



CITY OF KINSTON

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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

African-American Music Trail

Located on South Queen Street, the African – American Music Trail is part of a larger statewide effort to bring awareness of the transformative effect that African-American musicians have had on shaping the culture of communities all across North Carolina. Similar projects are also found in Edgecombe, Greene, Jones, Nash, Pitt, Wayne and Wilson counties. This park honors the famous African-American musicians from Lenoir County. It has been funded through a North Carolina Department of Transportation Grant and a National Endowment of the Arts Grant.

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**CITY OF KINSTON
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

Prepared by City of Kinston Finance Department

CITY OF KINSTON, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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List of Principal Officials

Organizational Chart

GFOA Certificate of Achievement for Excellence in Financial Reporting

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City of Kinston

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B. J. MURPHY
Mayor

TONY SEARS
City Manager

JAMES P. CAULEY III
City Attorney

CHRISTINA ALPHIN
City Clerk

December 5, 2014

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, 2014, is hereby submitted. The basic financial statements contained herein have been audited by the independent certified public accounting firm of Martin Starnes & Associates, CPA's, P. A., and their unmodified opinion is included in the financial section.

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

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

The City is required to undergo an annual "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. 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 7.3 percent unemployment rate compared to a statewide rate of 6.4 percent and a national average of 6.1 percent. Overall, the value of new construction and renovation was \$10.4 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

The City is poised for further economic growth as industrial leaders such as Sanderson Farms, Smithfield, West Pharmaceutical, Pactiv, Dupont and Spirit Aerosystems continue adding jobs and investment in property, plant and equipment. The redevelopment of downtown Kinston has sparked interest from investors and the City continues to see new retail shopping and eating establishments anchor themselves in downtown Kinston. One local restaurant, the Chef and the Farmer, has gained widespread popularity due to its reality show on PBS, called a Chef's Life, now in its second season.

MAJOR INITIATIVES

Fiscal Year 2013-2014 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

Land Use Plan

The Planning Department was funded to create a new comprehensive land use plan, which will guide development into the future for Kinston. This document will help legitimize development decisions for Kinston and give guidance on reviewing new permit applications at City Council.

UDO Update

The Unified Development Ordinance (UDO) was adopted and has been under implementation since November of 2013. That project was a comprehensive overhaul of our most critical development document. The ordinance update has streamlined the development review process and added new features to help make Kinston more attractive and promote quality developments.

Arts and Cultural Zoning District

As part of the UDO adoption, the City created a new zoning overlay for the Arts and Cultural Overlay District which will provide for mixed-use developments centered on the arts, music, and culture. The hope is that this area will be a new local tourism economic driver for Kinston. This area is presently the focus for redevelopment and housing rehab from private developers.

Urban Redevelopment Area

Following this effort, the City designated the Arts District and the greater Mitchelltown Historic District as an Urban Redevelopment Area, under Article 22 of 160A of the North Carolina General Statutes. This designation makes a statement to prospective developers that the City is intent on redeveloping the area, and allows for special regulations and special incentives to promote private investment and continued redevelopment in an area that has declined over the years. The planning document for this area will guide the redevelopment over the course of the next ten years.

Grants

The Planning Department has an ongoing grant project with the CDBG Catalyst Program. The Main Street Solutions project was completed during fiscal year 2014-2015.

Public Safety - Fire Stations and Technology

The implementation of new technology was made possible through grant funds received for the new fire station construction project. The new iPad technology was used to conduct cognitive training programs via webcams. This reduced the amount of time companies were out of their response districts for classroom training and subsequently reduced fuel costs associated with travel necessary to convene in the main fire district.

The conversion to all digital radios has begun. The project budgeted at \$102,000 for the Department of Public Safety will be completed in November 2014. The system requires all users to comply in order to access the 911 system.

Public Safety – Law Enforcement

An FY 2013-14 Grant in the amount of \$13,424.84 was obtained from the North Carolina Governor's Crime Commission. This funding allowed for implementation of the Body Camera Project which purchased body-worn video cameras for all uniformed patrol officers.

The FY 2013 JAG Grant will purchase (4) additional in-car video camera systems. These cameras provide audio and video recording capability of in-car and out of the car events during citizen interactions which establishes truth and reduces the number of officer complaints.

An FY 2014 JAG Grant in the amount of \$17,729.50 was approved on August 29, 2014 for the purchase of (15) Tasers. These weapons will improve officer safety and provide an additional less lethal use of force option.

The Patrol Operations Division transitioned to air card technology which established a reliable network for Mobile Data Terminals that provide police officers with real time access to criminal databases and DMV information during traffic stops and citizen encounters.

2013-14 Street Resurfacing

Project involves annual resurfacing of City streets. This fiscal year the streets include all or portions of Harding Avenue, Rhodes Avenue, St. George Avenue, Pawnee Drive, Lenoir Avenue, Thompson Street, Towerhill Road and Adkin Street. Total budgeted funds for this project were \$160,000. Work has been awarded to the S.T. Wooten Corporation with a base bid amount of \$149,089.50 with a completion date of September 30, 2014.

GTP Rail Spur Water and Sewer Utility Relocations (performed by NC Department of Transportation)

A rail spur has been constructed by the NC Department of Transportation (NCDOT) Railway Division to provide rail service to the new Spirit Aerosystems facility. NCDOT is to resolve any utility conflicts along the project. Conflicts in NCDOT street rights-of-way will be handled at City expense. Conflicts at other locations will be corrected at NCDOT expense. NCDOT has informed the City the estimated City expense is \$490,000. It can be repaid over 3 years without interest or over 5 years with interest charged during the last two years. The City is budgeting to pay this in 3 years. First payment was made in FY12/13 for \$166,632.24. Second payment of \$162,632.24 was made in FY13/14. Final Payment will be made in FY14/15.

Chestnut St. / Martin Luther King Jr. Boulevard Drainage Project

Kinston has entered into an agreement with NCDOT for construction of Phase III, which will include all work along this drainage system from Orion Street to Martin Luther King Jr. Boulevard. The estimated cost for this project was \$400,000. NCDOT has agreed to provide \$250,000 toward this project. Remaining funds will be provided from the Stormwater Fund. The contract was awarded to Charles Hughes Construction and was completed in July of 2014 at a cost of \$353,743.02.

Highway 70 Industrial Park Phase II Sewer Project

This project consists of building a new regional lift station and forcemain for the Highway 70 Industrial Park, and eliminating a small station serving the Smithfield Packing Company. Total estimated cost for this project is \$4.3 million. Kinston has received a \$1 million grant from the North Carolina Rural Center and a \$1.25 million grant from the Golden Leaf Foundation. Another grant for \$500,000 has been requested from the Department of Commerce. Lenoir County and the City of Kinston will be contributing \$775,000 each. Project bids were received on April 3, 2014. Bid was awarded to Park Construction in the amount of \$2,259,451.13. Additional work to install a bar screen will be added to the contract. Final project costs will be within budget. Work is expected to be complete in June, 2015. First loan repayment will be in May, 2016.

