

CITY OF KINSTON

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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

Purchase of three (3) new side loaders

The City of Kinston replaced three garbage trucks during fiscal years 16/17. The trucks were wrapped with scenes from our community to highlight the many unique features of Kinston. The trucks spotlight such sites as the Lions Adventure Water Park, Historic Grainger Stadium, and the beautiful art pieces that can be found throughout our City. Plans are in place to continue this project as additional equipment is replaced in the coming years.

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INTRODUCTORY SECTION

TONY SEARS
City Manager

JAMES P. CAULEY
City Attorney

DEBRA THOMPSON
City Clerk

City of Kinston



Mayor DON HARDY
Mayor Pro Tem FELICIA SOLOMON

Councilmembers:
ROBERT SWINSON
SAMMY AIKEN
JOSEPH M. TYSON
KRISTAL SUGGS

April 1, 2019

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, 2018, is hereby submitted. The basic financial statements contained herein have been audited by the independent certified public accounting firm of Rives & Associates, LLP, 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 audit requirements of Title 2 U. S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. 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.

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.

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 4.4 percent unemployment rate compared to a statewide rate of 4.2 percent and a national average of 4.0 percent. Overall, the value of new construction, repair and renovation was \$3.4 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

Down East Wood Ducks, Kinston's minor league baseball team since the 2017 baseball season, partnered with Mother Earth Brewing Company to open the new Mother Earth Pavilion at Historic Grainger Stadium ahead of the 2018 season's home-opener. The 10,000 square foot structure is an open air pavilion of which 6,000 square feet is covered. The pavilion is a two-story structure and both levels

feature covered bar areas as well as seating or standing options to view the game. Both levels can accommodate private events, and at least one level of the pavilion is open every home game for Wood Duck fans to enjoy.

Downtown Kinston saw several new restaurants open around the Herritage Street Area in the past year. The owners of Sugar Hill Pizzeria and the Inside Scoop, opened *The Mad Hatter Restaurant*, which specializes in American Food such as wings and burgers and offers indoor and outdoor seating. *Whiskey Pig Craft Butchery and Deli* opened its doors focusing on pasture-raised and grass-fed meats grown by local, independent family farmers, the majority of which comes from Rainbow Meadow Farm, a 10-generation family farm. The deli/restaurant features a rotating menu according to what is available from the farms. *Sabor* is a Modern Latin Restaurant that offers a variety of entrees from many Latin American countries including Puerto Rico, Mexico, and Argentina and also offer big screen TV's in the bar area to enjoy their specialty drinks.

The retail market also expanded in the Kinston area with the opening of Just Add Salt, a women's boutique that specializes in apparel, jewelry, accessories, candles, and other items. The Market also opened which offers apparel and gift items from around the state as well as freshly prepared "grab and go" food items.

Hope Restorations Group, a nonprofit social enterprise headquartered in Kinston, was awarded a \$500,000 grant from The Duke Endowment through Sharon United Methodist Church that will be used to fund efforts to restore homes in neighborhoods in east Kinston. The grant will be used to restore deteriorating houses in declining neighborhoods while providing wages and training for the clients and employees of Hope Restorations. LGM Enterprises, LLC is an aviation company that operates the Fly Exclusive jet charter service and has selected the NC Global TransPark for its new Aircraft Paint and Refurbishment Center that will create 145 new jobs for Kinston and Lenoir County. Moen Incorporated completed a \$15.9 million expansion project that added approximately 150,000 square feet to its existing warehouse and distribution space in its Kinston plant along with an additional 35 jobs for residents of Kinston over the next five years.

Kinston's tourism efforts continued to show a steady increase over the past year with occupancy from local hotels increasing approximately 14 percent from the prior year. The City of Kinston was showcased on UNC-TV channels with an episode titled "A Weekend in Kinston" which featured dining, shopping and arts that have helped Kinston become a "destination location" for out of town visitors. Locals and tourists alike continue to enjoy long-standing events such as the summer concert series "Sand in the Streets," and the annual BBQ Fest on the Neuse, as well as some new attractions such as the first annual ENC Food, Brew 'n Que Fest and the first Kid's Riverfest hosted at Neuseway Nature Park.

MAJOR INITIATIVES

Fiscal Year 2017-2018 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

Growing Relationships

The planning department develops internal relationships with our inspections department and with new leadership at Pride of Kinston. We endeavor to continue this relationship to help implement development environment for our community. Together, we are striving to unify to help remove blight, streamline the development process, and create an inviting atmosphere for developers here in town.

Grants

The planning department continues to manage several grants in this fiscal year. We have managed and started the closeout process for the brownfields assessment grant and we intend to pursue clean up grants in the next cycle. These grants helped establish phase 1 and 2 assessments for potential development sites in Kinston, removing a major barrier to development; added to this, we put several sites under brownfields agreement, which offers tax incentives to prospective developers of such sites. We continue also to manage our single-family rehab and disaster recovery grants, which continue to fund rehabilitation of homes here in Kinston.

Certifications

The planning director received his Floodplain Manager certificate, which is the professional credential in the field of floodplain management; this also bolsters the City of Kinston's Community Rating System (CRS) credits and scoring. The planning director continued to hold his AICP certification and CZO certification in good standing as well.

UNC School of Government

The Planning Department continues its relationship with the UNC School of Government, partnering and contracting special projects to help improve and spur development in Kinston. Planning staff coordinates with the SOG on various projects, including our ongoing arts projects, affordable housing, and downtown development.

KINSTON POLICE DEPARTMENT

FY 2018 Bulletproof Vest Partnership (BVP) Grant: The BVP Grant Program helps protect the lives of law enforcement officers by assisting local governments to equip their officers with armor vest. The program pays up to 50% of the cost of the vest purchased by jurisdictions with approved applications. Our agency was awarded funding giving us the ability to purchase (16) ballistic vests, which is what was needed this year. Kinston Police Department was awarded the amount of \$12,274.78. The grant consists of \$6,137.39 in federal funds and of \$6,137.39 in local funds.

FY 2017 JAG Grant (DOJ): The 2017 JAG Grant: KPD was awarded the 2017 JAG Grant in conjunction with LCSO to be split 50/50. There was a hold on this federal funding, and has just recently been released. KPD had requested funding for the purchase of riot and crowd control equipment. This equipment will help to resolve and prevent situations from occurring and escalating and will enhance citizen safety by allowing officers to have a prepared and skillful response to incidents. The award amount to KPD was \$15,173.50.

2018 Governor's Crime Commission Grant (Juvenile Justice Disproportionate Minority Contact): This grant has provided resources and funding to assist KPD in learning new strategies to identify and prevent disproportionate minority contact. Together we are developing a community-wide strategy for combating DMC from law enforcement to youth to community-based organizations. The organization You & Five-0 has been contracted to provide an educational program to address the unrest between law enforcement agencies and their communities. This grant was awarded in the amount of \$99,436.70. We have also recently applied for the **2019 Governor's Crime Commission Grant (Juvenile Justice Disproportionate Minority Contact)**. If awarded this grant we will continue what has been started with the grant by following up on our efforts. We will increase the number of people reached as well as retrieving data to see the impact our training has had on the community.

DEPARTMENT OF FIRE & RESCUE

The Department responded to 3,369 alarms with property values totaling \$7,843,143.00. Property value saved was \$6,801,346.00 or 86.72%. The Department also increased swift water response capabilities through the receipt of two (2) inflatable rescue boats provided by grant funding. The Department responded to 2,474 medical emergencies relating to life-threatening situations including cardiac arrests and major trauma.

Community Education was an important part in the operation of the Department with personnel conducting numerous home fire safety checks and participating in many community events such as food drives and cleanup programs. School programs relating to fire and life safety education along with station visits were conducted to better educate our community.

The Department also conducted over 1,031 company level fire inspections and completed 17,633 hours of fire/rescue training during the 2017 calendar year. The Department was awarded ISO Classification 2 status during the fiscal year.

The Department will expand delivery capabilities through implementation of new fire and rescue technologies relating to search and rescue operations. The Department will continue the expansion into social media for the furtherance of fire and safety education to our citizenry. The Department will increase training in areas of Incident Management and Personnel Management Principles as part of succession training within the organization. The Department will continue and improve efforts in pre-incident planning focusing on target hazards identified within the corporate City limits. The Department will increase firefighter safety and survival training through the use of the budgeted fire/rescue training center.

PUBLIC SERVICES

Fiscal Year 2017-18 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

Queen Street Sewer Rehabilitation

In preparation for NCDOT's resurfacing of Queen Street scheduled in 2017, the City wanted to rehabilitate all sewer lines under the pavement between Highway 70 and Cunningham Road. This included replacement or rehabilitation of approximately 26,000 linear feet of pipe. The work was bid in two phases, with engineering services being provided by Highfill Infrastructure Engineering. Phase I construction was performed by CaJenn Construction and was completed in May, 2018 with a final total project cost of \$4,398,870.25. Funding for Phase I was from a Clean Water State Revolving Fund loan with \$1,000,000 in principal forgiveness. Phase II is under construction and expected to be complete in the next few months. Phase II was bid on August 4, 2016, however the bids came in over budget. Engineering plans were reviewed and the project was rebid July, 2017 and the contract was awarded to T.A. Loving in the amount of \$1,945,971.62. Phase II is funded with a CWSRF loan of \$2,500,000.

Biosolids Dryer Project

Kinston currently creates a Class B biosolid, which must be land applied to agricultural fields under a state permit at a cost of over \$200,000 per year. The City of Kinston is 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. 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 project is funded with a CWSRF Loan of \$2,590,911.75, with terms of zero percent interest for 20 years. Project construction is underway with completion anticipated in February, 2018.

Briery Run Sewer Rehabilitation – Phase IV

The City of Kinston received a Clean Water State Revolving Fund loan 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. Project designs have been approved for construction and bids will be advertised in July or August, 2018,

FY 2017-18 Street Resurfacing

The City Council graciously appropriated \$500,000 for street resurfacing in FY17/18. Streets selected to be included in the project include portions of Highland Avenue, Sussex Street, Rosanne Drive, Greenbriar Drive, East Street, Independence Street, A Street, North Street, Washington Avenue, Haskett Road, Summit Avenue and Adkin Street. The work was bid in March, 2017. The bid was awarded to Tripp Brothers, Inc. in the amount of \$500,000 and work has begun.

Doctor's Drive Extension

The City plans the construction of approximately 2,800 feet of road, drainage and water line improvements from the current end of Doctor's Drive to Airport Road. Project is estimated to cost \$834,000. The City was awarded a grant from Golden Leaf in the amount of \$599,720. The remaining funds will be provided by a combination of developer cash contribution and City in-kind services of

approximately \$74,000. Engineering work for this project has been awarded to Municipal Engineering Services Company. Design and right-of-way acquisition has been delayed due to the presence of wetlands within the original road corridor. Alternate routes are being evaluated. Project completion date is April, 2018.

Queen Street Waterline Replacement

The City has replaced all existing waterlines in the Queen Street corridor prior to NCDOT resurfacing. The project budget was \$976,000. The funds were used for the purchase of materials and making pavement repairs. Installation of the pipe was performed by city staff. Work began in March, 2015, and was complete in December, 2017. Final project cost was \$982,764.41.

Smartgrid Meter System

Kinston Public Services is embarking on a project to install 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, electric load data for transformers/circuits/substations remote connect/disconnect of electric meters, system-wide wi-fi communications for work orders, and more. Full deployment is estimated to save the City at least \$700,000 per year in operating expenses. A project budget of \$6,500,000 has been established. Funding has been provided from the Electric Fund Capital Reserve, with repayment from the Water Fund to the Electric Fund for the water system improvement costs upon completion of the project. All meters, communication antennae, and system software is being purchased from Nexgrid, who was selected based on RFQs issued by Electricities. Water meter installations and load switch installations will be by a contractor. All other equipment will be installed by city staff. Deployment is expected to begin in October, 2017 and will take approximately two years to complete.

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 second POD will be located west of Kinston and 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. Booth & Associates is performing project engineering. Construction of the station involves two contracts, one with Ernie Everett Site Prep for site grading and one with T&D Solutions for construction of the station infrastructure. Easement acquisition for the transmission lines from the new station to the Falling Creek Substation is still ongoing.

Hardee Road Reconstruction

In January, 2017, Kinston experienced a winter storm bringing several inches of snow and ice, along with over 5 consecutive days of sub-freezing temperatures. The precipitation coupled with the prolonged cold snap caused extensive damage to the asphalt on Hardee Road. The road was kept open, but portions were placed under 15 mile per hour advisory speeds due to the asphalt conditions. The road infrastructure largely consists of 2" of asphalt on a clay/sand soil. Initial estimates to perform a full road reconstruction in the deteriorated areas were at a cost of \$1.9 million. That level of funding was not

available so a smaller scope project to install a better road cross section in the most damaged blocks was assembled. This included removing 4" of asphalt and soil and installing 2.5" of base asphalt and 1.5" of surface asphalt. A purchase order was issued in May, 2018 for \$70,000 to Tripp Brothers to complete the work. Work is expected to be complete in September, 2018. Additional funds will be requested in future fiscal years for additional phases of this type of improvement in other blocks on Hardee Road.

Sanitary Sewer Asset Management Plan

The City of Kinston has been awarded a \$150,000 grant from N.C. Division of Water Resources to perform condition assessments and update our Sanitary Sewer Asset Management Plan and Capital Improvement Plan. The funds will be used to conduct testing on our gravity sewer system and lift stations to determine current conditions and identify future capital improvements. A contract with Eudy's Pipe Service has been issued in the amount of \$100,089 to perform CCTV work in the sewer system. Highfill Infrastructures has also been contracted to establish a pipe rating system based on the CCTV results and to identify capital improvement projects. The Wooten Company has been tasked with evaluating our sewer lift stations. All work is expected to be complete in August, 2018.

PARKS AND RECREATION

Mock Athletic Skills Facility:

A new HVAC system is being installed in the gymnasium at Mock Gym.

Grainger Stadium:

New roofs were installed on the grandstand and on the warehouse/maintenance shop. New foul poles were installed in the outfield and an addition was added to include a new office and ticket window at the stadium. The existing Wood Duck's office was renovated to a break room/office. A metal overhead door was installed to the maintenance shop for easier access.

Riverwalk Project (Loch Neuse Dragon Park):

Electrical panel outlets were installed throughout the park for special events and recreational use. Handicapped parking was completed at the Loch Neuse Dragon Park and extended fencing along the Riverwalk was added.

Bill Fay Park:

A new metal roof was installed on the Par 3 Golf Shop, along with painting the outside and inside of the building. A new mini-split was installed in the building and landscaping and new signage is in the process of being added. A new irrigation booster pump will be installed for drainage at the Par 3 Golf Course. New split rail fencing will be installed throughout the park.

Georgia K. Battle Center:

A gravel walking track was installed at the park.

Holloway Recreation Center:

A new HVAC system will be added to the gym. Through a grant, renovations to Holloway pool and pool house will be done.

Music Park:

The Recreation Department is in the process of securing a grant to add a picnic shelter and restrooms in the park.

Fairfield Park/Holloway Park:

The old halogen ballfield lights were replaced with metal halide lights that came from Grainger Stadium.

Grainger Stadium:

A new asphalt drive way behind the Mother Earth Pavilion at the stadium was poured.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 29 percent of total general fund revenues. This amount is approximately 9 percent above the informal guidelines utilized 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

The implementation of youth diversion programs by Chief Alonzo Jaynes. Chief Jaynes 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 continue to be an active member in organized Regional Task Forces focusing on reducing violent crime in our community.

Kinston Police Department will work towards maintaining an adequate police cruiser fleet for the Support Services and Investigation's Division.

Replacing and upgrading technology equipment, such as; Mobile Data Computers, Surveillance Cameras, Other Recording Devices used for Covert Operations.

Partnership with North Carolina University

The Police Department has developed a new partnership with North Carolina Central University and accepted a new Intern, Jessica Bryant. Mrs. Bryant comes to us as a local Kinston resident. She is a Master's Degree student in Social Work, a Bachelor in Arts Degree in Psychology, a Bachelor of Science in Criminal Justice and a Master's Degree in Education. Her internship will allow her to work with the Police Department through April 2018 and possibly for an additional year of internship. Mrs. Bryant has experience as a Lead Special Education Teacher and as an Intellectual and Developmental Disability Care Coordinator. As a social work intern, Mrs. Bryant will have a unique and more active role than our interns in the past. She will act as a liaison between the police department and the community as well as state social service agencies. She will be able to assist with referrals to other social and mental health agencies, emergency shelters, financial assistance, and assistance with on-scene crisis intervention. This partnership is giving us a wonderful opportunity to merge law enforcement and social work in a way to provide enhanced services to our community.

Public Services

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. The estimated contract cost for the work is \$920,025. The City was approved for a Clean Water State Revolving Fund 0% interest loan for the full amount of the project in June 2018 but the project is on hold until the sewer funds are available.

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, 2017, the City applied 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. We received approval for SRF funds of \$920,025 with 50% forgiveness, but were not chosen for the CDBG funds. We plan to resubmit to CDBG in the next cycle for 2018.

Briery Run Sewer Rehabilitation – Phase V

Phase V of the work on the Briery Run Sewer 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 have become completely submerged due 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 applied for funding from the Clean Water State Revolving Fund/Wastewater Reserve in September, 2016. The city received a 20-year zero percent interest loan in the amount of \$1,332,700. No principal forgiveness was provided. The Engineering Report was submitted in July 2017. Responses are being provided to NCDWQ and US Army Corps of Engineers. It is anticipated that construction contracts would not be executed until 2019.

Queen Street Bridge Lighting

NCDOT has agreed to provide funding to install lights on the newly constructed Queen Street Bridge. Agreements have been executed but the installation has been delayed until the design team for the bridge has completed their work. Expect work to begin in 2019.

Vernon Avenue Electric Distribution Replacement

The Electric budget for FY17/18 included \$1,548,360 to rebuild 3.4 miles of distribution line along Vernon Avenue. This is not a complete circuit rebuild but portions of several circuits that connect to poles on Vernon. The project is driven by the need for pole replacements. Since we will replace the poles it is efficient to also rebuild the lines at the same time. A project budget has been established and design/engineering work is underway. City should accept bids in July 2018.

Water Asset Management Plan Grant

In September 2017, the City passed a Resolution stating our intention to apply for the State funding cycles for a Water Asset Management Plan Grant. Each entity is eligible to receive up to \$150,000 for an asset management grant for water and sewer systems every 3 years. The City has received a grant to complete a wastewater asset assessment and is now pursuing a water asset assessment grant. Through a request for proposal process the City has selected Municipal Engineering Services as the engineering firm to evaluate our system. The DWI grant was awarded in February 2018. Engineering work will begin soon and project should take about 18 months to complete.

Greenmead Water Line Replacement Project

This project will replace 19,500 feet of cast iron and galvanized water lines that are over 50 years old in the Greenmead Subdivision. We have applied for a Drinking Water State Revolving Fund loan and expect to hear funding decision in late 2018. The estimated project cost is \$1,325,887.

Smithfield Way West Gravity Sewer Extension Project

This project will extend 18" gravity sewer line approximately 2,100 feet along Smithfield Way from Parrott-Dickerson Road to Enterprise Boulevard. This project will allow the City to serve future development at the Falling Creek Farm property, Lenoir County Shell Building and Parrott properties in the Industrial Park. Lenoir County Economic Development Department has applied for a Department of Commerce grant April, 2018. The estimated project cost is \$789,500.

Parks and Recreation

Emma Webb Pool:

Due to multiple cracks and structural problems, the pool at Emma Webb cannot be repaired. It is recommended that a new pool with a zero entry entrance be constructed at the same site. Also, it is recommended that the existing bathhouse be remodeled.

Joel Smith Disc Golf Course:

Work will continue on the disc golf course, which is located on Tyndall Park Road (behind the old Sportlane Bowling Alley) and will include the installation of concrete tee pads, signage and eight bridges. This will be the second 18 hole disc golf course located in Kinston. This course is named the "Joel Smith Disc Golf Course" in memory of Joel Smith, who passed away in 2015 who was a past Parks & Recreation Commission member and Chairman and also very instrumental in the construction of the Barnet Park Disc Golf Course. He was also on the Executive Committee for the Woodmen Community Center and Lions Water Adventure project. This course is being built on flood buy-out land and has been approved by FEMA to build the course. The course is being developed through volunteer labor, the Kinston/Lenoir County Disc Golf Association and the Parks & Recreation staff.

Skateboard/Bicycle Park:

A skateboard/bicycle park is currently being discussed to be added in one of the parks. The Caswell Ram Neuse Park site, Emma Webb Park or the Rotary Dog Park have been suggested as possible locations for the park.

Pearson Park:

New restrooms are currently being discussed to be added at the park between the Farmer's Market and the Loch Neuse Dragon playground area.

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, 2017. 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 Rives and Associates, LLP, 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,



Donna H. Goodson, CPA
Finance Director



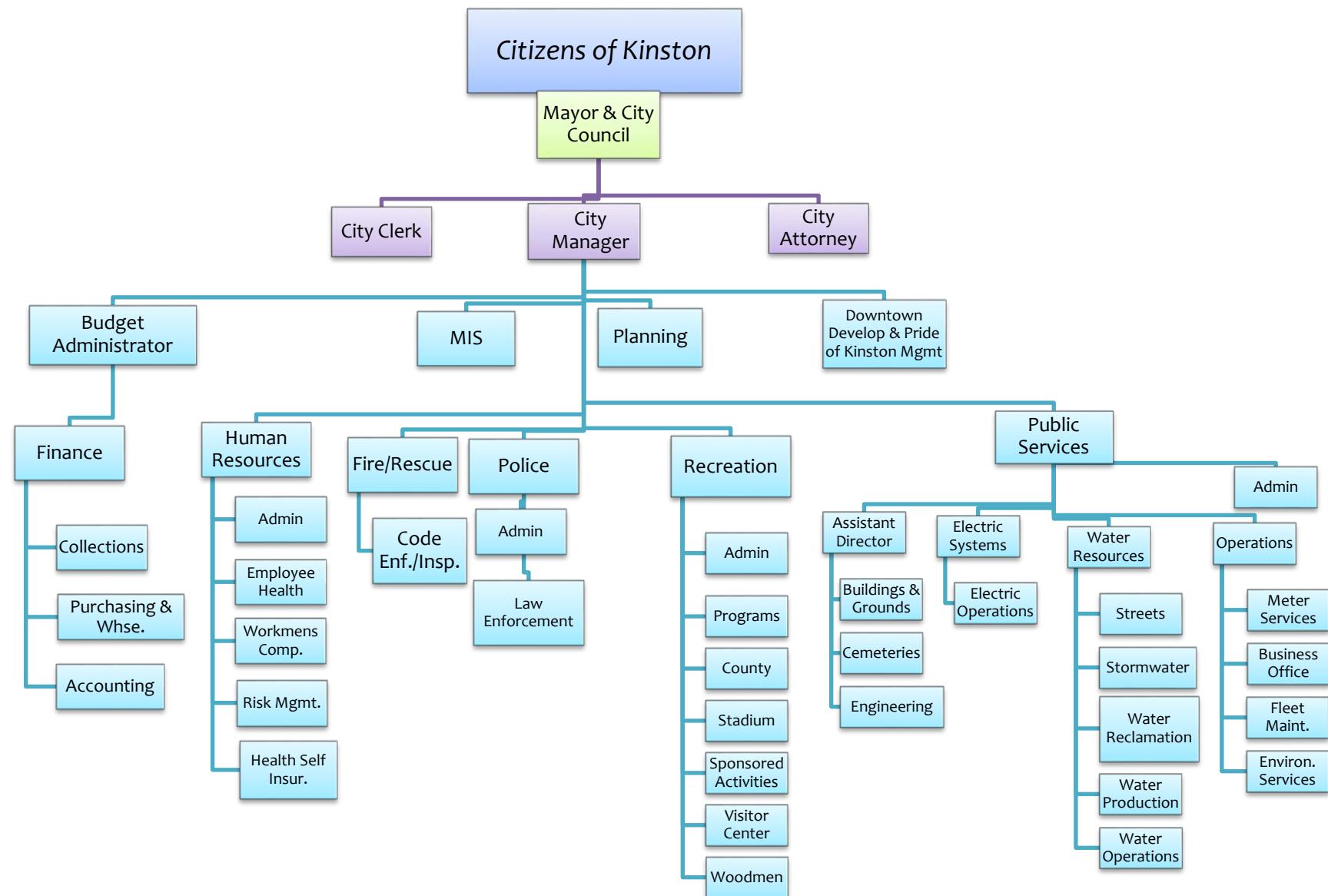
Tony Sears,
City Manager

City of Kinston
City Council
For the Year Ended
06/30/2018

Don Hardy, Mayor
Felicia Solomon, Mayor Pro-Tem
Sammy C. Aiken
Joseph M. Tyson
Robert A. Swinson, IV
Krystal Suggs

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

**City of Kinston
Organizational Structure
FY 2017-2018**





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, 2017

Christopher P. Monell

Executive Director/CEO

FINANCIAL SECTION



Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' 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, 2018, 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.

Auditors' 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.

Opinions

In our opinion, based on our audit, 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, 2018, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 on pages 3 through 13, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions on pages 84 and 85, respectively and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 86 and 87, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Kinston, North Carolina. The combining and individual fund statements, budgetary schedules other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2, U.S. Cost of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Implementation Act*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, the budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other 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 April 1, 2019 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, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kinston's internal control over financial reporting and compliance.

Emphasis of Matter

Adoption of New Accounting Standards

As discussed in Note 8 to the financial statements, for the year ended June 30, 2018 the Board adopted new accounting guidance, Governmental Accounting Standards Board (GASB) 75, *Accounting and Financial Report for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Rivco & Associates LLP

Raleigh, North Carolina
April 1, 2019

City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2018

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, 2018. 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

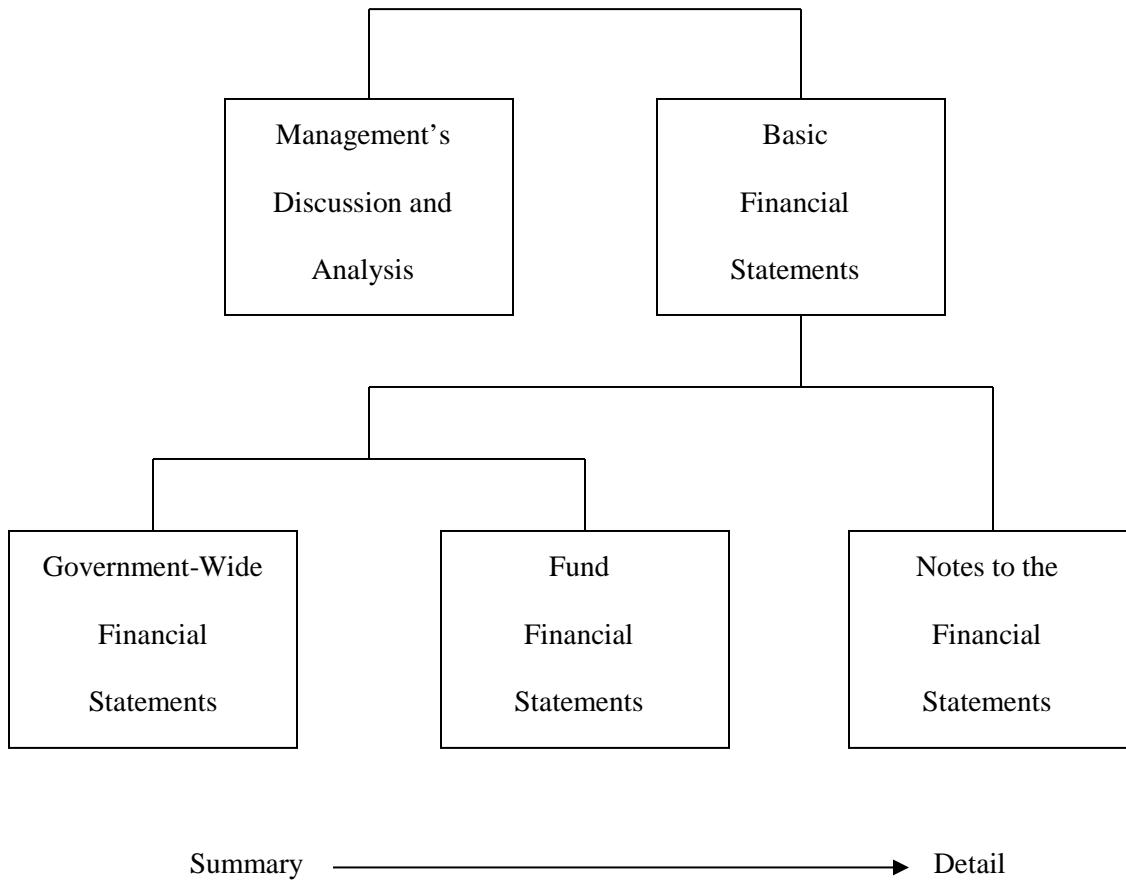
- The assets and deferred outflows of resources of the City of Kinston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$144,121,142 (*net position*).
- The government's total net position increased by \$10,472,279, which consists of an increase in the governmental-type 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 \$10,834,550 with an increase of \$669,422 in fund balance. Approximately 59% of this total amount, or \$6,393,411, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,771,120, or 27.54%, of total General Fund expenditures.
- The City's total bond and financing debt decreased by \$1,933,095 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are 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 1 and 2) 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 3 through 8) 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**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources 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, environmental services, community center, and stormwater systems offered by the City of Kinston.

The government-wide financial statements are Exhibits 1 and 2 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 of Kinston can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on 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 Fund, and Warehouse Inventory Fund are included in governmental activities. The Public Services Administration 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. The notes to the financial statements begin on page 24 of this report

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kinston's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 81 of this report.

