1930's
- The average unemployment rate for the County was 7.82% , slightly higher than the state average of 6.98%
- Property tax collections totaled \$36,364,756, an increase of 12.2% from the prior year
- Sales tax revenues totaled \$8,403,223, an increase of 2.5% from the prior year
- Other taxes and licenses were up \$503,850 from the prior year, a 36.8% increase

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: The County Commissioners approved a \$65.4 million General Fund Budget which was included within a \$82.2 million all Funds Budget Ordinance adopted on June 2, 2014.

The property tax rate remains \$.835 per \$100 of assessed valuation. Approximately \$3,058,652 in General Fund fund balance was used to balance against expenditures. This use of fund balance, savings to balance the General Fund budget, was due to the implementation of a new GASB requirement. GASB 54 requires all units of government to eliminate the use of Capital Reserve Funds. Lenoir County used its Capital Reserve Fund to "bank" funds for future debt payments of Series 2007 and 2008 General Obligation Bonds and for future economic development projects. Funds previously housed in the Capital Reserve Fund were transferred to the General Fund as "assigned fund balance" and are appropriated as needed for debt payments and economic development projects. Growth in the tax base was estimated to be .85%. At the adopted tax rate of \$.835 per \$100 of assessed value and a collection rate of 94.56%, this equates to a gain of \$268,455 in current year property tax revenues. This gain is attributable to increases in the tax base from new industry growth.

The General Fund Budget increased by \$1,241,192 which represents a 1.9% increase over the adopted FY13-14 budget. The majority of the increase was due to the addition of five additional jail staff, a 2% COLA for employees and additional expenditures due to the merger of the Lenoir and Jones County Emergency Communications systems. It should be noted that nearly all County Departments were able to hold their operating expenditures steady, while absorbing increased utility and retirement costs.

Business-type Activities: The County issued \$3.0 million in Special Revenue Bond debt early in FY03-04 for the construction of a new municipal solid waste landfill cell. The total project cost, including construction of the 5-year cell, a leachate pump station and force main, and new equipment to operate the cell was approximately \$4.3 million. Approximately \$1.3 million in fund balance of the Solid Waste Fund was then appropriated to complete the project. The project was completed by June 30, 2004. This five (5) year cell has nearly reached its maximum capacity. The County contracted with Municipal Engineering, located in Garner, NC, to obtain the necessary state permits to construct a second five (5) year MSW cell and the environmental permits have been received . However, due to the fact the County will have to buy dirt and have it hauled to the new cell for construction, and later as cover, the construction of the new cell has been put on hold. The County entered into a new five-year contract with Republic Services of North Carolina to haul the County's MSW to a regional landfill for proper disposal.

In June of 2002, the Lenoir County Board of Commissioners created the Deep Run Water and Sewer District (DR-WSD). The construction for this project was completed in November 2005. The project consisted of sewer lines and pump stations in the southern part of the County satisfactory to collect wastewater from Moss Hill Elementary School, South Lenoir High School, and the Village of Deep Run. The project also included an expansion of the wastewater treatment plant in the Town of Pink Hill, which is treating the additional wastewater. The entire project cost was \$4.5 million and was paid for with 100% grant funds. With construction complete, the District operated similar to the Solid Waste Fund, with fees from customers as the only source of revenue to support daily operations. During FY07-08, all assets and ownership rights were transferred from the Deep Run Water and Sewer District to the Town of Pink Hill. The Deep Run Water and Sewer District was not dissolved and remains intact to pursue future opportunities to develop commercial projects for the southern half of Lenoir County.

Requests for Information

This report is designed to provide an overview of the County'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 Lenoir County Finance Office, 130 S. Queen Street, Kinston, N.C. 28501.

**BASIC FINANCIAL
STATEMENTS**

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Lenoir County, North Carolina
Statement of Net Position
June 30, 2014

EXHIBIT 1

	Primary Government			Component Unit	
	Governmental	Business-type	Total	Kinston-Lenoir	Lenoir County
	Activities	Activities		TDA	ABC Board
ASSETS					
Current assets:					
Cash and cash equivalents	\$33,570,698	\$ 4,076,168	\$37,646,866	\$ 128,392	\$ 378,185
Restricted cash and cash equivalents	34,861	-	34,861	-	-
Receivables, net	8,172,457	373,879	8,546,336	35,541	-
Prepaid expenses	-	-	-	-	8,811
Utility deposit	-	-	-	-	1,141
Inventory	-	-	-	-	275,119
Total current assets	41,778,016	4,450,047	46,228,063	163,933	663,256
Noncurrent assets:					
Capital assets:					
Land, improvements, and construction in progress	11,901,258	335,543	12,236,801	-	678,126
Other capital assets, net of depreciation	24,867,042	527,653	25,394,695	937	86,513
Total capital assets	36,768,300	863,196	37,631,496	937	764,639
Total assets	78,546,316	5,313,243	83,859,559	164,870	1,427,895
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,179,056	110,634	1,289,690	23,491	233,117
Long-term liabilities:					
Due within one year	4,761,539	584	4,762,123	-	13,547
Due in more than one year	71,994,033	1,450,818	73,444,851	-	537,641
Total liabilities	77,934,628	1,562,036	79,496,664	23,491	784,305
DEFERRED INFLOWS OF RESOURCES	275,750	-	275,750	-	-
NET POSITION					
Net investment in capital assets	20,290,664	860,701	21,151,365	937	240,189
Restricted for:					
Stabilization by state statute	5,842,852	-	5,842,852	35,541	-
General government	34,861	-	34,861	-	-
Public safety	741,426	-	741,426	-	-
Insurance	1,379,003	-	1,379,003	-	-
Education	4,857,514	-	4,857,514	-	-
Register of deeds	68,378	-	68,378	-	-
Community development	25,000	-	25,000	-	-
Working capital	-	-	-	-	103,398
Unrestricted	(32,903,760)	2,890,506	(30,013,254)	104,901	300,003
Total net position	\$ 335,938	3,751,207	\$ 4,087,145	\$ 141,379	\$ 643,590

The accompanying notes are an integral part of this statement.

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 11,194,424	\$ 5,874,894	\$ 41,265	\$ -
Public safety	17,463,280	3,022,866	1,410,872	3,940,449
Economic & community development	5,220,107	225,693	228,335	1,923,338
Human services	16,894,323	910,294	12,703,229	-
Cultural and recreational	1,569,436	-	-	-
Education	13,029,607	-	167,137	855,113
Interest on debt	3,119,072	-	-	-
Total governmental activities	68,490,249	10,033,747	14,550,838	6,718,900
Business-type activities:				
Landfill	2,569,589	2,520,560	21,324	-
Total primary government	\$ 71,059,838	\$ 12,554,307	\$ 14,572,162	\$ 6,718,900
Component Unit:				
Kinston-Lenoir TDA	\$ 411,749	\$ -	\$ -	\$ -
Lenoir County ABC Board	\$ 3,289,262	\$ 3,489,783	\$ -	\$ -

General revenues:

Property taxes, levied for general purposes
 Local option sales taxes
 Other taxes and licenses
 Investment earnings, unrestricted
 Miscellaneous, unrestricted

Transfers

Gain (loss) on sale of assets

Total general revenues, special items, and transfers

Change in net position

Net position - beginning

Net position - ending

Lenoir County, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2014

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Unit		
Governmental Activities	Business-type Activities	Total	Kinston-Lenoir TDA	Lenoir County ABC Board	
\$ (5,278,265)	\$ -	\$ (5,278,265)	\$ -	\$ -	
(9,089,093)	-	(9,089,093)	-	-	
(2,842,741)	-	(2,842,741)	-	-	
(3,280,800)	-	(3,280,800)	-	-	
(1,569,436)	-	(1,569,436)	-	-	
(12,007,357)	-	(12,007,357)	-	-	
(3,119,072)	-	(3,119,072)	-	-	
(37,186,764)	-	(37,186,763)	-	-	
-	(27,706)	(27,706)	-	-	
\$ (37,186,764)	\$ (27,706)	\$ (37,214,469)	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ (411,749)	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ 200,521	
\$ 36,364,756	\$ -	\$ 36,364,756	\$ -	\$ -	
8,403,223	-	8,403,223	-	-	
1,871,244	22,948	1,894,192	394,892	-	
14,097	1,516	15,613	-	336	
108,356	-	108,356	-	1,020	
50,000	(50,000)	-	-	-	
(125,315)	-	(125,315)	-	-	
46,686,361	(25,536)	46,660,825	394,892	1,356	
9,499,597	(53,242)	9,446,355	(16,857)	201,877	
(9,163,659)	3,804,449	(5,359,210)	158,236	441,713	
\$ 335,938	\$ 3,751,207	\$ 4,087,145	\$ 141,379	\$ 643,590	

The accompanying notes are an integral part of this statement.

	Major			Non-Major	Total Governmental Funds
	General Fund	School Capital Outlay Fund	Capital Projects Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 23,207,012	\$ 4,857,514	\$ -	\$ 5,032,563	\$ 33,097,089
Restricted cash and cash equivalents	-	-	-	34,861	34,861
Receivables (net)					
Property taxes	2,289,284	-	-	117,955	2,407,239
Accounts	2,352,874	-	563,634	399,813	3,316,321
Local option sales tax	1,819,196	514,560	-	49,190	2,382,946
Due from other funds	319,609	-	-	191,705	511,314
Total assets	\$ 29,987,975	\$ 5,372,074	\$ 563,634	\$ 5,826,087	\$ 41,749,770
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 985,556	\$ -	\$ 10,661	\$ 174,169	\$ 1,170,386
Due to other funds	-	-	319,609	191,705	511,314
Total liabilities	985,556	-	330,270	365,874	1,681,700
DEFERRED INFLOWS OF RESOURCES	2,565,033	-	-	121,427	2,686,460
Fund balances:					
Restricted					
Stabilization by state statute	4,491,679	514,560	233,364	603,249	5,842,852
Register of deeds	-	-	-	68,378	68,378
Public safety	-	-	-	231,279	231,279
Emergency services	-	-	-	510,147	510,147
Tax revaluation	-	-	-	34,861	34,861
School capital	-	4,857,514	-	-	4,857,514
Community development	-	-	-	25,000	25,000
Committed					
Scrap tire disposal	-	-	-	176,506	176,506
Vehicle replacement	-	-	-	177,371	177,371
Capital improvements	-	-	-	3,762,610	3,762,610
Assigned					
Subsequent years' expenditures	11,117,117	-	-	-	11,117,117
Unassigned	10,828,590	-	-	(250,615)	10,577,975
Total fund balances	26,437,386	5,372,074	233,364	5,338,786	37,381,610
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,987,975	\$ 5,372,074	\$ 563,634	\$ 5,826,087	

Lenoir County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

EXHIBIT 3

Amounts reported for governmental activities in the statement of net position (Exhibit 1)
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,768,300
Internal service fund net assets that primarily support governmental activities	530,898
Deferred inflows of resources for taxes and special assessments receivable	2,410,702
Deferred inflow of resources for bond premiums	(2,329,926)
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(74,425,646)
<u>Net position of governmental activities</u>	<u>\$ 335,938</u>

The accompanying notes are an integral part of this statement.

	Major			Non-Major	Total Governmental Funds
	General Fund	School Capital Outlay Fund	Capital Projects Fund	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 36,058,954	\$ -	\$ -	\$ 1,334,097	\$ 37,393,051
Local option sales taxes	6,338,238	1,874,695	-	190,290	8,403,223
Other taxes and licenses	1,871,244	-	-	-	1,871,244
Unrestricted intergovernmental	437,970	-	-	-	437,970
Restricted intergovernmental	12,484,543	255,113	3,940,449	4,140,827	20,820,932
Sales and services	3,199,930	-	-	-	3,199,930
Investment earnings	11,397	1,700	-	672	13,769
Miscellaneous	1,309,231	-	-	87,383	1,396,614
Total revenues	61,711,507	2,131,508	3,940,449	5,753,269	73,536,733
EXPENDITURES					
Current:					
General government	6,066,683	-	-	321,345	6,388,028
Public safety	14,200,593	-	4,140,369	3,061,945	21,402,907
Economic & community development	810,333	-	-	2,841,305	3,651,638
Human services	15,549,814	-	-	1,322,201	16,872,015
Cultural and recreational	1,539,500	-	-	-	1,539,500
Intergovernmental:					
Education	12,430,431	599,176	-	-	13,029,607
Debt service					
Principal retirement	4,928,819	-	-	1,450,100	6,378,919
Interest and fees	3,259,714	-	-	25,653	3,285,367
Total expenditures	58,785,887	599,176	4,140,369	9,022,549	72,547,981
Excess (deficiency) of revenues over expenditures	2,925,620	1,532,332	(199,920)	(3,269,280)	988,752
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	2,910,025	-	-	2,932,324	5,842,349
Transfers to other funds	(3,168,234)	(2,500,000)	(410,025)	-	(6,078,259)
Proceeds from issuance of debt	-	-	-	576,923	576,923
Contingency	-	-	(44,313)	-	(44,313)
Sale of fixed assets	5,250	-	-	-	5,250
Total other financing sources (uses)	(252,959)	(2,500,000)	(454,338)	3,509,247	301,950
Net change in fund balance	2,672,661	(967,668)	(654,258)	239,967	1,290,702
FUND BALANCES, beginning of year	23,764,725	6,339,742	887,622	5,098,819	36,090,908
FUND BALANCES, end of year	\$ 26,437,386	\$ 5,372,074	\$ 233,364	\$ 5,338,786	\$ 37,381,610

Lenoir County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

EXHIBIT 4

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

Net changes in fund balances - total governmental funds	\$ 1,290,702
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 depreciation exceeded capital outlay in the current period.	3,860,681
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(130,565)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows of resources for tax revenues	(427,168)
Internal service fund operations that primarily support governmental activities	(766,905)
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.	
Compensated absences	(49,365)
Net pension obligation	42,698
Net OPEB obligation	(149,894)
Amortization of bond premiums not recorded on fund statements	166,295
The issuance of long-term debt 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. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	5,663,119
Total changes in net position of governmental activities	\$ 9,499,597

The accompanying notes are an integral part of this statement.

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 33,676,420	\$ 36,345,947	\$ 36,058,954	\$ (286,993)
Local option sales taxes	6,150,000	6,155,200	6,338,238	183,038
Other taxes and licenses	1,888,934	1,915,934	1,871,244	(44,690)
Unrestricted intergovernmental	468,012	483,869	437,970	(45,899)
Restricted intergovernmental	12,848,475	13,705,657	12,484,543	(1,221,114)
Sales and services	3,501,998	3,501,998	3,199,930	(302,068)
Investment earnings	30,000	30,000	11,397	(18,603)
Miscellaneous	1,142,900	1,361,984	1,309,231	(52,753)
Total revenues	59,706,739	63,500,589	61,711,507	(1,789,082)
EXPENDITURES				
Current:				
General government	6,611,209	7,168,837	6,066,683	1,102,154
Public safety	14,271,616	14,892,904	14,200,593	692,311
Economic & community development	908,263	994,217	810,333	183,884
Human services	17,826,031	17,921,045	15,549,814	2,371,231
Cultural and recreational	1,539,500	1,539,500	1,539,500	-
Intergovernmental:				
Education	12,135,000	12,485,000	12,430,431	54,569
Debt service				
Principal retirement	4,822,104	4,939,578	4,928,819	10,759
Interest and fees	3,167,611	3,259,715	3,259,714	1
Bond issuance costs	-	-	-	-
Total expenditures	61,281,334	63,200,796	58,785,887	4,414,909
Revenues over (under) expenditures	(1,574,595)	299,793	2,925,620	2,625,827
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	500	750	5,250	4,500
Proceeds from sale of bonds	-	-	-	-
Refunding bonds issued	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Operating transfers from (to) other funds	(382,324)	(258,209)	(258,209)	-
Contingency	(50,000)	(37,863)	-	37,863
Total other financing uses	(431,824)	(295,322)	(252,959)	42,363
Revenues and other financing sources over (under) expenditures and other financing uses	(2,006,419)	4,471	2,672,661	2,668,190
Appropriated fund balance	2,006,419	(4,471)	-	4,471
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ -	2,672,661	\$ 2,672,661
FUND BALANCES, beginning of year			23,764,725	
FUND BALANCES, end of year			\$ 26,437,386	

Lenoir County, North Carolina
 General Fund and Annually Budgeted Major Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 For the Fiscal Year Ended June 30, 2014

EXHIBIT 5

School Capital Outlay Fund				
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
	\$	\$	\$	\$
	-	-	-	-
	1,600,000	1,600,000	1,874,695	274,695
	-	-	-	-
	338,100	338,100	255,113	(82,987)
	-	-	-	-
	-	-	1,700	1,700
	-	-	-	-
	1,938,100	1,938,100	2,131,508	193,408
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	600,800	709,826	599,176	110,650
	-	-	-	-
	-	-	-	-
	-	-	-	-
	600,800	709,826	599,176	110,650
	1,337,300	1,228,274	1,532,332	304,058
	-	-	-	-
	-	-	-	-
	-	-	-	-
	(2,500,000)	(2,500,000)	(2,500,000)	-
	-	-	-	-
	(2,500,000)	(2,500,000)	(2,500,000)	-
	(1,162,700)	(1,271,726)	(967,668)	304,058
	1,162,700	1,271,726	-	(1,271,726)
	-	-	-	-
	\$	\$	(967,668)	\$ (967,668)
	-	-	6,339,742	-
	-	-	\$ 5,372,074	-

The accompanying notes are an integral part of this statement.

Lenoir County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2014

EXHIBIT 6

	Landfill Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,076,168	\$ 473,609
Accounts receivable (net)	373,879	65,949
Total current assets	4,450,047	539,558
Noncurrent assets:		
Capital assets:		
Land and improvements	335,543	-
Buildings, improvements, and equipment	6,658,346	-
Vehicles and motorized equipment	671,367	-
Less accumulated depreciation	(6,802,060)	-
Total capital assets	863,196	-
Total assets	5,313,243	539,558
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	110,634	8,660
Capital lease payable	584	-
Total current liabilities	111,218	8,660
Noncurrent liabilities:		
Accrued landfill closure and postclosure costs	1,377,587	-
Compensated absences payable	33,626	-
Other postemployment benefits	37,694	-
Capital lease payable	1,911	-
Total noncurrent liabilities	1,450,818	-
Total liabilities	1,562,036	8,660
NET POSITION		
Net investment in capital assets	860,701	-
Unrestricted	2,890,506	530,898
Total net position	\$ 3,751,207	\$ 530,898

The accompanying notes are an integral part of this statement.