Falling Creek Water Supply

Growing demand in both residential and industrial areas on the western side of the City's water system has created challenges with meeting customer needs for water volume and pressure. The City of Kinston entered into a contract with the Wooten Company to prepare a water model and evaluate potential improvements to address these concerns. The water model and evaluation were complete in June of 2013. Several potential solutions were evaluated. A recommendation was made to increase the size and pressure gradient at the connection with Neuse Regional Water and Sewer Authority at Tomlyn Drive. This work was completed by Pearson Pump in March of 2014 at a cost of \$21,608.91. The Wooten Company also recommended that the City isolate the residential area in Falling Creek from the industrial area to increase pressure. City forces installed a valve and bypass along Banks School Road to separate these areas. Cost for the bypass was \$3,256.00. Returning Well #18 to service to supplement the water demand was also recommended. City staff is currently working with The East Group on engineering services to upgrade Well #18 and return to service. Cost is estimated at \$65,000 for the upgrades.

Queen Street Sewer Rehabilitation

In preparation for NCDOT's resurfacing of Queen Street scheduled in 2017, the City plans to rehabilitate all sewer lines under the pavement. This will include approximately 26,000 linear feet of pipe. The work may involve pipe bursting, pipe lining and open cut pipe replacement. On June 9, 2014, Kinston was approved for \$3.31 million from the Clean Water State Revolving Fund for this project; \$1 million will be principal forgiveness. The remaining \$2.21 million will be a 0% interest loan with a 20 year term. The City awarded engineering services to Highfill Infrastructure Engineering on August 18, 2014. Design and permitting is expected to be complete by January, 2016. Construction should begin in June, 2016 and be complete by June, 2017.

Biosolids Disposal Project

Kinston currently creates a Class B biosolid, which must be land applied to agricultural fields under a state permit at a cost of \$160,000-\$200,000 per year. Based on the results of a biosolids study completed by Chuck Cauley, former Wastewater Treatment Plant Superintendent, the City is interested in installing a biosolids dryer, which would create a pelletized, Class A product, which can be sold commercially to any customer, either by contract or walk-up sales. Estimated cost of the project is \$1.62-\$3 million. In June, 2014, Kinston was awarded a \$1.6 million loan from the Clean Water State Revolving Fund for this project. The loan will be at 0% with a 20 year term. Engineering should be complete by September, 2015. Construction should begin in January 2016 and be complete by September, 2016.

College Street Railroad Crossing Project

The City of Kinston has entered into an agreement with Norfolk Southern Corporation, North Carolina Railroad and the North Carolina Department of Transportation to close the College Street Railroad crossing. In return for agreeing to close the crossing, Kinston will receive \$250,000 in funds from these organizations to perform mitigation for the impacts of the closed crossing. The mitigation activities will include widening Herritage Street between Capitola Avenue and Lenoir Avenue, changing South Atlantic Avenue from one-way to two-way traffic from Pollock Street to Nelson Street, resurfacing of streets near the crossing and other related projects. The crossing was closed in October, 2013. NCDOT has approved plans for the Herritage Street improvements. Plans have been submitted to Norfolk Southern and North Carolina Railroad for approval of other projects in the railroad corridor. Work is expected to begin in January, 2015 and be complete by June 1, 2015.

Westview Cemetery Paving

Some sections of the Westview cemetery where lots are being sold are currently unpaved. Project would pave all roads surrounding sold lots and the access road to areas currently for sale. Estimated cost is \$30,000 and was budgeted in FY13/14. Contract has been awarded to S.T. Wooten as part of the annual resurfacing contract. Work should be complete in September, 2014.

City Hall HVAC Replacement

The City budgeted \$240,000 to replace the chiller and boiler at city hall in FY13/14. The work was awarded to Commercial AC Services in January, 2014 in the amount of \$229,600. Upon initial inspection, several other deficiencies in the ducts and controls were found, which required \$113,000 to repair. Council appropriated an additional \$96,500 on May 5, 2014 to address these issues. Remaining cost will be covered by operating funds. Work was completed in October, 2014.

City Hall Renovations

On January 21, 2014, Richard Johnson of the East Group presented the results of the City Hall Building Evaluation to City Council. The study looked at the condition of the building and its major life systems (HVAC, plumbing, fire, electric, etc.) as well as our current and project building use. As a result of the study, in May, 2014 City Council appropriated \$50,000 to renovate the Finance and Customer Service areas to improve function and safety. The work was awarded to Mike Jones Construction and was completed in September, 2014.

Payment Kiosk

The City successfully completed the installation of a payment kiosk in the Finance Collections department in February 2014. The stand-alone device accepts utility payments in the form of cash, check and credit card via an interactive touch screen monitor. The device is handicap accessible and bi-lingual. Upon successful transition to the upgraded customer service software, the payment kiosk will provide online and real-time data transfer between the kiosk and customer service software increasing accuracy of payment application to customer accounts as well as up-to-date customer information.

Software Technology Upgrades

The Finance and Management Information Systems (MIS) departments collaborated on several projects to design, plan and implement software technology upgrades in various finance and accounting areas. This fiscal year saw the implementation of laser generated checks which improved the safety and security of check stock, cut down on printer hardware malfunctions, increased speed, efficiency and accuracy of accounting staff.

The Finance department has a goal of working towards a paperless environment, and to this end the Management Information Systems department has continued to work on an upgrade to the City's Enterprise Resource Management System (ERP) which will allow for the electronic integration of scanned accounting documents. The project is in testing phase as of the end of the fiscal year and is expected to be implemented during fiscal year 2015.

After analysis of the City's onsite fuel system and expected fuel losses, the Finance department was charged with carrying out an upgrade to the fuel pump system and upgrade to an online, cloud based fuel management system. The system will allow for online setup and tracking of drivers and users and for online real-time management of the fuel tanks. The project was fully operational in the summer of fiscal year 2015.

Fiscal year 2014 saw the full implementation of an online, cloud based purchasing card system. The system allows for the setup and day-to-day management of authorized purchasing card users and includes an online coding and approval system for supervision. It also allows the upload and storage of supporting documentation to further the department's goal of working towards a paperless environment.

Recreation – Woodmen Community Center/Lions Water Adventure

The Woodmen Community Center opened in July 2012. The 57,000 square foot facility includes a fitness center with state of the art fitness equipment, family locker rooms, an elevated walking track, a smoothie/snack bar, a banquet room which seats 300 people, a warming kitchen, a double gymnasium that can also be used as a banquet facility for up to 600 people, an aerobics room, a conference room, a game room and a child care room. An indoor/outdoor 8 lane 25 meter competitive swimming pool and a heated therapy pool, which is covered by an insulated bubble during fall and winter months makes the pools usable year round.

The Woodmen Community Center continued to maintain its 2,350 memberships and 8,000 members during the 2013/14 year. The water park saw a 20% reduction in use, which is typical of a sophomore season of a new facility.