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

Government-Wide Financial Analysis

City of Kinston's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 17,523,293	\$ 15,790,679	\$ 44,084,356	\$ 38,348,011	\$ 61,607,649	\$ 54,138,690
Capital assets	22,741,120	21,368,870	104,893,612	101,408,572	127,634,732	122,777,442
Deferred outflows of resources	2,241,295	2,822,410	954,525	1,530,362	3,195,820	4,352,772
Total assets and deferred outflows of resources	<u>42,505,708</u>	<u>39,981,959</u>	<u>149,932,493</u>	<u>141,286,945</u>	<u>192,438,201</u>	<u>181,268,904</u>
Long-term liabilities outstanding	19,200,849	16,034,509	12,480,217	14,392,293	31,681,066	30,426,802
Other liabilities	5,260,347	2,870,675	10,988,903	7,865,287	16,249,250	10,735,962
Deferred inflows of resources	330,450	1,844,206	56,294	75,784	386,744	1,919,990
Total liabilities and deferred inflows of resources	<u>24,791,646</u>	<u>20,749,390</u>	<u>23,525,414</u>	<u>22,333,364</u>	<u>48,317,060</u>	<u>43,082,754</u>
Net position:						
Net investment in capital assets	13,505,530	12,462,790	90,916,697	87,195,214	104,422,227	99,658,004
Restricted	6,301,350	4,110,501	-	-	6,301,350	4,110,501
Unrestricted	(2,092,818)	2,659,278	35,490,383	31,758,367	33,397,565	34,417,645
Total net position	<u>\$ 17,714,062</u>	<u>\$ 19,232,569</u>	<u>\$ 126,407,080</u>	<u>\$ 118,953,581</u>	<u>\$ 144,121,142</u>	<u>\$ 138,186,150</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 \$144,121,142 as of June 30, 2018. The City's net position increased \$10,472,279 for the fiscal year ended June 30, 2018. However, the largest portion (72.12%) reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The City of Kinston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kinston'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 of Kinston's net position, \$6,301,350, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33,397,565 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 97.28%. The State-wide average in fiscal year 2018 was 98.78%.
- Increased local options and telecommunications sales tax, utility franchise tax and natural gas excise tax offset the reduction in ad-valorem tax revenue due to the revaluation of real property effective with the July 1, 2017 assessment.
- Ad-valorem tax rate was increased to \$.70 per \$100 valuation to partially offset the reduction of real property tax values due to the revaluation effective with the July 1, 2017 assessment.
- Received first of reimbursements from FEMA for damages sustained during Hurricane Matthew.
- This year was the first year of collecting lease revenue from the semi-professional baseball team for the use of Grainger Stadium.
- There was an increase in Electricity sales without any increase in electricity rates.
- Actual spending was less than the original appropriated expenditure bearing positive increases to the governmental and business-type funds net position. The largest decrease in actual spending was wholesale electric purchase power.

City of Kinston's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,755,679	\$ 2,939,256	\$ 71,318,235	\$ 70,984,818	\$ 73,073,914	\$ 73,924,074
Operating grants and contributions	2,754,156	1,430,494	-	-	2,754,156	1,430,494
Capital grants and contributions	-	-	346,407	1,347,598	346,407	1,347,598
General revenues:						
Property taxes	9,936,900	10,320,353	-	-	9,936,900	10,320,353
Other taxes	6,939,615	6,481,330	-	-	6,939,615	6,481,330
Grants and contributions not restricted to specific programs	1,957,044	-	2,180,778	-	4,137,822	-
Other	241,095	665,645	111,120	68,041	352,215	733,686
Total revenues	23,584,489	21,837,078	73,956,540	72,400,457	97,541,029	94,237,535
Expenses:						
General government	3,577,234	3,682,645	-	-	3,577,234	3,682,645
Public safety	9,780,286	10,832,976	-	-	9,780,286	10,832,976
Public services	3,978,248	1,345,645	-	-	3,978,248	1,345,645
Community development	1,502,431	3,964,073	-	-	1,502,431	3,964,073
Culture and recreation	3,859,265	3,823,362	-	-	3,859,265	3,823,362
Interest on long-term debt	338,245	346,373	-	-	338,245	346,373
Electric	-	-	42,153,741	40,921,590	42,153,741	40,921,590
Water	-	-	9,073,471	8,828,090	9,073,471	8,828,090
Wastewater			6,802,106	6,823,521	6,802,106	6,823,521
Nonmajor fund	-	-	6,003,723	6,065,932	6,003,723	6,065,932
Total expenses	23,035,709	23,995,074	64,033,041	62,639,133	87,068,750	86,634,207
Change in net position before transfers	548,780	(2,157,996)	9,923,499	9,761,324	10,472,279	7,603,328
Transfers	2,470,000	3,157,431	(2,470,000)	(3,157,431)	-	-
Increase in net position	3,018,780	999,435	7,453,499	6,603,893	10,472,279	7,603,328
Beginning net position	19,232,569	20,076,446	118,953,581	112,349,688	138,186,150	132,426,134
Net position, beginning, restated	14,695,282	18,233,134	118,953,581	112,349,688	133,648,863	130,582,822
Net position, June 30	\$ 17,714,062	\$ 19,232,569	\$ 126,407,080	\$ 118,953,581	\$ 144,121,142	\$ 138,186,150

Total government-wide revenues of \$97.5 million were primarily derived from charges for services (75%) and property taxes and other taxes (17%). The total expenses of all programs were \$87.1million. The expenses cover a range of services with the two largest being electric services (48%), and public safety (fire/EMS, police, and inspections/code enforcement) (11%).

Governmental Activities

Governmental activities increased the City's net position by \$3,018,780, thereby accounting for 29% of the total growth in the net position of the City of Kinston. Although growth from tax revenue has been flat, net position has been increased partially 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 from all sources actually showed a net increase even though the tax revaluation effective in fiscal year 2017-2018 produced a .77% decrease in assessed values with a corresponding tax rate increase below the revenue neutral rate. The major increases in other tax revenues came from utility franchise, natural gas excise, and telecommunications sales taxes. An additional contribution to a favorable net position is the partial reimbursement from FEMA for damages sustained during Hurricane Matthew. City management acknowledges that 2018 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 tax revaluation effective in fiscal year 2017-2018 with a corresponding tax rate increase closer to the revenue neutral rate from the prior years; and 2) the imminent increase in health insurance costs for the City and its employees with the possibility of going to a self-insured method of funding.

Key elements of this increase are as follows:

- Federal, local and private grants increased \$1.3 million due to partial FEMA reimbursement for Hurricane Matthew.
- Other tax revenues increased \$458 thousand.
- Expenses related to Hurricane Matthew decreased \$1.5 million.
- Woodmen Center Contribution decreased \$100 thousand.

Business-Type Activities

Business-type activities increased the City's net position by \$7,453,499, thereby accounting for 71% of the total growth in the net position of the City of Kinston.

Key elements of this increase are as follows:

- Increase in Electric charges for services of \$1.5 million
- Grants and contributions received of \$2.2 million
- Continued streamlining of expenses primarily in the reduction of purchased power costs from amounts originally appropriated.

Financial Analysis of the City's Funds

As noted earlier, the City of Kinston 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 \$6.5 million, while total fund balance was \$10.5 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 31% of total General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 50% of the same amount.

At June 30, 2018, the governmental funds of the City of Kinston reported a combined fund balance of \$10.8 million, a .65% increase from last year. The General Fund reported an increase in fund balance of \$1,339,612, primarily due to partial reimbursement by FEMA of expenses incurred as a result of Hurricane Matthew, while the nonmajor governmental funds reported a combined decrease in fund balance of \$670,190 primarily due to improvements to Grainger Stadium that will be funded by future debt proceeds.

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. Another reason relates to the additional funding of improvements to Granger Stadium and the addition of a pavilion at Grainger Stadium, funded by a transfer from general fund, lapsed salaries due to the retirement of the recreation director and reallocation of moneys appropriated for a joint project with the County that the County has chosen not to fund. An additional reason relates to the establishment of a capital project fund to fund future capital outlay related to the Queen Street Redesign and has been funded with an additional transfer from the Electric Fund, which is still under the maximum threshold as stated in statute allowed for return on investment in electric assets. The creation of a new internal service fund, "Health Self-Insurance Fund" has been established and will be proportionately funded from all operating funds with employees in an effort to reduce the cost of providing health benefits. A final reason relates to an increase in the Organizational Support division for support to the local SPCA due to a new five year contract entered into during this fiscal year.

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 \$24.5 million in the Electric Fund, \$7.8 million in the Water Fund, \$(1.4) million in the Wastewater Fund, and \$2.3 million in the nonmajor enterprise funds. The Electric Fund, Water Fund and combined nonmajor enterprise funds experienced growth in net position of \$6.0 million, \$1.3 million, and \$231 thousand, respectively. The Wastewater Fund declined \$850 thousand due mainly to several large sewer rehabilitation projects and a Biosolids Dryer Project.

Capital Asset and Debt Administration

Capital Assets. The City of Kinston's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$127.6 million (net of accumulated depreciation). These assets include buildings, improvements other than buildings, equipment and vehicles, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net increase of \$4.8 million, or (3.9%), over last year.

Major capital asset transactions during the year include the following:

- Ten police and one fire vehicles purchased and equipped at a cost of \$394 thousand.
- Transfer of Bill Faye Tennis Court resurfacing from construction in progress to building and improvements for a total cost of \$209 thousand.
- Street construction at a cost of \$68 thousand.
- Live burn props for fire training and two inflatable rescue boats for fire at a cost of \$53 thousand.
- Construction in progress in the General Fund consists primarily of renovations to Grainger Stadium with a cost to date of \$2.26 million and the improvements to the Neuse River Greenway with a cost to date of \$324 thousand.
- Various electric infrastructure improvements at a cost of \$989 thousand
- Electrical Services placed an electric car, a bucket truck, and two trucks into service at a cost of \$233 thousand.
- Environmental Services fund transferred three automated side loader garbage trucks from construction in progress with a total cost of \$731 thousand.
- Wastewater Services fund sewer improvements for Queen Street with a cost to date of \$4.8 million.
- Wastewater Services fund began manufacture of a bio-solids dryer with a cost to date of \$1.3 million.
- Replacement of water lines on Queen Street with a cost to date of \$983 thousand.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,801,690	\$ 3,777,211	\$ 1,222,643	\$ 1,222,643	\$ 5,024,333	\$ 4,999,854
Infrastructure	1,980,608	2,145,774	847,088	903,476	2,827,696	3,049,250
Buildings and improvements	11,041,664	11,276,693	29,847,139	30,871,189	40,888,803	42,147,882
Equipment and vehicles	1,430,456	1,331,470	2,483,244	2,274,024	3,913,700	3,605,494
Distribution system	-	-	53,149,019	54,000,042	53,149,019	54,000,042
Construction in progress	4,486,702	2,864,723	17,344,479	12,137,197	21,831,181	15,001,920
Total	\$22,741,120	\$21,395,871	\$104,893,612	\$101,408,571	\$127,634,732	\$122,804,442

Additional information on the City's capital assets can be found in Note 3.A.5 of the Basic Financial Statements.

Long-Term Debt. At June 30, 2018, the City of Kinston had total bonded debt outstanding of \$12,165,721. Of this, \$6,380,423 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (e.g. revenue bonds).

City of Kinston's Outstanding Debt
Figure 5

	Governmental		Business-type		Total	
	Activities		Activities		2018	2017
	2018	2017	2018	2017	2018	2017
Installment debt	\$ 8,499,886	\$ 9,253,551	\$ 1,603,736	\$ 2,178,464	\$ 10,103,622	\$ 11,432,015
General obligation bonds	-	-	7,197,721	6,380,423	7,197,721	6,380,423
Revenue bonds	-	-	4,968,000	6,390,000	4,968,000	6,390,000
OPEB	4,974,383	5,402,573	-	-	4,974,383	5,402,573
Pension related debt (LGERS)	2,167,948	3,161,023	1,261,687	1,778,076	3,429,635	4,939,099
Pension related debt (LEOSSA)	3,607,151	3,298,685	-	-	3,607,151	3,298,685
Pension related debt (SSA)	3,848	5,110	-	-	3,848	5,110
Compensated absences	735,705	754,069	320,463	334,526	1,056,168	1,088,595
Total	\$ 19,988,921	\$ 21,875,011	\$ 15,351,607	\$ 17,061,489	\$ 6,584,688	\$ 6,246,306

City of Kinston's Outstanding Debt.

The City's total outstanding debt increased by \$338,382 (5.4%) during the past fiscal year, primarily due to \$1,515,158 general obligation loans issued for Queen Street sewer improvements. 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% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Kinston is \$91,838,852.

More detailed information about the City's long-term obligations is presented in Note 3.B.5 of this report.

Economic Factors and Next Year's Budget and Rates

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

- During fiscal year 2018, two residential and five non-residential units were constructed with a value of \$3.5 million.
- Retail sales for Lenoir County during 2018 were \$724.2 million.
- The current unemployment rate was 4.4 percent, compared to 4.2 percent for the State and 4.0 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2018

The following are highlights for the 2019 budgets for the governmental activities:

The most significant factors negatively impacting the 2019 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 General Fund fund balance appropriation necessary to fund the adopted general fund budget is \$674 thousand. The City focused on street repaving and approved \$180 thousand for street resurfacing in 2019, bringing the total spent in the last five years on street repaving to \$1.4 million (from fiscal year 2014 through fiscal year 2018).

No Cost of Living (COLA) or merit increases were implemented for employees for the 2019 fiscal year. No new positions were created in the General Fund and the full-time positions remain at 380 FTE's. There was a 3.0 percent increase in the cost of the City's portion of employee health insurance. The General Fund initial budget for 2018-2019 increased 4.3 percent from \$24.9 million to \$26.0 million. The Increase in the new budget is attributable to a 3% increase in Employer portion of employee health insurance, increase in LGERS Law Enforcement Retirement Contribution from 8.25% employer contribution to 8.5% and LGERS Local and Firefighters Retirement Contribution from 7.59% employer contribution to estimated 7.85%. The property tax rate remained at \$0.70 per \$100 based on the Octennial Tax Revaluation effective January 1, 2017.

Two new funds will be created, the Health Self Insurance Fund and the Electric Rate Stabilization Reserve Fund

The following are highlights for the 2018 budgets for the business-type activities:

- Sewer fees increased 10% and environmental services fees increased 15%.
- Sewer tap fees will decrease to comply with North Carolina General Session Law 2017-138
- Water fees will increase for the Large Industrial Rate only due to expiration of economic development agreement.

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) 939-3281.

CITY OF KINSTON, NORTH CAROLINA
Statement of Net Position
June 30, 2018

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 12,294,811	\$ 32,150,306	\$ 44,445,117
Taxes receivables - net	643,866	-	643,866
Accounts receivable - net	182,482	1,068,166	1,250,648
Due from governments agencies	1,605,204	136,215	1,741,419
Customer receivables - net	-	7,782,027	7,782,027
Due from other funds	2,303,348		2,303,348
Notes receivable	187,513	-	187,513
Internal balance	-	-	-
Inventories	306,069	1,334,308	1,640,377
Restricted cash and investments	-	1,613,334	1,613,334
Total current assets	17,523,293	44,084,356	61,607,649
Non-current assets:			
Capital assets:			
Land and construction in progress	8,288,392	18,567,122	26,855,514
Other capital assets, net of depreciation	14,452,728	86,326,490	100,779,218
Total capital assets	22,741,120	104,893,612	127,634,732
Total assets	40,264,413	148,977,968	189,242,381
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	319,740	-	319,740
Pension deferrals	1,921,555	954,525	2,876,080
Total deferred outflows of resources	2,241,295	954,525	3,195,820
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,481,082	6,504,178	7,985,260
Due to other funds	2,303,348	-	2,303,348
Accrued interest payable	-	-	-
Prepaid fees	34,028	-	34,028
Unavailable revenues	653,817	-	653,817
Customer deposits	-	1,613,334	1,613,334
Current portion of long-term liabilities	788,072	2,871,391	3,659,463
Total current liabilities	5,260,347	10,988,903	16,249,250
Long-term liabilities:			
Net pension liability (LGERS)	2,167,949	1,261,687	3,429,636
Total pension liability (LEOSSA & SSA)	3,610,999	-	3,610,999
OPEB liability	4,974,383	-	4,974,383
Due in more than one year	8,447,518	11,218,530	19,666,048
Total liabilities	24,461,196	23,469,119	47,930,315
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	867	-	867
Other	9,107	-	9,107
OPEB deferrals	171,848	-	171,848
Pension deferrals	148,628	56,294	204,922
Total deferred inflows of resources	330,450	56,294	386,744
NET POSITION			
Net investment in capital assets	13,505,530	90,916,697	104,422,227
Restricted for:			
Stabilization by State Statue	4,205,325	-	4,205,325
Community development	2,020,468	-	2,020,468
Permanently restricted for cemetery perpetual maintenance	75,000	-	75,000
Temporarily restricted for cemetery perpetual maintenance	557	-	557
Unrestricted	(2,092,818)	35,490,383	33,397,565
Total net position	\$ 17,714,062	\$ 126,407,080	\$ 144,121,142

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Activities
For the year Ended June 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,577,234	\$ 512,248	\$ 15,000	\$ -	\$ (3,049,986)	\$ -	\$ (3,049,986)
Public safety	9,780,286	131,763	117,138	-	(9,531,385)	-	(9,531,385)
Public services	3,978,248	157,463	2,622,018	-	(1,198,767)	-	(1,198,767)
Community development	1,502,431	-	-	-	(1,502,431)	-	(1,502,431)
Cultural and recreation	3,859,265	954,205	-	-	(2,905,060)	-	(2,905,060)
Interest on long-term debt	338,245	-	-	-	(338,245)	-	(338,245)
Total governmental activities	<u>23,035,709</u>	<u>1,755,679</u>	<u>2,754,156</u>	<u>-</u>	<u>(18,525,874)</u>	<u>-</u>	<u>(18,525,874)</u>
Business-type activities:							
Electric	42,153,741	48,928,147	-	303,858	-	7,078,264	7,078,264
Water	9,073,471	10,389,823	-	-	-	1,316,352	1,316,352
Wastewater	6,802,106	5,770,683	-	42,549	-	(988,874)	(988,874)
Nonmajor funds:							
Environmental services	3,584,098	3,665,024	-	-	-	80,926	80,926
Stormwater	884,503	1,071,043	-	-	-	186,540	186,540
Community center services	1,535,122	1,493,515	-	-	-	(41,607)	(41,607)
Total business-type activities	<u>64,033,041</u>	<u>71,318,235</u>	<u>-</u>	<u>346,407</u>	<u>-</u>	<u>7,631,601</u>	<u>7,631,601</u>
Total primary government	<u><u>\$ 87,068,750</u></u>	<u><u>\$ 73,073,914</u></u>	<u><u>\$ 2,754,156</u></u>	<u><u>\$ 346,407</u></u>	<u><u>(18,525,874)</u></u>	<u><u>7,631,601</u></u>	<u><u>(10,894,273)</u></u>

General revenues:			
Taxes:			
Property taxes, levied for general purpose	9,936,900	-	9,936,900
Other taxes	6,939,615	-	6,939,615
Grants and contributions not restricted to specific programs	1,957,044	2,180,778	4,137,822
Unrestricted investment earnings	33,898	108,471	142,369
Miscellaneous	207,197	2,649	209,846
Transfers	2,470,000	(2,470,000)	-
Total general revenues and transfers	<u>21,544,654</u>	<u>(178,102)</u>	<u>21,366,552</u>
Change in net position	3,018,780	7,453,499	10,472,279
Net position, beginning, previously reported	19,232,569	118,953,581	138,186,150
Restatement	(4,537,287)	-	(4,537,287)
Net position, beginning	14,695,282	118,953,581	133,648,863
Net position, ending	<u>\$ 17,714,062</u>	<u>\$ 126,407,080</u>	<u>\$ 144,121,142</u>

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

CITY OF KINSTON, NORTH CAROLINA
Exhibit 3
Balance Sheet
Governmental Funds
June 30, 2018

	<u>Major Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>		
ASSETS			
Cash and investments	\$ 7,555,759	\$ 2,352,801	\$ 9,908,560
Due from government agencies	1,495,305	46,628	1,541,933
Accounts receivable	144,701	37,781	182,482
Taxes receivable	643,866	-	643,866
Due from other funds	2,303,348	-	2,303,348
Notes receivable	-	187,513	187,513
Inventories	92,061	-	92,061
Restricted cash and investments	-	-	-
Total assets	\$ 12,235,040	\$ 2,624,723	\$ 14,859,763
LIABILITIES			
Due to other funds	\$ -	\$ 2,303,348	\$ 2,303,348
Accounts payable and accrued liabilities	999,782	33,371	1,033,153
Prepaid privilege licenses	34,028	-	34,028
Total liabilities	1,033,810	2,336,719	3,370,529
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	644,710	-	644,710
Prepaid property taxes	867	-	867
Pavement assessment receivables	9,048	-	9,048
GTP fire taxes receivables	59	-	59
Total deferred inflows of resources	654,684	-	654,684
FUND BALANCES			
Non-spendable, not in spendable form:			
Inventories	92,061	-	92,061
Perpetual maintenance	-	75,000	75,000
Restricted			
Stabilization by State Statute	3,933,403	271,922	4,205,325
Other	-	2,021,025	2,021,025
Committed	-	137,001	137,001
Assigned	749,962	55,918	805,880
Unassigned	5,771,120	(2,272,862)	3,498,258
Total fund balances	10,546,546	288,004	10,834,550
Total liabilities, deferred inflows of resources and fund balances	\$ 12,235,040	\$ 2,624,723	\$ 14,859,763

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

CITY OF KINSTON, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2018

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds	\$ 10,834,550
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	47,811,706
Accumulated depreciation	<u>(25,070,586)</u>
	22,741,120
A portion of the assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,561,784
Net pension liability	(2,167,949)
Total pension liability	(3,610,999)
OPEB Liability	(4,974,383)
Pension related deferrals	(148,628)
OPEB related deferrals	(171,848)
Deferred outflows of resources related to pensions are not reported in the funds	1,921,555
Deferred outflows of resources related to OPEB are not reported in the funds	319,740
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	644,710
Long-term liabilities, compensated absences, and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,235,590)</u>
Net position of governmental activities	<u><u>\$ 17,714,062</u></u>

The accompanying notes to the financial statements are an integral part of these statements

CITY OF KINSTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2018

Exhibit 4

	<u>Major Fund</u>		<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>			
REVENUES				
Ad valorem taxes	\$ 9,936,900	\$ -	\$ 9,936,900	
Sales and services	1,755,679	-	1,755,679	
Other taxes and licenses	6,939,615	-	6,939,615	
Unrestricted intergovernmental	448,190	1,508,854	1,957,044	
Restricted intergovernmental	729,597	94,340	823,937	
Investment earnings	28,583	400	28,983	
Other	193,451	3,278	196,729	
Total revenues	<u>20,032,015</u>	<u>1,606,872</u>	<u>21,638,887</u>	
EXPENDITURES				
Current:				
General government	2,627,905	-	2,627,905	
Public safety	9,201,560	63,032	9,264,592	
Public services	2,616,846	-	2,616,846	
Parks and recreation	3,821,524	1,350,121	5,171,645	
Community development	-	1,068,219	1,068,219	
Debt service:				
Principal	751,543	-	751,543	
Interest	338,245	-	338,245	
Capital outlay:				
Total expenditures	<u>20,958,093</u>	<u>2,481,372</u>	<u>23,439,465</u>	
Excess (deficiency) of revenues over expenditures	<u>(926,078)</u>	<u>(874,500)</u>	<u>(1,800,578)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,265,690	384,942	2,650,632	
Transfers to other funds	-	(180,632)	(180,632)	
Total other financing sources (uses)	<u>2,265,690</u>	<u>204,310</u>	<u>2,470,000</u>	
Net change in fund balance	1,339,612	(670,190)	669,422	
Fund balances, beginning	<u>9,206,934</u>	<u>958,194</u>	<u>10,165,128</u>	
Fund balances, ending	<u>\$ 10,546,546</u>	<u>\$ 288,004</u>	<u>\$ 10,834,550</u>	

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2018

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$ 669,422
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 2,349,505
Depreciation expense for governmental assets	<u>(1,441,634)</u>
	907,871

Benefit payments and administration costs for LEOSSA and SSA are deferred outflows of resources on the Statement of Net Position.	277,780
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes and assessment fees	(498)
Change in deferred outflow- pension	205,389
Change in deferred inflows- pension	(123,622)
Change in net pension liability	(1,113,429)

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.	249,442
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	<u>751,543</u>
	751,543

Expenses related to compensated absences, OPEB, Law Enforcement Officers' Separation Allowance, and Special Separation Allowance reported 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>1,194,882</u>
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Total changes in net position of governmental activities	<u>\$ 3,018,780</u>
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The accompanying notes to the financial statements are an integral part of these statements.

CITY OF KINSTON, NORTH CAROLINA

General Fund

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)	
	Budget		Actual Amounts		
	Original	Final			
Revenues:					
Ad valorem taxes	10,133,768	\$ 10,133,768	\$ 9,936,900	\$ (196,868)	
Sales and services	1,842,651	1,842,651	1,755,679	(86,972)	
Other taxes and licenses	6,788,894	6,788,894	6,939,615	150,721	
Unrestricted intergovernmental	464,963	464,963	448,190	(16,773)	
Restricted intergovernmental	716,641	731,641	729,597	(2,044)	
Investment earnings	31,500	31,500	28,583	(2,917)	
Other	150,500	185,759	193,451	7,692	
Total revenues	20,128,917	20,179,176	20,032,015	(147,161)	
Expenditures:					
Current:					
General government	2,485,845	2,683,068	2,627,905	55,163	
Public safety	10,088,418	9,950,368	9,201,560	748,808	
Public services	3,296,622	3,386,110	2,616,846	769,264	
Parks and recreation	3,992,048	3,975,696	3,821,524	154,172	
Community development	-	-	-	-	
Debt service:					
Principal	758,796	758,796	751,543	7,253	
Interest	339,076	339,076	338,245	831	
Capital outlay:	1,701,312	1,886,968	1,600,470	286,498	
Total expenditures	22,662,117	22,980,082	20,958,093	2,021,989	
Revenues over (under) expenditures	(2,533,200)	(2,800,906)	(926,078)	1,874,828	
Other financing sources (uses):					
Transfers from other funds	1,165,411	4,401,201	2,265,690	(2,135,511)	
Transfers to other funds	(296,822)	(3,794,554)	-	3,794,554	
Long-term debt issued	426,012	426,012	-	(426,012)	
Fund balance appropriated	1,238,599	1,768,247	-	(1,768,247)	
Total other financing sources (uses)	2,533,200	2,800,906	2,265,690	(535,216)	
Net change in fund balance	\$ -	\$ -	1,339,612	_____	
Fund balance, beginning			9,206,934	_____	
Fund balance, ending			\$ 10,546,546	_____	

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Net Position
Proprietary Funds
June 30, 2018

Exhibit 6

	Major Enterprise Funds			Non-Major Enterprise Funds	Total	Internal Service Fund
	Electric Fund	Water Fund	Wastewater Fund			
ASSETS						
Current assets:						
Cash and investments	\$ 20,483,672	\$ 6,680,171	\$ 753,870	\$ 1,992,144	\$ 29,909,857	\$ 4,626,700
Due from government agencies	42,871	66,001	23,699	-	132,571	\$ -
Accounts receivable - net	400,232	3,342	16,778	647,814	1,068,166	66,915
Customer receivables- net	5,850,467	1,145,939	785,621	-	7,782,027	-
Inventories	1,017,907	316,401	-	-	1,334,308	214,008
Restricted cash and cash equivalents	1,613,334	-	-	-	1,613,334	-
Total current assets	<u>29,408,483</u>	<u>8,211,854</u>	<u>1,579,968</u>	<u>2,639,958</u>	<u>41,840,263</u>	<u>\$ 4,907,623</u>
Noncurrent assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	621,881	41,276,198	-	45,569,969	19,468
Distribution system	40,616,284	15,455,871	52,862,552	-	108,934,707	837,104
Equipment and vehicles	2,512,519	2,690,654	2,988,166	5,235,654	13,426,993	-
Accumulated depreciation	(27,770,115)	(13,334,123)	(36,921,055)	(3,777,445)	(81,802,738)	(649,101)
Construction in progress	4,234,202	1,315,158	11,567,610	205,725	17,322,695	21,784
Total Capital assets	<u>23,467,160</u>	<u>6,816,046</u>	<u>72,727,129</u>	<u>1,663,934</u>	<u>104,674,269</u>	<u>229,255</u>
Total noncurrent assets	<u>23,467,160</u>	<u>6,816,046</u>	<u>72,727,129</u>	<u>1,663,934</u>	<u>104,674,269</u>	<u>229,255</u>
Total assets	<u>52,875,643</u>	<u>15,027,900</u>	<u>74,307,097</u>	<u>4,303,892</u>	<u>146,514,532</u>	<u>5,136,878</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	265,146	265,146	185,602	238,631	954,525	-
	<u>265,146</u>	<u>265,146</u>	<u>185,602</u>	<u>238,631</u>	<u>954,525</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	3,134,549	115,004	2,977,464	210,161	6,437,178	514,929
Customer deposits	1,613,334	-	-	-	1,613,334	-
Compensated absences, current	16,134	18,596	7,158	16,634	58,522	28,036
Current portion of long-term debt	773,073	294,677	1,414,476	303,106	2,785,332	7,113
Total current liabilities	<u>5,537,090</u>	<u>428,277</u>	<u>4,399,098</u>	<u>529,901</u>	<u>10,894,366</u>	<u>550,078</u>
Noncurrent liabilities:						
Net pension liability	338,742	380,956	237,120	304,869	1,261,687	-
Accrued compensated absences	48,402	55,787	21,473	49,901	175,564	84,108
Non-current portion of long-term debt	1,876,533	670,621	7,665,368	759,718	10,972,240	9,215
Total noncurrent liabilities	<u>2,263,677</u>	<u>1,107,364</u>	<u>7,923,961</u>	<u>1,114,488</u>	<u>12,409,491</u>	<u>93,323</u>
Total liabilities	<u>7,800,767</u>	<u>1,535,641</u>	<u>12,323,059</u>	<u>1,644,389</u>	<u>23,303,856</u>	<u>643,401</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	15,612	15,702	10,929	14,051	56,294	-
	<u>15,612</u>	<u>15,702</u>	<u>10,929</u>	<u>14,051</u>	<u>56,294</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	20,817,554	5,850,748	63,647,285	601,110	90,916,697	212,927
Unrestricted	24,506,856	7,890,955	(1,488,574)	2,282,973	33,192,210	4,280,550
Total net position	<u>\$ 45,324,410</u>	<u>\$ 13,741,703</u>	<u>\$ 62,158,711</u>	<u>\$ 2,884,083</u>	<u>\$ 124,108,907</u>	<u>\$ 4,493,477</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>2,298,173</u>	
Total					<u>\$ 126,407,080</u>	

