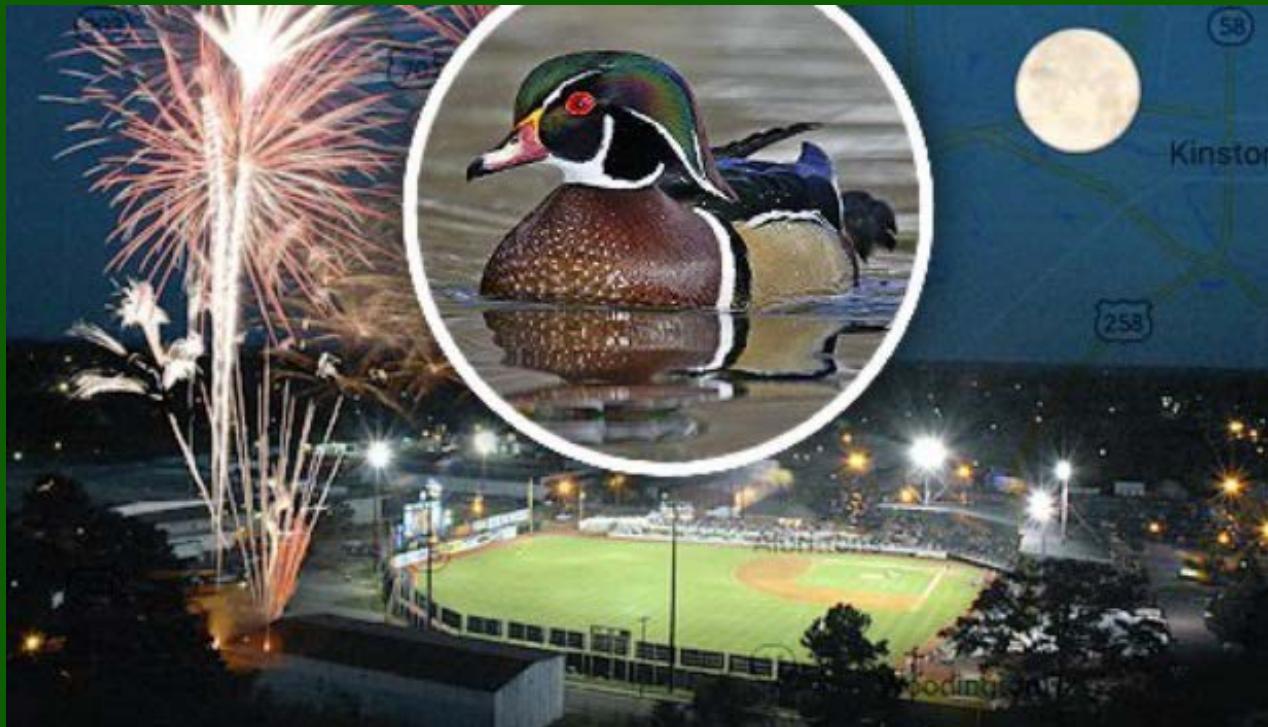




# CITY OF KINSTON

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2016

**PICTURED ON THE COVER OF THE COMPREHENSIVE ANNUAL FINANCIAL  
REPORT FOR THE CITY OF KINSTON**

**Historic Grainger Stadium Kinston, North Carolina**

After a five year absence, Kinston lands the Down East Wood Ducks, high A affiliate of the Texas Rangers. The Wood Ducks will play in the Carolina League in the Southern Division. The Kinston City Council approved a 1.6 million dollar renovation to Grainger Stadium to secure the 12 year deal. Fans are eagerly awaiting the first home Carolina league game in April of 2017.

Photo Credits: Dr. Laddie Crisp, Jr.

**CITY OF KINSTON  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**

**Prepared by City of Kinston Finance Department**

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# **CITY OF KINSTON, NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016**

### **TABLE OF CONTENTS**

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
<b>Introductory Section</b>		
Letter of Transmittal		i-xiii
List of Principal Officials		xiv
Organizational Chart		xv
Certificate of Achievement for Excellence in Financial Reporting		xvi
<b>Financial Section</b>		
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-14
<b>Basic Financial Statements</b>		
A Statement of Net Position		15
B Statement of Activities		16-17
C Balance Sheet - Governmental Funds		18-19
D Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		20
E Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities		21
F Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund		22
G Statement of Net Position - Proprietary Funds		23
H Statement of Revenue, Expenses, and Changes in Fund Net Position - Proprietary Funds		24
I Statement of Cash Flows - Proprietary Funds		25

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Notes to the Financial Statements	26-73
	<b>Supplementary Information</b>	
A-1	Required Supplementary Information - Law Enforcement Officers' Special Separation Allowance	74
A-2	Required Supplementary Information - Separation Allowance Plan	75
A-3	Required Supplementary Information - Other Post-Employment Benefits - Retiree Health Plan	76
A-4	Local Governmental Employees' Retirement System Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information Last Three Fiscal Years	77
A-5	Local Governmental Employees' Retirement System City of Kinston's Contributions Required Supplementary Information Last Three Fiscal Years	78
	<b>General Fund</b>	
1	General Fund - Balance Sheet	79
2	General Fund - Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	80-81
	<b>Governmental Fund Types</b>	
3	Nonmajor Governmental Funds - Combining Balance Sheet	82
4	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	83

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
<b>Special Revenue Funds</b>		
5	Nonmajor Special Revenue Funds - Combining Balance Sheet	84
6	Nonmajor Special Revenue Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85-86
7	Community Development Administration - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	87
8	2009 Governor's Crime Commission Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88
9	2010 Bullet Proof Vest Partnership Grant (BVP) - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
10	2010 JAG Recovery Act Relief Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
11	2011 Edward-Byrne Memorial JAG Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
12	2012 Edward-Byrne Memorial JAG Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
13	2011 PSN GCC Crossing Boundaries - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
14	2009 PSN GCC Project 61 - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94
15	Bullet Proof Vest Partnership Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95
16	Hurricane Irene - FEMA-4019-DR-NC -Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
<b>Special Revenue Funds (Cont'd)</b>		
17	CDBG Catalyst Grant - Kinston Slum And Bright Elimination Initiative Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	97
18	GCC Body Camera Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	98
19	2013 Edward-Byrne Memorial JAG Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	99
20	2015 Edward-Byrne Memorial JAG Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	100
21	GCC 2015 Operation No Boundaries Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
22	Brownfields EPA Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
<b>Nonmajor Capital Project Funds</b>		
23	Nonmajor Capital Project Funds - Combining Balance Sheet	103-104
24	Nonmajor Capital Project Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	105-106
25	Retro-Green Capital Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	107
26	Train Depot Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	108
27	Battlefield Parkway/Soccer Complex - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	109

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
<b>Nonmajor Capital Project Funds (Cont'd)</b>		
28	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	110
29	New Fire Station #3 - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	111
30	Martin Luther King, Jr., Blvd. Enhancement Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	112
31	Heritage Street Improvements -Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	113
32	CWMTF Flood Buy-Out II Capital Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	114
33	NEA Our Town Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	115
34	College Street Railroad Crossing Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	116
35	General Fund Small Projects - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	117
36	Fire Pumper Truck - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	118
<b>Permanent Fund</b>		
37	Temple Israel Perpetual Care Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	119

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
<b>Enterprise Funds</b>		
38	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	120-121
39	Electric Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	122
40	Electric Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	123
41	Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	124-125
42	Water Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	126
43	Water Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	127
44	Wastewater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	128-129
45	Wastewater Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	130
46	Wastewater Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	131
<b>Nonmajor Enterprise Funds</b>		
47	Nonmajor Enterprise Funds - Combining Statement of Fund Net Position	132
48	Nonmajor Enterprise Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	133
49	Nonmajor Enterprise Funds - Combining Statement of Cash Flows	134

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
<b>Nonmajor Enterprise Funds (Cont'd)</b>		
50	Environmental Services - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	135-136
51	Stormwater - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	137-138
52	Stormwater Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	139
53	Woodmen of the World Community Center - Schedule of and Expenditures - Budget and Actual (Non-GAAP)	140
<b>Internal Service Funds</b>		
54	Internal Service Funds - Combining Statement of Fund Net Position	141
55	Internal Service Funds - Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	142
56	Internal Service Funds - Combining Statement of Cash Flows	143
57	Employee Health - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	144
58	Fleet Maintenance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	145
59	Warehouse - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	146
60	Public Services Administration- Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	147-148
61	Schedule of Ad Valorem Taxes Receivable - General Fund	149
62	Analysis of Current Tax Levy - City-Wide Levy	150

# CITY OF KINSTON, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<u>Table</u>		<u>Page</u>
	<b>Statistical Section (unaudited)</b>	
1	Net Position by Component	151
2	Changes in Net Position	152-153
3	Program Revenues by Function/Program	154
4	Fund Balances, Governmental Funds	155
5	Changes in Fund Balance, Governmental Funds	156
6	The Electric System	157
7	Electric Rates	158
8	Property Tax Rates	159
9	Principal Taxpayers	160
10	Property Tax Levies and Collections	161
11	Ratio of Net General Bonded Debt Outstanding by Type	162
12	Direct and Overlapping Governmental Activities Debt	163
13	Legal Debt Margin Information	164
14	Pledged-Revenue Coverage	165
15	Demographic and Economic Statistics	166
16	Principal Employers	167
17	Full-Time Equivalent City Government Employees by Functions/Programs	168
18	Operating Indicators by Function/Program	169
19	Capital Asset Statistics by Function/Program	170

## **INTRODUCTORY SECTION**

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Letter of Transmittal

List of Principal Officials

Organizational Chart

GFOA Certificate of Achievement for Excellence in Financial Reporting

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TONY SEARS  
City Manager

JAMES P. CAULEY  
City Attorney

MONIQUE HICKS  
City Clerk

# City of Kinston



Mayor B. J. MURPHY  
Mayor Pro Tem ROBERT SWINSON

Councilmembers:  
SAMMY AIKEN  
WYNN WHITTINGTON  
FELICIA SOLOMON  
JOSEPH M. TYSON

February 17, 2017

To the Honorable Mayor, Members of City Council, and Citizens of the **CITY OF KINSTON**:

The Comprehensive Annual Financial Report of the **CITY OF KINSTON**, North Carolina (the City) for the fiscal year ended June 30, 2016, is hereby submitted. The basic financial statements contained herein have been audited by the independent certified public accounting firm of Martin Starnes & Associates, CPA's, P. A., and their unmodified opinion is included in the financial section.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the data enclosed is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position and, where applicable, the cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The City is required to undergo an annual "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and the Uniform Guidance. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and the auditor's reports on the internal control over financial reporting and compliance with applicable laws, regulations, contracts and grant agreements, is included in a separate reporting package.

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## **PROFILE OF THE GOVERNMENT**

The City of Kinston, incorporated in 1762, is located 75 miles east of Raleigh, the State Capitol, and 60 miles west of the Atlantic Ocean, is the largest municipality in Lenoir County and serves as the County seat. The City is empowered to levy a property tax on real property located within its boundaries. The 2010 census population for the City report population as 21,677.

The City is governed by the Council-Manager form of government and has been since the early 1950s. The City Council consists of a mayor and five council members. The mayor and council members are elected-at-large for four year staggered terms. The Mayor and Council make appointments to various boards and commissions. The Council appoints the City Manager, City Attorney and City Clerk. The City Manager serves as Chief Executive Officer and is responsible for enforcement of laws and ordinances, appointment of department heads, delivery of services, planning and budgetary management.

The City provides a full range of services including police and fire protection; construction and maintenance of streets and other infrastructure; traffic control; planning and zoning services; building inspections; licenses and permits; and parks and recreational services. In addition to general governmental activities, the City owns and operates electric, water, wastewater, stormwater utilities, sanitation services and a community center; therefore, these activities are included in the reporting entity. The Kinston-Lenoir County Library, the Lenoir County Economic Development Commission, the Lenoir County Tourism Development Authority and the Kinston Housing Authority do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The Council is required to adopt an initial budget for the fiscal year no later than July 1. This annual budget serves as the foundation for the City of Kinston's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

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## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

The City is centrally located to several growing communities including New Bern, Jacksonville, Goldsboro, and Greenville, all less than an hour away. The City is easily accessible by US Highways 70 and 258, and NC Highways 11, 55 and 58. Major industries located within the governments boundaries or in close proximity include hospitals and healthcare facilities, agriculture, manufacturers of aerospace, pharmaceutical, textile, food products, housewares, machining, durable goods, chemicals and consumables, and retail stores. The community currently has a 5.7 percent unemployment rate compared to a statewide rate of 4.8 percent and a national average of 4.7 percent. Overall, the value of new construction, repair and renovation was \$ 36.2 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

The City of Kinston has been in a continual growth period, facilitating as the back drop to Sanderson Farms, the third largest poultry producer in the U.S. and Smithfield's who employ 48,000 people, with 700 of those employees hear in Kinston, NC.

Local entrepreneur Steven Hill, co-owner of Mother Earth Brewery, has started and completed a number of projects this past year:

### **O'Neal Hotel**

Originally a Farmers & Merchants Bank, built in the early 1900s, Mr. Hill has transformed this bank into a seven room luxury hotel. Each of the seven rooms has their own eccentric and comfortable style and the lobby still features the original 16 ton vault. The O'Neal also operates the very first registered elevator in the state of North Carolina and has been placed on the National Register of Historic Places.

### **Kinston Motor Lodge**

With an investment of \$3.5 million, Steven Hill plans on transforming the old Kinston Motor Lodge into a retro 46 room lodge, featuring a lounge and courtyard. The Motor Lodge is expected to open at the beginning of 2017.

### **Imperial Apartments**

The Imperial Tobacco Company building was constructed in 1901 and now will accommodate a five apartment extended-stay living.

The Down East Wood Ducks will be Kinston's new minor league baseball team. The Texas Rangers have purchased the new Kinston franchise from Minor League Baseball, signing a 12-year lease with the city. Their first season will begin spring 2017.

The City is still looking at the possibility of joining the State health care plan and concurrently researching alternative health care plans that will accept retirees.

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## **MAJOR INITIATIVES**

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Fiscal Year 2015-2016 comprised of the planning and implementation phases of several initiatives as well as the continuance or completion of projects begun during the previous year.

### **PLANNING DEPARTMENT**

#### **Land Use Plan**

In the previous year, the Planning Department finished the land use planning process, adopting the first comprehensive land use planning document for this community in its history. The department continues to work development deals and secure the future of the burgeoning redevelopment market in Downtown Kinston.

#### **Choice Neighborhoods Planning program**

The Planning Department has applied four times now in consecutive years to the Choice Neighborhoods Planning Grant program, being denied each time; considering this, the City will continue to do what we can in the absence of that funding. The Planning Department will continue to apply to the grant program, because the potential it holds for our community cannot be understated.

#### **Certified Floodplain Manager (CFM)**

The Planning Director will be working to receive Certified Floodplain Manager (CFM) status. The Director also plans to attend several training meetings to maintain his AICP status in good standing.

### **Community Development Planner**

The department will be adding a new Community Development Planner after January, and it is the expectation that this position will help facilitate the many projects the Planning Department oversees; this will also help expand the abilities of the department as a whole.

The Planning Department is excited to be a part of all that is changing in our community and will strive to do all that it can to help development continue and to engage new, diverse investors in our City.

### **KINSTON POLICE DEPARTMENT**

On July 1, 2016, the Kinston Department of Public Safety officially separated into two different departments, Kinston Police Department and Kinston Fire & Rescue. The Fire Department is managed by Chief Don Crawford. On August 23, 2016 the City of Kinston announced Chief Alonzo Jaynes would assume the position as Kinston Police Chief on September 19, 2016. The department's mission will be to provide the highest quality of police services to the community.

The FY 2016 Bulletproof Vest Partnership was used to help protect the lives of law enforcement officers by assisting local governments to equip their officers with protective vest. The program pays up to 50% of the cost of the vest purchased by jurisdictions with approved applications. Our agency received funding for (12) ballistic vest for the FY 2015-2016. (Award amount: \$9,351.36).

The FY 2016 JAG Grant was awarded on September 7, 2016 for the purchase of Covert Camera System. These cameras will enhance officer abilities to monitor and record potential areas of increased crime and respond with immediate law enforcement approach. (Award Amount: \$15,125.50).

### **DEPARTMENT OF FIRE & RESCUE**

The Department of fire and Rescue will continue their Community Fire Station Program; this program promotes ownership of the fire and emergency protection for both emergency personnel and citizenry.

The department continues to respond to medical emergencies within the city and is continuing to work on a master plan to implement medic engines over the next five year. This will aid in a higher level of care for our community.

The department completed specifications and ordered a Council approved project for a class A pumper truck to be delivered by Pierce Manufacturing in April 2017.

The department received grant funding from Norfolk Southern Railroad to purchase new tablets for use by suppression forces in conducting fire inspections, equipment, apparatus daily checks and incident response.

The department began pre-incident planning of identified target hazards throughout the City to increase efficiency in response to emergencies.

## **PUBLIC SERVICES**

### **Highway 70 Industrial Park Phase II Sewer Project**

This project consists of building a new regional lift station and force main for the Highway 70 Industrial Park, and eliminating a small station serving the Smithfield Packing Company. Kinston has received a \$1 million grant from the North Carolina Rural Center and a \$1.25 million grant from the Golden Leaf Foundation. Lenoir County and the City of Kinston have contributed \$775,000 each, for a total project budget of \$3,857,000. Project bids were received on April 3, 2014 and the bid was awarded to Park Construction. Work was completed in September, 2015. Final cost was \$3,705,988. Final funding request was sent to the Department of Commerce on September 12, 2016 with an amount of \$242,084 due to the city.

### **Queen Street Sewer Rehabilitation**

In preparation for NCDOT's resurfacing of Queen Street scheduled in 2017, the City plans to rehabilitate all sewer lines under the pavement. This will include approximately 26,000 linear feet of pipe. The work may involve pipe bursting, pipe lining and open cut pipe replacement. On June 9, 2014, Kinston was approved for \$3.31 million from the Clean Water State Revolving Fund for this project; \$1 million will be principal forgiveness. The remaining \$2.21 million will be a 0% interest loan with a 20 year term. Highfill Infrastructure Engineering was awarded the engineering contract on August 18, 2014. Their assessment of the existing pipe condition and other factors lead to increase in the estimated cost to \$7 million for the full project. The City applied for and received an additional \$1.16 million under the original loan and received a \$2.5 million loan with \$500,000 in principal forgiveness and 0% interest, 20-year loan term for Phase II of the project. Phase I was bid on January 16, 2016 and awarded to CaJenn Construction in the amount of \$3,516,989. Phase II was bid on August 4, 2016. The bids are currently under review. All work is expected to be complete in the spring, 2017.

### **Biosolids Disposal Project**

Kinston currently creates a Class B biosolid, which must be land applied to agricultural fields under a state permit at a cost of \$160,000-\$200,000 per year. Based on the results of a biosolids study completed by Chuck Cauley, former Wastewater Treatment Plant Superintendent, the City is interested in installing a biosolids dryer, which would create a pelletized, Class A product, which can be sold commercially to any customer, either by contract or walk-up sales. In June, 2014, Kinston was awarded a \$1.6 million loan from the Clean Water State Revolving Fund for this project. The loan will be at 0% with a 20 year term. CWSRF approved the bidding of this project as a design-build project. Proposals were received on December 1, 2015 and the project was awarded to Utility Service Company. The SRF Loan has been amended to a total loan amount of \$2,590,911, based on negotiations with Utility Service Company. Work is expected to be complete in the fall, 2017.

### **College Street Railroad Crossing Project**

The City of Kinston has entered into an agreement with Norfolk Southern Corporation, North Carolina Railroad and the North Carolina Department of Transportation to close the College Street Railroad crossing and it was closed in October, 2013. In return for agreeing to close the crossing, Kinston has received \$250,000 in funds from these organizations to perform mitigation for the impacts of the closed crossing on the surrounding neighborhoods and properties. The mitigation activities include widening Herritage Street between Capitola Avenue and Lenoir Avenue, resurfacing of streets near the crossing and other related projects. The Public Services staff also received \$102,500 in appropriations to replace all underground utilities in Herritage Street prior to widening the street, bringing the total project funds

to \$352,500. The Heritage Street widening and street resurfacing projects are complete. The City has also paved a portion of Perry Street that was previously unpaved. Costs to date are \$293,025. The only remaining mitigation work is sidewalk improvements between Atlantic Avenue and Blount Street, west of Heritage Street. This work should be complete by November, 2016.

### **Two-way Radios**

Lenoir County is in the process of updating their two-way radio transmitter from analog to digital, to improve coverage and reliability. As a result, Kinston's Department of Public Services purchased 103 new radios and will upgrade 10 current radios to operate on the new digital system. Public Services, in conjunction with Public Safety secured a five year lease with a total cost of \$240,000. This equipment was put in service in early 2016.

### **Substation Voltage Regulator Replacement**

The Long Range Plan identified the need for regulator replacements in the Cunningham Substation and Industrial Substations. The FY 2015-16 Budget included \$270,000 in funds to purchase and install three new regulators at each of these stations. This project was awarded to Cooper Power Systems. Work was completed in March, 2016 at a cost of \$235,287.

### **Replacement of existing substation breaker relays with Schweitzer SEL 351R**

The existing Basler substation relays are very outdated and only rudimentary information is available from them. The SEL 351R is more functional and offers features such as wave form capture, fault current levels, event tracking, and data downloads. The 2014-15 Budget had \$143,000 approved for these new relays. Schweitzer relays were purchased for \$61,417 and were installed by city staff. Project was completed in January, 2016.

### **Underground Electric Distribution Line Replacements**

Funds were approved in the FY 2015-16 Budget in the amount of \$295,834 to replace the underground 15 KV high voltage cable on Doctors Drive, St. Johns Village, and Truman Court. The project was awarded to Mastec Energy Services. Work was completed in June, 2016 at a final cost of \$194,103.

### **Falling Creek Substation Transformer**

Significant industrial growth in the Highway 70 Industrial Park in recent years has used much of the capacity at the Falling Creek Substation. To accommodate future growth, there is a need to install an additional transformer at the station. The proposed 20/37 MVA transformer will provide the needed capacity to serve the existing industries in and around the industrial park and help attract new industries. The estimated cost of the project is \$1,291,949. This will be one of the first projects funded with funds secured through the City's recent adoption of reduced electric rates with rate stabilization through 2020. Booth & Associates was selected as the Engineer for the project in January, 2016. Manufacture of the transformer was awarded to Virginia Transformer Corporation in January, 2016 with a cost of \$371,275. Installation and site work was awarded to Substation Enterprises, Inc. in March, 2016 for \$164,900. Work is expected to be complete by June 1, 2017.

## **PARKS AND RECREATION**

### **Lovit Hines Park and Center**

Completed renovation of Lovit Hines Recreation Center and Park. A large playground was constructed and the recreation center offers afterschool and day camp program for neighborhood youth.

### **Holloway Recreation Center/Park**

An outdoor concession stand with restrooms was completed and the inside of the recreation center was painted.

### **Martin C. Freeman Gym**

The gym roof was replaced and a new HVAC system was installed.

### **Rotary Dog Park**

A boundary fence was installed and concrete sidewalks were installed throughout the park. A 1.1 mile cross country track was also developed.

### **Grainger Stadium**

The City of Kinston entered into a lease agreement with the Texas Rangers, who will be playing in the High A Carolina League. A \$1.9 million dollar improvement plan was developed, the playing surface was re-sodded and the staff offices were renovated.

### **Riverwalk Project**

Phase I of the Riverwalk was completed. The stage along the Riverwalk was renovated and 3 shaded picnic areas were installed along the Riverwalk.

### **The Joel Smith Memorial Disc Golf Course**

Work has begun on the Joel Smith Disc Golf Course. They have cleared and constructed 18 holes, with the help of the Disc Golf Association. The Disc Golf Association has ordered the baskets and discs for the course.

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## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

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Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 40 percent of total general fund revenues. This amount is approximately 17 percent above the informal guidelines by the Council for budgetary and planning purposes.

The Council periodically reviews its goals during the year and concentrates efforts during budget season. The Council has set a benchmark of approximately 20 percent fund balance, and each year establishes a list of priorities it wishes to focus on in current and upcoming budget years. It has deemed street construction and reconstruction, replacement of water, sewer and electric infrastructure, staffing and succession planning, and redevelopment of downtown Kinston as its top priorities. During the budgetary process, staff endeavors to address these goals with the revenues allocated. In terms of long-term planning, staff prepares and updates a Street Condition Survey report that details each City owned street, its condition and where it falls in the replacement schedule. Staff also prepares a Sidewalk Condition Survey that details City owned sidewalks, condition and ranking in the replacement schedule. The staff updates approximately every two years and the last was completed in 2012. In addition to the goals mentioned, the Council has also expressed its desire to see specific projects such as housing rehabilitation, demolition, design and construction of a Riverwalk and renovations to outdated City facilities.

With regards to the City's enterprise funds, staff maintains a ten-year Capital Improvement Plan (CIP) and delivers periodic updates to Council to assist Council in making good planning decisions with regards to its facilities, equipment and infrastructure. The City's ten year CIP plan is maintained for Electric, Water, Wastewater and Stormwater and are updated approximately every other year.

Staff also maintains a similar planning tool called a Vehicle Replacement Schedule which identifies capital needs for various machinery, equipment and rolling stock. Due to fiscal constraints, machinery, equipment and vehicles will be funded for essential replacements only. Purchase of items postponed due to budget constraints will be addressed as funding becomes available.

To further address long range planning by the City, the following narratives of upcoming projects are provided to assist the reader.

### **Kinston Police Department**

#### **Youth Diversion Program**

Chief Alonzo Jaynes, the city's newly appointed Chief of police, will implement a youth diversion program that will utilize all local community partners to implement programs designed to divert youth from criminal activity and place them into settings of positive environments.

Kinston Police Department will form and be an active member in organized Regional Task Forces focusing on reducing violent crime in our community.

Kinston Police Department will also maintain an adequate police cruiser fleet for the Patrol Operations Division.

The Kinston Police Department is in the process of replacing and upgrading technology equipment, such as, mobile data computers, investigative and administrative desk top computers.

#### **Briery Run Sewer Rehabilitation – Phase IV**

The City of Kinston received a Clean Water State Revolving Fund in the amount of \$2,054,696 in February, 2016 for this project. The scope of work includes raising all manholes between Airport Road and Wallace Family Road above the 100 year flood elevation and lining approximately 3,600 linear feet of 30" pipe. The loan includes principal forgiveness of \$500,000 and zero percent interest on the remainder of the loan. Construction is expected to be complete by December, 2017. Loan payments would begin in November, 2018.

#### **Well #14 Study/Rehabilitation**

Well #14 is currently out of service and not available for use. It is located in the critical area of the Highway 70 Industrial Park and could be substantial resource for meeting peak demands in that area. In the FY15/16 budget \$90,000 was approved to evaluate the well and make improvements to make it operational. Evaluation and construction of the well modifications is complete. The well is undergoing start-up testing and is expected to be in service by December, 2016.

### **Queen Street Waterline Replacement**

The City plans to replace all existing waterlines in the Queen Street corridor prior to NCDOT resurfacing in 2017. Funds have been budgeted for this project in installments over three fiscal years, with the last installment being \$330,000 included in the FY16/17 budget. The total funds budgeted are \$936,000. The funds will be used for the purchase of materials and making pavement repairs. Installation of the pipe will be performed by city staff. Work began in March, 2015, and is expected to be complete by June, 2017.

### **Smartgrid Meter System**

Kinston Public Services is currently conducting a pilot project involving advanced electric and water meters. These meters and management system are capable of providing continuous usage data to both the city and the customer and offer many advantages to our current metering, billing and utility systems. Potential advantages include, remote meter reading, leak detection, tamper detection, remote connect/disconnect of electric meters, electric load data for transformers/circuits/substations, system-wide “wi-fi” communications for work orders, and more. Remaining features to be tested in the pilot project is successful billing from meters and a pre-pay solution. Estimated cost for a full-scale project is \$6.5 million. Full deployment is estimated to save the City at least \$700,000 per year in operating expenses. Pilot project is expected to continue until around January 2017, with potential full-scale deployment beginning in June, 2017 and taking approximately 12 months to complete. Funding would be provided from the Electric Fund Capital Reserve, with repayment from the Water Fund to the Electric Fund for the water system improvement costs.

### **Relocation of Both Electric Transmission and Distribution Facilities on Queen Street**

NCDOT is replacing the Queen Street Bridges, which necessitates the relocation of all electrical facilities. DOT agreed to pay for all relocations north of the Neuse River and the City of Kinston was to pay for everything south of the Neuse River. This includes a section of 115 kV transmission line crossing Queen Street, and distribution lines running along Queen Street. The estimated cost of the project is \$650,000. The transmission line relocation and distribution line demolition have been completed. NCDOT has reimbursed the city \$543,125 for their portion of the work. The re-installation of the distribution line will not be completed until after the bridge work is complete, which is currently scheduled for December, 2016. Costs to date have been \$599,191.

### **Rebuild of Circuit 510**

Substation reports for this circuit indicate that the conductor is near capacity and needs to be upgraded. A request of \$465,000 was approved in the 2014-15 Budget to increase the conductor size from 336 ACSR to 795 ACSR and replace all poles and related hardware. This area feeds a predominately residential load and experienced major neutral relay operations due to load imbalance in January 2014. The project was designed by Booth & Associates for \$53,200 and construction was awarded to T&D Solutions for \$386,053 in April, 2015. Construction was completed in February, 2016.

### **Electric POD #2**

The City of Kinston is currently in the very vulnerable position of having only one point of delivery with Duke Energy for our power supply. Should there be an interruption to power at this connection, all of our electric system would be without power until repairs were made. This could take days or weeks depending on the failure. A second point of delivery would provide redundancy in the event of a failure. The planned location for the second POD, near the western edge of our system, will also eliminate

another significant risk, which is having a single-source feed to the Falling Creek Substation. All of Kinston's other substations are connected in a loop and can be fed from two directions. Cost for this project is estimated at \$3,644,184. This project will be expedited and funded through revenues from the rate stabilization adopted by City Council. Booth and Associates was selected through an RFQ to be the engineer for the project. Initial engineering and property acquisition work is underway. Booth & Associates was awarded the engineering work in January, 2016 in the amount of \$507,500. Construction is expected to begin in 2017.

#### **FY 15-16 Street Resurfacing Project**

The FY15-16 Street Resurfacing Project was initially budgeted with \$200,000. Barnhill Contracting was the low bidder. The work involved resurfacing blocks of Perry Park Drive, Par Drive, Waverly Avenue, Lincoln Street, Manchester Drive, Railfence Drive, Country Club Drive, Stanton Road and Haskett Court. The total cost of the work was \$218,509.20. Additional funds of \$20,000 were transferred from the operating budget prior to construction to cover the expected cost. The work was completed in May, 2016.

#### **George Street Stormwater Improvement Project**

This project involves the replacement or rehabilitation of approximately 500 feet of 30" pipe located from George Street to Nobles Lane. The pipe has experienced cave-ins in recent years and runs very close to several homes. \$110,000 has been appropriated for this project. Bids were received on August 19, 2016. The project was awarded to VacVision in the amount of \$84,999. Work should be complete by February 1, 2016.

#### **McDaniel Street Stormwater Improvement Project**

\$30,000 has been appropriated in the FY15/16 Stormwater Budget to replace 575 feet of 18" pipe along McDaniel Street between King Street and Caswell Street. The funds are for materials only – the work will be completed by city crews. Work was completed in June, 2016 at a final cost of \$24,186.

#### **Bulk Leaf Single Unit Equipment**

The City of Kinston currently provides bulk leave pick-up to our customers between November and January each year. The operation involves hiring temporary staff and using three box trucks pulling leaf vacuum machines. City equipment is old and unreliable and can be difficult to maneuver on our narrow streets. In the FY14/15 budget, \$50,000 was budgeted and rolled to the FY15/16 budget to purchase a single piece machine. A 2004 FL70 Freightliner machine was purchased through GovDeals for \$23,433. The truck was put in service in August, 2016 and will be used during the next leaf season.

#### **Lawrence Heights Water Line Replacement**

The project will involve the replacement of 8,800 linear feet of old cast iron and galvanized waterlines. We currently experience numerous leaks and color/taste/odor complaints from residents in the neighborhood. Cost of the project is estimated to be \$165,000 if work is performed by city crews. However, due to the backlog of work and staffing difficulties, this project may need to be contracted. The estimated contract cost for the work is \$807,000.

### **Lawrence Heights Sewer Line Replacement**

The Lawrence Heights Sewer Line Replacement project is the #5 project on the Wastewater Capital Improvement Plan. It involves the replacement of all gravity sewer lines on the subdivision, located between Old Snow Hill Road and Highland Avenue. The estimated cost of the work is \$3.3 million. In September, 2016, the City will be applying for funding to both the Community Development Block Grant – Infrastructure Program and to the Clean Water State Revolving Fund/Wastewater Reserve Program. Kinston could receive up to \$2.5 million in grant funds from these sources. Any work not covered by grant funds would be eligible for a zero percent interest SRF loan. Awards should be announced in December, 2016.

### **Briery Run Sewer Rehabilitation – Phase V**

Phase V of the work on the Briery Run Outfall will involve the replacement of all manholes between Wallace Family Road and Highway 11. Much of this project is in low, wet areas adjacent to the Briery Run stream. Staff has discovered significant inflow and infiltration through the manholes. Some of the manholes become completely submerged to heavy rain events and others have severe leaks through joints in the manholes and at the pipe connections in and out of the manholes. Estimated cost of the project is \$1,332,700. The City will be applying for funding from the Clean Water State Revolving Fund/Wastewater Reserve in September, 2017. The City could receive up to \$500,000 in grant or principal forgiveness funds and any remaining funding would be from a 20-year, zero percent interest loan. Awards should be announced in December, 2016.

### **Wastewater Asset Management Plan Grant**

In August, 2016, the City of Kinston received a Letter of Intent to Fund a \$150,000 Asset Inventory and Assessment Grant from the Division of Water Infrastructure. The grant will be used to evaluate the condition of components of our wastewater collection system, such as pipes and manholes. The intent is to complete the work by February, 2017 so the results can be used in spring 2017 state funding cycle to pursue grant funds for capital improvements.

### **FY2016-17 Street Resurfacing**

The City has appropriated \$200,000 for street resurfacing in FY16/17. A list of candidate streets will be presented to City Council in January, 2017. Construction will be complete by July, 2017.

### **Oriental Avenue Storm Pipe Replacement**

This project involves the replacement of approximately 705 feet of 36" storm pipe and 407 feet of 30" storm pipe between Vernon Avenue and Temple Avenue. Estimated cost is \$130,000. Work will be performed by city staff and is expected to be complete by June, 2017.

### **LED Streetlight Installations**

The Electric Division is planning to complete the conversion of all city street lights to LED fixtures. This will involve the replacement of approximately 1,240 lights, mainly on secondary streets within the city. The work will be conducted by East Coast Power & Light for the amount of \$87,600 and is expected to be completed by July, 2017.

### **Underground Electric Primary Line Replacements**

In the FY16/17 budget, \$310,500 was budgeted for replacement of existing underground electric lines in the area of Heritage Townhomes, Worthington Place and Sutton Drive. The bid was awarded to T&D Solutions in the amount of \$225,298. Construction should begin in January, 2017 and be completed by September, 2017.

### **Electric System Distribution Equipment Replacement**

As a part of the wholesale/retail rate reduction strategy implemented in 2015/16, the Electric Division will be doubling the amount of investment made annually to replace and upgrade small components of the electric distribution system. Staff will be more aggressive in replacing items like transformers, poles, switchgear, wire, etc., which will improve system reliability. This will be an annual program.

### **Grainger Stadium**

Construction will begin on the \$1.9 million dollar renovation project, which will include a new concession stand, locker room improvements, lighting system, covered batting cages and grandstand improvements for the new professional baseball team locating to Kinston.

### **Riverwalk Project Phase I**

Phase I of the Riverwalk project will continue with LED lights placed along the sidewalks and a concrete themed dragon playground will be installed in Pearson Park, behind the old Big D Tire building.

### **Woodmen Community Center and Lions Water Adventure**

A video on demand system will be installed at the Woodmen Community Center to increase participation and aerobics and cardiac exercise programs. A 165 foot water slide will be added to the existing tower at the Lions Water Adventure.

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### **OTHER INFORMATION**

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a Government Unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and the City will be submitting it to the GFOA to determine its eligibility for another certificate.

**Independent Audit.** The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State Single Audit Implementation Act require annual independent audits of the City's compliance with the applicable laws and regulations related to certain financial assistance received by

the City. The independent auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditor's reports on the compliance matters are included in a separate reporting package.

The preparation of this comprehensive annual financial report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report and in their continued professional excellence in accounting for the fiscal actions of the City.