The Lions Water Adventure opened in May 2013 and is designed for visually impaired people to utilize the park alongside sighted individuals. Currently, it is the only visually impaired water park in the state. The park features 3 water slides, a zero entry pool with swimming features for children, a lazy river, outdoor lockers, a snack bar, gift shop and picnic huts. The park is accessible to anyone who is sight impaired by combining a number of techniques throughout the park, including bright lions paws on pavement leading visitors to pools, roaring sounds from lions alerting the swimmers they are getting ready to have water dumped and chirping monkeys before buckets of water are poured onto the heads of swimmers in the lazy river.

During the second year of operation of the Lions Water Adventure, a 600 square foot birthday party room was added and North Carolina's first two story Bojangles' Birthday Pavilion was added. These facilities were made possible through generous donations of the Chused family and Tands, Inc.

The Kinston/Lenoir County Parks & Recreation Administrative offices are also located upstairs at the Woodmen Community Center and the Woodmen of the World local and state offices are located on the first floor of the community center.

The community center and the water park was funded by the City of Kinston (\$700,000), Lenoir County (\$500,000), Golden Leaf Foundation (\$350,000), a PARTF (Parks and Recreation Trust Fund) grant (\$500,000), Parrott Academy (\$325,000), Woodmen Foundation (\$8 million) and local donations (\$2.5 million) for a total project cost of approximately \$13 million dollars. The Facility is owned by Woodmen of the World and operated by the Kinston Lenoir County Parks and Recreation Department.

Southeast Park

A physical fitness court was funded through a grant from Lenoir Memorial Hospital and is currently being used by the school's physical education classes and the community. The Hospital Foundation is paying for a curriculum for the physical fitness classes so that their health can be monitored over the next four years.

Holloway Recreation Center

A new scoreboard was added at Holloway Recreation Center.

City Entranceways

The City continued the beautification project at the intersection of the Highway 70 business and by-pass by cleaning and removing undergrowth and removing overgrown landscaping.

Worthington Landing (Wildlife Ramp)

This is a state funded river access wildlife ramp. Worthington Landing has two ramps and a floating dock. Parking capacity will hold up to 40 boats. The project was funded entirely by NC Wildlife Resources and is managed by the Kinston-Lenoir County Parks & Recreation Department.

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 38 percent of total general fund revenues. This amount is approximately 18 percent above the informal guidelines by the Council for budgetary and planning purposes.

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

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

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

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

Planning

As we progress into this fiscal year, the Planning Department has several ongoing projects that it would like to see through to the finish. We also have new initiatives that we feel need to be a priority for our department and the City as well.

We continue to administer our CDBG funds for demolition along the Martin Luther King, Jr. (MLK) Corridor; this project is well underway, and we are presently looking to add more homes to the project. We continue to work on our Comprehensive Land Use Plan project, which is in its initial stages. The Planning Department expects to have that project largely completed within the upcoming fiscal year – a process that takes many municipalities multiple years at best. The City has also been fortunate enough to receive funding from NCDOT for a trail project along the Neuse River. This project continues and will likely be ongoing for the next few years as we try to find funding to complete the trail. The first phase, however, is fully funded, and we look forward to seeing that under construction by the end of this fiscal year.

Amidst our ongoing projects, the Planning Department endeavors to take on new initiatives that will help improve our community, namely our distressed areas of town. The Planning Department will establish an Urban Redevelopment Area (URA) for the MLK Corridor, similar to the URA that is in place in Mitchelldown. The hope is that this designation will allow the City greater latitude in removing abandoned homes, while encouraging new private investment along the corridor. The City also intends to focus on the MLK Corridor for Phase I assessments through the Brownfields Program. Having recently received \$400,000 from the Environmental Protection Agency, the City is poised to assess sites with development potential. Being that many sites along the MLK Corridor have great development potential, we intend to focus the use of those funds in that area while simultaneously assessing individual sites in other areas of the town. The department hopes that by assessing the environmental condition of potential development sites, we will remove an existing impediment to redevelopment in areas that have seen disinvestment and growing distress over the years.

Public Safety

The implementation phase for the traffic signal pre-emption project has begun at Highway 70 and Hill Farm Road. The project is necessary due to the scheduled replacement of the South Queen Street Bridge. The system will allow emergency responders to control traffic signals within the City and the Hwy 70 corridor in order to obtain optimum response times during use of alternate response routes.

The Public Safety Department is in need of replacement of an Aerial Fire Apparatus, an 1897 E-One 110' Quint. This unit is 27 years old and is currently in "reserve" status. Replacement is being sought per National Fire Protection Association Standard 1911 which recommends replacement of fire service apparatus with an age exceeding 25 years. The Standard further recommends fire service apparatus with an age of 15 years be placed in "reserve" capacity not to exceed the 25 year replacement recommendation of NFPA 1911. The projected cost of replacement is \$1.1 million.

Lawrence Heights Sewer Replacement

The City of Kinston is pursuing grant funding for the replacement of approximately 14,000 linear feet of 50 year old sewer lines in the Lawrence Heights subdivision. The estimated project cost is \$3.3 million. Kinston will be submitting a grant application to the Community Development Block Grant – Infrastructure Program for a \$3 million grant in their October, 2014 grant cycle. The City will have to provide a \$300,000 cash match for the project, if approved.

Grant awards should be announced by January, 2015. Construction would be expected to begin in the fall of 2015 and be complete in the summer of 2016.

Lawrence Heights Waterline 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. A request of \$165,000 will be included in the FY15/16 budget for materials for this project. Installation will be performed by City staff.

West Road Drainage Project

Project will replace 500 feet of storm drain pipe along West Road near the intersection of Cameron Drive. Project is expected to bid in November 2014 with anticipated construction to begin in December 2014. Funds budgeted for this project is \$85,000.

Blount St. / Davis St, Drainage Improvements

Project involves replacement of the storm drain pipe on portions of Blount Street and Davis Street. This project will complete the final phase of the Chestnut Street drainage projects. Total budgeted funds for this project were \$165,000. This Contract was awarded to Charles Hughes Construction with a bid amount of \$186,443.94. On May 19, 2014 City Council approved the use of \$22,000 from Stormwater fund balance to cover the additional cost above the budgeted amount. Project is expected to begin in September of 2014.

Lift Station Bypass Taps

During FY 14/15 the City has budgeted \$150,000 to place bypass taps at four major lift stations. The stations to be retrofitted are Forrest Street, Briery Run, Pollock Street, and Barrus lift stations. The bypass taps will give the City the ability to bypass the lift station in the event maintenance or rehabilitation work needs to be done. This project is expected to bid in November 2014 with project completion in May for 2014.

Queen Street Waterline Replacement

Similar to the Queen Street Sewer Rehabilitation Project, the city plans to replace all existing waterlines in the Queen Street corridor prior to NCDOT resurfacing in 2017. A request of \$370,000 has been approved in the FY14/15 budget for the first phase of this work. The funds will be used for the purchase of materials and making pavement repairs. Installation of the pipe will be performed by city staff. Work is expected to begin in November, 2014 and be complete in June, 2015. A request of \$236,000 will be included for Phase II in FY15/16 budget.