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 7

	Major Enterprise Funds					
	Electric Fund	Water Fund	Wastewater Fund	Total Non-Major Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 48,738,032	\$ 10,122,660	\$ 5,748,519	\$ 6,150,809	\$ 70,760,020	\$ 4,110,997
Other	190,115	267,163	22,164	78,773	558,215	13,117
Total operating revenues	48,928,147	10,389,823	5,770,683	6,229,582	71,318,235	\$ 4,124,114
OPERATING EXPENSES						
Administration	-	-	-	-	-	2,018,294
Public service operations	-	-	-	-	-	643,310
Warehouse operations	-	-	-	-	-	476,398
Electrical operations	38,467,200	-	-	-	38,467,200	-
Environmental services	-	-	-	3,158,639	3,158,639	-
Stormwater services	-	-	-	789,737	789,737	-
Community center services	-	-	-	1,530,676	1,530,676	-
Water production	-	1,219,631	-	-	1,219,631	-
Depreciation	1,164,653	507,434	2,350,292	500,495	4,522,874	108,233
Water operations	-	7,328,110	-	-	7,328,110	-
Wastewater plant operations	-	-	4,190,860	-	4,190,860	-
Claims reimbursement	-	-	-	-	-	386,617
Total operating expenses	39,631,853	9,055,175	6,541,152	5,979,547	61,207,727	3,632,852
Operating income (loss)	9,296,294	1,334,648	(770,469)	250,035	10,110,508	491,262
NONOPERATING REVENUES (EXPENSES)						
Interest earned on investments	65,711	18,699	9,699	5,387	99,496	13,890
Interest on long-term debt	(52,667)	(18,296)	(160,883)	(24,176)	(256,022)	-
Loan issuance costs	-	-	(100,071)	-	(100,071)	-
Total nonoperating revenues (expenses)	13,044	403	(251,255)	(18,789)	(256,597)	13,890
Income (loss) before contributions and transfers	9,309,338	1,335,051	(1,021,724)	231,246	9,853,911	505,152
Capital contributions	303,858	-	42,549	-	346,407	-
Transfer from other funds	-	-	128,800	-	128,800	-
Transfer to other funds	(2,428,800)	-	-	-	(2,428,800)	(170,000)
Change in net position	7,184,396	1,335,051	(850,375)	231,246	7,900,318	335,152
Total net position, beginning	38,140,014	12,406,652	63,009,086	2,652,837		4,158,325
Total net position, ending	\$ 45,324,410	\$ 13,741,703	\$ 62,158,711	\$ 2,884,083		\$ 4,493,477
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					(446,819)	
Total					<u>\$ 7,453,499</u>	

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

Exhibit 8

	Major Enterprise Funds			Total Non-Major Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 48,096,889	\$ 10,306,116	\$ 5,952,001	\$ 6,281,800	\$ 70,636,806	\$ 4,109,829
Cash paid for goods and services	(37,181,596)	(7,258,244)	(792,812)	(3,726,360)	(48,959,012)	(2,943,871)
Cash paid to employees	(1,171,513)	(1,331,597)	(760,568)	(1,996,054)	(5,259,732)	(548,616)
Customer deposits	30,592	-	-	-	30,592	
Net cash provided by operating activities	<u>9,774,372</u>	<u>1,716,275</u>	<u>4,398,621</u>	<u>559,386</u>	<u>16,448,654</u>	<u>617,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer (to) from other funds	(2,428,800)	-	128,800	-	(2,300,000)	(170,000)
Total cash flow from noncapital financing activities	<u>(2,428,800)</u>	<u>-</u>	<u>128,800</u>	<u>-</u>	<u>(2,300,000)</u>	<u>(170,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(1,573,890)	(728,766)	(5,703,091)	(64,561)	(8,070,308)	(41,098)
Proceeds from long-term debt	-	-	1,515,158	-	1,515,158	
Principal paid on general obligation bond maturities and equipment contracts	(761,943)	(299,028)	(1,277,725)	(349,954)	(2,688,650)	(7,873)
Interest paid on bonded indebtedness and equipment contracts	(52,667)	(18,296)	(260,954)	(24,176)	(356,093)	
Contributed capital	303,858	-	42,549	-	346,407	
Net cash provided (used) by capital and related financing activities	<u>(2,084,642)</u>	<u>(1,046,090)</u>	<u>(5,684,063)</u>	<u>(438,691)</u>	<u>(9,253,486)</u>	<u>(48,971)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	65,711	18,699	9,699	5,387	99,496	13,890
Net cash provided by investing activities	<u>65,711</u>	<u>18,699</u>	<u>9,699</u>	<u>5,387</u>	<u>99,496</u>	<u>13,890</u>
Net increase (decrease) in cash and cash equivalents	<u>5,326,641</u>	<u>688,884</u>	<u>(1,146,943)</u>	<u>126,082</u>	<u>4,994,664</u>	<u>412,261</u>
Balances, beginning	<u>16,770,365</u>	<u>5,991,287</u>	<u>1,900,813</u>	<u>1,866,062</u>	<u>26,528,527</u>	<u>4,214,439</u>
Balances, ending	<u>\$ 22,097,006</u>	<u>\$ 6,680,171</u>	<u>\$ 753,870</u>	<u>\$ 1,992,144</u>	<u>\$ 31,523,191</u>	<u>\$ 4,626,700</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating income (loss)	<u>\$ 9,296,294</u>	<u>\$ 1,334,648</u>	<u>\$ (770,469)</u>	<u>\$ 250,035</u>	<u>\$ 10,110,508</u>	<u>\$ 491,262</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,164,653	507,434	2,350,292	500,495	4,522,874	108,233
Non-operating revenues						
Changes in assets and liabilities:						
Decrease (increase) in due from government agencies	(42,871)	(66,001)	(23,699)	52,218	(80,353)	
Decrease (increase) in accounts receivable	(171,273)	75,393	46,349		(49,531)	(14,285)
Decrease (increase) in customer deposits	(617,114)	(93,099)	(86,331)			(796,544)
Decrease (increase) in inventories	39,002	(14,483)	-		24,519	5,864
Increase (decrease) in accounts payable and accrued liabilities	77,673	(70,909)	2,889,453	(232,247)	2,663,970	
Increase (decrease) in customer deposits	30,592	-	-		30,592	25,480
Increase in net pension liability	(155,168)	(112,954)	(108,617)	(139,650)	(516,389)	
(Increase) decrease in deferred outflows of resources for pensions	159,955	159,955	111,968	143,959	575,837	
Decrease (increase) in deferred inflows of resources - pensions	(5,439)	(5,349)	(3,807)	(4,895)	(19,490)	
Increase (decrease) in compensated absences payable	(1,932)	1,640	(6,518)	(10,529)	(17,339)	788
Total adjustments	<u>478,078</u>	<u>381,627</u>	<u>5,169,090</u>	<u>309,351</u>	<u>6,338,146</u>	<u>126,080</u>
Net cash provided by operating activities	<u>\$ 9,774,372</u>	<u>\$ 1,716,275</u>	<u>\$ 4,398,621</u>	<u>\$ 559,386</u>	<u>\$ 16,448,654</u>	<u>\$ 617,342</u>

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

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 that is governed by an elected mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent, on the City.

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 the 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 Financial 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. 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 Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements, including the fiduciary fund, 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 non-major funds.

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

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. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, sanitation, parks and recreation and general government services.

The City reports the following non-major governmental funds:

Special Revenue Fund. The Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has 9 special revenue funds; the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

Capital Projects Fund. The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has 9 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.

The City reports the following major enterprise 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 Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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 are 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

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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.

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. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the 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 fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise fund 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.

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 for the fiscal year in which they are received. Uncollected taxes that were billed during this period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City 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. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. 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 budget is 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 the 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 Fund, and Public Services Administration (internal service funds) operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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.

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 on time.

July 1: The budget ordinance shall be adopted by the governing board.

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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 – Governmental 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.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Restricted assets presented in the accompanying financial statements represent the amounts of unexpended debt proceeds held in escrow of the General Fund and Environmental Services Fund because their use is completely restricted to the purpose for which the debt proceeds were originally issued. 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.

Restricted cash at June 30, 2018, consists of the following:

Governmental Activities	
General Fund:	
Unexpended debt proceeds held in escrow	\$ _____ -
Total governmental activities	\$ _____ -
Business-Type Activities:	
Electric Fund- customer deposits	\$ 1,613,334
Total business-type activities restricted cash	\$ 1,613,334

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

4. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

5. Allowances for Doubtful Accounts

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

6. 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.

7. 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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

The following estimated useful lives are used to compute depreciation:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Collection and distribution systems	25 – 40 years
Infrastructure	20 years
Equipment	3 – 15 years
Vehicles	5 years

8. 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 two items that meet this criterion, contributions made to the pension plan in the 2018 fiscal year and pension deferrals. 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 several items that met this criterion for this category – prepaid property taxes, property taxes receivable, GTP fire taxes receivable, pavement assessment receivables, and pension deferrals.

9. 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 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. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to 30 hours 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 using accumulated compensate time. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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 benefits purposes. No obligation of the employer results from such application and, therefore, no accrual has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that is not 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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 Statute [G.S. 159-8(a)].

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

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

Restricted for Community Development – portion of fund balance that is restricted by revenue source for community development expenditures.

Restricted fund balance at June 30, 2018 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Activities</u>
Restricted, All Other:			
Community development	\$ -	\$ 2,020,448	\$ 2,020,448
Perpetual care	-	557	557
Public safety	-	-	-
Total	<u>\$ -</u>	<u>\$ 2,021,005</u>	<u>\$ 2,021,005</u>

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 as of June 30, 2018 by the amount of unspent debt proceeds \$- and the amount of perpetual maintenance of \$75,000 for a total of \$75,000.

Committed Fund Balance –This classification includes amounts that can be used only for the specific purpose 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

Committed for General Fund – Small Projects – portion of fund balance that is committed by the governing body for small projects fund.

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

Committed fund balance at June 30, 2018 is as follows:

Purpose	Other Governmental Funds
General government	\$ -
Public safety	91,892
Community development	36,859
Parks and recreation	8,250
Total	<u>\$ 137,001</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.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Director to make certain modifications without requiring Board approval.

Assigned fund balance at June 30, 2018 is as follows:

Purpose	General Fund	Other Governmental Funds
Subsequent year's expenditures	\$ 749,962	\$ -
Community development	- -	55,918
Total	<u>\$ 749,962</u>	<u>\$ 55,918</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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	\$ 10,546,546
Less:	
Inventories	92,061
Stabilization by State statute	3,933,403
Total available fund balance	<u><u>\$ 6,521,082</u></u>

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

	General Fund
Encumbrances	<u><u>\$ 749,962</u></u>

12. Define Benefit Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For 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.

13. 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

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, 2018 as follows:

Special Revenue Funds:

NCHFA 2016 Essential Single-Family Rehabilitation	\$ 12,461
NCHFA 2017 Essential Single-Family Rehabilitation	\$ 20,910

Non-major Capital Project Funds:

Battle field Parkway/Soccer Complex	\$ 3,488
General Fund Small Projects	\$ 215,727
Grainger Stadium Improvements Project	\$ 2,041,114

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

3. Detail Notes on All Funds

A. Assets

1. 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 City'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 City'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 under-collateralization. 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

At June 30, 2018, the City's deposits had a carrying amount of \$40,412,004 and a bank balance of \$40,405,668. Of the bank balance, \$342,337 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2018, the City's petty cash fund totaled \$19,525.

2. Investments

As of June 30, 2018, the City had \$5,611,880 in investments invested with the North Carolina Capital Management Trust's Governmental Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City had no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The receivables shown in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 177,598
 Enterprise Funds:	
Electric Fund	2,184,976
Water Fund	472,001
Wastewater Fund	361,805
Nonmajor enterprise funds	197,074
Total enterprise funds	<u>3,215,856</u>
 Total allowances for doubtful accounts	<u>\$ 3,393,454</u>

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

	<u>Governmental Activities</u>
Due from other governments:	
Local option sales tax and other	
State shared revenues	\$ 170,887
State and local sales tax	197,724
Grant receivable	<u>1,236,593</u>
 Total	<u>\$ 1,605,204</u>

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

4. 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, 2018 is \$187,513.

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Balance			Balance
	July 1, 2017	Increases	Decreases	June 30, 2018
Governmental Funds:				
Capital assets not being depreciated:				
Land	\$ 3,777,211	\$ 24,479	\$ -	\$ 3,801,690
Construction in progress	2,864,723	1,783,944	161,965	4,486,702
Total capital assets not being depreciated	<u>6,641,934</u>	<u>1,808,422</u>	<u>161,965</u>	<u>8,288,392</u>
Capital assets being depreciated:				
Buildings and improvements	18,411,803	311,778	-	18,723,581
Equipment	5,690,090	314,050	44,299	5,959,841
Vehicles	7,224,634	451,147	265,477	7,410,304
Infrastructure	7,145,933	68,186	-	7,214,119
Total capital assets being depreciated	<u>38,472,460</u>	<u>1,145,161</u>	<u>309,776</u>	<u>39,307,845</u>
Less Accumulated Depreciation:				
Buildings and improvements	7,143,384	546,320	-	7,689,704
Equipment	4,971,580	346,187	44,299	5,273,468
Vehicles	6,618,048	315,775	265,477	6,668,346
Infrastructure	5,000,159	233,352	-	5,233,511
Total accumulated depreciation	<u>23,733,171</u>	<u>\$ 1,441,634</u>	<u>\$ 309,776</u>	<u>24,865,029</u>
Total capital assets being depreciated, net	<u>14,739,289</u>			<u>14,442,816</u>
Governmental activities capital assets, net	<u>\$ 21,381,223</u>			<u>\$ 22,731,208</u>

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Employee Health and Insurance Internal Service Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 19,468	\$ -	\$ -	\$ 19,468
Less Accumulated Depreciation:				
Buildings and improvements	11,194	487	-	11,681
Total accumulated depreciation	<u>11,194</u>	<u>487</u>	<u>-</u>	<u>11,681</u>
Total capital assets being depreciated, net	<u>8,274</u>			<u>7,787</u>
Total Employee Health and Insurance Fund capital assets, net				
	<u>8,274</u>			<u>7,787</u>
Fleet Maintenance Fund:				
Capital assets being depreciated:				
Equipment	\$ 129,121	-	-	\$ 129,121
Vehicles	66,879	-	-	66,879
Total capital assets being depreciated	<u>196,00</u>	<u>-</u>	<u>-</u>	<u>196,000</u>
Less Accumulated Depreciation:				
Equipment	122,747	4,249	-	126,996
Vehicles	66,879	-	-	66,879
Total accumulated depreciation	<u>189,626</u>	<u>4,249</u>	<u>-</u>	<u>193,875</u>
Total capital assets being depreciated, net	<u>6,374</u>			<u>2,125</u>
Governmental activities capital assets, net				
	<u>\$ 6,374</u>			<u>\$ 2,125</u>

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	July 1, 2017	Increases	Decreases	June 30, 2018
Total Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,777,211	\$ 24,479	\$ -	\$ 3,801,690
Construction in progress	<u>2,864,723</u>	<u>1,783,944</u>	<u>161,965</u>	<u>4,486,702</u>
Total capital assets not being depreciated	<u>6,641,934</u>	<u>1,808,422</u>	<u>161,965</u>	<u>8,288,392</u>
Capital assets being depreciated:				
Buildings and improvements	18,431,271	311,778	-	18,743,049
Equipment	5,819,211	314,050	44,299	6,088,962
Vehicles	7,291,513	451,147	265,477	7,477,183
Infrastructure	7,145,933	68,186	-	7,214,119
Total capital assets being depreciated	<u>38,687,928</u>	<u>1,145,161</u>	<u>309,776</u>	<u>39,523,313</u>
Less Accumulated Depreciation:				
Buildings and improvements	7,154,578	546,807	-	7,701,385
Equipment	5,094,327	350,436	44,299	5,400,464
Vehicles	6,684,927	315,775	265,477	6,735,225
Infrastructure	5,000,159	233,352	-	5,233,511
Total accumulated depreciation	<u>23,933,991</u>	<u>1,446,370</u>	<u>309,776</u>	<u>25,070,585</u>
Total capital assets being depreciated, net	<u>14,753,937</u>			<u>14,452,728</u>
Governmental activities capital assets, net	<u>\$ 21,395,871</u>			<u>\$ 22,741,120</u>

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

General government	\$ 171,093
Public safety	622,972
Public services	397,806
Community development	212,022
Cultural and recreation	37,741
Internal services funds	4,736
Total	<u>\$1,446,370</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	July 1, 2017	Increases	Decreases	June 30, 2018
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	3,264,895	988,805	19,498	4,234,202
Total capital assets not being depreciated	<u>3,467,895</u>	<u>988,805</u>	<u>19,498</u>	<u>4,436,582</u>
Capital assets being depreciated:				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	1,031,533	-	-	1,031,533
Vehicles	1,385,770	233,482	138,266	1,480,986
Distribution system	40,245,182	371,102	-	40,616,284
Total capital assets being depreciated	<u>46,334,375</u>	<u>604,584</u>	<u>138,266</u>	<u>46,800,693</u>
Less Accumulated Depreciation:				
Buildings and improvements	3,009,524	63,542	-	3,073,066
Equipment	766,634	28,520	-	795,154
Vehicles	1,200,781	94,725	138,266	1,157,240
Distribution system	21,766,788	977,867	-	22,744,655
Total accumulated depreciation	<u>26,743,727</u>	<u>1,164,654</u>	<u>138,266</u>	<u>27,770,115</u>
Total capital assets being depreciated, net	<u>19,590,648</u>			<u>19,030,578</u>
Electric fund capital assets, net	<u>\$ 23,057,923</u>			<u>\$ 23,467,160</u>

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	July 1, 2017	Increases	Decreases	June 30, 2018
Water Fund				
Capital assets not being depreciated:				
Land	\$ 66,605	-	-	\$ 66,605
Construction in progress	860,922	454,236	-	1,315,158
Total capital assets not being depreciated	<u>927,527</u>	<u>454,236</u>	<u>-</u>	<u>1,381,763</u>
Capital assets being depreciated:				
Buildings and improvements	594,340	27,541	-	621,881
Equipment	1,159,162	161,967	10,778	1,310,351
Vehicles	1,365,459	119,426	145,777	1,339,108
Infrastructure	41,195	-	-	41,195
Distribution system	<u>15,455,871</u>	<u>-</u>	<u>-</u>	<u>15,455,871</u>
Total capital assets being depreciated	<u>18,616,027</u>	<u>309,934</u>	<u>156,555</u>	<u>18,768,406</u>
Less Accumulated Depreciation:				
Buildings and improvements	578,770	6,373	-	585,143
Equipment	941,304	117,802	10,778	1,048,328
Vehicles	1,137,568	97,446	111,373	1,123,641
Infrastructure	16,401	1,881	-	18,282
Distribution system	<u>10,274,797</u>	<u>283,932</u>	<u>-</u>	<u>10,558,729</u>
Total accumulated depreciation	<u>12,948,840</u>	<u>507,434</u>	<u>122,151</u>	<u>13,334,123</u>
Total capital assets being depreciated, net	<u>5,667,187</u>			<u>5,434,283</u>
Water fund capital assets, net	<u>\$ 6,594,714</u>			<u>\$ 6,816,046</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
<i>Waste Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 953,658	-	-	\$ 953,658
Construction in progress	7,107,993	4,459,617	-	11,567,610
Total capital assets not being depreciated	<u>8,061,651</u>	<u>4,459,617</u>	<u>-</u>	<u>12,521,268</u>
Capital assets being depreciated:				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,975,566	-	-	1,975,566
Vehicles	614,902	-	-	614,902
Infrastructure	397,694	-	-	397,694
Distribution system	51,619,078	1,243,478	-	52,862,556
Total capital assets being depreciated	<u>95,883,438</u>	<u>1,243,478</u>	<u>-</u>	<u>97,126,916</u>
Less Accumulated Depreciation:				
Buildings and improvements	11,096,357	978,323	-	12,074,680
Equipment	1,857,630	42,587	-	1,900,217
Vehicles	232,994	105,693	-	338,687
Infrastructure	105,278	19,885	-	125,163
Distribution system	21,278,504	1,203,804	-	22,482,308
Total accumulated depreciation	<u>34,570,763</u>	<u>2,350,292</u>	<u>-</u>	<u>36,921,055</u>
Total capital assets being depreciated, net	<u>61,312,675</u>			<u>60,205,861</u>
Waste Water fund capital assets, net	<u>\$ 69,374,326</u>			<u>\$ 72,727,129</u>

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	July 1, 2017	Increases	Decreases	June 30, 2018
<i>Environmental Services Fund</i>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	724,034	-	724,034	-
Total capital assets not being depreciated	<u>724,034</u>	<u>-</u>	<u>724,034</u>	<u>-</u>
Capital assets being depreciated:				
Equipment	591,250	-	-	591,250
Vehicles	2,770,211	740,439	153,633	3,357,017
Total capital assets being depreciated	<u>3,361,461</u>	<u>740,439</u>	<u>153,633</u>	<u>3,948,267</u>
Less Accumulated Depreciation:				
Equipment	551,381	25,294	-	576,675
Vehicles	2,349,392	378,761	153,633	2,574,520
Total accumulated depreciation	<u>2,900,773</u>	<u>404,055</u>	<u>153,633</u>	<u>3,151,195</u>
Total capital assets being depreciated, net	<u>460,688</u>			<u>797,072</u>
Environmental services fund capital assets, net	<u>\$ 1,184,722</u>			<u>\$ 797,072</u>
 <i>Stormwater Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 157,569	\$ 48,156	\$ -	\$ 205,725
Total capital assets not being depreciated	<u>157,569</u>	<u>48,156</u>	<u>-</u>	<u>205,725</u>
Capital assets being depreciated:				
Equipment	96,336	-	-	96,336
Vehicles	609,154	-	132,764	476,390
Infrastructure	692,432	-	-	692,432
Total capital assets being depreciated	<u>1,397,922</u>	<u>-</u>	<u>132,764</u>	<u>1,265,158</u>
Less Accumulated Depreciation:				
Equipment	86,362	6,787	-	93,149
Vehicles	464,508	50,585	132,765	382,328
Infrastructure	106,166	34,622	-	140,788
Total accumulated depreciation	<u>657,036</u>	<u>91,994</u>	<u>132,765</u>	<u>616,265</u>
Total capital assets being depreciated, net	<u>740,886</u>			<u>648,893</u>
Stormwater fund capital assets, net	<u>\$ 898,455</u>			<u>\$ 854,618</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	July 1, 2017	Increases	Decreases	June 30, 2018
Woodmen of the World Community Center Fund				
Capital assets being depreciated:				
Buildings and improvements	\$ 16,765	\$ -	\$ -	\$ 16,765
Equipment	5,464	-	-	5,464
Total capital assets being depreciated	<u>22,229</u>	<u>-</u>	<u>-</u>	<u>22,229</u>
Less Accumulated Depreciation:				
Buildings and improvements	3,353	3,353	-	6,706
Equipment	2,186	1,093	-	3,279
Total accumulated depreciation	<u>5,539</u>	<u>4,446</u>	<u>-</u>	<u>9,985</u>
Total capital assets being depreciated, net	<u>16,690</u>			<u>12,244</u>
Woodmen of the World Community Center fund capital assets, net	<u>\$ 16,690</u>			<u>\$ 12,244</u>
 Public Services Internal Service Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 21,784	\$ -	\$ -	\$ 21,784
Total capital assets not being depreciated	<u>21,784</u>	<u>-</u>	<u>-</u>	<u>21,784</u>
Capital assets being depreciated:				
Equipment	464,510	41,098	-	505,608
Vehicles	135,496	-	-	135,496
Total capital assets being depreciated	<u>600,006</u>	<u>41,098</u>	<u>-</u>	<u>641,104</u>
Less Accumulated Depreciation:				
Equipment	250,743	89,087	-	339,830
Vehicles	89,306	14,409	-	103,715
Total accumulated depreciation	<u>340,049</u>	<u>103,497</u>	<u>-</u>	<u>443,545</u>
Total capital assets being depreciated, net	<u>259,957</u>			<u>197,559</u>
Public Services fund capital assets, net	<u>\$ 281,741</u>			<u>\$ 219,343</u>
 Business-type activities capital assets, net	<u>\$ 98,555,887</u>			<u>\$ 104,893,612</u>

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

B. Liabilities

1. Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2018 were as follows:

	Governmental Activities	Business Type Activities	Total
Accounts and vouchers	\$ 1,327,482	\$ 6,456,098	\$ 7,783,580
Accrued interest payable		- 48,080	48,080
Accrued payroll and related liabilities	153,600	-	153,600
Total accounts payable and accrued liabilities	<u>\$ 1,481,082</u>	<u>\$ 6,504,178</u>	<u>\$ 7,985,260</u>

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental 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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 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 of Kinston's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, 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 of Kinston were \$1,136,057 for the year ended June 30, 2018.

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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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

At June 30, 2018, the City reported a liability of \$3,387,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, 2017, the City's proportion was 0.22173%, which was a decrease of 0.01099% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$1,129,541. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 195,147	\$ 95,887
Changes of assumptions	483,771	-
Net difference between projected and actual earnings on pension plan investments	822,470	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,015	60,237
City contributions subsequent to the measurement date	1,136,057	-
Total	\$ 2,651,460	\$ 156,124

\$1,136,057 was 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 ended June 30, 2018.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 156,492
2020	977,373
2021	488,254
2022	(262,840)
2023	-
Thereafter	-
	<u>\$ 1,359,279</u>

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 7.20%. 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 Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 10,169,112	\$ 3,387,421	\$ (2,273,152)

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The City 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the based rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increase in salary or retirement allowance 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. A separate report was not issued for the Plan.

A full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>65</u>
Total	<u>78</u>

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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

The separation allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are finance through investment earnings. This City paid \$203,322 as benefits came due.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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

At June 30, 2018, the City reported a liability of \$3,607,151. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the city recognized pension expenses of \$274,046.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,754	\$ -
Changes of assumptions	154,869	48,709
Total	\$ 224,623	\$ 48,709

\$224,623 reported as deferred outflows of resources related to pensions from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 40,970
2020	40,970
2021	40,970
2022	45,937
2023	7,067
Thereafter	-
	\$ 175,914

\$224,623 paid as benefits came due and \$- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Total Pension Liability	\$ 3,892,246	\$ 3,607,151	\$ 3,345,792

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

	2017
Beginning balance	\$ 3,298,685
Service cost	109,371
Interest on the total pension liability	123,405
Changes of assumptions or other inputs	279,012
Benefit payments	<u>(203,322)</u>
Ending balance of the total pension liability	<u><u>\$ 3,607,151</u></u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,129,541	\$ 274,046	\$ 1,403,587
Pension Liability	3,387,421	3,607,151	6,994,572
Proportionate share of the net pension liability	0.22173%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	195,147	69,754	264,901
Changes of assumptions	483,771	154,869	638,640
Net difference between projected and actual earnings on plan investments	822,470	-	822,470
Changes in proportion and differences between contributions and proportionate share of contributions	14,015	-	14,015
Benefit payments and administrative costs paid subsequent to the measurement date	1,136,057	-	1,136,057
Deferred of Inflows of Resources			
Differences between expected and actual experience	95,887	-	95,887
Changes of assumptions	-	48,709	48,709
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	60,237	-	60,237

c. 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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, 2018 were \$210,565, which consisted of \$166,112 from the City and \$44,453 from the law enforcement officers. No amounts were forfeited.

d. 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.

<u>Years of Employment</u>	<u>Percentage of Pay</u>
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, 2017, the Separation Allowance – Employees' membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>-</u>
Total	1

A separate financial report was not issued for the plan.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the June 30, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.13 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-year High Grade Rate Index.

The actuarial assumptions used in December 31, 2016 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY) Law Enforcement Officers: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS AFTER RETIREMENT (HEALTHY) Firefighters: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (HEALTHY) General Employees: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 115% for males and 79% for females for ages under 78 and by 135% for males and 116% for females for age 78 and older.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,996 as benefits came due.

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

At June 30, 2018, the City reported a total pension liability of \$3,848. The total pension liability was measured as of June 30, 2017 based on a June 30, 2017 actuarial valuation. For the year ended June 30, 2018, the City recognized pension expense of \$3,734.

	Deferred Outflows of Resources	Deferred Inflows of Resources
City benefit payments and plan administrative expenses made subsequent to the measurement date	\$ -	\$ -
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2019.

\$1,996 paid as benefits came due and \$3,000 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate. The following presents the City's total pension liability calculated using the discount rate of 3.13%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total Pension Liability	\$ 3,883	\$ 3,848	\$ 3,813

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

	2017
Beginning balance	\$ 5,110
Service cost	176
Interest on the total pension liability	124
Changes of assumptions or other inputs	434
Benefit payments	(1,996)
Ending balance of the total pension liability	<u><u>\$ 3,848</u></u>

e. 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, 2018 were \$351,100, which consisted of \$160,642 from the City and \$190,458 from the employees. No amounts were forfeited.

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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

f. 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.