We also acknowledge the valuable professional service provided by the accounting firm of Martin Starnes & Associates, CPA's, P. A. and appreciate their assistance in preparing this report.

In closing, we would like to express our appreciation to the Mayor, City Council, Department Heads, and all City staff, for their leadership, interest, and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



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Catherine F. Gwynn, CPA  
Finance Director



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Tony Sears,  
City Manager

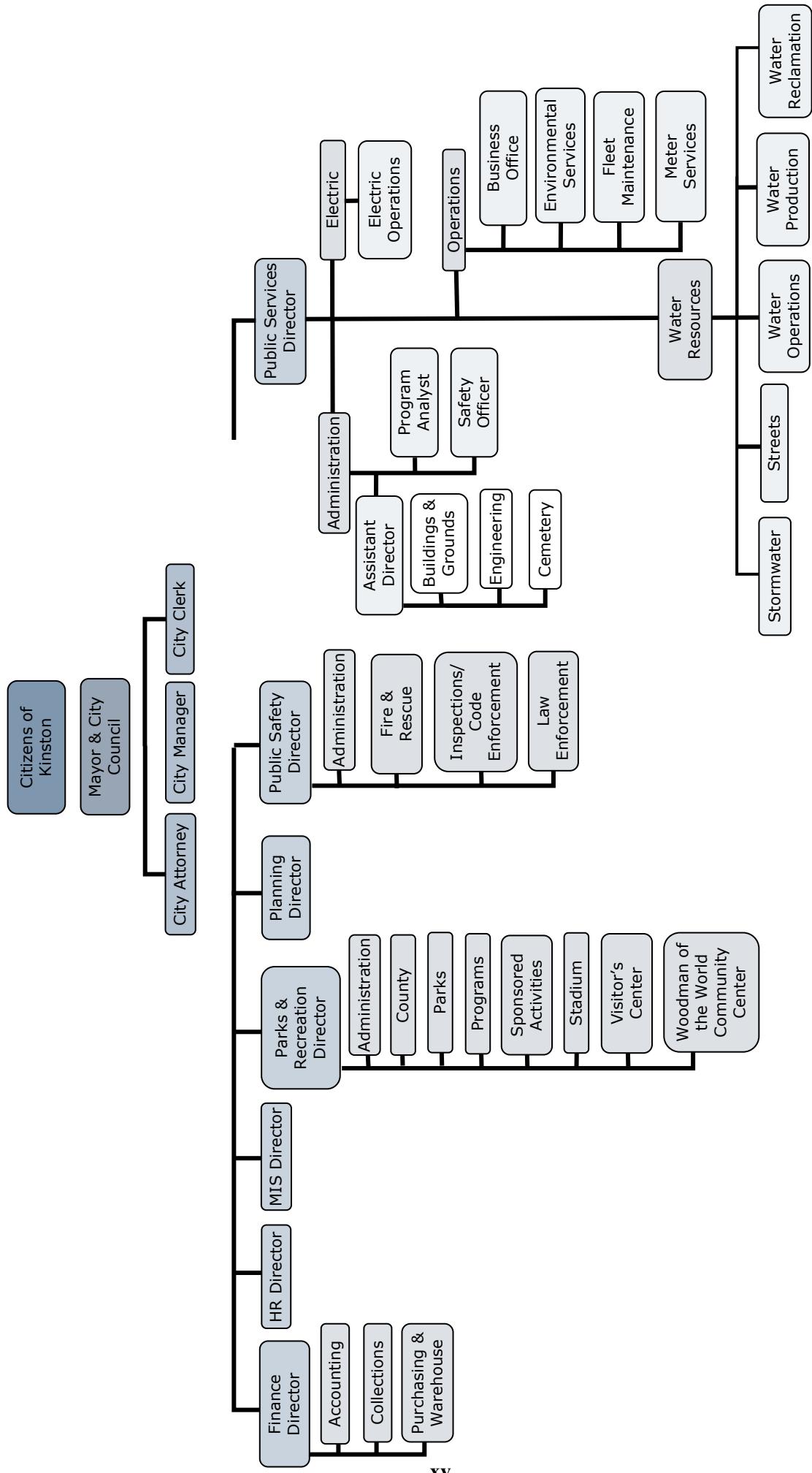
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**City of Kinston**  
**City Council**  
**For the Year Ended**  
**06/30/2016**

**B.J. Murphy, Mayor**  
**Robert A. Swinson, IV, Mayor Pro-Tem**  
**Sammy C. Aiken**  
**Wynn Whittington**  
**Felicia Solomon**  
**Gordon Vermillion**

**Tony Sears, City Manager**  
**Monique Hicks, City Clerk**  
**James P. Cauley, III, City Attorney**

**City of Kinston  
Organizational Structure  
FY 2015-2016**





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Kinston  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

A handwritten signature in black ink that reads "Jeffrey R. Emen". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Emen" on the bottom line.

Executive Director/CEO

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## **FINANCIAL SECTION**

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Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplemental Financial Data

Combining, Individual Fund Statements, and Schedules

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# MARTIN ♦ STARNES

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## & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

### INDEPENDENT AUDITOR'S REPORT

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

#### **Report On the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 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 from material misstatement.

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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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13 South Center Street ♦ Taylorsville, NC 28681 ♦ 828-632-9025 ♦ Fax 828-632-9085

PO Box 5729 ♦ Statesville, NC 28687 ♦ 1710 Wilkesboro Hwy ♦ Statesville, NC 28625 ♦ 704-872-8923 ♦ Fax 704-872-4982

**800-948-0585 ♦ [www.martinstarnes.com](http://www.martinstarnes.com)**

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, North Carolina, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules 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. In our opinion, the combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and statistical tables 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 February 17, 2017, on our consideration of the City of Kinston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kinston's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 17, 2017

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## **City of Kinston, North Carolina**

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016**

As management of the City of Kinston, we offer readers of the City of Kinston's financial statements this narrative overview and analysis of the financial activities of the City of Kinston for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

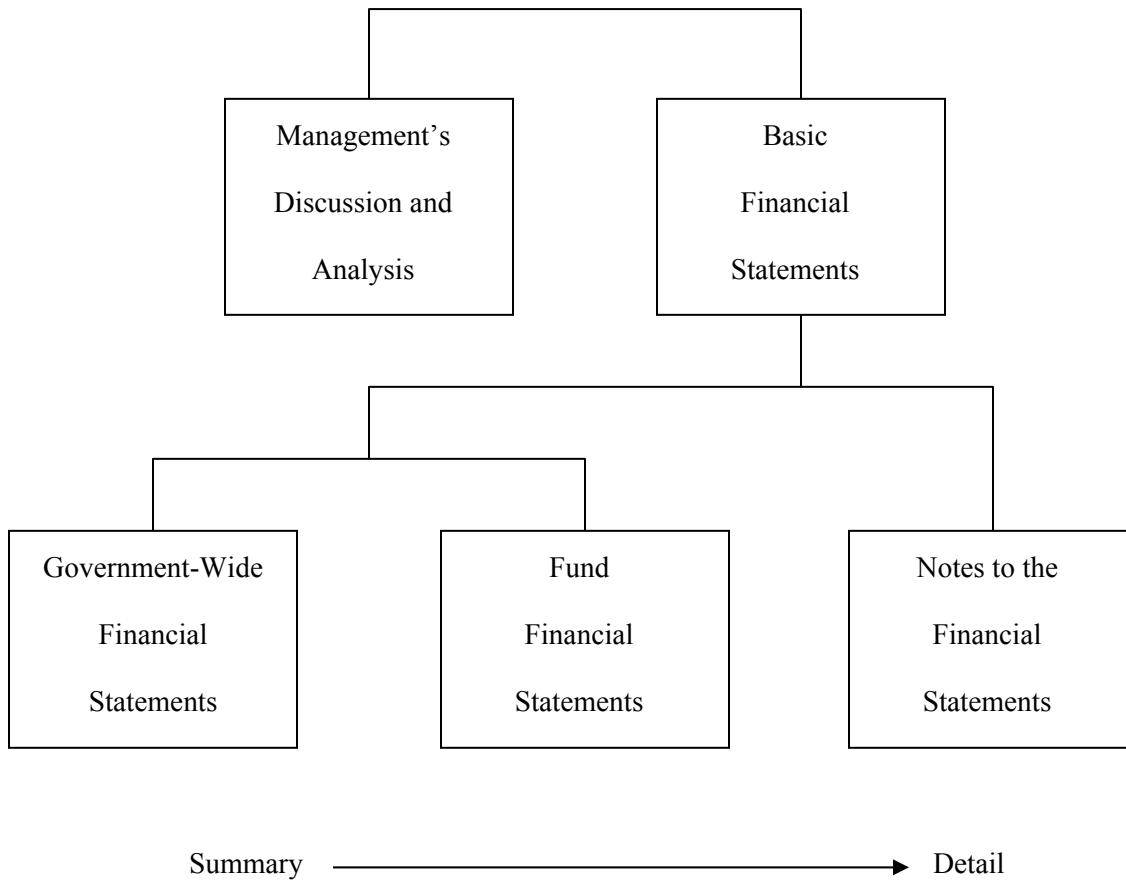
#### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Kinston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$132,426,134 (*net position*).
- The government's total net position increased by \$11,899,201, which consists of an increase in the governmental-type activities net position and business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,115,518 with an increase of \$1,037,854 in fund balance. Approximately 15 percent of this total amount, or \$1,552,113, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,380,049, or 41.1 percent, of total General Fund expenditures.
- The City's total bond and financing debt increased by \$22,893 during the current fiscal year.

#### **Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**  
**Figure 1**



### **Basic Financial Statements**

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

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

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

Following the notes is the required supplemental information. This section contains funding information about the City's pension plans.

## Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services, such as public safety, parks and recreation, and general administration. Property taxes, other taxes, and federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the City's electric, water, wastewater, sanitation, community center, and stormwater systems.

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

## Fund Financial Statements

The fund financial statements (see Figure 1) provide more detailed information about the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kinston, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

The City has two kinds of funds:

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

The City of Kinston adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of

accounting and is presented using the same format, language, and classifications as the 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.

- **Proprietary Funds** – The City of Kinston has two different kinds of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kinston uses enterprise funds to account for its water and sewer activity, stormwater, environmental services, community center services, and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Kinston. The City uses internal service funds to account for four activities – its central garage, workers' compensation insurance coverage and risk management, fuel, and management of utility and engineering services. Three of the internal service funds predominantly benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements. The Fleet Maintenance Fund, Employee Health and Insurance Fund, and Warehouse Inventory Fund are included in governmental activities. The Public Services Fund, which functions as a management group for the enterprise funds, is included in the business-type activities.

### **Notes to the Basic 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.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kinston's progress in funding its obligation to provide pension benefits to its employees.

### **Interdependence with Other Entities**

The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kinston's progress in funding its obligation to provide pension benefits to its employees.

## Government-Wide Financial Analysis

**City of Kinston's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	\$ 13,657,132	\$ 13,203,246	\$ 35,081,791	\$ 27,338,002	\$ 48,738,923	\$ 40,541,248
Capital assets	20,715,959	19,646,823	98,555,887	99,339,087	119,271,846	118,985,910
Total assets	<u>34,373,091</u>	<u>32,850,069</u>	<u>133,637,678</u>	<u>126,677,089</u>	<u>168,010,769</u>	<u>159,527,158</u>
<b>Deferred Outflows of Resources:</b>						
	<u>628,117</u>	<u>631,635</u>	<u>353,317</u>	<u>355,295</u>	<u>981,434</u>	<u>986,930</u>
<b>Liabilities and Deferred Inflows of Resources:</b>						
Long-term liabilities						
outstanding	11,852,586	11,085,257	13,561,876	16,593,040	25,414,462	27,678,297
Other liabilities	2,687,663	1,820,491	7,865,879	7,015,836	10,553,542	8,836,327
Deferred inflows of resources	<u>384,513</u>	<u>2,228,987</u>	<u>213,552</u>	<u>1,243,544</u>	<u>598,065</u>	<u>3,472,531</u>
Total liabilities and deferred inflows of resources	<u>14,924,762</u>	<u>15,134,735</u>	<u>21,641,307</u>	<u>24,852,420</u>	<u>36,566,069</u>	<u>39,987,155</u>
<b>Net Position:</b>						
Net investment in capital assets	10,995,400	10,865,691	83,212,363	83,079,029	94,207,763	93,944,720
Restricted	1,275,257	1,477,150	-	-	1,275,257	1,477,150
Unrestricted	<u>7,805,789</u>	<u>6,004,128</u>	<u>29,137,325</u>	<u>19,100,935</u>	<u>36,943,114</u>	<u>25,105,063</u>
Total net position	<u>\$ 20,076,446</u>	<u>\$ 18,346,969</u>	<u>\$ 112,349,688</u>	<u>\$ 102,179,964</u>	<u>\$ 132,426,134</u>	<u>\$ 120,526,933</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Kinston exceeded liabilities and deferred inflows by \$132,426,134 as of June 30, 2016. The City's net position increased \$11,899,201 for the fiscal year ended June 30, 2016. However, the largest portion (71 percent) reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net 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 the City's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$36,943,114, or 28 percent, is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.61 percent, which is comparable to the State-wide average of 98.25 percent.
- Changes in state legislation regarding utility franchise taxes and increased sales tax collections resulted in largest portion of the increase in revenues in the governmental type funds.

- Increases in sales of services in the major business-type funds contributed to the increase in net position.
- There were no increases in charges for services in the major business-type funds and only a minimal increase in a non-major business-type fund.
- Actual spending was less than the original appropriated expenditure bearing positive increases to the governmental and business-type funds net position. The largest being the reduction in wholesale electric purchased power rate causing the largest overall decrease in spending.

### City of Kinston's Changes in Net Position

**Figure 3**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,872,188	\$ 2,207,220	\$ 71,000,892	\$ 76,999,971	\$ 73,873,080	\$ 79,207,191
Operating grants/contributions	1,023,886	982,995	-	-	1,023,886	982,995
Capital grants/contributions	117,374	322,655	336,221	3,177,337	453,595	3,499,992
General revenues:						
Property taxes	10,392,748	10,542,483	-	-	10,392,748	10,542,483
Other taxes	6,166,910	6,298,452	-	-	6,166,910	6,298,452
Other	696,384	214,784	49,331	27,188	745,715	241,972
Total revenues	<u>21,269,490</u>	<u>20,568,589</u>	<u>71,386,444</u>	<u>80,204,496</u>	<u>92,655,934</u>	<u>100,773,085</u>
<b>Expenses:</b>						
General government	3,385,506	3,476,650	-	-	3,385,506	3,476,650
Public safety	9,636,173	9,374,900	-	-	9,636,173	9,374,900
Public services	2,353,760	2,109,344	-	-	2,353,760	2,109,344
Community development	1,495,920	1,862,929	-	-	1,495,920	1,862,929
Culture and recreation	3,486,339	3,855,523	-	-	3,486,339	3,855,523
Interest on long-term debt	362,384	372,159	-	-	362,384	372,159
Electric	-	-	40,991,709	53,345,934	40,991,709	53,345,934
Water	-	-	7,297,706	7,809,304	7,297,706	7,809,304
Wastewater	-	-	5,994,743	6,340,320	5,994,743	6,340,320
Nonmajor fund	-	-	<u>5,752,493</u>	<u>6,222,424</u>	<u>5,752,493</u>	<u>6,222,424</u>
Total expenses	<u>20,720,082</u>	<u>21,051,505</u>	<u>60,036,651</u>	<u>73,717,982</u>	<u>80,756,733</u>	<u>94,769,487</u>
Change in net position						
before transfers	549,408	(482,916)	11,349,793	6,486,514	11,899,201	6,003,598
Transfers	<u>1,180,069</u>	<u>1,454,570</u>	<u>(1,180,069)</u>	<u>(1,454,570)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>1,729,477</u>	<u>971,654</u>	<u>10,169,724</u>	<u>5,031,944</u>	<u>11,899,201</u>	<u>6,003,598</u>
Net position, July 1	18,346,969	18,430,303	102,179,964	97,867,906	120,526,933	116,298,209
Prior period adjustment	-	(1,054,988)	-	(719,886)	-	(1,774,874)
Net position, July 1 as restated	<u>18,346,969</u>	<u>17,375,315</u>	<u>102,179,964</u>	<u>97,148,020</u>	<u>120,526,933</u>	<u>114,523,335</u>
Net position, June 30	<u>\$ 20,076,446</u>	<u>\$ 18,346,969</u>	<u>\$ 112,349,688</u>	<u>\$ 102,179,964</u>	<u>\$ 132,426,134</u>	<u>\$ 120,526,933</u>

Total government-wide revenues of \$92.6 million were primarily derived from charges for services (80 percent) and property taxes and other taxes (18 percent). The total expenses of all programs were \$80.7 million. The expenses cover a range of services with the two largest being electric services (51 percent), and public safety (fire/EMS, police, and inspections/code enforcement) (12 percent).

## **Governmental Activities**

Governmental activities increased the City's net position by \$1,729,477, thereby accounting for 15 percent of the total growth in the net position of the City of Kinston. Although growth has been flat, net position has been increased as a result of a concerted effort to control costs and manage expenditures to conserve resources. City management reduced non-essential programs to a minimum and implemented cost-saving strategies across City departments. Certain non-recurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the City will result in additional revenues, and encourage investment within the City by bolstering the confidence of potential investors. Contributing to a favorable net position are continued diligent efforts to maximize tax collections. Due to the conservative nature of the budgeting process, tax revenues did not appreciably decline in the current year. City management acknowledges that 2016 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health. As part of the long-term strategy, two items in particular stand out for management that will need to be addressed in the upcoming budgets that being 1) the upcoming tax revaluation to be effective in fiscal year 2017-2018 and 2) the imminent increase in health insurance costs for the City and its employees.

Key elements of this increase are as follows:

- Sales tax revenues increased \$166 thousand.
- Long-term debt proceeds in the current period increased net position by \$683 thousand.
- Utility franchise tax increased \$189 thousand.
- Sales of surplus personal and real property increased \$179 thousand.
- Federal drug forfeiture proceeds increased \$77 thousand.
- Repayment of the prior year interfund loan to the Electric Fund of \$300 thousand.
- Economic development incentives decreased \$147 thousand.
- Reduction in spending on capital outlay items decreased \$71 thousand.
- Reduction in fuel expense costs partly due to overall drop in crude oil prices across the country resulted in a savings of approximately \$77 thousand.

## **Business-Type Activities**

Business-type activities increased the City's net position by \$10,169,724, thereby accounting for 85 percent of the total growth in the net position of the City of Kinston.

Key elements of this increase are as follows:

- Increase in business revenues of \$855 thousand primarily due to increases in charges for services and increased sales volume.
- Reduction in expenses primarily due to the wholesale rate reduction for purchased power.

## **Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrates compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Kinston's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Kinston's financing requirements.

The General Fund is the chief operating fund of the City of Kinston. At the end of the current fiscal year, available fund balance of the General Fund was \$8.4 million, while total fund balance was \$9.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 40 percent of total General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 46 percent of the same amount.

At June 30, 2016, the governmental funds of the City of Kinston reported a combined fund balance of \$10 million, a 11 percent increase from last year. The General Fund reported an increase in fund balance of \$918,646, primarily due to increases in sales tax, utility franchise tax, sales of personal and real property, while the nonmajor governmental funds reported a combined increase in fund balance of \$119,208.

**General Fund Budgetary Highlights.** During the fiscal year, the City 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.

There were several reasons the City revised its budget throughout the year. The most significant relates to the annual appropriation to pay for prior year purchases. The other relates to the funding of electric capital project work on the electric system infrastructure funded by the savings in the wholesale rate decrease.

**Proprietary Funds.** Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$14.8 million in the Electric Fund, \$5.7 million in the Water Fund, \$4.7 million in the Wastewater Fund, and \$1.7 million in the nonmajor enterprise funds. The Electric Fund and Water Fund experienced growth in net position of \$8.5 million and \$1.6 million, respectively. The Wastewater Fund and combined nonmajor enterprise funds declined \$157,379 and \$205,249, respectively.

## **Capital Asset and Debt Administration**

**Capital Assets.** At June 30, 2016, the City had \$119 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net increase of \$285,936, or (.2 percent), over last year.

The summary of capital assets at June 30, 2016 and 2015 is presented below:

**City of Kinston's Capital Assets  
(net of depreciation)**  
**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$ 3,594,982	\$ 3,482,916	\$ 1,222,643	\$ 1,222,643	\$ 4,817,625	\$ 4,705,559
Infrastructure	2,150,691	1,547,926	26,675	30,437	2,177,366	1,578,363
Buildings and improvements	11,605,432	9,156,032	31,910,018	32,862,170	43,515,450	42,018,202
Equipment and vehicles	1,544,434	1,371,683	2,235,355	1,400,236	3,779,789	2,771,919
Distribution system	-	-	56,571,681	58,125,481	56,571,681	58,125,481
Construction in progress	1,820,420	4,088,266	6,589,515	5,698,120	8,409,935	9,786,386
Total	<u>\$ 20,715,959</u>	<u>\$ 19,646,823</u>	<u>\$ 98,555,887</u>	<u>\$ 99,339,087</u>	<u>\$ 119,271,846</u>	<u>\$ 118,985,910</u>

This year's major capital asset additions included:

- Capitalization of Fire Station 2 on Cary Road and Fire Station 3 on Hill Farm Road after closing the capital projects for a total of \$1.5 million and \$1.48 million respectively.
- Renovation of the Holloway Center of \$35 thousand.
- Caterpillar loader and backhoe for the Streets division were replaced at a cost of \$ \$140 thousand and \$96 thousand respectively.
- Street construction for 2016 of \$94 thousand, and prior year 2008 through 2015 of \$706 thousand.
- Council chambers audio and video upgrades of \$66 thousand.
- Purchase of "Brix", canine police dog, to replace retired canine officer "Karr". "Brix" was purchased at a cost of \$29 thousand.
- Six police and two fire vehicles purchased and equipped at a cost of \$238 thousand.
- Construction in progress in the General Fund consists primarily of a fire pumper truck being manufactured with a cost to date of \$519 thousand and improvements to Lovitt Hines and Martin C. Freeman Recreation Centers with a cost to date of \$169 thousand.
- Various electric infrastructure improvements at a cost of \$302 thousand
- Substation voltage regulators were placed in service at a cost of \$226 thousand.
- Environmental Services fund placed a commercial solid waste vehicle into service at a cost of \$214 thousand and a residential solid waste vehicle into service at a cost of \$247 thousand.
- Stormwater purchased a street sweeper at a cost of \$217 thousand.
- Stormwater infrastructure improvements of \$503 thousand for the Chestnut Street Phase IV Stormwater project were placed in service.

More detailed information about the City's capital assets is presented in Note 3, capital assets section of the basic financial statements.

**Long-Term Debt.** At June 30, 2016, the City had \$25 million of debt outstanding in revenue bonds, installment purchases, and revolving loans to the State of North Carolina. Details by type of debt are presented in the following table.

**City of Kinston's Outstanding Debt**  
**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Installment contracts	\$ 9,720,559	\$ 8,781,132	\$ 1,931,851	\$ 963,577	\$ 11,652,410	\$ 9,744,709
Revenue bonds	-	-	7,787,000	9,147,000	7,787,000	9,147,000
Notes payable	-	-	5,624,673	6,149,481	5,624,673	6,149,481
Total	<u>\$ 9,720,559</u>	<u>\$ 8,781,132</u>	<u>\$ 15,343,524</u>	<u>\$ 16,260,058</u>	<u>\$ 25,064,083</u>	<u>\$ 25,041,190</u>

**City of Kinston's Outstanding Debt.** The City's total outstanding debt decreased by \$22,893 (.1 percent) during the fiscal year, due to principal payments made against existing debt. New installment contract debt was issued in the fiscal year for \$2.7 million. All scheduled debt service payments were made timely.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Kinston is \$105,716,529.

More detailed information about the City's long-term obligations is presented in Note 3 of the basic financial statements.

#### **Economic Factors and Next Year's Budget and Rates**

The following economic indicators impact the City's budget outlook:

- During fiscal year 2016, two residential and four non-residential units were constructed with a value of \$17.0 million.
- Retail sales for Lenoir County during 2015 were \$504 million.
- The current unemployment rate was 5.6 percent, compared to 5.1 percent for the State and 5.1 percent for the nation.

## **Budget Highlights for the Fiscal Year Ending June 30, 2017**

The following are highlights for the 2017 budgets for the governmental activities:

The most significant factors negatively impacting the 2016 budget is the flat growth within the City and surrounding area, the escalating costs of doing business, and the slow economic recovery in the national, State, and local economies. However, locally, all indications are that economic growth will accelerate as North Carolina continues to expand and force growth toward Eastern North Carolina in the form of expansion of large employers in the area, traffic and tourism and, as confidence grows, in the US Economy the reemergence of the small business entrepreneur. As current and new employers expand, the City expects this to create a “domino effect” of other new businesses as suppliers set-up, new homes are built, and retailers expand inventories. Other details on this appear in the introductory section letter of transmittal category of the Comprehensive Annual Financial Report.

General Fund revenues are estimated to remain flat while operating costs to maintain the same service levels have increased. To offset some of these increases, the City continues to defer capital outlay spending where possible. The City focused on street repaving and approved \$200 thousand for street resurfacing in 2016, bringing the total spent in the last five years on street repaving to \$1.5 million (from fiscal year 2012 through fiscal year 2016).

The City Council approved a 3% raise for full-time City employees. One new position was created in the General Fund and the full-time positions now total 378 FTE's. There was a 3.6 percent increase in the cost of the City's portion of employee health insurance. The General Fund initial budget for 2016-2017 decreased 1.35 percent from \$23.9 million to \$23.6 million. The decrease in the new budget is attributable to no election cycle in the coming fiscal year, lower operational costs in several line items, final allocation of group health insurance subsidy unallocated cost from 2010-2011, and a reduction of capital outlay from prior year. The property tax rate remains unchanged from the prior year.

The following are highlights for the 2017 budgets for the business-type activities:

- Environmental Service fees increased 15% for both residential and commercial services.
- Woodmen Community Center fees were increased in most areas and can be referenced in the manual of fees and charges.
- No increase in sewer, water, or electric rates.

## **Contacting the City's Financial Management and Requests for Information**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, City of Kinston, P.O. Box 339, Kinston North Carolina 28502, or call (252) 939-3147.

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## **BASIC FINANCIAL STATEMENTS**

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**The Basic Financial Statements** present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 11,537,267	\$ 23,894,354	\$ 35,431,621
Receivables:			
Due from governmental agencies	630,568	-	630,568
Accounts receivables	387,758	761,736	1,149,494
Taxes receivable	734,980	-	734,980
Customer receivables, net	-	7,146,353	7,146,353
Notes receivable	209,365	-	209,365
Internal balance	(335,439)	335,439	-
Inventories	323,778	1,335,901	1,659,679
Restricted cash and investments	168,854	1,608,008	1,776,862
Total current assets	<u>13,657,131</u>	<u>35,081,791</u>	<u>48,738,922</u>
Non-current assets:			
Capital assets:			
Land and construction in process	5,415,402	7,812,158	13,227,560
Other capital assets, net of depreciation	<u>15,300,557</u>	<u>90,743,729</u>	<u>106,044,286</u>
Total non-current assets	<u>20,715,959</u>	<u>98,555,887</u>	<u>119,271,846</u>
Total assets	<u>34,373,090</u>	<u>133,637,678</u>	<u>168,010,768</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferral	2,744	1,544	4,288
Contributions to pension plan in current fiscal year	<u>625,373</u>	<u>351,773</u>	<u>977,146</u>
Total deferred outflows of resources	<u>628,117</u>	<u>353,317</u>	<u>981,434</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	1,469,638	3,639,170	5,108,808
Accrued interest payable	167,136	124,545	291,681
Prepaid fees	35,470	-	35,470
Liabilities payable from restricted assets:			
Advances from grantors	91,800	-	91,800
Customer deposits	-	1,608,008	1,608,008
Due within one year	<u>923,618</u>	<u>2,494,156</u>	<u>3,417,774</u>
Total current liabilities	<u>2,687,662</u>	<u>7,865,879</u>	<u>10,553,541</u>
Long-term liabilities:			
Net pension liability	661,171	371,910	1,033,081
Due in more than one year	<u>11,191,415</u>	<u>13,189,966</u>	<u>24,381,381</u>
Total long-term liabilities	<u>11,852,586</u>	<u>13,561,876</u>	<u>25,414,462</u>
Total liabilities	<u>14,540,248</u>	<u>21,427,755</u>	<u>35,968,003</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid property taxes	4,866	-	4,866
Pension deferrals	<u>379,647</u>	<u>213,552</u>	<u>593,199</u>
Total deferred inflows of resources	<u>384,513</u>	<u>213,552</u>	<u>598,065</u>
<b>Net Position:</b>			
Net investment in capital assets	10,995,400	83,212,363	94,207,763
Restricted for:			
Stabilization by State statute	1,122,864	-	1,122,864
Public safety	77,003	-	77,003
Community development	51	-	51
Permanently restricted for cemetery perpetual maintenance	75,000	-	75,000
Temporarily restricted for cemetery perpetual maintenance	339	-	339
Unrestricted	<u>7,805,789</u>	<u>29,137,325</u>	<u>36,943,114</u>
Total net position	<u>\$ 20,076,446</u>	<u>\$ 112,349,688</u>	<u>\$ 132,426,134</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINSTON, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 3,385,506	\$ 686,853	\$ -	\$ -
Public safety	9,636,173	294,628	218,495	-
Public services	2,353,760	-	717,391	-
Community development	1,495,920	415,181	88,000	84,869
Cultural and recreation	3,486,339	1,475,526	-	32,505
Interest on long-term debt	362,384	-	-	-
Total governmental activities	<u>20,720,082</u>	<u>2,872,188</u>	<u>1,023,886</u>	<u>117,374</u>
<b>Business-Type Activities:</b>				
Electric	40,991,709	49,573,347	-	129,490
Water	7,297,706	9,168,715	-	-
Wastewater	5,994,743	6,119,613	-	206,731
Nonmajor funds:				
Environmental services	3,079,165	3,318,292	-	-
Stormwater	885,015	1,028,533	-	-
Community Center services	1,788,313	1,792,392	-	-
Total business-type activities	<u>60,036,651</u>	<u>71,000,892</u>	<u>-</u>	<u>336,221</u>
Total primary government	<u>\$ 80,756,733</u>	<u>\$ 73,873,080</u>	<u>\$ 1,023,886</u>	<u>\$ 453,595</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF KINSTON, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (2,698,653)	\$ -	\$ (2,698,653)
Public safety	(9,123,050)	-	(9,123,050)
Public services	(1,636,369)	-	(1,636,369)
Community development	(907,870)	-	(907,870)
Cultural and recreation	(1,978,308)	-	(1,978,308)
Interest on long-term debt	(362,384)	-	(362,384)
Total governmental activities	<u>(16,706,634)</u>	<u>-</u>	<u>(16,706,634)</u>
<b>Business-Type Activities:</b>			
Electric	-	8,711,128	8,711,128
Water	-	1,871,009	1,871,009
Wastewater	-	331,601	331,601
Nonmajor funds:			
Environmental services	-	239,127	239,127
Stormwater	-	143,518	143,518
Community center services	-	4,079	4,079
Total business-type activities	<u>-</u>	<u>11,300,462</u>	<u>11,300,462</u>
Total primary government	<u>(16,706,634)</u>	<u>11,300,462</u>	<u>(5,406,172)</u>
<b>General Revenues:</b>			
Taxes:			
Ad valorem	10,392,748	-	10,392,748
Local option sales tax	3,582,107	-	3,582,107
Franchise tax	2,234,574	-	2,234,574
Other taxes	350,229	-	350,229
Unrestricted intergovernmental	375,763	-	375,763
Investment earnings, unrestricted	17,605	48,836	66,441
Miscellaneous, unrestricted	303,016	495	303,511
Total general revenues	<u>17,256,042</u>	<u>49,331</u>	<u>17,305,373</u>
Transfers	<u>1,180,069</u>	<u>(1,180,069)</u>	<u>-</u>
Total general revenues and transfers	<u>18,436,111</u>	<u>(1,130,738)</u>	<u>17,305,373</u>
Change in net position	1,729,477	10,169,724	11,899,201
<b>Net Position:</b>			
Beginning of year - July 1	<u>18,346,969</u>	<u>102,179,964</u>	<u>120,526,933</u>
End of year - June 30	<u>\$ 20,076,446</u>	<u>\$ 112,349,688</u>	<u>\$ 132,426,134</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF KINSTON, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 9,581,780	\$ 399,520	\$ 9,981,300
Receivables:			
Due from government agencies	630,568	-	630,568
Accounts receivable	296,344	39,566	335,910
Taxes receivable	734,980	-	734,980
Due from other funds	100,104	-	100,104
Notes receivable	-	209,365	209,365
Inventories	67,491	-	67,491
Restricted cash and investments	91,800	77,054	168,854
Total assets	<u>\$ 11,503,067</u>	<u>\$ 725,505</u>	<u>\$ 12,228,572</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,005,387	\$ 40,721	\$ 1,046,108
Due to other funds	-	100,104	100,104
Prepaid privilege licenses	35,470	-	35,470
Liabilities payable from restricted assets:			
Advances from grantors	91,800	-	91,800
Total liabilities	<u>1,132,657</u>	<u>140,825</u>	<u>1,273,482</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	734,980	-	734,980
Prepaid property taxes	4,866	-	4,866
Pavement assessment receivables	99,640	-	99,640
GTP fire taxes receivable	86	-	86
Total deferred inflows of resources	<u>839,572</u>	<u>-</u>	<u>839,572</u>
<b>Fund Balances:</b>			
Non-spendable, not in spendable form:			
Inventories	67,491	-	67,491
Notes receivable	-	209,365	209,365
Perpetual maintenance	-	75,000	75,000
Restricted:			
Stabilization by State statute	1,083,298	39,566	1,122,864
Restricted, all other	-	77,393	77,393
Committed	-	282,483	282,483
Assigned	-	39,379	39,379
Unassigned	8,380,049	(138,506)	8,241,543
Total fund balances	<u>9,530,838</u>	<u>584,680</u>	<u>10,115,518</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,503,067</u>	<u>\$ 725,505</u>	<u>\$ 12,228,572</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF KINSTON, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>Total</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance, governmental funds	\$ 10,115,518
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,715,959
A portion of the assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,105,133
Net pension liability	(661,171)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	625,373
Pension related deferrals	(376,903)
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	834,706
Some liabilities, including installment contracts payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(12,282,169)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 20,076,446</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Ad valorem taxes	\$ 10,395,234	\$ -	\$ 10,395,234
Sales and services	1,743,150	-	1,743,150
Other taxes	6,166,910	-	6,166,910
Unrestricted intergovernmental	375,763	-	375,763
Restricted intergovernmental	893,821	247,439	1,141,260
Investment earnings	15,354	261	15,615
Other	291,327	3,640	294,967
Total revenues	<u>19,881,559</u>	<u>251,340</u>	<u>20,132,899</u>
<b>Expenditures:</b>			
Current:			
General government	2,429,822	-	2,429,822
Public safety	9,263,746	577,907	9,841,653
Public services	2,050,263	-	2,050,263
Parks and recreation	4,101,005	-	4,101,005
Community development	1,642,899	250,790	1,893,689
Debt service:			
Principal	518,347	-	518,347
Interest	369,378	-	369,378
Total expenditures	<u>20,375,460</u>	<u>828,697</u>	<u>21,204,157</u>
Revenues over (under) expenditures	<u>(493,901)</u>	<u>(577,357)</u>	<u>(1,071,258)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	948,890	255,455	1,204,345
Transfers out	(496,242)	(58,890)	(555,132)
Long-term debt issued	959,899	500,000	1,459,899
Total other financing sources (uses)	<u>1,412,547</u>	<u>696,565</u>	<u>2,109,112</u>
Net change in fund balances	918,646	119,208	1,037,854
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>8,612,192</u>	<u>465,472</u>	<u>9,077,664</u>
End of year - June 30	<u>\$ 9,530,838</u>	<u>\$ 584,680</u>	<u>\$ 10,115,518</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINSTON, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the Statement of Activities are different due to the following items:

Net change in fund balances - governmental funds (Exhibit D)	\$ 1,037,854
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	2,359,575
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,290,439)
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement differences causes timing of revenue recognition differences for the following revenue types:	
Property taxes and assessment fees	2,617
Change in deferred outflow - pension	(3,517)
Change in deferred inflows - pension	1,831,097
Change in net pension liability	(1,548,526)
Internal service funds are used to charge costs to individual funds. The net income of certain activities of the internal service funds are reported with governmental activities.	365,828
The issuance of long-term debt provides current financial resources to the 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 is the amount by which proceeds of long-term debt exceeded principal repayments in the governmental funds in the current period.	(941,552)
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	5,941
Expenses related to the increase in vacation and sick pay, the increase in the net pension obligations, separation allowance, and OPEB in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds. This adjustment is the amount of net change in these balances in the current year.	<u>(89,401)</u>
Total changes in net position of governmental activities	<u>\$ 1,729,477</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF KINSTON, NORTH CAROLINA