Briery Run Sewer Rehabilitation – Phase IV

Staff intends to apply to the Clean Water State Revolving Fund for \$3.7 million in the spring of 2015 to rehabilitate 12,000' of 30" sewer line. The project will be a candidate for principal forgiveness of up to \$1 million under this program, with the remaining funding being a 0% interest loan. If awarded, construction would not begin until the summer of 2016 and be completed by the spring of 2017.

Smartgrid Meter System

Kinston Public Services is currently conducting a pilot project involving advanced electric and water meters. These meters and management system are capable of providing continuous usage data to both the city and the customer and offer many advantages to our current metering, billing and utility systems. Potential advantages include remote meter reading, leak detection, tamper detection, remote connect/disconnect of electric meters, electric load data for

transformers/circuits/substations, system-wide wi-fi communications for work orders, and more. Pilot project will continue through at least March, 2015. Estimated cost for a full-scale project is \$5.1 million. Installment financing over 5 years is expected to be covered by operational cost savings.

FY 14-15 Sidewalk Replacement

Project includes replacement of portions of sidewalk along Lenoir Avenue, Plaza Boulevard, and Independence Street. Sidewalk conditions in these areas have become very poor creating hazards for pedestrians. Funds budgeted for this project total \$20,000. Construction of this project will be performed by City forces. Construction is scheduled to begin in November 2014.

Two-way Radios

Lenoir County is in the process of updating their two-way radio transmitter from analog to digital, to improve coverage and reliability. As a result, Kinston's Department of Public Services purchased 103 new radios and will upgrade 10 current radios to operate on the new digital system. Public Services, in conjunction with Public Safety secured a five year lease with the first payment deferred to FY 2016 for a total of \$240,000 to fund the radio purchase/upgrades and the project is expected to be complete by October 31, 2014.

Customer Service Software – Public Services and Management Information Services

MIS and our Public Services' Operations Division are working with Hansen Technologies (formerly Ventyx) to complete an upgrade to the customer service software to 4.4 from our current version of 3.1, which is more than 8 years old. This upgrade will streamline many processes for customer service staff, give customers the option to view their account details online and receive e-bills, and in the future, tie in our GIS database so that it may be used for service and outage information. We are in the testing phase and have completed 4 weeks of training and have 2 additional weeks in November 2014. The cost of this project is estimated to be around \$302,000 and will be complete by winter 2014.

Replacement of Airport Rd. Regulators

The need for replacement of the regulator in Airport Road substations was identified in the Electric utility's Long Range Plan. This substation supplies electricity to Lenoir Memorial Hospital, the Global Trans Park and other customers in the City's service area. Funds were appropriated in the FY 13/14 budget to complete this work. Staff is currently awaiting delivery and all three units should be in place by June 2015.

Relocation of Both Electric Transmission and Distribution Facilities on Queen Street

NCDOT is replacing the Queen Street Bridge and will necessitate the relocation of all electrical facilities. Booth and Associates estimates that the total cost, excluding right-of-way purchases, will be approximately \$527,954. NCDOT will reimburse the City of Kinston approximately \$433,163 for their share of the relocation expense. The City of Kinston's relocation liability including betterments will be approximately \$94,791. While not included in the above total, right-of-way expenses are estimated at \$12,000. NCDOT needs all facilities relocated by mid-January 2015.

Albermarle Solar Center on Cunningham Road

Heelstone Energy plans to construct a 5 MW solar farm near the City owned Cunningham Road Substation. Power Services has estimated that the cost to construct the interconnection distribution feeder will be approximately \$196,516. The City will be reimbursed for all expenses related to the construction of this feeder. This project should be completed by December 31, 2014.

Rebuild of Circuit 510

Substation reports for this circuit indicate that the conductor is near capacity and needs to be upgraded. A request of \$465,000 was approved in the 2014-15 Budget to increase the conductor size from 336 ACSR to 795 ACSR and replace all poles and related hardware. This area feeds a predominately residential load and experienced major neutral relay operations due to load imbalance in January 2014. This project should be completed by June 30, 2015.

Cunningham Road Substation Regulator Replacement

The Long Range Plan identified the need for regulator replacements in the Cunningham Substation. Funds were approved in the 2014-15 Budget in the amount of \$135,000 for the needed equipment. All equipment should be installed by April 2015.

Replacement of existing substation breaker relays with Schweitzer SEL 351R

The existing Basler substation relays are very outdated and only rudimentary information is available from them. The SEL 351R is more functional and offers features such as wave form capture, fault current levels, event tracking, and data downloads. The 2014-15 Budget included \$143,000 approved for these new relays and installation should be completed by March 2015.

Riverwalk Project

The Recreation Department is working with the NC Department of Transportation to construct a river walk from Pearson Park to the Richard Caswell State Historic Site to the west and to the African-American Music Park to the east. Segment 1 has been funded through an NC Department of Transportation grant and the engineering and design of segment 2 and 3 have been funded. This project will allow the citizens of Kinston and Lenoir County to have a greenway for biking and walking along the Neuse River.

Disc Golf Course

Work will continue on the disc golf course on Tyndall Park Road (behind the old Sportlane Bowling Alley). The course is being built on flood buy-out land and has been approved by FEMA to start the building of the course. This will be the second disc golf course located in Kinston. The course will be developed by using volunteer labor and the Kinston/Lenoir County Disc Golf Association.

African-American Music Trail

Located on South Queen Street, the Parks & Recreation Department is assisting in the development of the African-American Music Trail. This park will honor the famous African-American musicians from Lenoir County. It has been funded through an NC Department of Transportation grant and a grant from the National Endowment of the Arts. The funds are being administered by the Community Council of the Arts, the City of Kinston and Lenoir County.

Woodmen Community Center

The Kinston-Lenoir County Parks and Recreation department continues to manage and expand the Lions Water Adventure due to the volume of people utilizing the facility. This facility has become the hub for recreation in Kinston and Lenoir County. The water park continues to attract visitors from all over eastern North Carolina.

Holloway Center

Improvements are being made to construct outdoor restrooms and a concession stand. This project will be completed using volunteers.

Lenoir County Skeet Range and Hunter Education Park

The department will work with the NC Department of Resources and the Skeet Range Association to develop a state of the art regional skeet range on the old Davis Street Landfill site. The project will be funded with private donations and the State of North Carolina. The Parks & Recreation Department will manage and operate the facility once it is developed by the State Wildlife Association.

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, 2013. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State Single Audit Implementation Act require annual independent audits of the City's compliance with the applicable laws and regulations related to certain financial assistance received by the City. The independent auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditor's reports on the compliance matters are included in a separate reporting package.