At June 30, 2017, the membership consisted of:

Retirees and dependents receiving benefits	69
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>136</u>
Total	<u>205</u>

Total OPEB Liability

The City's total OPEB liability of \$4,974,383 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Inflation	2.5 percent
Real wage growth	1.0 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	
General Employees	3.5 - 7.75 percent
Firefighters	3.5 - 7.75 percent
Law Enforcement Officers	3.5 - 7.35 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.01 percent
Measurement Date	3.56 percent
Health Care Cost Trends	
Pre-Medicare	7.5 percent for 2017 decreasing to an ultimate rate of 5.0 percent by 2023

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index of the measurement date.

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Changes in Total OPEB Liability

	2017
Beginning balance	\$ 5,271,775
Service cost	98,942
Interest on the total pension liability	153,904
Difference between expected and actual experience	(42,701)
Changes of assumptions of other inputs	(187,797)
Benefit payments and implicit subsidy credit	(319,740)
Ending balance of the total pension liability	\$ 4,974,383

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56% due to a change in the Municipal Bond Rate.

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate. The following presents the City's total OPEB liability, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
Total OPEB Liability	\$ 5,322,415	\$ 4,974,383	\$ 4,654,735

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

	Current Discount		
	1% Decrease	Rate	1% Increase
Total OPEB Liability	\$ 4,810,317	\$ 4,974,383	\$ 5,161,079

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

At June 30, 2018, the City recognized OPEB expense of \$194,196. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF KINSTON, NORTH CAROLINA**Notes to the Financial Statements****For the Year Ended June 30, 2018****3. Detail Notes on All Funds (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31,836
Benefit Payments made subsequent to the measurement date	\$ 319,740	
Changes of assumptions	-	140,012
Total	\$ 319,740	\$ 171,848

\$319,740 reported as deferred outflows of resources related to pensions from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (58,650)
2020	(58,650)
2021	(54,548)
2022	-
2023	-
Thereafter	-
	<u>\$ (171,848)</u>

g. 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 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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, 2018, the City made contributions of \$49,496 for this additional group term life insurance.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year (LGERS)	\$ 1,136,057
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA & SSA)	224,623
OPEB Benefit payments/administration costs paid subsequent to the measurement date	319,740
Difference between projected expected and actual experience (LGERS)	195,144
Changes in proportion and differences between City contributions and proportionate share of contributions (LEGERS)	14,015
Changes of assumptions (LGERS)	483,771
Net difference between projected and actual earnings on pension plan investments (LGERS)	822,470
Total	<u>\$ 3,195,820</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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

Source	Amount
Prepaid property taxes	\$ 867
Grant receivable	-
Pavement assessment receivables	9,048
GTP fire taxes receivable	59
Differences between expected and actual experience (LGERS)	95,976
Changes of assumptions (LEOSSA)	48,709
Changes in proportion and differences between City's contributions and proportionate share of contributions (LGERS)	60,237
Differences between expected and actual experience (OPEB)	31,836
Changes of assumptions (OPEB)	140,012
Total	\$ 386,744

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in 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 \$386,617 in claims was incurred for benefits during fiscal year 2018.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Claims Liability

	Year Ended June 30	
	2018	2017
Unpaid claims, beginning of fiscal year	\$ 380,000	\$ 380,000
Incurred claims (including claims incurred, but not report as of fiscal year-end)	\$ 386,617	\$ 320,863
Payments and reduction in claim estimates	(386,617)	(320,863)
Unpaid claims, end of fiscal year	<u>\$ 380,000</u>	<u>\$ 380,000</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.

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, Judgements, and Contingent Liabilities

As of June 30, 2018, 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 are unknown. The possible outcome of open lawsuits may result in an adverse effect to the City's financial position. No liability has been accrued at this time due to the uncertainty of the cases.

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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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.

5. Long-Term Obligations

a. Installment Contracts

Year of Loan	Purpose and Collateral	Interest Rates	Maturity	Balance June 30, 2018
Governmental Activities:				
General Fund:				
2009	New main fire station	4.75%	2049	\$ 2,858,876
2009	City hall renovations	4.38%	2039	1,543,662
2011	Fire trucks	4.00%	2030	630,576
2012	Fire station	3.50%	2043	2,180,590
2013	Recreation mowers	5.65%	2020	4,832
2015	Radios and equipment	1.39%	2019	110,472
2016	Various equipment	1.46%	2021	886,854
2017	Various equipment	1.84%	2022	279,774
				<u>8,495,636</u>
Fleet Maintenance Internal Service Fund:				
2015	Radios and equipment	1.39%	2019	<u>4,250</u>
Total governmental activities				<u>\$ 8,499,886</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Year of Loan	Purpose and Collateral	Interest Rates	Effective Interest Rate	Maturity	Balance June 30, 2018
Business-Type Activities:					
Enterprise Funds:					
Water Fund					
2015	Radios and equipment	1.39%		2019	\$ 23,362
2016	Various equipment	1.46%		2021	246,416
					<u>269,778</u>
Wastewater Fund					
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	188,627
2015	Radios and equipment	1.37%		2019	6,791
2016	Various equipment	1.46%		2021	47,265
					<u>242,683</u>
Electric Fund					
2015	Radios and equipment	1.39%		2019	16,566
					<u>16,566</u>
Environmental Services Fund					
2015	Radios and equipment	1.90%		2019	19,758
2016	Various equipment	1.46%		2021	291,362
2017	Various equipment	1.84%		2022	592,227
					<u>903,347</u>
Stormwater Fund					
2015	Radios and equipment	1.39%			6,374
2016	Various equipment	1.46%			153,103
					<u>159,477</u>
Total Enterprise Funds					
					<u>1,591,851</u>
Public Services Internal Service Fund					
2015	Radios and equipment				<u>11,885</u>
Total business-type activities					
					<u>\$ 1,603,736</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 Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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

a. Installment Contracts

Year Ending June 30	Governmental Activities			Business-Type Activities			Total	
	Installment Contracts		Interest	Installment Contracts		Interest	Principal	Interest
	Principal	Interest		Principal	Interest			
2019	\$ 604,146	\$ 323,203		\$ 520,868	\$ 30,086		\$ 1,125,014	\$ 353,289
2020	612,510	310,118		531,940	19,175		1,144,450	329,293
2021	567,916	296,861		398,795	9,189		966,711	306,050
2022	277,961	282,806		152,133	2,799		430,094	285,605
2023	214,626	272,949		-			214,626	272,949
2024-2028	1,214,028	1,014,976		-			1,214,028	1,014,976
2029-2033	1,362,164	1,009,737		-			1,362,164	1,009,737
2034-2038	1,388,418	730,021		-			1,388,418	730,021
2039-2043	1,267,458	405,903		-			1,267,458	405,903
2044-2048	822,026	182,619		-			822,026	182,619
2049-2051	168,633	8,019		-			168,633	8,019
Total	<u>\$ 8,499,886</u>	<u>\$ 4,837,212</u>		<u>\$ 1,603,736</u>	<u>\$ 61,249</u>		<u>\$ 10,103,622</u>	<u>\$ 4,898,461</u>

\$602,022 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, \$110,880 will be paid from the Wastewater Fund, \$8,283 from the Electric Fund, \$92,657 from the Water Fund, \$249,607 from the Environmental Services Fund, \$53,499 from the Stormwater Fund, and \$5,943 from the Public Services Internal Service Fund.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

b. Notes Payable

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

Year of Loan	Purpose and Collateral	Interest Rates	Maturity	Balance June 30, 2018
2003	Expansion to Sanitary Sewer System	2.66%	2023	\$ 409,893
2003	Expansion to Sanitary Sewer System	2.66%	2024	229,500
2007	Expansion to Sanitary Sewer System	2.27%	2027	3,309,950
2015	Expansion to Sanitary Sewer System	2.00%	2035	625,715
2017	Queen Street Sewer Phase I	0.00%	2037	2,149,586
2018	KRWRF Biosolids Dryer Project	0.00%	2038	473,077
Total business-type activities				<u>\$ 7,197,721</u>

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

Year Ending	Principal	Interest	Total
2019	\$ 827,406	\$ 104,493	\$ 931,899
2020	827,406	92,228	919,634
2021	827,406	79,964	907,370
2022	609,249	67,700	676,949
2023	697,861	55,435	753,296
2024-2028	2,558,637	34,781	2,593,418
2029-2033	776,142	18,404	794,546
2034-2037	73,614	2,208	75,822
Total	<u>\$ 7,197,721</u>	<u>\$ 455,213</u>	<u>\$ 7,652,934</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

c. Revenue Bonds

Revenue bonds outstanding at June 30, 2018 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% \$ 695,520

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% 1,639,440

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% 2,633,040

Total revenue bonds \$ 4,968,000

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

Year Ending	Principal	Interest	Total
June 30			
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	404,000	15,873	419,873
2023	411,000	8,776	419,776
2024	193,000	1,689	194,689
Total	4,968,000	197,463	5,165,463

\$202,020 of the current portion will be paid from the Water Fund, \$476,190 from the Wastewater Fund, and \$764,790 from the Electric Fund.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

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. The bonds are payable from the Water, Wastewater, and Electric funds' customer net revenues and are payable through 2035. 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, 2018 were \$2,694,588 and \$231,846, respectively. Total customer revenue for the City's enterprise funds totaled \$65,182,762 for the year ended June 30, 2018.

Operating revenues	\$ 65,182,762
Operating expenses*	51,033,774
Income available for debt service	<u>\$ 14,148,988</u>
Debt service, principal, and interest paid (parity debt)	<u>\$ 2,926,434</u>
Debt service coverage ratio	<u>4.83</u>

*Per rate covenants; this does not include the depreciation expense of \$4,022,377.

At June 30, 2018, the City was in compliance with the bond covenants described above.

d. 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, 2018, the legal debt limit for the City was \$109,140,195, providing a legal debt margin of \$91,838,852.

At June 30, 2018, the City has no authorized bonds remaining to be issued.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Changes in Longer-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2018 is as follows:

	July 1, 2017 (as restated)	Increases	Decreases	June 30, 2018	Current Portion of Balance
Governmental Funds:					
Accrued compensated absences	\$ 725,816	\$ -	\$ 15,876	\$ 709,940	\$ 177,485
Total pension liability (LEOSSA)	3,298,685	308,466		3,607,151	
Total pension liability (SSA)	5,110		1,262	3,848	
Installment contracts	9,247,177	-	751,541	8,495,636	602,021
OPEB Liability	5,402,573	-	428,190	4,974,383	-
Net pension liability (LGERS)	3,161,023	-	993,075	2,167,948	-
Total	<u>\$21,840,384</u>	<u>\$ 308,466</u>	<u>\$ 2,189,944</u>	<u>\$ 19,958,906</u>	<u>\$ 779,506</u>
Employee Health and Insurance Funds:					
Accrued compensated absences	\$ 5,464	\$ -	\$ 4,461	\$ 1,003	\$ 251
Total	<u>\$ 5,464</u>	<u>\$ -</u>	<u>\$ 4,461</u>	<u>\$ 1,003</u>	<u>\$ 251</u>
Fleet Maintenance Fund:					
Accrued compensated absences	\$ 22,789	\$ 1,973	\$ -	\$ 24,762	\$ 6,191
Installment contracts	6,374	-	2,124	4,250	2,125
Total	<u>\$ 29,163</u>	<u>\$ 1,973</u>	<u>\$ 2,124</u>	<u>\$ 29,012</u>	<u>\$ 8,316</u>
Total Governmental Activities:					
Accrued compensated absences	\$ 754,069	\$ 1,973	\$ 20,337	\$ 735,705	\$ 183,926
Total pension liability (LEOSSA)	3,298,685	308,466		3,607,151	
Total pension liability (SSA)	5,110		1,262	3,848	
Installment contracts	9,253,551	-	753,665	8,499,886	604,146
OPEB Liability	5,402,573	-	428,190	4,974,383	-
Net pension liability (LGERS)	3,161,023	-	993,075	2,167,948	-
Total	<u>\$21,875,011</u>	<u>\$ 310,439</u>	<u>\$ 2,196,529</u>	<u>\$ 19,988,921</u>	<u>\$ 788,072</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Long-term liability activity for business-type activities for the year ended June 30, 2018 is as follows:

	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	Current Portion of Balance
Major Enterprise Funds:					
Water Fund:					
Accrued compensated absences	\$ 72,743	\$ 1,640	\$ -	\$ 74,383	\$ 18,596
Installment contracts	369,726	-	99,948	269,778	92,657
Revenue bonds	894,600	-	199,080	695,520	202,020
Net pension liability (LGERS)	493,910	-	112,954	380,956	-
Total	<u>\$ 1,830,979</u>	<u>\$ 1,640</u>	<u>\$ 411,982</u>	<u>\$ 1,420,637</u>	<u>\$ 313,273</u>
Wastewater Fund:					
Accrued compensated absences	\$ 35,148	\$ -	\$ 6,517	\$ 28,631	\$ 7,158
Notes payable	6,380,423	1,515,158	697,860	7,197,721	827,406
Installment contracts	353,284	-	110,601	242,683	110,880
Revenue bonds	2,108,700	-	469,260	1,639,440	476,190
Net pension liability (LGERS)	345,737	-	108,617	237,120	-
Total	<u>\$ 9,223,292</u>	<u>\$ 1,515,158</u>	<u>\$ 1,392,855</u>	<u>\$ 9,345,595</u>	<u>\$ 1,421,634</u>
Electric Fund:					
Accrued compensated absences	\$ 66,468	\$ -	\$ 1,932	\$ 64,536	\$ 16,134
Installment contracts	24,849	-	8,283	16,566	8,283
Revenue bonds	3,386,700	-	753,660	2,633,040	764,790
Net pension liability (LGERS)	493,910	-	155,168	338,742	-
Total	<u>\$ 3,971,927</u>	<u>\$ -</u>	<u>\$ 919,043</u>	<u>\$ 3,052,884</u>	<u>\$ 789,207</u>
Nonmajor Enterprise Funds:					
Environmental Services Funds					
Accrued compensated absences	\$ 55,972	\$ -	\$ 10,995	\$ 44,977	\$ 11,244
Installment contracts	1,179,704	-	276,357	903,347	249,607
Net pension liability (LGERS)	345,737	-	108,617	237,120	-
Total	<u>\$ 1,581,413</u>	<u>\$ -</u>	<u>\$ 395,969</u>	<u>\$ 1,185,444</u>	<u>\$ 260,851</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Long-term liability activity for business-type activities for the year ended June 30, 2018 is as follows:

	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	Current Portion of Balance
Stormwater Fund:					
Accrued compensated absences	\$ 10,881	\$ 1,284	\$ -	\$ 12,165	\$ 3,041
Installment contracts	233,074	-	73,597	159,477	53,499
Net pension liability (LGERS)	98,782	-	31,033	67,749	-
Total	\$ 342,737	\$ 1,284	\$ 104,630	\$ 239,391	\$ 56,540
Woodmen of the Word					
Community Center Fund:					
Accrued compensated absences	\$ 10,211	\$ -	\$ 819	\$ 9,392	\$ 2,348
Total	\$ 10,211	\$ -	\$ 819	\$ 9,392	\$ 2,348
Public Services Fund:					
Accrued compensated absences	\$ 83,103	\$ 3,276	\$ -	\$ 86,379	\$ 21,595
Installment contracts	17,827	-	5,942	11,885	5,942
Total	\$ 100,930	\$ 3,276	\$ 5,942	\$ 98,264	\$ 27,537
Total Business-Type Activities:					
Accrued compensated absences	\$ 334,526	\$ 6,200	\$ 20,263	\$ 320,463	\$ 80,117
Notes payable	6,380,423	\$ 1,515,158	\$ 697,860	7,197,721	\$ 827,406
Installment contracts	2,178,464	-	574,728	1,603,736	520,868
Revenue Bonds	6,390,000	-	1,422,000	4,968,000	1,443,000
Net pension liability (LGERS)	1,778,076	-	516,389	1,261,687	-
Total	\$17,061,489	\$ 1,521,358	\$ 3,231,240	\$ 15,351,607	\$ 2,871,391

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

3. Detail Notes on All Funds (Continued)

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2018 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 22,714,119	\$ 104,893,612
Less: long-term debt	(9,235,590)	(13,976,915)
Plus: unspent debt proceeds	-	-
Net investment in capital assets	<u><u>\$ 13,478,529</u></u>	<u><u>\$ 90,916,697</u></u>

4. Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances on Exhibit 3 as of June 30, 2018 is as follows:

Receivable Fund	General		Nonmajor Governmental Funds	Total
	General	Total		
General Fund	\$ 2,303,348	\$ 2,303,348	-	\$ 2,303,348
Payable Fund	General		General	
Nonmajor	\$ -	\$ -	\$ 2,303,348	\$ 2,303,348

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

4. Interfund Balances and Activity (Continued)

Interfund Transfers

The following is a detailed schedule of interfund transfers for the year ended June 30, 2018:

Transfers Out						
	Major General Fund	Major Electric Fund	Nonmajor Governmental Fund	Internal Service Fund		Total
Transfers In						
Major General Fund	\$ -	\$ 2,428,000	\$ -	\$ 170,000	\$	2,598,000
Nonmajor governmental funds	<u>384,942</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>384,942</u>
Total	<u>\$ 384,942</u>	<u>\$ 2,428,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 2,982,942</u>	

Transfers out from the General Fund to the nonmajor governmental funds were made to close out various projects that had ended. 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 fund profit distributions to support General Fund services. Transfers from the Electric Fund to Sewer Fund were made to cover damages to Sewer caused by Electric utility poles.

5. Joint Ventures

The City has the basic responsibility for providing funding for the Pride of Kinston, Inc., a non-profit corporation established to promote and participate in the revitalization of the central area of Kinston, North Carolina. The business and property of the corporation shall be managed and controlled by a Board of Directors consisting of 18-22 members, three members of which shall serve by virtue of their official associations: City of Kinston Senior Administration or designee, Elected Member of the City of Kinston City Council or designee, and Kinston City Planner. The City contributed \$43,000 to the corporation during the fiscal year ended June 30, 2018.

6. 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, 2018 were \$31,468,754.

CITY OF KINSTON, NORTH CAROLINA

Notes to the Financial Statements

For the Year Ended June 30, 2018

6. Jointly Governed Organizations (Continued)

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 five members of the 14-member Board of Directors. The City provided no funding to the Commission during the year ended June 30, 2018.

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 \$243,953 of funding for the Authority for the year ended June 30, 2018.

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, 2018. During the year ended June 30, 2018, the City provided \$200,000 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, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2018

6. Jointly Governed Organizations (Continued)

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.

7. 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 refund of grant monies.

8. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for governmental activities decreased \$4,564,288.

9. Significant Effects of Subsequent Events

Subsequent events have been evaluated through April 1, 2019, the date which the financial statements were available to be issued. There were no recognized events meriting disclosures.

SUPPLEMENTARY INFORMATION

CITY OF KINSTON, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the year ended June 30, 2018

Law Enforcement Officers' Special Separation Allowance

	2018	2017
Beginning balance	\$ 3,298,685	\$ 3,328,063
Service cost	109374	117,300
Interest on the total pension liability	123405	115,481
Changes of assumptions or other inputs	279012	(75,547)
Benefit payments	(203,322)	(186,612)
Ending balance of the total pension liability	<u>\$ 3,607,154</u>	<u>\$ 3,298,685</u>

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

CITY OF KINSTON, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the year ended June 30, 2018

Law Enforcement Officers' Special Separation Allowance

	2018	2017
Total pension liability	\$ 3,298,685	\$ 3,298,685
Covered payroll	3,422,259	3,527,718
Total pension liability as a percentage of covered payroll	96.39%	93.51%

Notes to the Schedules:

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

CITY OF KINSTON, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Special Separation Allowance
For the year ended June 30, 2018

Special Separation Allowance

	2018	2017
Beginning balance	\$ 5,110	\$ 5,562
Service cost	176	567
Interest on the total pension liability	124	174
Differences between expected and actual experience in the measurement of the total pension liability.	-	968
Changes of assumptions or other inputs	434	(165)
Benefit payments	(1,996)	(1,996)
Ending balance of the total pension liability	<u><u>\$ 3,848</u></u>	<u><u>\$ 5,110</u></u>

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

CITY OF KINSTON, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Special Separation Allowance
For the year ended June 30, 2018

Special Separation Allowance

	2018	2017
Total pension liability	\$ 3,848.00	\$ 5,110
Covered payroll	-	60,523
Total pension liability as a percentage of covered payroll	N/A	8.44%

Notes to the Schedules:

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

CITY OF KINSTON, NORTH CAROLINA
Schedule of Changes in Total OPEB Liability and Related Ratios
For the year ended June 30, 2018

	2018
Total OPEB Liability	
Service Cost at end of year	\$ 98,942
Interest	153,904
Differences between expected and actual experience in the measurement of the total pension liability.	(42,701)
Changes of assumptions or other inputs	(187,797)
Benefit payments and implicit subsidy credit	(319,740)
Net change in Total OPEB Liability	(297,392)
Total OPEB Liability - beginning	5,271,775
Total OPEB Liability - ending	\$ 4,974,383
 Covered-employee payroll	 \$ 6,261,400
Total OPEB Liability as a percentage of covered-employee payroll	79.45%

Notes to the Schedules:

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

Fiscal Year	Rate
2018	3.56%

CITY OF KINSTON, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years *

Schedule A-6

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) (%)	22.17300%	0.23272%	0.23019%	0.23510%	0.24660%
City's proportion of the net pension liability (asset) (\$)	\$ 3,387,420	\$ 4,939,099	\$ 1,033,081	\$ (1,386,493)	\$ 2,972,477
City's covered-employee payroll	\$ 14,344,151	\$ 14,231,744	\$ 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	23.62%	34.70%	7.49%	-10.15%	23.09%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

CITY OF KINSTON, NORTH CAROLINA
City of Kinston's Contributions
Required Supplementary Information
Last Five Fiscal Years

Schedule A-7

Local Government Employees' Retirement System

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,136,057	\$ 1,069,901	\$ 977,146	\$ 986,930	\$ 972,795
Contributions in relation to the contractually required contribution	<u>1,136,057</u>	<u>1,069,901</u>	<u>977,146</u>	<u>986,930</u>	<u>972,795</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>				
City of Kinston's covered-employee payroll	\$ 14,231,744	\$ 14,247,572	\$ 14,231,744	\$ 13,800,783	\$ 13,662,808
Contribution as a percentage of covered-employee payroll	7.98%	7.51%	6.87%	7.15%	7.12%

CITY OF KINSTON, NORTH CAROLINA

Schedule 1

General Fund

Balance Sheet

June 30, 2018

With comparative totals for June 30, 2017

	2018	2017
Assets:		
Cash and investments	\$ 9,859,107	\$ 7,715,287
Receivables:		
Due from governmental agencies	1,495,305	852,666
Accounts receivable	144,701	366,470
Notes receivable	-	-
Taxes receivable	643,866	692,621
Due from other funds	-	1,142,369
Inventories	92,061	73,462
Restricted cash and investments		347,471
Total assets	\$ 12,235,040	\$ 11,190,346
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 999,782	\$ 1,237,647
Prepaid privilege licenses	34,028	33,676
Unavailable revenues	-	10,000
Total liabilities	1,033,810	1,281,323
Deferred Inflows of Resources:		
Property taxes receivable	644,710	692,621
Prepaid property taxes	867	369
Pavement assessment receivables	9,048	9,048
GTP fire taxes receivable	59	51
Total deferred inflows of resources	654,684	702,089
Fund Balance:		
Non-spendable, not in spendable form:		
Inventories	92,061	73,462
Restricted:		
Stabilization by State statute	3,933,403	2,628,021
Restricted, all other	-	347,471
Assigned	749,962	275,615
Unassigned	5,771,120	5,882,365
Total Fund Balance	10,546,546	9,206,934
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,235,040	\$ 11,190,346

CITY OF KINSTON, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)	2017
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Taxes	\$ 10,057,418	\$ 9,866,316	\$ (191,102)	\$ 10,281,486
Interest and penalties	76,350	70,584	(5,766)	76,490
Total	<u>10,133,768</u>	<u>9,936,900</u>	<u>(196,868)</u>	<u>10,357,976</u>
Other taxes and licenses:				
Local government sales tax	4,269,278	4,008,528	(260,750)	3,957,420
Franchise tax	2,217,092	2,637,012	419,920	2,158,130
Occupancy tax	247,077	256,793	9,716	224,504
Gross receipts tax	53,613	35,927	(17,686)	53,564
Licenses and permits	1,834	1,355	(479)	2,003
GTP fire protection taxes	-	-	-	85,709
Total	<u>6,788,894</u>	<u>6,939,615</u>	<u>150,721</u>	<u>6,481,330</u>
Unrestricted intergovernmental:				
Payment in lieu of taxes	315,694	315,918	224	292,504
Beer and wine tax	111,269	89,536	(21,733)	95,163
ABC revenue	38,000	42,736	4,736	34,763
Total	<u>464,963</u>	<u>448,190</u>	<u>(16,773)</u>	<u>422,430</u>
Restricted intergovernmental:				
Powell Bill allocations	613,541	597,459	(16,082)	608,579
School resource officer	88,100	102,147	14,047	89,596
NC Department of Transportation	-	-	-	23,051
Federal drug forfeiture	-	-	-	
State grants, miscellaneous	15,000	15,000	-	10,000
Court allocation	-	-	-	
Forfeited drug proceeds	15,000	14,991	(9)	8,151
Total	<u>731,641</u>	<u>729,597</u>	<u>(2,044)</u>	<u>739,377</u>
Sales and services:				
Rents, concessions, and fees	357,454	323,234	(34,220)	250,198
Inspection fees	160,000	131,763	(28,237)	185,264
Cemetery fees	188,593	157,463	(31,130)	150,066
Cable franchise	158,596	189,014	30,418	158,708
Lenoir County Participation:				
Recreation	958,008	934,205	(23,803)	932,069
Woodmen Foundation				
Reimbursement- Recreation	20,000	20,000	-	10,000
Total	<u>1,842,651</u>	<u>1,755,679</u>	<u>(86,972)</u>	<u>1,686,305</u>
Other Revenue:				
Investment income	31,500	28,583	(2,917)	20,615
Sale of surplus materials and assets	30,000	30,998	998	40,485
Miscellaneous	155,759	162,453	6,694	146,659
Total	<u>217,259</u>	<u>222,034</u>	<u>4,775</u>	<u>207,759</u>
Total revenues	<u>20,179,176</u>	<u>20,032,015</u>	<u>(147,161)</u>	<u>19,895,177</u>

CITY OF KINSTON, NORTH CAROLINA
General Fund

Schedule 2

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2018
(Continued)

	2018		Variance Positive (Negative)	2017	
	Budget	Actual		Actual	
Expenditures:					
General government	3,780,940	3,717,693	63,247	2,546,898	
Public safety	9,950,368	9,201,560	748,808	10,402,092	
Public services	3,386,110	2,616,846	769,264	1,836,344	
Parks and recreation	3,975,696	3,821,524	154,172	4,492,422	
Community development	1,886,968	1,600,470	286,498	1,590,439	
Total	<u>22,980,082</u>	<u>20,958,093</u>	<u>2,021,989</u>	<u>20,868,195</u>	
Total expenditures	<u>22,980,082</u>	<u>20,958,093</u>	<u>2,021,989</u>	<u>20,868,195</u>	
Revenues over (under) expenditures	<u>(2,800,906)</u>	<u>(926,078)</u>	<u>1,874,828</u>	<u>(973,018)</u>	
Other financing sources (uses):					
Appropriated fund balance	1,768,247	-	(1,768,247)	-	
Transfers from other funds	4,401,201	2,265,690	(2,135,511)	920,173	
Transfers to other funds	(3,794,554)		3,794,554	(618,530)	
Long-term debt issued	426,012	-	(426,012)	347,471	
Total	<u>2,800,906</u>	<u>2,265,690</u>	<u>(535,216)</u>	<u>649,114</u>	
Net change in fund balance	<u>\$ -</u>	<u>1,339,612</u>	<u>\$ 1,339,612</u>	<u>(323,904)</u>	
Fund balance, beginning		<u>9,206,934</u>		<u>9,530,838</u>	
Fund balance, ending		<u>\$ 10,546,546</u>		<u>9,206,934</u>	

CITY OF KINSTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2018

Schedule 3

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Temple Israel Perpetual Care Fund	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,130,780	\$ 146,444	\$ 75,577	\$ 2,352,801	
Due from governmental agencies	3,561	43,067	-	46,628	
Accounts receivables	37,781	-	-	37,781	
Notes receivable	<u>187,513</u>	<u>-</u>	<u>-</u>	<u>187,513</u>	
 Total assets	 <u>\$ 2,359,635</u>	 <u>\$ 189,511</u>	 <u>\$ 75,577</u>	 <u>\$ 2,624,723</u>	
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Due to other funds	\$ -	\$ 2,303,348	\$ -	\$ 2,303,348	
Accounts payable and accrued liabilities	33,371	-	-	33,371	
Grant receivable	-	-	-	-	
 Total liabilities and deferred inflows of resources	 <u>33,371</u>	 <u>2,303,348</u>	 <u>-</u>	 <u>2,336,719</u>	
FUND BALANCES					
Nonspendable, not in spendable form:					
Perpetual maintenance	-	-	75,000	75,000	
Restricted:					
Stabilization by State statute	228,855	43,067	-	271,922	
Restricted, all other	2,020,448	-	577	2,021,025	
Committed	-	137,001	-	137,001	
Assigned	55,918	-	-	55,918	
Unassigned	<u>21,043</u>	<u>(2,293,905)</u>	<u>-</u>	<u>(2,272,862)</u>	
 Total fund balances	 <u>2,326,264</u>	 <u>(2,113,837)</u>	 <u>75,577</u>	 <u>288,004</u>	
 Total liabilities and fund balances	 <u>\$ 2,359,635</u>	 <u>\$ 189,511</u>	 <u>\$ 75,577</u>	 <u>\$ 2,624,723</u>	