Lenoir County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

EXHIBIT 7

	Landfill Fund	Internal Service Fund
OPERATING REVENUES:		
Charges for services	\$ 2,440,499	\$ 3,688,359
Other operating revenues	101,384	-
Total operating revenues	2,541,883	3,688,359
OPERATING EXPENSES:		
Cost of operations	2,399,105	4,741,502
Depreciation	170,484	-
Total operating expenses	2,569,589	4,741,502
Operating income (loss)	(27,706)	(1,053,143)
NONOPERATING REVENUES (EXPENSES):		
Investment earnings	1,516	328
White goods disposal taxes	22,948	-
Net nonoperating revenues	24,464	328
Income (loss) before contributions and transfers	(3,242)	(1,052,815)
Transfer from (to) other funds	(50,000)	285,910
Change in net position	(53,242)	(766,905)
TOTAL NET POSITION, beginning of year	3,804,449	1,297,803
TOTAL NET POSITION, end of year	\$ 3,751,207	\$ 530,898

The accompanying notes are an integral part of this statement.

Lenoir County, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2014

EXHIBIT 8

	Landfill Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,467,398	\$ 3,640,035
Cash paid for goods and services	(1,666,232)	(4,738,904)
Cash paid to employees for services	(729,012)	-
Other operating revenue	101,384	-
Net cash provided (used) by operating activities	173,538	(1,098,869)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in (out)	(50,000)	285,910
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(83,164)	-
Payments on capital lease	(561)	-
Net cash used by capital financing activities	(83,725)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,516	328
Net increase (decrease) in cash and cash equivalents	41,329	(812,631)
Cash and cash equivalents at beginning of year	4,034,839	1,286,240
Cash and cash equivalents at end of year	\$ 4,076,168	\$ 473,609
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	\$ (27,706)	\$ (1,053,143)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
White goods disposal taxes	22,948	-
Landfill closure and postclosure care costs	9,654	-
Depreciation	170,484	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	26,899	(48,324)
Increase (decrease) in accounts payable and accrued liabilities	(26,717)	2,598
Increase (decrease) in accrued vacation pay	(4,366)	-
Increase (decrease) in OPEB payable	2,342	-
Total adjustments	201,244	(45,726)
Net cash provided (used) by operating activities	\$ 173,538	\$ (1,098,869)

The accompanying notes are an integral part of this statement.

Lenoir County, North Carolina
Agency Fund
Statement of Net Position
For the Fiscal Year Ended June 30, 2014

EXHIBIT 9

ASSETS	
Cash and cash equivalents	\$ 16,725
LIABILITIES AND NET POSITION	
Accounts payable	16,725
<hr/>	
Net position	\$ -

The accompanying notes are an integral part of this statement.

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Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

NOTE I. Summary of Significant Accounting Policies

The accounting policies of Lenoir County, North Carolina 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 County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. The Lenoir County ABC Board (the Board) and the Kinston-Lenoir County Tourism Development Authority (the Authority), which both have June 30 year-ends, is presented as if it were a separate proprietary fund of the County (discrete presentation). Lenoir County Industrial Facility and Pollution Control Financing Authority (the Financing Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Lenoir County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Lenoir County ABC Board 110 S. Heritage Street Kinston, NC 28502
Kinston-Lenoir County Tourism Development Authority	Discrete	The Authority exists to promote travel and tourism within the County. The Authority was created by Lenoir County and the County finance officer is the ex officio finance officer of the Authority.	Kinston-Lenoir County Tourism Development Authority 301 North Queen St. Kinston, NC 28502
Lenoir County Industrial Facility and Pollution Control Financing Authority	Discrete	The Financing Authority is governed by a six-member board of commissioners that is appointed by the County commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. 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 expenses and program revenues for the different business-type activities of the County and for each function of the County'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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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 non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Capital Reserve Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

School Capital Outlay Fund. This fund is used to track the uses of Article 40 and 42 sales tax revenues to improve the County's school capital facilities.

Capital Projects Fund. This fund accounts for various capital projects within the County including the construction of the E-911 facility and the jail.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The County reports the following major enterprise fund:

Landfill Fund. This fund is used to account for the operations of the County landfill.

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains three agency funds: the Social Services Fund, which accounts for moneys deposited with the Social Services Department for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Lenoir County Board of Education and the Motor Vehicle Tax Fund which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles and Register of Deeds Trust Fund which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage.

Internal Service Fund. The Employee Insurance Fund is used to account for the allocation of hospitalization insurance to each fund.

Non-major Funds. The County maintains twelve legally budgeted funds. The Federally Seized Property Fund, Scrap Tire Disposal Fund, Revaluation Reserve Fund, Fire District Funds, Transportation Grant Project Fund, CDBG Fund, Emergency Telephone System Fund, Family and Caregiver Education Fund, Vehicle Replacement Fund, Automation Preservation Fund, and State Controlled Substance Fund are reported as non-major special revenue funds. The Capital Improvements Fund is reported as a non-major capital project fund.

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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, the State of North Carolina is responsible for billing and collecting the property taxes on all 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 were 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 County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, special revenue (excluding the Community Development Block Grant Fund), the Enterprise Fund, and the Internal Service Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the project and grants funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level (the legal level of budgetary control) for the General Fund and Special Revenue Funds (excluding the Community Development Block Grant Fund, as well as the Capital Projects Fund, which are at the project level). Expenditures may not exceed appropriations at the fund level for the enterprise fund. Any revisions that alter total expenditures of any fund must be approved by the governing board. All revisions to the budget and transfer appropriations must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.
- June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 The budget ordinance shall be adopted by the governing board.

As required by State law [G.S. 159-26(d)], the County 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 progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. The County has no encumbrances outstanding at year-end and any unencumbered appropriations lapse at year-end.

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County, the Lenoir County ABC Board, and the Kinston-Lenoir County Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the ABC Board, and the Authority may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County, the ABC Board, and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

State law [G.S. 159-30(c)] authorizes the County, the Tourism Development Authority, and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County, the Tourism Development Authority, and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment and maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. All cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash and cash equivalents, and records them at cost. The Tourism Development Authority considers all bank deposits are considered cash and cash equivalents.

3. Restricted Assets

Unexpended bond proceeds are classified as restricted assets on the balance sheet because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. The cash in the Revaluation Reserve Fund of \$34,861 is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

5. Allowance for Doubtful Accounts

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

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

6. Inventory and Prepaid Items

Lenoir County accounts for inventories using the "purchases method." Under the purchases method, purchases are recorded as expenditures when purchased. The County did not have significant amounts of inventory on hand at year-end. The inventory of the ABC Board is valued at the lower of (FIFO) or market, and consists of products held for resale. The cost of this inventory is charged to cost of sales as the inventory is sold. Occasionally, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The minimum capitalization cost is \$5,000. 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.

Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Furniture and office equipment	10 years
Maintenance and construction equipment	5-10 years
Building and improvements	10-50 years
Automobiles and trucks	6 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings	20-30 years
Furniture and equipment	5-10 years
Leasehold improvements	10-20 years

Capital assets for the Tourism Development Authority are depreciated over the following estimated useful lives:

	<u>Useful Life</u>
Equipment	5 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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 or expenditure until then. The County has no deferred outflows of resources. In addition to liabilities, the statement of financial position can also report a separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meets the criterion for this category, prepaid taxes.

9. Long-term Obligations

In the government-wide financial statements and in the 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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The ABC board provides for the accumulation of up to fifteen days earned vacation leave with such leave being fully vested when earned. For the County'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 sick leave policies of the County and the ABC Board 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 entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

The Tourism Development Authority has no employees. They are managed by the Kinston-Lenoir County Chamber of Commerce under an agreement signed on March 17, 2010, which expires on June 30, 2015. The Tourism Development Authority pays a monthly management fee of 15% of the net occupancy tax collection plus, if present, 10% of the excess collections received over collections budgeted. The agreement also guarantees a minimum payment of \$3,000 per month.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as 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.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

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. The County does not report any nonspendable fund balance.

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for the construction of a new jail and to maintain funds for sheriff use from federally seized property and state controlled substance tax.

Restricted for Emergency Services – portion of fund balance that is restricted by revenue source for the establishment and maintenance of emergency telephone services.

Restricted for Tax Revaluation – portion of fund balance restricted by revenue source for the county-wide revaluation of real property.

Restricted for School Capital – portion of fund balance that can only be used for school capital outlay.

Restricted for Community Development – portion of fund balance that can only be used for community development block grant projects.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of Lenoir County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Scrap Tire Disposal – portion of fund balance set aside for the disposal of scrap tires.

Committed for Vehicle Replacement – portion of fund balance set aside for the replacement of County vehicles using local tax dollars, insurance reimbursements, and sales of surplus vehicles.

Committed for Capital Improvements – portion of fund balance used for long-term improvements of the County's infrastructure.

Assigned Fund Balance – portion of fund balance that the Lenoir County governing board has budgeted.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

Lenoir County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer had the authority to deviate from this policy if it is in the best interest of the County.

E. 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 position.

The governmental fund balance sheet includes a 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 \$(37,045,672) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 58,559,909
Less accumulated depreciation	(21,791,609)
Net capital assets	<u>36,768,300</u>
Liabilities for deferred inflow of resources reported in the fund statements but not the government-wide	2,410,702
Deferred inflow of resources related to the premiums on bonds	(2,329,926)
Internal service fund net assets that primarily support governmental activities	530,898
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(70,542,636)
Net pension obligation	(749,172)
Other postemployment benefits	(1,786,687)
Compensated absences	(1,347,151)
Total adjustment	<u>\$ (37,045,672)</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

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 \$8,208,896 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,848,957
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,988,276)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(130,565)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(576,923)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	6,240,042
Amortization of bond premiums reported on the government-wide financial statements which reduces the interest expense paid on the fund financial statements	166,295
Internal service fund operations that primarily support governmental activities	(766,905)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures expenditures in the fund statements.	
Differences in compensated absences accrued in the government-wide statements but not in the fund statements because they do not use current resources	(49,365)
Differences in net pension obligation accrued in the government-wide statements but not in the fund statements because they do not use current resources	42,698
Differences in the other postemployment benefits in the government-wide statements but not in the fund statements because they do not use current resources	(149,894)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/13	(2,837,870)
Recording of tax receipts deferred in the fund statements as of 6/30/14	2,410,702
Total adjustment	<u>\$ 8,208,896</u>

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Note II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance or Net Position of Individual Funds

For the fiscal year ended June 30, 2014, the following fund had a deficit fund balance:

Fire District Funds	\$	4,802
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The deficit fund balance is due to accounts payable recorded at year end in the fire district funds.

B. Excess of Expenditures over Appropriations

Budgets are adopted at the department level. The Budget Officer is authorized to transfer appropriations within a fund in amounts not to exceed 10% of the appropriated monies for the Department whose allocation is reduced. Any revisions that alter total expenditures of any fund must be approved by the governing board. For the fiscal year ended June 30, 2014, the following expenditures exceeded the authorized appropriations made by the governing board:

General Fund:		
Bioterrorism	\$	694
Emergency Telephone System Fund:		
Operating expenditures		2,059

Management and the Board will more closely review the budget reports to ensure compliance in future years.

Note III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County, ABC Board, and Tourism Development Authority deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the County, ABC Board, and the Authority. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the ABC Board, and the Authority, these deposits are considered to be held by their agents in the entities' 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 County, the ABC Board, the Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the ABC Board, or the Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and the Authority have no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the carrying amount of the County's deposits was \$12,807,284 and the bank balance was \$13,644,920. Of the bank balance, \$406,583 was covered by federal depository insurance and \$13,238,337 was covered by collateral held under the Pooling Method. At June 30, 2014, the County had \$3,115 cash on hand.

At June 30, 2014, the carrying amount of deposits for Lenoir County ABC Board was \$374,935 and the bank balance was \$497,673. Of this balance \$250,000 was covered by federal depository insurance and \$247,673 was maintained in financial institutions utilizing the Pooling Method of collateralization. At June 30, 2014, the ABC Board had \$3,250 cash on hand.

At June 30, 2014, the carrying amount of deposits for the Kinston-Lenoir County Tourism Development Authority was \$128,342 and the bank balance was \$135,188. The entire bank balance was covered by federal depository insurance. At June 30, 2014, the Authority's petty cash was \$50.

2. Investments

At June 30, 2014, the County had \$24,871,328 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The County has no policy regarding credit risk.

At June 30, 2014 the ABC Board and the Authority had no investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2010	2,270,423	743,557	3,013,980
2011	2,336,641	554,952	2,891,593
2012	2,363,803	348,662	2,712,465
2013	2,484,451	142,855	2,627,306
	<u>\$ 9,455,318</u>	<u>\$ 1,790,026</u>	<u>\$ 11,245,344</u>

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

4. Receivables

Receivables at the government-wide level at June 30, 2014, were as follows:

	Accounts	Taxes	Total
Governmental Activities:			
General	\$ 4,172,070	\$ 3,317,579	\$ 7,489,649
Other Governmental	1,527,199	117,955	1,645,154
Internal Service Fund	65,949	-	65,949
Total receivables	5,765,218	3,435,534	9,200,752
Allowance for doubtful accounts	-	(1,028,295)	(1,028,295)
Total governmental activities	<u>\$ 5,765,218</u>	<u>\$ 2,407,239</u>	<u>\$ 8,172,457</u>
Business-type Activities:			
Landfill	\$ 732,780	\$ -	\$ 732,780
Allowance for doubtful accounts	(358,901)	-	(358,901)
Total business-type activities	<u>\$ 373,879</u>	<u>\$ -</u>	<u>\$ 373,879</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 6,764,740	\$ -	\$ 96,600	\$ -	\$ 6,668,140
Construction in progress	-	5,233,118	-	-	5,233,118
Total capital assets not being depreciated	6,764,740	5,233,118	96,600	-	11,901,258
Capital assets being depreciated:					
Buildings	36,981,519	-	-	-	36,981,519
Other improvements	411,077	-	-	-	411,077
Equipment	4,664,600	134,605	21,220	-	4,777,985
Vehicles	4,422,559	498,124	432,613	-	4,488,070
Total capital assets being depreciated:	46,479,755	632,729	453,833	-	46,658,651
Less accum. depreciation for:					
Buildings	13,092,299	1,330,409	-	-	14,422,708
Other improvements	285,686	13,682	-	-	299,368
Equipment	3,718,654	276,024	7,846	-	3,986,832
Vehicles	3,109,672	368,160	395,131	-	3,082,701
Total accum. depreciation	20,206,311	1,988,275	402,977	-	21,791,609
Total capital assets being depreciated, net	26,273,444				24,867,042
Governmental activity capital assets, net	<u>\$ 33,038,184</u>				<u>\$ 36,768,300</u>

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Primary Government

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

General government	\$ 48,583
Human services	195,432
Economic and community development	115,262
Culture and recreation	42,271
Public safety	<u>1,586,727</u>
Total depreciation expense	<u>\$ 1,988,275</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 335,543	\$ -	\$ -	\$ 335,543
Capital assets being depreciated:				
Buildings improvements & equip	5,446,226	-	-	5,446,226
Furniture & maintenance equip.	1,389,318	1,519	178,717	1,212,120
Vehicles	589,722	81,645	-	671,367
Total capital assets being depreciated:	<u>7,425,266</u>	<u>83,164</u>	<u>-</u>	<u>7,329,713</u>
Less accum. depreciation for:				
Buildings improvements & equip	5,167,653	56,551	-	5,224,204
Furniture & maintenance equip.	1,114,192	55,528	178,717	991,003
Vehicles	528,449	58,404	-	586,853
Total accumulated depreciation	<u>6,810,294</u>	<u>170,483</u>	<u>-</u>	<u>6,802,060</u>
Total capital assets being depreciated, net	<u>614,972</u>			<u>527,653</u>
Business-type capital assets, net	<u>\$ 950,515</u>			<u>\$ 863,196</u>

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ 174,000	\$ -	\$ 174,000
Construction in progress	-	504,126	-	504,126
Total capital assets not being depreciated	-	678,126	-	678,126
Capital assets being depreciated:				
Furniture & equipment	112,981	16,530	-	129,511
Leasehold improvements	185,458	-	-	185,458
Total capital assets being depreciated:	298,439	16,530	-	314,969
Less accum. depreciation for:				
Furniture & equipment	86,930	9,520	-	96,450
Leasehold improvements	119,575	12,431	-	132,006
Total accumulated depreciation	206,505	21,951	-	228,456
ABC capital assets, net	<u>\$ 91,934</u>			<u>\$ 764,639</u>

Activity for the Tourism Development Authority for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Equipment	\$ 1,874	\$ -	\$ -	\$ 1,874
Less accum. depreciation for:				
Equipment	562	375	-	937
Authority capital assets, net	<u>\$ 1,312</u>			<u>\$ 937</u>

Commitments

The County has one active construction project at June 30, 2014. Eleven of the thirteen prime contracts have closed and the final two are pending County approval for closeout.

At year-end, the County's commitments with contractors are as follows:

	Total Project	County Commitment	Spent To Date
Detention Center	<u>\$ 21,487,352</u>	<u>\$ 21,487,352</u>	<u>\$ 21,360,380</u>

The ABC Board has elected to pay direct costs of employment securities benefits in lieu of employment security taxes on payroll. A liability for benefit payments could accrue in the year following discharge of employees.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	\$ 875,520	\$ -	\$ 110,036	\$ 985,556
Other Governmental	184,190	-	650	184,840
Internal Service Fund	8,660	-	-	8,660
Total governmental activities	<u>\$ 1,068,370</u>	<u>\$ -</u>	<u>\$ 110,686</u>	<u>\$ 1,179,056</u>
Business-type activities:				
Landfill	\$ 110,634	\$ -	\$ -	\$ 110,634

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description. Lenoir County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multi-employer defined benefit pension plan administered by the State of North Carolina. The Tourism Development Authority has no employees and therefore, does not contribute to the LGERS. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local 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 27669-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.55%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The contribution requirements of members and of Lenoir County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$1,184,231, \$1,006,327, and \$1,095,786, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$14,174, \$14,662, and \$14,057, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Lenoir County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separate financial statements issued for the Separation Allowance.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan	12
Members entitled to but not yet receiving benefits	-
Active plan members	68
	80

2. Summary of Significant Accounting Policies:

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

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

3. Contributions

The County 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 by making contributions based on actuarial valuations. For the current year, the County contributed \$185,235 or 7.35% of annual covered payroll. There were no contributions made by employees. The County'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 annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

Lenoir County, North Carolina
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For The Fiscal Year Ended June 30, 2014

Employer annual required contribution	\$ 153,162
Interest on net pension obligation	39,594
Adjustment to annual required contribution	(64,516)
Annual pension cost	128,240
Contributions made	170,938
Increase in net pension obligation	(42,698)
Net pension obligation beginning of year	791,870
Net pension obligation end of year	<u>\$ 749,172</u>

3 Year Trend Information			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 132,936	78.50%	\$ 792,446
6/30/13	137,492	100.42%	791,870
6/30/14	128,240	133.30%	749,172

4. Funded Status and Funding Progress

As of December 31, 2013 the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,589,352, and the actuarial value of assets were \$0, resulting in an unfunded actuarial liability (UAAL) of \$1,589,352.