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance From Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,515,829	\$ 10,530,204	\$ 10,395,234	\$ (134,970)
Sales and services	1,832,505	1,832,505	1,743,150	(89,355)
Other taxes and licenses	5,898,361	5,952,703	6,166,910	214,207
Unrestricted intergovernmental	378,869	378,869	375,763	(3,106)
Restricted intergovernmental	858,414	929,714	893,821	(35,893)
Investment earnings	10,000	10,000	15,354	5,354
Other	294,030	421,830	291,327	(130,503)
Total revenues	<u>19,788,008</u>	<u>20,055,825</u>	<u>19,881,559</u>	<u>(174,266)</u>
<b>Expenditures:</b>				
Current:				
General government	2,637,098	2,842,715	2,435,551	407,164
Public safety	10,689,043	10,770,360	9,879,557	890,803
Public services	2,156,508	2,356,508	2,131,768	224,740
Parks and recreation	4,312,896	4,576,355	4,285,685	290,670
Community development	1,722,875	1,717,641	1,642,899	74,742
Total expenditures	<u>21,518,420</u>	<u>22,263,579</u>	<u>20,375,460</u>	<u>1,888,119</u>
Revenues over (under) expenditures	<u>(1,730,412)</u>	<u>(2,207,754)</u>	<u>(493,901)</u>	<u>1,713,853</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	890,075	940,075	948,890	8,815
Transfers (out)	(540,315)	(740,315)	(496,242)	244,073
Long-term debt issued	1,100,000	1,100,000	959,899	(140,101)
Appropriated fund balance	280,652	907,994	-	(907,994)
Total other financing sources (uses)	<u>1,730,412</u>	<u>2,207,754</u>	<u>1,412,547</u>	<u>(795,207)</u>
Net change in fund balance	\$ -	\$ -	918,646	\$ 918,646
<b>Fund Balance:</b>				
Beginning of year - July 1				<u>8,612,192</u>
End of year - June 30				<u>\$ 9,530,838</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF KINSTON, NORTH CAROLINA****STATEMENT OF FUND NET POSITION****PROPRIETARY FUNDS**

JUNE 30, 2016

	<b>Major Enterprise Funds</b>			<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>			
<b>Assets:</b>						
Current assets:						
Cash and investments	\$ 11,604,813	\$ 4,529,588	\$ 4,165,082	\$ 1,531,871	\$ 21,831,354	\$ 3,618,967
Accounts receivable	96,279	83,349	16,769	563,210	759,607	53,977
Customer receivables, net	5,370,598	1,085,152	690,603	-	7,146,353	-
Inventories	1,005,849	330,052	-	-	1,335,901	256,287
Restricted cash and equivalents	1,608,008	-	-	-	1,608,008	-
Total current assets	<u>19,685,547</u>	<u>6,028,141</u>	<u>4,872,454</u>	<u>2,095,081</u>	<u>32,681,223</u>	<u>3,929,231</u>
Non-current assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	594,340	41,276,198	-	45,542,428	19,468
Distribution system	39,584,277	15,410,652	52,016,772	-	107,011,701	-
Equipment	2,288,919	2,574,022	2,227,976	5,072,114	12,163,031	764,452
Accumulated depreciation	(25,789,583)	(12,665,753)	(32,338,543)	(3,506,397)	(74,300,276)	(437,692)
Construction in progress	1,645,881	531,667	4,390,870	-	6,568,418	21,097
Total capital assets, net	<u>21,603,764</u>	<u>6,511,533</u>	<u>68,526,931</u>	<u>1,565,717</u>	<u>98,207,945</u>	<u>367,325</u>
Total non-current assets	<u>21,603,764</u>	<u>6,511,533</u>	<u>68,526,931</u>	<u>1,565,717</u>	<u>98,207,945</u>	<u>367,325</u>
Total assets	<u>41,289,311</u>	<u>12,539,674</u>	<u>73,399,385</u>	<u>3,660,798</u>	<u>130,889,168</u>	<u>4,296,556</u>
<b>Deferred Outflows of Resources:</b>						
Pension related deferrals	429	429	300	386	1,544	-
Contributions to pension plan in current fiscal year	97,715	97,715	68,400	87,943	351,773	-
Total deferred outflows of resources	<u>98,144</u>	<u>98,144</u>	<u>68,700</u>	<u>88,329</u>	<u>353,317</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	3,164,446	141,904	98,601	290,748	3,695,699	491,546
Liabilities payable from restricted assets:						
Customer deposits	1,608,008	-	-	-	1,608,008	-
Current portion of compensated absences	19,449	14,022	8,211	19,049	60,731	27,336
Current portion of long-term debt	748,693	303,730	1,096,535	255,822	2,404,780	8,067
Total current liabilities	<u>5,540,596</u>	<u>459,656</u>	<u>1,203,347</u>	<u>565,619</u>	<u>7,769,218</u>	<u>526,949</u>
Non-current liabilities:						
Net pension liability	103,308	103,308	72,316	92,978	371,910	-
Accrued compensated absences	49,617	58,832	23,462	57,146	189,057	90,317
Non-current portion of long-term debt	3,411,549	1,264,326	7,561,850	677,250	12,914,975	24,201
Total non-current liabilities	<u>3,564,474</u>	<u>1,426,466</u>	<u>7,657,628</u>	<u>827,374</u>	<u>13,475,942</u>	<u>114,518</u>
Total liabilities	<u>9,105,070</u>	<u>1,886,122</u>	<u>8,860,975</u>	<u>1,392,993</u>	<u>21,245,160</u>	<u>641,467</u>
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	<u>59,320</u>	<u>59,320</u>	<u>41,524</u>	<u>53,388</u>	<u>213,552</u>	<u>-</u>
<b>Net Position:</b>						
Net investment in capital assets	17,443,522	4,943,477	59,868,546	632,645	82,888,190	335,057
Unrestricted	<u>14,779,543</u>	<u>5,748,899</u>	<u>4,697,040</u>	<u>1,670,101</u>	<u>26,895,583</u>	<u>3,320,032</u>
Total net position	<u>\$ 32,223,065</u>	<u>\$ 10,692,376</u>	<u>\$ 64,565,586</u>	<u>\$ 2,302,746</u>	<u>109,783,773</u>	<u>\$ 3,655,089</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>2,565,915</u>	
Total					<u>\$ 112,349,688</u>	

The accompanying notes are an integral part of the financial statements.

## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
<b>Operating Revenues:</b>						
Charges for services	\$ 49,023,637	\$ 8,877,654	\$ 6,065,414	\$ 6,075,499	\$ 70,042,204	\$ 3,717,005
Other	495,327	256,729	22,382	34,437	808,875	10,443
Total operating revenues	<u>49,518,964</u>	<u>9,134,383</u>	<u>6,087,796</u>	<u>6,109,936</u>	<u>70,851,079</u>	<u>3,727,448</u>
<b>Operating Expenses:</b>						
Administration	-	-	-	-	-	1,563,712
Public service operations	-	-	-	-	-	1,071,177
Warehouse operations	-	-	-	-	-	381,014
Electrical operations	38,894,398	-	-	-	38,894,398	-
Environmental services	-	-	-	3,067,605	3,067,605	-
Stormwater services	-	-	-	795,697	795,697	-
Community center services	-	-	-	1,787,220	1,787,220	-
Water production	-	365,775	-	-	365,775	-
Depreciation	964,102	500,246	2,281,009	404,135	4,149,492	99,546
Water operations	-	6,639,964	-	-	6,639,964	-
Wastewater plant operations	-	-	3,854,686	-	3,854,686	-
Claims reimbursement	-	-	-	-	-	321,700
Total operating expenses	<u>39,858,500</u>	<u>7,505,985</u>	<u>6,135,695</u>	<u>6,054,657</u>	<u>59,554,837</u>	<u>3,437,149</u>
Operating income (loss)	<u>9,660,464</u>	<u>1,628,398</u>	<u>(47,899)</u>	<u>55,279</u>	<u>11,296,242</u>	<u>290,299</u>
<b>Non-Operating Revenues (Expenses):</b>						
Interest earned on investments	15,011	5,533	13,846	11,598	45,988	4,838
Loss on disposal of assets	(413,578)	-	-	-	(413,578)	-
Interest on long-term debt	(81,360)	(23,501)	(215,622)	(7,968)	(328,451)	-
Economic development reimbursements	-	(38,944)	(8,345)	-	(47,289)	-
Miscellaneous revenue	-	-	495	-	495	-
Total non-operating revenues (expenses)	<u>(479,927)</u>	<u>(56,912)</u>	<u>(209,626)</u>	<u>3,630</u>	<u>(742,835)</u>	<u>4,838</u>
Income (loss) before capital contributions and transfers	<u>9,180,537</u>	<u>1,571,486</u>	<u>(257,525)</u>	<u>58,909</u>	<u>10,553,407</u>	<u>295,137</u>
<b>Capital Contributions and Transfers:</b>						
Capital contributions	129,490	-	206,731	-	336,221	-
Transfers in	-	123,202	-	-	123,202	620,856
Transfers (out)	(841,740)	(90,788)	(106,585)	(264,158)	(1,303,271)	(90,000)
Total contributions and transfers	<u>(712,250)</u>	<u>32,414</u>	<u>100,146</u>	<u>(264,158)</u>	<u>(843,848)</u>	<u>530,856</u>
Change in net position	8,468,287	1,603,900	(157,379)	(205,249)	9,709,559	825,993
<b>Net Position:</b>						
Beginning of year - July 1	<u>23,754,778</u>	<u>9,088,476</u>	<u>64,722,965</u>	<u>2,507,995</u>		<u>2,829,096</u>
End of year - June 30	<u>\$ 32,223,065</u>	<u>\$ 10,692,376</u>	<u>\$ 64,565,586</u>	<u>\$ 2,302,746</u>		<u>\$ 3,655,089</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>460,165</u>	
Total change in net position					<u>\$ 10,169,724</u>	

The accompanying notes are an integral part of the financial statements.

## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 50,712,823	\$ 9,051,232	\$ 6,214,748	\$ 6,066,306	\$ 72,045,109	\$ 3,723,125
Cash paid to suppliers for goods and services	(38,919,230)	(5,789,933)	(3,596,975)	(3,529,004)	(51,835,142)	(1,200,511)
Cash paid to employees	(1,325,982)	(1,319,373)	(737,196)	(2,120,427)	(5,502,978)	(2,110,453)
Customer deposits	(40,185)	-	-	-	(40,185)	-
Net cash provided (used) by operating activities	<u>10,427,426</u>	<u>1,941,926</u>	<u>1,880,577</u>	<u>416,875</u>	<u>14,666,804</u>	<u>412,161</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers from other funds	-	123,202	-	-	123,202	620,856
Transfers to other funds	(841,740)	(90,788)	(106,585)	(264,158)	(1,303,271)	(90,000)
Advances to/from other funds	<u>221,402</u>	<u>-</u>	<u>792,185</u>	<u>-</u>	<u>1,013,587</u>	<u>(137,706)</u>
Net cash provided (used) by non-capital financing activities	<u>(620,338)</u>	<u>32,414</u>	<u>685,600</u>	<u>(264,158)</u>	<u>(166,482)</u>	<u>393,150</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(1,237,310)	(818,961)	(1,034,865)	(715,840)	(3,806,976)	(73,645)
Proceeds from long-term debt	-	405,639	77,804	731,658	1,215,101	-
Principal paid on general obligation bond maturities and equipment contracts	(729,083)	(219,090)	(1,065,021)	(112,499)	(2,125,693)	(8,067)
Interest paid on bonded indebtedness and equipment contracts	(81,360)	(23,501)	(215,622)	(7,968)	(328,451)	-
Contributed capital	<u>129,490</u>	<u>-</u>	<u>206,731</u>	<u>-</u>	<u>336,221</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,918,263)</u>	<u>(655,913)</u>	<u>(2,030,973)</u>	<u>(104,649)</u>	<u>(4,709,798)</u>	<u>(81,712)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	<u>15,011</u>	<u>5,533</u>	<u>13,846</u>	<u>11,598</u>	<u>45,988</u>	<u>4,838</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>7,903,836</u>	<u>1,323,960</u>	<u>549,050</u>	<u>59,666</u>	<u>9,836,512</u>	<u>728,437</u>
<b>Cash and Cash Equivalents/Investments:</b>						
Beginning of year - July 1	<u>5,308,985</u>	<u>3,205,628</u>	<u>3,616,032</u>	<u>1,472,205</u>	<u>13,602,850</u>	<u>2,890,530</u>
End of year - June 30	<u>\$ 13,212,821</u>	<u>\$ 4,529,588</u>	<u>\$ 4,165,082</u>	<u>\$ 1,531,871</u>	<u>\$ 23,439,362</u>	<u>\$ 3,618,967</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 9,660,464	\$ 1,628,398	\$ (47,899)	\$ 55,279	\$ 11,296,242	\$ 290,299
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation	964,102	500,246	2,281,009	404,135	4,149,492	99,546
Non-operating revenues (expenses)	-	(38,944)	(7,850)	-	(46,794)	-
<b>Change in Assets and Liabilities:</b>						
(Increase) decrease in accounts receivable	1,193,859	(83,151)	126,951	(43,630)	1,194,029	(4,323)
Increase (decrease) in customer deposits	(40,185)	-	-	-	(40,185)	-
(Increase) decrease in inventories	(59,279)	(55,740)	-	-	(115,019)	26,223
Increase (decrease) in accounts payable	(1,239,202)	17,952	(439,945)	40,002	(1,621,193)	(952)
Decrease in net pension asset	138,649	138,649	97,055	124,785	499,138	-
Increase in net pension liability	103,308	103,308	72,316	92,978	371,910	-
Decrease in deferred inflows	(286,109)	(286,109)	(200,276)	(257,498)	(1,029,992)	-
(Increase) decrease in deferred outflows of resources for pensions	549	549	385	495	1,978	-
Increase (decrease) in compensated absences payable	(8,730)	16,768	(1,169)	329	7,198	1,368
Net cash provided (used) by operating activities	<u>\$ 10,427,426</u>	<u>\$ 1,941,926</u>	<u>\$ 1,880,577</u>	<u>\$ 416,875</u>	<u>\$ 14,666,804</u>	<u>\$ 412,161</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>						
Loss on the disposal of capital asset	<u>\$ (413,578)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (413,578)</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

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# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 1. Summary of Significant Accounting Policies

The City of Kinston (the “City”) was incorporated in 1762 and operates under a Council/Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation and recycling, water and sewer, electric, stormwater management, planning and zoning, recreation, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

#### A. Reporting Entity

The City of Kinston is a municipal corporation, which is governed by an elected Mayor and a five-member Council.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

#### B. Basis of Presentation

##### **Government-Wide and Fund Financial Statements**

*Government-Wide Statements:* The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

Governmental funds are used to account for the City's general governmental activities.

The City reports the following major governmental fund:

**General Fund.** The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, and State-shared revenue. The primary expenditures are for public safety, public services, parks and recreation, planning and community economic development, and general government services.

The City reports the following nonmajor governmental funds:

**Special Revenue Funds.** The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City has 15 special revenue funds; the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

**Capital Project Funds.** Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City has 12 capital project funds; the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

**Permanent Fund.** The Permanent Fund accounts for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City has one Permanent Fund, the Temple Israel Perpetual Care Fund, which is used to account for unexpendable principal funds, the revenue from which is used to maintain the Temple Israel's cemetery grounds.

Proprietary funds include the following major funds:

**Electric Enterprise Fund.** The Electric Enterprise Fund accounts for the electric activities of the City. The primary revenue consists of user charges for services. The primary expenses are for purchase, transmission, and distribution of electrical power to the City's customers. The Electric Capital Project Fund and the Electric Capital Reserve Fund are consolidated with the Electric Enterprise Fund (the operating fund) for financial reporting purposes.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Water Enterprise Fund.** The Water Enterprise Fund accounts for the water activities of the City. The primary revenue consists of user charges for services. The primary expenses are for pumping and distribution of water to the City's customers. The Water Capital Project Fund and the Water Capital Reserve Fund is consolidated with the Water Enterprise Fund (the operating fund) for financial reporting purposes.

**Wastewater Enterprise Fund.** The Wastewater Enterprise Fund accounts for the sewer activities of the City. The primary revenue consists of user charges for services. The primary expenses are for treatment and collection of sewer for the City's customers. The Wastewater Capital Project Fund and the Wastewater Capital Reserve Fund are consolidated with the Wastewater Enterprise Fund (the operating fund) for financial reporting purposes.

The City reports the following nonmajor enterprise funds:

**Environmental Services Fund.** The Environmental Services Enterprise Fund accounts for the sanitation collection and disposal activities of the City. The primary revenue consists of user charges for services. The primary expenses are for collection and disposal of solid waste for the City's customers.

**Stormwater Fund.** The Stormwater Fund accounts for activities associated with building, improving, and maintaining the stormwater drainage system. The Stormwater Capital Project Fund is consolidated with the Stormwater Enterprise Fund (the operating fund) for financial reporting purposes.

**Woodmen of the World Community Center Fund.** The Woodmen of the Word Community Center Fund accounts for activities associated with managing the Woodmen Community Center and Lions Water Adventure Park.

Additionally, the government reports the following fund types:

**Internal Service Funds.** The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The City of Kinston has four internal service funds: the Employee Health Fund, the Fleet Maintenance Fund, the Warehouse Fund, and the Public Services Administration Fund. The Employee Health Fund is used to account for the City's decision to finance workers' compensation insurance coverage internally rather than through a private insurance carrier because of anticipated cost savings. The Fleet Maintenance Fund is used to account for the accumulation and allocation of costs associated with the City's central garage. The Warehouse Fund is used to account for the purchases of fuel and fleet maintenance inventory. The Public Services Administration Fund is used to account for the accumulation and allocation of costs associated with the management of utility and engineering services and also utility billing and customer service. The Employee Health Fund, the Fleet Maintenance Fund, and the Warehouse Fund are accounted for in the governmental activities in the government-wide financial statements, and the individual fund data is provided in the Internal Service Fund section of the report. The Public Services Administration Fund is accounted for in the business-type activities in the government-wide financial statements, and the individual fund data is provided in the Internal Service Fund section of the report.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### C. Measurement Focus and Basis of Accounting

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

*Government-Wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants 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 as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds are charges to customers for sales and services. 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 City 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 a 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. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that 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.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the government are recognized as revenue. Sales taxes are considered a shared revenue for the City of Kinston because the tax is levied by Lenoir County and then remitted to and distributed by the State. Intergovernmental revenues, sales and services, and fines and permits 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. Licenses, fines, permits, and other revenue are not susceptible to accrual because they are generally not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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

#### **D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. Annual appropriated budgets are adopted for the General Fund, the Community Development Administration Fund, the Capital Reserve Fund, the Temple Israel Perpetual Care Fund, and all proprietary operating funds. All annual appropriations lapse at fiscal year-end. Project length budgets are adopted for all other special revenue funds and all capital project funds, and appropriations therein lapse at the completion of the project.

Also, as required by State law, the City's Employee Health Fund, Fleet Maintenance Fund, Warehouse Inventory Fund, and Public Services Fund (internal service funds) operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level in the General Fund and department level for all other annually budgeted funds and at the object total level for all project funds. Any revisions that alter total expenditures of any department must be approved by the City Council. The City Council has the authority to amend the budget as they deem appropriate during the year to reflect the economic circumstances of the City.

On or before March 15 of each year, all departments of the City submit requests for appropriation to the City's Budget Officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

After the City Manager review, the City Manager's proposed budget is presented during May to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

During the year, several amendments to the original General Fund budget were necessary, the effects of which were not material.

A budget calendar is included in State law that prescribes the last day on which certain steps of the budget procedures 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 departmental budget requests and revenue estimates 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.

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

##### **Deposits**

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

##### **Investments**

State law [G.S. 159-30(c)] authorizes the City 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 City's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

##### **Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

##### **Restricted Assets**

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Certain unexpended grant revenues are classified as restricted assets since their use is restricted for the purpose of the grant.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

Restricted cash at June 30, 2016, consists of the following:

#### **Governmental Activities:**

##### **General Fund:**

Unexpended grant revenues	\$ 91,800
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##### **Special Revenue Funds:**

Hurricane Irene - FEMA - 4019-DR-NC - unexpended grant revenues	77,003
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##### **Capital Project Funds:**

Train Depot Fund - unexpended grant revenues	51
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Total governmental activities	<u>\$ 168,854</u>
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#### **Business-Type Activities:**

Electric Fund - customer deposits	<u>\$ 1,608,008</u>
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#### **Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City 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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

#### **Allowances for Doubtful Accounts**

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

#### **Inventory**

Inventories in governmental funds are reported at cost, using the first-in/first-out (FIFO) method, which approximates market. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventories of enterprise funds are reported at the lower of cost using the FIFO method or market. The inventories consist of various items used in the maintenance of existing utility systems and expansion of new systems. Depending on the eventual use of these inventories, these items may be expensed in the future as maintenance of existing systems or capitalized as a part of the development of new systems.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Capital Assets**

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g. roads, bridges, traffic signals, and other similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 for equipment, vehicles, buildings, and other improvements, and \$100,000 for infrastructure and an estimated useful life in excess of one year. All purchased capital assets are valued at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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. Costs associated with construction in progress are recorded in their respective capital asset category upon approval by the City Council, which approximates the completion date.

It is the City's policy to take full-year depreciation in the first year of service, but not to provide for depreciation in the year of disposal. Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset.

The following estimated useful lives are used to compute depreciation:

<b>Asset</b>	<b>Estimated Useful Lives</b>
Building and improvements	40 years
Collection and distribution systems	25-40 years
Equipment	3-15 years
Infrastructure	20 years

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has five items that meet the criterion for this category - prepaid taxes, property taxes receivable, GTP fire taxes receivable, pavement assessment receivables, and deferrals of pension expense that result from the implementation of GASB Statement 68.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Compensated Absences**

The vacation policy of the City provides for the accumulation of up to 30 days earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements. The City has assumed a first-in/first-out method of using accumulated compensated time. The portion of the accumulated vacation pay that is estimated to be used within the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Upon termination of employment, accumulated sick leave is forfeited. Upon retirement, a certain portion of accumulated sick leave may be used in the determination of length of service for retirement benefit purposes. No obligation of the employer results from such application and, therefore, no accrual has been made.

#### **Net Position/Fund Balances**

##### **Net Position**

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

##### **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.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The governmental fund types classify fund balances as follows:

**Non-Spendable 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.

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Perpetual Maintenance* – cemetery resources that are required to be retained in perpetuity for maintenance of the Temple Israel Cemetery.

*Notes Receivable* – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.

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

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

*Perpetual Care* – cemetery resources that are required to be restricted for maintenance of the Temple Israel Cemetery.

*Public Safety* – portion of fund balance that is restricted by revenue source for public safety expenditures.

*Community Development* – portion of fund balance that is restricted by unspent grant proceeds solely for community development expenditures.

Restricted fund balance and net position at June 30, 2016 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
<b>Restricted, All Other:</b>		
Community development	\$ 51	\$ 51
Perpetual care	75,339	75,339
Public safety	77,003	77,003
Total	<u>\$ 152,393</u>	<u>\$ 152,393</u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Committed Fund Balance.** This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for General Government* – represents the portion of fund balance committed by the governing body for future general government capital related purposes.

*Committed for Public Safety* – portion of fund balance that is committed by the governing body for law enforcement equipment and operational activities.

*Committed for Community Development* – portion of fund balance that is committed by the governing body for community development.

*Committed for Cultural and Recreation* – portion of fund balance that is committed by the governing body for cultural and recreation activities.

Committed fund balance at June 30, 2016 is as follows:

<b>Purpose</b>	<b>Other Governmental Funds</b>
General government	\$ 106,927
Public safety	87,496
Community development	79,810
Cultural and recreation	8,250
Total	<u><u>\$ 282,483</u></u>

**Assigned Fund Balance.** Assigned fund balance is the portion of fund balance that the City of Kinston intends to use for specific purposes. The City's governing body approves the appropriation; however, the budget ordinance authorizes the Manager and the Finance Officer to transfer appropriations from one line item within a departmental budget so long as the total departmental appropriations including capital outlay shall not be increased. However, no funds may be transferred from the salary and benefits accounts within a department without prior approval of the City Council. Funds cannot be transferred from one department to another without prior approval of the City Council. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned for Community Development* – portion of fund balance that has been budgeted by Council for community development.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Assigned fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
Community development	\$ <u>39,379</u>

**Unassigned Fund Balance.** Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The City 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 non-City funds, and 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 has the authority to deviate from this policy if it is in the best interest of the City.

The City has not officially adopted a fund balance policy.

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	\$ 9,530,838
Less:	
Inventories	67,491
Stabilization by State statute	<u>1,083,298</u>
Total available fund balance	\$ <u>8,380,049</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<u>General Fund</u>
Encumbrances	\$ <u>156,008</u>

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Pensions**

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Kinston's employer contributions are recognized when due, and the City of Kinston has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

#### **2. Stewardship, Compliance, and Accountability**

##### **A. Deficit in Fund Balance or Net Position of Individual Funds**

The City has fund balance deficits in individual funds at June 30, 2016 as follows:

##### **Nonmajor Special Revenue Funds:**

2015 Edward Byrne Memorial JAG Grant	\$ 11,255
Brownfields EPA Grant	100,132

##### **Nonmajor Capital Project Funds:**

Battlefield Parkway/Soccer Complex	\$ 3,488
CWMFT Flood Buy-Out II	20,680
General Fund Small Projects Fund	2,313

The deficits in the nonmajor special revenue funds and capital project funds are the result of revenue timing and will be funded by future grant revenues.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **3. Detail Notes On All Funds**

##### **A. Assets**

###### **Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. 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 City, these deposits are considered to be held by the City's agent in the unit's name. 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 City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of \$30,488,264 and a bank balance of \$30,846,619. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2016, the City's petty cash fund totaled \$17,550.

###### **Investments**

At June 30, 2016, the City had \$6,702,669 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **Receivables – Allowances for Doubtful Accounts**

The receivables shown in the Balance Sheet and the Statement of Net Position at June 30, 2016 are net of the following allowances for doubtful accounts:

<b>Fund</b>	
<b>General Fund:</b>	
Taxes receivable	\$ 141,840
<b>Enterprise Funds:</b>	
Electric Fund	1,710,436
Water Fund	411,164
Wastewater Fund	298,706
Nonmajor enterprise funds	146,175
Total enterprise funds	2,566,481
 Total allowances for doubtful accounts	 \$ 2,708,321

Due from other governments that is owed to the City consists of the following:

	<b>Governmental Activities</b>
Due from other governments:	
Local option sales tax and other	
State shared revenues	\$ 465,893
State and local sales tax	164,675
Total	630,568

#### **Long-Term Loan Receivables**

The City issued a note receivable on February 27, 2014 in the amount of \$225,000 from Abby Gardens, LLC in the Community Development Administration Fund for various water and sewer improvements to the Abby Gardens 48 unit apartment complex for seniors of low to middle income, payable over 20 years. Interest is calculated at 0%. Principal is due annually through April 2034. The amount outstanding at June 30, 2016 is \$209,365.

# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Governmental Funds:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,482,916	\$ 112,066	\$ -	\$ 3,594,982
Construction in progress	4,088,266	714,598	(2,982,444)	1,820,420
Total capital assets not being depreciated	<u>7,571,182</u>	<u>826,664</u>	<u>(2,982,444)</u>	<u>5,415,402</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	15,267,158	2,956,694	-	18,223,852
Equipment	5,277,390	383,313	(67,256)	5,593,447
Vehicles	7,473,615	367,430	(513,617)	7,327,428
Infrastructure	6,105,062	807,918	-	6,912,980
Total capital assets being depreciated	<u>34,123,225</u>	<u>4,515,355</u>	<u>(580,873)</u>	<u>38,057,707</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(6,120,373)	(506,807)	-	(6,627,180)
Equipment	(4,403,274)	(330,123)	67,256	(4,666,141)
Vehicles	(6,990,921)	(243,619)	513,617	(6,720,923)
Infrastructure	(4,557,136)	(205,153)	-	(4,762,289)
Total accumulated depreciation	<u>(22,071,704)</u>	<u>\$ (1,285,702)</u>	<u>\$ 580,873</u>	<u>(22,776,533)</u>
Total capital assets being depreciated, net	<u>12,051,521</u>			<u>15,281,174</u>
Total	<u>\$ 19,622,703</u>			<u>\$ 20,696,576</u>
 <b>Employee Health and Insurance</b>				
<b>Internal Service Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	\$ 19,468	\$ -	\$ -	\$ 19,468
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(10,221)	(487)	-	(10,708)
Total accumulated depreciation	<u>(10,221)</u>	<u>\$ (487)</u>	<u>\$ -</u>	<u>(10,708)</u>
Total capital assets being depreciated, net	<u>9,247</u>			<u>8,760</u>
Total Employee Health and Insurance Fund capital assets, net	<u>\$ 9,247</u>			<u>\$ 8,760</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Fleet Maintenance Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	\$ 129,121	\$ -	\$ -	\$ 129,121
Vehicles	66,879	-	-	66,879
Total capital assets being depreciated	<u>196,000</u>	<u>-</u>	<u>-</u>	<u>196,000</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(114,248)	(4,250)	-	(118,498)
Vehicles	(66,879)	-	-	(66,879)
Total accumulated depreciation	<u>(181,127)</u>	<u>\$ (4,250)</u>	<u>\$ -</u>	<u>(185,377)</u>
Total capital assets being depreciated, net	<u>14,873</u>			<u>10,623</u>
Fleet Maintenance Fund capital assets, net	<u><u>\$ 14,873</u></u>			<u><u>\$ 10,623</u></u>
<b>Total Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,482,916	\$ 112,066	\$ -	\$ 3,594,982
Construction in progress	4,088,266	714,598	(2,982,444)	1,820,420
Total capital assets not being depreciated	<u>7,571,182</u>	<u>826,664</u>	<u>(2,982,444)</u>	<u>5,415,402</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	15,286,626	2,956,694	-	18,243,320
Equipment	5,406,511	383,313	(67,256)	5,722,568
Vehicles	7,540,494	367,430	(513,617)	7,394,307
Infrastructure	6,105,062	807,918	-	6,912,980
Total capital assets being depreciated	<u>34,338,693</u>	<u>4,515,355</u>	<u>(580,873)</u>	<u>38,273,175</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(6,130,594)	(507,294)	-	(6,637,888)
Equipment	(4,517,522)	(334,373)	67,256	(4,784,639)
Vehicles	(7,057,800)	(243,619)	513,617	(6,787,802)
Infrastructure	(4,557,136)	(205,153)	-	(4,762,289)
Total accumulated depreciation	<u>(22,263,052)</u>	<u>\$ (1,290,439)</u>	<u>\$ 580,873</u>	<u>(22,972,618)</u>
Total capital assets being depreciated, net	<u>12,075,641</u>			<u>15,300,557</u>
Total governmental activities capital assets, net	<u><u>\$ 19,646,823</u></u>			<u><u>\$ 20,715,959</u></u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

General government	\$ 262,598
Public safety	434,562
Public works	399,156
Parks and recreation	35,698
Community development	153,688
Internal service funds	4,737
<b>Total</b>	<b><u>\$ 1,290,439</u></b>

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Business-Type Activities:</b>				
<b>Electric Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	<u>1,386,009</u>	<u>313,072</u>	<u>(53,200)</u>	<u>1,645,881</u>
<b>Total capital assets not being depreciated</b>	<b><u>1,588,389</u></b>	<b><u>313,072</u></b>	<b><u>(53,200)</u></b>	<b><u>1,848,261</u></b>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	773,875	226,153	-	1,000,028
Vehicles	1,274,496	35,596	(21,200)	1,288,892
Distribution system	<u>39,282,166</u>	<u>662,489</u>	<u>(360,379)</u>	<u>39,584,276</u>
<b>Total capital assets being depreciated</b>	<b><u>45,002,427</u></b>	<b><u>924,238</u></b>	<b><u>(381,579)</u></b>	<b><u>45,545,086</u></b>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(2,863,418)	(73,053)	-	(2,936,471)
Equipment	(715,893)	(22,220)	-	(738,113)
Vehicles	(1,236,634)	(44,982)	21,201	(1,260,415)
Distribution system	<u>(20,030,737)</u>	<u>(823,847)</u>	<u>-</u>	<u>(20,854,584)</u>
<b>Total accumulated depreciation</b>	<b><u>(24,846,682)</u></b>	<b><u>\$ (964,102)</u></b>	<b><u>\$ 21,201</u></b>	<b><u>(25,789,583)</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>20,155,745</u></b>			<b><u>19,755,503</u></b>
<b>Electric Fund capital assets, net</b>	<b><u>\$ 21,744,134</u></b>			<b><u>\$ 21,603,764</u></b>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Water Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 66,605	\$ -	\$ -	\$ 66,605
Construction in progress	33,001	498,666	-	531,667
Total capital assets not being depreciated	<u>99,606</u>	<u>498,666</u>	<u>-</u>	<u>598,272</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	577,040	17,300	-	594,340
Equipment	1,008,669	216,402	(68,290)	1,156,781
Vehicles	1,496,567	56,930	(136,256)	1,417,241
Infrastructure	41,195	-	-	41,195
Distribution system	<u>15,339,794</u>	<u>29,663</u>	<u>-</u>	<u>15,369,457</u>
Total capital assets being depreciated	<u>18,463,265</u>	<u>320,295</u>	<u>(204,546)</u>	<u>18,579,014</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(577,040)	(865)	-	(577,905)
Equipment	(826,644)	(102,300)	68,290	(860,654)
Vehicles	(1,283,649)	(82,199)	136,256	(1,229,592)
Infrastructure	(12,639)	(1,881)	-	(14,520)
Distribution system	<u>(9,670,081)</u>	<u>(313,001)</u>	<u>-</u>	<u>(9,983,082)</u>
Total accumulated depreciation	<u>(12,370,053)</u>	<u>\$ (500,246)</u>	<u>\$ 204,546</u>	<u>(12,665,753)</u>
Total capital assets being depreciated, net	<u>6,093,212</u>			<u>5,913,261</u>
Water Fund capital assets, net	<u>\$ 6,192,818</u>			<u>\$ 6,511,533</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Wastewater Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 953,658	\$ -	\$ -	\$ 953,658
Construction in progress	<u>3,495,804</u>	<u>924,217</u>	<u>(29,151)</u>	<u>4,390,870</u>
Total capital assets not being depreciated	<u>4,449,462</u>	<u>924,217</u>	<u>(29,151)</u>	<u>5,344,528</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,847,136	105,527	(19,122)	1,933,541
Vehicles	364,709	34,272	(104,546)	294,435
Distribution system	<u>52,016,772</u>	<u>-</u>	<u>-</u>	<u>52,016,772</u>
Total capital assets being depreciated	<u>95,504,815</u>	<u>139,799</u>	<u>(123,668)</u>	<u>95,520,946</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(9,139,711)	(978,323)	-	(10,118,034)
Equipment	(1,791,935)	(40,842)	19,122	(1,813,655)
Vehicles	(304,827)	(24,526)	104,546	(224,807)
Distribution system	<u>(18,944,729)</u>	<u>(1,237,318)</u>	<u>-</u>	<u>(20,182,047)</u>
Total accumulated depreciation	<u>(30,181,202)</u>	<u>\$ (2,281,009)</u>	<u>\$ 123,668</u>	<u>(32,338,543)</u>
Total capital assets being depreciated, net	<u>65,323,613</u>			<u>63,182,403</u>
Wastewater Fund capital assets, net	<u>\$ 69,773,075</u>			<u>\$ 68,526,931</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Environmental Services Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	\$ 579,508	\$ 11,742	\$ -	\$ 591,250
Vehicles	<u>3,048,512</u>	<u>461,078</u>	<u>(432,113)</u>	<u>3,077,477</u>
Total capital assets being depreciated	<u>3,628,020</u>	<u>472,820</u>	<u>(432,113)</u>	<u>3,668,727</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(497,145)	(28,942)	-	(526,087)
Vehicles	<u>(2,603,805)</u>	<u>(242,483)</u>	<u>432,113</u>	<u>(2,414,175)</u>
Total accumulated depreciation	<u>(3,100,950)</u>	<u>\$ (271,425)</u>	<u>\$ 432,113</u>	<u>(2,940,262)</u>
Total capital assets being depreciated, net	<u>527,070</u>			<u>728,465</u>
Environmental Services Fund capital assets, net	<u>\$ 527,070</u>			<u>\$ 728,465</u>
 <b>Stormwater Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ 503,038	\$ -	\$ (503,038)	\$ -
<b>Capital Assets Being Depreciated:</b>				
Equipment	96,336	-	-	96,336
Vehicles	<u>391,774</u>	<u>217,380</u>	<u>-</u>	<u>609,154</u>
Distribution system	<u>169,219</u>	<u>523,214</u>	<u>-</u>	<u>692,433</u>
Total capital assets being depreciated	<u>657,329</u>	<u>740,594</u>	<u>-</u>	<u>1,397,923</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(70,898)	(8,677)	-	(79,575)
Vehicles	<u>(325,604)</u>	<u>(88,319)</u>	<u>-</u>	<u>(413,923)</u>
Distribution system	<u>(36,923)</u>	<u>(34,621)</u>	<u>-</u>	<u>(71,544)</u>
Total accumulated depreciation	<u>(433,425)</u>	<u>\$ (131,617)</u>	<u>\$ -</u>	<u>(565,042)</u>
Total capital assets being depreciated, net	<u>223,904</u>			<u>832,881</u>
Stormwater Fund capital assets, net	<u>\$ 726,942</u>			<u>\$ 832,881</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Woodmen of the World</b>				
<b>Community Center Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	\$ _____ -	\$ 5,464	\$ _____ -	\$ 5,464
Total capital assets being depreciated	_____ -	5,464	_____ -	5,464
<b>Less Accumulated Depreciation:</b>				
Equipment	_____ -	(1,093)	_____ -	(1,093)
Total accumulated depreciation	_____ -	\$ (1,093)	\$ _____ -	(1,093)
Total capital assets being depreciated, net	_____ -			4,371
Woodmen of the World Fund Community Center Fund capital assets, net	\$ _____ -			\$ 4,371
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Public Services Internal Service Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ 280,268	\$ 21,097	\$ (280,268)	\$ 21,097
<b>Capital Assets Being Depreciated:</b>				
Equipment	161,389	303,121	-	464,510
Vehicles	96,297	23,753	(16,108)	103,942
Total capital assets being depreciated	257,686	326,874	(16,108)	568,452
<b>Less Accumulated Depreciation:</b>				
Equipment	(82,677)	(84,033)	-	(166,710)
Vehicles	(80,229)	(10,776)	16,108	(74,897)
Total accumulated depreciation	(162,906)	\$ (94,809)	\$ 16,108	(241,607)
Total capital assets being depreciated, net	94,780			326,845
Public Services Fund capital assets, net	375,048			347,942
Business-type activities capital assets, net	<u>\$ 99,339,087</u>			<u>\$ 98,555,887</u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **B. Liabilities**

##### **Payables**

Accounts payable and accrued liabilities at the government-wide level at June 30, 2016 were as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Accounts and vouchers	\$ 879,069	\$ 3,520,205	\$ 4,399,274
Accrued payroll and related liabilities	210,569	118,965	329,534
Employee health unpaid claims	380,000	-	380,000
<b>Total accounts payable and accrued liabilities</b>	<b><u>\$ 1,469,638</u></b>	<b><u>\$ 3,639,170</u></b>	<b><u>\$ 5,108,808</u></b>

##### **Pension Plan Obligations**

##### **Local Governmental Employees' Retirement System**

**Plan Description.** The City is a participating employer in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Kinston employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.78% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$977,146 for the year ended June 30, 2016.