CITY OF KINSTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2018

Schedule 4

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Permanent Fund Temple Israel Perpetual Care Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 1,508,854	\$ -	\$ -	\$ 1,508,854
Federal and state grants	-	94,340	-	94,340
Investment earnings	162	-	238	400
Miscellaneous	2,278	1,000	-	3,278
 Total revenues	 1,511,294	 95,340	 238	 1,606,872
EXPENDITURES				
Cultural and recreation	-	1,350,121	-	1,350,121
Community development	634,826	433,393	-	1,068,219
Public Safety	62,603	429	-	63,032
 Total expenditures	 697,429	 1,783,943	 -	 2,481,372
Excess (deficiency) of revenues over expenditures	813,865	(1,688,603)	238	(874,500)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(180,632)	-	(180,632)
Transfers in	5,900	379,042	-	384,942
 Net changes in fund balances	 819,765	 (1,490,193)	 238	 (670,190)
 Fund balances, beginning	 1,506,499	 (623,644)	 75,339	 958,194
 Fund balances, ending	 \$ 2,326,264	 \$ (2,113,837)	 \$ 75,577	 \$ 288,004

CITY OF KINSTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

Schedule 5

		2015	2016			NCHFA 2016	Hurricane	NCHFA 2017	Total
	Community	Bulletproof	Edward	Edward	Seizure and	Essential	Matthew -	Essential Single-	Nonmajor
	Development	Vest	Byrne	Byrne	Restitution	Single-Family	FEMA- 4285 -	Family	Governmental
	Administration	Partnership	JAG Grant	JAG Grant	Fund	EPA Grant	Rehabilitation	DR - NC	
ASSETS									
Cash and investments	\$ 55,918	\$ 11,635	\$ 497	\$ 2,175	\$ 41,641	\$ -	\$ -	\$ 2,018,914	\$ 2,130,780
Due from government agencies	-	51	-	-	1,976	-	-	1,534	3,561
Accounts receivable	37,781	-	-	-	-	-	-	-	37,781
Notes receivable	187,513	-	-	-	-	-	-	-	187,513
Total assets	\$ 281,212	\$ 11,686	\$ 497	\$ 2,175	\$ 43,617	\$ -	\$ -	\$ 2,020,448	\$ 2,359,635
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	-	-	-	-	12,461	-	20,910
Grant receivable	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	-	-	-	-	-	-	12,461	-	20,910
FUND BALANCES									
Restricted:									
Stabilization by State statute	228,855	-	-	-	-	-	-	-	228,855
Restricted, all other	-	-	-	-	-	-	-	2,020,448	2,020,448
Committed	-	-	-	-	-	-	-	-	-
Assigned	55,918	-	-	-	-	-	-	-	55,918
Unassigned	(3,561)	11,686	497	2,175	43,617	-	(12,461)	-	(20,910)
Total fund balances	281,212	11,686	497	2,175	43,617	-	(12,461)	2,020,448	(20,910)
Total liabilities and fund balances	\$ 281,212	\$ 11,686	\$ 497	\$ 2,175	\$ 43,617	\$ -	\$ -	\$ 2,020,448	\$ -
									\$ 2,359,635

CITY OF KINSTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2018

Schedule 6

	Community Development Administration	Bulletproof Vest Partnership Grant	2015 Edward Byrne Memorial JAG Grant	2016 Edward Byrne Memorial JAG Grant	Seizure and Restitution Fund	Brownfields EPA Grant	NCHFA 2016 Essential Single-Family Rehabilitation	Hurricane Matthew - FEMA- 4285 - DR - NC	NCHFA 2017 Essential Single-Family Rehabilitation	Total Nonmajor Governmental Funds
REVENUES										
Intergovernmental revenue	\$ -	\$ 8,478	\$ -	\$ -	\$ 9,300	\$ 71,071	\$ 55,530	\$ 1,364,475	\$ -	\$ 1,508,854
Investment earnings	162	-	-	-	-	-	-	-	-	162
Miscellaneous	470	-	-	-	-	-	-	1,808	-	2,278
Total revenues	632	8,478	-	-	9,300	71,071	55,530	1,366,283	-	1,511,294
EXPENDITURES										
Community development	-	-	-	-	-	71,071	67,991	474,854	20,910	634,826
Public Safety	-	5,152	-	-	57,451	-	-	-	-	62,603
Total expenditures	-	5,152	-	-	57,451	71,071	67,991	474,854	20,910	697,429
Excess (deficiency) of revenues over expenditures	632	3,326	-	-	(48,151)	-	(12,461)	891,429	(20,910)	813,865
OTHER FINANCING SOURCES (USES)										
Transfers out	-	-	-	-	-	-	-	-	-	-
Transfers in	-	5,900	-	-	-	-	-	-	-	5,900
Total other financing sources (uses)	\$ -	\$ 5,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,900
Net change in fund balance	632	9,226	-	-	(48,151)	-	(12,461)	891,429	(20,910)	819,765
Fund balances, beginning	280,580	2,460	497	2,175	91,768	-	-	1,129,019	-	1,506,499
Fund balances, ending	<u>\$ 281,212</u>	<u>\$ 11,686</u>	<u>\$ 497</u>	<u>\$ 2,175</u>	<u>\$ 43,617</u>	<u>\$ -</u>	<u>\$ (12,461)</u>	<u>\$ 2,020,448</u>	<u>\$ (20,910)</u>	<u>\$ 2,326,264</u>

CITY OF KINSTON, NORTH CAROLINA

Schedule 7

Special Revenue Fund - Community Development Administration

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2018 With Comparative Actual Amounts for year ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
Revenues:				
Loan repayments	\$ -	\$ -	\$ -	\$ -
Other revenue	1,000	\$ 470	(530)	1,145
Investment earnings	100	162	62	92
Total revenues	1,100	632	(468)	1,237
Expenditures:				
Community Development: Administration	1,100	-	1,100	(7,723)
Total expenditures	1,100	-	1,100	(7,723)
Revenues over (under) expenditures	-	632	(1,568)	(6,486)
Other Financing Sources (Uses)				
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	632	\$ (1,568)	\$ (6,486)
Fund balance, beginning			280,580	
Fund balance, ending			<u>\$ 281,212</u>	

CITY OF KINSTON, NORTH CAROLINA

Schedule 8

Special Revenue Fund- 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, 2018

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 42,743	\$ 24,730	\$ 8,478	\$ 33,208	\$ (9,535)
Total revenues	<u>42,743</u>	<u>24,730</u>	<u>8,478</u>	<u>33,208</u>	<u>(9,535)</u>
Expenditures:					
Law enforcement supplies	<u>85,486</u>	<u>60,484</u>	<u>5,152</u>	<u>65,636</u>	<u>19,850</u>
Total expenditures	<u>85,486</u>	<u>60,484</u>	<u>5,152</u>	<u>65,636</u>	<u>19,850</u>
Other Financing Sources (Uses):					
Transfers in (out)	<u>42,743</u>	<u>38,214</u>	<u>5,900</u>	<u>44,114</u>	<u>1,371</u>
Total other financing sources (uses)	<u>42,743</u>	<u>38,214</u>	<u>5,900</u>	<u>44,114</u>	<u>1,371</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,460</u>	<u>9,226</u>	<u>\$ 11,686</u>	<u>\$ 11,686</u>
Fund balance, beginning			<u>2,460</u>		
Fund balance, ending			<u>\$ 11,686</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 9

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, 2018

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 23,904	\$ 23,904	\$ -	\$ 23,904	\$ -
Total revenues	<u>23,904</u>	<u>23,904</u>	<u>-</u>	<u>23,904</u>	<u>-</u>
Expenditures:					
Law enforcement supplies	<u>23,904</u>	<u>23,407</u>	<u>-</u>	<u>23,407</u>	<u>497</u>
Total expenditures	<u>23,904</u>	<u>23,407</u>	<u>-</u>	<u>23,407</u>	<u>497</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 497</u>	<u>-</u>	<u>\$ 497</u>	<u>\$ 497</u>
Fund balance, beginning			<u>497</u>		
Fund balance, ending			<u>\$ 497</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 10

Special Revenue Fund- 2016 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, 2018

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Positive (Negative)</u>
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 30,251	\$ 30,250	\$ -	\$ 30,250	\$ (1)
Total revenues	<u>30,251</u>	<u>30,250</u>	<u>-</u>	<u>30,250</u>	<u>(1)</u>
Expenditures:					
Law enforcement supplies	<u>30,251</u>	<u>28,075</u>	<u>-</u>	<u>28,075</u>	<u>2,176</u>
Total expenditures	<u>30,251</u>	<u>28,075</u>	<u>-</u>	<u>28,075</u>	<u>2,176</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,175</u>	<u>\$ -</u>	<u>\$ 2,175</u>	<u>\$ 2,175</u>
Fund balance, beginning			<u>2,175</u>		
Fund balance, ending			<u>\$ 2,175</u>		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Funds - Seizure and Restitution Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

Schedule 11

	Project Authorization	Actual			
	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:					
Federal grants	\$ 120,685	\$ 110,307	\$ 9,300	\$ 119,607	\$ (1,078)
Donations	-	250		250	250
Total revenues	<u>120,685</u>	<u>110,557</u>	9,300	<u>119,857</u>	<u>(828)</u>
Expenditures:					
Federal forfeiture expenditures	87,460	17,500	53,682	71,182	16,278
Drug forfeiture expenditures	820	-	-		820
State forfeiture expenditures	20,700	-	2,559	2,559	18,141
Special court allocation expenditures	5,530	1,289	1,210	2,499	3,031
ABC board KPD expenditures	6,175	-	-		6,175
Total expenditures	<u>120,685</u>	<u>18,789</u>	<u>57,451</u>	<u>\$ 76,240</u>	<u>\$ 44,445</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 91,768</u>	(48,151)	<u>\$ 43,617</u>	<u>\$ 43,617</u>
Fund balance, beginning				<u>91,768</u>	
Fund balance, ending				<u>\$ 43,617</u>	

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Funds - Brownfields EPA Grant

Schedule 12

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual			
	Prior Years	Current Year	Total to Date		Variance Over/Under
Revenues:					
Federal grants	\$ 400,000	\$ 326,821	\$ 71,071	\$ 397,892	\$ (2,108)
Total revenues	<u>400,000</u>	<u>326,821</u>	<u>71,071</u>	<u>397,892</u>	<u>(2,108)</u>
Expenditures:					
Contractual - EPA Assessment	200,000	162,761	36,484	199,245	755
Contractual - EPA Petroleum	<u>200,000</u>	<u>164,060</u>	<u>34,587</u>	<u>198,647</u>	<u>1,353</u>
Total expenditures	<u>400,000</u>	<u>326,821</u>	<u>71,071</u>	<u>397,892</u>	<u>2,108</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>\$ -</u>		
Fund balance, ending			<u>-</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 13

Special Revenue Fund - NCHFA 2016 Essential Single - Family Rehabilitation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 175,000	\$ 5,824	\$ 55,530	\$ 61,354	\$ (113,646)
Total revenues	<u>175,000</u>	<u>5,824</u>	<u>55,530</u>	<u>61,354</u>	<u>(113,646)</u>
Expenditures:					
NCFHA loan pool funds	175,000	5,824	67,991	73,815	101,185
Total expenditures	<u>175,000</u>	<u>5,824</u>	<u>67,991</u>	<u>73,815</u>	<u>101,185</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(12,461)</u>	<u>\$ (12,461)</u>	<u>\$ (12,461)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (12,461)</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 14

Special Revenue Funds - NCHFA 2017 Essential Single-Family Rehabilitation
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 300,000	\$ -	\$ -	\$ -	\$ (300,000)
Total revenues	300,000	-	-	-	(300,000)
Expenditures:					
NCFHA loan pool funds	300,000	-	20,910	20,910	279,090
Total expenditures	300,000	-	20,910	20,910	279,090
Revenues over (under) expenditures	\$ -	\$ -	(20,910)	\$ (20,910)	\$ (20,910)
				-	\$ (20,910)

CITY OF KINSTON, NORTH CAROLINA

Schedule 15

Special Revenue Funds - Hurricane Matthew - FEMA - 4285 - DR - NC

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:						
Federal grants	\$ -	\$ 306,687	\$ 1,332,471	\$ 1,639,158	\$ (1,639,158)	
State grants	- -	- -	30,871	30,871	(30,871)	
Sale of surplus property	- -	- -	1,133	1,133	(1,133)	
Insurance proceeds	- -	<u>28,749</u>	<u>1,808</u>	<u>30,557</u>	<u>(30,557)</u>	
Total revenues	<u>- -</u>	<u>335,436</u>	<u>1,366,283</u>	<u>1,701,719</u>	<u>(1,701,719)</u>	
Expenditures:						
Salaries	- -	6,743	- -	6,743	(6,743)	
Construction work - sewer	<u>2,776,002</u>	<u>1,975,676</u>	<u>474,854</u>	<u>2,450,530</u>	<u>325,472</u>	
Total expenditures	<u>2,776,002</u>	<u>1,982,419</u>	<u>474,854</u>	<u>2,457,273</u>	<u>318,729</u>	
Other Financing Sources (Uses):						
Transfers in	<u>2,776,002</u>	<u>2,776,002</u>	<u>- -</u>	<u>2,776,002</u>	<u>- -</u>	
Total other financing sources	<u>2,776,002</u>	<u>2,776,002</u>	<u>- -</u>	<u>2,776,002</u>	<u>- -</u>	
Net change in fund balance	<u>\$ - -</u>	<u>\$1,129,019</u>	<u>891,429</u>	<u>\$ 2,020,448</u>	<u>\$ 2,020,448</u>	
Fund balance, beginning			<u>1,129,019</u>			
Fund balance, ending			<u>\$2,020,448</u>			

CITY OF KINSTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2018

Schedule 16

	Retro-Green	Battlefield Parkway/Soccer Complex	Capital Reserve Fund	College Street Railroad Crossing Project		General Fund Small Projects	Fire Pumper Truck Projects	Grainger Stadium Improvements Project	South Queen St. Electrical Improvements	Doctors Drive Road and Utility Extension	Total
ASSETS											
Cash and investments	\$ 8,250	\$ -	\$ -	\$ 1,924	\$ -	\$ 34,414	\$ -	\$ -	\$ -	\$ 101,856	\$ 146,444
Accounts receivable	-	-	-	-	14,820	20	28,199	-	-	28	43,067
Restricted cash and investments	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 8,250	\$ -	\$ -	\$ 1,924	\$ 14,820	\$ 34,434	\$ 28,199	\$ -	\$ 101,884	\$ 189,511	
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES											
Due to other funds	\$ -	\$ 3,488	\$ -	\$ -	\$ 230,547	\$ -	\$ 2,069,313	\$ -	\$ -	\$ -	\$ 2,303,348
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Advances from grantors	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	3,488	-	-	230,547	-	2,069,313	-	-	-	2,303,348
FUND BALANCES											
Restricted:											
Stabilization by State statute	-	-	-	-	14,820	20	28,199	-	28	43,067	
Committed	8,250	-	-	36,859	-	91,892	-	-	-	-	137,001
Unassigned	-	(3,488)	-	(34,935)	(230,547)	(57,478)	(2,069,313)	-	101,856	(2,293,905)	
Total fund balances	8,250	(3,488)	-	1,924	(215,727)	34,434	(2,041,114)	-	101,884	(2,113,837)	
Total liabilities and fund balances	\$ 8,250	\$ -	\$ -	\$ 1,924	\$ 14,820	\$ 34,434	\$ 28,199	\$ -	\$ 101,884	\$ 189,511	

CITY OF KINSTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2018

Schedule 17

	Retro-Green	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund	College Street Railroad Crossing Project	General Fund Small Projects	Fire Pumper Truck Projects	Grainger Stadium Improvements Project	South Queen St. Electrical Improvements	Doctors Drive Road and Utility Extension	Total
REVENUES										
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and state grants	-	-	-	-	-	-	-	94,340	-	94,340
Miscellaneous	-	-	-	-	1,000	-	-	-	-	1,000
Total revenues	-	-	-	-	1,000	-	-	94,340	-	95,340
EXPENDITURES										
Cultural and recreation	-	-	-	-	-	-	1,350,121	-	-	1,350,121
Public safety	-	-	-	-	-	429	-	-	-	429
Community development	-	-	-	-	280,937	-	-	94,340	58,116	433,393
Total expenditures	-	-	-	-	280,937	429	1,350,121	94,340	58,116	1,783,943
Excess (deficiency) of revenues over expenditures	-	-	-	-	(279,937)	(429)	(1,350,121)	-	(58,116)	(1,688,603)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	219,042	-	160,000	379,042
Transfers out	-	-	(180,632)	-	-	-	-	-	-	(180,632)
Total other financing sources (uses)	-	-	(180,632)	-	-	-	219,042	-	160,000	198,410
Net change in fund balance	-	-	(180,632)	-	(279,937)	(429)	(1,131,079)	-	101,884	(1,490,193)
Fund balances, beginning	8,250	(3,488)	180,632	1,924	64,210	34,863	(910,035)	-	-	(623,644)
Fund balances, ending	\$ 8,250	\$ (3,488)	\$ -	\$ 1,924	\$ (215,727)	\$ 34,434	\$ (2,041,114)	\$ -	\$ 101,884	\$ (2,113,837)

CITY OF KINSTON, NORTH CAROLINA

Schedule 18

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, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Miscellaneous grants	\$ 25,000	\$ -	\$ -	\$ -	\$ (25,000)
Miscellaneous revenues	<u>20,000</u>	<u>8,450</u>	<u>-</u>	<u>8,450</u>	<u>(11,550)</u>
Total revenues	<u>45,000</u>	<u>8,450</u>	<u>-</u>	<u>8,450</u>	<u>\$ (36,550)</u>
Expenditures:					
Capital outlay	<u>45,000</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>44,800</u>
Total expenditures	<u>45,000</u>	<u>200</u>	<u>-</u>	<u>200</u>	<u>44,800</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,250</u>	<u>-</u>	<u>\$ (200)</u>	<u>\$ 8,250</u>
Fund balance, beginning			<u>8,250</u>		
Fund balance, ending			<u>\$ 8,250</u>		

CITY OF KINSTON, NORTH CAROLINA
Capital Project Fund - Capital Reserve Fund

Schedule 19

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers out	(73,379)	(180,632)	(107,253)
Transfers in	73,379	-	(73,379)
Total other financing sources (uses)	<u>-</u>	<u>(180,632)</u>	<u>(180,632)</u>
Net change in fund balance	<u>\$ -</u>	<u>(180,632)</u>	<u>(180,632)</u>
Fund balance, beginning		<u>180,632</u>	
Fund balance, ending	<u>\$ -</u>		

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
For the year ended June 30, 2018

Schedule 20

	<u>Project Authorization</u>	<u>Actual</u>			
	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>	
Revenues:					
NCDOT State Grants	\$ 88,000	\$ 88,000	\$ 88,000	\$ -	\$ -
Contribution from NC Railroad Company	125,000	125,000	125,000	-	-
Contribution from Norfolk Southern Corporation	<u>37,000</u>	<u>37,000</u>	<u>37,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Expenditures:					
Heritage Street Widening Project	190,500	190,500	190,500	-	-
Other mitigation activities	<u>139,500</u>	<u>137,576</u>	<u>137,576</u>	<u>-</u>	<u>1,924</u>
Total expenditures	<u>330,000</u>	<u>328,076</u>	<u>328,076</u>	<u>-</u>	<u>1,924</u>
Other Financing Sources (Uses)					
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,924</u>	<u>-</u>	<u>\$ 1,924</u>	<u>\$ 1,924</u>
Fund balance, beginning				<u>1,924</u>	
Fund balance, ending				<u>\$ 1,924</u>	

CITY OF KINSTON, NORTH CAROLINA

Schedule 21

Capital Project Fund - General Fund Small Projects

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
State grants	\$ 175,000	\$ -	\$ -	\$ -	\$ (175,000)
Miscellaneous revenues	<u>8,140</u>	<u>7,140</u>	<u>1,000</u>	<u>8,140</u>	<u>-</u>
Total revenues	<u>183,140</u>	<u>7,140</u>	<u>1,000</u>	<u>8,140</u>	<u>(175,000)</u>
Expenditures:					
Dragon Park Project	4,700	-	-	-	4,700
Neuse River Greenway Project	350,000	42,930	280,937	323,867	26,133
Emma Webb Pool Project	1,000	-	-	-	1,000
Joel Smith Disc Golf Course Projec	<u>2,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,440</u>
Total expenditures	<u>358,140</u>	<u>42,930</u>	<u>280,937</u>	<u>323,867</u>	<u>34,273</u>
Other Financing Sources (Uses):					
Transfers in	<u>175,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(75,000)</u>
Total other financing sources (uses)	<u>175,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>(75,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 64,210</u>	<u>(279,937)</u>	<u>\$ (215,727)</u>	<u>\$ (215,727)</u>
Fund balance, beginning			<u>64,210</u>		
Fund balance, ending			<u>\$ (215,727)</u>		

CITY OF KINSTON, NORTH CAROLINA
Capital Project Fund - Fire Pumper Truck

Schedule 22

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Actual</u>			
	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>	
Expenditures:					
Capital outlay	\$ 600,000	\$ 565,137	\$ 429	\$ 565,566	\$ 34,434
Total expenditures	<u>600,000</u>	<u>565,137</u>	<u>429</u>	<u>565,566</u>	<u>34,434</u>
Other Financing Sources (Uses):					
Transfers in	100,000	100,000	-	100,000	-
Debt issued	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 34,863</u>	<u>(429)</u>	<u>\$ 34,434</u>	<u>\$ 34,434</u>
Fund balance, beginning			<u>34,863</u>		
Fund balance, ending			<u>\$ 34,434</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 23

Capital Project Fund - Grainger Stadium Improvements Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Expenditures:					
Stadium Improvements Phase I	\$ 2,389,042	\$ 910,035	\$ 1,350,121	\$ 2,260,156	\$ 128,886
Loan closing costs	30,000	-	-	-	30,000
Total expenditures	<u>2,419,042</u>	<u>910,035</u>	<u>1,350,121</u>	<u>2,260,156</u>	<u>158,886</u>
Other Financing Sources (Uses):					
Debt issued	2,200,000	-	-	-	(2,200,000)
Transfers in	219,042	-	219,042	219,042	-
Total other financing sources (uses)	<u>2,419,042</u>	<u>-</u>	<u>219,042</u>	<u>219,042</u>	<u>(2,200,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (910,035)</u>	<u>(1,131,079)</u>	<u>\$(2,041,114)</u>	<u>\$ (2,041,114)</u>
Fund balance, beginning			<u>(910,035)</u>		
Fund balance, ending			<u>\$(2,041,114)</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 24

Capital Project Fund - South Queen St. Electrical Improvements

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018

	<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>
Revenues:					
Federal and state grants	\$ 94,340	\$ -	\$ 94,340	\$ 94,340	\$ -
Total revenues	<u>94,340</u>	<u>-</u>	<u>94,340</u>	<u>94,340</u>	<u>-</u>
Expenditures:					
Electrical Improvements	94,340	-	94,340	94,340	-
Total expenditures	<u>94,340</u>	<u>-</u>	<u>94,340</u>	<u>94,340</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning				<u>-</u>	
Fund balance, ending				<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

Schedule 25

Capital Project Fund - Doctors Drive Road and Utility Extension Project

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	Project Authorization	Actual			
	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:					
Golden Leaf Foundation Grant	\$ 599,720	\$ -	\$ -	\$ -	\$ (599,720)
Total revenues	<u>599,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(599,720)</u>
Expenditures:					
Doctors Drive Road and Utility Extension	759,720	-	58,116	58,116	701,604
Total expenditures	<u>759,720</u>	<u>-</u>	<u>58,116</u>	<u>58,116</u>	<u>701,604</u>
Other Financing Sources (Uses):					
Transfers in	160,000	-	160,000	160,000	-
Total other financing sources (uses)	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Fund balance, beginning	<u>\$ -</u>	<u>\$ -</u>	<u>101,884</u>	<u>\$ 101,884</u>	<u>\$ 101,884</u>
Fund balance, ending			<u>-</u>	<u>\$ 101,884</u>	

CITY OF KINSTON, NORTH CAROLINA**Schedule 26****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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			<u>Over/Under</u>
Revenues:			
Investment earnings	\$ 200	\$ 238	\$ 38
Total revenues	<u>200</u>	<u>238</u>	<u>(38)</u>
Other Financing Sources (Uses)			
Appropriated fund balance	-	-	-
Transfers out	<u>(200)</u>	<u>-</u>	<u>200</u>
Total other financing sources (uses)	<u>(200)</u>	<u>-</u>	<u>200</u>
Net change in fund balance	<u>\$ -</u>	<u>238</u>	<u>238</u>
Fund balance, beginning			<u>75,339</u>
Fund balance, ending		<u>\$ 75,577</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
Operating Revenues:				
Charges for services, electricity sales	\$ 48,781,579	\$ 48,969,292	\$ 187,713	\$ 47,478,892
Other	80,710	190,115	\$ 109,405	608,077
Total operating revenues	<u>48,862,289</u>	<u>\$ 49,159,407</u>	<u>\$ 297,118</u>	<u>48,086,969</u>
Non-Operating Revenues:				
Grant funds	3,000	303,858	300,858	5,000
Interest earned on investments	6,700	65,711	59,011	28,621
Total non-operating revenues	<u>9,700</u>	<u>369,569</u>	<u>359,869</u>	<u>33,621</u>
Total revenues	<u>48,871,989</u>	<u>49,528,976</u>	<u>656,987</u>	<u>48,120,590</u>
Expenditures:				
Electric Operations:				
Salaries and benefits	1,514,480	1,176,680	337,800	1,137,402
Operating	2,878,675	2,142,647	736,028	2,216,686
Purchased power	34,746,912	33,754,110	992,802	35,118,251
Indirect costs	1,395,234	1,395,234	-	1,392,263
Capital Outlay	622,226	1,551,472	(929,246)	861,893
Total electric operations expenditures	<u>41,157,527</u>	<u>40,020,143</u>	<u>1,137,384</u>	<u>40,726,495</u>
Debt Service:				
Principal retirement	761,943	761,943	-	748,693
Interest and other charges	57,556	57,078	478	70,091
Total debt service	<u>819,499</u>	<u>819,021</u>	<u>478</u>	<u>818,784</u>
Total expenditures	<u>41,977,026</u>	<u>40,839,164</u>	<u>1,137,862</u>	<u>41,545,279</u>
Other Financing Sources (Uses):				
Appropriated net position	2,342,111	-	(2,342,111)	-
Transfers in	2,742,237	4,522,791	1,780,554	6,640,391
Transfers out - Capital Reserve Fund	(2,382,043)	(2,382,043)	-	(1,932,909)
Transfers out	(9,597,268)	(4,569,548)	5,027,720	(9,295,166)
Total other financing sources (uses)	<u>(6,894,963)</u>	<u>(2,428,800)</u>	<u>4,466,163</u>	<u>(4,587,684)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,261,012</u>	<u>\$ 6,261,012</u>	<u>\$ 1,987,627</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		2017
	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 6,261,012		\$ 1,987,627
Transfers in - Capital Project Fund			7,638,671
Transfers out - Capital Project Fund			(140,391)
Transfers out - Capital Reserve Fund			(6,500,000)
Transfers in - Capital Reserve Fund			2,614,356
Capital outlay	1,573,890		861,893
Payment of debt principal	761,943		748,693
Depreciation	(1,164,653)		(1,061,805)
Bad debt expense			(218,576)
Capital contributions	(303,858)		-
Investment earnings from capital project funds	65,711		6,020
Change in accrued compensated absences			2,598
Loss on the disposal of capital assets			-
Pension expense	(8,997)		-
Change in deferred outflows of resources - pension	159,955		326,957
Change in deferred inflows of resources - pension	(5,439)		38,269
Change in net pension liability	(155,168)		(390,602)
Change in accrued interest payable			3,239
Change in net position	\$ 7,184,396		\$ 5,916,949

CITY OF KINSTON, NORTH CAROLINA
Electric Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Actual</u>			
	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>	
Revenues:					
Federal and state grants	\$ 5,405,045	\$ 2,342,789	\$ 278,858	\$ 2,621,647	\$ (2,783,398)
Dopaco project contribution	25,000	-	25,000	25,000	-
Heelstone Energy contribution-	500,000	355,000	-	355,000	(145,000)
Solar Farm Electric Project	196,600	196,516	-	196,516	(84)
Interest earned on investments	14,882	14,882	-	14,882	-
Miscellaneous revenue	69,380	-	-	-	(69,380)
Total revenues	<u>6,210,907</u>	<u>2,909,187</u>	<u>303,858</u>	<u>3,213,045</u>	<u>(2,997,862)</u>
Expenditures:					
Caswell Center upgrades	2,857,434	-	-	-	2,857,434
West Industrial Park Substation Project	2,667,146	2,667,146	-	2,667,146	-
Lenox China Generator Project	466,500	405,397	-	405,397	61,103
Felix Harvey Parkway Extension Project	80,605	80,605	-	80,605	0
Spirit Aerosystem Rail Spur Project	199,669	199,667	-	199,667	2
Dapaco Inc. Generator Project	1,000,000	855,001	-	855,001	144,999
West Pharmaceutical Generator Project	962,500	962,500	-	962,500	-
531 Circuit Rebuild	508,048	508,048	-	508,048	-
Queen Street Bridge Electric Line Relocation Project	810,220	622,803	158,020	780,823	29,397
Solar Farm Electric Improvements Project	196,600	98,659	-	98,659	97,941
Falling Creek Substation Transformer Project	1,291,949	1,262,125	-	1,262,124	29,825
Second Point of Delivery	3,644,184	255,890	515,239	771,129	2,873,055
SmartGrid System Elec&Wtr	6,500,000	192,735	18,735	211,470	6,288,530
Electric Vehicle Charging Stations	25,000	-	25,000	25,000	-
Harvey Parkway Extension Electric Facilities Relocation	139,412	-	85,170	85,170	54,242
Queen Street Utility Pole Relocation	215,625	-	91,034	91,034	124,591
Vernon Avenue 3.4 Mile Electric Distribution Circuit Rebuild	1,548,360	-	73,187	73,187	1,475,173
Total	<u>23,113,252</u>	<u>8,110,576</u>	<u>966,385</u>	<u>9,076,960</u>	<u>14,036,292</u>
Debt Service:					
Principal retirement	310,951	310,951	-	310,951	-
Interest and other charges	<u>189,949</u>	<u>189,949</u>	<u>-</u>	<u>189,949</u>	<u>-</u>
Total debt service	<u>500,900</u>	<u>500,900</u>	<u>-</u>	<u>500,900</u>	<u>-</u>
Total expenditures	<u>23,614,152</u>	<u>8,611,476</u>	<u>966,385</u>	<u>9,577,860</u>	<u>14,036,292</u>
Other Financing Sources (Uses):					
Debt issued	2,950,000	2,950,000	-	2,950,000	-
Transfers in	14,593,636	12,754,146	1,780,554	14,534,700	(58,936)
Transfers out	<u>(140,391)</u>	<u>(140,391)</u>	<u>-</u>	<u>(140,391)</u>	<u>-</u>
Total other financing sources (uses)	<u>17,403,245</u>	<u>15,563,755</u>	<u>1,780,554</u>	<u>17,344,309</u>	<u>(58,936)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 9,861,466</u>	<u>\$ 1,118,027</u>	<u>\$ 10,979,494</u>	<u>\$ 10,979,494</u>