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

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

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

Respectfully submitted,



Catherine F. Gwynn, CPA
Finance Director



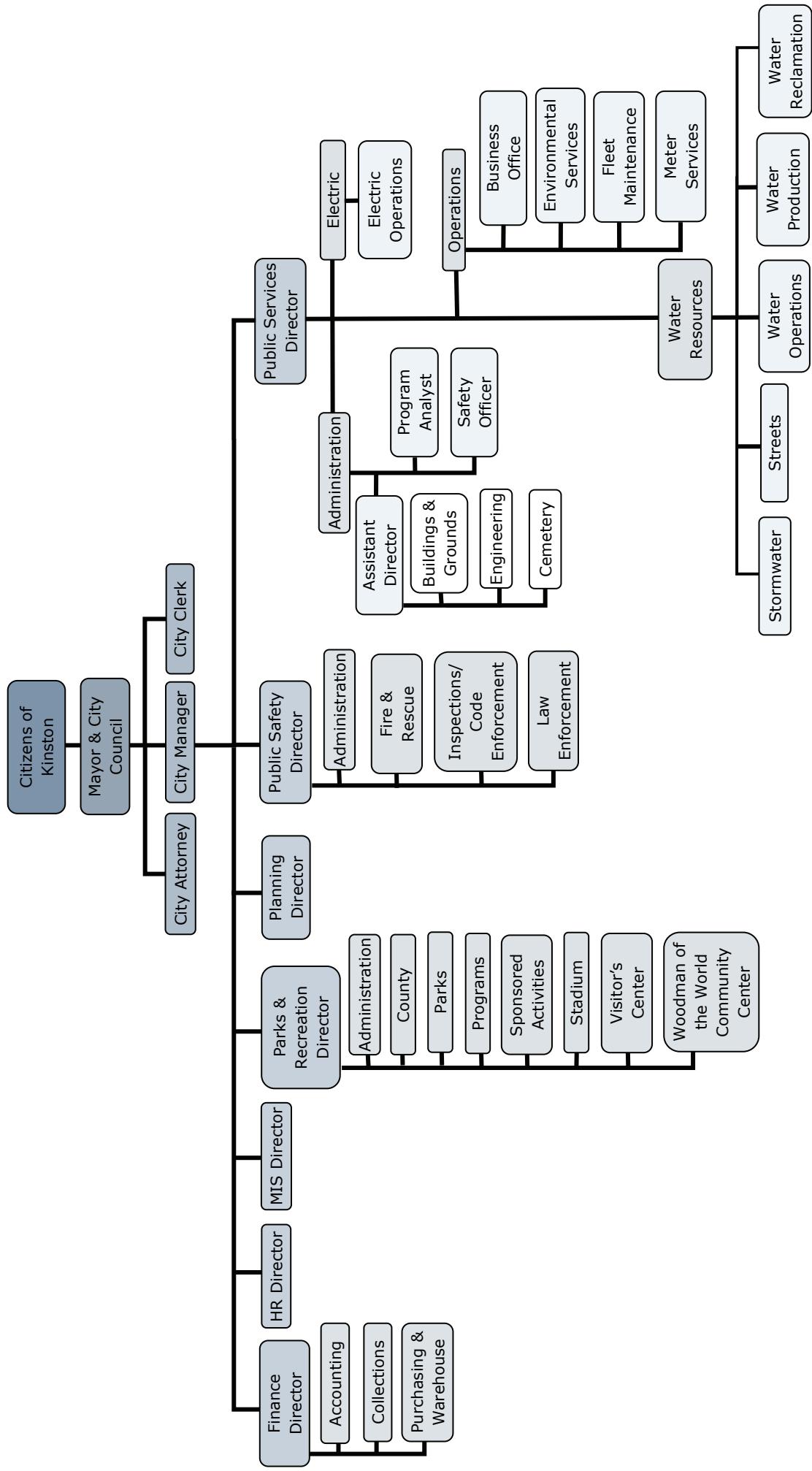
Tony Sears,
City Manager

City of Kinston
City Council
For the Year Ended
06/30/2014

B.J. Murphy, Mayor
Joseph M. Tyson, Mayor Pro-Tem
Kelly Jarman
Sammy C. Aiken
Wynn Whittington
Robert A. Swinson, IV

Tony Sears, City Manager
Christina Alphin, City Clerk
James P. Cauley, III, City Attorney

City of Kinston Organizational Structure FY 2013-2014





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, 2013

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

Executive Director/CEO

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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplemental Financial Data

Combining, Individual Fund Statements, and Schedules

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, North Carolina, as of June 30, 2014, and the respective changes in financial position and cash flows where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the City of Kinston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kinston's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 5, 2014

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City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

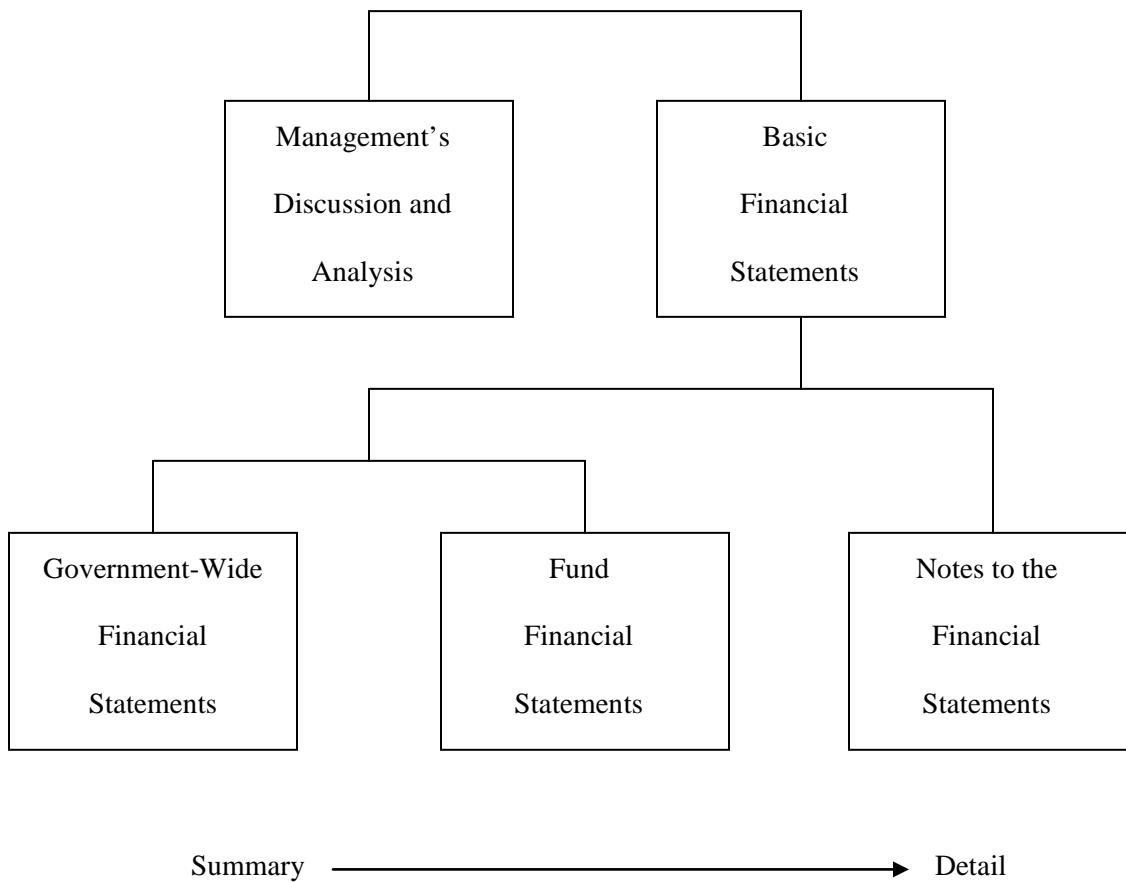
- The assets of the City of Kinston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$116,298,209 (*net position*).
- The government's total net position increased by \$4,674,434, which consists of an increase in the governmental-type activities net position and business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8.5 million, with a net change of \$1.7 million in fund balance. Approximately 20 percent of this total amount, or \$1.7 million, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7 million, or 38 percent, of total General Fund expenditures.
- The City's total debt decreased by \$2.4 million during the current fiscal year. This was primarily from repayment of principal. New debt was issued in the fiscal year in the form of an installment contract for the purchase of equipment in the amount of \$125,972.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