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

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

At June 30, 2016, the City reported a liability of \$1,033,081 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.23019%, which was a decrease of 0.00491% from its proportion measured as of June 30, 2014.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

For the year ended June 30, 2016, the City recognized pension expense of \$541,127. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 242,833
Net difference between projected and actual earnings on pension plan investments	- -	294,114
Changes in proportion and differences between City contributions and proportionate share of contributions	4,288	56,252
City contributions subsequent to the measurement date	977,146	- -
Total	<u>\$ 981,434</u>	<u>\$ 593,199</u>

\$977,146 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	
<u>June 30</u>	<u>Amount</u>
2017	\$ (360,385)
2018	(360,385)
2019	(359,826)
2020	<u>491,685</u>
Total	<u>\$ (588,911)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period ended January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 7,203,804	\$ 1,033,081	\$ (4,165,620)

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

#### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The City of Kinston administers a public employees' retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	72
Total	84

A separate financial report was not issued for the plan.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **Summary of Significant Accounting Policies**

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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

*Contributions.* The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees for the year ended June 30, 2016.

The annual required contribution for the current year was determined as part of the December 31, 2014 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 increases 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-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The amortization period at December 31, 2014 was 16 years.

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

Annual required contribution	\$ 260,260
Interest on net pension obligation	62,100
Adjustment to annual required contribution	<u>(109,143)</u>
Annual pension cost	213,217
Contributions made	<u>178,498</u>
Increase in net pension obligation	34,719
Net pension obligation:	
Beginning of year - July 1	<u>1,242,010</u>
End of year - June 30	<u>\$ 1,276,729</u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 166,689	124.89%	\$ 1,199,823
2015	208,175	79.73%	1,242,010
2016	213,217	83.72%	1,276,729

#### Funded Status and Funding Progress

As December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$3,328,063. The covered payroll (annual payroll of active employees covered by the plan) was \$3,527,718, and the ratio of the UAAL to the covered payroll was 94.34%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

#### Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 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 City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2016 were \$235,852, which consisted of \$166,770 from the City and \$69,082 from the law enforcement officers.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **Separation Allowance Plan**

**Plan Description.** The City of Kinston administers a public employees' retirement system (the "Separation Allowance – Employees"), a single-employer, closed defined benefit pension plan that provides retirement benefits to the City employees hired before May 21, 1984. The monthly plan benefits are a percentage (from the table below) of pay at retirement less the sum of monthly benefits received from Social Security, the North Carolina Local Governmental Employees' Retirement System, and the North Carolina Law Enforcement Officers' Separation Allowance Plan.

<b>Years of Employment</b>	<b>Percentage of Pay</b>
Less than 10	0%
10, but less than 15	30%
15, but less than 20	40%
20 or more	50%

To receive the above separation allowance, a person must retire under the North Carolina Local Governmental Employees' Retirement System and not have rejected their benefits under this plan. This generally means that the employee has either completed 30 or more years of creditable service, or attained age 60 and completed 5 years of creditable service (age 55 in the case of firemen and law enforcement officers).

The benefits are payable for life under the plan. However, as a practical matter, the allowances are paid to age 62 when Social Security is available. The offset to Social Security benefits generally causes the plan benefits to be non-existent after age 62. As benefits are increased under Social Security or under the basic retirement plan, the benefits payable under this plan are reduced.

At June 30, 2016, the Separation Allowance – Employees' membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	1
Total	2

A separate financial report was not issued for the plan.

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

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

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*Contributions.* The City is required to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the July 1, 2015 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 8.55% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized on a level dollar open basis. The amortization period at July 1, 2015 was 6 years.

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

Annual required contribution	\$ 1,345
Interest on net pension obligation	1,295
Adjustment to annual required contribution	<u>(4,859)</u>
Annual pension cost	(2,219)
Benefit payments made	<u>1,996</u>
Increase (decrease) in net pension obligation	(4,215)
Net pension obligation:	
Beginning of year - July 1	<u>25,894</u>
End of year - June 30	<u><u>\$ 21,679</u></u>

#### Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ (3,396)	-159.2%	\$ 30,442
2015	(2,552)	-78.2%	25,894
2016	(2,219)	-90.0%	21,679

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$5,659. The covered payroll (annual payroll of active employees covered by the plan) was \$60,523, and the ratio of the UAAL to the covered payroll was 9.4%. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **Supplemental Retirement Income Plan**

The City offers its employees optional participation in the Supplemental Retirement Income Plan of North Carolina, a tax deferred investment program created in accordance with Internal Revenue Code Section 401(k). The plan, available to all permanent employees not engaged in law enforcement, permits them to defer a portion of their salary until future years. The City also contributes an amount equal to 1.5% of the employees' compensation and all contributions and investment earnings are 100% vested immediately and are not tied to years of service. However, the funds are not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan has a loan provision that allows participants to borrow from their account. Contributions for the year ended June 30, 2016 were \$342,517, which consisted of \$160,775 from the City and \$181,742 from the employees.

The Department of the State Treasurer and the Board of Trustees contracts with a third party to administer the Plan and to manage the investments of the participants. The choice of the investment options is made by the participants.

#### **Other Post-Employment Benefits**

##### **Healthcare Benefits**

**Plan Description.** In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement healthcare benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (NCLGERS), a single-employer defined benefit plan, and have at least twenty (20) years of creditable service under the NCLGERS, provided that the last ten years of continuous service were with the City. Each retired participant receives an annual retirement medical allowance, until he reaches age sixty-five (65), of \$12.37 per year of creditable service, not to exceed thirty (30) years, for each month of the medical plan year. The City obtains healthcare coverage through private insurers. A separate report was not issued for the Plan.

Membership of the Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	65
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	149
Total	<u>214</u>

**Funding Policy.** No member contributions are required. The full cost of the medical allowances is paid by the employer. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The current ARC rate is 3.81% of annual covered payroll. For the current year, the City contributed \$217,313, or 2.91%, of the annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers, represented 3.81% and 3.81% of covered payroll, respectively. There were no contributions made by employees. The City's obligation to contribute to the Plan is established and may be amended by the City Council.

#### **Summary of Significant Accounting Policies**

Post-employment 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. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

#### **Annual OPEB Cost and Net Obligation**

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 285,058
Interest on net OPEB obligation	12,432
Adjustments to annual required contribution	<u>(13,777)</u>
Annual OPEB cost (expense)	283,713
Contributions made	<u>(217,313)</u>
Increase (decrease) in net OPEB obligation	66,400
Net OPEB obligation:	
Beginning of year - July 1	<u>303,090</u>
End of year - June 30	<u><u>\$ 369,490</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2016 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 260,355	77.54%	\$ 227,629
2015	279,625	73.01%	303,090
2016	283,713	76.60%	369,490

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Funded Status and Funding Progress**

As of December 31, 2015, 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 \$3,191,248. The covered payroll (annual payroll of active employees covered by the Plan) was \$7,476,790, and the ratio of the UAAL to the covered payroll was 42.7%. 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 multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability 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 the employer and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75% 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. The investment rate 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 five-year period. The UAAL is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2015 was 20 years.

As of June 30, 2016, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

#### **Other Employment Benefits**

The City 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

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because, all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

The City has also elected to provide additional group term life insurance benefits up to 1.5 times the employee's base salary, not to exceed \$200,000. This coverage is provided at no extra cost to the employee. If the combined life insurance coverage exceeds the \$50,000 limit, the excess amount is multiplied by a premium cost factor per \$1,000 based on the employee's age at December 31 provided by the IRS. This amount is then added to the employee's taxable wages on a calendar year basis. For the fiscal year ended June 30, 2016, the City made contributions of \$60,300 for this additional group term life insurance.

#### **Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

	<b>Amount</b>
Pension deferral	\$ 4,288
Contributions to pension plan in current fiscal year	<u>977,146</u>
<b>Total</b>	<b><u>\$ 981,434</u></b>

Deferred inflows of resources at year-end are comprised of the following:

Property taxes receivable	\$ 734,980
Prepaid property taxes	4,866
Pavement assessment receivables	99,640
GTP fire taxes receivable	86
Differences between expected and actual experience	242,833
Net difference between projected and actual earnings on pension plan investments	294,114
Changes in proportion and differences between City's contributions and proportionate share of contributions	<u>56,252</u>
<b>Total</b>	<b><u>\$ 1,432,771</u></b>

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Inter-Local Risk Financing Fund (IRFFNC) for its general liability, property and auto liability coverage. This is one of three self-funded risk-financing pools administered by the North Carolina League of Municipalities. The City obtains general liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy and auto coverage up to \$1 million per occurrence. Additionally, through IRFFNC, the City obtains a \$5 million umbrella general liability policy for the Woodmen of the World Community Center. All other risks are covered through the purchase of commercial coverage at \$3 million per occurrence for Law Enforcement Liability, Public Officials Liability and Employment Practices Liability. The City is self-insured to a deductible of \$400,000 for workers' compensation. Safety National is the excess provider of workers' compensation coverage for claims resulting in excess of the City's retention. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

A total of \$321,700 in claims was incurred for benefits during fiscal year 2016.

#### **Claims Liability**

	<b>Year Ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Unpaid claims, beginning of fiscal year	\$ 380,000	\$ 380,000
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	321,700	455,793
Payments and reduction in claims estimates	<u>(321,700)</u>	<u>(455,793)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 380,000</u></u>	<u><u>\$ 380,000</u></u>

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

The City carries flood insurance through the National Flood Insurance Plan (NFIP). Because a portion of the City's Wastewater Reclamation Facility is in an area of the State that has been mapped and designated as an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage of \$500,000 through NFIP. The City is also eligible for, and has purchased, commercial flood insurance for another \$300,000 of coverage for the contents of the facility.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

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

#### **Claims, Judgments, and Contingent Liabilities**

At June 30, 2016, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

#### **Purchase Commitments**

The City, with seven other entities, participates in the Neuse Regional Water and Sewer Authority (Authority), a jointly governed entity created under Article 5 of North Carolina General Statutes Section 162A. The Authority was created to supply potable water to its members. As part of the binding interlocal agreement, which originally created the Authority, the City is obligated to pay for this water at rates set by the Agency and to set rates to its customers at a level such that sufficient water revenue is generated to meet the City's obligations to the Authority. Additionally, under this agreement, the City is obligated to pay a proportional share of the Authority's costs whether or not the Authority produces any treated water.

The City participates in the North Carolina Eastern Municipal Power Agency (Agency). Under the contracts executed by the City with the Agency, the Agency became the "all requirements" power supplier to the City. The City is obligated to pay for this power at rates set by the Agency and to set rates to its customers at a level such that sufficient electrical revenue is generated to meet the City's obligations to the Agency. The Agency furnishes power to the City by purchasing an undivided interest in some of Progress Energy's (formerly Carolina Power and Light Company) generating capacity and by contracting with Progress Energy to furnish all of the Agency's requirements. Under the terms of the agreement with the Agency, the City is obligated to pay a proportionate share of the Agency's obligation to Progress Energy for the purchase of generating capacity whether or not the generator produces power. This is commonly referred to as a "take or pay" contract in the electric industry.

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Long-Term Obligations**

**Installment Contracts**

<b>Year of Loan</b>	<b>Purpose and Collateral</b>	<b>Interest Rates</b>	<b>Maturity</b>	<b>Balance June 30, 2016</b>
<b>Governmental Activities:</b>				
<b>General Fund:</b>				
2002	Grainger Stadium Renovations	5.65%	2017	\$ 206,896
2009	New Main Fire Station	4.75%	2049	2,937,930
2009	City Hall Renovations	4.38%	2039	1,630,629
2011	Fire Trucks	4.00%	2030	702,172
2012	Various Vehicles and Equipment	1.39%	2018	207,013
2012	Fire Station	3.50%	2043	2,286,986
2013	Recreation Mowers	5.65%	2020	59,591
2015	Radios and Equipment	1.39%	2019	220,944
2016	Various Equipment	1.46%	2021	<u>1,459,899</u>
				<u>9,712,060</u>
<b>Fleet Maintenance Internal Service Fund:</b>				
2015	Radios and Equipment	1.39%	2019	<u>8,499</u>
<b>Total Governmental Activities</b>				
				<b><u>\$ 9,720,559</u></b>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Year of Loan</b>	<b>Purpose and Collateral</b>	<b>*** Effective</b>			<b>Balance June 30, 2016</b>		
		<b>Interest Rates</b>	<b>Interest Rates</b>	<b>Maturity</b>			
<b>Business-Type Activities:</b>							
<b>Enterprise Funds:</b>							
<b>Water Fund</b>							
2012	Various vehicles and equipment	1.39%		2018	\$ 25,513		
2015	Radios and equipment	1.39%		2019	46,724		
2016	Various Equipment	1.46%		2021	<u>405,639</u>		
					<u>477,876</u>		
<b>Wastewater Fund</b>							
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	359,281		
2012	Various vehicles and equipment	1.39%		2018	13,333		
2015	Radios and equipment	1.39%		2019	13,584		
2016	Various Equipment	1.46%		2021	<u>77,804</u>		
					<u>464,002</u>		
<b>Electric Fund</b>							
2015	Radios and equipment	1.39%		2019	<u>33,132</u>		
					<u>33,132</u>		
<b>Environmental Services Fund</b>							
2012	Various vehicles and equipment	1.39%		2018	86,593		
2015	Radios and equipment	1.39%		2019	39,517		
2016	Various Equipment	1.46%		2021	<u>479,627</u>		
					<u>605,737</u>		
<b>Stormwater Fund</b>							
2012	Various vehicles and equipment	1.39%		2018	62,555		
2015	Radios and equipment	1.39%		2019	12,749		
2016	Various Equipment	1.46%		2021	<u>252,031</u>		
					<u>327,335</u>		
<b>Total Enterprise Funds:</b>							
					<u>1,908,082</u>		
<b>Public Services Internal Service Fund:</b>							
2015	Radios and equipment	1.39%		2019	<u>23,769</u>		
Total business-type activities							
					<u>\$ 1,931,851</u>		

\*\*\*The effective interest rate reflects a 35% federal interest subsidy/rebate in the form of direct payment Build America bond under the American Recovery and Reinvestment Act (ARRA) provisions.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements to maturity for installment contracts are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Installment Contracts		Installment Contracts		Principal	Interest
	Principal	Interest	Principal	Interest		
2017	\$ 814,025	\$ 352,565	\$ 488,914	\$ 34,678	\$ 1,302,939	\$ 387,243
2018	685,767	332,960	431,428	27,604	1,117,195	360,564
2019	536,128	318,055	376,887	19,189	913,015	337,244
2020	543,208	306,222	385,243	10,927	928,451	317,149
2021	499,456	294,240	249,379	3,641	748,835	297,881
2022-2026	1,119,280	1,318,600	-	-	1,119,280	1,318,600
2027-2031	1,368,956	1,066,236	-	-	1,368,956	1,066,236
2032-2036	1,335,579	785,861	-	-	1,335,579	785,861
2037-2041	1,419,277	473,465	-	-	1,419,277	473,465
2042-2046	914,871	214,711	-	-	914,871	214,711
2047-2051	484,012	46,841	-	-	484,012	46,841
Total	<u>\$ 9,720,559</u>	<u>\$ 5,509,756</u>	<u>\$ 1,931,851</u>	<u>\$ 96,039</u>	<u>\$ 11,652,410</u>	<u>\$ 5,605,795</u>

\$811,900 of the governmental activities current portion will be repaid from the General Fund and \$2,125 will be paid from the Fleet Maintenance Internal Service Fund. Of the business-type activities current portion, \$110,717 will be paid from the Wastewater Fund, \$8,283 from the Electric Fund, \$108,150 from the Water Fund, \$161,561 from the Environmental Services Fund, \$94,261 from the Stormwater Fund, and \$5,942 from the Public Services Internal Service Fund.

#### Notes Payable

Notes payable include obligations of the City for various Wastewater Fund improvements are as follows:

Year of Loan	Purpose and Collateral	Interest	Balance	
		Rates	Maturity	June 30, 2016
2003	Expansion to Sanitary Sewer System	2.66%	2023	\$ 573,850
2003	Expansion to Sanitary Sewer System	2.66%	2024	306,000
2007	Expansion to Sanitary Sewer System	2.27%	2027	4,045,495
2015	Expansion to Sanitary Sewer System	2.00%	2035	699,328
Total business-type activities				<u>\$ 5,624,673</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

Annual debt service requirements to maturity for notes payable are as follows:

<b>Year Ending</b>				
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$ 524,808	\$ 129,021	\$ 653,829	
2018	524,808	116,757	641,565	
2019	524,808	104,493	629,301	
2020	524,808	92,228	617,036	
2021	524,808	79,964	604,772	
2022-2026	2,301,602	223,416	2,525,018	
2027-2031	551,806	34,095	585,901	
2032-2036	147,225	7,361	154,586	
Total	<u>\$ 5,624,673</u>	<u>\$ 787,334</u>	<u>\$ 6,412,007</u>	

**Revenue Bonds**

Revenue bonds outstanding at June 30, 2016 are as follows:

**Water Fund:**

\$1,280,580 - Combined Enterprise System Refunding revenue bonds, Series 2015,  
due in semi-annual installments through October 1, 2023; interest at 1.75% \$ 1,090,180

**Wastewater Fund:**

\$3,018,510 - Combined Enterprise System Refunding revenue bonds, Series 2015,  
due in semi-annual installments through October 1, 2023; interest at 1.75% 2,569,710

**Electric Fund:**

\$4,847,910 - Combined Enterprise System Refunding revenue bonds, Series 2015,  
due in semi-annual installments through October 1, 2023; interest at 1.75% 4,127,110

Total revenue bonds \$ 7,787,000

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements to maturity for revenue bonds are as follows:

<b>Year Ending</b>	<b>Principal</b>			<b>Interest</b>			<b>Total</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 1,397,000	\$ 130,148	\$ 1,527,148						
2018	1,422,000	105,595	1,527,595						
2019	1,443,000	80,623	1,523,623						
2020	1,249,000	56,219	1,305,219						
2021	1,268,000	34,283	1,302,283						
2022-2024	1,008,000	26,338	1,034,338						
Total	<u>\$ 7,787,000</u>	<u>\$ 433,206</u>	<u>\$ 8,220,206</u>						

\$195,580 of the current portion will be paid from the Water Fund, \$461,010 from the Wastewater Fund, and \$740,410 from the Electric Fund.

#### **Revenue Bond Covenants**

The Series 2015 revenue bonds are special obligations of the City, secured solely by the pledge of net revenue of the City's enterprise funds. Pursuant to the bond and related agreements, the City has made certain covenants that provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 1.25 for parity indebtedness and 1.00 for parity and subordinated indebtedness. In addition, rates must be set at levels to provide for the payment of current expenses and to provide deposits to meet certain trust fund requirements associated with the bond agreements. Principal and interest payments for the fiscal year ended June 30, 2016 were \$1,965,880 and \$324,393, respectively. Total customer revenue for the City's enterprise funds totaled \$64,775,533 for the year ended June 30, 2016.

The debt service coverage ratio calculation for the year ended June 30, 2016 is as follows:

Operating revenues	\$ 64,775,533
Operating expenses*	<u>49,350,688</u>
Income available for debt service	<u>15,424,845</u>
Debt service, principal and interest interest paid (parity debt)	<u>\$ 2,290,272</u>
Debt service coverage ratio for parity debt	<u>6.73</u>

\*Per rate covenants; this does not include the depreciation expense of \$4,149,492.

At June 30, 2016, the City was in compliance with the bond covenants described above.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **Other Long-Term Debt Disclosures**

North Carolina General Statutes limit certain indebtedness of the City to an amount not greater than 8% of the appraised value of property subject to taxation by the City. At June 30, 2016, the legal debt limit for the City was \$122,993,612, providing a legal debt margin of \$105,716,529.

At June 30, 2016, the City has no authorized bonds remaining to be issued.

#### **Changes in Long-Term Liabilities**

Long-term liability activity for governmental activities for the year ended June 30, 2016 is as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<b>Current Portion of Balance</b>
<b>Governmental Funds:</b>					
Accrued compensated absences	\$ 707,236	\$ 395,632	\$ 403,135	\$ 699,733	\$ 104,960
Police separation allowance	1,242,010	213,217	178,498	1,276,729	-
Separation allowance plan	25,894	-	4,215	21,679	-
Installment contracts	8,770,508	1,459,899	518,347	9,712,060	811,900
OPEB liability	303,090	283,713	217,313	369,490	-
Net pension liability (LGERS)	-	661,171	-	661,171	-
<b>Total</b>	<b><u>\$ 11,048,738</u></b>	<b><u>\$ 3,013,632</u></b>	<b><u>\$ 1,321,508</u></b>	<b><u>\$ 12,740,862</u></b>	<b><u>\$ 916,860</u></b>
<b>Employee Health and Insurance Fund:</b>					
Accrued compensated absences	\$ 4,720	\$ 7,256	\$ 5,914	\$ 6,062	\$ 1,516
<b>Total</b>	<b><u>\$ 4,720</u></b>	<b><u>\$ 7,256</u></b>	<b><u>\$ 5,914</u></b>	<b><u>\$ 6,062</u></b>	<b><u>\$ 1,516</u></b>
<b>Fleet Maintenance Fund:</b>					
Accrued compensated absences	\$ 21,175	\$ 356	\$ 750	\$ 20,781	\$ 3,117
Installment contracts	10,624	-	2,125	8,499	2,125
<b>Total</b>	<b><u>\$ 31,799</u></b>	<b><u>\$ 356</u></b>	<b><u>\$ 2,875</u></b>	<b><u>\$ 29,280</u></b>	<b><u>\$ 5,242</u></b>
<b>Governmental Activities:</b>					
Accrued compensated absences	\$ 733,131	\$ 403,244	\$ 409,799	\$ 726,576	\$ 109,593
Police separation allowance	1,242,010	213,217	178,498	1,276,729	-
Separation allowance plan	25,894	-	4,215	21,679	-
Installment contracts	8,781,132	1,459,899	520,472	9,720,559	814,025
OPEB liability	303,090	283,713	217,313	369,490	-
Net pension liability (LGERS)	-	661,171	-	661,171	-
<b>Total governmental acitivities</b>	<b><u>\$ 11,085,257</u></b>	<b><u>\$ 3,021,244</u></b>	<b><u>\$ 1,330,297</u></b>	<b><u>\$ 12,776,204</u></b>	<b><u>\$ 923,618</u></b>

For governmental activities, compensated absences, OPEB, and net pension obligations are generally liquidated by the General Fund.

# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Long-term liability activity for business-type activities for the year ended June 30, 2016 is as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Current Portion of Balance</u>
<b>Major Enterprise Funds:</b>					
<b>Water Fund:</b>					
Accrued compensated absences	\$ 56,086	\$ 18,659	\$ 1,891	\$ 72,854	\$ 14,022
Installment contracts	100,927	405,639	28,690	477,876	108,150
Revenue bonds	1,280,580	-	190,400	1,090,180	195,580
Net pension liability (LGERS)	-	103,308	-	103,308	-
<b>Total</b>	<b><u>\$ 1,437,593</u></b>	<b><u>\$ 527,606</u></b>	<b><u>\$ 220,981</u></b>	<b><u>\$ 1,744,218</u></b>	<b><u>\$ 317,752</u></b>
<b>Wastewater Fund:</b>					
Accrued compensated absences	\$ 32,843	\$ 6,725	\$ 7,895	\$ 31,673	\$ 8,211
Notes payable	6,149,481	-	524,808	5,624,673	524,808
Installment contracts	477,611	77,804	91,413	464,002	110,717
Revenue bonds	3,018,510	-	448,800	2,569,710	461,010
Net pension liability (LGERS)	-	72,316	-	72,316	-
<b>Total</b>	<b><u>\$ 9,678,445</u></b>	<b><u>\$ 156,845</u></b>	<b><u>\$ 1,072,916</u></b>	<b><u>\$ 8,762,374</u></b>	<b><u>\$ 1,104,746</u></b>
<b>Electric Fund:</b>					
Accrued compensated absences	\$ 77,797	\$ 24,659	\$ 33,390	\$ 69,066	\$ 19,449
Installment contracts	41,415	-	8,283	33,132	8,283
Revenue bonds	4,847,910	-	720,800	4,127,110	740,410
Net pension liability (LGERS)	-	103,308	-	103,308	-
<b>Total</b>	<b><u>\$ 4,967,122</u></b>	<b><u>\$ 127,967</u></b>	<b><u>\$ 762,473</u></b>	<b><u>\$ 4,332,616</u></b>	<b><u>\$ 768,142</u></b>
<b>Nonmajor Enterprise Funds:</b>					
<b>Environmental Services Fund:</b>					
Accrued compensated absences	\$ 54,630	\$ 19,526	\$ 20,399	\$ 53,757	\$ 13,439
Installment contracts	193,718	479,627	67,608	605,737	161,561
Net pension liability (LGERS)	-	72,316	-	72,316	-
<b>Total</b>	<b><u>\$ 248,348</u></b>	<b><u>\$ 571,469</u></b>	<b><u>\$ 88,007</u></b>	<b><u>\$ 731,810</u></b>	<b><u>\$ 175,000</u></b>
<b>Stormwater Fund:</b>					
Accrued compensated absences	\$ 14,083	\$ 2,956	\$ 3,957	\$ 13,082	\$ 3,271
Installment contracts	120,195	252,031	44,891	327,335	94,261
Net pension liability (LGERS)	-	20,662	-	20,662	-
<b>Total</b>	<b><u>\$ 134,278</u></b>	<b><u>\$ 275,649</u></b>	<b><u>\$ 48,848</u></b>	<b><u>\$ 361,079</u></b>	<b><u>\$ 97,532</u></b>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<b>Current Portion of Balance</b>
<b>Woodmen of the World Community Center Fund:</b>					
Accrued compensated absences					
Accrued compensated absences	\$ 7,153	\$ 2,986	\$ 783	\$ 9,356	\$ 2,339
Total	<u>\$ 7,153</u>	<u>\$ 2,986</u>	<u>\$ 783</u>	<u>\$ 9,356</u>	<u>\$ 2,339</u>
<b>Public Services Internal Service Fund:</b>					
Accrued compensated absences					
Accrued compensated absences	\$ 90,390	\$ 24,569	\$ 24,149	\$ 90,810	\$ 22,703
Installment contracts	29,711	-	5,942	23,769	5,942
Total	<u>\$ 120,101</u>	<u>\$ 24,569</u>	<u>\$ 30,091</u>	<u>\$ 114,579</u>	<u>\$ 28,645</u>
<b>Total Business-Type Activities:</b>					
Accrued compensated absences					
Accrued compensated absences	\$ 332,982	\$ 100,080	\$ 92,464	\$ 340,598	\$ 83,434
Notes payable	6,149,481	-	524,808	5,624,673	524,808
Installment contracts	963,577	1,215,101	246,827	1,931,851	488,914
Revenue bonds	9,147,000	-	1,360,000	7,787,000	1,397,000
Net pension liability (LGERS)	-	371,910	-	371,910	-
Total	<u>\$ 16,593,040</u>	<u>\$ 1,687,091</u>	<u>\$ 2,224,099</u>	<u>\$ 16,056,032</u>	<u>\$ 2,494,156</u>

### **Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2016 is computed as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 20,715,959	\$ 98,555,887
Long-term debt	9,720,559	15,343,524
Net investment in capital assets	<u>\$ 10,995,400</u>	<u>\$ 83,212,363</u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### **Interfund Balances and Activity**

##### **Due To/From Other Funds**

The composition of interfund balances on Exhibit C as of June 30, 2016 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total</u>	
	<u>Nonmajor</u>			
	<u>Governmental</u>	<u>General Fund</u>		
General Fund	\$ 100,104	\$ 100,104		

Amounts due to the General Fund from other funds represent advances to cover various expenses.

#### **Interfund Transfers**

The following is a detailed schedule of interfund transfers for the year ended June 30, 2016:

<u>Transfers In</u>	<u>Major General Fund</u>	<u>Major Electric Fund</u>	<u>Major Water Fund</u>	<u>Major Wastewater Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
Major General Fund	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ 58,890	\$ 90,000	\$ 948,890
Major Water Fund	- -	- -	- -	94,702	28,500	- -	- -	123,202
Nonmajor governmental funds	255,455	- -	- -	- -	- -	- -	- -	255,455
Internal service funds	240,787	41,740	90,788	11,883	235,658	- -	- -	620,856
Total	<u>\$ 496,242</u>	<u>\$ 841,740</u>	<u>\$ 90,788</u>	<u>\$ 106,585</u>	<u>\$ 264,158</u>	<u>\$ 58,890</u>	<u>\$ 90,000</u>	<u>\$ 1,948,403</u>

Transfers out from the General Fund to the nonmajor governmental funds were to fund the match portion of the Federal Bullet-Proof Vest Partnership and to fund the purchase of a fire pumper truck for the Fire and Rescue Division of the Public Safety Department. Transfers from all funds to the internal service funds were for shortfalls in Internal Service Fund charges for services. Transfers out from the Electric Fund to the General Fund were made to pay non-allocable administrative expenditures in the receiving fund related to the management of the transferring fund. Transfer from the Stormwater Fund to Water Fund was to reimburse the Water Fund for use of pipe cleaning and pipeline televising services. Transfer from the internal service fund to the General Fund was made to fund the purchase of new service and accounting software.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **4. Jointly Governed Organizations**

##### **North Carolina Eastern Municipal Power Agency**

The City, in conjunction with 31 other local governments, is a member of the North Carolina Eastern Municipal Power Agency (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The 32 members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for fiscal year ended June 30, 2016 were \$31,933,948.

##### **Eastern Carolina Council of Governments**

The City, in conjunction with seven counties and 28 other municipalities, established the Eastern Carolina Council of Governments (the "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.

##### **Lenoir County Development Commission**

The City, in conjunction with Lenoir County, established the Lenoir County Development Commission. The participating governments established the Commission to coordinate economic development activities within the County. The City appoints 5 members of the 14-member Board of Directors. The City provided no funding to the Commission during the year ended June 30, 2016.

##### **Neuse Regional Water and Sewer Authority**

The City, with seven other entities, participates in the Neuse Regional Water and Sewer Authority (Authority), a development stage enterprise. The Authority was formed to enable its members to finance construction, own, operate, and maintain regional water treatment and transmission facilities. The City appoints three of the fourteen-member governing board of the Authority. The Authority started operations in fiscal year 2008. The eight members are committed to monthly purchases of treated water in an amount equivalent to 75% of their calendar year 2002 monthly water requirements by volume. Except for the water sales purchase requirements, no participant has any obligation, entitlement, or residual interest. The City began purchasing treated water in September 2009.

##### **Lenoir County Tourism Development Authority**

The City, in conjunction with Lenoir County, established the Lenoir County Tourism Development Authority. The participating governments established the Authority to promote tourism in the County area. The City appoints three members of the seven-member Board of Directors. The City provided \$212,336 of funding for the Authority for the year ended June 30, 2016.

## **CITY OF KINSTON, NORTH CAROLINA**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

#### **Kinston-Lenoir County Library**

The City participates in a joint venture with Lenoir County to operate the Kinston-Lenoir County Library. The City appoints three Board members of the six-member Board. The City has an ongoing 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, 2016. During the year ended June 30, 2016, the City provided \$226,692 to the Library. Separate financial statements of the Library are available at the Library address of 510 North Queen Street, Kinston, North Carolina 28501.

#### **City of Kinston Housing Authority**

The Board of the City of Kinston Housing Authority is appointed by the City of Kinston. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Kinston is also disclosed as a related organization in the notes of the financial statements for the City of Kinston Housing Authority.

#### **5. Federal and State-Assisted Programs**

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 possible refund of grant monies.