CITY OF KINSTON, NORTH CAROLINA
Electric Capital Reserve Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Interest earned on investments	\$ 3,400	\$ 17,113	\$ -	\$ 17,113	\$ (13,713)
Total revenues	<u>3,400</u>	<u>17,113</u>	<u>-</u>	<u>17,113</u>	<u>(13,713)</u>
Other Financing Sources (Uses):					
Transfers in	13,559,251	12,856,138	-	12,856,138	703,113
Transfers out	(13,562,651)	(11,364,235)	-	(11,364,235)	(2,198,416)
Total other financing sources (uses)	<u>(3,400)</u>	<u>1,491,903</u>	<u>-</u>	<u>1,491,903</u>	<u>(1,495,303)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,509,016</u>	<u>\$ -</u>	<u>\$ 1,509,016</u>	<u>\$ (1,509,016)</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017	
	Budget	Actual		Actual	Actual
Operating Revenues:					
Water sales	\$ 10,195,079	\$ 10,172,603	\$ (22,476)	\$ 10,337,612	
Other	222,671	302,577	79,906		239,222
Total operating revenues	<u>10,417,750</u>	<u>10,475,180</u>	<u>57,430</u>		<u>10,576,834</u>
Non-Operating Revenues:					
Interest earned on investments	5,600	18,699	13,099		10,002
Total non-operating revenues	<u>5,600</u>	<u>18,699</u>	<u>13,099</u>		<u>10,002</u>
Total revenues	<u>10,423,350</u>	<u>10,493,879</u>	<u>70,529</u>		<u>10,586,836</u>
Expenditures:					
Water Production:					
Salaries and benefits	377,723	329,485	48,238		330,511
Operating	447,800	272,566	175,234		534,541
Repairs and maintenance	469,432	351,249	118,183		49,619
Capital outlay	110,000	157,493	(47,493)		113,025
Indirect costs	1,089,477	1,089,477	-		1,083,113
Total water production	<u>2,494,432</u>	<u>2,200,270</u>	<u>294,162</u>		<u>2,110,809</u>
Water Operations:					
Salaries and benefits	1,287,549	1,003,752	283,797		1,032,274
Operating	630,600	577,803	52,797		528,718
Repairs and maintenance	262,000	218,406	43,594		87,850
Capital outlay	699,160	611,408	87,752		133,435
Indirect costs	133,182	133,182	-		134,712
Purchased water	4,483,200	4,483,200	-		4,483,200
Total water operations	<u>7,495,691</u>	<u>7,027,751</u>	<u>467,940</u>		<u>6,400,189</u>
Debt service:					
Principal retirement	299,029	299,028	1		303,730
Interest and other charges	19,606	19,495	111		23,927
Total debt service	<u>318,635</u>	<u>318,523</u>	<u>112</u>		<u>327,657</u>
Non-Operating Expenditures:					
Economic development reimbursements	44,600	39,305	5,295		38,944
Total non-operating expenditures	<u>44,600</u>	<u>39,305</u>	<u>5,295</u>		<u>38,944</u>
Total expenditures	<u>10,353,358</u>	<u>9,585,849</u>	<u>767,509</u>		<u>8,877,599</u>
Revenues over (under) expenditures	<u>\$ 69,992</u>	<u>\$ 908,030</u>	<u>\$ 838,038</u>		<u>\$ 1,709,237</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017	
	Budget	Actual		Actual	
Other Financing Sources (Uses):					
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -
Appropriated net position	394,641	-	(394,641)	-	-
Transfers from other funds	413,683	463,433	49,750	(317,467)	
Transfers to capital reserve fund	<u>(878,316)</u>	<u>(463,433)</u>	<u>414,883</u>	<u>(361,723)</u>	
Total other financing sources (uses)	<u>(69,992)</u>	<u>-</u>	<u>69,992</u>	<u>(679,190)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 908,030</u>	<u>\$ 908,030</u>	<u>\$ 1,030,047</u>	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 908,030			\$ 1,030,047	
Transfers - Capital Reserve Fund				317,467	
Transfers - Capital Project Fund				330,000	
Transfer in				-	
Capital outlay	728,766			246,460	
Interest from Capital Reserve Fund				1,299	
Payment of debt principal	299,028			303,730	
Proceeds from sale of property	(35,414)			-	
Contributions	-			-	
Debt issued				-	
Depreciation	(507,434)			(492,534)	
Bad debt expense				2,268	
Change in accrued compensated absences	1,640			111	
Pension expense	(101,217)			-	
Change in deferred outflows of resources - pension	159,955			326,957	
Change in deferred inflows of resources - pension	(5,349)			38,269	
Change in net pension liability	(112,954)			(390,602)	
Change in accrued interest payable				803	
Change in net position	<u>\$ 1,335,051</u>			<u>\$ 1,714,275</u>	

CITY OF KINSTON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Federal and State grants	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
Total revenues	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Expenditures:					
Water line projects	1,415,750	831,771	150,993	982,764	432,986
Total expenditures	<u>1,415,750</u>	<u>831,771</u>	<u>150,993</u>	<u>982,764</u>	<u>432,986</u>
Other Financing Sources (Uses):					
Transfers in	1,265,750	1,216,000	49,750	1,265,750	-
Total other financing sources (uses)	<u>1,265,750</u>	<u>1,216,000</u>	<u>49,750</u>	<u>1,265,750</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 384,229</u>	<u>\$ (101,243)</u>	<u>\$ 282,986</u>	<u>\$ 282,986</u>

CITY OF KINSTON, NORTH CAROLINA
Water Capital Reserve Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Investment earnings	\$ 300	\$ 1,802	\$ -	\$ 1,802	\$ (1,502)
Total revenues	<u>300</u>	<u>1,802</u>	<u>-</u>	<u>1,802</u>	<u>(1,502)</u>
Other Financing Sources (Uses):					
Transfers in	317,467	498,762	-	498,762	(181,295)
Transfers out	<u>(317,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(317,767)</u>
Total other financing sources (uses)	<u>(300)</u>	<u>498,762</u>	<u>-</u>	<u>498,762</u>	<u>(499,062)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 500,564</u>	<u>\$ -</u>	<u>\$ 500,564</u>	<u>\$ (500,564)</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		
Operating Revenues:				
Sewer sales	\$ 6,081,600	\$ 5,781,995	\$ (299,605)	\$ 5,953,078
Other	9,000	21,244	12,244	25,200
Total operating revenues	<u>6,090,600</u>	<u>5,803,239</u>	<u>(287,361)</u>	<u>5,978,278</u>
Non-Operating Revenues:				
Interest earned on investments	6,733	4,783	(1,950)	11,610
Total non-operating revenues	<u>6,733</u>	<u>4,783</u>	<u>(1,950)</u>	<u>11,610</u>
Total revenues	<u>6,097,333</u>	<u>5,808,022</u>	<u>(289,311)</u>	<u>5,989,888</u>
Expenditures:				
Wastewater Plant Operations:				
Salaries and benefits	860,976	774,516	86,460	735,057
Operating	572,600	608,881	(36,281)	734,839
Repairs and maintenance	628,700	379,119	249,581	104,113
Indirect costs	2,425,652	2,425,652	-	2,690,217
Capital outlay	1,254,720	2,930,337	(1,675,617)	463,032
Total wastewater plant operations	<u>5,742,648</u>	<u>7,118,505</u>	<u>(1,375,857)</u>	<u>4,727,258</u>
Debt Service:				
Principal retirement	1,277,723	1,277,722	1	1,096,535
Interest and other charges	165,452	265,521	(100,069)	188,283
Total debt service	<u>1,443,175</u>	<u>1,543,243</u>	<u>(100,068)</u>	<u>1,284,818</u>
Non-Operating Expenditures:				
Economic development reimbursements	9,600	8,423	1,177	8,345
Total non-operating expenditures	<u>9,600</u>	<u>8,423</u>	<u>1,177</u>	<u>8,345</u>
Total expenditures	<u>7,195,423</u>	<u>8,670,171</u>	<u>(1,474,748)</u>	<u>6,020,421</u>
Revenues over (under) expenditures	<u>\$ (1,098,090)</u>	<u>\$ (2,862,149)</u>	<u>\$ 1,185,437</u>	<u>\$ (30,533)</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017	
	Budget	Actual		Actual	
Other Financing Sources (Uses):					
Appropriated net position	\$ 1,357,470	\$ -	\$ (1,357,470)	\$ -	
Long-term debt issued	-	1,515,158	1,515,158	-	
Transfers out - capital projects	-	-	-	(9,750)	
Transfers in - capital projects	-	128,800	128,800	173,226	
Transfers out - other funds	<u>(259,380)</u>	<u>-</u>	<u>259,380</u>	<u>(2,052,620)</u>	
Total other financing sources (uses)	<u>1,098,090</u>	<u>1,643,958</u>	<u>545,868</u>	<u>(1,889,144)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,218,191)</u>	<u>\$ (1,218,191)</u>	<u>\$ (1,919,677)</u>	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses		(1,218,191)		(1,919,677)	
Transfers out - Capital projects				(173,226)	
Capital outlay		5,703,091		463,032	
Debt issued		(1,515,158)		-	
Payment of debt principal		1,277,725		1,096,535	
Depreciation		(2,350,290)		(2,332,760)	
Contributions		42,549		1,342,598	
Transfers in - Capital projects				9,750	
Interest from Capital Project Fund				192	
Non-capitalizable expense from Capital Project Fund				-	
Change in accrued compensated absences		(6,518)		(3,476)	
Change in accrued interest payable				4,435	
Pension expense		(2,783,127)		-	
Change in deferred inflows of resources - pension		(3,807)		228,870	
Change in deferred outflows of resources - pension		111,968		26,788	
Change in net pension liability		(108,617)		(273,421)	
Bad debt expense				<u>(26,140)</u>	
Change in net position		<u>\$ (850,375)</u>		<u>\$ (1,556,500)</u>	

CITY OF KINSTON, NORTH CAROLINA
Wastewater Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Federal and state grants	\$ 2,400,000	\$ 2,350,514	\$ 42,549	\$ 2,393,063	\$ (6,937)
Local funds	775,000	766,000	-	766,000	(9,000)
Total revenues	<u>3,175,000</u>	<u>3,116,514</u>	<u>42,549</u>	<u>3,159,063</u>	<u>(15,937)</u>
Expenditures:					
Smithfield Plant Expansion Project	3,857,000	3,705,989	-	3,705,989	151,011
Queen Street Sewer Rehabilitation Project	7,238,200	3,289,896	1,553,572	4,843,468	2,394,732
KRWRF Biosolids Dryer Project	2,642,010	-	524,895	524,895	2,117,115
Brierty Run Phase IV Rehabilitiation Projec	2,095,796	1,845	819	2,664	2,093,132
Wastewater Asset Management Grant	159,750	110,264	46,097	156,361	3,389
Total expenditures	<u>15,992,756</u>	<u>7,107,994</u>	<u>2,125,383</u>	<u>9,233,377</u>	<u>6,759,379</u>
Other Financing Sources (Uses):					
Debt issued	12,389,888	3,016,692	1,515,158	4,531,850	(7,858,038)
Transfers in	427,868	279,250	128,800	408,050	(19,818)
Total other financing sources (uses)	<u>12,817,756</u>	<u>3,295,942</u>	<u>1,643,958</u>	<u>4,939,900</u>	<u>(7,877,856)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (695,538)</u>	<u>\$ (438,876)</u>	<u>\$ (1,134,414)</u>	<u>\$ (1,134,414)</u>

CITY OF KINSTON, NORTH CAROLINA
Wastewater Capital Reserve Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	<u>Project Authorization</u>	<u>Actual</u>			
	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>	
Revenues:					
Investment earnings	\$ 250	\$ 1,598	\$ -	\$ 1,598	\$ 1,348
Total revenues	<u>250</u>	<u>1,598</u>	<u>-</u>	<u>1,598</u>	<u>1,348</u>
Other Financing Sources (Uses):					
Transfers in	486,092	494,977	-	494,977	(8,885)
Transfers out	<u>(486,342)</u>	<u>(490,551)</u>	<u>-</u>	<u>(490,551)</u>	<u>4,209</u>
Total other financing sources (uses)	<u>(250)</u>	<u>4,426</u>	<u>-</u>	<u>4,426</u>	<u>(4,676)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,024</u>	<u>\$ -</u>	<u>\$ 6,024</u>	<u>\$ 6,024</u>

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds
Combining Statement of Fund Net Position
June 30, 2018

Schedule 36

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
Assets:				
Current assets:				
Cash and investments	\$ 642,537	\$ 1,220,929	\$ 128,678	\$ 1,992,144
Accounts receivable	491,010	144,650	12,154	647,814
Restricted cash and cash equivalents	-	-	-	-
Total current assets	<u>1,133,547</u>	<u>1,365,579</u>	<u>140,832</u>	<u>2,639,958</u>
Non-current assets:				
Construction in progress	-	205,725	-	205,725
Depreciable capital assets	3,948,267	1,265,158	22,229	5,235,654
Accumulated depreciation	<u>(3,151,195)</u>	<u>(616,265)</u>	<u>(9,985)</u>	<u>(3,777,445)</u>
Total non-current assets	<u>797,072</u>	<u>854,618</u>	<u>12,244</u>	<u>1,663,934</u>
Total assets	<u>1,930,619</u>	<u>2,220,197</u>	<u>153,076</u>	<u>4,303,892</u>
Deferred Outflows of Resources:				
Pension related deferrals	<u>185,602</u>	<u>53,029</u>	<u>-</u>	<u>238,631</u>
Total deferred outflows of resources	<u>185,602</u>	<u>53,029</u>	<u>-</u>	<u>238,631</u>
Liabilities:				
Current liabilities				
Due to other funds				
Accounts payable and accrued liabilities	111,777	13,320	85,064	210,161
Current portion of installment notes	249,607	53,499	-	303,106
Current portion of compensated absences	<u>11,244</u>	<u>3,041</u>	<u>2,348</u>	<u>16,634</u>
Total current liabilities	<u>372,628</u>	<u>69,860</u>	<u>87,412</u>	<u>529,901</u>
Non-current liabilities				
Net pension liability	237,120	67,749	-	304,869
Non-current portion of installment notes	653,740	105,978	-	759,718
Non-current portion of compensated absences	<u>33,733</u>	<u>9,124</u>	<u>7,045</u>	<u>49,901</u>
Total non-current liabilities	<u>924,593</u>	<u>182,851</u>	<u>7,045</u>	<u>1,114,488</u>
Total liabilities	<u>1,297,221</u>	<u>252,711</u>	<u>94,457</u>	<u>1,644,389</u>
Deferred Inflows of Resources:				
Pension deferrals	<u>10,929</u>	<u>3,122</u>	<u>-</u>	<u>14,051</u>
Net Position:				
Net investment in capital assets	(106,275)	695,141	12,244	601,110
Unrestricted	<u>914,346</u>	<u>1,322,252</u>	<u>46,375</u>	<u>2,282,973</u>
Total net position	<u>\$ 808,071</u>	<u>\$ 2,017,393</u>	<u>\$ 58,619</u>	<u>\$ 2,884,083</u>

CITY OF KINSTON, NORTH CAROLINA

Schedule 37

Nonmajor Enterprise Funds

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended June 30, 2018**

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
Operating Revenues:				
Charges for services	\$ 3,639,407	\$ 1,017,887	\$ 1,493,515	\$ 6,150,809
Other operating income	<u>25,617</u>	<u>53,156</u>	<u>-</u>	<u>78,773</u>
Total operating revenues	<u>3,665,024</u>	<u>1,071,043</u>	<u>1,493,515</u>	<u>6,229,582</u>
Operating Expenses:				
Operations	3,158,639	789,737	1,530,676	5,479,052
Depreciation	<u>404,055</u>	<u>91,994</u>	<u>4,446</u>	<u>500,495</u>
Total Operating Expenses	<u>3,562,694</u>	<u>881,731</u>	<u>1,535,122</u>	<u>5,979,547</u>
Operating income (loss)	<u>102,330</u>	<u>189,312</u>	<u>(41,607)</u>	<u>250,035</u>
Non-Operating Revenues (Expenses):				
Transfers (to) from	-	-	-	-
Interest earned on investments	1,895	3,271	221	5,387
Interest on long-term debt	<u>(21,404)</u>	<u>(2,772)</u>	<u>-</u>	<u>(24,176)</u>
Total non-operating revenues (expenses)	<u>(19,509)</u>	<u>499</u>	<u>221</u>	<u>(18,789)</u>
Change in net position	82,821	189,811	(41,386)	231,246
Fund balance, beginning	<u>725,250</u>	<u>1,827,582</u>	<u>100,005</u>	<u>2,652,837</u>
Fund balance, ending	<u>\$ 808,071</u>	<u>\$ 2,017,393</u>	<u>\$ 58,619</u>	<u>\$ 2,884,083</u>

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended June 30, 2018

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,600,128	\$ 1,060,076	\$ 1,621,596	\$ 6,281,800
Cash paid to suppliers for goods and services	(2,374,328)	(439,153)	(912,879)	(3,726,360)
Cash paid to or on behalf of employees for services	(1,006,521)	(359,196)	(630,337)	(1,996,054)
Net cash provided by operating activates	<u>219,279</u>	<u>261,727</u>	<u>78,380</u>	<u>559,386</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(16,405)	(48,156)	-	(64,561)
Proceeds from long-term debt	-	-	-	-
Principal paid on general long-term obligation bond maturities and equipment contracts	(276,357)	(73,597)	-	(349,954)
Interest paid on bonded indebtedness and equipment contracts	(21,404)	(2,772)	-	(24,176)
Net cash used by capital and related financing activities	<u>(314,166)</u>	<u>(124,525)</u>	<u>-</u>	<u>(438,691)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>1,895</u>	<u>3,271</u>	<u>221</u>	<u>5,387</u>
Net cash provided in investing activities	<u>1,895</u>	<u>3,271</u>	<u>221</u>	<u>5,387</u>
Net increase (decrease) in cash and cash equivalents	<u>(92,992)</u>	<u>140,473</u>	<u>78,601</u>	<u>126,082</u>
Cash and Cash Equivalents:				
Beginning of year	<u>735,529</u>	<u>1,080,456</u>	<u>50,077</u>	<u>1,866,062</u>
End of year	<u>\$ 642,537</u>	<u>\$ 1,220,929</u>	<u>\$ 128,678</u>	<u>\$ 1,992,144</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	<u>102,330</u>	<u>189,312</u>	<u>(41,607)</u>	<u>250,035</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	404,055	91,994	4,446	500,495
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(64,896)	(10,967)	128,081	52,218
Increase (decrease) in net pension liability	(108,617)	(31,033)		(139,650)
Increase (decrease) in deferred inflows of resources for pensions	(3,807)	(1,088)		(4,895)
(Increase) decrease in deferred outflows of resources for pensions	111,968	31,991		143,959
Increase (decrease) in accounts payable	(210,759)	(9,766)	(11,722)	(232,247)
Increase (decrease) in compensated absences	(10,995)	1,284	(818)	(10,529)
Total adjustments	<u>116,949</u>	<u>72,415</u>	<u>119,987</u>	<u>309,351</u>
Net cash provided by operating activities	<u>\$ 219,279</u>	<u>\$ 261,727</u>	<u>\$ 78,380</u>	<u>\$ 559,386</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		
Operating Revenues:				
Charges for services	\$ 3,599,404	3,648,279	\$ 48,875	\$ 3,710,046
Other	17,000	25,617	8,617	31,032
Total operating revenues	<u>3,616,404</u>	<u>3,673,896</u>	<u>57,492</u>	<u>3,741,078</u>
Non-Operating Revenues:				
Interest earned on investments	1,000	1,895	895	917
Total non-operating revenues	<u>1,000</u>	<u>1,895</u>	<u>895</u>	<u>917</u>
Total revenues	<u>3,617,404</u>	<u>3,675,791</u>	<u>58,387</u>	<u>3,741,995</u>
Expenditures:				
Bulk Leaf Collection:				
Salaries and benefits	-	-	-	-
Operating	27,200	8,421	18,779	13,886
Capital outlay	-	-	-	-
Total leaf collection	<u>27,200</u>	<u>8,421</u>	<u>18,779</u>	<u>13,886</u>
Vector control:				
Salaries and benefits	26,872	24,809	2,063	25,930
Indirect costs	6,500	4,354	2,146	-
Operating	10,000	8,251	1,749	8,351
Total vector control	<u>43,372</u>	<u>37,414</u>	<u>5,958</u>	<u>34,281</u>
Commercial Solid Waste:				
Salaries and benefits	288,541	258,730	29,811	273,623
Operating	433,600	388,810	44,790	482,134
Capital outlay	-	-	-	-
Indirect costs	122,000	98,461	23,539	481,098
Total commercial solid waste	<u>844,141</u>	<u>746,001</u>	<u>98,140</u>	<u>1,236,855</u>
Residential Solid Waste:				
Salaries and benefits	751,011	697,358	53,653	721,395
Operating	456,600	401,370	55,230	677,552
Capital outlay	16,835	16,405	430	724,034
Indirect costs	239,000	243,911	(4,911)	481,098
Total residential solid waste	<u>1,463,446</u>	<u>1,359,044</u>	<u>104,402</u>	<u>2,604,079</u>
Recycling:				
Salaries and benefits	38,373	37,531	842	37,288
Operating	33,900	23,445	10,455	-
Indirect costs	-	-	-	28,439
Total recycling	<u>72,273</u>	<u>60,976</u>	<u>11,297</u>	<u>65,727</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017	
	Budget	Actual		Actual	
Debt Service:					
Principal retirement	\$ 292,000	\$ 276,358	\$ 15,642	\$ 161,562	
Interest and other charges	18,800	17,448	1,352	14,135	
Total debt service	<u>310,800</u>	<u>293,806</u>	<u>16,994</u>	<u>175,697</u>	
Other indirect costs	<u>963,644</u>	<u>963,644</u>	<u>-</u>	<u>-</u>	
Total expenditures	<u>3,724,876</u>	<u>3,469,306</u>	<u>255,570</u>	<u>4,130,525</u>	
Other Financing Sources (Uses):					
Appropriated net position	107,472	-	107,472	-	
Transfers out	-	-	-	-	
Long-term debt issued	-	-	-	735,529	
Total other financing sources (uses)	<u>107,472</u>	<u>-</u>	<u>107,472</u>	<u>735,529</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 206,485</u>	<u>\$ 206,485</u>	<u>\$ 346,999</u>	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 206,485			\$ 346,999	
Capital outlay	16,405			724,034	
Debt issued	-			(735,529)	
Contributions	-			-	
Payment of debt principal	276,357			161,562	
Depreciation	(404,055)			(267,777)	
Change in accrued compensated absences	(10,995)			(2,215)	
Change in accrued interest payable	-			73	
Pension expense	(920)			-	
Change in deferred outflows of resources - pension	111,968			228,870	
Change in deferred inflows of resources - pension	(3,807)			26,788	
Change in net pension liability	(108,617)			(273,421)	
Bad debt expense	-			(28,175)	
Change in net position	<u>\$ 82,821</u>			<u>\$ 181,209</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		
Operating Revenues:				
Charges for services	\$ 1,011,420	1,017,887	\$ 6,467	\$ 1,016,503
Other	24,364	53,314	28,950	1,035
Total operating revenues	<u>1,035,784</u>	<u>1,071,201</u>	<u>35,417</u>	<u>1,017,538</u>
Non-Operating Revenues:				
Interest earned on investments	1,000	3,271	2,271	4,046
Total non-operating revenues	<u>1,000</u>	<u>3,271</u>	<u>2,271</u>	<u>4,046</u>
Total revenues	<u>1,036,784</u>	<u>1,074,472</u>	<u>37,688</u>	<u>1,021,584</u>
Expenditures:				
Stormwater Operations:				
Salaries and benefits	441,705	356,888	84,817	334,692
Operating	459,062	431,695	27,367	112,705
Capital outlay	-	48,156	(48,156)	-
Indirect costs	168	168	-	302,252
Total stormwater operations	<u>900,935</u>	<u>836,907</u>	<u>64,028</u>	<u>749,649</u>
Debt service:				
Principal retirement	73,600	73,597	3	94,261
Interest and other charges	3,200	3,104	96	3,903
Total debt service	<u>76,800</u>	<u>76,701</u>	<u>99</u>	<u>98,164</u>
Total expenditures	<u>977,735</u>	<u>913,608</u>	<u>64,127</u>	<u>847,813</u>
Other Financing Sources (Uses):				
Appropriated net position	132,240	-	(132,240)	-
Transfers in	-	190,000	190,000	-
Transfers out	(191,289)	(190,000)	1,289	-
Long-term debt issued	-	-	-	-
Total other financing sources (uses)	<u>(59,049)</u>	<u>-</u>	<u>59,049</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 160,864</u>	<u>\$ 160,864</u>	<u>\$ 173,771</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 160,864			\$ 173,771
Debt issued	-			-
Payment of debt principal	73,929			94,261
Transfers in - Capital Project Fund	-			-
Depreciation	(91,994)			(91,994)
Change in accrued compensated absences	-			2,201
Change in accrued interest payable	-			87
Pension expense	-			-
Change in deferred outflows of resources - pension	(1,154)			65,391
Change in deferred inflows of resources - pension	-			7,654
Change in net pension liability	-			(78,120)
Capital outlay	48,156			-
Bad debt expense	-			-
Change in net position	<u><u>\$ 189,801</u></u>			<u><u>\$ 173,251</u></u>

CITY OF KINSTON, NORTH CAROLINA

Schedule 41

Stormwater Capital Project Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2018

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Expenditures:					
George Street Rehabilitation	\$ 110,000	\$ 98,916	\$ -	\$ 98,916	\$ 11,084
Oriental Avenue Rehabilitation	130,000	58,653	48,156	106,809	23,191
Tiffany Street Rehabilitation	60,000	-	-	-	60,000
Total Expenditures	<u>300,000</u>	<u>157,569</u>	<u>48,156</u>	<u>205,725</u>	<u>94,275</u>
Other Financing Sources (Uses):					
Transfers in	<u>300,000</u>	<u>110,000</u>	<u>190,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources (uses)	<u>300,000</u>	<u>110,000</u>	<u>190,000</u>	<u>300,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (47,569)</u>	<u>\$ 141,844</u>	<u>\$ 94,275</u>	<u>\$ 94,275</u>

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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		
Operating Revenues:				
Charges for services	\$ 1,743,000	\$ 1,492,697	\$ 250,303	\$ 1,664,469
Total operating revenues	<u>1,743,000</u>	<u>1,492,697</u>	<u>250,303</u>	<u>1,664,469</u>
Non-Operating Revenues:				
Interest earned on investments	-	221	(221)	146
Total non-operating revenues	<u>-</u>	<u>221</u>	<u>(221)</u>	<u>146</u>
Total revenues	<u>1,743,000</u>	<u>1,492,918</u>	<u>250,082</u>	<u>1,664,615</u>
Expenditures:				
Salaries and benefits	620,072	631,155	(11,083)	658,706
Operating	1,123,798	899,521	224,277	1,004,977
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,765</u>
Total expenditures	<u>1,743,870</u>	<u>1,530,676</u>	<u>213,194</u>	<u>1,680,448</u>
Other Financing Sources (Uses):				
Appropriated net position	870	-	870	-
Total other financing sources (uses)	<u>870</u>	<u>-</u>	<u>870</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (37,758)</u>	<u>\$ 37,758</u>	<u>\$ (15,833)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (37,758)			\$ (15,833)
Depreciation		(4,446)		(4,446)
Change in accrued compensated absences		-		(855)
Contributions		818		-
Capital outlay		<u>-</u>		<u>16,765</u>
Change in net position	<u>\$ (41,386)</u>			<u>\$ (4,369)</u>

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2018

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Assets:					
Current assets:					
Cash and investments	\$ 1,688,393	\$ 538,209	\$ 159,649	\$ 2,240,449	\$ 4,626,700
Accounts receivable	492	49,219	13,560	3,644	66,915
Inventory	-	214,008	-	-	214,008
Total current assets	<u>1,688,885</u>	<u>801,436</u>	<u>173,209</u>	<u>2,244,093</u>	<u>4,907,623</u>
Non-current assets:					
Construction in progress	-	-	-	21,784	21,784
Buildings	19,468	-	-	-	19,468
Equipment	-	196,000	-	641,104	837,104
Accumulated depreciation	(11,681)	(193,875)	-	(443,545)	(649,101)
Total non-current assets	<u>7,787</u>	<u>2,125</u>	<u>-</u>	<u>219,343</u>	<u>229,255</u>
Total assets	<u>1,696,672</u>	<u>803,561</u>	<u>173,209</u>	<u>2,463,436</u>	<u>5,136,878</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	400,140	18,012	32,263	64,514	514,929
Current portion of compensated absences	251	6,191	-	21,595	28,036
Current portion of installment notes	-	1,171	-	5,942	7,113
Total current liabilities	<u>400,391</u>	<u>25,373</u>	<u>32,263</u>	<u>92,051</u>	<u>550,078</u>
Non-current liabilities:					
Non-current portion of compensated absen	752	18,572	-	64,784	84,108
Non-current portion of installment notes	-	3,273	-	5,942	9,215
Total non-current liabilities	<u>752</u>	<u>21,845</u>	<u>-</u>	<u>70,726</u>	<u>93,323</u>
Net Position:					
Net investment in capital assets	7,787	(2,319)	-	207,459	212,927
Unrestricted	1,287,742	758,662	140,946	2,093,200	4,280,550
Total net position	<u>\$ 1,295,529</u>	<u>\$ 756,343</u>	<u>\$ 140,946</u>	<u>\$ 2,300,659</u>	<u>\$ 4,493,477</u>