The fund financial statements are on pages 18-25 of this report.

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 basic financial statements begin on page 26 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 70 of this report.

Interdependence with Other Entities

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

Other Information

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

Government-Wide Financial Analysis

City of Kinston's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 11,716,908	\$ 9,508,601	\$ 24,163,356	\$ 21,318,187	\$ 35,880,264	\$ 30,826,788
Capital assets	<u>19,610,123</u>	<u>19,731,177</u>	<u>98,274,138</u>	<u>100,105,721</u>	<u>117,884,261</u>	<u>119,836,898</u>
Total assets	<u>31,327,031</u>	<u>29,239,778</u>	<u>122,437,494</u>	<u>121,423,908</u>	<u>153,764,525</u>	<u>150,663,686</u>
Liabilities:						
Long-term liabilities outstanding	11,139,087	11,461,812	17,499,447	19,506,944	28,638,534	30,968,756
Other liabilities	1,727,600	1,597,290	7,070,141	6,453,549	8,797,741	8,050,839
Deferred inflows of resources	<u>30,041</u>	<u>20,316</u>	<u>-</u>	<u>-</u>	<u>30,041</u>	<u>20,316</u>
Total liabilities and deferred inflows of resources	<u>12,896,728</u>	<u>13,079,418</u>	<u>24,569,588</u>	<u>25,960,493</u>	<u>37,466,316</u>	<u>39,039,911</u>
Net Position:						
Net investment in capital assets	10,623,321	10,389,743	81,092,577	81,307,560	91,715,898	91,697,303
Restricted	1,610,885	1,392,528	-	-	1,610,885	1,392,528
Unrestricted	<u>6,196,097</u>	<u>4,378,089</u>	<u>16,775,329</u>	<u>14,155,855</u>	<u>22,971,426</u>	<u>18,533,944</u>
Total net position	<u>\$ 18,430,303</u>	<u>\$ 16,160,360</u>	<u>\$ 97,867,906</u>	<u>\$ 95,463,415</u>	<u>\$ 116,298,209</u>	<u>\$ 111,623,775</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Kinston exceeded liabilities and deferred inflows by \$116 million as of June 30, 2014. The City's net position increased \$4.7 million for the fiscal year ended June 30, 2014. However, the largest portion (78.9 percent) reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position (1.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23.0 million, or 19.8 percent, is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.09 percent, which is comparable to the State-wide average of 96.91 percent.
- Reductions in spending across all governmental and business-type funds.

City of Kinston's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,965,978	\$ 1,596,739	\$ 75,643,628	\$ 71,630,631	\$ 78,609,606	\$ 73,227,370
Operating grants/contributions	1,030,180	1,000,944	-	-	1,030,180	1,000,944
Capital grants/contributions	416,577	480,472	518,754	455,292	935,331	935,764
General revenues:						
Property taxes	10,695,873	9,769,405	-	-	10,695,873	9,769,405
Other taxes	5,951,786	4,931,966	-	-	5,951,786	4,931,966
Other	276,812	626,423	32,704	34,260	309,516	660,683
Total revenues	<u>21,337,206</u>	<u>18,405,949</u>	<u>76,195,086</u>	<u>72,120,183</u>	<u>97,532,292</u>	<u>90,526,132</u>
Expenses:						
General government	3,285,740	3,736,119	-	-	3,285,740	3,736,119
Public safety	9,251,041	9,525,247	-	-	9,251,041	9,525,247
Public services	1,634,990	2,162,737	-	-	1,634,990	2,162,737
Community development	1,327,105	969,363	-	-	1,327,105	969,363
Culture and recreation	3,949,692	4,068,158	-	-	3,949,692	4,068,158
Interest on long-term debt	390,855	358,094	-	-	390,855	358,094
Electric	-	-	53,878,327	52,616,382	53,878,327	52,616,382
Water	-	-	7,157,044	6,681,717	7,157,044	6,681,717
Wastewater	-	-	6,263,399	6,140,791	6,263,399	6,140,791
Nonmajor fund	-	-	5,719,665	4,428,421	5,719,665	4,428,421
Total expenses	<u>19,839,423</u>	<u>20,819,718</u>	<u>73,018,435</u>	<u>69,867,311</u>	<u>92,857,858</u>	<u>90,687,029</u>
Increase in net position before transfers	1,497,783	(2,413,769)	3,176,651	2,252,872	4,674,434	(160,897)
Transfers	<u>772,160</u>	<u>1,100,100</u>	<u>(772,160)</u>	<u>(1,100,100)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	2,269,943	(1,313,669)	2,404,491	1,152,772	4,674,434	(160,897)
Net position, July 1	<u>16,160,360</u>	<u>17,474,029</u>	<u>95,463,415</u>	<u>94,310,643</u>	<u>111,623,775</u>	<u>111,784,672</u>
Net position, June 30	<u>\$ 18,430,303</u>	<u>\$ 16,160,360</u>	<u>\$ 97,867,906</u>	<u>\$ 95,463,415</u>	<u>\$ 116,298,209</u>	<u>\$ 111,623,775</u>

Total government-wide revenues of \$97.3 million were primarily derived from charges for services (81 percent) and other taxes (16 percent). The total expenses of all programs were \$92.7 million. The expenses cover a range of services with the two largest being electric services (58 percent), and public safety (fire/EMS, police, and inspections/code enforcement) (10 percent).

Governmental Activities

Governmental activities increased the City's net position by \$2.3 million, thereby, accounting for 49 percent of the total growth in the net position of the City of Kinston. Though the ongoing recession affected the City, the increase in net position was the result of a concerted effort to control costs and manage expenditures to minimize the impact of the recession on its citizens. 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 maximize tax collections. Though many of the City's residents were hit hard by the recession, tax revenue did not appreciably decline in the current year. City management acknowledges that 2014 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, one item in particular that stands out for management that will need to be addressed in the upcoming budgets is the upcoming tax revaluation to be effective in fiscal year 2017-2018.