#### **6. Subsequent Events**

Damage in certain areas of the State of North Carolina resulting from Hurricane Matthew was of sufficient severity and magnitude to warrant a major disaster declaration by the President. Hurricane Matthew struck North Carolina and caused serious flooding in several counties including the City of Kinston, Lenoir County. While there has been damage to buildings and other assets, as of the date of this report, it is unknown as to the extent of that damage.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress and Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
  - Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Required Schedules for the Special Separation Allowance
  - Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Required Schedules for the Other Post-Employment Benefits – Retiree Health Plan
  - Proportionate Share of Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System (LGERS)
  - Contributions for the Local Governmental Employees' Retirement System (LGERS)
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**CITY OF KINSTON, NORTH CAROLINA****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016****Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)				
12/31/2010	\$ -	\$ 1,754,219	\$ 1,754,219	0.00%	\$ 3,472,141	50.52%
12/31/2011	-	1,996,069	1,996,069	0.00%	3,646,237	54.74%
12/31/2012	-	1,935,700	1,935,700	0.00%	3,452,899	56.06%
12/31/2013	-	2,074,364	2,074,364	0.00%	3,299,649	62.87%
12/31/2014	-	2,081,644	2,081,644	0.00%	3,240,527	64.24%
12/31/2015	-	3,328,063	3,328,063	0.00%	3,527,718	94.34%

**Notes to the Required Schedules:**

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

Valuation date	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50% to 7.35%
Cost-of-living adjustments	N/A

\* Includes inflation at 3.00%

**CITY OF KINSTON, NORTH CAROLINA****SEPARATION ALLOWANCE PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016****Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)				
7/01/2011	\$ -	\$ 48,450	\$ 48,450	0.00%	\$ 514,985	9.41%
7/01/2012	-	31,542	31,542	0.00%	498,551	6.33%
7/01/2013	-	10,652	10,652	0.00%	243,696	4.37%
7/01/2014	-	8,732	8,732	0.00%	242,652	3.60%
7/01/2015	-	7,169	7,169	0.00%	177,542	4.04%
7/01/2016	-	5,659	5,659	0.00%	60,523	9.35%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2011	\$ 11,060	\$ 15,870	143.49%
2012	9,617	13,997	145.54%
2013	6,150	10,978	178.50%
2014	2,006	5,407	269.54%
2015	1,345	1,996	148.40%
2016	1,345	1,996	148.40%

**Notes to the Required Schedules:**

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

Valuation date	7/1/2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Medical cost trend rate	4.25% to 8.55%
Year of ultimate trend rate	N/A

\* Includes inflation at 3.00%

## CITY OF KINSTON, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)				
12/31/2007	\$ -	\$ 2,839,772	\$ 2,839,772	0.00%	\$ 10,327,213	27.50%
12/31/2008	-	2,673,181	2,673,181	0.00%	10,058,691	26.58%
12/31/2009	-	2,721,329	2,721,329	0.00%	10,433,324	26.08%
12/31/2011	-	3,032,160	3,032,160	0.00%	9,399,146	32.26%
12/31/2013	-	3,138,266	3,138,266	0.00%	8,328,243	37.68%
12/31/2015	-	3,191,428	3,191,428	0.00%	7,476,790	42.68%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
	June 30	(ARC)		
2011	\$ 234,694		\$ 224,791	95.78%
2012	259,761		203,494	78.34%
2013	280,559		203,494	72.53%
2014	280,559		217,075	77.37%
2015	280,559		204,164	72.77%
2016	285,058		217,313	76.23%

**Notes to the Required Schedules:**

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

Valuation date	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return*	3.75%
Medical cost trend rate	N/A
Ultimate trend rate	N/A
Year of ultimate trend rate	N/A

\* Includes inflation at 3.00%

**CITY OF KINSTON, NORTH CAROLINA**

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST THREE FISCAL YEARS \***

**Local Governmental Employees' Retirement System**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability (asset) (%)	0.23019%	0.23510%	0.24660%
City's proportion of the net pension liability (asset) (\$)	\$ 1,033,081	\$ (1,386,493)	\$ 2,972,477
City's covered-employee payroll	\$ 13,800,783	\$ 13,662,808	\$ 12,873,209
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.49%	( 10.15%)	23.09%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Pension schedules in the required supplementary information are intended to show information for ten years and that additional years' information will be displayed as it becomes available.

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

**CITY OF KINSTON, NORTH CAROLINA****CITY OF KINSTON'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS****Local Governmental Employees' Retirement System**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 977,146	\$ 986,930	\$ 972,795
Contributions in relation to the contractually required contribution	<u>977,146</u>	<u>986,930</u>	<u>972,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Kinston's covered-employee payroll	\$ 14,231,744	\$ 13,800,783	\$ 13,662,808
Contributions as a percentage of covered-employee payroll	6.87%	7.15%	7.12%

Pension schedules in the required supplementary information are intended to show information for ten years and that additional years' information will be displayed as it becomes available.

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## **MAJOR FUNDS**

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- General Fund
  - Electric Fund
  - Water Fund
  - Wastewater Fund
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## **GENERAL FUND**

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**The General Fund** is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

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## CITY OF KINSTON, NORTH CAROLINA

**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and investments	\$ 9,581,780	\$ 8,766,740
Receivables:		
Due from governmental agencies	630,568	610,883
Accounts receivable	296,344	292,600
Taxes receivable	734,980	737,466
Due from other funds	100,104	-
Inventories	67,491	78,720
Restricted cash and investments	91,800	173,988
Total assets	<u>\$ 11,503,067</u>	<u>\$ 10,660,397</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,005,387	\$ 988,415
Prepaid privilege licenses	35,470	35,470
Liabilities payable from restricted assets:		
Advances from grantors	91,800	173,988
Total liabilities	<u>1,132,657</u>	<u>1,197,873</u>
<b>Deferred Inflows of Resources:</b>		
Property taxes receivable	734,980	737,466
Prepaid property taxes	4,866	18,243
Pavement assessment receivables	99,640	94,556
GTP fire taxes receivable	86	67
Total deferred inflows of resources	<u>839,572</u>	<u>850,332</u>
<b>Fund Balance:</b>		
Non-spendable, not in spendable form:		
Inventories	67,491	78,720
Restricted:		
Stabilization by State statute	1,083,298	1,070,521
Restricted, all other	-	173,988
Unassigned	8,380,049	7,288,963
Total fund balance	<u>9,530,838</u>	<u>8,612,192</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,503,067</u>	<u>\$ 10,660,397</u>

**CITY OF KINSTON, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes	\$ 10,440,204	\$ 10,319,080	\$ (121,124)
Penalties and interest	90,000	76,154	(13,846)
Total	<u>10,530,204</u>	<u>10,395,234</u>	<u>(134,970)</u>
<b>Sales and Services:</b>			
Rents, concessions, and fees	346,626	308,642	(37,984)
Inspection fees	146,100	132,921	(13,179)
Cemetery fees	191,111	189,890	(1,221)
Cable franchise	184,668	160,197	(24,471)
Lenoir County Participation: Recreation	944,000	931,500	(12,500)
Woodmen Foundation Reimbursement - Recreation	20,000	20,000	-
Total	<u>1,832,505</u>	<u>1,743,150</u>	<u>(89,355)</u>
<b>Other Taxes and Licenses:</b>			
Local government sales tax	3,558,829	3,582,107	23,278
Franchise tax	2,058,932	2,234,574	175,642
Occupancy tax	234,342	223,893	(10,449)
Gross receipts tax	34,000	49,966	15,966
Licenses and permits	1,400	3,202	1,802
GTP fire protection taxes	65,200	73,168	7,968
Total	<u>5,952,703</u>	<u>6,166,910</u>	<u>214,207</u>
<b>Unrestricted Intergovernmental:</b>			
Payment in lieu of taxes	257,369	256,523	(846)
Beer and wine tax	93,500	93,311	(189)
ABC revenue	28,000	25,929	(2,071)
Total	<u>378,869</u>	<u>375,763</u>	<u>(3,106)</u>
<b>Restricted Intergovernmental:</b>			
Powell Bill allocations	633,314	621,015	(12,299)
School resource officer	89,100	87,000	(2,100)
NC Department of Transportation	126,000	96,376	(29,624)
Federal drug forfeiture	69,000	77,352	8,352
Court allocation	500	235	(265)
Forfeited drug proceeds	11,800	11,843	43
Total	<u>929,714</u>	<u>893,821</u>	<u>(35,893)</u>

**CITY OF KINSTON, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Revenue:</b>				
Investment income	10,000	15,354	5,354	11,110
Sales of surplus materials and assets	235,000	200,011	(34,989)	20,492
Miscellaneous	186,830	91,316	(95,514)	79,657
Total	431,830	306,681	(125,149)	111,259
Total revenues	20,055,825	19,881,559	(174,266)	19,625,727
<b>Expenditures:</b>				
General government	2,842,715	2,435,551	407,164	2,666,305
Public safety	10,770,360	9,879,557	890,803	10,038,704
Public services	2,356,508	2,131,768	224,740	1,893,308
Parks and recreation	4,576,355	4,285,685	290,670	4,073,475
Community development	1,717,641	1,642,899	74,742	1,851,477
Total expenditures	22,263,579	20,375,460	1,888,119	20,523,269
Revenues over (under) expenditures	(2,207,754)	(493,901)	1,713,853	(897,542)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	907,994	-	(907,994)	-
Transfers in	940,075	948,890	8,815	1,100,085
Transfers out	(740,315)	(496,242)	244,073	(186,951)
Long-term debt issued	1,100,000	959,899	(140,101)	276,180
Total other financing sources (uses)	2,207,754	1,412,547	(795,207)	1,189,314
Net change in fund balance	\$ -	918,646	\$ 918,646	291,772
<b>Fund Balance:</b>				
Beginning of year - July 1		8,612,192		8,320,420
End of year - June 30		\$ 9,530,838		\$ 8,612,192

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## **NONMAJOR FUND TYPES**

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**Nonmajor Special Revenue Funds** – Descriptions for individual nonmajor special revenue funds are provided on the title pages located at the front of the section for nonmajor special revenue funds.

**Nonmajor Capital Project Funds** – Descriptions for individual nonmajor capital project funds are provided on the title pages located at the front of the section for nonmajor capital project funds.

**Permanent Fund** – The City has one Permanent Fund, Temple Israel Perpetual Care Fund, which is used to account for the unexpended principal funds, the revenue from which is used to maintain the Temple Israel's cemetery grounds.

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## CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	Governmental Fund Types			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total
<b>Assets:</b>				
Cash and investments	\$ 48,445	\$ 275,736	\$ 75,339	\$ 399,520
Receivables	38,812	754	-	39,566
Restricted cash and investments	77,003	51	-	77,054
Notes receivable	209,365	-	-	209,365
Total assets	<u>\$ 373,625</u>	<u>\$ 276,541</u>	<u>\$ 75,339</u>	<u>\$ 725,505</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 40,721	\$ -	\$ -	\$ 40,721
Due to other funds	72,985	27,119	-	100,104
Total liabilities	<u>113,706</u>	<u>27,119</u>	<u>-</u>	<u>140,825</u>
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Notes receivable	209,365	-	-	209,365
Perpetual maintenance	-	-	75,000	75,000
Restricted:				
Stabilization by State statute	38,812	754	-	39,566
Restricted, all other	77,003	51	339	77,393
Committed	6,747	275,736	-	282,483
Assigned	39,379	-	-	39,379
Unassigned	(111,387)	(27,119)	-	(138,506)
Total fund balances	<u>259,919</u>	<u>249,422</u>	<u>75,339</u>	<u>584,680</u>
Total liabilities and fund balances	<u>\$ 373,625</u>	<u>\$ 276,541</u>	<u>\$ 75,339</u>	<u>\$ 725,505</u>

## CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Governmental Fund Types</b>				
	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Permanent Fund</b>	<b>Temple Israel Perpetual Care Fund</b>	<b>Total</b>
<b>Revenues:</b>					
Intergovernmental revenue	\$ 126,934	\$ 120,505	\$ -	\$ 247,439	
Miscellaneous income	1,200	2,440	-	3,640	
Interest	59	87	115	261	
Total revenues	<u>128,193</u>	<u>123,032</u>	<u>115</u>	<u>251,340</u>	
<b>Expenditures:</b>					
<b>Current:</b>					
Public safety	58,656	519,251	-	577,907	
Community development	<u>197,534</u>	<u>53,256</u>	<u>-</u>	<u>250,790</u>	
Total expenditures	<u>256,190</u>	<u>572,507</u>	<u>-</u>	<u>828,697</u>	
Revenues over (under) expenditures	<u>(127,997)</u>	<u>(449,475)</u>	<u>115</u>	<u>(577,357)</u>	
<b>Other Financing Sources (Uses):</b>					
Transfers in	5,455	250,000	-	255,455	
Transfers out	(8,815)	(50,000)	(75)	(58,890)	
Long-term debt issued	-	500,000	-	500,000	
Total other financing sources (uses)	<u>(3,360)</u>	<u>700,000</u>	<u>(75)</u>	<u>696,565</u>	
Net change in fund balances	<u>(131,357)</u>	<u>250,525</u>	<u>40</u>	<u>119,208</u>	
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>391,276</u>	<u>(1,103)</u>	<u>75,299</u>	<u>465,472</u>	
End of year - June 30	<u>\$ 259,919</u>	<u>\$ 249,422</u>	<u>\$ 75,339</u>	<u>\$ 584,680</u>	

## **NONMAJOR SPECIAL REVENUE FUNDS**

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Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

**Community Development Administration Fund** - This fund is used to account for miscellaneous Federal and State grant monies received from various funding agencies.

**2009 Governor's Crime Commission Grant** – This fund accounts for Federal monies awarded to allow for a comprehensive approach to dealing with gang related activities.

**2010 Bullet Proof Vest Partnership Grant (BVP)** – This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance towards the purchase of law enforcement equipment and vests.

**2010 JAG Recovery Act Relief Project** – This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance, for the purchase of Law Enforcement supplies that will enhance the ability to better serve the citizens and protect officers. The City of Kinston and the Lenoir County Sheriff's Department share in the grant funding. The City administers the spending of funds.

**2011 Edward-Byrne Memorial JAG Grant** – This fund accounts for monies from the U.S. Department of Justice Office of Justice Programs for the purchase of equipment and technology that will improve the safety and security of Law Enforcement officers and citizens.

**2012 Edward-Byrne Memorial JAG Grant** – This fund accounts for monies from the U.S. Department of Justice Office of Justice Programs for the purchase of equipment and technology that will improve the safety and security of Law Enforcement officers and citizens.

**2011 PSN GCC Crossing Boundaries Grant** – This fund accounts for monies from the N. C. Governor's Crime Commission to provide behavioral and other community services to divert criminal gang and illegal gun activity in the local community.

**2009 PSN GCC Project 61 Grant** – This fund accounts for monies used for personnel expenditures relating to the development and execution of a City-wide comprehensive strategy to combat gun and gang related crime through enforcement, community outreach, and public awareness.

**Bullet Proof Vest Partnership Grant** – This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance towards the purchase of law enforcement ballistic vests.

**Hurricane Irene – FEMA-4019-DR-NC Grant** – This fund accounts for monies from the Federal Emergency Management Agency for emergency expenditures and ongoing repair and recovery of City infrastructure and assets damaged by Hurricane Irene in August, 2011.

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**GCC Body Camera Project** – This fund accounts for monies used for expenditures relating to the purchase of body cameras to be utilized by uniformed patrol officers to enhance their ability to document actual scene involvements.

**2013 Edward-Byrne Memorial JAG Grant** – This fund accounts for monies from the U.S. Department of Justice Office of Justice Programs for the purchase of equipment and technology that will improve the safety and security of Law Enforcement officers and citizens.

**2015 Edward-Byrne Memorial JAG Grant** – This fund accounts for monies from the U.S. Department of Justice Office of Justice Programs for the purchase of equipment and technology that will improve the safety and security of Law Enforcement officers and citizens.

**GCC 2015 Operations No Boundaries Grant** – This fund accounts for monies used for developing a systematic and sustained approach focused to reduce violent gang crime through comprehensive approach combining enforcement with prevention and deterrence efforts, coordinated program between enforcement, deterrence and prevention efforts and community-based in nature allowing for flexibility to implement best practices for the local area and citizenry concerns..

**EPA Brownfields Assessment and Cleanup** - This fund accounts for monies used to conduct community-wide assessments at Brownfields sites potentially contaminated with hazardous substances on potential development sites in Kinston with a primary focus on redevelopment along the Dr. Martin Luther King, Jr. Corridor.

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## CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016

	Community Development Administration	Bulletproof Vest Partnership Grant	Hurricane Irene - FEMA - 4019-DR-NC	Brownfields EPA Grant	Edward Byrne Memorial JAG Grant	2015 Total
<b>Assets:</b>						
Cash and investments	\$ 39,379	\$ 9,066	\$ -	\$ -	\$ -	\$ 48,445
Accounts receivable	38,322	490	-	-	-	38,812
Notes receivable	209,365	-	-	-	-	209,365
Restricted cash and investments	-	-	77,003	-	-	77,003
<b>Total assets</b>	<b>\$ 287,066</b>	<b>\$ 9,556</b>	<b>\$ 77,003</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 373,625</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ 61,730	\$ 11,255	\$ 72,985
Accounts payable and accrued liabilities	-	2,319	-	38,402	-	40,721
<b>Total liabilities</b>	<b>-</b>	<b>2,319</b>	<b>-</b>	<b>100,132</b>	<b>11,255</b>	<b>113,706</b>
<b>Fund Balances:</b>						
Non-spendable:						
Notes receivable	209,365	-	-	-	-	209,365
Restricted:						
Stabilization by State statute	38,322	490	-	-	-	38,812
Restricted, all other	-	-	77,003	-	-	77,003
Committed	-	6,747	-	-	-	6,747
Assigned	39,379	-	-	-	-	39,379
Unassigned	-	-	-	(100,132)	(11,255)	(111,387)
<b>Total fund balances (deficit)</b>	<b>287,066</b>	<b>7,237</b>	<b>77,003</b>	<b>(100,132)</b>	<b>(11,255)</b>	<b>259,919</b>
<b>Total liabilities and fund balances</b>	<b>\$ 287,066</b>	<b>\$ 9,556</b>	<b>\$ 77,003</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 373,625</b>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2009 Community Development Administration</b>	<b>2009 Governor's Crime Commission Grant</b>	<b>2010 Bulletproof Vest Partnership Grant (BVP)</b>	<b>2010 JAG Recovery Act Relief Project</b>	<b>2011 Edward Byrne Memorial JAG Grant</b>	<b>2012 Edward Byrne Memorial JAG Grant</b>	<b>2011 PSN GCC Crossing Boundaries Project</b>	<b>2009 PSN GCC Project 61</b>
<b>Revenues:</b>								
Restricted:								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:								
Miscellaneous revenue	1,200	-	-	-	-	-	-	-
Investment earnings	59	-	-	-	-	-	-	-
Total revenues	<u>1,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>								
Community development	-	-	-	-	-	-	(343)	28,100
Public safety	-	-	308	767	(115)	909	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>308</u>	<u>767</u>	<u>(115)</u>	<u>909</u>	<u>(343)</u>	<u>28,100</u>
Revenues over (under) expenditures	<u>1,259</u>	<u>-</u>	<u>(308)</u>	<u>(767)</u>	<u>115</u>	<u>(909)</u>	<u>343</u>	<u>(28,100)</u>
<b>Other Financing Sources (Uses):</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(8,815)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(8,815)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,259</u>	<u>(8,815)</u>	<u>(308)</u>	<u>(767)</u>	<u>115</u>	<u>(909)</u>	<u>343</u>	<u>(28,100)</u>
<b>Fund Balances:</b>								
Beginning of year - July 1	<u>285,807</u>	<u>8,815</u>	<u>308</u>	<u>767</u>	<u>(115)</u>	<u>909</u>	<u>(343)</u>	<u>28,100</u>
End of year - June 30	<u>\$ 287,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Bulletproof Vest Partnership Grant</b>	<b>Hurricane Irene - FEMA - 4019-DR-NC</b>	<b>GCC Body Camera Project Fund</b>	<b>2013 Edward Byrne Memorial JAG Grant</b>	<b>GCC 2015 Operation No Boundaries Grant</b>	<b>Brownfields EPA Grant</b>	<b>2015 Edward Byrne Memorial JAG Grant</b>	<b>Total</b>
<b>Revenues:</b>								
Restricted:								
Intergovernmental revenue	\$ 3,894	\$ -	\$ -	\$ 17,091	\$ 21,080	\$ 84,869	\$ -	\$ 126,934
Other:								
Miscellaneous revenue	-	-	-	-	-	-	-	1,200
Investment earnings	-	-	-	-	-	-	-	59
Total revenues	<u>3,894</u>	<u>-</u>	<u>-</u>	<u>17,091</u>	<u>21,080</u>	<u>84,869</u>	<u>-</u>	<u>128,193</u>
<b>Expenditures:</b>								
Community development	-	-	-	-	-	169,777	-	197,534
Public safety	7,263	-	98	17,091	21,080	-	11,255	58,656
Total expenditures	<u>7,263</u>	<u>-</u>	<u>98</u>	<u>17,091</u>	<u>21,080</u>	<u>169,777</u>	<u>11,255</u>	<u>256,190</u>
Revenues over (under) expenditures	(3,369)	-	(98)	-	-	(84,908)	(11,255)	(127,997)
<b>Other Financing Sources (Uses):</b>								
Transfers in	5,455	-	-	-	-	-	-	5,455
Transfers out	-	-	-	-	-	-	-	(8,815)
Total other financing sources (uses)	<u>5,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,360)</u>
Net change in fund balances	2,086	-	(98)	-	-	(84,908)	(11,255)	(131,357)
<b>Fund Balances:</b>								
Beginning of year - July 1	<u>5,151</u>	<u>77,003</u>	<u>98</u>	<u>-</u>	<u>-</u>	<u>(15,224)</u>	<u>-</u>	<u>391,276</u>
End of year - June 30	<u>\$ 7,237</u>	<u>\$ 77,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (100,132)</u>	<u>\$ (11,255)</u>	<u>\$ 259,919</u>

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT ADMINISTRATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Over/Under	2015	
	Budget	Actual		Actual	Actual
<b>Revenues:</b>					
Loan repayments	\$ 7,515	\$ 7,515	\$ -	\$ 7,722	
Other revenue	1,000	1,200	200	1,100	
Investment earnings	25	59	34	38	
Total revenues	<u>8,540</u>	<u>8,774</u>	<u>234</u>	<u>8,860</u>	
Revenues over (under) expenditures	<u>8,540</u>	<u>8,774</u>	<u>234</u>	<u>8,860</u>	
<b>Other Financing Sources (Uses):</b>					
Transfer out	(8,540)	-	8,540	-	
Total other financing sources (uses)	<u>(8,540)</u>	<u>-</u>	<u>8,540</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>8,774</u>	<u>\$ 8,774</u>	<u>8,860</u>	
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>					
Current year loan repayments		<u>(7,515)</u>		<u>(7,722)</u>	
Net change in fund balance - modified accrual basis		<u>1,259</u>		<u>1,138</u>	
<b>Fund Balance:</b>					
Beginning of year - July 1		285,807		59,861	
Restatement		<u>-</u>		<u>224,808</u>	
Beginning of year - July 1, as restated		<u>285,807</u>		<u>284,669</u>	
End of year - June 30	<u>\$ 287,066</u>			<u>\$ 285,807</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 GOVERNOR'S CRIME COMMISSION GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, State grant	\$ 90,798	\$ 92,546	\$ -	\$ 92,546	\$ 1,748
Total revenues	<u>90,798</u>	<u>92,546</u>	<u>-</u>	<u>92,546</u>	<u>1,748</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Personnel costs	102,878	102,876	-	102,876	2
Administration	<u>12,565</u>	<u>14,311</u>	<u>-</u>	<u>14,311</u>	<u>(1,746)</u>
Total expenditures	<u>115,443</u>	<u>117,187</u>	<u>-</u>	<u>117,187</u>	<u>(1,744)</u>
Revenues over (under) expenditures	<u>(24,645)</u>	<u>(24,641)</u>	<u>-</u>	<u>(24,641)</u>	<u>4</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(8,815)	-	(8,815)	(8,815)	-
Transfers in	<u>33,460</u>	<u>33,456</u>	<u>-</u>	<u>33,456</u>	<u>(4)</u>
Total other financing sources (uses)	<u>24,645</u>	<u>33,456</u>	<u>(8,815)</u>	<u>24,641</u>	<u>(4)</u>
Net change in fund balance	\$ -	\$ 8,815	(8,815)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				8,815	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2010 BULLET PROOF VEST PARTNERSHIP GRANT (BVP)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 11,878	\$ 11,879	\$ -	\$ 11,879	\$ 1
Total revenues	<u>11,878</u>	<u>11,879</u>	<u>-</u>	<u>11,879</u>	<u>1</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	23,756	23,449	308	23,757	(1)
Total expenditures	<u>23,756</u>	<u>23,449</u>	<u>308</u>	<u>23,757</u>	<u>(1)</u>
Revenues over (under) expenditures	(11,878)	(11,570)	(308)	(11,878)	-
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	11,878	11,878	-	11,878	-
Total other financing sources (uses)	<u>11,878</u>	<u>11,878</u>	<u>-</u>	<u>11,878</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 308	(308)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				308	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2010 JAG RECOVERY ACT RELIEF PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 49,230	\$ 49,230	\$ -	\$ 49,230	\$ -
Total revenues	<u>49,230</u>	<u>49,230</u>	<u>-</u>	<u>49,230</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	49,230	48,463	767	49,230	-
Total expenditures	<u>49,230</u>	<u>48,463</u>	<u>767</u>	<u>49,230</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 767	(767)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				767	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2011 EDWARD-BYRNE MEMORIAL JAG GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 46,478	\$ 46,477	\$ -	\$ 46,477	\$ (1)
Total revenues	<u>46,478</u>	<u>46,477</u>	<u>-</u>	<u>46,477</u>	<u>(1)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	46,478	46,592	(115)	46,477	1
Total expenditures	<u>46,478</u>	<u>46,592</u>	<u>(115)</u>	<u>46,477</u>	<u>1</u>
Net change in fund balance	\$ -	\$ (115)	115	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				(115)	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2012 EDWARD-BYRNE MEMORIAL JAG GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 35,775	\$ 35,776	\$ -	\$ 35,776	\$ 1
Total revenues	<u>35,775</u>	<u>35,776</u>	<u>-</u>	<u>35,776</u>	<u>1</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	35,775	34,867	909	35,776	(1)
Total expenditures	<u>35,775</u>	<u>34,867</u>	<u>909</u>	<u>35,776</u>	<u>(1)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 909</u>	<u>(909)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				909	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2011 PSN GCC CROSSING BOUNDARIES**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, State grants	\$ 3,711	\$ 3,711	\$ -	\$ 3,711	\$ -
Total revenues	<u>3,711</u>	<u>3,711</u>	<u>-</u>	<u>3,711</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development</b>					
Grant expenses	3,711	4,054	(343)	3,711	-
Total expenditures	<u>3,711</u>	<u>4,054</u>	<u>(343)</u>	<u>3,711</u>	<u>-</u>
Net change in fund balance	\$ -	\$ (343)	343	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				(343)	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS -2009 PSN GCC PROJECT 61**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, State grants	\$ 28,100	\$ 28,100	\$ -	\$ 28,100	\$ -
Total revenues	<u>28,100</u>	<u>28,100</u>	<u>-</u>	<u>28,100</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Grant expenses	28,100	-	28,100	28,100	-
Total expenditures	<u>28,100</u>	<u>-</u>	<u>28,100</u>	<u>28,100</u>	<u>-</u>
Net change in fund balance	\$ -	\$ <u>28,100</u>	(28,100)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				28,100	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - BULLET PROOF VEST PARTNERSHIP GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue, State grants	\$ 32,314	\$ 14,625	\$ 3,894	\$ 18,519	\$ (13,795)
Total revenues	<u>32,314</u>	<u>14,625</u>	<u>3,894</u>	<u>18,519</u>	<u>(13,795)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	64,627	36,333	7,263	43,596	21,031
Total expenditures	<u>64,627</u>	<u>36,333</u>	<u>7,263</u>	<u>43,596</u>	<u>21,031</u>
Revenues over (under) expenditures	(32,313)	(21,708)	(3,369)	(25,077)	7,236
<b>Other Financing Sources (Uses):</b>					
Transfers in	32,313	26,859	5,455	32,314	1
Total other financing sources (uses)	<u>32,313</u>	<u>26,859</u>	<u>5,455</u>	<u>32,314</u>	<u>1</u>
Net change in fund balance	\$ -	\$ 5,151	2,086	\$ 7,237	\$ 7,237
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>5,151</u>	
End of year - June 30				<u>\$ 7,237</u>	

**CITY OF KINSTON, NORTH CAROLINA**

**SPECIAL REVENUE FUNDS - HURRICANE IRENE - FEMA-4019-DR-NC**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
FEMA Grant	\$ 1,930,463	\$ 1,856,478	\$ -	\$ 1,856,478	\$ (73,985)
Total revenues	<u>1,930,463</u>	<u>1,856,478</u>	<u>-</u>	<u>1,856,478</u>	<u>(73,985)</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
City-wide emergency protective measures	57,021	47,128	-	47,128	9,893
Traffic signals	90	15	-	15	75
Sidewalks, curbs, and gutters	35,553	50,144	-	50,144	(14,591)
Pistol range facilities	1,388	1,388	-	1,388	-
Barnett Park buildings and lighting	5,691	5,429	-	5,429	262
Water production sites	36,346	25,806	-	25,806	10,540
Lovitt Hines Center	1,611	1,461	-	1,461	150
Garbage and recycle carts	1,200	1,200	-	1,200	-
Grainger Stadium	3,615	3,525	-	3,525	90
Bill Fay Park facilities	13,446	13,001	-	13,001	445
Harvey Gardens gazebo and lights	3,850	3,675	-	3,675	175
Kinston Regional Water Reclamation Facility	29,143	35,628	-	35,628	(6,485)
Fairfield center facilities	3,346	3,346	-	3,346	-
Mock gym, freeman center, and parks admin building	1,996	1,996	-	1,996	-
Georgia Battle Center and Emma Webb Park	1,580	1,580	-	1,580	-
Holloway gym and shelter	3,129	3,129	-	3,129	-
Emergency protective measures	137,297	140,447	-	140,447	(3,150)
Street signs	2,316	2,725	-	2,725	(409)
Power system	1,072,231	1,069,666	-	1,069,666	2,565
Hillcrest subdivision sewage systems	1,221	1,680	-	1,680	(459)
Fire Station #3, quarters and engine bay	11,900	11,900	-	11,900	-
Public safety building, city hall	1,342	1,342	-	1,342	-
Water operations	6,504	4,160	-	4,160	2,344
Maplewood cemetery	2,482	2,482	-	2,482	-
Southeast Elementary School	8,056	15,253	-	15,253	(7,197)
Drainage ditch - flood control works:					
Adkins Branch Blue Line - PW 1655	21,000	-	-	-	21,000
Adkins Branch Blue Line - PW 1656	4,500	-	-	-	4,500
Adkins Branch Blue Line - PW 1661	6,500	-	-	-	6,500
Adkins Branch Blue Line - PW 1662	16,000	-	-	-	16,000
Adkins Branch Blue Line - PW 1663	6,000	-	-	-	6,000
Adkins Branch Blue Line - PW 1664	28,000	-	-	-	28,000
Adkins Branch Blue Line - PW 1665	12,465	-	-	-	12,465
City-wide debris removal	393,644	331,369	-	331,369	62,275
Total expenditures	<u>1,930,463</u>	<u>1,779,475</u>	<u>-</u>	<u>1,779,475</u>	<u>150,988</u>
Net change in fund balance	\$ -	\$ 77,003	-	\$ 77,003	\$ 77,003
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>77,003</u>	
End of year - June 30				<u>\$ 77,003</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - CDBG CATALYST GRANT - KINSTON SLUM  
AND BLIGHT ELIMINATION INITIATIVE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal grants	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Demolition	112,500	112,500	-	112,500	-
Planning	2,500	2,500	-	2,500	-
Administration	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>-</u>	
End of year - June 30				<u>\$ -</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - GCC BODY CAMERA PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, State grants	\$ 10,069	\$ 10,069	\$ -	\$ 10,069	\$ -
Total revenues	<u>10,069</u>	<u>10,069</u>	<u>-</u>	<u>10,069</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	13,425	13,327	98	13,425	-
Total expenditures	<u>13,425</u>	<u>13,327</u>	<u>98</u>	<u>13,425</u>	<u>-</u>
Revenues over (under) expenditures	(3,356)	(3,258)	(98)	(3,356)	-
<b>Other Financing Sources (Uses):</b>					
Transfers in	3,356	3,356	-	3,356	-
Total other financing sources	<u>3,356</u>	<u>3,356</u>	<u>-</u>	<u>3,356</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 98	(98)	\$ -	\$ -
				0	
<b>Fund Balance:</b>					
Beginning of year - July 1				98	
End of year - June 30				\$ 0	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2013 EDWARD-BYRNE MEMORIAL JAG GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 34,181	\$ 17,091	\$ 17,091	\$ 34,182	\$ 1
Total revenues	<u>34,181</u>	<u>17,091</u>	<u>17,091</u>	<u>34,182</u>	<u>1</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	34,181	17,091	17,091	34,182	(1)
Total expenditures	<u>34,181</u>	<u>17,091</u>	<u>17,091</u>	<u>34,182</u>	<u>(1)</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1					
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2015 EDWARD-BYRNE MEMORIAL JAG GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 23,904	\$ -	\$ -	\$ -	\$ (23,904)
Total revenues	<u>23,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,904)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	23,904	-	11,255	11,255	12,649
Total expenditures	<u>23,904</u>	<u>-</u>	<u>11,255</u>	<u>11,255</u>	<u>12,649</u>
Net change in fund balance	\$ -	\$ -	(11,255)	\$ (11,255)	\$ (11,255)
<b>Fund Balance:</b>					
Beginning of year - July 1					-
End of year - June 30				\$ (11,255)	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - GCC 2015 OPERATION NO BOUNDARIES GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 25,000	\$ 3,920	\$ 21,080	\$ 25,000	\$ -
Total revenues	<u>25,000</u>	<u>3,920</u>	<u>21,080</u>	<u>25,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Grant expenses	25,000	3,920	21,080	25,000	-
Total expenditures	<u>25,000</u>	<u>3,920</u>	<u>21,080</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1					-
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - BROWNFIELDS EPA GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal grants	\$ 400,000	\$ 34,018	\$ 84,869	\$ 118,887	\$ (281,113)
Total revenues	<u>400,000</u>	<u>34,018</u>	<u>84,869</u>	<u>118,887</u>	<u>(281,113)</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Travel	7,000	1,896	-	1,896	5,104
Supplies	3,000	1,596	-	1,596	1,404
Contractual - EPA Assessment	195,000	31,674	75,224	106,898	88,102
Contractual - EPA Petroleum	195,000	14,076	94,553	108,629	86,371
Total expenditures	<u>400,000</u>	<u>49,242</u>	<u>169,777</u>	<u>219,019</u>	<u>180,981</u>
Net change in fund balance	\$ -	\$ (15,224)	(84,908)	\$ (100,132)	\$ (100,132)
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(15,224)</u>	
End of year - June 30				<u>\$ (100,132)</u>	

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## NONMAJOR CAPITAL PROJECT FUNDS

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Capital projects funds are used to account for the acquisition or construction of major capital facilities other than those financed by the Proprietary Fund.

**Retro-Green Capital Project Fund** – This fund accounts for funds to be used for utilization and management of properties acquired as a result of floods caused by hurricanes which will be restored for recreation and conservation uses.

**Train Depot Project** – This fund accounts for funds to realign the railroad tracks, demolish and remove the old train depot, and execute other safety and aesthetic improvements at the site.

**Battlefield Parkway/Soccer Complex** – This fund accounts for funds for the engineering and design of the Battlefield Parkway/Soccer Complex.

**Capital Reserve Fund** – This fund accounts for funds to be used for future capital improvements.

**New Fire Station # 3 Fund** – This fund accounts for funds used to construct a new fire station on Hill Farm Road.

**Martin Luther King Jr., Blvd. Enhancement Fund** – This fund accounts for funds for work to enhance the Martin Luther King, Jr. Blvd. Corridor.

**Heritage Street Improvements Fund** – This fund accounts for funds for work to enhance Heritage Street.

**CWMTF Flood Buy-Out II Capital Project Fund** – This fund accounts for funds to reallocate funds to properly close out and meet all requirements stated in the original Clean Water Management Trust Fund Flood Buyout Fund Project.

**National Endowment for the Arts (NEA) Our Town Fund** – This fund accounts for monies used for expenditures relating to the planning and design for the music park at Sugar Hill, a focal point of the African American Music Trail. The project will help increase connectivity between existing cultural points related to the African American Music Trail and create a link to the SmART District.

**College Street Railroad Crossing Project** – This fund accounts for funds received from the NC Department of Transportation, NC Railroad Company and Norfolk Southern Railway for various mitigation projects in the College Street and surrounding downtown area due to the closing of the College Street Railroad Crossing.

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**General Fund Small Projects** – This fund accounts for various small construction projects in the General Fund that extend beyond a fiscal year to be completed between FY2015 and FY2020. Currently small projects include the Dragon Park at Pearson Park and the Joel Smith Disc Golf Course.

**Fire Pumper Truck** – This fund accounts for the construction of the new fire pumper truck to replace the City's 1989 Pierce Fire Pumper and is expected to be completed and delivered in the early summer of 2017.