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, 2018

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Administration Fund	Public Services Total
Operating Revenues:					
Contributions from various funds	\$ 774,383	\$ 665,121	\$ 490,715	\$ 2,180,778	\$ 4,110,997
Other income	4,696	5,772	-	2,649	13,117
Total operating revenues	<u>779,079</u>	<u>670,893</u>	<u>490,715</u>	<u>2,183,427</u>	<u>4,124,114</u>
Operating Expenses:					
Administration	84,902	396,134	-	1,537,258	2,018,294
Operations	175,713	148,631	476,398	318,966	1,119,708
Depreciation	487	4,249	-	103,497	108,233
Claims reimbursement	386,617	-	-	-	386,617
Total operating expenses	<u>647,719</u>	<u>549,014</u>	<u>476,398</u>	<u>1,959,721</u>	<u>3,632,852</u>
Operating income (loss)	<u>131,360</u>	<u>121,879</u>	<u>14,317</u>	<u>223,706</u>	<u>491,262</u>
Non-Operating Revenues (Expenses):					
Interest earned on investments	4,915	-	-	8,975	13,890
Total non-operating revenues (expenses)	<u>4,915</u>	<u>-</u>	<u>-</u>	<u>8,975</u>	<u>13,890</u>
Income (loss) before transfers	<u>136,275</u>	<u>121,879</u>	<u>14,317</u>	<u>232,681</u>	<u>505,152</u>
Transfers:					
Transfers out	-	-	-	170,000	170,000
Total transfers	-	-	-	170,000	170,000
Change in net position	<u>136,275</u>	<u>121,879</u>	<u>14,317</u>	<u>62,681</u>	<u>335,152</u>
Net Position:					
Net position, beginning	<u>1,159,254</u>	<u>634,464</u>	<u>126,629</u>	<u>2,237,978</u>	<u>4,158,325</u>
Net position, ending	<u>\$ 1,295,529</u>	<u>\$ 756,343</u>	<u>\$ 140,946</u>	<u>\$ 2,300,659</u>	<u>\$ 4,493,477</u>

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds
Combining Statement of Cash Flows
For the year ended June 30, 2018

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 780,100	\$ 669,051	\$ 477,848	\$ 2,182,830	\$ 4,109,829
Cash paid to suppliers for goods and services	(556,100)	(398,107)	(456,350)	(1,533,314)	(2,943,871)
Cash paid to or on behalf of employees for services	(89,363)	(143,562)	-	(315,691)	(548,616)
Net cash provided by operating activates	<u>134,637</u>	<u>127,382</u>	<u>21,498</u>	<u>333,825</u>	<u>617,342</u>
Cash Flows from Noncapital Financing Activities:					
Transfer (to) from other funds	-	-	-	(170,000)	(170,000)
Net cash used by noncapital financing activities	-	-	-	(170,000)	(170,000)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	-	-	-	(41,098)	(41,098)
Principal paid on general long-term obligation bond maturities and equipment contracts	-	(1,930)	-	(5,943)	(7,873)
Net cash used by capital and related financing activities	-	(1,930)	-	(47,041)	(48,971)
Cash Flows from Investing Activities:					
Interest on investments	<u>4,915</u>	<u>-</u>	<u>-</u>	<u>8,975</u>	<u>13,890</u>
Net cash provided in investing activities	<u>4,915</u>	<u>-</u>	<u>-</u>	<u>8,975</u>	<u>13,890</u>
Net increase in cash and cash equivalents	<u>139,552</u>	<u>125,452</u>	<u>21,498</u>	<u>125,759</u>	<u>412,261</u>
Cash and Cash Equivalents:					
Beginning of year	<u>1,548,841</u>	<u>412,757</u>	<u>138,151</u>	<u>2,114,690</u>	<u>4,214,439</u>
End of year	<u>\$ 1,688,393</u>	<u>\$ 538,209</u>	<u>\$ 159,649</u>	<u>\$ 2,240,449</u>	<u>\$ 4,626,700</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income	<u>131,360</u>	<u>121,879</u>	<u>14,317</u>	<u>223,706</u>	<u>491,262</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487	4,249	-	103,497	108,233
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	1,021	(1,842)	(12,867)	(597)	(14,285)
(Increase) decrease in inventories	-	5,864	-	-	5,864
Increase (decrease) in accounts payable	6,230	(4,741)	20,048	3,943	25,480
Increase (decrease) in compensated absences	(4,461)	1,973	-	3,276	788
Total adjustments	<u>3,277</u>	<u>5,503</u>	<u>7,181</u>	<u>110,119</u>	<u>126,080</u>
Net cash provided by operating activities	<u>\$ 134,637</u>	<u>\$ 127,382</u>	<u>\$ 21,498</u>	<u>\$ 333,825</u>	<u>\$ 617,342</u>

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds - Employee Health
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Year Ended June 30, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		2017	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 774,340	\$ 774,383	\$ 43	\$ 712,929
Other	-	4,696	4,696	75
Total operating revenues	<u>774,340</u>	<u>779,079</u>	4,739	<u>713,004</u>
Non-Operating Revenues:				
Investment earnings	3,400	4,915	1,515	3,379
Total non-operating revenues	<u>3,400</u>	<u>4,915</u>	1,515	<u>3,379</u>
Total revenues	<u>777,740</u>	<u>783,994</u>	6,254	<u>716,383</u>
Operating Expenditures:				
Salaries and benefits	122,069	84,902	37,167	104,304
Operating	185,238	127,105	58,133	151,650
Claims reimbursements, operating	<u>477,025</u>	<u>435,225</u>	41,800	<u>320,863</u>
Total operating expenditures	<u>784,332</u>	<u>647,232</u>	137,100	<u>576,817</u>
Other Financing Sources (Uses):				
Appropriated net position	<u>6,592</u>	-	(6,592)	-
Revenues over (under) expenditures	<u>\$ -</u>	\$ 136,762	<u>\$ 136,762</u>	139,566
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Change in accrued vacation pay		-		598
Depreciation		<u>(487)</u>		<u>(486)</u>
Change in net position	<u>\$ 136,275</u>		<u>\$ 139,678</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		2017	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 494,242	665,121	\$ 170,879	\$ 864,277
Other	1,000	5,772	4,772	1,272
Total operating revenues	<u>495,242</u>	<u>670,893</u>	<u>175,651</u>	<u>865,549</u>
Operating Expenditures:				
Administration:				
Salaries and benefits	495,117	396,134	98,983	443,490
Operating	51,890	31,994	19,896	36,733
Fleet maintenance inventory	85,000	116,637	(31,637)	122,480
Debt Service:				
Principal retirement	<u>2,125</u>	<u>2,125</u>	-	<u>2,125</u>
Total expenditures	<u>634,132</u>	<u>546,890</u>	<u>87,242</u>	<u>604,828</u>
Other Financings Sources (Uses):				
Appropriated net position	138,890	-	(138,890)	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>138,890</u>	<u>-</u>	<u>(138,890)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>124,003</u>	<u>\$ 124,003</u>	<u>260,721</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Payment of debt principal	2,125	2,125	2,125	2,125
Change in accrued vacation pay	-	-	(2,008)	(2,008)
Depreciation	<u>(4,249)</u>			<u>(4,249)</u>
Change in net position	<u>\$ 121,879</u>			<u>\$ 256,589</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		Variance Over/Under	2017
	Financial Plan	Actual		Actual
Operating Revenues:				
Contributions from other funds	591,100	490,715	(100,385)	477,522
Total operating revenues	591,100	490,715	(100,385)	477,522
Operating Expenditures:				
Fuel purchased	579,300	476,398	102,902	378,055
Total operating expenditures	579,300	476,398	102,902	378,055
Other Financing Sources (Uses):				
Transfers out	(11,800)	-	11,800	-
Total other financing sources (uses)	(11,800)	-	11,800	-
Revenues and other financing sources over (under) expenses and other financing uses	\$ -	\$ 14,317	\$ 14,317	\$ 99,467

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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		2017	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 2,180,778	2,180,778	\$ -	\$ 2,108,859
Other	-	3,437	3,437	4,802
Total operating revenues	<u>2,180,778</u>	<u>2,184,215</u>	<u>3,437</u>	<u>2,113,661</u>
Non-Operating Revenues:				
Investment earnings	4,600	8,975	4,375	5,188
Total non-operating revenues	<u>4,600</u>	<u>8,975</u>	<u>4,375</u>	<u>5,188</u>
Total revenues	<u>2,185,378</u>	<u>2,193,190</u>	<u>7,812</u>	<u>2,118,849</u>
Expenditures:				
Administration:				
Salaries and benefits	694,268	621,861	72,407	661,961
Operating	98,720	54,346	44,374	144,912
Capital outlay	<u>10,250</u>	<u>10,144</u>	<u>106</u>	<u>-</u>
Total administration	<u>803,238</u>	<u>686,351</u>	<u>116,887</u>	<u>806,873</u>
Operations:				
Salaries and benefits	1,096,167	917,516	178,651	970,118
Operating	247,400	248,126	(726)	145,581
Capital outlay	<u>121,613</u>	<u>45,329</u>	<u>76,284</u>	<u>32,241</u>
Total operating	<u>1,465,180</u>	<u>1,210,971</u>	<u>254,209</u>	<u>1,147,940</u>
Debt Service:				
Principal retirement	<u>5,943</u>	<u>5,942</u>	<u>1</u>	<u>5,942</u>
Total debt service	<u>5,943</u>	<u>5,942</u>	<u>1</u>	<u>5,942</u>
Total operating expenditures	<u>2,274,361</u>	<u>1,903,264</u>	<u>371,097</u>	<u>1,960,755</u>
Other Financing Sources (Uses):				
Appropriated net position	263,583	-	(263,583)	-
Transfers out	<u>(174,600)</u>	<u>(170,000)</u>	<u>4,600</u>	<u>(98,040)</u>
Other financing sources (uses)	<u>88,983</u>	<u>(170,000)</u>	<u>(258,983)</u>	<u>(98,040)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>119,926</u>	<u>\$ 119,926</u>	<u>60,054</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, 2018 With Comparative Totals for the Year Ended June 30, 2017

	2018		2017	
	Financial Plan	Actual	Variance Over/Under	Actual
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u> -</u>	119,926	\$ <u>119,926</u>	60,054
Payment of debt principal		5,942		5,942
Change in accrued vacation pay		(788)		7,707
Capital outlay		41,098		32,241
Depreciation	<u>(103,497)</u>			<u>(98,442)</u>
Change in net position	<u>\$ 62,681</u>			<u>\$ 7,502</u>

CITY OF KINSTON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

Fiscal Year	Uncollected		Collections		Uncollected
	Balance	June 30, 2017	Additions	And Credits	
					June 30, 2018
2017-2018		\$ 9,621,661		\$ 9,359,639	262,022
2016-2017	313,402	-		167,773	145,629
2015-2016	138,027	-		56,662	81,365
2014-2015	86,365	-		24,473	61,892
2013-2014	72,855	-		11,949	60,906
2012-2013	52,578	-		5,308	47,270
2011-2012	39,936	-		3,086	36,850
2010-2011	30,745	-		2,296	28,449
2009-2010	33,946	-		1,518	32,428
2008-2009	36,456	-		1,223	35,233
2007-2008	24,509	-		24,509	-
	<u>\$ 828,819</u>	<u>\$ 9,621,661</u>		<u>\$ 9,658,436</u>	<u>792,044</u>
Motor vehicle tags receivable					30,420
Less: allowance for uncollectible ad valorem taxes receivable: General Fund					<u>(177,598)</u>
Ad valorem taxes receivable - net General Fund					<u>\$ 644,866</u>
<u>Reconciliation with revenues:</u>					
Ad valorem taxes - General Fund					\$ 9,936,900
Less auto fee					(145,394)
Penalties collected					7,130
Add credits and adjustments					(140,200)
Total collections and credits					<u>\$ 9,658,436</u>

CITY OF KINSTON, NORTH CAROLINA
Analysis of Current Tax Levy - City-Wide Levy
For the Fiscal Year Ended June 30, 2018

	Total Levy				
	City - Wide		Total	Property	Excluding
	Property	Valuation		Rate	
Original Levy:					
Property taxed at current rate	\$ 1,366,779,240		0.70	\$ 9,567,455	\$ 8,633,796
Penalties	-			4,788	4,788
Total	<u>1,366,779,240</u>			<u>9,572,243</u>	<u>8,638,584</u>
Municipal Service:					
District				66,867	59,725
Penalties				239	239
Total				<u>67,106</u>	<u>59,964</u>
Discoveries	<u>19,516,187</u>		0.700	<u>136,613</u>	<u>136,613</u>
Abatements	<u>(22,042,990)</u>		0.700	<u>(154,301)</u>	<u>(154,301)</u>
Total property valuation	<u>\$ 1,364,252,437</u>				
Net Levy				9,621,661	8,680,860
Uncollected taxes at June 30, 2018				<u>262,022</u>	<u>262,023</u>
Current Year's Taxes Collected				<u>\$ 9,359,639</u>	<u>\$ 8,418,837</u>
Current Levy Collection Percentage				<u>97.28%</u>	<u>96.98%</u>
				<u>100.00%</u>	<u>100.00%</u>

Table 1

City of Kinston, North Carolina

Net Position By Component

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 10,632,852	\$ 10,172,960	\$ 10,135,164	\$ 11,213,831	\$ 10,389,743	\$ 10,623,321	\$ 10,865,691	\$ 10,995,400	\$ 12,462,790	\$ 13,505,530
Restricted	501,969	83,390	3,456,960	1,787,355	1,392,528	1,610,885	1,477,150	1,346,376	4,110,501	6,301,350
Unrestricted	4,419,431	4,864,981	2,300,910	4,472,843	4,378,089	6,196,097	6,004,128	7,342,380	2,659,278	(2,092,818)
Total governmental activities										
net position	\$ 15,554,252	\$ 15,121,331	\$ 15,893,034	\$ 17,474,029	\$ 16,160,360	\$ 18,430,303	\$ 18,346,969	\$ 19,684,156	\$ 19,232,569	\$ 17,714,062
Business-type activities:										
Net investment in capital assets	\$ 78,153,107	\$ 81,162,571	\$ 80,602,330	\$ 81,954,723	\$ 81,307,560	\$ 81,092,577	\$ 83,079,029	\$ 83,212,363	\$ 87,195,214	\$ 90,916,697
Unrestricted	10,604,869	10,672,618	11,800,462	12,355,920	14,155,855	16,775,329	19,100,935	33,204,451	31,758,367	35,490,383
Total business-type activities										
net position	\$ 88,757,976	\$ 91,835,189	\$ 92,402,792	\$ 94,310,643	\$ 95,463,415	\$ 97,867,906	\$ 102,179,964	\$ 116,416,814	\$ 118,953,581	\$ 126,407,080
Primary government:										
Net investment in capital assets	\$ 88,785,959	\$ 91,335,531	\$ 90,737,494	\$ 93,168,554	\$ 91,697,303	\$ 91,715,898	\$ 93,944,720	\$ 94,207,763	\$ 99,658,004	\$ 104,422,227
Restricted	501,969	83,390	3,456,960	1,787,355	1,392,528	1,610,885	1,477,150	1,346,376	4,110,501	6,301,350
Unrestricted	15,024,300	15,537,599	14,101,372	16,828,763	18,533,944	22,971,426	25,105,063	40,546,831	34,417,645	33,397,565
Total primary government										
net position	\$ 104,312,228	\$ 106,956,520	\$ 108,295,826	\$ 111,784,672	\$ 111,623,775	\$ 116,298,209	\$ 120,526,933	\$ 136,100,970	\$ 138,186,150	\$ 144,121,142

GASB Statement No. 34 Implemented in Fiscal Year 2003

Table 2

City of Kinston, North Carolina
 Changes In Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
General government	\$ 2,594,129	\$ 2,873,676	\$ 3,128,980	\$ 3,299,355	\$ 3,736,119	\$ 3,285,740	\$ 3,476,650	\$ 3,469,612	\$ 3,682,645	\$ 3,577,234
Public safety	9,218,831	9,864,668	9,328,164	9,685,081	9,525,247	9,251,041	9,374,900	9,906,304	10,832,976	9,780,286
Streets, Cemetery, Engineering (Public Services)	1,606,515	1,936,357	1,629,722	1,736,651	2,162,737	1,634,990	2,109,344	2,414,126	1,345,645	3,978,248
Culture and recreation	730,734	780,818	821,061	2,524,198	4,295,122	3,949,692	3,855,523	3,503,154	3,823,362	3,859,265
Community development	3,552,374	3,533,204	3,754,041	3,686,137	742,399	1,327,105	1,862,929	1,456,793	3,964,073	1,502,431
Interest on long-term debt	119,472	315,202	350,729	322,222	358,094	390,855	372,159	362,384	346,373	338,245
Total governmental activities expenses	17,822,055	19,303,925	19,012,697	21,253,644	20,819,718	19,839,423	21,051,505	21,112,373	23,995,074	23,035,709
Business-type activities:										
Electric	51,602,697	53,041,348	53,797,494	52,094,660	52,616,382	53,878,327	53,345,934	42,893,008	40,921,590	42,153,741
Water	7,516,489	7,378,161	7,355,873	6,983,435	6,681,717	7,157,044	7,809,304	7,545,322	8,828,090	9,073,471
Wastewater	5,296,885	5,296,980	5,886,216	5,671,974	6,140,791	6,263,399	6,340,320	6,342,991	6,823,521	6,802,106
Nonmajor funds	3,362,902	3,417,407	3,395,374	3,721,550	4,428,421	5,719,665	6,222,424	6,041,827	6,065,762	6,003,723
Total business-type activities expenses	67,778,973	69,133,896	70,434,956	68,471,618	69,867,311	73,018,435	73,717,982	62,823,148	62,638,964	64,033,041
Total primary government expenses	85,601,028	88,437,821	89,447,653	89,725,262	90,687,029	92,857,858	94,769,487	83,935,521	86,634,038	87,068,750
Program revenue:										
Governmental activities:										
Charges for services:										
General government	521,641	392,192	398,143	372,215	361,568	793,510	540,842	686,853	657,003	512,248
Public safety	24,170	14,147	2,352	19,821	30,418	343,103	134,763	294,628	321,671	131,763
Public services									313,238	157,463
Culture and recreation	1,388,400	1,497,694	1,851,955	1,759,127	1,028,551	1,384,634	1,265,117	1,475,526	1,462,080	954,205
Community development	79,757	228,591	116,422	283,327	176,202	444,731	266,498	415,181	185,264	-
Operating grants and contributions:										
General government	14,202	-	-	12,538	-	-	-	-	10,000	15,000
Public safety	187,368	512,067	254,779	213,028	234,333	168,119	142,343	218,495	268,419	117,138
Public services	801,860	764,370	705,617	732,702	715,925	751,206	764,273	717,391	631,630	2,622,018
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Community development	19,525	-	181,981	1,494,872	50,686	110,855	76,379	88,000	520,445	-
Capital grants and contributions:										
Public safety	-	-	476,000	139,303	115,644	-	-	-	-	-
Public services	-	-	-	856,601	-	-	-	-	-	-
Culture and recreation	462,297	39,407	-	107,557	76,164	54,577	-	32,505	-	-
Community development	-	-	-	288,664	288,664	362,000	322,655	84,869	-	-
Total governmental activities program revenue	3,499,220	3,448,468	3,987,249	6,279,755	3,078,155	4,412,735	3,512,870	4,013,448	4,369,750	4,509,835
Business-type activities:										
Charges for services:										
Electric	53,174,103	55,029,445	55,232,090	52,266,966	53,285,229	55,407,387	55,560,799	56,504,904	47,920,146	48,928,147
Water	4,880,404	5,453,278	6,263,894	6,984,404	7,533,531	7,874,345	8,952,764	9,144,639	10,607,776	10,389,823
Wastewater	4,133,136	4,518,939	4,891,058	5,042,058	5,409,255	5,749,226	6,361,226	6,092,050	6,006,997	5,770,683
Nonmajor funds	3,881,863	4,108,466	4,002,603	4,138,173	5,402,616	6,612,670	6,125,182	6,113,417	6,449,730	6,229,582
Capital grants and contributions:										
Electric	1,305,801	1,311,358	150,000	1,253,693	369,221	518,754	610,152	129,490	5,000	303,858
Water	15,000	16,025	15,029	86,060	-	-	-	-	-	-
Wastewater	1,299,839	2,723,933	1,415,881	1,408,647	86,071	-	2,567,185	206,731	1,342,598	42,549
Nonmajor funds	132,765	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	68,822,911	73,161,444	71,970,555	71,180,001	72,085,923	76,162,382	80,177,308	78,191,231	72,332,247	71,664,642
Total primary government program revenues	72,322,131	76,609,912	75,957,804	77,459,756	75,164,078	80,575,117	83,690,178	82,204,679	76,701,997	76,174,477
Net (expense) revenue:										
Governmental activities	(14,322,835)	(15,855,457)	(15,025,448)	(14,973,889)	(17,741,563)	(15,426,688)	(17,538,635)	(17,098,925)	(19,625,324)	(18,525,874)
Business-type activities	1,043,938	4,027,548	1,535,599	2,708,383	2,218,612	3,143,947	6,459,326	15,368,083	9,693,283	7,631,601
Total primary government net expense	(13,278,897)	(18,827,909)	(13,489,850)	(12,265,506)	(15,522,951)	(12,282,741)	(11,079,309)	(1,730,842)	(9,932,041)	(10,894,273)

(Continued)

Table 2

City of Kinston, North Carolina

Changes In Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	8,670,590	9,093,393	8,947,351	9,623,407	9,769,405	10,695,873	10,542,483	10,392,749	10,320,353	9,936,900
Sales taxes	2,861,603	2,920,585	3,026,606	3,270,969	2,925,258	3,243,976	3,415,939	3,582,107	3,957,420	4,008,528
Other taxes	2,139,890	1,982,714	2,219,513	2,255,359	2,006,708	2,292,838	2,510,532	2,584,803	2,523,910	2,931,087
Unrestricted intergovernmental	357,346	281,404	349,123	360,261	400,259	402,458	371,981	375,763	422,430	1,957,044
Investment earnings	88,357	8,370	20,107	20,202	15,240	12,514	12,435	17,605	24,580	33,898
Miscellaneous	279,008	174,443	223,451	182,766	210,924	276,812	202,349	303,016	218,635	207,197
Transfers	1,024,672	961,627	1,011,000	841,920	1,100,100	772,160	1,454,570	1,180,069	3,157,431	2,470,000
Capital contributions										
Total governmental activities	15,421,466	15,422,536	15,797,151	16,554,884	16,427,894	17,696,631	18,510,289	18,436,112	20,624,759	21,544,654
Business-type activities:										
Unrestricted intergovernmental										2,180,778
Investment earnings	125,330	11,292	43,004	41,388	34,260	32,704	27,188	48,836	68,041	108,471
Miscellaneous										2,649
Transfers	(1,024,672)	(961,627)	(1,011,000)	(841,920)	(1,100,100)	(772,160)	(1,454,570)	(118,069)	(3,157,431)	(2,470,000)
Total business-type activities	(899,342)	(950,335)	(967,996)	(800,532)	(1,065,840)	(739,456)	(1,427,382)	(69,233)	(3,089,390)	(178,102)
Total primary government	14,522,124	14,472,201	14,829,155	15,754,352	15,362,054	16,957,175	17,082,907	18,366,879	17,535,369	21,366,552
Changes in net position:										
Governmental activities	1,098,631	(432,921)	771,703	1,580,995	(1,313,669)	2,269,943	971,654	1,337,187	999,435	3,018,780
Business-type activities	144,596	3,077,213	567,603	1,907,851	1,152,772	2,404,491	5,031,944	15,298,850	6,603,893	7,453,499
Total primary government	\$ 1,243,227	\$ 2,644,292	\$ 1,339,305	\$ 3,488,846	\$ (160,897)	\$ 4,674,434	\$ 6,003,598	\$ 16,636,037	\$ 7,603,328	\$ 10,472,279

Table 3

City of Kinston, North Carolina

Program Revenues by Function/Program

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Function / Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$ (2,058,286)	\$ (2,481,484)	\$ (2,730,837)	\$ (2,914,602)	\$ (3,374,551)	\$ (2,492,230)	\$ (2,935,808)	\$ (2,782,759)	\$ (3,015,642)	\$ (3,049,986)
Public safety	(9,007,293)	(9,338,454)	(8,595,033)	(9,312,929)	(9,144,852)	(8,739,819)	(9,097,794)	(9,393,181)	(10,242,886)	(9,531,385)
Streets, Cemetery & Engineering (Public services)	(804,655)	(1,171,987)	(924,105)	(147,348)	(1,446,812)	(883,784)	(1,345,071)	(1,696,735)	(400,777)	(1,198,767)
Culture and recreation	(1,701,677)	(1,996,103)	(1,902,086)	(1,819,453)	(3,190,407)	(2,510,481)	(2,590,406)	(1,995,123)	(2,361,282)	(2,905,060)
Community development	(631,452)	(552,227)	(522,658)	(457,335)	(226,847)	(409,519)	(1,197,397)	(868,743)	(3,258,364)	(1,502,431)
Interest on long-term debt	(119,472)	(315,202)	(350,729)	(322,222)	(358,094)	(390,855)	(372,159)	(362,384)	(346,373)	(338,245)
Total governmental activities	(14,322,835)	(15,855,457)	(15,025,448)	(14,973,889)	(17,741,563)	(15,426,688)	(17,538,635)	(17,098,925)	(19,625,324)	(18,525,874)
Business-type activities:										
Electric	2,877,207	3,299,456	1,584,596	1,425,999	1,038,068	2,047,814	2,825,017	13,741,386	7,003,556	7,078,264
Water	(2,621,086)	(1,908,859)	(1,076,950)	87,030	851,814	717,301	1,143,460	1,599,317	1,779,686	1,316,352
Wastewater	136,090	1,945,893	420,724	778,732	(645,465)	(514,173)	2,588,091	(44,210)	526,074	(988,874)
Nonmajor funds	651,726	691,059	607,230	416,623	974,195	893,005	(97,242)	71,590	383,968	225,859
Total business-type activities	1,043,937	4,027,549	1,535,600	2,708,384	2,218,612	3,143,947	6,459,326	15,368,083	9,693,283	7,631,601
Total government	\$ (13,278,898)	\$ (11,827,908)	\$ (13,489,848)	\$ (12,265,505)	\$ (15,522,951)	\$ (12,282,741)	\$ (11,079,309)	\$ (1,730,842)	\$ (9,932,041)	\$ (10,894,273)

GASB Statement No. 34 Implemented in fiscal year 2003

Source: City records.

Table 4

City of Kinston, North Carolina

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 1,978,932	\$ 1,461,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:	2,788,823	3,603,720								
Non-spendable			89,373	87,020	89,785	85,125	78,720	67,491	73,462	92,061
Restricted	-	-	1,503,278	1,498,228	1,051,988	1,193,123	1,244,509	1,154,417	2,975,492	3,933,403
Committed	-	-							275,615	749,962
Unassigned	-	-	4,034,163	4,632,695	5,797,539	7,042,172	7,288,963	8,308,930	5,882,365	5,771,120
Total General Fund	\$ 4,767,755	\$ 5,065,393	\$ 5,626,814	\$ 6,217,943	\$ 6,939,312	\$ 8,320,420	\$ 8,612,192	\$ 9,530,838	\$ 9,206,934	\$ 10,546,546
All Other Governmental Funds:										
Reserved	\$ 42,112	\$ 41,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	5,682	22,734	-	-	-	-	-	-	-	-
Major capital projects funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	33,197	(40,971)	-	-	-	-	-	-	-	-
Permanent Fund	83,268	83,390	-	-	-	-	-	-	-	-
Non-spendable in Permanent Fund	-	-	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Restricted	-	-	2,028,365	214,127	265,540	207,636	374,727	326,324	1,407,480	2,292,947
Restricted in capital project	-	-	2,028,365	214,127	265,540	29,359	-	-	-	-
Committed in capital project	-	-	99,058	73,038	74,760	90,576	76,272	245,488	415,238	137,001
Assigned in Special Revenue Fund	-	-	7,418	8,877	10,633	20,359	29,758	39,379	48,096	55,918
Unassigned in capital project	-	-	(104,459)	(380,916)	(555,600)	(236,794)	(90,285)	(101,647)	(987,620)	(2,272,862)
Total all other government funds	\$ 164,259	\$ 106,725	\$ 4,133,747	\$ 204,253	\$ 135,873	\$ 186,136	\$ 465,472	\$ 584,544	\$ 958,194	\$ 288,004

Note: Data presented for fiscal year 2015 implementing GASB Statement 68.

Data presented for fiscal year 2015 reflecting prior period restatement.

Data presented for fiscal year 2017 implementing GASB Statement 73.

Data presented for fiscal year 2018 implementing GASB Statement 75.