The covered payroll (annual payroll of active employees covered by the plan) was \$2,519,552, and the ratio of the UAAL to the covered payroll was 63.08%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan

Plan Description. The County 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 all employees employed by the County. 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 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. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and the County has elected to contribute five percent of all employees participating in the State retirement system. All law enforcement amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$1,047,100, which consisted of \$818,176 from the County and \$228,924 from the employees.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Lenoir County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$3,048.

e. Other Postemployment Benefits

Plan Description. Under the terms of the County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 30 years of creditable service with the County, or are 60 years of age with 25 years of creditable service with the County. The retiree pays the same amount for equal coverage equivalent to what active County employees pay. The County obtains health care coverage through private insurers. Also, retirees can purchase coverage for their dependents at the County's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	26	5
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	385	68
Total	411	73

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Funding Policy. The retirees pay the same amount for equal coverage equivalent to what active County employees pay under a County resolution that can be amended by the Board of Commissioners. The County members pay for dependent coverage based on size of family. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 4.88% of annual covered payroll. For the current year, the County contributed \$152,236 or .95% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution for employees not engaged in law enforcement and for law enforcement officers represent 7.07% and 7.28% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$445,240. The County's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and any changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	728,266
Interest on net OPEB obligation		66,886
Adjustment to annual required contribution		<u>(63,897)</u>
Annual OPEB cost (expense)		731,255
Contributions made		<u>(579,019)</u>
Increase in net OPEB obligation		152,236
Net OPEB obligation, beginning of year		<u>1,672,145</u>
Net OPEB obligation, end of year	\$	<u><u>1,824,381</u></u>

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

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$555,867	63.0%	\$ 1,115,087
2013	\$705,300	21.0%	\$1,672,145
2014	\$731,255	79.2%	\$1,824,381

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,000,115. The covered payroll (annual payroll of active employees covered by the plan) was \$15,987,942, and the ratio of the UAAL to the covered payroll was 56.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75% and 5.00% annually. Both rates included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

f. Other Postemployment Benefits – Lenoir County ABC Board

Plan Description. The Lenoir County ABC Board administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides postemployment healthcare benefits to retirees of the Board, provided they participate in the North Carolina Local Governmental Employees' Retirement System, have at least 25 years of creditable service with the Board and be 62 years of age. These benefits are only available between the ages of 62 and 65. A separate report was not issued for the plan.

Funding Policy. The Board pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Board has chosen to fund the healthcare benefits on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and any changes in the Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	13,688
Interest on net OPEB obligation		547
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		14,235
Contributions made		-
Increase in net OPEB obligation		14,235
Net OPEB obligation, beginning of year		12,503
Net OPEB obligation, end of year	\$	26,738

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

For Year Ended	Annual	Percentage of	Net OPEB
June 30	OPEB Cost	Annual OPEB Cost Contributed	Obligation
2009	\$12,503	0%	\$12,503
2012	\$14,235	0%	\$26,738

The Board intends to update its OPEB valuation (triennial basis) for the year ended June 30, 2015 as allowed per GASB 45.

Funded Status and Funding Progress. As of June 30, 2012, the actuarial accrued liability for benefits was \$174,354, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$272,168, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 64.06%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Lenoir County, North Carolina
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The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital Status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Age at life expectancy is based on calculations on the OPEB Liability Alternative Valuation Method Worksheet.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections for the state of North Carolina and based on the past decade's healthcare cost trend.

Health insurance premiums – 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected inflation rate of 10% was based on projections for the state of North Carolina and based on past decade's inflation rate.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

A discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was thirty years.

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. 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 will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County 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 County considers these contributions to be immaterial.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

For the fiscal year ended June 30, 2014, the County made contributions to the State for death benefits of \$0. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10 – 20	2	2015

The period of reprieve is determined separately for law enforcement officers. Lenoir County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

3. Closure and Postclosure Care Costs – Lenoir County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facilities when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,377,587 reported as landfill closure and post-closure care liability at June 30, 2014 represents a cumulative amount reported to date based on the use of 100 percent of the total estimated capacity of the old landfill and 87% of the total capacity of the new landfill. Lenoir County closed the old facility in the fiscal year ended 1999. Total costs incurred to date on the final cover of the old landfill is \$1,041,995. The County will recognize the remaining estimated cost of closure and postclosure care of \$838,000 as the remaining estimated capacity of the new landfill is filled. Final costs may be higher due to inflation, changes in technology, or changes in regulations. All of the above amounts are based on what it would cost to perform all closure and post-closure care in 2014.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and post-closure care requirements. The County is not currently required to fund the estimated closure costs of this facility based upon its present financial stability.

4. Deferred Outflows and Inflows of Resources

The balance in deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable, net (General)	\$ 2,289,283	\$ -
Taxes receivable, net (Special Revenue)	121,427	-
Prepaid taxes not yet earned (General)	275,750	275,750
Total	<u>\$ 2,686,460</u>	<u>\$ 275,750</u>

Lenoir County, North Carolina
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5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County obtains property insurance coverage and general liability coverage for these risks. The County participates in two self-funded risk-financing programs, one administered by Discovery Insurance Services and one administered by Medcost Benefit Services. Through these programs, the County obtains workers' compensation coverage up to the statutory limits, and health insurance for County employees. For health insurance, the County is reinsured through the program for individual losses in excess of \$150,000 and aggregate annual losses in excess of 115% of expected claims. The workers' compensation program is reinsured through commercial carrier for individual losses in excess of \$350,000. Based on past experience, management believes the above coverages are sufficient.

The County carries flood insurance purchased through a local agent on two county buildings; the Cooperative Extension Building and the Livestock Arena. The County carries \$500,000 coverage on the Cooperative Extension Building and \$68,300 coverage on the contents. On the Livestock Arena, the County carries \$409,000 coverage on the building and \$0 coverage on the contents.

In accordance with G.S. 159-29, the County's employees that have access of \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance is individually bonded for \$50,000, and the tax collector is individually bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims from these risks have not exceeded the total commercial insurance coverage in any of the last three fiscal years.

Lenoir County ABC Board 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 ABC Board has property, general liability, auto liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i) and G.S. 18B-803(b), each Lenoir County ABC Board member and the employees designated as the general manager and finance officer are bonded in the amount of \$50,000 secured by a corporate surety.

Kinston-Lenoir County Tourism Development Authority 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 Authority does not carry flood insurance. The Authority does carry commercial coverage for all other risks of loss. There have been not significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Authority has no employees.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

6. Contingent Liabilities

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations

a. General Obligation Indebtedness

All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit and taxing power of the County.

The County's general obligation bonds payable at June 30, 2014 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$30,000,000 2007 Public Improvement School Bonds, in annual installments of up to \$1,650,000 through February 1, 2028	\$ 4,650,000
\$2,600,000 2007 Public Improvements Library Bonds, in annual installments of up to \$200,000 through February 1, 2025	450,000
\$39,700,000 2008 Public Improvement School Bonds, in annual installments of up to \$2,800,000 through February 1, 2029	30,200,000
\$18,970,000 of 2013 Refunding Bonds, in annual installments of up to \$1,770,000 through February 1, 2028	18,765,000
	<u>\$ 54,065,000</u>

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,680,000	\$ 2,219,800
2016	3,680,000	2,074,200
2017	3,680,000	1,910,800
2018	3,685,000	1,742,650
2019	3,670,000	1,571,500
2020-2024	18,275,000	5,657,300
2025-2029	17,395,000	2,004,025
Totals	<u>\$ 54,065,000</u>	<u>\$ 17,180,275</u>
Premium on bonds	2,329,926	-
Carrying value of general obligation bonds	<u>\$ 56,394,926</u>	<u>\$ 17,180,275</u>

As June 30, 2014, Lenoir County had a legal debt margin of \$267,380,710.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

b. Notes Payable

On November 3, 2008, the County obtained a \$1,450,100 loan from the North Carolina Eastern Region to assist in the construction of an industrial shell building. The loan requires quarterly interest payments through 2023. The interest rate is 3.5% with the first payment being made on December 1, 2008. The first principal payment will begin on December 1, 2013. At June 30, 2014, the balance of the note was \$0.

On October 14, 2010, the County issued \$18,500,000 of Recovery Zone Economic Development Bonds to enable the County to construct a new five story, 65,000 square foot jail facility on County owned property. The loan is through BB&T and requires annual installments of \$925,000 through October 14, 2030. At June 30, 2014, the balance of the note was \$15,725,000.

On May 8, 2014, the County obtained a \$576,923 loan from the North Carolina Eastern Region to assist with capital improvements within the County. The loan requires annual payments of \$115,385 through April 8, 2019. On June 20, 2014, this loan was assigned to the State of North Carolina.

Annual note requirements to maturity for the County's notes payable are as follows:

<u>Year Ending June 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,040,385	\$ 967,088
2016	1,040,385	910,200
2017	1,040,385	853,313
2018	1,040,385	796,425
2019	1,040,383	739,538
2020-2024	4,625,000	2,844,375
2025-2029	4,625,000	1,422,188
2030-2031	1,850,000	170,663
Principal payments	<u>\$ 16,301,923</u>	
Total interest payments		<u>\$ 8,703,788</u>

The Recovery Zone Economic Development Bonds are part of the 2009 American Recovery and Reinvestment Act (ARRA). For these Recovery Zone Bonds, the County will receive a 45% interest payment subsidy. The interest rebate will be recognized as follows:

<u>Year Ending June 30,</u>	<u>Interest Rebate</u>
2015	\$ 435,189
2016	409,590
2017	383,991
2018	358,391
2019	332,792
2020-2024	1,297,969
2025-2029	639,984
2030-2031	76,798
Totals	<u>\$ 3,934,704</u>

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The ABC Board obtained financing from First Citizens Bank on May 19, 2014 for the purchase and renovation of a building and related land in the amount of \$524,450. The ABC Board intends to use the building for a new store location. The loan agreement calls for interest only payments to be made for the first six months beginning July 1, 2014 and principal and interest payments of \$3,749 to begin on January 1, 2015. The interest rate is a fixed amount of 3.45%. The loan consists of 59 payments in the amount of \$3,749 and a final balloon payment of \$382,872 will be made on December 1, 2019.

Annual note requirements to maturity for the ABC Board's notes payable are as follows:

<u>Year Ending June 30,</u>	Governmental Activities	
	Principal	Interest
2015	\$ 13,547	\$ 17,996
2016	27,805	17,189
2017	28,779	16,215
2018	29,788	15,206
2019	30,832	14,162
2020	393,699	7,920
Principal payments	<u>\$ 524,450</u>	
Total interest payments		<u>\$ 88,688</u>

c. Capital Leases

The County has entered agreements to lease certain equipment. The lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

An agreement was executed on August 1, 2011 to lease computer equipment and requires an initial payment of \$24,982 and 3 annual payments of \$21,406. Title passes to the County at the end of the lease term.

An agreement was executed on April 2, 2013 to lease telephones and requires monthly payments of \$4,046. Title passes to the County at the end of the lease term.

The following is an analysis of the assets recorded under the capital lease at June 30, 2014:

Governmental: Class of Property	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 46,683	\$ 27,232	\$ 19,451
Telephones	218,237	36,373	181,864
	<u>\$ 264,920</u>	<u>\$ 63,605</u>	<u>\$ 201,315</u>
 Business-type:			
Telephones	<u>\$ 3,144</u>	<u>\$ 786</u>	<u>\$ 2,358</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 41,154	\$ 6,720
2016	42,951	4,923
2017	44,826	3,048
2018	46,782	1,092
Principal payments	\$ 175,713	\$ 15,783

	Business-type Activities	
	Principal	Interest
2015	\$ 584	\$ 95
2016	610	70
2017	637	43
2018	664	16
Principal payments	\$ 2,495	\$ 224

d. Advance Refundings

On April 2, 2013, the County issued \$18,970,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to be used for all future debt service payments of \$18,100,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$870,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$636,386 and resulted in an economic gain of \$543,488.

e. Long-Term Obligation Activity

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 60,366,222	\$ -	\$ 3,971,296	\$ 56,394,926	\$ 3,680,000
Notes payable	18,100,100	576,923	2,375,100	16,301,923	1,040,385
Capital lease	235,655	-	59,942	175,713	41,154
Compensated absences	1,297,786	49,365	-	1,347,151	-
Other postemployment benefit	1,636,793	149,894	-	1,786,687	-
Net pension obligation	791,870	-	42,698	749,172	-
Total governmental activities	\$ 82,428,426	\$ 776,182	\$ 6,449,036	\$ 76,755,572	\$ 4,761,539
Business-type activities:					
Accrued landfill closure and postclosure care costs	\$ 1,367,933	\$ 9,654	\$ -	\$ 1,377,587	\$ -
Capital lease	3,055	-	560	2,495	584
Compensated absences	37,992	-	4,366	33,626	-
Other postemployment benefit	35,352	2,342	-	37,694	-
Total business-type	\$ 1,444,332	\$ 11,996	\$ 4,926	\$ 1,451,402	\$ 584

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
ABC Board:					
Notes payable	\$ -	\$ 524,450	\$ -	\$ 524,450	\$ 13,547
Other postemployment benefit	26,738	-	-	26,738	-
Total governmental activities	<u>\$ 26,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,738</u>	<u>\$ -</u>

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2014, consists of the following:

From the General Fund to the Capital Improvements Fund to cover economic Incentives that have been approved by the Commissioners.	\$ 2,542,324
From the General Fund to the Employee Insurance Fund to cover the increasing cost of medical insurance for the employees.	285,910
From the General Fund to the Vehicle Replacement Fund to cover the costs of replacing Sheriff's and Emergency Services vehicles.	340,000
From the Capital Improvements Fund to the General Fund to help pay for the construction of the new jail facility.	410,025
From the Solid Waste Fund to the Scrap Tire Fund in order to help pay for the costs of handling/processing scrap tires.	50,000
From the School Capital Outlay Fund to the General Fund for debt payment on bonds for the building of new schools.	2,500,000
	<u>\$ 6,128,259</u>

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 36,768,300	\$ 863,196
Less: Long-term debt	16,477,636	2,495
	<u>\$ 20,290,664</u>	<u>\$ 860,701</u>

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

E. Fund Balance

Lenoir County has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer had the authority to deviate from this policy if it is in the best interest of the County.

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	\$ 26,437,386
Less:	
Stabilization by State Statute	4,491,679
Appropriated fund balance in 2015 budget	11,117,117
Remaining Fund Balance	<u>\$ 10,828,590</u>

Lenoir County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

Note IV. Joint Ventures

The County in conjunction with the City of Kinston, participates in the Tourism Development Authority. The County appoints three members to the seven member board. The County has the authority to levy a Tourism tax and also serves as the collection agency for the Authority's taxes; however, the County does not have the power to determine the nature or type of tax imposed. Total funds remitted to the Authority were \$197,446 for the year ended June 30, 2014. The Authority controls the disbursements of all funds and the County has no responsibility for financing deficits or providing guarantees of the unit, nor is it entitled to any surpluses. The County has no equity interest in the Authority. Complete financial statements for the Authority can be obtained from the Authority's offices at City of Kinston, 301 N. Queen Street, Kinston, NC 28501.

The County also participates in a joint venture to operate Neuse Regional Library with three other local governments. Lenoir County appoints two board members to the twelve member board of the Library. The County has an on going financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$740,500 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library offices, at 510 N. Queen Street, City of Kinston, NC 28501.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

The County in conjunction with the State of North Carolina and the Lenoir County Board of Education, participates in a joint venture to operate the Lenoir County Community College. Each of the three participants appoints four members of the thirteen member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$2,235,000 to the community college for operating purposes during the fiscal year ended June 30, 2014. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2014.

Complete financial statements for the community college may be obtained from the community college's administrative offices at 231 Highway 58 South, Kinston, NC 28502.

Effective July 1, 2002 the County in conjunction with Duplin County, Sampson County and Wayne County, participated in a joint venture to operate Eastpointe. Each participating government appoints three board members to the fifteen member board. The County has an ongoing financial responsibility for the joint venture because Eastpointe's continued existence depends on the participating governments' continued funding. The County paid \$245,715 to the joint venture during the fiscal year ended June 30, 2014. None of the participating governments have any equity interest in the joint venture, so no equity interest has been reflected in the County's financial statements at June 30, 2014. Complete financial statements for Eastpointe can be obtained from their office in Kenansville, N.C.

Note V. Joint Governed Organization

The County has joined with other counties and municipalities in the area to establish the Eastern Carolina Council of Governments (Council). 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 County paid membership fees of \$14,896 to the Council during the fiscal year ended June 30, 2014. The County has no equity interest in the Council.

Note VI. Major Taxpayer

Lenoir County had property tax revenue from one taxpayer in 2014 of \$1,421,587, which accounted for 4% of total property tax revenue.

Note VII. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and state moneys. Lenoir County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the state. These amounts disclose the additional aid to County recipients that do not appear in the general-purpose financial statements because they are not revenues and expenditures of the County.

Lenoir County, North Carolina
Notes to the Financial Statements
For The Fiscal Year Ended June 30, 2014

	Federal	State
Special Supplemental Food Program for Women, Infants, and Children	\$ 1,514,642	\$ -
Temporary Assistance for Needy Families	351,080	-
IV-E Foster Care	107,616	28,065
IV-E Admin County	66,555	33,277
State Foster Home	-	19,896
Special Assistance to Adults	-	687,532
IV-E Adoptions Subsidy Payments	268,643	70,158
CWS Adoption Subsidy Payments	-	147,017
Food Stamp Program	20,788,607	-
Medical Assistance	64,634,220	35,930,983
SFHF Maximization	-	13,336
State Children's Insurance Program	1,292,156	407,605

Note VIII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County 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 agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note IX. Detailed Note on Individual Fund Balance

As part of the loan agreement for the construction of the new landfill, the County is required to have a minimum fund balance in the Landfill Fund of \$1,000,000. At June 30, 2014, the fund balance for the Landfill Fund was \$3,751,207, consisting of \$860,701 invested in capital assets, and \$2,890,506 in unrestricted net position.