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**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

	<b>Retro- Green</b>	<b>Train Depot</b>	<b>Battlefield Parkway/ Soccer Complex</b>	<b>Capital Reserve Fund</b>	<b>New Fire Station #3</b>	<b>Martin Luther King Jr. Blvd. Enhancement</b>
<b>Assets:</b>						
Cash and investments	\$ 8,250	\$ -	\$ -	\$ 106,927	\$ -	\$ 31,829
Accounts receivable	-	-	-	-	-	-
Restricted cash and investments	-	51	-	-	-	-
Total assets	<u>\$ 8,250</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 106,927</u>	<u>\$ -</u>	<u>\$ 31,829</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Due to other funds	\$ -	\$ -	\$ 3,488	\$ -	\$ -	\$ -
Total liabilities	-	-	3,488	-	-	-
<b>Fund Balance:</b>						
Restricted:						
Stabilization by State statute	-	-	-	-	-	-
Restricted, all other	-	51	-	-	-	-
Committed	8,250	-	-	106,927	-	31,829
Unassigned	-	-	(3,488)	-	-	-
Total fund balances	<u>8,250</u>	<u>51</u>	<u>(3,488)</u>	<u>106,927</u>	<u>-</u>	<u>31,829</u>
Total liabilities and fund balances	<u>\$ 8,250</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 106,927</u>	<u>\$ -</u>	<u>\$ 31,829</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	<b>Heritage St. Improvements</b>	<b>CWMTF Flood Buy-Out II</b>	<b>NEA Our Town Fund</b>	<b>College Street Railroad Crossing Project</b>	<b>General Fund Small Projects</b>	<b>Fire Pumper Truck Project</b>	<b>Total</b>
<b>Assets:</b>							
Cash and investments	\$ 11,122	\$ -	\$ -	\$ 36,859	\$ -	\$ 80,749	\$ 275,736
Accounts receivable	-	-	-	116	638	-	754
Restricted cash and investments	-	-	-	-	-	-	51
Total assets	<u>\$ 11,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,975</u>	<u>\$ 638</u>	<u>\$ 80,749</u>	<u>\$ 276,541</u>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Due to other funds	\$ -	\$ 20,680	\$ -	\$ -	\$ 2,951	\$ -	\$ 27,119
Total liabilities	-	<u>20,680</u>	-	-	<u>2,951</u>	-	<u>27,119</u>
<b>Fund Balance:</b>							
Restricted:							
Stabilization by State statute	-	-	-	116	638	-	754
Restricted, all other	-	-	-	-	-	-	51
Committed	11,122	-	-	36,859	-	80,749	275,736
Unassigned	-	(20,680)	-	-	(2,951)	-	(27,119)
Total fund balances	<u>11,122</u>	<u>(20,680)</u>	-	<u>36,975</u>	<u>(2,313)</u>	<u>80,749</u>	<u>249,422</u>
Total liabilities and fund balances	<u>\$ 11,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,975</u>	<u>\$ 638</u>	<u>\$ 80,749</u>	<u>\$ 276,541</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Retro-Green</b>	<b>Train Depot</b>	<b>Battlefield Parkway/ Soccer Complex</b>	<b>Capital Reserve Fund</b>	<b>New Fire Station #3</b>	<b>Martin Luther King Jr. Blvd. Enhancement</b>
<b>Revenues:</b>						
Interest income	\$ -	\$ -	\$ -	\$ 68	\$ 19	\$ -
Federal and State grants	-	-	-	-	-	-
Miscellaneous revenues	-	-	-	-	-	-
Total revenues	-	-	-	68	19	-
<b>Expenditures:</b>						
Public safety	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Revenues over (under) expenditures	-	-	-	68	19	-
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	-	150,000	-	-
Transfers (out)	-	-	-	(50,000)	-	-
Long-term debt issued	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	100,000	-	-
Net change in fund balances	-	-	-	100,068	19	-
<b>Fund Balances:</b>						
Beginning of year - July 1	8,250	51	(3,488)	6,859	(19)	31,829
End of year - June 30	<u>\$ 8,250</u>	<u>\$ 51</u>	<u>\$ (3,488)</u>	<u>\$ 106,927</u>	<u>\$ -</u>	<u>\$ 31,829</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Heritage St. Improvements</b>	<b>CWMTF Flood Buy-Out II</b>	<b>NEA Our Town Fund</b>	<b>College Street Railroad Crossing Project</b>	<b>General Fund Small Projects</b>	<b>Fire Pumper Truck Project</b>	<b>Total</b>
<b>Revenues:</b>							
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87
Federal and State grants	-	-	32,505	88,000	-	-	120,505
Miscellaneous revenues	-	-	-	-	2,440	-	2,440
Total revenues	-	-	32,505	88,000	2,440	-	123,032
<b>Expenditures:</b>							
Public safety	-	-	-	-	-	519,251	519,251
Community development	-	-	-	43,803	9,453	-	53,256
Total expenditures	-	-	-	43,803	9,453	519,251	572,507
Revenues over (under) expenditures	-	-	32,505	44,197	(7,013)	(519,251)	(449,475)
<b>Other Financing Sources (Uses):</b>							
Transfers in	-	-	-	-	-	100,000	250,000
Transfers (out)	-	-	-	-	-	-	(50,000)
Long-term debt issued	-	-	-	-	-	500,000	500,000
Total other financing sources (uses)	-	-	-	-	-	600,000	700,000
Net change in fund balances	-	-	32,505	44,197	(7,013)	80,749	250,525
<b>Fund Balances:</b>							
Beginning of year - July 1	11,122	(20,680)	(32,505)	(7,222)	4,700	-	(1,103)
End of year - June 30	\$ 11,122	\$ (20,680)	\$ -	\$ 36,975	\$ (2,313)	\$ 80,749	\$ 249,422

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - RETRO-GREEN CAPITAL PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
Miscellaneous grants	\$ 25,000	\$ -	\$ -	\$ -	\$ (25,000)	
Miscellaneous revenues	20,000	8,450	-	8,450	(11,550)	
Total revenues	<u>45,000</u>	<u>8,450</u>	<u>-</u>	<u>8,450</u>	<u>(36,550)</u>	
<b>Expenditures:</b>						
<b>Cultural and Recreation:</b>						
Capital outlay	45,000	200	-	200	44,800	
Total expenditures	<u>45,000</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>44,800</u>	
Net change in fund balance	\$ -	\$ 8,250	-	\$ 8,250	\$ 8,250	
<b>Fund Balance:</b>						
Beginning of year - July 1				<u>8,250</u>		
End of year - June 30				<u>\$ 8,250</u>		

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 315,000	\$ 315,000	\$ -	\$ 315,000	\$ -
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>-</u>	<u>315,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Capital outlay	315,000	314,949	-	314,949	51
Total expenditures	<u>315,000</u>	<u>314,949</u>	<u>-</u>	<u>314,949</u>	<u>51</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 51</u>	<u>-</u>	<u>\$ 51</u>	<u>\$ 51</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				51	
End of year - June 30				<u>\$ 51</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - BATTLEFIELD PARKWAY/SOCCER COMPLEX**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
State grants	\$ 143,000	\$ 137,696	\$ -	\$ 137,696	\$ (5,304)	
Miscellaneous revenues	571	-	-	-	(571)	
Total revenues	<u>143,571</u>	<u>137,696</u>	<u>-</u>	<u>137,696</u>	<u>(5,875)</u>	
<b>Expenditures:</b>						
<b>Cultural and Recreation:</b>						
Capital outlay	150,000	147,613	-	147,613	2,387	
Total expenditures	<u>150,000</u>	<u>147,613</u>	<u>-</u>	<u>147,613</u>	<u>2,387</u>	
Revenues over (under) expenditures	(6,429)	(9,917)	-	(9,917)	(3,488)	
<b>Other Financing Sources (Uses):</b>						
Transfers in	6,429	6,429	-	6,429	-	
Total other financing sources (uses)	<u>6,429</u>	<u>6,429</u>	<u>-</u>	<u>6,429</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ (3,488)</u>	<u>-</u>	<u>\$ (3,488)</u>	<u>\$ (3,488)</u>	
<b>Fund Balance:</b>						
Beginning of year - July 1				(3,488)		
End of year - June 30				<u>\$ (3,488)</u>		

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 68	\$ 68
Total revenues	<u>-</u>	<u>68</u>	<u>68</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(150,000)	(50,000)	100,000
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	\$ -	100,068	\$ 100,068
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>6,859</u>	
End of year - June 30		<u>\$ 106,927</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - NEW FIRE STATION #3**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
State grants	\$ 187,500	\$ 187,500	\$ -	\$ 187,500	\$ -	
Investment earnings	521	523	19	542	21	
Total revenues	<u>188,021</u>	<u>188,023</u>	<u>19</u>	<u>188,042</u>	<u>21</u>	
<b>Expenditures:</b>						
<b>Public Safety:</b>						
Construction costs	1,481,839	1,481,860	-	1,481,860	(21)	
Total expenditures	<u>1,481,839</u>	<u>1,481,860</u>	<u>-</u>	<u>1,481,860</u>	<u>(21)</u>	
Revenues over (under) expenditures	<u>(1,293,818)</u>	<u>(1,293,837)</u>	<u>19</u>	<u>(1,293,818)</u>	<u>-</u>	
<b>Other Financing Sources (Uses):</b>						
Debt issued	1,062,500	1,062,500	-	1,062,500	-	
Transfer from General Fund	231,318	231,318	-	231,318	-	
Total other financing sources (uses)	<u>1,293,818</u>	<u>1,293,818</u>	<u>-</u>	<u>1,293,818</u>	<u>-</u>	
Net change in fund balance	\$ -	\$ (19)	19	\$ -	\$ -	
<b>Fund Balance:</b>						
Beginning of year - July 1					(19)	
End of year - June 30				\$ -		

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - MARTIN LUTHER KING, JR. BLVD. ENHANCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 475,000	\$ 464,388	\$ -	\$ 464,388	\$ (10,612)
Total revenues	<u>475,000</u>	<u>464,388</u>	<u>-</u>	<u>464,388</u>	<u>(10,612)</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Construction costs	545,000	502,559	-	502,559	42,441
Total expenditures	<u>545,000</u>	<u>502,559</u>	<u>-</u>	<u>502,559</u>	<u>42,441</u>
Revenues over (under) expenditures	<u>(70,000)</u>	<u>(38,171)</u>	<u>-</u>	<u>(38,171)</u>	<u>31,829</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	20,000	20,000	-	20,000	-
Transfer from Electric Fund	50,000	50,000	-	50,000	-
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 31,829</u>	<u>-</u>	<u>\$ 31,829</u>	<u>\$ 31,829</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>31,829</u>	
End of year - June 30				<u>\$ 31,829</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - HERITAGE STREET IMPROVEMENTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 200,000	\$ 197,079	\$ -	\$ 197,079	\$ (2,921)
Miscellaneous revenues	500	-	-	-	(500)
Total revenues	<u>200,500</u>	<u>197,079</u>	<u>-</u>	<u>197,079</u>	<u>(3,421)</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Construction costs	235,500	220,957	-	220,957	14,543
Total expenditures	<u>235,500</u>	<u>220,957</u>	<u>-</u>	<u>220,957</u>	<u>14,543</u>
Revenues over (under) expenditures	(35,000)	(23,878)	-	(23,878)	11,122
<b>Other Financing Sources (Uses):</b>					
Transfer from General Fund	35,000	35,000	-	35,000	-
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,122</u>	<u>-</u>	<u>\$ 11,122</u>	<u>\$ 11,122</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				11,122	
End of year - June 30				<u>\$ 11,122</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - CWMTF FLOOD BUY-OUT II CAPITAL PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 125,343	\$ 36,549	\$ -	\$ 36,549	\$ (88,794)
Total revenues	<u>125,343</u>	<u>36,549</u>	<u>-</u>	<u>36,549</u>	<u>(88,794)</u>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
Professional services	186,434	83,647	-	83,647	102,787
Total expenditures	<u>186,434</u>	<u>83,647</u>	<u>-</u>	<u>83,647</u>	<u>102,787</u>
Revenues over (under) expenditures	<u>(61,091)</u>	<u>(47,098)</u>	<u>-</u>	<u>(47,098)</u>	<u>13,993</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	61,091	26,418	-	26,418	(34,673)
Total other financing sources (uses)	<u>61,091</u>	<u>26,418</u>	<u>-</u>	<u>26,418</u>	<u>(34,673)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (20,680)</u>	<u>-</u>	<u>\$ (20,680)</u>	<u>\$ (20,680)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(20,680)</u>	
End of year - June 30				<u>\$ (20,680)</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - NEA OUR TOWN FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal and State grants	\$ 140,000	\$ 107,495	\$ 32,505	\$ 140,000	\$ _____
Total revenues	<u>140,000</u>	<u>107,495</u>	<u>32,505</u>	<u>140,000</u>	<u>_____</u>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
African American Music Trail Project:					
Design and planning	20,000	20,000	-	20,000	-
Capital outlay	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>_____</u>
Total expenditures	<u>140,000</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>_____</u>
Net change in fund balance	\$ _____ -	\$ <u>(32,505)</u>	32,505	\$ _____ -	\$ _____ -
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(32,505)</u>	
End of year - June 30				\$ _____ -	

**CITY OF KINSTON, NORTH CAROLINA**

**CAPITAL PROJECT FUND - COLLEGE STREET RAILROAD CROSSING PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

			<b>Actual</b>			
	<b>Project Authorization</b>		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>						
NCDOT State grants	\$ 88,000	\$ -	\$ 88,000	\$ 88,000	\$ -	
Contribution from NC Railroad Company	125,000	125,000	-	125,000		-
Contribution from Northfolk Southern Corporation	37,000	37,000	-	37,000		-
Total revenues	<u>250,000</u>	<u>162,000</u>	<u>88,000</u>	<u>250,000</u>		-
<b>Expenditures:</b>						
<b>Community Development:</b>						
Heritage Street Widening Project	190,500	183,157	-	183,157		7,343
Other mitigation activities	<u>139,500</u>	<u>66,065</u>	<u>43,803</u>	<u>109,868</u>		<u>29,632</u>
Total expenditures	<u>330,000</u>	<u>249,222</u>	<u>43,803</u>	<u>293,025</u>		<u>36,975</u>
Revenues over (under) expenditures	<u>(80,000)</u>	<u>(87,222)</u>	<u>44,197</u>	<u>(43,025)</u>		<u>36,975</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>		<u>-</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>		<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,222)</u>	<u>44,197</u>	<u>\$ 36,975</u>	<u>\$ 36,975</u>	
<b>Fund Balance:</b>						
Beginning of year - July 1					<u>(7,222)</u>	
End of year - June 30					<u>\$ 36,975</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - GENERAL FUND SMALL PROJECTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Federal and State grants	\$ 350,000	\$ -	\$ -	\$ -	\$ (350,000)
Miscellaneous revenues	4,600	4,700	2,440	7,140	2,540
Total revenues	<u>354,600</u>	<u>4,700</u>	<u>2,440</u>	<u>7,140</u>	<u>(347,460)</u>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
Dragon Park Project	4,600	-	-	-	4,600
Neuse River Greenway Project	700,000	-	9,453	9,453	690,547
Total expenditures	<u>704,600</u>	<u>-</u>	<u>9,453</u>	<u>9,453</u>	<u>695,147</u>
Revenues over (under) expenditures	<u>(350,000)</u>	<u>4,700</u>	<u>(7,013)</u>	<u>(2,313)</u>	<u>347,687</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	350,000	-	-	-	(350,000)
Total other financing sources (uses)	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,700</u>	<u>(7,013)</u>	<u>\$ (2,313)</u>	<u>\$ (2,313)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				4,700	
End of year - June 30				<u>\$ (2,313)</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - FIRE PUMPER TRUCK**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Capital outlay	\$ 600,000	\$ -	\$ 519,251	\$ 519,251	\$ 80,749
Total expenditures	<u>600,000</u>	<u>-</u>	<u>519,251</u>	<u>519,251</u>	<u>80,749</u>
Revenues over (under) expenditures	(600,000)	-	(519,251)	(519,251)	80,749
<b>Other Financing Sources (Uses):</b>					
Transfers in	100,000	-	100,000	100,000	-
Debt issued	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	80,749	\$ 80,749	\$ 80,749
<b>Fund Balance:</b>					
Beginning of year - July 1					-
End of year - June 30				<u>\$ 80,749</u>	

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## **PERMANENT FUND**

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This fund is used to account for the activities associated with the upkeep of the Temple Israel Cemetery.

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## CITY OF KINSTON, NORTH CAROLINA

**PERMANENT FUND - TEMPLE ISRAEL PERPETUAL CARE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Investment earnings	\$ 75	\$ 115	\$ 40
Total revenues	<u>75</u>	<u>115</u>	<u>40</u>
Revenues over (under) expenditures	<u>75</u>	<u>115</u>	<u>(40)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(75)</u>	<u>(75)</u>	<u>-</u>
Total other financing sources (uses)	<u>(75)</u>	<u>(75)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>40</u>	<u>\$ 40</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>75,299</u>	
End of year - June 30	<u>\$</u>	<u>75,339</u>	

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## **ELECTRIC FUND**

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This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services, electricity sales	\$ 50,964,300	\$ 49,195,014	\$ (1,769,286)	\$ 54,411,028
Other	702,400	495,327	(207,073)	558,888
Total operating revenues	<u>51,666,700</u>	<u>49,690,341</u>	<u>(1,976,359)</u>	<u>54,969,916</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	8,000	12,493	4,493	6,042
Total non-operating revenues	<u>8,000</u>	<u>12,493</u>	<u>4,493</u>	<u>6,042</u>
Total revenues	<u>51,674,700</u>	<u>49,702,834</u>	<u>(1,971,866)</u>	<u>54,975,958</u>
<b>Expenditures:</b>				
<b>Electric Operations:</b>				
Salaries and benefits	1,395,070	1,273,649	121,421	1,230,241
Operating	2,586,100	2,036,450	549,650	2,130,539
Purchased power	36,396,100	34,350,998	2,045,102	47,367,971
Indirect costs	1,395,744	1,395,744	-	1,293,993
Capital outlay	1,332,413	871,039	461,374	413,996
Total	<u>43,105,427</u>	<u>39,927,880</u>	<u>3,177,547</u>	<u>52,436,740</u>
<b>Debt Service:</b>				
Principal retirement	729,283	729,083	200	650,606
Interest and other charges	90,200	87,280	2,920	216,083
Total debt service	<u>819,483</u>	<u>816,363</u>	<u>3,120</u>	<u>866,689</u>
Total expenditures	<u>43,924,910</u>	<u>40,744,243</u>	<u>3,180,667</u>	<u>53,303,429</u>
Revenues over (under) expenditures	<u>7,749,790</u>	<u>8,958,591</u>	<u>1,208,801</u>	<u>1,672,529</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	431,513	-	(431,513)	-
Debt issued	-	-	-	41,415
Refunding debt issued	-	-	-	4,847,910
Principal payments - current refunding	-	-	-	(4,816,990)
Interest and other charges - current refunding	-	-	-	(48,943)
Transfers in	1,883,000	1,883,000	-	833,000
Transfers out - Capital Reserve Fund	(6,018,679)	(6,018,679)	-	(556,000)
Transfers out	(4,045,624)	(4,016,689)	28,935	(1,122,881)
Total other financing sources (uses)	<u>(7,749,790)</u>	<u>(8,152,368)</u>	<u>(402,578)</u>	<u>(822,489)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 806,223</u>	<u>\$ 806,223</u>	<u>\$ 850,040</u>

**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses				
Transfers in - Capital Project Fund		3,174,949		-
Transfers out - Capital Reserve Fund		(1,883,000)		(833,000)
Transfers in - Capital Reserve Fund		6,018,679		556,000
Capital outlay		978,792		360,796
Debt issued		-		(4,889,325)
Payment of debt principal		729,083		5,467,596
Depreciation		(964,102)		(974,823)
Non-capitalized expenditures from capital project funds		-		(48,984)
Bad debt expense		(171,377)		(63,491)
Capital contributions		129,490		610,152
Investment earnings from capital project funds		2,518		1,575
Change in accrued compensated absences		8,730		(9,409)
Loss on the disposal of capital asset		(413,578)		-
Pension expense		(51,755)		(6,811)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		97,715		98,693
Change in accrued interest payable		5,920		31,113
Change in net position		<u><u>\$ 8,468,287</u></u>		<u><u>\$ 1,150,122</u></u>

## CITY OF KINSTON, NORTH CAROLINA

**ELECTRIC CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal and State grants	\$ 5,282,799	\$ 2,687,524	\$ 129,490	\$ 2,817,014	\$ (2,465,785)
Dopaco project contribution	500,000	355,000	-	355,000	(145,000)
Heelstone Energy contribution - Solar Farm Electric Project	196,600	196,516	-	196,516	(84)
Interest earned on investments	14,500	18,767	-	18,767	4,267
Miscellaneous revenue	-	68,366	-	68,366	68,366
Total revenues	<u>5,993,899</u>	<u>3,326,173</u>	<u>129,490</u>	<u>3,455,663</u>	<u>(2,538,236)</u>
<b>Expenditures:</b>					
Caswell Center upgrades	5,259,095	-	-	-	5,259,095
West Industrial Park Substation Project	3,345,035	2,667,146	-	2,667,146	677,889
Lenox China Generator Project	466,500	405,397	-	405,397	61,103
Felix Harvey Parkway Extension Project	205,800	80,605	-	80,605	125,195
Spirit Aerosystem Rail Spur Project	379,163	199,667	-	199,667	179,496
EEBGP Transportation Grant	-	499,081	-	499,081	(499,081)
Dopaco Inc. Generator Project	1,000,000	855,001	-	855,001	144,999
West Pharmaceutical Generator Project	962,500	962,500	-	962,500	-
Highway 58 Widening Project	-	103,459	-	103,459	(103,459)
531 Circuit Rebuild	511,125	506,096	1,952	508,048	3,077
Queen Street Bridge Electric Line Relocation Project	647,067	422,916	168,106	591,022	56,045
Solar Farm Electric Improvements Project	196,600	98,659	-	98,659	97,941
Falling Creek Substation Transformer Project	1,291,949	-	65,926	65,926	1,226,023
Second Point of Delivery	3,644,184	-	22,534	22,534	3,621,650
Total	<u>17,909,018</u>	<u>6,800,527</u>	<u>258,518</u>	<u>7,059,045</u>	<u>10,849,973</u>
<b>Debt Service:</b>					
Principal retirement	311,000	310,951	-	310,951	49
Interest and other charges	190,000	189,949	-	189,949	51
Total debt service	<u>501,000</u>	<u>500,900</u>	<u>-</u>	<u>500,900</u>	<u>100</u>
Total expenditures	<u>18,410,018</u>	<u>7,301,427</u>	<u>258,518</u>	<u>7,559,945</u>	<u>10,850,073</u>
Revenue over (under) expenditures	<u>(12,416,119)</u>	<u>(3,975,254)</u>	<u>(129,028)</u>	<u>(4,104,282)</u>	<u>8,311,837</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	5,480,526	2,950,000	-	2,950,000	(2,530,526)
Transfers in	6,935,593	1,999,460	3,174,949	5,174,409	(1,761,184)
Total other financing sources (uses)	<u>12,416,119</u>	<u>4,949,460</u>	<u>3,174,949</u>	<u>8,124,409</u>	<u>(4,291,710)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 974,206</u>	<u>\$ 3,045,921</u>	<u>\$ 4,020,127</u>	<u>\$ 4,020,127</u>

## CITY OF KINSTON, NORTH CAROLINA

**ELECTRIC CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Interest earned on investments	\$ 1,700	\$ 8,575	\$ 2,518	\$ 11,093	\$ 9,393
Total revenues	<u>1,700</u>	<u>8,575</u>	<u>2,518</u>	<u>11,093</u>	<u>9,393</u>
<b>Other Financing Sources (Uses):</b>					
Appropriated net position	1,042,272	-	-	-	(1,042,272)
Transfers in	6,018,679	4,223,103	6,018,679	10,241,782	4,223,103
Transfers out	(7,062,651)	(2,981,235)	(1,883,000)	(4,864,235)	2,198,416
Total other financing sources (uses)	<u>(1,700)</u>	<u>1,241,868</u>	<u>4,135,679</u>	<u>5,377,547</u>	<u>5,379,247</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,250,443</u>	<u>\$ 4,138,197</u>	<u>\$ 5,388,640</u>	<u>\$ 5,388,640</u>

## **WATER FUND**

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This fund is used to account for the activities associated with the production, distribution, and transmission of potable water by the City to its users.

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services:				
Water sales	\$ 8,834,000	\$ 8,877,654	\$ 43,654	\$ 8,771,842
Other	192,000	256,729	64,729	171,453
Total operating revenues	<u>9,026,000</u>	<u>9,134,383</u>	<u>108,383</u>	<u>8,943,295</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	2,300	5,030	2,730	2,986
Total non-operating revenues	<u>2,300</u>	<u>5,030</u>	<u>2,730</u>	<u>2,986</u>
Total revenues	<u>9,028,300</u>	<u>9,139,413</u>	<u>111,113</u>	<u>8,946,281</u>
<b>Expenditures:</b>				
<b>Water Production:</b>				
Salaries and benefits	358,135	287,500	70,635	313,226
Operating	638,400	543,710	94,690	426,116
Repairs and maintenance	104,000	106,725	(2,725)	101,549
Capital outlay	52,200	28,905	23,295	80,940
Indirect costs	(303,428)	(303,428)	-	(242,754)
Total water production	<u>849,307</u>	<u>663,412</u>	<u>185,895</u>	<u>679,077</u>
<b>Water Operations:</b>				
Salaries and benefits	1,151,650	1,005,038	146,612	948,744
Operating	717,850	695,476	22,374	647,202
Repairs and maintenance	116,000	98,791	17,209	56,605
Capital outlay	316,000	281,269	34,731	381,362
Indirect costs	122,150	122,150	-	122,150
Total water operations	<u>2,423,650</u>	<u>2,202,724</u>	<u>220,926</u>	<u>2,156,063</u>
<b>Water Operations:</b>				
Purchased water	<u>4,483,200</u>	<u>4,483,200</u>	<u>-</u>	<u>4,483,200</u>
<b>Debt Service:</b>				
Principal retirement	219,100	219,090	10	205,076
Interest and other charges	24,650	23,587	1,063	58,399
Total debt service	<u>243,750</u>	<u>242,677</u>	<u>1,073</u>	<u>263,475</u>
<b>Non-Operating Expenditures:</b>				
Economic development reimbursements	44,600	38,944	5,656	38,724
Total non-operating expenditure	<u>44,600</u>	<u>38,944</u>	<u>5,656</u>	<u>38,724</u>
Total expenditures	<u>8,044,507</u>	<u>7,630,957</u>	<u>413,550</u>	<u>7,620,539</u>

**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>Variance Over/Under</b>	<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>	
Revenues over (under) expenditures	983,793	1,508,456	524,663	1,325,742	
<b>Other Financing Sources (Uses):</b>					
Long-term debt issued	405,600	405,639	39	58,405	
Refunding debt issued	-	-	-	1,280,580	
Principal payments - current refunding	-	-	-	(1,195,691)	
Interest and other charges - current refunding	-	-	-	(12,683)	
Transfers from:					
Transfers from other funds	28,500	123,202	94,702	28,500	
Transfers to:					
Capital reserve	(181,295)	(181,295)	-	-	
Transfer to other funds	(1,236,598)	(606,788)	629,810	(434,066)	
Total other financing sources (uses)	(983,793)	(259,242)	724,551	(274,955)	
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,249,214	\$ 1,249,214	\$ 1,050,787	

**Reconciliation from Budgetary Basis  
(Modified Accrual) to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,249,214	\$ 1,050,787
Transfers - Capital Reserve Fund	181,295	-
Transfers - Capital Project Fund	516,000	370,000
Capital outlay	349,446	300,278
Interest from Capital Reserve Fund	503	261
Payment of debt principal	219,090	1,400,767
Debt issued	(405,639)	(1,338,985)
Depreciation	(500,246)	(480,871)
Bad debt expense	(35,041)	(109,838)
Change in accrued compensated absences	(16,768)	3,210
Pension expense	(51,755)	(6,811)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year	97,715	98,693
Change in accrued interest payable	86	8,477
Change in net position	\$ 1,603,900	\$ 1,295,968

## CITY OF KINSTON, NORTH CAROLINA

**WATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
Water line projects	\$ 886,000	\$ 33,001	\$ 469,515	\$ 502,516	\$ 383,484
Total expenditures	<u>886,000</u>	<u>33,001</u>	<u>469,515</u>	<u>502,516</u>	<u>383,484</u>
Revenue over (under) expenditures	<u>(886,000)</u>	<u>(33,001)</u>	<u>(469,515)</u>	<u>(502,516)</u>	<u>383,484</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	886,000	370,000	516,000	886,000	-
Total other financing sources (uses)	<u>886,000</u>	<u>370,000</u>	<u>516,000</u>	<u>886,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 336,999</u>	<u>\$ 46,485</u>	<u>\$ 383,484</u>	<u>\$ 383,484</u>

## CITY OF KINSTON, NORTH CAROLINA

**WATER CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Other:</b>					
Investment earnings	\$ 300	\$ -	\$ 503	\$ 503	\$ 203
Total revenues	<u>300</u>	<u>-</u>	<u>503</u>	<u>503</u>	<u>203</u>
Revenue over (under) expenditures	300	-	503	503	203
<b>Other Financing Sources (Uses):</b>					
Transfers in	181,295	-	181,295	181,295	-
Transfers out	(181,595)	-	-	-	181,595
Total other financing sources (uses)	<u>(300)</u>	<u>-</u>	<u>181,295</u>	<u>181,295</u>	<u>181,595</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,798</u>	<u>\$ 181,798</u>	<u>\$ 181,798</u>

## **WASTEWATER FUND**

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This fund is used to account for the activities associated with the collection, operation, and treatment of the City's sewer systems.

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## CITY OF KINSTON, NORTH CAROLINA

**ENTERPRISE FUNDS - WASTEWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services:				
Sewer sales	\$ 6,073,000	\$ 6,065,414	\$ (7,586)	\$ 6,314,234
Other	23,499	22,382	(1,117)	43,097
Total operating revenues	<u>6,096,499</u>	<u>6,087,796</u>	<u>(8,703)</u>	<u>6,357,331</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	10,600	13,625	3,025	12,639
Total non-operating revenues	<u>10,600</u>	<u>13,625</u>	<u>3,025</u>	<u>12,639</u>
Total revenues	<u>6,107,099</u>	<u>6,101,421</u>	<u>(5,678)</u>	<u>6,369,970</u>
<b>Expenditures:</b>				
<b>Wastewater Plant Operations:</b>				
Salaries and benefits	850,943	705,506	145,437	694,347
Operating	871,500	674,048	197,452	754,334
Repairs and maintenance	93,500	87,383	6,117	112,298
Indirect costs	2,370,510	2,370,510	-	2,140,243
Capital outlay	178,300	138,552	39,748	383,224
Total wastewater plant operations	<u>4,364,753</u>	<u>3,975,999</u>	<u>388,754</u>	<u>4,084,446</u>
<b>Debt Service:</b>				
Principal retirement	1,067,100	1,065,021	2,079	996,494
Interest and other charges	<u>222,500</u>	<u>218,680</u>	<u>3,820</u>	<u>299,411</u>
Total debt service	<u>1,289,600</u>	<u>1,283,701</u>	<u>5,899</u>	<u>1,295,905</u>
<b>Non-Operating Expenditures:</b>				
Economic development reimbursements	<u>9,600</u>	<u>8,345</u>	<u>1,255</u>	<u>8,298</u>
Total expenditures	<u>5,663,953</u>	<u>5,268,045</u>	<u>395,908</u>	<u>5,388,649</u>
Revenues over (under) expenditures	<u>443,146</u>	<u>833,376</u>	<u>(401,586)</u>	<u>981,321</u>

## CITY OF KINSTON, NORTH CAROLINA

**ENTERPRISE FUNDS - WASTEWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	77,800	77,804	(4)	16,978
Refunding debt issued	-	-	-	3,018,510
Principal payments - current refunding	-	-	-	(3,041,600)
Interest and other charges - current refunding	-	-	-	(31,092)
Transfers out - capital projects	(283,452)	(283,452)	-	(98,200)
Transfers in - capital projects	131,300	131,300	-	98,200
Transfers out - other funds	(368,794)	(11,883)	356,911	(93,729)
Total other financing sources (uses)	(443,146)	(86,231)	356,907	(130,933)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 747,145	\$ 747,145	\$ 850,388

**Reconciliation from Budgetary Basis  
(Modified Accrual) to Full Accrual Basis:**

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 747,145	\$ 850,388
Transfers out - capital projects	(226,002)	-
Capital outlay	72,648	372,758
Debt issued	(77,804)	(3,035,488)
Payment of debt principal	1,065,021	4,038,094
Depreciation	(2,281,009)	(2,255,027)
Capital contributions	206,731	2,567,185
Transfers in - capital projects	283,452	-
Interest from Capital Project Fund	221	218
Non-capitalizable expense from Capital Project Fund	495	(2,001)
Change in accrued compensated absences	1,169	4,112
Change in accrued interest payable	3,058	15,293
Pension expense	(36,229)	(4,768)
Deferred outflows of resources for contributions made to pension plan in the current fiscal year	68,400	69,085
Bad debt expense	<u>15,325</u>	<u>(53,086)</u>
Change in net position	\$ (157,379)	\$ 2,566,763

## CITY OF KINSTON, NORTH CAROLINA

**WASTEWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal and State grants	\$ 4,853,956	\$ 4,603,342	\$ 215,731	\$ 4,819,073	\$ (34,883)
Local funds	775,000	807,462	(9,000)	798,462	23,462
Investment earnings	-	131,308	-	131,308	131,308
Other revenue	576,800	1,351,800	-	1,342,800	766,000
Total revenues	<u>6,205,756</u>	<u>6,893,912</u>	<u>206,731</u>	<u>7,091,643</u>	<u>885,887</u>
<b>Expenditures:</b>					
Spirit Aero Utilities Project	683,829	683,830	-	683,830	(1)
Sanderson Farms Utilities Project	1,062,368	1,062,863	(495)	1,062,368	-
College Street Sewer Rehabilitation Project	1,578,147	1,578,147	-	1,578,147	-
Pollock Street Sewer Rehabilitation Project	-	604,247	-	604,247	(604,247)
Neuse Outfall Sewer Evaluation	-	50,750	-	50,750	(50,750)
Smithfield Plant Expansion Project	3,857,000	3,093,273	652,717	3,745,990	111,010
Queen Street Sewer Rehabilitation Project	7,109,400	375,382	309,500	684,882	6,424,518
KRWRF Biosolids Dryer Project	1,632,000	-	-	-	1,632,000
Briery Run Phase IV Rehabilitation Project	2,095,796	-	-	-	2,095,796
Total expenditures	<u>18,018,540</u>	<u>7,448,492</u>	<u>961,722</u>	<u>8,410,214</u>	<u>9,608,326</u>
Revenue over (under) expenditures	<u>(11,812,784)</u>	<u>(554,580)</u>	<u>(754,991)</u>	<u>(1,318,571)</u>	<u>10,494,213</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	11,604,724	941,163	-	941,163	(10,663,561)
Transfers in	507,790	801,539	131,300	932,839	425,049
Transfers out	(299,730)	(223,845)	(94,702)	(318,547)	(18,817)
Total other financing sources (uses)	<u>11,812,784</u>	<u>1,518,857</u>	<u>36,598</u>	<u>1,555,455</u>	<u>(10,257,329)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 964,277</u>	<u>\$ (718,393)</u>	<u>\$ 236,884</u>	<u>\$ 236,884</u>

## CITY OF KINSTON, NORTH CAROLINA

**WASTEWATER CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Investment earnings	\$ 250	\$ 1,185	\$ 221	\$ 1,406	\$ 1,156
Total revenues	250	1,185	221	1,406	1,156
Revenue over (under) expenditures	250	1,185	221	1,406	1,156
<b>Other Financing Sources (Uses):</b>					
Appropriated net position	131,300	-	-	-	(131,300)
Transfers in	181,566	342,825	152,152	494,977	313,411
Transfers out	(313,116)	(186,025)	(131,300)	(317,325)	(4,209)
Total other financing sources (uses)	(250)	156,800	20,852	177,652	177,902
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 157,985	\$ 21,073	\$ 179,058	\$ 179,058

## **NONMAJOR ENTERPRISE FUNDS**

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s 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 the government’s Board has decided that periodic determination of net income is appropriate for accountability purposes.

**Environmental Services Fund** – This fund is used to account for the activities associated with the collection and disposal of garbage by the City for its users.

**Stormwater Fund** – This fund is used to account for the activities associated with improving and maintaining the City’s stormwater system.

**Woodmen of the World Community Center** – This fund is used to account for the operation of the Woodmen Community Center and Lions Water Park located on West Vernon Avenue. The facility provides recreational and community activities.