Key elements of this increase are as follows:

- Revenues that do not provide current financial resources are not reported as revenues in the governmental funds and the amount of the change to revenues subject to "availability" decreased net position by \$0.21 million.
- The amount by which proceeds of long-term debt exceeded principal repayments in the governmental funds in the current period increased net position by \$0.37 million.
- Expenses related to the increase in vacation and sick pay and the increase in the net pension obligations that are not reported as expenditures in the governmental funds and represent a decrease in net position of \$0.04 million.

Business-Type Activities

Business-type activities increased the City's net position by \$2.4 million, thereby, accounting for 51 percent of the total growth in the net position of the City of Kinston.

Key elements of this increase are as follows:

- Increase in business revenues of \$4.1 million primarily due to increases in charges for services.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Kinston. At the end of the current fiscal year, available fund balance of the General Fund was \$7.0 million, while total fund balance was \$8.3 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 37 percent of total General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 44 percent of the same amount.

At June 30, 2014, the governmental funds of the City of Kinston reported a combined fund balance of \$8.5 million, a 2.5 percent increase from last year. The General Fund reported an increase in fund balance of \$1.4 million, primarily due to the issuance of installment debt for equipment and increased property and sales tax collections, while the nonmajor governmental funds reported a combined increase in fund balance of \$0.3 million.

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 City received additional local option sales tax and occupancy tax compared to original budget. Although expenditures were held in check overall to comply with its budgetary requirements, the City did amend the budget in the General Fund in Parks and Recreation to account for equipment purchased with installment debt proceeds.

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 \$6.4 million in the Electric Fund, \$3.1 million in the Water Fund, \$3.6 million in the Wastewater Fund, and \$2.1 million in the nonmajor enterprise funds. The Electric Fund, Water Fund, and the nonmajor funds experienced growth in net position of \$1.0 million, \$0.92 million, and \$0.68 million, respectively. The Wastewater Fund declined \$0.51 million.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2014, the City had \$119.8 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net decrease of \$3.1 million, or (2.5 percent), over last year.

The summary of capital assets at June 30, 2014 and 2013 is presented below:

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

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,482,916	\$ 3,482,916	\$ 1,222,643	\$ 1,222,643	\$ 4,705,559	\$ 4,705,559
Infrastructure	1,661,397	1,829,247	30,437	32,318	1,691,834	1,861,565
Buildings and improvements	9,027,910	9,331,819	33,996,335	35,091,730	43,024,245	44,423,549
Equipment and vehicles	1,322,137	1,315,450	1,315,273	746,024	2,637,410	2,061,474
Distribution system	-	-	59,837,230	61,905,649	59,837,230	61,905,649
Construction in progress	<u>4,115,763</u>	<u>3,771,745</u>	<u>1,872,220</u>	<u>1,107,362</u>	<u>5,987,983</u>	<u>4,879,107</u>
Total	<u><u>\$ 19,610,123</u></u>	<u><u>\$ 19,731,177</u></u>	<u><u>\$ 98,274,138</u></u>	<u><u>\$ 100,105,726</u></u>	<u><u>\$ 117,884,261</u></u>	<u><u>\$ 119,836,903</u></u>

This year's major capital asset additions included:

- Vehicle replacements – approximately 13 new police cars and work trucks at a cost \$775 thousand
- Equipment – IT infrastructure and other heavy-duty equipment at a cost of \$611 thousand
- Construction in process – various general fund projects – \$509 thousand
- Construction in process – various water and sewer projects – \$82 thousand
- Construction in process – various electric projects – \$172 thousand
- Construction in process – various stormwater projects – \$345 thousand

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

Long-Term Debt. At June 30, 2014, the City had \$26.2 million of debt outstanding in revenue bonds, installment purchases, and revolving loans to the State of North Carolina. Details by type of debt are presented in the following table.

City of Kinston's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Installment contracts	\$ 8,986,802	\$ 9,341,434	\$ 1,094,019	\$ 1,525,898	\$ 10,080,821	\$ 10,867,332
Revenue bonds	-	-	10,186,195	11,280,517	10,186,195	11,280,517
Notes payable	-	-	5,901,347	6,389,348	5,901,347	6,389,348
Total	\$ 8,986,802	\$ 9,341,434	\$ 17,181,561	\$ 19,195,763	\$ 26,168,363	\$ 28,537,197

City of Kinston's Outstanding Debt. The City's total outstanding debt decreased by \$2.4 million (4 percent) during the fiscal year, due to \$2.5 million in principal payments made against existing debt. New installment contract debt was issued in the fiscal year for \$.013 million. All scheduled debt service payments were made timely.

North Carolina General Statutes limit the amount of General Obligation Debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Kinston is \$109,114,280.

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

Economic Factors and Next Year's Budget and Rates

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

- During fiscal year 2014, seven residential and four non-residential units were constructed with a value of \$3.2 million.
- Retail sales for Lenoir County during 2014 were \$482 million.
- The current unemployment rate was 8.6 percent, compared to 6.7 percent for the State and 5.8 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2015

The following are highlights for the 2015 budgets for the governmental activities:

The most significant factors negatively impacting the 2015 budget is the lack of growth within the City and surrounding area, the escalating costs of doing business, and the overall weaknesses in the national, State, and local economies. However, locally all indications are that economic growth will accelerate as a major employer expands. As current and new employers expand, the City expects this to create a “domino effect” of other new businesses, as suppliers set-up, new homes are built, and retailers expand inventories. Other details on this appear in the introductory section letter of transmittal category of the comprehensive annual financial report.

General Fund revenues are estimated to remain flat while operating costs to maintain the same service levels have increased. To offset some of these increases, the City continues to defer capital outlay spending where possible. The City focused on street repaving and approved \$200 thousand for street resurfacing in 2015.

The City did not approve any cost of living or merit increases for City employees. No new positions were created and the full-time positions remain at 375 FTE's. There was a 2 percent increase in the cost of the City's portion of employee health insurance. The General Fund initial budget for 2014-2015 increased 3.4 percent from \$21.9 million to \$22.7 million. The increase in the new budget is attributable to increases in economic development reimbursements entered into by the City and City/County combined endeavors and various operational increases.. The property tax rate remains unchanged from the prior year.

The following are highlights for the 2015 budgets for the business-type activities:

- Water rates increased 15 percent in all rate classes and steps effective July 1, 2014.
- Wastewater and wholesale wastewater rates increased 7 percent for all rate classes and steps effective July 1, 2014.
- Electric rates, net 1 percent decrease effective July 1, 2014. Increase in the Municipal electric rate from \$.06/kwh to \$.07/kwh.