Note X. Subsequent Events

The ABC Board plans to open a new store on August 1, 2014 located at 2918 North Heritage Street, Kinston, NC. The ABC Board purchased the land and building on May 19, 2014 through a loan obtained from First Citizens Bank. The building has been renovated and all costs are classified as construction in progress as of June 30, 2014. The ABC Board will cease operations at the Phillips Road location on July 26, 2014. There will not be an additional store location. Management evaluated subsequent events through July 28, 2014, the date which the ABC Board financial statements were made available.

SUPPLEMENTARY
INFORMATION

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles, and/or the Governmental Accounting Standards Board.

Schedule of Funding Progress for the Law Enforcement
Officers' Special Separation Allowance

Schedule of Employer Contributions for the
Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law
Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for
Other Postemployment Benefits

Schedule of Employer Contributions for
Other Postemployment Benefits

Notes to the Required Schedules for
Other Postemployment Benefits

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Lenoir County, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

STATEMENT 1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2001	\$ -	\$ 510,328	\$ 510,328	0%	\$ 1,472,899	34.65%
12/31/2002	-	608,944	608,944	0%	1,488,455	40.91%
12/31/2003	-	664,951	664,951	0%	1,559,910	42.63%
12/31/2004	-	802,824	802,824	0%	1,643,062	48.86%
12/31/2005	-	758,072	758,072	0%	1,824,114	41.56%
12/31/2006	-	831,347	831,347	0%	2,044,360	40.67%
12/31/2007	-	995,875	995,875	0%	2,090,047	47.65%
12/31/2008	-	1,121,755	1,121,755	0%	2,213,593	50.68%
12/31/2009	-	1,504,712	1,504,712	0%	2,548,597	59.04%
12/31/2010	-	1,434,272	1,434,272	0%	2,473,401	57.99%
12/31/2011	-	1,477,879	1,477,879	0%	2,561,185	57.70%
12/31/2012	-	1,530,231	1,530,231	0%	2,600,991	58.83%
12/31/2013	-	1,589,352	1,589,352	0%	2,519,552	63.08%

Lenoir County, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

STATEMENT 2

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	82,495	34%
2006	91,725	32%
2007	87,525	39%
2008	96,626	48%
2009	107,943	53%
2010	121,801	55%
2011	147,615	58%
2012	132,936	79%
2013	137,492	100%
2014	128,240	133%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

Lenoir County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

STATEMENT 3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2006	\$ -	\$ 7,587,345	\$ 7,587,345	0%	\$ 13,606,848	55.8%
12/31/2007	-	6,818,855	6,818,855	0%	12,304,510	55.4%
12/31/2008	-	5,802,279	5,802,279	0%	14,403,576	40.3%
12/31/2009	-	5,973,257	5,973,257	0%	15,417,737	38.7%
12/31/2010	-	6,664,035	6,664,035	0%	16,001,264	41.6%
12/31/2011	-	8,333,416	8,333,416	0%	15,867,358	52.5%
12/31/2012	-	8,503,420	8,503,420	0%	15,882,771	53.5%
12/31/2013	-	9,000,115	9,000,115	0%	15,987,942	56.3%

Lenoir County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

STATEMENT 4

Year Ended June 30,	Annual Required Contribution*	Percentage Contributed*
2012	\$ 555,867	63.0%
2013	705,300	21.0%
2014	731,255	79.2%

* Presented for all years for which data is available.

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.0%
Year of ultimate trend rate	2019
*Includes inflation at	3.00%

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Federally Seized Property Fund – This fund accounts for federal controlled substance tax revenues and other revenues related to drug offenses.

School Capital Outlay Fund – This fund is used to track the uses of Article 40 and 42 Sales Tax Revenues to improve the County's school capital facilities.

Scrap Tire Disposal Fund – This fund accounts for the 1% tire retailer fee paid to the State and then distributed to NC Counties to defray the costs of scrap tire disposal.

Revaluation Reserve Fund – This fund accounts for the revenues/expenditures related to the quadrennial county-wide revaluation of real property.

Fire District Funds – These funds account for the revenues collected and disbursed to eleven volunteer fire districts in the County. The fire districts use the money to pay for operations, maintenance and equipment.

Transportation Grant Project Fund – This fund accounts for NC DOT grant funds used for the operation of a county transit system.

CDBG Fund – This fund accounts for federal Community Development Block Grants used for improving area housing and water and septic system needs for low income families and the elderly.

Emergency Telephone System Fund – This fund accounts for revenue derived from the telephone surcharge collected by phone companies and remitted to NC counties to establish and maintain emergency telephone services.

Vehicle Replacement Fund – This fund accounts for the scheduled/predicted replacement of County vehicles using local tax dollars, insurance reimbursements, and sales of surplus vehicles.

Family and Caregiver Education Fund – This fund accounts for Federal and State revenue for the Smart Start Program.

Automation Preservation Fund – This fund accounts for 10% of the fees collected and maintained by the register of deeds' office to be used for computer and imaging technology for that office.

State Controlled Substance Fund – This fund accounts for state controlled substance tax and other related fund related to drug offenses.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Capital Projects Fund – This fund is used to account for the construction of the jail facility and the expansion of the gas line for Sanderson Farms.

Capital Improvements Fund – This fund accounts for significant, long-term improvements to the County's infrastructure and also for capital asset improvements for the purpose of increasing economic and community development opportunities.

Lenoir County, North Carolina
General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 5

Page 1 of 12

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$35,910,947	\$35,521,256	\$ (389,691)	\$31,750,239
Penalties and interest	435,000	537,698	102,698	461,011
Total	36,345,947	36,058,954	(286,993)	32,211,250
Local option sales taxes:				
Article 39 one percent	3,750,000	3,781,627	31,627	3,716,279
Article 40 one-half of one percent	1,600,000	1,754,290	154,290	1,687,460
Article 42 one-half of one percent	800,000	796,347	(3,653)	936,486
Article 44 one-half of one percent	5,200	5,974	774	13,410
Total	6,155,200	6,338,238	183,038	6,353,635
Other taxes and licenses:				
Real estate transfer tax	119,000	102,089	(16,911)	85,621
Motor vehicle rental tax	27,000	30,177	3,177	23,877
Intangible taxes	105,000	105,897	897	108,135
Register of deeds	200,000	198,440	(1,560)	207,480
Inspection fees	153,000	144,317	(8,683)	167,475
Privilege licenses	12,000	11,069	(931)	11,963
Sheriff fees	1,299,934	1,279,255	(20,679)	762,843
Total	1,915,934	1,871,244	(44,690)	1,367,394
Unrestricted intergovernmental :				
Beer and wine taxes	150,857	150,857	-	137,811
Social service revenues	59,330	43,453	(15,877)	139,840
Other	273,682	243,660	(30,022)	220,675
Total	483,869	437,970	(45,899)	498,326

Lenoir County, North Carolina
General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Restricted intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ 1,218
State grants	1,087,318	983,499	(103,819)	957,901
Public school capital projects	600,000	600,000	-	1,100,000
Disaster funds, grants and other		10,390	-	13,981
Health department grants	2,203,528	1,920,277	(283,251)	2,211,400
Social service grants	9,349,561	8,565,254	(784,307)	8,865,085
Court facility fees	110,000	115,294	5,294	110,146
ABC profits distribution	125,000	35,979	(89,021)	157,838
ABC profits for law enforcement	13,000	15,167	2,167	12,672
ABC bottle taxes	12,500	12,990	490	12,852
Occupancy and tourism tax	204,750	225,693	20,943	191,730
Total	13,705,657	12,484,543	(1,221,114)	13,634,823
Sales and services:				
Cablevision fees	1,300	224	(1,076)	1,050
Jail fees	78,200	84,205	6,005	73,829
Health department fees	101,551	94,865	(6,686)	99,295
Emergency medical service fees	3,048,697	2,752,091	(296,606)	2,665,711
E-911 fees	23,000	18,071	(4,929)	14,207
PEG access fees	67,000	63,568	(3,432)	63,672
Rents and parking	182,250	186,906	4,656	191,926
Total	3,501,998	3,199,930	(302,068)	3,109,690
Investment earnings	30,000	11,397	(18,603)	23,705
Miscellaneous:				
Fines	350,000	295,431	(54,569)	332,457
Other revenues	1,011,984	1,013,800	1,816	940,976
Total revenues	63,500,589	61,711,507	(1,789,082)	58,472,256

Lenoir County, North Carolina
General Fund

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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Expenditures				
General Government:				
Governing body:				
Salaries and employee benefits		\$ 131,243		\$ 145,234
Other operating expenditures		39,861		53,527
Total	195,273	171,104	24,169	198,761
County Manager:				
Salaries and employee benefits		254,434		248,230
Other operating expenditures		13,356		14,630
Total	277,122	267,790	9,332	262,860
Board of Elections:				
Salaries and employee benefits		206,088		278,324
Other operating expenditures		80,166		97,615
Total	371,136	286,254	84,882	375,939
Finance Department:				
Salaries and employee benefits		199,982		184,777
Other operating expenditures		8,166		7,354
Total	213,541	208,148	5,393	192,131
Tax Office:				
Salaries and employee benefits		669,095		640,390
Other operating expenditures		91,330		110,901
NCVTS collection costs		70,485		-
Total	844,113	830,910	13,203	751,291
Human Resources:				
Salaries and employee benefits		165,783		190,763
Other operating expenditures		12,460		7,328
Total	196,775	178,243	18,532	198,091

Lenoir County, North Carolina
General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
County Attorney:				
Contracted services	\$ 62,500	\$ 28,697	\$ 33,803	\$ 24,360
Register of Deeds:				
Salaries and employee benefits		180,791		206,388
Other operating expenditures		47,389		54,194
Total	278,053	228,180	49,873	260,582
Public Buildings:				
Salaries and employee benefits		100,832		99,206
Other operating expenditures		416,316		393,856
Total	599,030	517,148	81,882	493,062
Court facilities:				
Salaries and employee benefits		28,969		22,291
Other operating expenditures		421,833		409,142
Total	594,232	450,802	143,430	431,433
Non-departmental:				
Salaries and employee benefits		335,621		196,405
Other operating expenditures		1,734,580		1,611,036
Total	2,641,278	2,070,201	571,077	1,807,441
Management Information System:				
Salaries and employee benefits		502,342		491,625
Other operating expenditures		225,085		212,946
Capital outlay		689		-
Total	766,284	728,116	38,168	704,571
Outside agencies	129,500	101,090	28,410	101,481
Total general government	7,168,837	6,066,683	1,102,154	5,802,003

Lenoir County, North Carolina
General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
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(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Public Safety:				
Sheriff:				
Salaries and employee benefits		\$ 3,724,537		\$ 3,656,278
Other operating expenditures		672,613		625,148
Capital outlay		56,272		43,860
Total		4,453,422		4,325,286
Jail:				
Salaries and employee benefits		2,596,737		2,183,446
Other operating expenditures		1,113,264		1,588,929
Total		3,710,001		3,772,375
Total Sheriff and Jail	8,668,322	8,163,423	504,899	8,097,661
Concealed weapon:				
Salaries and employee benefits		3,457		-
Other operating expenditures		1,730		-
Total	14,315	5,187	9,128	-
Emergency management:				
Salaries and employee benefits		281,684		269,791
Other operating expenditures		107,704		96,258
Total	427,040	389,388	37,652	366,049
Central communications:				
Salaries and employee benefits		1,150,021		1,041,370
Other operating expenditures		54,396		57,835
Contracted services		115,860		88,508
Total	1,387,913	1,320,277	67,636	1,187,713
Emergency Medical Services Department:				
Salaries and benefits		2,928,462		2,873,642
Other expenses		773,350		790,532
Capital outlay		4,708		2,339
Total	3,751,880	3,706,520	45,360	3,666,513

Lenoir County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Fire:				
Contracted services	\$ 28,279	\$ 28,279	\$ -	\$ 48,340
Inspections:				
Salaries and employee benefits		194,448		189,850
Contracted services		21,402		20,863
Total	221,884	215,850	6,034	210,713
Medical examiner:				
Contracted services	40,000	32,900	7,100	37,420
FEMA:				
Other operating expenditures		(499)		-
Total	-	(499)	499	-
Non-emergency Services:				
Salaries and employee benefits		275,196		229,030
Other operating expenditures		64,073		61,576
Total	353,271	339,269	14,002	290,606
Total public safety	14,892,904	14,200,593	692,311	13,905,015
Economic and community development:				
Economic development:				
Salaries and employee benefits		209,175		204,737
Other operating expenditures		31,147		36,969
Total	276,225	240,322	35,903	241,706
Agriculture extension:				
Salaries and employee benefits		258,123		278,537
Other operating expenditures		85,870		82,996
Total	390,984	343,993	46,991	361,533

Lenoir County, North Carolina
General Fund
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STATEMENT 5
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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Soil and water conservation:				
Salaries and employee benefits		\$ 110,356		\$ 108,202
Other operating expenditures		2,221		3,760
Total	121,263	112,577	8,686	111,962
Cooperative extension prevention block grant:				
Salaries and employee benefits		28,107		27,248
Other operating expenditures		14,030		15,544
Total	48,119	42,137	5,982	42,792
Golden Leaf Grant:				
Salaries and employee benefits		30,450		25,364
Other operating expenditures		8,481		4,460
Total	122,432	38,931	83,501	29,824
JCPC:				
Salaries and employee benefits		28,482		35,109
Other operating expenditures		3,891		62
Capital outlay		-		10,742
Total	35,194	32,373	2,821	45,913
Total economic and community development	994,217	810,333	183,884	833,730
Human Services:				
Health:				
Administration:				
Salaries and employee benefits		405,506		412,014
Other operating expenditures		407,263		330,118
Total		812,769		742,132
Animal control:				
Salaries and employee benefits		81,553		80,724
Other operating expenditures		149,042		138,390
Total		230,595		219,114

Lenoir County, North Carolina
 General Fund
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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Immunization:				
Salaries and employee benefits		\$ 43,798		\$ 42,964
Other operating expenditures		1,900		602
Total		45,698		43,566
Health promotions:				
Salaries and employee benefits		925,255		847,862
Other operating expenditures		140,331		146,212
Total		1,065,586		994,074
Child health:				
Salaries and employee benefits		248,016		376,621
Other operating expenditures		15,166		10,377
Total		263,182		386,998
Women, infants, and children:				
Salaries and employee benefits		313,866		313,718
Other operating expenditures		17,760		15,969
Capital outlay		-		9,051
Total		331,626		338,738
Pregnancy Care Management:				
Salaries and employee benefits		137,444		113,102
Other operating expenditures		1,128		4,683
Total		138,572		117,785
Care Coordination for Children:				
Salaries and employee benefits		84,833		89,410
Other operating expenditures		4,465		6,161
Total		89,298		95,571

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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Environmental health:				
Salaries and employee benefits		\$ 394,460		\$ 386,500
Other operating expenditures		24,614		20,112
Capital outlay		-		7,500
Total		419,074		414,112
Total health	4,137,911	3,396,399	741,512	3,352,090
Mental health:				
Administration:				
Other operating expenditures	245,715	245,715	-	245,715
Social services:				
Administration:				
Salaries and employee benefits		5,846,818		5,916,245
Other operating expenditures		594,965		588,624
Capital outlay		10,142		2,613
Total		6,451,925		6,507,482
Daycare:				
Assistance payments		1,910,352		2,204,786
Temporary Assistance for Needy Families:				
Assistance payments		279,964		213,620
Medical assistance:				
Assistance payments		590,790		578,199
Child support enforcement:				
Salaries and employee benefits		47,171		49,150
Other operating expenditures		104,884		191,560
Total		152,055		240,710
Adult daycare:				
Other operating expenditures		687,532		735,083

Lenoir County, North Carolina
General Fund

Statement of Revenues, Expenditures, and
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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Social Services Block Grant:				
Contract services		\$ 80,315		\$ 64,584
Income maintenance programs:				
Other operating expenditures		172,603		187,020
Adoption assistance:				
Other operating expenditures		100,338		108,939
H & CC Block Grant:				
Other operating expenditures		550,257		552,020
Foster care:				
Other operating expenditures		109,626		92,708
Services to the blind:				
Other operating expenditures		7,245		7,202
Food stamp program:				
Other operating expenditures		18,279		23,794
Crisis intervention:				
Other operating expenditures		677,341		702,708
Other social service programs:				
Other operating expenditures		65,363		100,169
Total social services	13,469,941	11,853,985	1,615,956	12,319,024
Bioterrorism:				
Salaries and employee benefits		34,931		37,505
Other operating expenditures		-		2,874
Capital outlay		-		2,437
Total	34,237	34,931	(694)	42,816

Lenoir County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Veteran's services:				
Other operating expenditures	\$ 33,241	\$ 18,783	\$ 14,458	\$ 22,299
Total human services	17,921,045	15,549,814	2,371,231	15,981,944
Cultural and recreational:				
Recreation:				
Other operating expenditures	799,000	799,000	-	799,000
Libraries:				
Contribution to regional library	740,500	740,500	-	751,579
Total cultural and recreational	1,539,500	1,539,500	-	1,550,579
Education:				
Public schools - current	9,900,000	9,900,000	-	9,900,000
Fines	350,000	295,431	54,569	332,457
Community college - current	2,235,000	2,235,000	-	2,235,000
Total education	12,485,000	12,430,431	54,569	12,467,457
Debt service:				
Lease principal		198,819		222,175
Bond principal		4,730,000		4,525,000
Bond issuance costs		-		83,391
Interest and fees		3,259,714		3,781,071
Total debt service	8,199,293	8,188,533	10,760	8,611,637
Total expenditures	63,200,796	58,785,887	4,414,909	59,152,365
Revenues over (under) expenditures	299,793	2,925,620	2,625,827	(680,109)

Lenoir County, North Carolina
General Fund

Statement of Revenues, Expenditures, and
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(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

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	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Other financings sources (uses):				
Operating transfers from (to) other funds:				
Transfer from special revenue funds	\$ -	\$ -	\$ -	\$ 11,079
Transfer from capital reserve fund	410,025	410,025	-	-
Transfer from capital reserve fund	2,500,000	2,500,000	-	2,000,000
Transfer to capital project funds	(2,542,324)	(2,542,324)	-	(3,179,599)
Transfer to insurance reserve	(285,910)	(285,910)	-	-
Transfer to special revenue funds	(340,000)	(340,000)	-	(25,000)
Total operating transfers	(258,209)	(258,209)	-	(1,193,520)
Contingency	(37,863)	-	37,863	-
Proceeds from sale of bonds	-	-	-	90,559
Refunding bonds issued	-	-	-	21,262,130
Payment to refunded bond escrow agent	-	-	-	(21,178,489)
Sales of fixed assets	750	5,250	4,501	3,146
Total other financing sources (uses)	(295,322)	(252,958)	42,364	(1,016,174)
Revenues and other financing sources over (under) expenditures and other financing uses	4,471	2,672,661	2,668,190	(1,696,283)
Appropriated fund balance	(4,471)	-	4,471	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>2,672,661</u>	<u>\$ 2,672,661</u>	<u>(1,696,283)</u>
Fund balance, beginning of year		23,764,725		25,461,008
Fund balance, end of year		<u>\$ 26,437,386</u>		<u>\$ 23,764,725</u>