Table 5

City of Kinston, North Carolina

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 8,608,531	\$ 9,094,918	\$ 8,937,400	\$ 9,607,610	\$ 9,678,780	\$ 10,805,474	\$ 10,633,642	\$ 10,395,234	\$ 10,357,976	\$ 9,936,900
Other taxes	5,001,493	4,903,299	5,246,119	5,526,328	4,931,966	5,536,814	5,926,471	6,166,910	6,481,330	6,939,615
Intergovernmental	1,842,598	1,597,248	1,967,500	3,348,925	1,881,675	1,849,215	1,677,631	1,517,023	1,852,924	2,780,981
Charges for services	1,652,192	1,677,717	1,613,184	1,738,320	1,955,122	1,605,774	1,717,067	1,743,150	1,686,305	1,755,679
Other	349,453	178,769	231,138	199,309	216,847	285,355	117,190	310,582	238,489	225,712
Total revenues	17,454,267	17,451,951	17,995,341	20,420,492	18,664,390	20,082,632	20,072,001	20,132,899	20,617,024	21,638,887
Expenditures:										
General government	1,888,916	2,170,499	2,170,354	2,210,601	1,992,856	1,939,339	2,660,498	2,429,822	2,536,238	2,627,905
Public safety	9,992,813	9,557,209	10,131,381	11,416,806	9,346,240	9,114,838	9,532,994	9,841,653	10,341,579	9,264,592
Public services	1,347,391	1,636,134	1,350,374	1,492,119	1,898,996	1,328,145	1,790,674	2,050,263	1,052,312	2,616,846
Culture and recreation	3,364,074	3,267,172	3,421,337	3,557,481	4,272,800	3,919,006	3,908,529	4,101,005	5,214,979	5,171,645
Community development	953,254	765,103	1,327,385	2,845,447	1,083,839	1,653,197	2,244,287	1,893,825	3,762,735	1,068,919
Capital outlay										1,599,770
Debt service:										
Principal	5,869,365	704,045	529,865	525,739	387,146	480,604	492,474	518,347	812,354	751,543
Interest	126,173	321,661	312,867	327,446	306,975	388,074	369,378	369,378	352,119	338,245
Total expenditures	23,541,986	18,421,823	19,243,563	22,375,639	19,288,852	18,823,203	20,998,834	21,204,293	24,072,316	23,439,465
Excess of revenues (under) expenditures	(6,087,719)	(969,872)	(1,248,222)	(1,955,147)	(624,462)	1,259,429	(926,833)	(1,071,394)	(3,455,292)	(1,800,578)
Other financing sources (uses):										
Transfers in	1,026,781	958,941	976,448	1,042,786	832,287	817,690	1,183,984	1,204,345	3,896,134	2,650,632
Transfers (out)	(318,569)	(176,850)	(365,648)	(611,766)	(227,287)	(506,180)	(187,031)	(555,132)	(738,703)	(180,632)
Issuance of long-term debt	4,986,000	427,885	3,197,500	-	621,038	125,972	276,180	1,459,899	347,471	-
Total other financing sources	5,694,212	1,209,976	3,808,300	431,020	1,226,038	437,482	1,273,133	2,109,112	3,504,902	2,470,000
Net changes in fund balance	\$ (393,507)	\$ 240,104	\$ 2,560,078	\$ (1,524,127)	\$ 601,576	\$ 1,696,911	\$ 346,300	\$ 1,037,718	\$ 49,610	\$ 669,422
Debt service as a percentage of noncapital expenditures	25.5%	5.6%	4.4%	3.8%	3.6%	4.6%	4.1%	4.2%	4.8%	4.6%

Table 6

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	KWH Total Usage	KWH Unbilled	KWH Unbilled %	Purchased Electric Rate (.00/KWH)
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	276,287,764	23,680,224	420,660,560	17,479,686	4%	0.1020
2013	452,880,005	124,767,842	291,933,252	20,736,647	437,437,741	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	454,872,530	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
2017	469,242,017	120,308,096	312,151,523	15,541,895	448,001,514	21,240,503	4%	0.0700
2018	471,448,873	124,441,190	310,347,017	15,486,292	450,274,499	21,174,374	4%	0.0670

Source: City of Kinston Annual Financial Forecast provided by Booth & Associates, Inc.

Table 7

City of Kinston, North Carolina
Electric Rates
Last Ten Fiscal Years

Electric Rates	Cents Per KWH									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Residential	14.1	14.6	14.7	14.9	14.8	14.7	14.6	13.7	13.0	13.0
Small General Service	14.1	14.6	14.6	14.7	14.8	14.7	14.7	13.6	13.0	13.0
Medium General Service	11.8	12.2	12.3	12.3	12.0	12.5	12.2	11.7	11.3	11.4
Public Housing	13.9	14.4	14.3	14.4	14.6	14.8	14.6	13.6	13.0	13.0
Church And School	16.3	16.9	17.1	17.1	17.2	17.2	17.0	16.6	16.2	16.2
Municipal Service	5.1	6	6	6	6.0	6.0	7.0	7.0	7.0	7.0
Masterbrand	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Large General Service	10.7	11	10.8	10.8	10.7	10.6	10.7	9.9	9.7	9.8
CDC Rate	7	7.6	8.2	8.2	8.5	8.1	8.1	7.0	6.9	6.9
Area Lights	22	22.8	23.4	23.5	23.7	23.8	23.4	22.4	22.1	22.2

Source: City of Kinston Annual Financial Forecast provided by Booth & Associates, Inc.

Table 8**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
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
2017	0.835	0.660	0.270	1.765
2018	0.835	0.700	0.270	1.805

Note: (1) Real property was revalued on January 1, 2009

(2) Real property was revalued on January 1, 2017

Table 9

City of Kinston, North Carolina
Principal Taxpayers
Current Year and Nine Years Ago
As of 6/30/2018

Name of Taxpayer	2018				Name of Taxpayer	2009			
	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value		Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
Spirit Aerosystems, NC Inc	Aviation	197,457,007	1	14.47%	Smithfield Packing	Meat Processor	82,129,679	1	5.85%
Sanderson Farms, Inc	Meat Processor	103,876,596	2	7.61%	Carolina Telephone	Communications	32,845,850	2	2.34%
Smithfield Farmland Corp	Meat Processor	93,135,843	3	6.83%	Masterbrands Cabinets, Inc.	Manufacturer	24,192,441	3	1.72%
Dupont E I Denemours Co Inc	Manufacturer	69,881,480	4	5.12%	Smithfield Packing	Meat Processor	15,235,405	4	1.09%
Electrolux Home Products	Manufacturerr	59,633,125	5	4.37%	Walter Poole Realty Inc	Real Estate	14,939,553	5	1.06%
West Pharmaceutical	Pharmaceutical services	57,946,246	6	4.25%	Excel Realty Trust NC	Shopping Mall	10,671,531	6	0.76%
Duke Energy Center	Utility	50,171,638	7	3.68%	Piedmont Natural Gas	Natural Gas	10,597,826	7	0.75%
Kinston, LLC	Nursing Facility	47,646,205	8	3.49%	Robert L James Jr, et al	Real Estate	8,430,218	8	0.60%
Pactiv LLC	Manufacturer	46,133,437	9	3.38%	Lowes Home Centers Inc	Shopping	8,126,897	9	0.58%
Masterbrand Cabinets	Manufacturer	21,986,159	10	1.61%	Perry's Inc	Real Estate	6,804,628	10	0.48%
Total Assessed Valuation of Top Ten Taxpayers		<u>\$ 747,867,736</u>		54.82%	Total Assessed Valuation of Top Ten Taxpayers		<u>\$ 213,974,028</u>		15.24%
Balance of Assessed Valuation		<u>\$616,384,701</u>		45.18%	Balance of Assessed Valuation		<u>\$1,190,042,735</u>		84.76%
Total Assessed Valuation		<u>\$1,364,252,437</u>		100.00%	Total Assessed Valuation		<u>\$1,404,016,763</u>		100.00%

Source: Lenoir County Tax Office

Table 10

City of Kinston, North Carolina
Property Tax Levies And Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30:	Tax Year	Collected Within the Fiscal Year of the Levy			Total Collections to Date		
		Taxes Levied for the Tax Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2009	2008	8,480,980	8,029,872	0.9468	415,875	8,445,747	0.9958
2010	2009	8,888,479	8,473,336	0.9533	382,715	8,856,051	0.9964
2011	2010	8,764,337	8,363,449	0.9543	372,439	8,735,888	0.9968
2012	2011	9,429,114	8,983,219	0.9527	409,045	9,392,264	0.9961
2013	2012	9,533,752	9,035,552	0.9477	450,930	9,486,482	0.9950
2014	2013	10,430,850	10,022,906	0.9609	347,038	10,369,944	0.9942
2015	2014	10,371,023	10,019,384	0.9661	289,747	10,309,131	0.9940
2016	2015	10,215,605	9,913,395	0.9704	220,845	10,134,240	0.9920
2017	2016	10,166,157	9,852,755	0.9692	167,773	10,020,528	0.9857
2018	2017.	9,621,661	9,359,639	0.9728	-	9,359,639	0.9728

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2009-2018

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.

Table 11

City of Kinston, North Carolina

Ratios of Net General Bonded Debt Outstanding by Type

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Total Debt Per Capita	
	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 Installments	General Obligation Bonds	Revenue Bonds		
2009	-	-	-	0	-	7,241,806	11,113,257	0	15,293,513	33,648,576	1,465
2010	-	-	-	0	-	6,965,646	11,160,112	0	14,339,473	32,465,231	1,472
2011	-	-	-	0	-	9,633,282	9,708,187	0	13,353,874	32,695,343	1,508
2012	-	-	-	0	-	9,107,542	8,279,562	0	12,336,227	29,723,331	1,375
2013	-	-	-	0	-	9,341,434	7,915,246	0	11,280,517	28,537,197	1,320
2014	-	-	-	0	-	8,986,802	6,995,368	0	10,186,195	26,168,365	1,209
2015	-	-	-	0	-	8,781,132	7,113,058	0	9,147,000	25,041,190	1,171
2016	-	-	-	0	-	9,720,559	7,556,524	0	7,787,000	25,064,083	1,157
2017	-	-	-	0	-	9,253,551	8,558,887	0	6,390,000	24,202,438	1,131
2017	-	-	-	0	-	8,499,886	8,801,457	0	4,968,000	22,269,343	989

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

Table 12

City of Kinston, North Carolina
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2018
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 52,725,385	33.38%	\$ 17,597,985
Subtotal, overlapping debt	\$ 52,725,385		\$ 17,597,985
City Direct Debt	<u>9,253,551</u>		
Total direct and overlapping debt	<u>\$ 61,978,936</u>		<u>\$ 17,597,985</u>

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, 2018 assessed valuation of \$4,087,441,431 for Lenoir County and \$1,364,252,437 for the City of Kinston.

City of Kinston, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 111,203,551	\$ 106,982,646	\$ 105,523,959	\$ 113,508,985	\$ 114,575,354	\$ 125,096,448	\$ 124,575,515	\$ 122,993,612	\$ 122,395,394	\$ 109,140,195
Total net debt applicable to limit	18,393,410	18,125,758	19,341,469	17,387,104	17,256,680	15,982,168	15,894,191	17,277,083	17,812,438	17,301,343
Legal debt margin	\$ 92,810,141	\$ 88,856,888	\$ 86,182,490	\$ 96,121,881	\$ 97,318,674	\$ 109,114,280	\$ 108,681,324	\$ 105,716,529	\$ 104,582,956	\$ 91,838,852
Total net debt applicable to the limit as a percentage of debt limit	19.82%	20.40%	22.44%	18.09%	17.73%	14.65%	14.62%	16.34%	17.03%	18.84%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed valuation	\$ 1,364,252,437	A= Total government wide debt	\$ 35,340,528
8%	109,140,195	Less revenue bonds	(4,968,000)
Less applicable debt	<u>(17,301,343)</u> A	Less compensated absences	(1,056,168)
Debt margin	<u>\$ 91,838,852</u>	Less law enforcement separation allowance	(3,607,151)
		Less separation allowance	(3,848)
		Less other post employment benefits	(8,404,018)
			<u>\$ 17,301,343</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.

Table 14

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 Debt Service		Coverage	Special Assessment Collections	Debt Service		Sales Tax Increment	Debt Service	
				Principal	Interest			Principal	Interest		Principal	Interest
2009	62,189,411	59,945,018	2,244,393	1,363,251	754,475	1.06	-	-	-	-	-	-
2010	64,894,490	61,103,976	3,790,514	1,366,156	667,936	1.86	-	-	-	-	-	-
2011	66,310,137	61,739,024	4,571,113	1,399,715	621,036	2.26	-	-	-	-	-	-
2012	64,196,224	59,240,780	4,955,444	1,431,762	573,795	2.47	-	-	-	-	-	-
2013	66,105,976	60,995,859	5,110,117	1,792,828	690,238	2.06	-	-	-	-	-	-
2014	68,391,147	62,487,584	5,903,563	1,747,182	629,280	2.48	-	-	-	-	-	-
2015	70,230,772	62,525,807	7,704,965	1,696,937	572,242	3.40	-	-	-	-	-	-
2016	64,775,533	49,350,688	15,424,845	1,965,880	327,393	6.73	-	-	-	-	-	-
2017	64,481,249	52,486,519	11,994,730	2,004,999	273,653	5.26	-	-	-	-	-	-
2018	65,182,762	55,187,956	9,994,806	2,338,696	331,917	3.74	-	-	-	-	-	-

City of Kinston, North Carolina**Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended June 30	Population (1)	Per Capita Income (2)	School Enrollment (3)	County Unemployment Rate (4)
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%
2017	20923	(5)	8,595	4.2%
2018	21004	(5)	8,646	4.2%

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.

Table 16

City of Kinston, North Carolina

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2018			2009			
	Employees	Rank	Percentage of Total County Employment	Employer	Employees	Rank	Percentage of Total County Employment
Lenoir County Public Schools	1,996	1	7.03%	Caswell Center	1,634	1	6.67%
Sanderson Farms	1,650	2	5.81%	Lenoir County Public Schools	1,310	2	5.35%
Caswell Center	1,400	3	4.93%	Lenoir Memorial Hospital	1,200	3	4.90%
Smithfield Foods Inc.	1,000	4	3.52%	Electrolux Home Products	785	4	3.20%
UNC Lenoir Healthcare	891	5	3.14%	Associated Materials, Inc	531	5	2.17%
Aristokraft/Decora/Schrock	650	6	2.29%	Lenoir Community College	520	6	2.12%
Spirit Aerosystems	600	7	2.11%	Lenoir County	441	7	1.80%
Electrolux Home Products	560	8	1.97%	Hilco LTD	412	8	1.68%
Lenoir County	450	9	1.59%	Lexon China	400	9	1.63%
City of Kinston	380	10	1.34%	Wal-Mart	385	10	1.57%
Total	<u><u>9,577</u></u>		<u><u>33.73%</u></u>	Total	<u><u>7,618</u></u>		<u><u>31.09%</u></u>

Sources:

Lenoir County Economic Development
Employment Security Commission
Various HR Managers
Labor & Economic Analysis Division

Table 17

City of Kinston, North Carolina

Full-Time Equivalent City Government Employees By Functions/Programs
Last Ten Fiscal Years
(Unaudited)

<u>Functions/Program</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	3	4	2	2	2	2	3	3	3
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	4	2	3	3	3	3	3	3	3	3
Finance	12	12	12	12	13	13	13	14	14	14
Computer Services	3	3	3	3	4	4	4	4	4	4
Building Safety	2	2	2	2	4	4	4	4	4	4
Planning	3	2	2	2	2	2	2	3	3	3
MSD Development	-	-	-	-	-	-	-	-	-	2
Parks and Recreation:										
General & Administrative	6	4	4	4	4	4	5	5	3	3
Recreation	29	26	29	29	26	30	30	30	33	34
Pool(s)	1	1	1	1	1	1	1	1	1	1
Golf Course(s)	1	1	1	1	1	1	1	1	1	-
Stadium										1
Police:										
Officers	77	76	76	76	76	76	76	76	74	73
Civilians (a)	9	8	8	8	10	10	10	10	9	11
Fire:										
Firefighters and Officers	54	49	49	49	48	48	48	48	51	50
Civilians	2	2	2	2	1	1	1	1	1	1
Public Services:										
Administration	9	9	9	9	9	9	9	9	10	9
Billing and Customer Service	16	15	15	15	15	15	15	15	14	15
Meter Services	7	7	7	7	9	9	9	9	4	9
Engineering	11	9	9	9	9	9	9	9	9	9
Street Maintenance	11	11	11	11	11	11	11	11	9	16
Street Sweeping	-	-	-	-	-	-	-	-	11	
Refuse Collection	26	27	27	27	27	27	27	27	27	27
Weed Control	1	1	1	1	1	1	1	1	1	-
Central Garage	10	9	10	10	10	10	10	10	10	10
Traffic Control	2	2	2	2	2	2	2	2	1	-
Electric:										
Distribution	22	22	22	22	22	22	22	22	22	22
Water:										
Transmission	25	25	25	25	24	24	24	24	24	24
Purification	3	3	3	3	6	6	6	6	6	6
Sewer Maintenance	14	14	14	14	14	14	14	14	14	14
Stormwater	7	7	7	7	7	10	10	10	10	10
Other Programs/Functions:										
Risk Management	3	3	3	3	2	2	2	2	2	2
Total	379	360	366	364	368	375	376	377	383	387

Source: Prior year CAFR's

Various Human Resources and Adopted Budget Records

Table 18

City of Kinston, North Carolina
Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Calls for service	32,686	33,101	29,767	30,753	28,944	26,729	26,954	27,679	24,667	26,250
Adult arrest	2,755	3,553	2,896	3,240	2,823	2,392	2,607	2,638	2,229	2,067
Juvenile arrest	122	89	97	117	130	97	62	156	84	51
Speeding citations only	392	837	771	572	488	525	464	276	120	61
Traffic citations	3,567	4,374	3,584	4,081	3,870	3,916	2,222	2,788	1,350	1,587
Fire:										
Total fire runs	843	185	764	908	898	536	963	1212	471	963
Total rescue runs	151	117	82	80	96	185	777	2399	1259	2605
Property loss	\$ 791,822	\$ 472,680	\$ 2,124,175	\$ 1,194,425	\$ 11,441,115	\$ 726,548	\$ 626,006	\$ 595,414	\$ 530,079	\$ 789,534
Building safety:										
Total building permits	98	83	102	104	109	114	93	101	124	148
Total value all permits	\$ 9,735,748	\$ 59,871,760	\$ 15,617,899	\$ 15,065,906	\$ 13,159,552	\$ 10,386,075	\$ 42,725	\$ 35,226,386	\$ 16,657,737	\$ 17,181,211
Library, volumes in collection	235,108	233,466	245,837	237,195	244,343	198,083	164,554	165,000	165,000	148,717
Public service:										
Garbage collected (ton)	21,254	19,108	17,272	16,744	21,017	18,214	17,972	18,204	18,979	18,087
Recycle collected (ton)	563.21	637.56	655.1	657.53	628	615	617	620	617	587
Parks and Recreation:										
Recreation program attendance:										
Athletics	175,000	202,000	204,500	208,300	205,100	202,100	204,150	203,500	198,000	198,000
Centers & Parks	518,000	520,000	522,000	552,000	547,000	625,000	592,000	602,000	520,000	535,000
Other Programs	122,000	118,000	116,300	118,000	123,000	128,000	125,000	123,500	118,500	120,200
Golf Rounds Played	9,300	9,100	9,000	8,000	8,650	9,200	8,300	7,800	8,100	8,000

Source: Various City records

Note: ** Indicator not available

City of Kinston, North Carolina

Capital Asset Statistics By Function
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Police:												
Stations	3	3	3	5	2	1	2	1	1	1	1	1
Fire & Rescue												
Fire Stations	3	3	3	3	3	3	3	3	3	3	3	3
Refuse Collection:												
Collection Trucks	25	25	25	25	25	25	25	25	25	25	25	25
Other Public Works												
Streets (Miles)	114.91	114.91	114.91	114.91	114.83	117.1	115.11	115.11	115.14	115.43	115.43	115.43
Streets Lights	2106	2106	2106	2106	2065	2065	2065	2065	2065	2065	2065	2065
Traffic Signals	15	15	15	15	15	15	15	15	15	15	15	15
Parks & Recreation:												
Acreage	300	300	300	332	349	332	332	332	332	332	332	332
Parks	15	15	15	15	15	15	15	15	15	15	15	15
Golf Course	1	1	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	26	26	26	26	26	26	26	26	26	26	26	26
Soccer/Football Fields	13	13	13	13	13	13	13	13	13	13	13	13
Basketball Courts	4	4	4	4	6	6	6	6	6	6	6	6
Tennis Courts	17	17	17	17	17	17	17	17	17	17	17	17
Swimming Pools	2	2	2	2	3	4	4	4	4	4	3	3
Parks with Playground Equipment	8	8	8	8	8	8	8	8	8	8	9	9
Picnic Shelters	8	8	8	8	8	8	9	9	9	9	9	9
Community Centers	5	5	5	6	7	7	7	7	7	7	7	7
Museums	2	2	2	2	2	2	2	2	2	2	2	2
Stadium	4200 seat	5000 seat	5400 seat									
Airport Theater	0	0	0	0	0	0	0	0	0	0	0	0
Indoor Batting Facility	1	1	1	1	1	1	1	1	1	1	1	1
Natural Sites	5	5	5	5	5	5	5	5	5	5	5	5
Gymnasium	4	4	4	5	6	6	6	6	6	6	6	6
Spray Ground	1	1	1	1	1	1	1	1	1	1	1	1
Dog Park	1	1	1	1	1	1	1	1	1	1	1	1
Library:												
Facilities	1	1	1	1	1	1	1	1	1	1	1	1
Volumes	99,905	235,108	233,466	245,837	237,195	244,343	198,083	164,554	165,000	165,000	165,000	165,000
Water:												
Storage Capacity (MGPD)	4.25MGD											
Average Daily Consumption (MGPD)	3.49MGD	2.94MGD	2.85MGD	3.41MGD	4.14MGD	4.4MGD	4.14MGD	4.58MGD	4.16MGD	4.30 MGD	4.47 MGD	
Peak Consumption (MGPD)	5.24MGD	5.12MGD	5.07MGD	5.11MGD	8.19MGD	10.4MGD	10.4MGD	9.4MGD	9.6MGD	7.19MGD	7.31MGD	
Miles of Water Mains	214.4	214.7	214.7	216.76	216.76	216.76	216.76	216.76	218.45	218.77	219.4	
Wastewater:												
Sanitary Sewers (miles)	211.4	211.4	211.4	212.98	213.24	213.24	213.24	213.24	216.77	216.77	216.77	
Storm Sewers (miles)	62.4	62.4	62.4	55.39	55.39	55.39	55.39	55.39	55.39	55.39	55.39	
Average Daily Flow	4.64MGD	429MGD	5.09MGD	5.14MGD	4.24MGD	4.69MGD	6.23MGD	5.98 MGD	5.76MGD	6.29 MGD	4.44 MGD	
Electric:												
Average Daily Usage	1,373,015 KWH	1,219,047 KWH	1,197,294 KWH	1,232,906 KWH	1,152,495 KWH	1,198,459 KWH	1,230,138 KWH	1,246,226 KWH	1,220,908 KWH	1,227,401 KWH	1,291,641 KWH	
Mile of Distribution Lines	430	430	430	430	430	430	435	435	435	435	435	

Source: Various City records

COMPLIANCE SECTION



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**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 1, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompany schedule of findings and questioned Costs, as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-002.

City of Kinston's Response to Finding

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

Purpose of this Report

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

Rivco & Associates LLP

Raleigh, North Carolina

April 1, 2019



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Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance with Uniform Guidance and the State Single Audit Implementation Act

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

Report on Compliance for Each Major Federal Program

We have audited City of Kinston's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Governmental Commission that could have a direct and material effect on each of City of Kinston's major federal programs for the year ended June 30, 2018. City of Kinston's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Program

In our opinion, City of Kinston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Kinston's basic financial statements (not presented herein). We have issued our report thereon dated April 1, 2019, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Uniform Guidance, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Rives & Associates LLP

Raleigh, North Carolina
April 1, 2019



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**Independent Auditors' Report On Compliance For Each Major State Program and on Internal
Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In
Accordance with Uniform Guidance and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited City of Kinston's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Governmental Commission that could have a direct and material effect on each of City of Kinston's major state programs for the year ended June 30, 2018. City of Kinston's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

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

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

Opinion on Each Major Program

In our opinion, City of Kinston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Kinston's basic financial statements (not presented herein). We have issued our report thereon dated April 1, 2019, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Uniform Guidance, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Rives & Associates LLP

Raleigh, North Carolina
April 1, 2019

CITY OF KINSTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no

Federal Awards

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

Identification of major Federal programs:

CFDA Number	Program Name
66.458	Clean Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

CITY OF KINSTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

State Awards

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

Identification of major state programs:

Program Name
Non-State System Street Aid Allocation (Powell Bill)

CITY OF KINSTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2018-001

Material Weakness

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Due to limited number of personnel in the City's Finance Office, there are inherent limitations to segregation of duties among the City personnel. Presently, a single individual maintains the general ledger and has full access to make adjustments in the general ledger system.

Effect: Errors in financial reporting could occur and not be detected.

Cause: There are limited number of personnel for certain functions.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2017-001.

Recommendation: Access to the books and records of the City should be separated from access to the assets of the City as much as possible. Non-financial staff should review and adjust reports on a monthly basis to detect unauthorized adjustments to the general ledger. Management should look to fill any vacant positions to help ascertain segregation of duties is maintained.

Corrective Action/Management Response: Management agrees and is aware of the weakness but, due to cost benefit analysis, hiring personnel does not appear to be feasible at this time. Management has made compensating changes through duty reassignments, review, and software controls.

CITY OF KINSTON , NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2018-002

Material Weakness

Criteria: Per G.S. 159-13, the full amount of any deficit in each fund shall be appropriated in the budgeting process.

Condition: There were violations of the General Statutes regarding deficit fund balance in several funds.

Effect: The Town was in violation of North Carolina General Statutes.

Cause: The City adopted balances budgets; but did not appropriate fund balance sufficient to correct deficits.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2017-001.

Recommendation: The City should implement monitoring controls to ensure the funds are not operating in a deficit.

Corrective Action/Management Response: Management will monitor costs related to these funds and will take measures to ensure these funds do not operate in a deficit in the future. Future transfers will be used to offset any deficits.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

TONY SEARS
City Manager

JAMES P. CAULEY
City Attorney

DEBRA THOMPSON
City Clerk

City of Kinston



Mayor DON HARDY
Mayor Pro Tem FELICIA SOLOMON

Councilmembers:
ROBERT SWINSON
SAMMY AIKEN
JOSEPH M. TYSON
KRISTAL SUGGS

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

Finding 2018-001

Name of contact person: Donna Goodson, Finance Director

Corrective Action Plan: Management concurs with the finding and will continue to implement additional segregation of duties.

Proposed Completion Date: Management will implement the above procedures immediately.

MATERIAL WEAKNESS

Finding 2018-002

Name of contact person: Donna Goodson, Finance Director

Corrective Action Plan: The Finance Department will monitor funds to identify areas where transfers may be required to ensure funds are not operating in a deficit.

Proposed Completion Date: Management will implement the above procedures immediately.

CITY OF KINSTON , NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2018

Finding 2017-001

Status: Repeated finding as 2018-001

Finding 2017-002

Status: Repeated finding as 2018-002

CITY OF KINSTON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal Direct and Pass-through Expenditures	State Expenditures	Pass-Through to Subrecipients
FEDERAL GRANTS					
Cash Assistance					
U.S. Department of Housing and Urban Development					
Office of Community Planning and Development					
Passed-through North Carolina Housing Finance Agency					
Home Investment Partnership Program	14.239	ESFRLP16	\$ 67,991	\$ -	\$ -
Total U.S. Department of Housing and Urban Development			<u>67,991</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security					
Federal Emergency Management Agency (FEMA)					
Passed-through the NC Department of Public Safety					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4285-DR-NC	474,854	-	-
Total U.S. Department of Homeland Security			<u>474,854</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice					
Bureau of Justice Assistance					
Direct Program					
Bulletproof Vest Partnership Program	16.607	N/A	5,152	-	-
Total U.S. Department of Justice			<u>5,152</u>	<u>-</u>	<u>-</u>
U.S. Environmental Protection Agency					
Office of Solid Waster and Emergency Response					
Brownfields Assessment and Cleanup Cooperative Agreements - Martine Luther King, Jr. Boulevard Corridor	66.818	EPA Grant #11D26314	71,071	-	-

CITY OF KINSTON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018

Passed-through NC Department of Environmental Quality

Division of Water Infrastructure

Clean Water State Revolving Fund Cluster:

		E-SRF-T-15-0404 FED#				
Biosolids Dryer at KRWRF	66.458	CS370527	524,894			
Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction	66.458	E-SRF-CS370527-08 & 09	1,553,572	-	-	-
Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction	66.458	E-SRF-CS370527-11	819	-	-	-
			2,079,285	-	-	-
Total U.S. Environmental Protection Agency			2,150,356	-	-	-
Total Federal Assistance			2,698,353	-	-	-

STATE GRANTS

Cash Assistance

N.C. Department of Transportation

Non-State System Street Aid Allocation (Powell Bill)	DOT-4	750,420	-
Total N.C. Department of Transportation		750,420	-

N.C. Department of Environmental Quality

Division of Water Infrastructure

Wastewater Asset Management Grant	Project #E-AIA-E-16-0005	46,097	-
Total N.C. Department of Transportation		46,097	-

N.C. Department of Housing Finance Agency

Home Investment Partnership Program	ESFRLPDR02	20,910	-
Total N.C. of Housing Finance Agency		20,910	-

N.C. Department of Commerce

Rural Economic Development Division	Project #2017-029-1257-1534	94,340	-
Total N.C. of Housing Finance Agency		94,340	-
Total Assistance - State Programs		911,767	-
Total Assistance	\$ 2,698,353	\$ 911,767	\$ -

CITY OF KINSTON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2018

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of the City of Kinston under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Loans Outstanding

The City of Kinston had the following loan balances outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SESFA. The balance of loans outstanding at June 30, 2018 consists of:

Program Title:	CFA #	Pass-Through Grantor Number	Amount Outstanding
Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction	66.458	E-SRF-CS370527-08 & 09; E-SRF-CS370527-11	<u><u>\$ 2,149,586</u></u>