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## CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF FUND NET POSITION  
JUNE 30, 2016

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 201,969	\$ 1,058,227	\$ 271,675	\$ 1,531,871
Accounts receivable	421,038	132,740	9,432	563,210
Total current assets	<u>623,007</u>	<u>1,190,967</u>	<u>281,107</u>	<u>2,095,081</u>
Non-current assets:				
Capital assets:				
Equipment	3,668,727	1,397,923	5,464	5,072,114
Accumulated depreciation	(2,940,262)	(565,042)	(1,093)	(3,506,397)
Total capital assets	<u>728,465</u>	<u>832,881</u>	<u>4,371</u>	<u>1,565,717</u>
Total non-current assets	<u>728,465</u>	<u>832,881</u>	<u>4,371</u>	<u>1,565,717</u>
Total assets	<u>1,351,472</u>	<u>2,023,848</u>	<u>285,478</u>	<u>3,660,798</u>
<b>Deferred Outflows of Resources:</b>				
Pension related deferrals				
Contributions to pension plan in current fiscal year	300	86	-	386
Total deferred outflows of resources	<u>68,400</u>	<u>19,543</u>	<u>-</u>	<u>87,943</u>
	<u>68,700</u>	<u>19,629</u>	<u>-</u>	<u>88,329</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	102,797	16,203	171,748	290,748
Current portion of installment notes	161,561	94,261	-	255,822
Current portion of compensated absences	13,439	3,271	2,339	19,049
Total current liabilities	<u>277,797</u>	<u>113,735</u>	<u>174,087</u>	<u>565,619</u>
Non-current liabilities:				
Net pension liability	72,316	20,662	-	92,978
Non-current portion of installment notes	444,176	233,074	-	677,250
Non-current portion of compensated absences	40,318	9,811	7,017	57,146
Total non-current liabilities	<u>556,810</u>	<u>263,547</u>	<u>7,017</u>	<u>827,374</u>
Total liabilities	<u>834,607</u>	<u>377,282</u>	<u>181,104</u>	<u>1,392,993</u>
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	<u>41,524</u>	<u>11,864</u>	<u>-</u>	<u>53,388</u>
<b>Net Position:</b>				
Net investment in capital assets	122,728	505,546	4,371	632,645
Unrestricted	<u>421,313</u>	<u>1,148,785</u>	<u>100,003</u>	<u>1,670,101</u>
Total net position	<u>\$ 544,041</u>	<u>\$ 1,654,331</u>	<u>\$ 104,374</u>	<u>\$ 2,302,746</u>

## CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	<b>Woodmen of the World Community Center</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 3,274,274	\$ 1,008,833	\$ 1,792,392	\$ 6,075,499
Other operating income	19,419	15,018	-	34,437
Total operating revenues	<u>3,293,693</u>	<u>1,023,851</u>	<u>1,792,392</u>	<u>6,109,936</u>
<b>Operating Expenses:</b>				
Operations	3,067,605	795,697	1,787,220	5,650,522
Depreciation	271,425	131,617	1,093	404,135
Total operating expenses	<u>3,339,030</u>	<u>927,314</u>	<u>1,788,313</u>	<u>6,054,657</u>
Operating income (loss)	<u>(45,337)</u>	<u>96,537</u>	<u>4,079</u>	<u>55,279</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest earned on investments	423	10,884	291	11,598
Interest on long-term debt	(4,972)	(2,996)	-	(7,968)
Total non-operating revenues (expenses)	<u>(4,549)</u>	<u>7,888</u>	<u>291</u>	<u>3,630</u>
Income (loss) before capital contributions and transfers	<u>(49,886)</u>	<u>104,425</u>	<u>4,370</u>	<u>58,909</u>
<b>Capital Contributions and Transfers:</b>				
Transfers (out)	(206,094)	(58,064)	-	(264,158)
Total capital contributions and transfers	<u>(206,094)</u>	<u>(58,064)</u>	<u>-</u>	<u>(264,158)</u>
Change in net position	<u>(255,980)</u>	<u>46,361</u>	<u>4,370</u>	<u>(205,249)</u>
<b>Net Position:</b>				
Beginning of year - July 1	<u>800,021</u>	<u>1,607,970</u>	<u>100,004</u>	<u>2,507,995</u>
End of year - June 30	<u>\$ 544,041</u>	<u>\$ 1,654,331</u>	<u>\$ 104,374</u>	<u>\$ 2,302,746</u>

## CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 3,253,096	\$ 1,015,512	\$ 1,797,698	\$ 6,066,306
Cash paid to suppliers for goods and services	(2,032,587)	(433,808)	(1,062,609)	(3,529,004)
Cash paid to or on behalf of employees for services	(1,052,809)	(364,655)	(702,963)	(2,120,427)
Net cash provided (used) by operating activities	<u>167,700</u>	<u>217,049</u>	<u>32,126</u>	<u>416,875</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfers to other funds	(206,094)	(58,064)	-	(264,158)
Net cash provided (used) by non-capital financing activities	<u>(206,094)</u>	<u>(58,064)</u>	<u>-</u>	<u>(264,158)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(472,820)	(237,556)	(5,464)	(715,840)
Proceeds from long-term debt	479,627	252,031	-	731,658
Principal paid on general obligation bond maturities and equipment contracts	(67,608)	(44,891)	-	(112,499)
Interest paid on bonded indebtedness and equipment contracts	(4,972)	(2,996)	-	(7,968)
Net cash provided (used) by capital and related financing activities	<u>(65,773)</u>	<u>(33,412)</u>	<u>(5,464)</u>	<u>(104,649)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	423	10,884	291	11,598
Net cash provided (used) in investing activities	<u>423</u>	<u>10,884</u>	<u>291</u>	<u>11,598</u>
Net increase (decrease) in cash and cash equivalents/investments	(103,744)	136,457	26,953	59,666
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year - July 1	<u>305,713</u>	<u>921,770</u>	<u>244,722</u>	<u>1,472,205</u>
End of year - June 30	<u>\$ 201,969</u>	<u>\$ 1,058,227</u>	<u>\$ 271,675</u>	<u>\$ 1,531,871</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (45,337)	\$ 96,537	\$ 4,079	\$ 55,279
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	271,425	131,617	1,093	404,135
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(40,597)	(8,339)	5,306	(43,630)
Decrease in net pension asset	97,055	27,730	-	124,785
Increase in net pension liability	72,316	20,662	-	92,978
Decrease in deferred inflows	(200,276)	(57,222)	-	(257,498)
(Increase) decrease in deferred outflows of resources for pensions	385	110	-	495
Increase (decrease) in accounts payable	13,602	6,955	19,445	40,002
Increase (decrease) in compensated absences	(873)	(1,001)	2,203	329
Total adjustments	<u>213,037</u>	<u>120,512</u>	<u>28,047</u>	<u>361,596</u>
Net cash provided (used) by operating activities	<u>\$ 167,700</u>	<u>\$ 217,049</u>	<u>\$ 32,126</u>	<u>\$ 416,875</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS - ENVIRONMENTAL SERVICES**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>Variance Over/Under</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Operating Revenues:</b>				
Charges for services	\$ 3,343,816	\$ 3,274,274	\$ (69,542)	\$ 3,134,953
Other	67,500	19,419	(48,081)	19,437
Total operating revenues	<u>3,411,316</u>	<u>3,293,693</u>	<u>(117,623)</u>	<u>3,154,390</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	1,000	423	(577)	471
Total non-operating revenues	<u>1,000</u>	<u>423</u>	<u>(577)</u>	<u>471</u>
Total revenues	<u>3,412,316</u>	<u>3,294,116</u>	<u>(118,200)</u>	<u>3,154,861</u>
<b>Expenditures:</b>				
<b>Bulk Leaf Collection:</b>				
Salaries and benefits	14,640	14,342	298	12,428
Operating	32,500	22,053	10,447	24,871
Capital outlay	50,000	23,753	26,247	-
Total leaf collection	<u>97,140</u>	<u>60,148</u>	<u>36,992</u>	<u>37,299</u>
<b>Vector Control:</b>				
Salaries and benefits	26,311	23,915	2,396	24,336
Operating	17,599	12,355	5,244	14,480
Capital outlay	-	-	-	24,686
Total vector control	<u>43,910</u>	<u>36,270</u>	<u>7,640</u>	<u>63,502</u>
<b>Commercial Solid Waste:</b>				
Salaries and benefits	273,664	259,374	14,290	268,759
Operating	582,700	474,146	108,554	524,967
Capital outlay	240,000	214,344	25,656	15,936
Indirect costs	394,340	394,340	-	356,649
Total commercial solid waste	<u>1,490,704</u>	<u>1,342,204</u>	<u>148,500</u>	<u>1,166,311</u>
<b>Residential Solid Waste:</b>				
Salaries and benefits	740,068	712,018	28,050	728,409
Operating	778,500	701,040	77,460	707,455
Capital outlay	257,000	258,476	(1,476)	28,163
Indirect costs	394,340	394,340	-	356,649
Total residential solid waste	<u>2,169,908</u>	<u>2,065,874</u>	<u>104,034</u>	<u>1,820,676</u>
<b>Recycling:</b>				
Salaries and benefits	37,639	35,682	1,957	35,694
Operating	20,300	19,421	879	9,271
Total recycling	<u>57,939</u>	<u>55,103</u>	<u>2,836</u>	<u>44,965</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS - ENVIRONMENTAL SERVICES**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>Variance Over/Under</b>	<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>	
<b>Debt Service:</b>					
Principal retirement	67,608	67,608	-	57,729	
Interest and other charges	1,806	3,670	(1,864)	2,608	
Total debt service	<u>69,414</u>	<u>71,278</u>	<u>(1,864)</u>	<u>60,337</u>	
Total expenditures	<u>3,929,014</u>	<u>3,630,876</u>	<u>298,138</u>	<u>3,193,090</u>	
Revenues over (under) expenditures	<u>(516,698)</u>	<u>(336,760)</u>	<u>179,938</u>	<u>(38,229)</u>	
<b>Other Financing Sources (Uses):</b>					
Appropriated net position	225,792	-	(225,792)	-	
Transfers out	(206,094)	(206,094)	-	(146,437)	
Long-term debt issued	497,000	479,627	(17,373)	49,395	
Total other financing sources (uses)	<u>516,698</u>	<u>273,533</u>	<u>(243,165)</u>	<u>(97,042)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (63,227)</u>	<u>\$ (63,227)</u>	<u>\$ (135,271)</u>	
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>					
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (63,227)		\$ (135,271)	
Capital outlay		472,820		68,769	
Debt issued		(479,627)		(49,395)	
Payment of debt principal		67,608		57,729	
Depreciation		(271,425)		(176,860)	
Change in accrued compensated absences		873		(5,797)	
Change in accrued interest payable		(1,302)		104	
Pension expense		(36,229)		(4,768)	
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		68,400		69,085	
Bad debt expense		<u>(13,871)</u>		<u>(12,455)</u>	
Change in net position		<u>\$ (255,980)</u>		<u>\$ (188,859)</u>	

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS - STORMWATER**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>Variance Over/Under</b>	<b>2015</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Operating Revenues:</b>				
Charges for services	\$ 1,008,720	\$ 1,008,833	\$ 113	\$ 1,006,048
Other	86,041	15,018	(71,023)	15,708
Total operating revenues	<u>1,094,761</u>	<u>1,023,851</u>	<u>(70,910)</u>	<u>1,021,756</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	900	10,884	9,984	908
Total non-operating revenues	<u>900</u>	<u>10,884</u>	<u>9,984</u>	<u>908</u>
Total revenues	<u>1,095,661</u>	<u>1,034,735</u>	<u>(60,926)</u>	<u>1,022,664</u>
<b>Expenditures:</b>				
<b>Stormwater Operations:</b>				
Salaries and benefits	423,147	354,934	68,213	348,220
Operating	162,150	123,090	39,060	132,566
Capital outlay	517,610	321,566	196,044	209,657
Indirect costs	243,389	243,389	-	231,311
Total stormwater operations	<u>1,346,296</u>	<u>1,042,979</u>	<u>303,317</u>	<u>921,754</u>
<b>Debt Service:</b>				
Principal retirement	44,900	44,891	9	52,294
Interest and other charges	1,400	2,284	(884)	2,138
Total debt service	<u>46,300</u>	<u>47,175</u>	<u>(875)</u>	<u>54,432</u>
Total expenditures	<u>1,392,596</u>	<u>1,090,154</u>	<u>302,442</u>	<u>976,186</u>
Revenues over (under) expenditures	<u>(296,935)</u>	<u>(55,419)</u>	<u>241,516</u>	<u>46,478</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	219,999	-	(219,999)	-
Transfers out	(168,064)	(168,064)	-	(55,957)
Long-term debt issued	245,000	252,031	7,031	15,936
Total other financing sources (uses)	<u>296,935</u>	<u>83,967</u>	<u>(212,968)</u>	<u>(40,021)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 28,548</u>	<u>\$ 28,548</u>	<u>\$ 6,457</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS - STORMWATER**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>Variance Over/Under</b>	<b>2015</b>	
	<b>Budget</b>	<b>Actual</b>			<b>Actual</b>
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>					
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 28,548		\$ 6,457	
Debt issued		(252,031)		(15,936)	
Payment of debt principal		44,891		52,294	
Transfers in - Capital Project Fund Fund		110,000			
Depreciation		(131,617)		(68,940)	
Change in accrued compensated absences		1,001		629	
Change in accrued interest payable		(712)		241	
Pension expense		(10,352)		(1,362)	
Deferred outflows of resources for contributions made to pension plan in the current fiscal year		19,543		19,739	
Capital outlay		237,556		209,657	
Bad debt expense		(466)		-	
Change in net position		<u>\$ 46,361</u>		<u>\$ 202,779</u>	

## CITY OF KINSTON, NORTH CAROLINA

**STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
George Street Rehabilitation	\$ 110,000	\$ -	\$ -	\$ -	\$ 110,000
Total revenues	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Revenue over (under) expenditures	(110,000)	-	-	-	110,000
<b>Other Financing Sources (Uses):</b>					
Transfers in	110,000	-	110,000	110,000	-
Total other financing sources (uses)	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 110,000	\$ 110,000	\$ 110,000

## CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS - WOODMEN OF THE WORLD COMMUNITY CENTER**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		2015	
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services	\$ 1,997,350	\$ 1,792,392	\$ (204,958)	\$ 1,944,500
Total operating revenues	<u>1,997,350</u>	<u>1,792,392</u>	<u>(204,958)</u>	<u>1,944,500</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	-	291	291	281
Total non-operating revenues	<u>-</u>	<u>291</u>	<u>291</u>	<u>281</u>
Total revenues	<u>1,997,350</u>	<u>1,792,683</u>	<u>(204,667)</u>	<u>1,944,781</u>
<b>Expenditures:</b>				
<b>Operations:</b>				
Salaries and benefits	647,716	705,166	(57,450)	666,479
Operating	<u>1,349,634</u>	<u>1,085,315</u>	<u>264,319</u>	<u>1,597,606</u>
Total operations	<u>1,997,350</u>	<u>1,790,481</u>	<u>206,869</u>	<u>2,264,085</u>
Total expenditures	<u>1,997,350</u>	<u>1,790,481</u>	<u>206,869</u>	<u>2,264,085</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	\$ <u>2,202</u>	\$ <u>2,202</u>	\$ <u>(319,304)</u>
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>2,202</u>		\$ <u>(319,304)</u>	
Depreciation	(1,093)			-
Change in accrued compensated absences	(2,203)		(2,067)	
Capital outlay	<u>5,464</u>			-
Change in net position	<u>\$ 4,370</u>		<u>\$ (321,371)</u>	

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## **INTERNAL SERVICE FUNDS**

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**Internal Service Funds** are used to account for the financing of goods or services provided by one department for agencies of the City on a cost reimbursement basis.

**Employee Health Internal Service Fund** – This fund is used to finance and account for the City's workers' compensation insurance program.

**Fleet Maintenance Internal Service Fund** – This fund is used to finance and account for the City's garage operations.

**Warehouse Internal Service Fund** – This fund is used to finance and account for the City's purchases of inventory for fleet and fuel.

**Public Services Administration Internal Service Fund** – This fund is used to finance and account for the salaries and operating costs associated with the public utility and engineering functions of the City.

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## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**JUNE 30, 2016**

	<b>Employee Health Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Warehouse Fund</b>	<b>Public Services Administration Fund</b>	<b>Total</b>
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and investments	\$ 1,421,053	\$ 107,987	\$ 26,927	\$ 2,063,000	\$ 3,618,967
Accounts receivable	1,302	50,010	536	2,129	53,977
Inventory	-	256,287	-	-	256,287
<b>Noncurrent assets:</b>					
Capital assets:					
Construction in progress	-	-	-	21,097	21,097
Buildings	19,468	-	-	-	19,468
Equipment	-	196,000	-	568,452	764,452
Accumulated depreciation	(10,708)	(185,377)	-	(241,607)	(437,692)
Total capital assets	8,760	10,623	-	347,942	367,325
Total assets	1,431,115	424,907	27,463	2,413,071	4,296,556
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	405,477	17,752	301	68,016	491,546
Current portion of compensated absences	1,516	3,117	-	22,703	27,336
Current portion of installment notes	-	2,125	-	5,942	8,067
Total current liabilities	406,993	22,994	301	96,661	526,949
Non-current liabilities:					
Non-current portion of compensated absences	4,546	17,664	-	68,107	90,317
Non-current portion of installment notes	-	6,374	-	17,827	24,201
Total non-current liabilities	4,546	24,038	-	85,934	114,518
Total liabilities	411,539	47,032	301	182,595	641,467
<b>Net Position:</b>					
Net investment in capital assets	8,760	2,124	-	324,173	335,057
Unrestricted	1,010,816	375,751	27,162	1,906,303	3,320,032
Total net position	\$ 1,019,576	\$ 377,875	\$ 27,162	\$ 2,230,476	\$ 3,655,089

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
<b>Operating Revenues:</b>					
Contributions from various funds	\$ 776,115	\$ 315,850	\$ 403,810	\$ 2,221,230	\$ 3,717,005
Other income	489	7,560	-	2,394	10,443
Total operating revenues	<u>776,604</u>	<u>323,410</u>	<u>403,810</u>	<u>2,223,624</u>	<u>3,727,448</u>
<b>Operating Expenses:</b>					
Administration	212,870	629,491	-	721,351	1,563,712
Operations	-	-	381,014	1,071,177	1,452,191
Depreciation	487	4,250	-	94,809	99,546
Claims reimbursement	321,700	-	-	-	321,700
Total operating expenses	<u>535,057</u>	<u>633,741</u>	<u>381,014</u>	<u>1,887,337</u>	<u>3,437,149</u>
Operating income (loss)	<u>241,547</u>	<u>(310,331)</u>	<u>22,796</u>	<u>336,287</u>	<u>290,299</u>
<b>Non-Operating Revenues (Expenses):</b>					
Interest earned on investments	<u>1,990</u>	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>4,838</u>
Total non-operating revenues (expenses)	<u>1,990</u>	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>4,838</u>
Income (loss) before transfers	<u>243,537</u>	<u>(310,331)</u>	<u>22,796</u>	<u>339,135</u>	<u>295,137</u>
<b>Transfers:</b>					
Transfers in	-	620,856	-	-	620,856
Transfers out	-	(90,000)	-	-	(90,000)
Total transfers	-	<u>530,856</u>	<u>-</u>	<u>-</u>	<u>530,856</u>
Change in net position	<u>243,537</u>	<u>220,525</u>	<u>22,796</u>	<u>339,135</u>	<u>825,993</u>
<b>Net Position:</b>					
Beginning of year - July 1	<u>776,039</u>	<u>157,350</u>	<u>4,366</u>	<u>1,891,341</u>	<u>2,829,096</u>
End of year - June 30	<u>\$ 1,019,576</u>	<u>\$ 377,875</u>	<u>\$ 27,162</u>	<u>\$ 2,230,476</u>	<u>\$ 3,655,089</u>

## CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 778,514	\$ 315,824	\$ 403,274	\$ 2,225,513	\$ 3,723,125
Cash paid to suppliers for goods and services	(468,394)	(149,827)	(396,836)	(185,454)	(1,200,511)
Cash paid to or on behalf of employees for services	(77,970)	(449,035)	-	(1,583,448)	(2,110,453)
Net cash provided (used) by operating activities	<u>232,150</u>	<u>(283,038)</u>	<u>6,438</u>	<u>456,611</u>	<u>412,161</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers from other funds	-	620,856	-	-	620,856
Transfers to other funds	-	(90,000)	-	-	(90,000)
Advances to/from other funds	-	(137,706)	-	-	(137,706)
Net cash provided (used) by non-capital financing activities	-	<u>393,150</u>	-	-	<u>393,150</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition of capital assets	-	-	-	(73,645)	(73,645)
Principal payments on long-term debt	-	(2,125)	-	(5,942)	(8,067)
Net cash provided (used) by capital and related financing activities	-	(2,125)	-	(79,587)	(81,712)
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	1,990	-	-	2,848	4,838
Net cash provided (used) by investing activities	<u>1,990</u>	<u>-</u>	<u>-</u>	<u>2,848</u>	<u>4,838</u>
Net increase (decrease) in cash and cash equivalents/investments	234,140	107,987	6,438	379,872	728,437
<b>Cash and Cash Equivalents/Investments:</b>					
Beginning of year - July 1	<u>1,186,913</u>	<u>-</u>	<u>20,489</u>	<u>1,683,128</u>	<u>2,890,530</u>
End of year - June 30	<u>\$ 1,421,053</u>	<u>\$ 107,987</u>	<u>\$ 26,927</u>	<u>\$ 2,063,000</u>	<u>\$ 3,618,967</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	<u>\$ 241,547</u>	<u>\$ (310,331)</u>	<u>\$ 22,796</u>	<u>\$ 336,287</u>	<u>\$ 290,299</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487	4,250	-	94,809	99,546
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	1,910	(7,586)	(536)	1,889	(4,323)
(Increase) decrease in inventories	-	26,223	-	-	26,223
Increase (decrease) in accounts payable	(13,136)	4,800	(15,822)	23,206	(952)
Increase (decrease) in accrued compensated absences	1,342	(394)	-	420	1,368
Total adjustments	<u>(9,397)</u>	<u>27,293</u>	<u>(16,358)</u>	<u>120,324</u>	<u>121,862</u>
Net cash provided (used) by operating activities	<u>\$ 232,150</u>	<u>\$ (283,038)</u>	<u>\$ 6,438</u>	<u>\$ 456,611</u>	<u>\$ 412,161</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - EMPLOYEE HEALTH  
SCHEDULE OF REVENUES AND EXPENDITURES -  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		2015	
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Contributions	\$ 776,115	\$ 776,115	\$ -	\$ 697,413
Other	-	489	489	94,332
Total operating revenues	<u>776,115</u>	<u>776,604</u>	<u>489</u>	<u>791,745</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	-	1,990	1,990	1,194
Total non-operating revenues	-	1,990	1,990	1,194
Total revenues	<u>776,115</u>	<u>778,594</u>	<u>2,479</u>	<u>792,939</u>
<b>Operating Expenditures:</b>				
Administration:				
Salaries and benefits	120,540	79,312	41,228	89,609
Operating	175,400	132,216	43,184	203,549
Claims reimbursements, operating	384,700	321,700	63,000	455,793
Total operating expenditures	<u>680,640</u>	<u>533,228</u>	<u>147,412</u>	<u>748,951</u>
Revenues over (under) expenditures	<u>95,475</u>	<u>245,366</u>	<u>149,891</u>	<u>43,988</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(95,475)</u>	<u>-</u>	<u>95,475</u>	<u>-</u>
Total other financing sources (uses)	<u>(95,475)</u>	<u>-</u>	<u>95,475</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>245,366</u>	<u>\$ 245,366</u>	<u>43,988</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Change in accrued vacation pay		(1,342)		(4,720)
Depreciation		(487)		(487)
Change in net position	<u>\$ 243,537</u>			<u>\$ 38,781</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - FLEET MAINTENANCE**  
**SCHEDULE OF REVENUES AND EXPENDITURES-**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	2016		2015	
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Contributions	\$ 282,160	\$ 315,850	\$ 33,690	\$ 334,827
Other	2,000	7,560	5,560	2,068
Total revenues	<u>284,160</u>	<u>323,410</u>	<u>39,250</u>	<u>336,895</u>
<b>Operating Expenditures:</b>				
Administration:				
Salaries and benefits	478,268	448,641	29,627	418,271
Operating	41,500	31,963	9,537	37,045
Capital outlay	-	-	-	10,624
Fleet maintenance inventory	85,000	149,281	(64,281)	-
Debt Service:				
Principal retirement	2,125	2,125	-	-
Total expenditures	<u>606,893</u>	<u>632,010</u>	<u>(25,117)</u>	<u>465,940</u>
Revenues over (under) expenditures	<u>(322,733)</u>	<u>(308,600)</u>	<u>14,133</u>	<u>(129,045)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	-	10,624
Transfers in	620,856	620,856	-	457,617
Transfers out	(298,123)	(90,000)	208,123	-
Total other financing sources (uses)	<u>322,733</u>	<u>530,856</u>	<u>208,123</u>	<u>468,241</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>222,256</u>	<u>\$ 222,256</u>	<u>339,196</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Payment of debt principal	2,125			-
Long-term debt issued	-			(10,624)
Change in accrued vacation pay	394			3,229
Capital outlay	-			10,624
Depreciation	(4,250)			(4,250)
Change in net position	<u>\$ 220,525</u>			<u>\$ 338,175</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - WAREHOUSE**  
**SCHEDULE OF REVENUES AND EXPENDITURES-**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Operating Revenues:</b>			
Contributions from other funds	\$ 573,000	\$ 403,810	\$ (169,190)
Total revenues	<u>573,000</u>	<u>403,810</u>	<u>(169,190)</u>
<b>Operating Expenditures:</b>			
Fuel purchased	566,000	381,014	184,986
Total expenditures	<u>566,000</u>	<u>381,014</u>	<u>184,986</u>
Operating income (loss)	<u>7,000</u>	<u>22,796</u>	<u>15,796</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	(7,000)	-	7,000
Total other financing sources (uses)	<u>(7,000)</u>	<u>-</u>	<u>7,000</u>
Revenues and other financing sources over (under) expenses and other financing uses	<u>\$ -</u>	<u>22,796</u>	<u>\$ 22,796</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>			
Change in net position	<u>\$ 22,796</u>		<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA**

**INTERNAL SERVICE FUND - PUBLIC SERVICES ADMINISTRATION  
SCHEDULE OF REVENUES AND EXPENDITURES -  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Contributions	\$ 2,221,230	\$ 2,221,230	\$ -	\$ 2,020,062
Other	-	2,394	2,394	729
Total operating revenues	<u>2,221,230</u>	<u>2,223,624</u>	<u>2,394</u>	<u>2,020,791</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	-	2,848	2,848	1,807
Total non-operating revenues	-	2,848	2,848	1,807
Total revenues	<u>2,221,230</u>	<u>2,226,472</u>	<u>5,242</u>	<u>2,022,598</u>
<b>Expenditures:</b>				
Administration:				
Salaries and benefits	667,037	628,697	38,340	617,038
Operating	127,100	90,919	36,181	59,044
Capital outlay	<u>56,300</u>	<u>1,315</u>	<u>54,985</u>	<u>8,489</u>
Total administration	<u>850,437</u>	<u>720,931</u>	<u>129,506</u>	<u>684,571</u>
Operations:				
Salaries and benefits	1,045,043	955,171	89,872	936,017
Operating	182,700	138,757	43,943	174,394
Capital outlay	<u>82,375</u>	<u>44,952</u>	<u>37,423</u>	<u>178,890</u>
Total operations	<u>1,310,118</u>	<u>1,138,880</u>	<u>171,238</u>	<u>1,289,301</u>
<b>Debt Service:</b>				
Principal retirement	<u>5,943</u>	<u>5,942</u>	<u>1</u>	<u>-</u>
Total operating expenditures	<u>2,166,498</u>	<u>1,865,753</u>	<u>300,745</u>	<u>1,973,872</u>
Revenues over (under) expenditures	<u>54,732</u>	<u>360,719</u>	<u>305,987</u>	<u>48,726</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	-	29,711
Appropriated net position	96,475	-	(96,475)	-
Transfers out	<u>(151,207)</u>	<u>-</u>	<u>151,207</u>	<u>-</u>
Total other financing sources (uses)	<u>(54,732)</u>	<u>-</u>	<u>54,732</u>	<u>29,711</u>

**CITY OF KINSTON, NORTH CAROLINA**

**INTERNAL SERVICE FUND - PUBLIC SERVICES ADMINISTRATION  
SCHEDULE OF REVENUES AND EXPENDITURES -  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>		<b>2015</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>                  </u> -	360,719	\$ <u>                  </u> 360,719	78,437

**Reconciliation of Financial Plan Basis  
(Modified Accrual) to Full Accrual:**

Reconciling items:

Payment of debt principal	5,942	-
Long-term debt issued	-	(29,711)
Change in accrued vacation pay	(420)	(5,773)
Capital outlay	67,703	187,379
Depreciation	<u>(94,809)</u>	<u>(33,498)</u>
Change in net position	\$ <u>                  </u> 339,135	\$ <u>                  </u> 196,834

## **OTHER FINANCIAL INFORMATION**

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Other financial information includes additional detailed analysis of particular aspects of the City's financial position or results of operations.

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## CITY OF KINSTON, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2016**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2015</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2016</b>
2015 - 2016	\$ -	\$ 10,215,605	\$ 9,913,396	\$ 302,209
2014 - 2015	351,639	-	191,669	159,970
2013 - 2014	145,957	66	44,025	101,998
2012 - 2013	91,374	602	25,080	66,896
2011 - 2012	46,193	5,785	9,213	42,765
2010 - 2011	45,919	-	7,379	38,540
2009 - 2010	37,640	396	2,329	35,707
2008 - 2009	45,774	-	7,709	38,065
2007 - 2008	18,671	7,248	785	25,134
2006 - 2007	23,269	1,206	474	24,001
2005 - 2006	6,332	-	6,332	-
Total	<u>\$ 812,768</u>	<u>\$ 10,230,908</u>	<u>\$ 10,208,391</u>	<u>835,285</u>
Motor vehicle tags receivable				41,535
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(141,840)</u>
Ad valorem taxes receivable, net				
General Fund				<u>\$ 734,980</u>
<b>Reconcilement With Revenues:</b>				
Ad valorem taxes - General Fund				\$ 10,319,080
Less auto fee				(146,918)
Penalties and interest collected				76,154
Add credits and adjustments				<u>(39,925)</u>
Total collections and credits				<u>\$ 10,208,391</u>

## CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current rate	\$ 1,509,277,879	0.66	\$ 9,961,234	\$ 9,078,060	\$ 883,174
Penalties	<u>-</u>		<u>7,945</u>	<u>7,945</u>	<u>-</u>
Total	<u>1,509,277,879</u>		<u>9,969,179</u>	<u>9,086,005</u>	<u>883,174</u>
<b>Municipal Service:</b>					
District	<u>-</u>		<u>60,687</u>	<u>53,489</u>	<u>7,198</u>
<b>Discoveries</b>	<u>40,146,212</u>	0.66	<u>264,965</u>	<u>264,965</u>	<u>-</u>
<b>Releases</b>	<u>(12,003,939)</u>		<u>(79,226)</u>	<u>(79,226)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,537,420,152</u></u>				
<b>Net Levy</b>			10,215,605	9,325,233	890,372
Uncollected taxes at June 30, 2016			<u>302,209</u>	<u>302,209</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 9,913,396</u>	<u>\$ 9,023,024</u>	<u>\$ 890,372</u>
<b>Current Levy Collection Percentage</b>			<u>97.04%</u>	<u>96.76%</u>	<u>100.00%</u>

## **STATISTICAL SECTION (Unaudited)**

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This part of the City of Kinston's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the finance statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	151
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	159
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	162
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	166
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	168

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**City of Kinston, North Carolina**

**Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)**

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>						
Net investment in capital assets	\$ 10,469,056	\$ 8,832,457	\$ 10,632,852	\$ 10,172,960	\$ 10,135,164	\$ 11,213,831
Restricted	696,026	524,143	501,969	83,390	3,456,960	1,787,355
Unrestricted	3,310,120	4,655,523	4,419,431	4,864,981	2,300,910	4,472,843
<b>Total governmental activities net position</b>	<b>\$ 14,475,202</b>	<b>\$ 14,012,123</b>	<b>\$ 15,554,252</b>	<b>\$ 15,121,331</b>	<b>\$ 15,893,034</b>	<b>\$ 17,474,029</b>
<b>Business-type activities:</b>						
Net investment in capital assets	\$ 76,322,354	\$ 71,514,802	\$ 78,153,107	\$ 81,162,571	\$ 80,602,330	\$ 81,954,723
Restricted	12,109,100	17,249,298	10,604,869	10,672,618	11,800,462	12,355,920
<b>Total business-type activities net position</b>	<b>\$ 88,431,454</b>	<b>\$ 88,764,100</b>	<b>\$ 88,757,976</b>	<b>\$ 91,835,189</b>	<b>\$ 92,402,792</b>	<b>\$ 94,310,643</b>
<b>Primary government:</b>						
Net investment in capital assets	\$ 86,791,410	\$ 80,347,259	\$ 88,785,959	\$ 91,335,531	\$ 90,737,494	\$ 93,168,554
Restricted	696,026	524,143	501,969	83,390	3,456,960	1,787,355
Unrestricted	15,419,220	21,904,821	15,024,300	15,537,599	14,101,372	16,828,763
<b>Total primary government net position</b>	<b>\$ 102,906,656</b>	<b>\$ 102,776,223</b>	<b>\$ 104,312,228</b>	<b>\$ 106,956,520</b>	<b>\$ 108,295,826</b>	<b>\$ 111,784,672</b>