Lenoir County, North Carolina
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2014

STATEMENT 6

	Special Revenue Funds	Capital Project Funds Capital Improvements Fund	Totals
ASSETS			
Cash and investments	\$ 1,257,891	\$ 3,774,672	\$ 5,032,563
Restricted cash and investments	34,861	-	34,861
Receivables:			
Property taxes	117,955	-	117,955
Accounts receivable	399,813	-	399,813
Local option sales tax	49,190	-	49,190
Due from other funds	191,705	-	191,705
Total assets	\$ 2,051,415	\$ 3,774,672	\$ 5,826,087
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	\$ 162,107	\$ 12,062	\$ 174,169
Due to other funds	191,705	-	191,705
Total liabilities	353,812	12,062	365,874
Deferred inflows of resources	121,427	-	121,427
Fund balances:			
Restricted			
Stabilization by state statute	603,249	-	603,249
Register of deeds	68,378	-	68,378
Sheriff	231,279	-	231,279
Emergency services	510,147	-	510,147
Tax revaluation	34,861	-	34,861
Community development	25,000	-	25,000
Committed			
Capital improvements	-	3,762,610	3,762,610
Scrap tire disposal	176,506	-	176,506
Vehicle replacement	177,371	-	177,371
Unassigned	(250,615)	-	(250,615)
Total equity	1,576,176	3,762,610	5,338,786
Total liabilities, deferred inflows of resources, and equity	\$ 2,051,415	\$ 3,774,672	\$ 5,826,087

Lenoir County, North Carolina
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2014

STATEMENT 7

	Special Revenue Funds	Capital Project Funds Capital Improvements Fund	Totals
Revenues:			
Ad valorem taxes	\$ 1,334,097	\$ -	\$ 1,334,097
Local option sales tax	190,290	-	190,290
Restricted intergovernmental	2,504,849	1,635,978	4,140,827
Investment earnings	672	-	672
Other	87,383	-	87,383
Total revenues	4,117,291	1,635,978	5,753,269
Expenditures:			
General government	321,345	-	321,345
Public safety	3,061,945	-	3,061,945
Economic and community development	166,801	2,551,897	2,718,698
Human services	1,322,201	-	1,322,201
Sanitation	122,607	-	122,607
Debt service:			
Note principal	-	1,450,100	1,450,100
Interest and fees	-	25,653	25,653
Total expenditures	4,994,899	4,027,650	9,022,549
Revenues over (under) expenditures	(877,608)	(2,391,672)	(3,269,280)
Other financing sources (uses):			
Operating transfers in	390,000	2,542,324	2,932,324
Proceeds from issuance of debt	-	576,923	576,923
Total other financing sources (uses)	390,000	3,119,247	3,509,247
Revenues and other financing sources over (under) expenditures and other financing uses	(487,608)	727,575	239,967
Fund balance, beginning of year	2,063,784	3,035,035	5,098,819
Fund balance, end of year	\$ 1,576,176	\$ 3,762,610	\$ 5,338,786

ASSETS	Federally Seized Property Fund	Scrap Tire Disposal Fund	Revaluation Reserve Fund	Fire District Funds	Transportation Grant Project Fund
Cash and investments	\$ 168,820	\$ 187,489	\$ -	\$ 59,574	\$ -
Restricted cash and investments	-	-	34,861	-	-
Receivables:					
Property taxes	-	-	-	117,955	-
Accounts receivable	-	35,550	-	-	293,317
Local option sales tax	-	-	-	49,190	-
Due from other funds	-	-	-	-	-
Total assets	\$ 168,820	\$ 223,039	\$ 34,861	\$ 226,719	\$ 293,317

LIABILITIES AND EQUITY

Liabilities:					
Accounts payable and accrued liabilities	\$ 2,216	\$ 10,983	\$ -	\$ 110,094	\$ 17,636
Due to other funds	-	-	-	-	179,246
Total liabilities	2,216	10,983	-	110,094	196,882
Deferred inflows of resources:					
Taxes receivable	-	-	-	121,427	-
Fund balances:					
Restricted					
Stabilization by state statute	-	35,550	-	49,190	293,317
Register of deeds	-	-	-	-	-
Sheriff	166,604	-	-	-	-
Emergency services	-	-	-	-	-
Tax revaluation	-	-	34,861	-	-
Community development	-	-	-	-	-
Committed					
Scrap tire disposal	-	176,506	-	-	-
Vehicle replacement	-	-	-	-	-
Unassigned	-	-	-	(53,992)	(196,882)
Total equity	166,604	212,056	34,861	(4,802)	96,435
Total liabilities, deferred inflows of resources, and equity	\$ 168,820	\$ 223,039	\$ 34,861	\$ 226,719	\$ 293,317

Lenoir County, North Carolina
 Non-Major Governmental Funds
 Special Revenue Funds
 Combining Balance Sheet
 June 30, 2014

STATEMENT 8

CDBG Fund	Emergency Telephone System Fund	Family and Caregiver Education Fund	Vehicle Replacement Fund	Automation Preservation Fund	State Controlled Substance Fund	Total
\$ -	\$ 510,454	4,455	\$ 177,371	\$ 85,053	\$ 64,675	\$1,257,891
-	-	-	-	-	-	34,861
-	-	-	-	-	-	117,955
37,459	28,951	4,536	-	-	-	399,813
-	-	-	-	-	-	49,190
-	191,705	-	-	-	-	191,705
<u>\$ 37,459</u>	<u>\$ 731,110</u>	<u>\$ 8,991</u>	<u>\$ 177,371</u>	<u>\$ 85,053</u>	<u>\$ 64,675</u>	<u>\$2,051,415</u>

\$ -	\$ 307	\$ 4,196	\$ -	\$ 16,675	\$ -	\$ 162,107
12,459	-	-	-	-	-	191,705
<u>12,459</u>	<u>307</u>	<u>4,196</u>	<u>-</u>	<u>16,675</u>	<u>-</u>	<u>353,812</u>

-	-	-	-	-	-	121,427
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-	220,656	4,536	-	-	-	603,249
-	-	-	-	68,378	-	68,378
-	-	-	-	-	64,675	231,279
-	510,147	-	-	-	-	510,147
-	-	-	-	-	-	34,861
25,000	-	-	-	-	-	25,000
-	-	-	-	-	-	176,506
-	-	-	177,371	-	-	177,371
-	-	259	-	-	-	(250,615)
<u>25,000</u>	<u>730,803</u>	<u>4,795</u>	<u>177,371</u>	<u>68,378</u>	<u>64,675</u>	<u>1,576,176</u>

<u>\$ 37,459</u>	<u>\$ 731,110</u>	<u>\$ 8,991</u>	<u>\$ 177,371</u>	<u>\$ 85,053</u>	<u>\$ 64,675</u>	<u>\$2,051,415</u>
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	Federally Seized Property Fund	Scrap Tire Disposal Fund	Revaluation Reserve Fund	Fire District Funds	Transportation Grant Project Fund
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ 54,549	\$ 1,279,548	\$ -
Local option sales tax	-	-	-	190,290	-
Restricted intergovernmental	135,792	108,723	-	-	1,273,201
Investment earnings	74	60	-	84	-
Other	-	-	-	-	64,439
Total revenues	135,866	108,783	54,549	1,469,922	1,337,640
Expenditures:					
General government	-	-	52,336	-	-
Public safety	150,635	-	-	1,466,914	-
Economic and community development	-	-	-	-	-
Human services	-	-	-	-	1,254,747
Sanitation	-	122,607	-	-	-
Total expenditures	150,635	122,607	52,336	1,466,914	1,254,747
Revenues over (under) expenditures	(14,769)	(13,824)	2,213	3,008	82,893
Other financing sources (uses):					
Operating transfers in	-	50,000	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	(14,769)	36,176	2,213	3,008	82,893
Fund balance, beginning of year	181,373	175,880	32,648	(7,810)	13,542
Fund balance, end of year	\$ 166,604	\$ 212,056	\$ 34,861	\$ (4,802)	\$ 96,435

Lenoir County, North Carolina
 Non-Major Governmental Funds - Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 For The Fiscal Year Ended June 30, 2014

STATEMENT 9

CDBG Fund	Emergency Telephone System Fund	Family and Caregiver Education Fund	Vehicle Replacement Fund	Automation Preservation Fund	State Controlled Substance Fund	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,334,097
-	-	-	-	-	-	190,290
166,801	705,386	69,667	-	21,586	23,693	2,504,849
-	404	-	-	28	22	672
-	-	-	22,944	-	-	87,383
166,801	705,790	69,667	22,944	21,614	23,715	4,117,291
-	-	-	250,865	18,144	-	321,345
-	1,411,937	-	-	-	32,459	3,061,945
166,801	-	-	-	-	-	166,801
-	-	67,454	-	-	-	1,322,201
-	-	-	-	-	-	122,607
166,801	1,411,937	67,454	250,865	18,144	32,459	4,994,899
-	(706,147)	2,213	(227,921)	3,470	(8,744)	(877,608)
-	-	-	340,000	-	-	390,000
-	(706,147)	2,213	112,079	3,470	(8,744)	(487,608)
25,000	1,436,950	2,582	65,292	64,908	73,419	2,063,784
\$ 25,000	\$ 730,803	\$ 4,795	\$ 177,371	\$ 68,378	\$ 64,675	\$ 1,576,176

Lenoir County, North Carolina
 Federally Seized Property Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 10

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 131,000	\$ 135,792	\$ 4,792	\$ 92,235
Investment earnings	125	74	(51)	18
Total revenues	131,125	135,866	4,741	92,253
Expenditures:				
Public safety				
Operating expenses		67,337		8,866
Capital outlay		83,298		59,061
Total expenditures	202,200	150,635	51,565	67,928
Revenues over (under) expenditures	(71,075)	(14,769)	56,306	24,326
Appropriated fund balance	71,075	-	(71,075)	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(14,769)</u>	<u>\$ (14,769)</u>	24,326
Fund balance, beginning of year		181,373		157,047
Fund balance, end of year		\$ 166,604		\$ 181,373

Lenoir County, North Carolina
School Capital Outlay Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 11

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Local option sales tax	\$1,600,000	\$1,874,695	\$ 274,695	\$1,674,311
State grants	338,100	255,113	(82,987)	410,221
Investment earnings	-	1,700	1,700	622
Total revenues	1,938,100	2,131,508	193,408	2,085,154
Expenditures:				
Public school building projects	709,826	599,176	110,650	792,308
Interest and fees	-	-	-	-
Total expenditures	709,826	599,176	110,650	792,308
Revenues over (under) expenditures	1,228,274	1,532,332	304,058	1,292,846
Other financing sources (uses):				
Transfer to general fund	(2,500,000)	(2,500,000)	-	(2,000,000)
Revenues and other financing sources over (under) expenditures	(1,271,726)	(967,668)	304,058	(707,154)
Appropriated fund balance	1,271,726	-	(1,271,726)	-
Revenues, other financing sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(967,668)</u>	<u>\$ (967,668)</u>	<u>(707,154)</u>
Fund balance, beginning of year		6,339,742		7,046,896
Fund balance, end of year		<u>\$5,372,074</u>		<u>\$6,339,742</u>

Lenoir County, North Carolina
Scrap Tire Disposal Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 12

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 98,173	\$ 108,723	\$ 10,550	\$ 138,095
Investment earnings	-	60	60	13
Total revenues	98,173	108,783	10,610	138,108
Expenditures:				
Sanitation				
Contracted services	148,173	122,607	25,566	133,041
Revenues over (under) expenditures	(50,000)	(13,824)	36,177	5,067
Other financing sources:				
Operating transfer in	50,000	50,000	-	50,000
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>36,176</u>	<u>\$ 36,177</u>	55,067
Fund balance, beginning of year		175,880		120,813
Fund balance, end of year		\$ 212,056		\$ 175,880

Lenoir County, North Carolina
 Revaluation Reserve Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 13

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 54,549	\$ 54,549	\$ -	\$ 54,384
Expenditures:				
General government				
Salaries and benefits	48,849	48,788	61	47,837
Operating expenditures	5,700	3,548	2,152	1,427
Total expenditures	54,549	52,336	2,213	49,264
Revenues over (under) expenditures	<u>\$ -</u>	2,213	<u>\$ 2,213</u>	5,120
Fund balance, beginning of year		32,648		27,528
Fund balance, end of year		<u>\$ 34,861</u>		<u>\$ 32,648</u>

Lenoir County, North Carolina
Fire District Funds

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 14

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 1,303,046	\$ 1,279,548	\$ (23,498)	\$ 1,201,084
Local option sales taxes	151,150	190,290	39,140	172,958
Unrestricted intergovernmental revenues	126,184	-	(126,184)	-
Investment earnings	-	84	84	-
Total revenues	1,580,380	1,469,922	(110,459)	1,374,042
Expenditures:				
Public safety				
Contracted services	1,580,380	1,466,914	113,466	1,385,704
Revenues over (under) expenditures	<u>\$ -</u>	<u>3,008</u>	<u>\$ 3,008</u>	(11,662)
Fund balance, beginning of year		(7,810)		3,852
Fund balance, end of year		\$ (4,802)		\$ (7,810)

Lenoir County, North Carolina
 Transportation Grant Project Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 15

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental:				
Department of Transportation	\$ 706,689	\$ 611,171	\$ (95,518)	\$ 495,869
Other restricted revenue	604,974	662,030	57,056	510,569
Other income	71,336	64,439	(6,897)	247,002
Total revenues	1,382,999	1,337,640	(45,359)	1,253,440
Expenditures:				
Human Services:				
Smart Start				
Salaries and benefits	710,985	652,458	58,527	622,806
Other operating expenditures	428,536	366,896	61,640	374,119
Capital outlay	243,478	235,393	8,085	193,339
Other operating expenditures	-	-	-	-
Total expenditures	1,382,999	1,254,747	128,252	1,190,264
Revenues over (under) expenditures	<u>\$ -</u>	<u>82,893</u>	<u>\$ 82,893</u>	63,176
Fund balance, beginning of year		13,542		(49,634)
Fund balance, end of year		\$ 96,435		\$ 13,542

Lenoir County, North Carolina
Community Development Block Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 16
Page 1 of 2

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Totals to Date	
Revenues:					
Restricted intergovernmental					
Federal grants					
11-C-2375 Scattered site	\$ 500,000	\$ 12,000	\$ 35,815	\$ 47,815	\$(452,185)
12-C-2422 Scattered site	225,000	-	130,986	130,986	(94,014)
Local match	5,000	-	-	-	(5,000)
Total revenues	730,000	12,000	166,801	178,801	(551,199)
Expenditures:					
Economic & community development					
2011 Catalyst 11-C-2375					
Administration	55,000	12,000	3,993	15,993	39,007
Acquisition	10,000	-	-	-	10,000
Clearance	10,000	-	-	-	10,000
Reconstruction	186,000	-	14,047	14,047	171,953
Rehabilitation	60,000	-	-	-	60,000
Street improvements	102,000	-	9,776	9,776	92,224
Drainage improvements	25,800	-	2,311	2,311	23,489
Sidewalk improvements	11,000	-	-	-	11,000
Sewer improvements	45,200	-	3,555	3,555	41,645
Water improvements	25,000	-	2,133	2,133	22,867
Total	530,000	12,000	35,815	47,815	482,185
2012 Scattered Site 12-C-2422					
Administration	22,500	-	13,400	13,400	9,100
Rehabilitation	202,500	-	117,586	117,586	84,914
Total	225,000	-	130,986	130,986	94,014
Total expenditures	755,000	12,000	166,801	178,801	576,199
Revenues over (under) expenditures	(25,000)	-	-	-	25,000

Lenoir County, North Carolina
 Community Development Block Grant Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance
 From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 16
 Page 2 of 2

	Actual			Totals to Date	Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year		
Other financing sources:					
Operating transfers in	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 25,000</u>	-	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Fund balance, beginning of year			25,000		
Fund balance, end of year			\$ 25,000		

Lenoir County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 17

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
E-911 fund				
Investment earnings	\$ -	\$ 404	\$ 404	\$ 147
Restricted intergovernmental:				
E911 revenue - state	347,412	347,412	-	359,451
Jones County contribution	357,974	357,974	-	-
Total revenues	705,386	705,790	404	359,598
Expenditures:				
Public safety				
E-911 fund				
Operating expenditures	276,750	278,809	(2,059)	216,569
Capital outlay	1,805,511	1,133,128	672,383	93,571
Total expenditures	2,082,261	1,411,937	670,324	310,140
Revenues over (under) expenditures	(1,376,875)	(706,147)	670,728	49,458
Appropriated fund balance	1,376,875	-	(1,376,875)	-
Revenue and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(706,147)</u>	<u>\$ (706,147)</u>	49,458
Fund balance, beginning of year		1,436,950		1,387,492
Fund balance, end of year		<u>\$ 730,803</u>		<u>\$1,436,950</u>

Lenoir County, North Carolina
 Family and Caregiver Education Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 18

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 65,130	\$ 69,667	\$ 4,537	\$ 104,273
Expenditures:				
Human Services:				
Smart Start				
Other operating expenditures	67,680	67,454	226	101,767
Revenues over (under) expenditures	(2,550)	2,213	4,763	2,506
Appropriated fund balance	2,550	-	(2,550)	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	2,213	<u>\$ 2,213</u>	2,506
Fund balance, beginning of year		2,582		76
Fund balance, end of year		<u>\$ 4,795</u>		<u>\$ 2,582</u>

Lenoir County, North Carolina
 Vehicle Replacement Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 19

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Other income	\$ 17,235	\$ 22,944	\$ -	\$ 34,320
Expenditures:				
General government				
Operating expenditures	357,235	250,865	106,370	25,610
Revenues over (under) expenditures	(340,000)	(227,921)	112,079	8,710
Other financing sources (uses):				
Operating transfers in	340,000	340,000	-	
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	112,079	<u>\$ 112,079</u>	8,710
Fund balance, beginning of year		65,292		56,582
Fund balance, end of year		<u>\$ 177,371</u>		<u>\$ 65,292</u>

Lenoir County, North Carolina
Automation Preservation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 20

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 21,500	\$ 21,586	\$ 86	\$ 23,053
Investment earnings	100	28	(72)	10
Total revenues	21,600	21,614	14	23,063
Expenditures:				
General government				
Operating expenditures	21,600	18,144	3,456	115,646
Revenues over (under) expenditures	<u><u>\$ -</u></u>	<u><u>3,470</u></u>	<u><u>\$ 3,470</u></u>	<u><u>(92,583)</u></u>
Fund balance, beginning of year		64,908		157,491
Fund balance, end of year		\$ 68,378		\$ 64,908

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Lenoir County, North Carolina
 State Controlled Substance Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 21

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$ 34,000	\$ 23,693	\$ (10,307)	\$ 4,818
Investment earnings	75	22	(53)	8
Total revenues	<u>34,075</u>	<u>23,715</u>	<u>(10,360)</u>	<u>4,826</u>
Expenditures:				
Public safety				
Operating expenses	5,000	2,815	2,185	1,926
Capital outlay	51,000	29,644	21,356	10,974
Total expenditures	<u>56,000</u>	<u>32,459</u>	<u>23,541</u>	<u>12,900</u>
Revenues over (under) expenditures	(21,925)	(8,744)	13,181	(8,074)
Appropriated fund balance	21,925	-	(21,925)	-
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(8,744)</u>	<u>\$ (8,744)</u>	<u>(8,074)</u>
Fund balance, beginning of year		73,419		81,493
Fund balance, end of year		<u>\$ 64,675</u>		<u>\$ 73,419</u>

Lenoir County, North Carolina
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance
 From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 22
 Page 1 of 2

	Actual			Totals to Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
E911 Consolidation Grant	7,400,000	160,002	3,939,988	4,099,990	(3,300,010)
Investment earnings	31,000	30,652	461	31,113	113
Miscellaneous	21,711	21,711	-	21,711	-
Total revenues	7,452,711	212,365	3,940,449	4,152,814	(3,299,897)
Expenditures:					
Public Safety - E911					
Consultant	272,100	166,744	84,594	251,338	20,762
Architect/engineering	233,805	102,515	113,755	216,270	17,535
Construction	5,879,935	34,414	3,551,545	3,585,959	2,293,976
Radios	635,423	-	-	-	635,423
Contracted services	2,500	2,500	-	2,500	-
Public safety					
Land acquisition	756,719	756,719	-	756,719	-
Environmental testing	11,975	11,975	-	11,975	-
Issuance costs	12,700	12,700	-	12,700	-
Miscellaneous	396,784	369,176	886	370,062	26,722
Material testing	86,424	86,424	-	86,424	-
Construction management	791,592	791,592	-	791,592	-
Construction	16,990,944	16,452,220	389,589	16,841,809	149,135
Furniture/equipment	43,311	43,311	-	43,311	-
General conditions	1,057,085	1,057,085	-	1,057,085	-
Transaction/activation	69,400	69,400	-	69,400	-
Architect/engineering	1,319,303	1,319,303	-	1,319,303	-
Total expenditures	28,560,000	21,276,078	4,140,369	25,416,447	3,143,553
Revenues over (under) expenditures	(21,107,289)	(21,063,713)	(199,920)	(21,263,633)	(156,344)

Lenoir County, North Carolina
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance
 From Inception And For The Fiscal Year Ended June 30, 2014

STATEMENT 22
 Page 1 of 2

	Actual			Totals to Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
Other financing sources:					
Loan proceeds	\$ 18,500,000	\$ 18,500,000	\$ -	\$ 18,500,000	\$ -
Operating transfers in	3,451,335	3,451,335	-	3,451,335	-
Operating transfers out	(410,025)	-	(410,025)	(410,025)	-
Contingency	(434,021)	-	(44,313)	(44,313)	389,708
Total other financing sources	21,107,289	21,951,335	(454,338)	21,496,997	389,708
Revenues and other financing sources over (under) expenditures	\$ -	\$ 887,622	(654,258)	\$ 233,364	\$ 233,364
Fund balance, beg. of year			887,622		
Fund balance, end of year			\$ 233,364		

Lenoir County, North Carolina
 Capital Improvements Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 23

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Restricted intergovernmental	\$1,635,979	\$1,635,978	\$ (1)	\$ 586,356
Other income	-	-	-	136,434
Total revenues	1,635,979	1,635,978	(1)	722,790
Expenditures:				
Economic development	3,996,714	2,073,897	1,922,817	1,837,855
Community development	510,956	241,576	269,380	1,502,334
Building and grounds	570,973	236,424	334,549	199,288
Debt service:				
Note principal	1,450,100	1,450,100	-	-
Interest and fees	25,653	25,653	-	50,754
Total expenditures	6,554,396	4,027,650	2,526,746	3,590,231
Revenues over (under) expenditures	(4,918,417)	(2,391,672)	2,526,745	(2,867,441)
Other financing sources (uses):				
Operating transfers in	2,542,324	2,542,324	-	3,179,599
Operating transfers out	-	-	-	(11,079)
Proceeds from issuance of debt	576,924	576,923	(1)	-
Total other financing sources (uses)	3,119,248	3,119,247	(1)	3,168,520
Revenues and other financing sources over (under) expenditures and other financing uses	(1,799,169)	727,575	2,526,744	301,079
Appropriated fund balance	1,799,169	-	(1,799,169)	-
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ -	727,575	\$ 727,575	301,079
Fund balance, beginning of year		3,035,035		2,733,956
Fund balance, end of year		\$3,762,610		\$3,035,035

ENTERPRISE FUND

The Enterprise 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 board 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 governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Landfill Fund – This fund is used to account for the operations of the County's solid waste activities.

Landfill Debt Service Fund – This fund is used to account for the debt payments of the new landfill.

Lenoir County, North Carolina
Landfill Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 24
Page 1 of 2

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Charges for services				
Landfill user fees - billing	\$ 1,900,000	\$ 1,439,075	\$ (460,925)	\$ 1,572,700
Landfill user fees - taxes	1,008,000	1,001,424	(6,576)	1,002,012
Other operating revenues	102,049	101,384	(665)	150,290
Total operating revenues	3,010,049	2,541,883	(468,166)	2,725,002
Nonoperating revenues				
Investment earnings	5,000	1,491	(3,509)	436
White goods disposal taxes	18,471	22,948	4,477	18,312
Total nonoperating revenues	23,471	24,439	968	18,748
Total revenues	3,033,520	2,566,322	(467,198)	2,743,750
Expenditures:				
Landfill operations				
Salaries and benefits		726,988		764,119
Operating expenditures		567,033		594,753
Contracted services		1,093,448		1,348,609
Total	3,323,134	2,387,469	935,665	2,707,481
Capital outlay	83,645	83,364	281	25,444
Total expenditures	3,406,779	2,470,833	935,946	2,732,925
Revenues over (under) expenditures	(373,259)	95,489	468,748	10,825
Other financing sources (uses):				
Operating transfers from (to) other funds:				
Operating transfers out	(50,000)	(50,000)	-	(50,000)
Lease proceeds	-	-	-	3,055
Total other financing sources (uses)	(50,000)	(50,000)	-	(46,945)
Revenues and other financing sources over (under) expenditures and other financing uses	(423,259)	45,489	468,748	(36,120)
Appropriated fund balance	423,259	-	(423,259)	-
Revenues, other financing sources, and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ 45,489	\$ 45,489	\$ (36,120)

Lenoir County, North Carolina
Landfill Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 24
Page 2 of 2

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

	<u>2014</u>	<u>2013</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	\$ 45,489	\$ (36,120)
Depreciation	(170,484)	(155,504)
Lease proceeds	-	(3,055)
Lease payments	560	-
Increase in other postemployment benefits	(2,342)	(7,648)
Investment earnings from debt service	25	29
Capital outlay	83,164	25,444
Landfill closure costs	(9,654)	(10,978)
Net income (loss), full accrual basis	\$ (53,242)	\$ (187,832)

Lenoir County, North Carolina
 Landfill Debt Service Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2014
 (With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 25

	2014		Variance Positive (Negative)	2013
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 25	\$ 25	\$ 29
Expenditures	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>25</u>	<u>\$ 25</u>	29
Fund balance, beginning of year		<u>18,428</u>		<u>18,399</u>
Fund balance, end of year		<u>\$ 18,453</u>		<u>\$ 18,428</u>

INTERNAL SERVICE FUND

The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of a County on a cost reimbursement basis.

Employee Insurance Fund - This fund is used to account for the accumulation and allocation of costs associated with the County's hospitalization insurance.

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Lenoir County, North Carolina
Employee Insurance Internal Service Fund
Statement of Revenues, Expenditures, and
Financial Plan and Actual
For The Fiscal Year Ended June 30, 2014
(With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2013)

STATEMENT 26

	2014		2013	
	Financial Plan	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues				
Charges for services	\$3,680,000	\$3,688,359	\$ 8,359	\$3,581,805
Nonoperating revenues				
Investment earnings	2,000	328	(1,672)	167
Total revenues	3,682,000	3,688,687	6,687	3,581,972
Expenditures:				
Insurance claims paid	4,396,374	4,741,502	(345,128)	3,769,665
Revenues over (under) expenditures	(714,374)	(1,052,815)	(338,441)	(187,693)
Other financing sources:				
Transfer from general fund	285,910	285,910	-	-
Revenues and other financing sources over (under) expenditures	(428,464)	(766,905)	(338,441)	(187,693)
Appropriated fund balance	428,464	-	(428,464)	-
Revenues, other financing sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(766,905)</u>	<u>\$ (766,905)</u>	<u>(187,693)</u>
Fund balance, beginning of year		1,297,803		1,485,496
Fund balance, end of year		\$ 530,898		\$1,297,803

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AGENCY FUNDS

Agency Funds serve primarily as clearing mechanisms for cash resources which are collected by a governmental unit, held as such for a brief period, and then distributed to authorized recipients.

Social Services Fund – This fund accounts for moneys held by the Social Service Department for the benefit of certain individuals in the county.

Fines and Forfeitures Fund – This fund accounts for fines and forfeitures collected by the county that are required to be remitted to the Lenoir County Board of Education.

Motor Vehicle Tax Fund – This fund accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

Register of Deeds Trust Fund – This fund accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage to remit to North Carolina.

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Lenoir County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2014

STATEMENT 27

	Balance July 1, 2013	Deposits	Disbursements	Balance June 30, 2014
Social Services Fund:				
Assets, cash	\$ 19,752	\$ 139,621	\$ 142,648	\$ 16,725
Liabilities				
Accounts payable	\$ 19,752	\$ 139,621	\$ 142,648	\$ 16,725
Fines and Forfeitures Fund:				
Assets, cash	\$ -	\$ 295,431	\$ 295,431	\$ -
Liabilities				
Intergovernmental payable	\$ -	\$ 295,431	\$ 295,431	\$ -
Motor Vehicle Tax:				
Assets, cash	\$ -	\$ 100,688	\$ 100,688	\$ -
Liabilities				
Accounts payable	\$ -	\$ 100,688	\$ 100,688	\$ -
Register of Deeds Trust Fund:				
Assets, cash	\$ -	\$ 6,036	\$ 6,036	\$ -
Liabilities				
Accounts payable	\$ -	\$ 6,036	\$ 6,036	\$ -
Totals - All Agency Funds:				
Assets, cash	\$ 19,752	\$ 541,775	\$ 544,803	\$ 16,725
Liabilities				
Accounts payable	\$ 19,752	\$ 246,345	\$ 249,372	\$ 16,725
Intergovernmental payable	-	295,431	295,431	-
Total liabilities	\$ 19,752	\$ 541,775	\$ 544,803	\$ 16,725

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SUPPLEMENTAL
SCHEDULES

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Lenoir County, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

SCHEDULE 1

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Adjustments	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 35,389,627	\$ 34,015,156	\$ -	\$ 1,374,471
2012-2013	1,754,146	-	1,099,715	(45,172)	609,259
2011-2012	568,515	-	264,809	1,849	305,555
2010-2011	274,335	-	97,001	2,450	179,784
2009-2010	194,861	-	42,498	(5,141)	147,222
2008-2009	174,873	-	29,096	(2,078)	143,699
2007-2008	162,963	-	12,396	(1,523)	149,044
2006-2007	155,876	-	9,125	(547)	146,204
2005-2006	129,906	-	8,120	(409)	121,377
2004-2005	147,156	-	5,758	(434)	140,964
2003-2004	74,605	-	5,440	(69,165)	-
	<u>\$ 3,637,236</u>	<u>\$ 35,389,627</u>	<u>\$ 35,589,114</u>	<u>\$ (120,170)</u>	<u>\$ 3,317,579</u>
Less allowance for uncollectible taxes					
General Fund					(1,028,295)
<u>Ad valorem taxes receivable - net</u>					<u>\$ 2,289,284</u>
Reconciliation with revenues:					
Ad valorem taxes - General Fund					\$ 36,058,954
Reconciling items					
Interest collected					(537,698)
Adjustments and write-offs					67,858
<u>Total reconciling items</u>					<u>(469,840)</u>
<u>Total collections and credits</u>					<u>\$ 35,589,114</u>

Lenoir County, North Carolina
 Analysis of Current Tax Levy-County-Wide Levy
 June 30, 2014

SCHEDULE 2

	County Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current years rate	\$ 4,065,969,820	0.835	\$ 33,950,848	\$ 30,749,379	\$ 3,201,469
Motor vehicles taxed at prior years rate	\$ 147,557,750	0.800	\$ 1,180,462	\$ -	\$ 1,180,462
Penalties	-		170,523	170,523	-
	<u>4,213,527,570</u>		<u>35,301,833</u>	<u>30,919,902</u>	<u>4,381,931</u>
Discoveries:					
Discoveries and corrections	79,518,563		663,980	663,980	-
Releases	(24,007,784)		(200,465)	(200,465)	-
Total	<u>55,510,779</u>		<u>463,515</u>	<u>463,515</u>	<u>-</u>
Abatements	<u>(44,996,527)</u>		<u>(375,721)</u>	<u>(375,721)</u>	<u>-</u>
<u>Total property valuation</u>	<u>\$ 4,224,041,822</u>				
Net Levy			35,389,627	31,007,696	4,381,931
Uncollected taxes at June 30, 2014			1,374,471	1,108,864	265,607
Current years taxes collected			<u>\$ 34,015,156</u>	<u>\$ 29,898,832</u>	<u>\$ 4,116,324</u>
Current levy collection percentage			96.12%	96.42%	93.94%

Lenoir County, North Carolina
 Analysis Of Current Tax Levy
 For the Fiscal Year Ended June 30, 2014

SCHEDULE 3

Secondary Market Disclosures:

	Taxed at Current Year's Rate	Taxed at Prior Year's Rate	Total
Assessed Valuation:			
Assessment Ratio	100%	100%	100%
Real property	\$ 2,898,881,494	-	\$ 2,898,881,494
Personal property	1,082,892,161	147,557,740	1,230,449,901
Public service companies	94,710,427	-	94,710,427
Total assessed valuation	4,076,484,082	147,557,740	4,224,041,822
Tax rate per \$100	0.835	0.800	
Tax levy	34,038,642	1,180,462	35,219,104
Penalties	170,523	-	170,523
Net levy	\$ 34,209,165	\$ 1,180,462	\$ 35,389,627

In addition to the County-wide rate the following table lists the levies by the County on behalf of fire protection districts and the Global Transpark for the fiscal year ended June 30, 2014:

Fire Protection Districts	\$ 1,186,191
Global Transpark	78,832
	\$ 1,265,023

Lenoir County, North Carolina
 Schedule of Interfund Transactions
 June 30, 2014

SCHEDULE 4

	Transfers	
	From	To
Operating Transfer From/To Other Funds:		
General Fund		
Capital Improvements Fund	\$ 2,542,324	\$ 410,025
Employee Insurance Fund	185,910	
Vehicle Replacement Fund	340,000	2,500,000
School Capital Outlay Fund		
School Capital Outlay Fund		
General Fund	2,500,000	
Vehicle Replacement Fund		
General Fund		340,000
Landfill Fund		
Scrap Tire Disposal Fund	50,000	
Employee Insurance Fund		
General Fund		185,910
Scrap Tire Disposal Fund		
Landfill Fund		50,000
Capital Improvements Fund		
General Fund	410,025	2,542,324
Total operating transfers-other funds	<u>\$ 6,028,259</u>	<u>\$ 6,028,259</u>

Lenoir County, North Carolina
Schedule Of Cash And Investment Balances
June 30, 2014

SCHEDULE 5

	Carrying Value	Cost Value	Market Value
Cash			
On hand	\$ 3,115	\$ 3,115	\$ 3,115
In demand deposits	12,824,009	12,824,009	12,824,009
	12,827,124	12,827,124	12,827,124
Other investments			
North Carolina Cash Management Trust	24,871,328	24,871,328	24,871,328
Total cash and investments	\$ 37,698,452	\$ 37,698,452	\$ 37,698,452

Distribution by Funds

	Carrying Value
General Fund	\$ 23,207,012
Special Revenue Funds	
Vehicle Replacement Fund	177,371
State Controlled Substance Fund	64,675
Revaluation Reserve Fund	34,861
Federally Seized Property Fund	168,820
School Capital Outlay Fund	4,857,514
Emergency Telephone System Fund	510,454
Family and Caregiver Education Fund	4,455
Automation Preservation Fund	85,053
Scrap Tire Disposal Fund	187,489
Fire District Funds (Consolidated)	59,574
	6,150,266
Capital Project Funds	
Capital Improvement Fund	3,774,672
	3,774,672
Enterprise Funds	
Landfill Fund	4,076,168
Internal Service Fund	
Employee Insurance Fund	473,609
Agency Fund	
Social Services Fund	16,725
Total cash and investments	\$ 37,698,452

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OTHER
INFORMATION

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Lenoir County, North Carolina
General Government Expenditures By Function
 Last Ten Fiscal Years

TABLE 1

Fiscal Year Ended June 30	General Government	Public Safety	Human Services	Economic & Community Development	Education	Debt Service	Cultural and Recreational	Total
2014	\$ 6,388,028	\$ 21,402,907	\$ 16,872,015	\$ 5,127,391	\$ 13,029,607	\$ 8,188,533	\$ 1,539,500	\$ 72,547,981
2013	5,992,523	18,193,320	17,273,975	4,569,002	13,259,765	8,611,637	1,550,579	69,450,801
2012	6,313,731	30,415,338	18,038,461	3,701,386	12,873,551	8,603,548	1,500,500	81,446,515
2011	5,668,672	13,920,168	17,907,887	13,560,639	13,225,717	6,735,173	1,473,500	72,491,756
2010	5,701,726	14,859,500	17,569,703	14,440,063	14,938,541	6,826,980	1,425,000	75,761,513
2009	5,359,402	14,725,718	19,081,681	31,104,389	11,961,760	4,464,769	1,373,100	88,070,819
2008	5,365,522	12,280,616	20,887,896	37,688,876	11,803,273	1,941,593	1,248,000	91,215,776
2007	5,061,241	11,513,617	21,253,090	4,358,303	13,781,016	603,120	1,182,950	57,753,337
2006	4,700,415	11,848,055	20,830,440	3,097,816	10,859,730	720,721	1,134,114	53,191,291
2005	4,832,081	9,458,833	19,537,266	9,060,712	10,511,186	747,089	1,122,885	55,270,052

Lenoir County, North Carolina
General Government Revenues By Source
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Ad Valorem Taxes	Sales Taxes	Other Taxes & Licenses	Intergovernmental Revenues	Sales & Service	Miscellaneous	Total
2014	\$ 37,393,051	\$ 8,403,223	\$ 1,871,244	\$ 21,258,902	\$ 3,199,930	\$ 1,410,383	\$ 73,536,733
2013	33,466,718	8,200,904	1,367,394	17,051,328	3,109,690	1,715,712	64,911,746
2012	33,116,483	8,278,337	1,274,974	18,037,119	3,384,395	1,734,556	65,825,864
2011	30,764,091	7,720,975	1,239,097	20,091,970	3,496,528	1,710,287	65,022,948
2010	31,411,976	8,153,714	1,255,801	16,455,119	3,808,845	1,971,922	63,057,377
2009	30,062,487	9,403,561	809,941	17,265,408	3,762,271	4,038,579	65,342,247
2008	29,421,575	11,712,875	910,688	13,952,180	3,366,539	5,441,268	64,805,125
2007	28,631,926	11,503,324	813,997	13,228,405	3,488,827	4,209,475	61,875,954
2006	26,682,707	10,557,500	692,017	13,435,534	2,852,619	2,499,776	56,720,153
2005	25,267,046	10,628,325	645,594	16,447,284	1,847,682	1,538,086	56,374,017

Source: Lenoir County Finance Department; Schedule includes general, special revenue and capital project funds.