GASB Statement No. 34, Implemented in Fiscal Year 2003

**Changes In Net Position**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (Unaudited)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Ex-enses:</b>										
Governmental activities:										
General government										
Public safety	\$ 1,983,777	\$ 2,980,089	\$ 2,594,129	\$ 2,873,676	\$ 3,128,980	\$ 3,299,355	\$ 3,736,119	\$ 3,285,740	\$ 3,476,650	\$ 3,385,506
Streets, Cemetery, Engineering (Public Services)	8,887,330	9,160,026	9,218,831	9,864,668	9,328,164	9,685,081	9,955,247	9,251,041	9,746,900	9,636,173
Culture and recreation	2,365,762	1,140,530	1,606,515	1,936,357	1,629,722	1,734,651	2,162,737	1,634,990	2,09,344	2,353,760
Community development	1,342,519	1,369,772	730,734	780,818	821,061	2,524,198	4,295,122	3,949,692	3,855,523	3,486,339
Interest on long-term debt	2,851,379	3,628,908	3,552,374	3,533,204	3,754,041	3,668,137	742,399	1,327,105	1,862,929	1,495,920
<b>Total governmental activities expenses</b>	<b>17,657,595</b>	<b>19,198,596</b>	<b>17,822,055</b>	<b>19,303,925</b>	<b>19,012,697</b>	<b>21,253,644</b>	<b>20,819,718</b>	<b>19,839,423</b>	<b>21,051,505</b>	<b>20,720,082</b>
Business-type activities:										
Electric										
Water	47,429,959	47,230,530	51,602,697	53,041,348	53,797,494	52,094,660	52,616,382	53,878,327	53,345,934	40,991,709
Wastewater	3,350,291	3,199,827	7,516,489	7,378,161	7,355,873	6,983,435	6,681,717	7,157,044	7,809,304	7,297,706
Nonmajor funds	4,271,411	5,295,824	5,296,885	5,296,980	5,886,216	5,671,974	6,140,791	6,263,399	6,340,320	5,994,743
<b>Total business-type activities expenses</b>	<b>57,887,846</b>	<b>59,809,469</b>	<b>67,778,973</b>	<b>69,133,896</b>	<b>70,434,956</b>	<b>68,471,618</b>	<b>69,867,311</b>	<b>73,018,435</b>	<b>73,717,982</b>	<b>60,036,651</b>
<b>Total primary government expenses</b>	<b>75,545,441</b>	<b>79,008,065</b>	<b>85,601,028</b>	<b>88,437,821</b>	<b>89,447,653</b>	<b>89,775,262</b>	<b>90,687,029</b>	<b>92,857,886</b>	<b>94,769,487</b>	<b>80,756,733</b>
Program revenue:										
Governmental activities:										
Charges for services:										
General government	409,650	791,491	521,641	392,192	398,143	372,215	361,568	793,510	540,842	686,853
Public safety	42,046	54,916	24,170	14,147	2,352	19,821	30,418	343,103	134,763	294,628
Public services	15,277	15,277	145,400	1,388,400	1,497,694	1,851,955	1,759,127	1,028,551	-	-
Culture and recreation	111,400	946,615	79,757	228,591	116,422	283,327	176,202	444,731	1,265,117	1,475,526
Community development	866,211	-	-	-	-	-	-	-	266,498	415,181
Operating grants and contributions:	-	-	-	-	-	-	-	-	-	-
General government	-	-	114,215	14,202	-	12,538	-	-	-	-
Public safety	358,551	213,950	187,368	512,067	254,779	213,028	234,333	168,119	142,343	218,495
Public services	703,967	839,612	801,860	764,370	705,617	732,702	715,925	751,206	764,273	717,391
Culture and recreation	10,274	29,083	-	-	-	-	-	-	-	-
Community development	-	-	19,525	-	181,981	1,494,872	50,686	110,855	76,379	88,000
Capital grants and contributions:	-	-	-	-	476,000	139,303	115,644	-	-	-
Public safety	-	-	-	-	-	856,601	-	-	-	-
Public services	-	-	-	-	-	107,557	76,164	54,577	-	-
Culture and recreation	-	-	-	-	-	288,664	288,664	322,655	32,505	-
Community development	-	-	-	-	-	-	-	-	84,869	-
<b>Total governmental activities program revenue</b>	<b>2,968,336</b>	<b>3,250,386</b>	<b>3,499,220</b>	<b>3,448,468</b>	<b>3,987,249</b>	<b>6,279,755</b>	<b>3,078,155</b>	<b>4,412,735</b>	<b>3,512,870</b>	<b>4,013,448</b>
Business-type activities:										
Charges for services:										
General government	46,817,025	48,105,623	53,174,103	55,029,445	55,232,090	52,266,966	53,285,229	55,407,387	55,560,799	49,573,347
Electric	4,977,377	4,867,268	4,880,404	5,453,278	6,263,894	6,984,404	7,533,531	7,814,345	8,952,764	9,188,715
Water	4,618,345	4,349,850	4,133,136	4,518,339	4,891,058	5,042,058	5,409,255	5,749,226	6,361,226	6,119,613
Wastewater	2,693,291	3,273,556	3,881,863	4,108,466	4,002,603	4,138,173	5,402,616	6,612,670	6,125,182	6,139,217
Nonmajor funds	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions:	-	-	-	-	-	-	-	-	-	-
Electric	-	-	616,961	1,305,801	1,311,358	150,000	1,253,693	369,221	518,754	610,152
Water	29,738	15,000	1,299,839	16,025	15,029	86,060	-	-	-	129,490
Wastewater	4,231,474	153,653	2,723,933	1,415,881	1,408,647	86,071	-	-	-	2,567,185
Nonmajor funds	-	-	-	-	-	-	-	-	-	206,731
<b>Total business-type activities program revenues</b>	<b>63,373,250</b>	<b>61,381,911</b>	<b>68,822,911</b>	<b>73,161,444</b>	<b>71,970,555</b>	<b>71,180,001</b>	<b>72,085,923</b>	<b>76,162,382</b>	<b>80,177,308</b>	<b>71,337,113</b>
<b>Total primary government program revenues</b>	<b>66,341,586</b>	<b>64,632,297</b>	<b>72,322,131</b>	<b>76,609,912</b>	<b>75,957,804</b>	<b>77,497,756</b>	<b>75,164,078</b>	<b>80,575,117</b>	<b>83,690,78</b>	<b>75,350,561</b>
Net (expense) revenue:										
Governmental activities	(14,689,259)	(15,948,210)	(14,322,835)	(15,855,457)	(15,025,448)	(14,971,563)	(15,426,688)	(17,741,563)	(15,738,635)	(16,706,634)
Business-type activities	5,495,404	1,512,442	1,043,938	4,027,548	1,535,599	2,708,383	2,28,612	3,143,947	6,459,326	11,300,462
<b>Total primary government net expense</b>	<b>(9,203,855)</b>	<b>(14,375,768)</b>	<b>(13,278,897)</b>	<b>(11,827,909)</b>	<b>(13,489,850)</b>	<b>(12,265,506)</b>	<b>(15,522,951)</b>	<b>(12,282,741)</b>	<b>(11,079,309)</b>	<b>(5,406,172)</b>

(Continued)

**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016										
	Fiscal Year																			
General revenues and other changes in net position:																				
Governmental activities:																				
Taxes:																				
Property taxes	7,455,353	8,213,392	8,670,590	9,093,393	8,947,351	9,623,407	9,769,405	10,695,873	10,542,483	10,392,748										
Sales taxes	3,169,463	2,949,288	2,861,603	2,920,585	3,026,606	3,270,969	2,925,258	3,243,976	3,415,939	3,582,107										
Other taxes	1,916,403	1,895,726	2,139,890	1,982,714	2,219,513	2,255,359	2,006,708	2,292,838	2,510,532	2,584,903										
Unrestricted intergovernmental	341,662	341,054	357,346	281,404	349,123	360,261	400,259	402,458	371,961	375,763										
Investment earnings	200,033	288,941	88,357	83,707	20,107	20,202	15,240	12,514	12,435	17,605										
Miscellaneous	146,222	286,867	279,008	174,443	223,451	182,766	210,924	276,812	202,349	303,016										
Transfers	1,329,736	1,509,863	1,024,672	961,627	1,011,000	841,920	1,100,100	772,160	1,454,570	1,180,069										
Capital contributions																				
<b>Total governmental activities</b>	<b>14,558,872</b>	<b>15,485,131</b>	<b>15,421,466</b>	<b>15,422,536</b>	<b>15,797,151</b>	<b>16,554,884</b>	<b>16,427,894</b>	<b>17,696,631</b>	<b>18,510,289</b>	<b>18,436,111</b>										
Business-type activities:																				
Investment earnings	496,310	270,067	125,330	11,292	43,004	4,1388	34,260	32,704	27,188	49,331										
Transfers	(1,329,736)	(1,509,863)	(1,024,672)	(961,627)	(1,011,000)	(841,920)	(1,100,100)	(772,160)	(1,454,570)	(1,180,069)										
<b>Total business-type activities</b>	<b>(833,426)</b>	<b>(1,239,796)</b>	<b>(899,342)</b>	<b>(950,335)</b>	<b>(967,996)</b>	<b>(800,532)</b>	<b>(1,065,840)</b>	<b>(739,456)</b>	<b>(1,427,382)</b>	<b>(1,130,738)</b>										
<b>Total primary government</b>	<b>13,725,446</b>	<b>14,245,335</b>	<b>14,522,124</b>	<b>14,472,201</b>	<b>14,829,155</b>	<b>15,754,352</b>	<b>15,362,054</b>	<b>16,957,175</b>	<b>17,082,907</b>	<b>17,305,373</b>										
Changes in net position:																				
Governmental activities	(130,387)	(463,079)	1,098,631	(432,921)	771,703	1,580,995	(1,133,669)	2,269,943	971,654	1,729,477										
Business-type activities	4,651,978	332,646	144,596	3,077,213	567,603	1,907,851	1,152,772	2,404,491	5,031,944	10,169,724										
<b>Total primary government</b>	<b>\$ 4,521,591</b>	<b>\$ (130,433)</b>	<b>\$ 1,243,227</b>	<b>\$ 2,644,292</b>	<b>\$ 1,339,305</b>	<b>\$ 3,488,846</b>	<b>\$ (60,891)</b>	<b>\$ 4,674,434</b>	<b>\$ 6,003,598</b>	<b>\$ 11,899,201</b>										

City of Kinston, North Carolina

Program Revenues by Function/Program  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

Function / Program	2007	2008	2009	2010	2011	Fiscal Year	2012	2013	2014	2015	2016
Governmental activities:											
General government	\$ (1,574,157)	\$ (2,074,383)	\$ (2,058,286)	\$ (2,481,484)	\$ (2,730,837)	\$ (2,914,602)	\$ (3,374,551)	\$ (2,492,230)	\$ (2,935,808)	\$ (2,698,653)	
Public safety	(8,486,733)	(8,891,160)	(9,007,293)	(9,338,454)	(8,595,033)	(9,312,929)	(9,144,852)	(8,739,119)	(9,097,794)	(9,123,050)	
Streets, Cemetery & Engineering (Public services)	(1,646,518)	(885,641)	(804,655)	(1,171,987)	(924,105)	(147,348)	(1,446,812)	(883,784)	(1,345,071)	(1,636,369)	
Culture and recreation	(1,220,845)	(2,553,383)	(1,701,677)	(1,996,103)	(1,902,086)	(1,819,453)	(3,190,407)	(2,510,481)	(2,590,406)	(1,978,308)	
Community development	(1,534,208)	(1,224,372)	(631,452)	(552,221)	(522,658)	(457,335)	(226,847)	(409,519)	(1,197,397)	(907,870)	
Interest on long-term debt	(226,828)	(319,271)	(119,472)	(315,202)	(350,729)	(322,222)	(358,094)	(390,895)	(372,159)	(362,384)	
<b>Total governmental activities</b>	<b>(14,689,289)</b>	<b>(15,948,210)</b>	<b>(14,322,835)</b>	<b>(15,855,457)</b>	<b>(15,025,448)</b>	<b>(14,973,889)</b>	<b>(17,741,563)</b>	<b>(15,426,688)</b>	<b>(17,535,635)</b>	<b>(16,706,634)</b>	
Business-type activities:											
Electric	(612,934)	1,492,054	2,877,207	3,299,456	1,584,596	1,425,999	1,038,068	2,047,814	2,825,017	8,711,128	
Water	1,656,824	1,682,441	(2,621,086)	(1,998,359)	(1,076,950)	87,030	951,814	717,301	1,143,460	1,871,099	
Wastewater	4,584,408	(792,321)	136,090	1,945,893	420,724	778,732	(645,465)	(514,173)	2,588,091	331,601	
Nonmajor funds	(142,894)	(809,732)	651,726	691,059	607,230	416,623	974,195	893,005	(97,242)	386,724	
<b>Total business-type activities</b>	<b>5,485,404</b>	<b>1,572,442</b>	<b>1,043,937</b>	<b>4,027,549</b>	<b>1,535,600</b>	<b>2,708,384</b>	<b>2,218,612</b>	<b>3,143,947</b>	<b>6,456,326</b>	<b>11,300,462</b>	
<b>Total government</b>	<b>\$ (9,203,885)</b>	<b>\$ (14,375,768)</b>	<b>\$ (13,278,898)</b>	<b>\$ (13,489,848)</b>	<b>\$ (11,827,908)</b>	<b>\$ (12,265,505)</b>	<b>\$ (15,522,951)</b>	<b>\$ (12,282,741)</b>	<b>\$ (11,079,309)</b>	<b>\$ (5,406,172)</b>	

GASB Statement No. 34 Implemented in fiscal year 2003

Source: City records.

City of Kinston, North Carolina

**Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 2,595,053	\$ 2,208,633	\$ 1,978,932	\$ 1,461,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:	1,576,019	1,950,108	2,788,823	3,603,720	89,373	87,020	89,785	85,125	78,720	67,491
Non-spendable	-	-	-	-	1,503,278	1,498,228	1,051,988	1,193,123	1,244,509	1,083,298
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 4,171,072</b>	<b>\$ 4,158,741</b>	<b>\$ 4,767,755</b>	<b>\$ 5,065,393</b>	<b>\$ 4,034,163</b>	<b>\$ 4,632,695</b>	<b>\$ 5,797,539</b>	<b>\$ 7,042,172</b>	<b>\$ 7,288,963</b>	<b>\$ 8,380,049</b>
All Other Governmental Funds:										
Reserved	\$ 4,168,822	\$ 42,652	\$ 42,112	\$ 41,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	102,534	39,795	5,682	22,734	-	-	-	-	-	-
Major capital projects funds	(665,281)	1,002,639	33,197	(40,971)	-	-	-	-	-	-
Capital projects funds	80,584	81,694	83,268	83,390	-	-	-	-	-	-
Permanent Fund	-	-	-	-	75,000	75,000	75,000	75,000	75,000	75,000
Non-spendable in Permanent Fund	-	-	-	-	-	-	-	-	-	-
Non-spendable notes receivable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	2,028,365	214,127	265,540	207,636	374,727	209,365
Restricted in capital project	-	-	-	-	2,028,365	214,127	265,540	29,359	-	116,959
Committed in capital project	-	-	-	-	99,058	73,038	74,160	90,576	76,272	282,483
Assigned in Special Revenue Fund	-	-	-	-	7,418	8,877	10,633	20,359	29,758	39,379
Unassigned in capital project	-	-	-	-	(104,459)	(380,916)	(555,600)	(236,794)	(90,295)	(138,506)
<b>Total all other government funds</b>	<b>\$ 3,686,659</b>	<b>\$ 1,166,780</b>	<b>\$ 164,259</b>	<b>\$ 106,725</b>	<b>\$ 4,133,747</b>	<b>\$ 204,253</b>	<b>\$ 135,873</b>	<b>\$ 186,136</b>	<b>\$ 465,472</b>	<b>\$ 584,680</b>

City of Kinston, North Carolina

Changes In Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 7,479,685	\$ 7,896,095	\$ 8,608,531	\$ 9,094,918	\$ 8,937,400	\$ 9,607,610	\$ 9,678,780	\$ 10,805,474	\$ 10,633,642	\$ 10,395,234
Other taxes	5,085,866	4,845,014	5,001,493	4,903,299	5,246,119	5,526,328	4,931,966	5,536,814	5,926,471	6,166,910
Intergovernmental	1,653,077	1,888,669	1,842,598	1,597,248	1,961,500	3,346,925	1,881,675	1,849,215	1,677,631	1,517,023
Charges for services	1,444,584	1,511,054	1,652,192	1,677,717	1,613,184	1,738,320	1,955,122	1,605,774	1,717,067	1,743,150
Other	546,582	532,669	349,453	178,769	231,138	196,309	216,847	285,355	117,190	310,582
<b>Total revenues</b>	<b>16,209,794</b>	<b>16,643,501</b>	<b>17,454,267</b>	<b>17,451,951</b>	<b>17,995,341</b>	<b>20,420,492</b>	<b>18,664,390</b>	<b>20,082,632</b>	<b>20,072,001</b>	<b>20,132,899</b>
<b>Expenditures:</b>										
General government	1,960,260	1,649,345	1,888,916	2,170,499	2,170,354	2,210,601	1,992,856	1,939,339	2,660,498	2,429,822
Public safety	9,886,828	11,511,179	9,992,813	9,557,209	10,131,381	11,416,806	9,346,240	9,114,838	9,532,994	9,841,553
Public services	2,134,327	1,955,880	1,347,391	1,636,134	1,350,374	1,492,119	1,898,996	1,328,145	1,790,674	2,050,263
Culture and recreation	3,425,570	3,342,593	3,364,074	3,267,172	3,421,337	3,557,481	4,272,800	3,919,006	3,908,529	4,101,005
Community development	1,263,181	1,333,933	953,254	765,103	1,327,385	2,845,447	1,083,839	1,653,197	2,244,287	1,893,589
Debt service:										
Principal	870,910	848,396	5,869,365	704,045	529,865	525,739	387,146	480,604	492,474	518,347
Interest	158,906	324,931	126,173	321,661	312,867	321,446	306,975	388,074	369,378	369,378
<b>Total expenditures</b>	<b>19,699,982</b>	<b>20,926,257</b>	<b>23,541,986</b>	<b>18,421,823</b>	<b>19,243,563</b>	<b>22,375,639</b>	<b>19,288,852</b>	<b>18,823,203</b>	<b>20,998,834</b>	<b>21,204,157</b>
<b>Excess of revenues (under) expenditures</b>										
	(3,490,188)	(4,232,756)	(6,087,719)	(969,872)	(1,248,222)	(1,955,147)	(624,462)	1,259,429	(926,833)	(1,071,258)
<b>Other financing sources (uses):</b>										
Transfers in	1,307,879	1,536,332	1,026,781	958,941	976,448	1,042,786	832,287	817,690	1,183,984	1,204,345
Transfers (out)	(197,576)	(249,187)	(318,569)	(176,850)	(365,648)	(611,766)	(227,287)	(506,180)	(187,031)	(555,132)
Issuance of long-term debt	5,667,885	463,401	4,986,000	427,885	3,197,500	-	621,038	125,972	276,180	1,459,999
<b>Total other financing sources</b>	<b>6,778,188</b>	<b>1,750,546</b>	<b>5,694,212</b>	<b>1,209,976</b>	<b>3,808,300</b>	<b>431,020</b>	<b>1,226,038</b>	<b>437,482</b>	<b>1,273,133</b>	<b>2,109,112</b>
<b>Net changes in fund balance</b>										
Debt service as a percentage of noncapital expenditures	5.2%	5.6%	25.5%	5.6%	4.4%	3.8%	3.6%	4.6%	4.1%	4.2%

City of Kinston, North Carolina  
 The Electric System  
 Electricity Purchased, Consumed And Unbilled  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	KWH Purchased	KWH Residential Usage	KWH Commercial/Industrial Usage	KWH Other Usage	Total Usage	KWH Unbilled	KWH Unbilled %	Purchased Electric Rate (.00/KWH)
2007	492,063,385	126,593,785	301,904,545	28,149,694	456,948,024	32,415,361	7%	0.0781
2008	501,150,574	128,931,657	319,701,583	28,664,564	47,297,804	23,852,773	5%	0.0810
2009	470,222,174	141,893,893	286,858,132	16,200,053	444,952,078	25,270,096	5%	0.0970
2010	465,525,523	141,091,458	280,977,669	14,943,169	437,012,296	28,513,227	6%	0.1000
2011	472,033,856	137,055,472	287,502,532	25,452,746	450,010,750	22,023,106	5%	0.1000
2012	438,140,246	120,692,572	216,287,764	23,680,224	420,860,560	17,479,686	4%	0.1020
2013	452,880,005	124,767,842	291,933,252	20,736,647	437,937,741	15,442,264	3%	0.1039
2014	478,012,491	126,777,757	306,791,731	15,430,733	449,000,221	29,012,270	6%	0.0978
2015	477,998,261	130,748,262	308,372,650	15,751,618	454,372,530	23,125,731	5%	0.0985
2016	465,123,525	122,051,754	307,946,288	15,633,292	445,631,334	19,492,191	4%	0.0719

Source: City of Kinston Annual Financial Forecast provided by Booth & Associates, Inc.

**City of Kinston, North Carolina  
Electric Rates  
Last Ten Fiscal Years**

Electric Rates	Cents Per KWH						2016
	2007	2008	2009	2010	2011	2012	
Residential	12.7	12.7	14.1	14.6	14.7	14.9	14.8
Small General Service	12.5	12.4	14.1	14.6	14.6	14.7	14.7
Medium General Service	10.4	10.3	11.8	12.2	12.3	12.3	12.0
Public Housing	11.7	12.6	13.9	14.4	14.3	14.4	14.6
Church And School	14.9	14.9	16.3	16.9	17.1	17.1	17.2
Municipal Service	4.0	4	5.1	6	6	6	6.0
Masterbrand	5.3	5.3*	0	0	0	0	0.0
Large General Service	8.6	8.7	10.7	11	10.8	10.8	10.7
CDC Rate	5.9	6	7	7.6	8.2	8.2	8.5
Area lights	21.5	22	22	22.8	23.4	23.5	23.8

Source: City of Kinston Annual Financial Forecast provided by Booth & Associates, Inc.

Notes: \*Masterbrand rate was retired on 10/01/2007

**CITY OF KINSTON****PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

Fiscal Year	Lenoir County	City of Kinston	Municipal Service District	Total Tax
2007	\$ 0.840	\$ 0.600	\$ 0.270	\$ 1.710
2008	0.840	0.600	0.270	1.710
2009	0.840	0.660	0.270	1.770
2010	0.800	0.660	0.270	1.730
2011	0.800	0.660	0.270	1.730
2012	0.800	0.660	0.270	1.730
2013	0.800	0.660	0.270	1.730
2014	0.835	0.660	0.270	1.765
2015	0.835	0.660	0.270	1.765
2016	0.835	0.660	0.270	1.765

Note: (1) Real property was revalued on January 1, 2009

City of Kinston, North Carolina

Principal Taxpayers  
Current Year and Nine Years Ago  
As of 6/30/2016

2016				2007			
Name of Taxpayer	Nature of Property	Assessed Value	Rank	Name of Taxpayer	Nature of Property	Assessed Value	Rank
Sanderson Farms, Inc	Poultry Processor	\$ 107,929,441	1	7.02%	Masterbrand Cabinets Inc.	\$ 31,433,032	1
Smithfield Packing	Meat Processor	94,939,986	2	6.18%	Carolina Telephone	28,133,188	2
Carolina Telephone	Meat Processor	65,389,603	3	4.25%	Smithfield Packing	14,921,933	3
Masterbrand Cabinets, Inc	Manufacturer	19,020,124	4	1.24%	Poole Walter Realty, Inc.	16,109,760	4
Poole Walter Realty, Inc.	Shopping Center	12,571,268	5	0.82%	Excel Realty Trust NC	10,730,931	5
BRE Retail Residual NC Owner LP	Utility	10,610,229	6	0.69%	Barnet Southern Corp	8,475,333	6
Piedmont Natural Gas	Shopping Center	8,168,387	7	0.53%	Dwight C. and Patricia Howard	8,336,903	7
Lowes Home Centers	Shopping Mall	7,989,097	8	0.52%	NC Natural Gas	9,603,167	8
Vernon Park Mall Holding Corp.	Real Estate	7,796,024	9	0.51%	Perry, Inc.	17,828,016	9
Perys, Inc.	Real Estate	7,299,990	10	0.47%	Smith Investment Properties	7,249,485	10
				22.23%	Total Assessed Valuation of Top Ten Taxpayers	\$ 152,821,748	12.60%
					Balance of Assessed Valuation	\$ 1,048,770,932	87.40%
					Total Assessed Valuation	\$ 1,201,592,680	100.00%

Source: Lenoir County Tax Office

City of Kinston, North Carolina

Property Tax Levies And Collections  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year Ended June 30:	Taxes Levied for the Tax Year			Collected Within the Fiscal Year of the Levy			Total Collections to Date			
	2006	\$	Amount	2007	\$	Amount	2008	\$	Amount	Percentage of Levy
2007	7,268,251	\$	6,889,924	7,334,167	\$	0.9479	352,280	\$	7,242,204	0.9955
2008	7,701,960		7,029,872	8,480,980		0.9522	346,486		7,680,653	0.9959
2009	8,480,980		8,473,336	8,888,479		0.9468	401,069		8,430,941	0.9919
2010	8,888,479		8,363,449	8,764,337		0.9533	371,494		8,844,830	0.9909
2011	8,764,337		8,983,219	9,429,114		0.9543	369,349		8,732,798	0.9864
2012	9,429,114		9,035,552	9,533,752		0.9527	374,970		9,358,189	0.9618
2013	9,533,752		10,430,850	10,371,023		0.9477	358,312		9,393,864	0.9853
2014	10,430,850		10,019,384	10,215,605		0.9609	39,297		10,062,203	0.9647
2015	10,371,023		9,913,396	9,913,396		0.9661	27,923		10,047,307	0.9688
2016	10,215,605		0.9704				14,302		9,927,698	0.9718

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2005-2015

Notes:

There is no personal property tax (on cars or jewelry); only real property is taxed.

A tax levy provides taxes remitted in the following year.

For tax year 2014 collections are as of 08/31/2015.

City of Kinston, North Carolina

Ratio of Net General Bonded Debt Outstanding by Type  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Governmental Activities						Business-Type Activities			
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita	Installment Contracts	Notes and Instalments	General Obligation Bonds	Revenue Bonds	Total Primary Government
2007	\$ -	\$ -	\$ -	\$ -	\$ 8,643,047	\$ 12,503,265	\$ -	\$ -	\$ 15,168,004	\$ 36,314,316
2008	-	-	-	-	8,258,051	12,668,221	-	-	19,832,648	40,758,920
2009	-	-	-	-	7,241,806	11,113,257	-	-	15,293,513	33,648,576
2010	-	-	-	-	6,965,046	11,160,112	-	-	14,339,473	32,465,231
2011	-	-	-	-	9,633,282	9,708,187	-	-	13,353,874	32,695,343
2012	-	-	-	-	9,107,542	8,279,562	-	-	12,336,227	29,723,331
2013	-	-	-	-	9,341,434	7,915,246	-	-	11,280,517	28,537,197
2014	-	-	-	-	8,986,803	6,995,366	-	-	10,186,196	26,168,365
2015	-	-	-	-	8,781,132	7,113,058	-	-	9,147,000	25,041,190
2016	-	-	-	-	9,712,060	7,598,387	-	-	7,787,000	25,097,447

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements

**City of Kinston, North Carolina**

**Direct and Overlapping Governmental Activities Debt**  
**For the Year Ended June 30, 2016**  
**(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 64,949,961	37.83%	\$ 24,567,930
<b>Subtotal, overlapping debt</b>	<b>\$ 64,949,961</b>		<b>\$ 24,567,930</b>
City Direct Debt	<u>9,712,060</u>		
<b>Total direct and overlapping debt</b>	<b><u>\$ 74,662,021</u></b>		<b><u>\$ 24,567,930</u></b>

**Sources:**

Assessed value data used to estimate applicable percentages provided by the Lenoir County Tax Collector/Assessor. Debt outstanding data provided by each governmental unit.

**Notes:**

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

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Lenoir County's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable value. The percentage of overlapping debt is based on the June 30, 2016 assessed valuation of \$4,199,685,187 for Lenoir County and \$1,537,420,208 for the City of Kinston.

**City of Kinston, North Carolina**

**Legal Debt Margin Information**  
**Last ten Fiscal Years**  
**(dollars in thousands)**  
**(Unaudited)**

	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Debt limit	\$ 96,127,414	\$ 101,946,732	\$ 111,203,551	\$ 106,982,646	\$ 105,523,959	\$ 113,508,985
Total net debt applicable to limit	8,643,047	20,926,273	18,393,410	18,125,758	19,341,469	17,387,104
Legal debt margin	\$ 87,484,367	\$ 81,020,459	\$ 92,810,141	\$ 88,856,888	\$ 86,182,490	\$ 96,121,881
Total net debt applicable to the limit as a percentage of debt limit	9.88%	25.83%	19.82%	20.40%	22.44%	18.09%
Legal Debt Margin Calculation for Fiscal Year 2016						
Assessed valuation					\$ 1,537,420,152	<b>A</b>
8%					122,993,612	
Less applicable debt					(17,277,083)	
Debt margin					<u>\$ 105,716,559</u>	
<b>A=</b> Total government-wide debt						\$ 28,832,236
Less revenue bonds						(7,787,000)
Less compensated absences						(1,067,174)
Less law enforcement separation allowance						(1,276,729)
Less separation allowance						(21,679)
Less local governmental employees' retirement system						(1,033,081)
Less other post employment benefits						(369,490)
						<u>\$ 17,277,083</u>

**Notes:**

Debt includes installment contracts and notes payable

Calculation only includes debt guaranteed by the unit's taxing authority, so revenue bonds are excluded.

City of Kinston, North Carolina

Pledged-Revenue Coverage (Parity Debt)  
Last Ten Fiscal Years  
(dollars in thousands)  
(Unaudited)

Fiscal Year	Combined Enterprise Revenue Bonds					Special Assessment Bonds					Sales Tax Increment Bonds		
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Parity		Coverage	Special Assessment Collections	Debt Service		Coverage	Sales Tax Increment	Debt Service	
				Principal	Interest			Principal	Interest			Principal	Interest
2007	\$ 56,909,055	\$ 51,857,666	\$ 5,051,389	\$ 1,192,410	\$ 704,022	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	57,592,808	52,842,641	4,750,167	1,217,959	699,457	2							
2009	62,189,411	59,245,018	2,244,393	1,363,251	754,475	1							
2010	64,894,490	61,103,976	3,790,514	1,368,156	667,936	2							
2011	66,310,137	61,739,024	4,571,113	1,399,715	621,036	2							
2012	64,196,224	59,240,780	4,955,444	1,431,762	573,795	2							
2013	66,105,976	60,995,859	5,110,117	1,792,828	690,238	2							
2014	68,391,147	62,487,584	5,903,563	1,747,182	629,280	2							
2015	70,230,772	62,525,807	7,704,965	1,696,937	572,242	3							
2016	64,775,533	49,350,688	15,424,845	1,965,880	327,393	7							

## City of Kinston, North Carolina

### Demographic and Economic Statistics

#### Last Ten Fiscal Years (Unaudited)

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Fiscal Year Ended June 30	Population (1)	Per Capita Income (2)	School Enrollment (3)	County Unemployment Rate (4)
2007	22962	16526	9,549	4.9%
2008	22649	(5)	9,546	7.2%
2009	22056	14476	9,258	12.4%
2010	21677	(5)	9,039	10.6%
2011	21642	(5)	9,075	11.2%
2012	21622	(5)	9,097	10.7%
2013	21625	(5)	8,994	9.9%
2014	21641	(5)	8,997	7.3%
2015	21392	(5)	8,877	6.9%
2016	21677	(5)	8,866	5.2%

#### Sources:

- (1) US Census Bureau
- (2) US Census Bureau - Information available at City level only for years census conducted.
- (3) Lenoir County School Board
- (4) NC Employment Security Commission
- (5) Information is not presently available

Note: The demographic statistic is being added to the report.

**City of Kinston, North Carolina**

**Principal Employers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

<b>Employer</b>	<b>2016</b>			<b>2007</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employer</b>	<b>Employees</b>	<b>Rank</b>
Lenoir County Public Schools	1,553	1	5.86%	Caswell Center	1,675	1
Sanderson Farms	1,540	2	5.81%	Lenoir County Public Schools	1,410	2
Lenoir Memorial Hospital	1,047	3	3.95%	Lenoir Memorial Hospital	1,100	3
Smithfield Foods Inc.	730	4	2.75%	Masterbrand	900	4
Aristofraft/Decora/Schrock	550	5	2.07%	Electrolux Home Products	870	5
Electrolux Home Products	539	6	2.03%	Associated Materials, Inc	712	6
Spirit Aerosystems	452	7	1.70%	Smithfield Packing company	574	7
Lenoir County	472	8	1.78%	Lenoir Community College	520	8
City of Kinston	376	9	1.42%	Vernon Park Mall	500	9
Lenoir Community College	250	10	0.94%	Lexon China	480	10
<b>Total</b>	<b>7,509</b>		<b>28.32%</b>	<b>Total</b>	<b>8,741</b>	
						<b>33.19%</b>

**Sources:**

Lenoir County Economic Development  
 Employment Security Commission  
 Various HR Managers  
 Labor & Economic Analysis Division

City of Kinston, North Carolina

Full-Time Equivalent City Government Employees By Functions/Programs  
Last Ten Fiscal Years  
(Unaudited)

Functions/Program	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
General Government:							
Legislative	6	6	6	6	6	6	6
City Management	2	3	3	3	4	2	2
City Clerk	1	1	1	1	1	1	1
Personnel	35	4	4	2	3	3	3
Finance	11	12	12	12	12	13	13
Computer Services	3	3	3	3	3	4	4
Building Safety	2	2	2	2	2	4	4
Planning	3	3	3	2	2	2	2
Parks and Recreation:							
General & Administrative	6	6	6	4	4	4	4
Recreation	29	29	29	26	29	26	30
Pool(s)	1	1	1	1	1	1	1
Golf Course(s)	1	1	1	1	1	1	1
Police:							
Officers	77	77	77	76	76	76	76
Civilians (a)	10	9	9	8	8	10	10
Fire:							
Firefighters and Officers	55	54	49	49	49	48	48
Civilians	2	2	2	2	2	1	1
Public Services:							
Administration	9	9	9	9	9	9	9
Billing and Customer Service	17	18	16	15	15	15	15
Meter Services	7	7	7	7	7	9	9
Engineering	9	9	11	9	9	9	9
Street Maintenance	15	11	11	11	11	11	11
Street Sweeping	1	-	-	-	-	-	-
Refuse Collection	26	26	26	27	27	27	27
Weed Control	1	1	1	1	1	1	1
Central Garage	10	9	10	9	10	10	10
Street Lighting	-	-	-	-	-	-	-
Traffic Control	2	2	2	2	2	2	2
Electric:							
Distribution	21	21	22	22	22	22	22
Water:							
Transmission	24	25	25	25	25	24	24
Purification	3	3	3	3	3	6	6
Sewer Maintenance	14	13	14	14	14	14	14
Stormwater	1	6	7	7	7	10	10
Other Programs/Functions:							
Risk Management	25	3	3	3	3	2	2
<b>Total</b>	<b>375</b>	<b>375</b>	<b>379</b>	<b>360</b>	<b>366</b>	<b>368</b>	<b>376</b>
							<b>377</b>

Source: Prior year CAFRs

City of Kinston, North Carolina

Operating Indicators By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

Functions/Program	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Police:						
Calls for service	35,156	32,213	32,686	33,101	29,767	30,753
Adult arrest	4,910	3,008	2,755	3,553	2,896	3,240
Juvenile arrest	171	161	122	89	97	117
Speeding citations only	863	1,280	392	837	771	572
Traffic citations	5,823	5,677	3,567	4,374	3,584	4,081
Fire:						
Total fire runs	216	870	843	185	764	908
Total rescue runs	145	121	151	117	82	80
Property loss	\$ 761,793	\$ 642,430	\$ 791,822	\$ 472,680	\$ 2,124,175	\$ 1,194,425
Building safety:						
Total building permits	\$ 35,183,618	\$ 20,778,089	\$ 9,735,748	\$ 98	83	102
Total value all permits						
Library, volumes in collection	14,026	99,905	235,108	233,466	245,837	237,195
Public service:						
Garbage collected (ton)	20,521	19,937	21,254	19,108	17,272	16,744
Recycle collected (ton)	574	836,48	563,21	637,56	655,1	657,53
Parks and Recreation:						
Recreation program attendance:						
Athletics	163,000	172,000	175,000	202,000	204,500	208,300
Centers & Parks	421,500	520,000	518,000	520,000	522,000	547,000
Other Programs	113,000	116,000	122,000	118,000	116,300	118,000
Golf Rounds Played	7,950	8,200	9,300	9,100	9,000	8,000

Source: Various City records  
Note: \*\* Indicator not available

City of Kinston, North Carolina

Capital Asset Statistics By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

Functions/Program	Fiscal Year						2016
	2007	2008	2009	2010	2011	2012	
Police:							
Stations	4	3	3	3	5	2	1
Fire & Rescue	3	3	3	3	3	2	1
Fire Stations							1
Refuse Collection:	25	25	25	25	25	25	25
Collection Trucks							25
Other Public Works	114,911	114,911	114,911	114,911	114,911	114,833	115,111
Streets (Miles)	2123	2106	2106	2106	2106	2106	2065
Streets Lights	15	15	15	15	15	15	15
Traffic Signals							15
Parks & Recreation:							
Acreeage	300	300	300	300	332	349	332
Parks	15	15	15	15	15	15	15
Golf Course	1	1	1	1	1	1	1
Baseball/Sofball Diamonds	17	26	26	26	26	26	26
Soccer/Football Fields	2	13	13	13	13	13	13
Basketball Courts	6	4	4	4	4	6	6
Tennis Courts	16	17	17	17	17	17	17
Swimming Pools	2	2	2	2	2	3	4
Parks with Playground Equipment	8	8	8	8	8	8	8
Picnic Shelters	8	8	8	8	8	8	9
Community Centers	5	5	5	5	6	7	7
Museums	2	2	2	2	2	2	2
Stadium	4200 seat						
Airport Theater	0	0	0	0	0	0	0
Indoor Batting Facility	1	1	1	1	1	1	1
Natural Shites	4	5	5	5	5	5	5
Gymnasium	4	4	4	4	5	6	6
Spray Ground	1	1	1	1	1	1	1
Dog Park	0	1	1	1	1	1	1
Library:							
Facilities							
Volumes	14,026	99,905	235,108	233,466	245,837	237,195	244,343
Water:							
Storage Capacity (MGPD)	4.25 MGD						
Average Daily Consumption (MGPD)	3.63 MGD	3.49 MGD	2.85 MGD	3.41 MGD	4.14 MGD	4.4 MGD	4.58 MGD
Peak Consumption (MGPD)	5.45 MGD	5.24 MGD	5.12 MGD	5.07 MGD	5.11 MGD	8.19 MGD	10.4 MGD
Miles of Water Mains	214	214.4	214.7	214.7	216.76	216.76	216.76
Wastewater:							
Sanitary Sewers (miles)	211.2	211.4	211.4	212.98	213.24	213.24	213.24
Storm Sewers (miles)	62.3	62.4	62.4	55.39	55.39	55.39	55.39
Average Daily Flow	5.29 MGD	4.64 MGD	4.29 MGD	5.09 MGD	5.14 MGD	4.24 MGD	4.69 MGD
Electric:							
Average Daily Usage	1,373,711 KWH	1,373,015 KWH	1,219,047 KWH	1,197,294 KWH	1,232,906 KWH	1,152,495 KWH	1,198,459 KWH
Mile of Distribution Lines	430	430	430	430	430	430	430
Source: Various City records							