Lenoir County, North Carolina
Assessed Values Of Taxable Property
Last Ten Fiscal Years

TABLE 2

Fiscal Year Ended June 30	Tax Levy Year	Real Property	Personal Property	Public Service Company Property	Total Assessed Value	County Tax Rate	Ratio of Assessed Value to Estimated Actual Value
2014	2013	\$ 2,897,876,563	\$ 1,230,454,832	\$ 94,710,427	\$ 4,223,041,822	0.835	100.95%
2013	2012	2,793,249,665	1,099,199,660	94,748,013	3,987,197,338	0.800	103.78%
2012	2011	2,784,107,196	1,065,715,911	93,916,424	3,943,739,531	0.800	108.35%
2011	2010	2,696,899,188	875,752,356	93,262,570	3,665,914,114	0.800	102.96%
2010	2009	2,578,332,039	895,348,323	95,598,424	3,569,278,786	0.800	100.55%
2009	2008	2,348,688,441	922,251,355	95,070,691	3,366,010,487	0.840	99.59%
2008	2007	2,334,526,537	931,518,856	92,197,873	3,358,243,266	0.840	91.05%
2007	2006	2,294,157,301	905,953,552	89,399,845	3,289,519,424	0.840	91.93%
2006	2005	2,257,366,427	876,931,158	80,938,366	3,215,235,951	0.790	94.71%
2005	2004	2,248,460,909	872,873,484	74,785,757	3,196,120,150	0.790	95.94%

Notes: Assessed valuations are established by law at 100 percent of established market value.

A revaluation of real property is required by North Carolina General Statutes at least every eight years. The last revaluation was completed in 2008 for the 2009-2010 fiscal year.

Lenoir County, North Carolina
 Assessed Actual Value To Taxable Property
 Last Ten Fiscal Years

TABLE 3

Fiscal Year Ended June 30	Total Assessed Value (1)	Percentage of Assessed Value Growth
2014	\$ 4,223,041,822	5.92%
2013	3,987,197,338	1.10%
2012	3,943,739,531	7.58%
2011	3,665,914,114	2.71%
2010	3,569,278,786	6.04%
2009	3,366,010,487	0.23%
2008	3,358,243,266	2.09%
2007	3,289,519,424	2.31%
2006	3,215,235,951	0.60%
2005	3,196,120,150	1.88%

Source: Lenoir County Finance Department
 Lenoir County Tax Department

Note: (1) Countywide values, excluding Fire Districts

Lenoir County, North Carolina
Property Tax Levies And Collections - General Fund
Last Ten Fiscal Years

TABLE 4

Fiscal Year Ended June 30,	Tax Levy Year	Total Original Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Uncollected Balance June 30, 2014	Total Tax Collections	Ratio of Total Tax Collections To Total Tax Levy
2014	2013	\$35,389,627	\$34,015,156	96.12%	\$ 1,573,958	\$ 1,374,471	\$ 35,589,114	100.56%
2013	2012	32,106,588	30,352,731	94.54%	1,452,307	1,753,857	31,805,038	99.06%
2012	2011	31,609,205	29,976,680	94.84%	1,535,939	1,632,525	31,512,619	99.69%
2011	2010	29,430,729	27,905,296	94.82%	1,427,113	1,525,433	29,332,409	99.67%
2010	2009	29,843,289	28,291,994	94.80%	1,501,259	1,551,295	29,793,253	99.83%
2009	2008	28,854,541	27,216,975	94.32%	1,471,919	1,637,566	28,688,894	99.43%
2008	2007	28,260,939	26,697,495	94.47%	1,430,762	1,563,444	28,128,257	99.53%
2007	2006	27,437,385	25,820,899	94.11%	1,525,958	1,616,486	27,346,857	99.67%
2006	2005	25,496,416	23,909,278	93.78%	1,683,351	1,587,138	25,592,629	100.38%
2005	2004	24,575,424	22,938,551	93.34%	1,419,218	1,636,873	24,357,769	99.11%

Note: (1) This schedule includes data from only the General Fund county-wide property tax levy.

Lenoir County, North Carolina
Property Tax Rates - Direct And All Overlapping Governments (Per \$100)
Last Ten Fiscal Years

TABLE 5

<u>Fiscal Year Ended June 30</u>	<u>Tax Levy Year</u>	<u>Lenoir County</u>	<u>City of Kinston</u>	<u>Town of LaGrange</u>	<u>Town of Pink Hill</u>	<u>Town of Grifton</u>
2014	2013	0.835	0.66	0.45	0.55	0.60
2013	2012	0.80	0.66	0.45	0.55	0.60
2012	2011	0.80	0.66	0.45	0.55	0.60
2011	2010	0.80	0.66	0.45	0.55	0.60
2010	2009	0.80	0.66	0.45	0.55	0.55
2009	2008	0.84	0.66	0.50	0.58	0.55
2008	2007	0.84	0.60	0.50	0.58	0.55
2007	2006	0.84	0.60	0.50	0.58	0.55
2006	2005	0.79	0.60	0.50	0.58	0.55
2005	2004	0.775	0.60	0.50	0.58	0.55

Source: Lenoir County Tax Department

Lenoir County, North Carolina
 Fire Districts
 Property Tax Rates (Per \$100)
 Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended June 30	Tax Levy Year	Southwood Fire Tax	North Lenoir Fire Tax	Seven Springs Fire Tax	Sandy Bottom Fire Tax	Deep Run Fire Tax	Hugo Fire Tax	Sand Hill Fire Tax	Cherry Tree Fire Tax	Moseley Hall Fire Tax	Wyse Fork Fire Tax	Grifton Fire Tax	GTP Fire Tax
2014	2013	0.07	0.045	0.04	0.08	0.06	0.04	0.07	0.08	0.04	0.065	0.03	0.045
2013	2012	0.07	0.045	0.04	0.08	0.06	0.04	0.07	0.08	0.04	0.065	0.03	0.045
2012	2011	0.07	0.045	0.04	0.08	0.04	0.04	0.07	0.08	0.04	0.065	0.03	0.045
2011	2010	0.06	0.045	0.04	0.08	0.04	0.04	0.07	0.08	0.04	0.065	0.03	0.045
2010	2009	0.06	0.045	0.04	0.08	0.04	0.04	0.07	0.08	0.04	0.065	0.03	-
2009	2008	0.06	0.045	0.04	0.08	0.04	0.04	0.07	0.08	0.04	0.065	0.03	-
2008	2007	0.06	0.045	0.04	0.08	0.04	0.04	0.07	0.08	0.04	0.065	0.03	-
2007	2006	0.05	0.045	0.04	0.08	0.04	0.04	0.07	0.08	0.04	0.065	0.03	-
2006	2005	0.05	0.02	0.04	0.05	0.04	0.04	0.07	0.08	0.04	0.065	0.03	-
2005	2004	0.035	0.02	0.04	0.05	0.04	0.025	0.07	0.08	0.04	0.065	0.03	-

Note: Lenoir County does not have a County-wide fire tax rate

Source: Lenoir County Tax Department
 Lenoir County Finance Office

Lenoir County, North Carolina
Property Tax Rates And Levies
County Of Lenoir And City Of Kinston
Last Ten Fiscal Years

TABLE 7

Fiscal Year Ended June 30	Tax Rates			Tax Levies		
	City of Kinston	County of Lenoir	Total	City of Kinston	County of Lenoir	Total
2014	0.66	0.835	1.495	\$ 9,885,310	\$ 35,389,627	\$ 45,274,937
2013	0.66	0.80	1.460	9,701,086	32,106,588	41,807,674
2012	0.66	0.80	1.460	9,603,868	31,609,205	41,213,073
2011	0.66	0.80	1.460	8,939,105	29,430,729	38,369,834
2010	0.66	0.80	1.460	9,062,805	29,843,289	38,906,094
2009	0.66	0.84	1.500	8,644,167	28,854,541	37,498,708
2008	0.60	0.84	1.440	7,890,703	28,260,939	36,151,642
2007	0.60	0.84	1.440	7,486,913	27,437,385	34,924,298
2006	0.60	0.79	1.390	7,394,907	25,496,416	32,891,323
2005	0.60	0.775	1.375	7,278,703	24,575,425	31,854,128

Source: City of Kinston
Lenoir County Finance Department

Lenoir County, North Carolina
 Ten Largest Taxpayers
 June 30, 2014

TABLE 8

		<u>2013 Assessed Value</u>	<u>Tax Levy (2)</u>	<u>Percentage of Total Assessed Valuation (1)</u>
Spirit Aerosystems NC, Inc.	Manufacturing	\$ 159,575,660	\$ 1,421,587	3.83%
Smithfield Packing	Meat Products	137,843,974	1,399,781	3.31%
Sanderson Farms, Inc.	Meat Products	118,179,413	995,569	2.84%
E.I. DuPont Denemours, Inc.	Manufacturing	57,244,557	617,312	1.37%
Electrolux Home Products	Manufacturing	52,762,533	440,567	1.27%
Pactiv LLC	Manufacturing	42,365,185	353,749	1.02%
West Pharmaceuticals	Manufacturing	40,159,220	335,329	0.96%
Duke Energy Center	Utility	37,819,428	315,792	0.91%
Carolina Telephone	Telephnone	23,343,430	194,917	0.56%
Kinston Neuse Corpotation	Manufacturing	15,360,599	165,658	0.37%
		<u>\$ 684,653,999</u>	<u>\$ 6,240,261</u>	<u>16.42%</u>

(1) Total Assessed Valuation \$4,168,531,068

(2) County Portion of Levy Only (Value x .00835)

Lenoir County, North Carolina
General Fund
Tax Revenue By Source (1)

TABLE 9

Last Ten Fiscal Years

Fiscal Year Ended June 30	Ad Valorem (2)	Sales	Intangible (5)	Occupancy	Motor Vehicle Rentals (4)	Licenses & Permits (3)	Total
2014	\$ 36,058,954	\$ 6,338,238	\$ -	\$ 225,693	\$ 30,177	\$ 155,386	\$ 42,808,448
2013	32,211,250	6,353,635	-	191,730	23,877	179,438	38,959,930
2012	31,909,965	6,316,737	-	200,127	24,423	189,708	38,640,960
2011	29,706,386	5,877,333	-	245,007	21,635	190,187	36,040,548
2010	30,347,627	6,307,372	-	179,620	15,824	147,312	36,997,755
2009	29,101,969	7,148,007	-	181,336	18,417	176,790	36,626,519
2008	28,507,864	9,507,875	-	188,708	17,959	267,136	38,489,542
2007	27,753,045	9,157,484	-	171,982	21,138	234,190	37,337,839
2006	26,007,691	8,215,617	-	173,898	21,529	170,142	34,588,877
2005	24,690,487	8,560,338	-	146,897	15,399	146,997	33,560,118

Source: Lenoir County Finance Office

(1) General Fund Only

(2) Includes penalties & interest

(3) Lenoir County implemented an Inspections Department in February, 1998

(4) Lenoir County began collecting this tax in August 2000

(5) State of NC began withholding this reimburseable tax in 2003

Lenoir County, North Carolina
Construction/Building Permit Activity

Last Ten Fiscal Years

TABLE 10

Fiscal Yr Ended June 30	Single Family	Units	Multi- Family	Units	Additions/ Alterations	Total Residential Houses	New Commercial	Additions/ Alterations	Total Commercial	Total Value
2014	\$ 5,062,958	29	\$ 175,000	2	\$1,332,578	\$6,570,536	\$12,854,330	\$ 432,000	\$13,286,330	\$19,856,866
2013	5,588,475	31	-	0	2,218,931	7,807,406	42,487,725	44,480	42,532,205	50,339,611
2012	5,652,463	33	300,000	1	1,615,630	7,568,093	11,617,748	1,974,900	13,592,648	21,160,741
2011	4,658,485	24	143,000	2	1,679,877	6,481,362	12,519,123	148,548	12,667,671	19,149,033
2010	5,619,427	37	-	0	2,992,169	8,611,596	15,981,936	163,010	16,144,946	24,756,542
2009	5,624,570	31	-	0	3,353,821	8,978,391	26,820,141	20,160	26,840,301	35,818,692
2008	11,116,765	62	380,000	4	3,327,768	14,824,533	4,676,760	152,000	4,828,760	19,653,293
2007	11,867,600	64	-	0	4,831,010	16,698,610	36,019,724	260,000	36,279,724	52,978,334
2006	9,801,180	54	604,000	2	3,354,200	13,759,380	16,617,990	115,000	16,732,990	30,492,370
2005	10,597,500	66	233,400	2	2,369,280	13,200,180	9,770,898	485,900	10,256,798	23,456,978

Source: Lenoir County Inspections Department

Lenoir County, North Carolina
Ratio Of Bonded Debt To Assessed Value And Bonded Debt Per Capita
Last Ten Fiscal Years

TABLE 11

Fiscal Year Ended June 30	Population Estimate (1)	Taxable Property Assessed Value (2)	8% Debt Limit	Bonded Debt (3)	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2014	59,063	\$ 4,224,041,822	\$ 337,923,346	\$ 54,065,000	1.28%	\$ 915.38
2013	59,401	3,987,197,338	318,975,787	57,870,000	1.45%	974.23
2012	59,314	3,943,739,531	315,499,162	60,600,000	1.54%	1,021.68
2011	59,493	3,665,914,114	293,273,129	64,200,000	1.75%	1,079.12
2010	57,232	3,569,278,786	285,542,303	67,800,000	1.90%	1,184.65
2009	57,535	3,366,010,487	269,280,839	71,400,000	2.12%	1,240.98
2008	57,648	3,358,243,266	268,659,461	73,100,000	2.18%	1,268.04
2007	58,172	3,289,519,424	263,161,554	33,800,000	1.03%	581.00
2006	58,278	3,215,235,951	257,218,876	1,600,000	0.05%	28.00
2005	58,544	3,196,120,150	255,689,612	2,095,000	0.07%	36.00
2004	58,945	3,137,102,306	250,968,184	2,595,000	0.08%	44.00

Source: (1) NC State Demographics Website - July 2013 estimate

(2) Lenoir County Tax Department - Does not include Fire Districts or Enterprise Fund

(3) Lenoir County Finance Department

Lenoir County, North Carolina
Computation Of Legal Debt Margin
June 30, 2014

Total Assessed Value	<u>\$ 4,224,041,822</u>
Debt limitation - 8% of total assessed value	337,923,346
Debt applicable to limitation	
Total bonded debt	\$ 54,065,000
Installment purchase	16,301,923
Capital leases	<u>175,713</u>
Total debt applicable to limitation	<u>70,542,636</u>
Legal debt margin	<u>\$ 267,380,710</u>

Lenoir County, North Carolina
Ratio Of Annual Debt Service Expenditures For General Obligation Bond Debt
To Total General Governmental Expenditures
Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	Principal	Interest on Bonds	Total Debt Service	Total General Government Expend.	Ratio of Debt Service to Total General Government Expend.
2014	\$ 3,805,000	\$ 2,235,739	\$ 6,040,739	\$ 72,547,981	8.33%
2013	3,600,000	2,609,650	6,209,650	69,450,802	8.94%
2012	3,600,000	2,744,150	6,344,150	81,446,515	7.79%
2011	3,600,000	2,878,650	6,478,650	72,491,756	8.94%
2010	3,600,000	3,017,150	6,617,150	75,761,513	8.73%
2009	1,700,000	2,548,792	4,248,792	88,070,819	4.82%
2008	400,000	1,514,650	1,914,650	91,215,776	2.10%
2007	400,000	80,000	480,000	57,753,337	0.83%
2006	495,000	106,413	601,413	53,191,291	1.13%
2005	500,000	133,163	633,163	55,270,051	1.15%

Source: Lenoir County Finance Office

Lenoir County, North Carolina
 Computation Of Direct And Underlying Bonded Debt
 General Obligation Bonds
 June 30, 2014

TABLE 13

	<u>Net General Obligation Bonded Debt</u>	<u>Percent Applicable To County</u>	<u>Amount Applicable To County</u>
Direct:			
Lenoir County	\$ 54,065,000	100%	\$ 54,065,000
Underlying:			
City of Kinston	-	-	-
Town of Lagrange	-	-	-
Town of Pink Hill	-	-	-

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Lenoir County, North Carolina
Demographic Statistics

Last Ten Fiscal Years

TABLE 14

Fiscal Year Ended June 30	County Population (1)	County Per Capita Income (3)	County Unemployment Rate (3)	City and County School Enrollment (4)	County Retail Sales (5) (6)	Bank Deposits (2)
2014	59,063	(7)	7.82%	9,193	\$ 482,444,693	(7)
2013	59,401	(7)	9.93%	9,079	475,880,806	\$ 746,893,000
2012	59,314	\$ 34,630	10.80%	9,097	493,184,939	761,918,000
2011	59,493	32,022	10.53%	9,220	462,001,600	745,751,000
2010	57,232	31,426	11.33%	9,222	459,638,992	737,772,000
2009	57,535	33,476	10.30%	9,366	457,801,972	760,008,000
2008	57,648	32,309	5.58%	9,634	484,845,748	729,087,000
2007	58,172	29,600	5.74%	9,791	491,160,300	750,271,000
2006	58,278	28,212	5.76%	9,806	543,042,028	713,559,000
2005	58,544	27,296	6.10%	9,753	1,032,201,888	665,499,000

Note: (7) Information not presently available

Source: (1) NC Department of Demographics Website-estimate
State Reference Library Website, Bureau of Economic Analysis through 2001.
NC Employment Security Commission Website

(3) NC Employment Security Commission Website

(4) Lenoir County Board of Education

(5) NC Department of Revenue - Tax Research Division

(6) Beginning July 2005, the State no longer reports total retail sales, only gross collections and taxable sales are reported. Post July 2005 figures can not be compared to prior years' figures

(2) First Citizens Bank & Trust Company - Cash Management Division through 2002
F.D.I.C. website 2003 & Forward

Lenoir County, North Carolina
Miscellaneous Statistics
June 30, 2014

Table 15
Page 1 of 2

Population	59,063
Date of Establishment	1792
Form of Government	Commission/Manager
Area - Square Miles ⁽¹⁾	401.96
Elevation: Feet above sea level	44
Miles of streets and roads ⁽¹⁾	888.25
Employees:	
Full-time, permanent	468
Other	293
County Seat:	Kinston
Fire Protection:	
Lenoir County - Number of volunteer departments	10
Number of fireman/officers	393
City of Kinston - Number of stations	3
Number of fireman/officers	47
Law Enforcement:	
Sheriff's Department - officer/support personnel (includes 68 for jail)	160
Kinston Police Department - officers/support personnel	61
LaGrange Police Department - 0 full time / 0 part time	0
Pink Hill Police Department - 2 full time / 1 part time	3
Hospital: (Not included in primary government)	
Number of hospitals	1
Number of patient beds ⁽²⁾ (Licensed as of 12-21-99)	261
Inspections:	
Building permits issued ⁽³⁾	1,399

Contd. next page

Lenoir County, North Carolina
Miscellaneous Statistics
June 30, 2014

Table 15
Page 2 of 2

Miscellaneous Statistics - continued

Cultural and recreational:	
Libraries	3
Number of volumes - (At June 30, 2012) (4)	236,952
Theatres (Includes 1 seven (7) plex theatre)	1
Number of seats	1,383
Number of parks (County wide)	15
Park acreage (County wide)	332
Golf Courses (2 private 18 hole, 1 public 9 hole, Par 3)	3
Disc Golf Courses	2
Swimming pools - public (County wide)	4
Tennis courts (County wide)	14
Museum	2
Planetarium	1
Baseball stadiums	1
Number of seats	4,200
Athletic Skill Center/ Fitness Center/ Indoor Baseball Cages	1
Visitor and Information Center	1
Community Centers	7
Education: (5)	
Number of Elementary Schools	9
Number of Elementary School Teachers	296
Number of Intermediate and Secondary Schools	7
Number of Intermediate and Secondary School Teachers	333
Number of Alternative Schools	2
Number of Alternative School Teachers	24
Community Colleges	1
Number of Instructors - Curriculum - (Full time-84, Part time-64)	148
Non Curriculum - (Full time-19, Part time-158)	177
Enrollment - (2013-2014)	
Curriculum	4,241
Non Curriculum	15,661

Notes: (1) Includes cities of Kinston, LaGrange, Pink Hill
(5) Numbers are based on School year

Source: (2) Lenoir Memorial Hospital
(3) Lenoir County Building Inspections Office (Fiscal Year 2013-2014)
(4) Kinston-Lenoir County Public Library
(5) Lenoir County Board of Education and Lenoir Community College

Other Statistics - Lenoir County Finance Office
City of Kinston, Town of LaGrange, Town of Pink Hill
Lenoir County Recreation Department
Office of State Planning

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COMPLIANCE
SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of County Commissioners
Lenoir County, 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 financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Lenoir County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lenoir County, North Carolina's basic financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lenoir County, North Carolina'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 Lenoir County, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Lenoir County, North Carolina's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenoir County, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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.

Cary, Riggs & Ingram, L.L.C.

La Grange, North Carolina
November 26, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of County Commissioners
Lenoir County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Lenoir County, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Lenoir County, North Carolina's major federal programs for the year ended June 30, 2014. Lenoir County, North Carolina'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lenoir County, North Carolina'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133, and the *State Single Audit Implementation Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lenoir County, North Carolina'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 major federal program. However, our audit does not provide a legal determination of Lenoir County, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, Lenoir County, North Carolina, 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2. Our opinion on each major federal program is not modified with respect to these matters.

Lenoir County, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lenoir County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Lenoir County, North Carolina, 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 Lenoir County, North Carolina'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lenoir County, North Carolina'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, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2 that we consider to be significant deficiencies.

Lenoir County, North Carolina's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lenoir County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Carly Riggs & Ingram, L.L.C.

La Grange, North Carolina
November 26, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of County Commissioners
Lenoir County, North Carolina

Report on Compliance for Each Major State Program

We have audited Lenoir County, North Carolina's 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 each of Lenoir County, North Carolina's major state programs for the year ended June 30, 2014. Lenoir County, North Carolina's major state 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 the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lenoir County, North Carolina's major state 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 applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, OMB Circular A-133, and the *State Single Audit Implementation Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Lenoir County, North Carolina'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 major state program. However, our audit does not provide a legal determination of Lenoir County, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, Lenoir County, North Carolina, 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 state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as item 2014-3. Our opinion on each major state program is not modified with respect to these matters.

Lenoir County, North Carolina's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lenoir County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Lenoir County, North Carolina, 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 Lenoir County, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lenoir County, North Carolina'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 a 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-3 that we consider to be significant deficiencies.

Lenoir County, North Carolina's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lenoir County, North Carolina's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

Carly Riggs & Ingram, L.L.C.

La Grange, North Carolina
November 26, 2014

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Lenoir County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Department of Health and Human Services

Program Name: Medical Assistance

Finding: 2014-1

SIGNIFICANT DEFICIENCY

IMMATERIAL NONCOMPLIANCE

Eligibility

Criteria: In accordance with 42 CFR 431.10 and the State approved plan, the applicant's case file should contain all documentation necessary to support the eligibility determination.

Condition One file did not contain an OLV report.

Questioned Costs: \$0

Context: We examined 25 case files and determined that one required document was missing. One case file did not contain verification that automated match was completed.

Effect: There was no direct effect of these missing documents because the County was able to correctly recreate the missing document to substantiate the eligibility determination. The possible effect is that the applicant could have received assistance for which they are not eligible.

Cause: Human error in completing all required forms and ensuring they are properly in the applicant's file.

Recommendation: The County should implement a monitoring program in which case files are randomly reviewed for accuracy and completeness.

Views of responsible officials and planned corrective actions: Client agrees with the error. A better monitoring system will be implemented.

Lenoir County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs (Continued)

US Department of Health and Human Services

Passed through the NC Department of Health and Human Services

Program Name: Subsidized Child Care Program

Finding: 2014-2

SIGNIFICANT DEFICIENCY

IMMATERIAL NONCOMPLIANCE

Eligibility

Criteria: One of the criteria of eligibility is that child care services shall be provided to all eligible individuals with regard to income. Parent fees are determined based on the family size and monthly income. Proper income verification was obtained but the income was calculated incorrectly.

Condition One case file contained an incorrect parent fee calculation.

Questioned Costs: \$70 The parent paid a parent fees of \$143 instead of \$136 for 10 months.

Context: We pulled 25 case files for examination and one file contained an incorrect parent fee calculation.

Effect: The parent paid too much which resulted in an underpayment by the Department of Health and Human Services.

Cause: Human error in calculating the parent fee.

Recommendation: Review files more often. Double check calculations.

Views of responsible officials and planned corrective actions: Management agrees that the calculation was incorrect and that is was a keying error on the part of the caseworker. Caseworkers will be more careful when keying and will double check calculations. More review of case files will also occur to hopefully catch any errors.

Lenoir County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section IV - State Award Findings and Questioned Costs

NC Department of Health and Human Services
Program Name: State/County Special Assistance

Finding: 2014-3

SIGNIFICANT DEFICIENCY
IMMATERIAL NONCOMPLIANCE
Eligibility

Criteria: One of the criteria of eligibility is that a signed application be on file.

Condition One case file did not contain a client or legal representative signature.

Questioned Costs: \$721

Context: We pulled 25 case files for examination and one file did not contain a signed application

Effect: There was not a signed application on file, therefore client is deemed ineligible for benefits.

Cause: Human error in reviewing application for signature.

Recommendation: Review application for completeness.

Views of responsible officials and planned corrective actions: Management agrees that the application was not signed. Caseworkers will try to review all applications more closely.

Lenoir County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

None reported

Section III- Federal Award Findings and Questioned Costs

Finding: 2014-1

Name of Contact Person: Susan Moore, Director of Social Services

Corrective Action Plan: Review files more closely to verify that all required documents are present.

Proposed Completion Date: July 22, 2014

Finding: 2014-2

Name of Contact Person: Susan Moore, Director of Social Services

Corrective Action Plan: Review calculations more carefully more closely.

Proposed Completion Date: May, 2014

Section IV - State Award Findings and Questioned Costs

Finding: 2014-3

Name of Contact Person: Susan Moore, Director of Social Services

Corrective Action Plan: Review procedures will be enforced immediately.

Proposed Completion Date: July, 2014

Lenoir County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding: 2013-1

Status: Timesheets are being reviewed more closely.

Finding: 2013-2

Status: Provider files have checklist and are being reviewed more closely.

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:				
<u>U.S. Department of Agriculture:</u>				
<u>Food and Nutrition Service</u>				
Passed through N.C. Department of Health and Human Services:				
Division of Social Services:				
Administration:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	\$ 719,036	\$ -	\$ 719,036
Division of Public Health:				
Administration:				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	347,535	-	-
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1,514,642	-	-
Total U.S. Department of Agriculture		2,581,213	-	719,036
<u>U.S. Department of Commerce:</u>				
Passed-through N.C. Department of Commerce				
Community Development Block Grant	14.228	166,801	-	-
<u>U.S. Department of Education:</u>				
Passed-through N.C. Department of Health and Human Services:				
Race to the Top - Early Learning Challenge	84.412	91,604	-	-

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Federal Emergency Management Agency:</u>				
Passed through N.C. Department of Crime Control and Public Safety:				
Division of Emergency Management:				
Emergency Management Performance	97.042	\$ 31,015	\$ -	\$ -
<u>U.S. Department of Health and Human Services:</u>				
<u>Administration on Aging</u>				
Passed through N.C. Department of Health and Human Services:				
N.C. Division of Aging				
Passed through Eastern Carolina Council:				
<u>Aging Cluster:</u>				
Special Programs for the Aging				
Title III C - Nutrition Services				
Congregate Meals	93.045	\$ 66,181	\$ 3,893	\$ 7,786
Home Delivered Meals	93.045	36,394	2,140	4,282
Title III B - Grants for Supportive Services and Senior Centers				
Access	93.044	72,067	4,240	8,478
NSIP-Nutrition	93.053	14,050	-	-
HCCBG - In Home/Support Services	93.667	20,692	591	2,365
HCCBG- State	N/A	-	276,858	30,762
Total Aging Cluster		209,384	287,722	53,673
 <u>Health Resources and Service Administration</u>				
Passed through N.C. Department of Health and Human Services:				
Division of Public Health				
Maternal and Child Health Services Block Grant	93.994	94,682	74,667	-

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Administration for Children and Families</u>				
Passed through N.C. Department of Health and Human Services:				
Division of Social Services:				
Family Preservation	93.556	\$ 7,767	\$ -	\$ -
Temporary Assistance for Needy Families Block Grant (TANF)	93.558	10,389	-	-
Temporary Assistance for Needy Families Block Grant (TANF)	93.558	748,716	-	921,356
TANF - Direct Benefit Payments	93.558	351,080	(153)	363
AFDC - Direct Benefit Payments	93.560	(1,222)	(335)	(335)
Child Support Enforcement	93.563	916,774	-	472,278
Low-Income Home Energy Assistance Block Grant - Administration	93.568	719,947	-	-
Permanency Planning - Families for Kids	93.645	7,389	-	2,463
<u>Foster Care and Adoption Cluster:</u>				
Title IV-E Foster Care	93.658	318,537	70,672	287,289
Foster Care - Direct Benefit Payments	93.658	174,171	61,342	61,342
Title IV-E Optional Adoption	93.659	9,543	-	9,460
Title IV-E Optional Adoption - Direct Benefit Payments	93.659	268,643	70,158	70,158
Total Foster Care and Adoption Cluster		770,894	202,172	428,249
Social Services Block Grant (SSBG)	93.667	313,789	35,908	103,577
Links	93.674	5,240	1,310	-

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Subsidized Child Care Cluster (Note 2):</u>				
<u>Child Care Development Fund Cluster</u>				
Division of Social Services:				
Childcare Development Fund - Administration	93.596	\$ 114,919	\$ -	\$ -
Division of Child Development:				
Child Care and Development Fund - Discretionary	93.575	686,782	-	-
Child Care and Development Fund - Mandatory	93.596	463,257	-	-
Child Care and Development Fund - Match	93.596	99,621	-	-
Total Child Care Fund Cluster		1,364,579	-	-
<u>Child Care Development Fund Cluster (continued)</u>				
Temporary Assistance for Needy Families	93.558	385,501	-	-
Foster Care Title IV-E	93.658	20,318	10,642	-
State Appropriations	N/A	-	175,456	-
TANF-MOE	N/A	-	68,235	-
Total Subsidized Child Care Cluster		1,770,398	254,333	-
<u>Health Care Financing Administration</u>				
Passed through the N.C. Department of Health and Human Services:				
Direct Benefit Payments:				
State Children's Insurance Program	93.767	1,292,156	407,605	-
Medical Assistance Program	93.778	64,634,220	35,930,983	-
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778	1,030,605	31,660	896,719
State Children's Insurance Program	93.767	41,024	2,753	10,213

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Office of Population Affairs</u>				
Passed through N.C. Department of Health and Human Services:				
Office of Population Affairs				
Family Planning Services	93.217	\$ 56,918	\$ -	\$ -
<u>Centers for Disease Control and Prevention</u>				
Passed through N.C. Department of Health and Human Services:				
Division of Public Health:				
Public Health Emergency Preparedness	93.069	33,188	-	-
Tuberculosis Control Program	93.116	39,133	-	-
Immunization Program/Aid to County Funding	93.268	22,918	-	-
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5,634	2,550	-
Statewide Health Promotion Program	93.991	10,783	-	-
Total U.S Department of Health and Human Services		73,091,806	37,231,175	2,888,556

State Awards:

N.C. Department of Health and Human Services:

Division of Social Services:				
State/County Special Assistance to Adults - Direct Benefit Payments		-	687,532	687,532
Non-Allocating County Cost		-	-	39,474
State Foster Home - Direct Benefit Payments		-	19,715	19,715
Child Welfare Services Adoption Subsidy and Vendor - Direct Benefit Payment		-	147,017	28,845
County Funded Programs		-	-	202,985
Energy Assistance Private Grants		-	478	-
SFHF Maximization - Direct Benefit Payment		-	12,065	12,065
AFDC Incentive/Program Integrity		-	986	-
Total Division of Social Services		-	867,793	990,616

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Public Health:				
General Aid to Counties		\$ -	\$ 134,540	\$ -
General Communicable Disease Control		-	7,270	-
Risk Reduction/Health Promotion		-	6,286	-
Maternal Health (HMHC)		-	1,083	-
Women's Health Service Fund		-	10,391	-
Environmental Health		-	4,000	-
TB Medical Service		-	2,544	-
School Nurse Funding Initiative		-	150,000	-
Tuberculosis		-	25,276	-
Total Division of Public Health		-	341,390	-
Total N.C. Department of Health and Human Services		-	1,209,183	990,616
<u>N.C. Department of Agriculture and Consumer Services:</u>				
Soil and Water Conservation		-	22,739	-
<u>N.C. Department of Commerce:</u>				
State One NC		-	180,000	-
<u>N.C. Department of Transportation:</u>				
Public Transportation Division				
PTD #13-CT-034	20.509	82,142	7,456	-
PTD #14-CT-034	20.509	135,979	10,909	-
Rural Operating Assistance Program (ROAP)				
Elderly and Disabled Transportation Assistance Program (E&DTAP)		-	69,377	-
Work First/Employment Transportation Operating Assistance (Work First)		-	23,999	-
Rural General Public Program		-	89,431	-
Total N.C. Department of Transportation		218,121	201,172	-

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Department of Environment and Natural Resources:</u>				
Division of Parks and Recreation:				
Parks and Recreation Trust Fund		\$ -	\$ 95,528	\$ -
Division of Waste Management				
Electronics Management		-	3,925	-
Scrap Tire		-	30,329	-
White Goods		-	34,865	-
Total N.C. Department of Environment and Natural Resources		-	164,647	-
<u>N.C. Department of Administration:</u>				
Division of Veterans Affairs:				
Administered by County Veterans Services:				
Veterans Services		-	1,452	-
<u>N.C. Department of Public Safety:</u>				
Department of Juvenile Justice and Delinquency Prevention				
Advisory Council		-	5,000	-
Structured Day/Restitution		-	174,491	-
Parenting Matters		-	35,194	-
8th Judicial District		-	117,000	-
Teen Court		-	41,693	-
Total Department of Juvenile Justice and Delinquency Prevention		-	373,378	-
EMPG Supplemental		-	10,390	-
Division of Community Corrections:				
Treatment for Effective Community Supervision Program		-	115,100	-
ICE Grant		-	9,846	-
Total N.C. Department of Public Safety		-	508,714	-

Lenoir County, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Administrative Office of the Courts:</u>				
Safe Roads Act		\$ -	\$ 6,617	\$ -
<u>N.C. Department of Public Instruction:</u>				
Public School Building Capital Fund		-	255,113	85,038
<u>N.C. Department of Insurance:</u>				
SHIP Grant		-	4,662	-
Total expenditures of federal and State awards		\$76,180,560	\$39,785,474	\$ 4,683,246

Lenoir County, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Lenoir County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.

3. Subrecipients

Of the federal and State expenditures presented in the Schedule of Expenditures of Federal and State Awards, Lenoir County provided State awards from the North Carolina Department of Public Safety, Division of Community Corrections to Coastal Horizons Center Inc. in the amount of \$115,100.