Contacting the City's Financial Management and Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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

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CITY OF KINSTON, NORTH CAROLINA**STATEMENT OF NET POSITION**
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 9,980,937	\$ 11,147,938	\$ 21,128,875
Receivables:			
Due from governmental agencies	556,710	-	556,710
Accounts receivables	875,656	1,002,382	1,878,038
Taxes receivable	828,625	-	828,625
Customer receivables, net	-	8,181,716	8,181,716
Internal balance	(854,865)	854,865	-
Inventories	329,845	1,237,682	1,567,527
Restricted cash and investments	-	1,738,773	1,738,773
Capital assets:			
Land and construction in process	7,598,679	3,094,863	10,693,542
Other capital assets, net of depreciation	12,011,444	95,179,275	107,190,719
Total assets	<u>31,327,031</u>	<u>122,437,494</u>	<u>153,764,525</u>
Liabilities, Deferred Inflows of Resources, and Net Position:			
Liabilities:			
Accounts payable and accrued expenses	1,445,382	5,206,823	6,652,205
Accrued interest payable	171,447	124,545	295,992
Advances from grantors	7,946	-	7,946
Prepaid fees	102,825	-	102,825
Liabilities payable from restricted assets:			
Customer deposits	-	1,738,773	1,738,773
Long-term liabilities:			
Due within one year	596,069	2,043,429	2,639,498
Due in more than one year	10,543,018	15,456,018	25,999,036
Total liabilities	<u>12,866,687</u>	<u>24,569,588</u>	<u>37,436,275</u>
Deferred Inflows of Resources:			
Prepaid property taxes	30,041	-	30,041
Total deferred inflows of resources:	<u>30,041</u>	<u>-</u>	<u>30,041</u>
Net Position:			
Net investment in capital assets	10,623,321	81,092,577	91,715,898
Restricted for:			
Stabilization by State statute	1,400,759	-	1,400,759
Public safety	1,676	-	1,676
Community development	133,151	-	133,151
Permanently restricted for cemetery perpetual maintenance	75,000	-	75,000
Temporarily restricted for cemetery perpetual maintenance	299	-	299
Unrestricted	<u>6,196,097</u>	<u>16,775,329</u>	<u>22,971,426</u>
Total net position	<u>\$ 18,430,303</u>	<u>\$ 97,867,906</u>	<u>\$ 116,298,209</u>

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,285,740	\$ 793,510	\$ -	\$ -
Public safety	9,251,041	343,103	168,119	-
Public services	1,634,990	-	751,206	-
Community development	1,327,105	444,731	110,855	362,000
Cultural and recreation	3,949,692	1,384,634	-	54,577
Interest on long-term debt	390,855	-	-	-
Total governmental activities	<u>19,839,423</u>	<u>2,965,978</u>	<u>1,030,180</u>	<u>416,577</u>
Business-Type Activities:				
Electric	53,878,327	55,407,387	-	518,754
Water	7,157,044	7,874,345	-	-
Wastewater	6,263,399	5,749,226	-	-
Nonmajor funds:				
Environmental services	2,916,580	3,164,162	-	-
Stormwater	703,134	1,158,631	-	-
Community Center services	2,099,951	2,289,877	-	-
Total business-type activities	<u>73,018,435</u>	<u>75,643,628</u>	<u>-</u>	<u>518,754</u>
Total primary government	<u>\$ 92,857,858</u>	<u>\$ 78,609,606</u>	<u>\$ 1,030,180</u>	<u>\$ 935,331</u>

General Revenues:

Taxes:
 Ad valorem
 Local option sales tax
 Franchise tax
 Other taxes
 Unrestricted intergovernmental
 Investment earnings, unrestricted
 Miscellaneous, unrestricted
 Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net Position:
 Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,492,230)	\$ -	\$ (2,492,230)
(8,739,819)	-	(8,739,819)
(883,784)	-	(883,784)
(409,519)	-	(409,519)
(2,510,481)	-	(2,510,481)
(390,855)	-	(390,855)
<u>(15,426,688)</u>	<u>-</u>	<u>(15,426,688)</u>
- 2,047,814	2,047,814	2,047,814
- 717,301	717,301	717,301
- (514,173)	(514,173)	(514,173)
- 247,582	247,582	247,582
- 455,497	455,497	455,497
<u>- 189,926</u>	<u>189,926</u>	<u>189,926</u>
<u>- 3,143,947</u>	<u>3,143,947</u>	<u>3,143,947</u>
<u>(15,426,688)</u>	<u>3,143,947</u>	<u>(12,282,741)</u>
10,695,873	-	10,695,873
3,243,976	-	3,243,976
1,884,314	-	1,884,314
408,524	-	408,524
402,458	-	402,458
12,514	32,704	45,218
<u>276,812</u>	<u>-</u>	<u>276,812</u>
16,924,471	32,704	16,957,175
<u>772,160</u>	<u>(772,160)</u>	<u>-</u>
<u>17,696,631</u>	<u>(739,456)</u>	<u>16,957,175</u>
2,269,943	2,404,491	4,674,434
<u>16,160,360</u>	<u>95,463,415</u>	<u>111,623,775</u>
<u>\$ 18,430,303</u>	<u>\$ 97,867,906</u>	<u>\$ 116,298,209</u>

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Other Governmental Funds	Total
Assets:			
Cash and investments	\$ 8,424,698	\$ 321,157	\$ 8,745,855
Receivables:			
Due from government agencies	556,710	-	556,710
Accounts receivable	370,773	424,722	795,495
Taxes receivable	828,625	-	828,625
Inventories	85,125	-	85,125
Total assets	<u>\$ 10,265,931</u>	<u>\$ 745,879</u>	<u>\$ 11,011,810</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 879,896	\$ 863	\$ 880,759
Due to other funds	-	341,794	341,794
Advances from grantors	7,946	-	7,946
Prepaid privilege licenses	102,825	-	102,825
Total liabilities	<u>990,667</u>	<u>342,657</u>	<u>1,333,324</u>
Deferred Inflows of Resources:			
Property taxes receivable	828,625	-	828,625
Prepaid property taxes	30,041	-	30,041
Pavement assessment receivables	96,114	-	96,114
Notes receivable	-	217,086	217,086
GTP fire taxes receivable	64	-	64
Total deferred inflows of resources:	<u>954,844</u>	<u>217,086</u>	<u>1,171,930</u>
Fund Balances:			
Non-spendable, not in spendable form:			
Inventories	85,125	-	85,125
Perpetual maintenance	-	75,000	75,000
Restricted:			
Stabilization by State statute	1,193,123	207,636	1,400,759
Restricted, all other	-	135,126	135,126
Committed	-	89,809	89,809
Assigned	-	20,359	20,359
Unassigned	7,042,172	(341,794)	6,700,378
Total fund balances	<u>8,320,420</u>	<u>186,136</u>	<u>8,506,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,265,931</u>	<u>\$ 745,879</u>	<u>\$ 11,011,810</u>

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance, governmental funds	\$ 8,506,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,610,123
A portion of the assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	482,269
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	1,141,889
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,310,534)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 18,430,303</u>

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 10,805,474	\$ -	\$ 10,805,474
Sales and services	1,605,774	-	1,605,774
Other taxes	5,536,814	-	5,536,814
Unrestricted intergovernmental	402,458	-	402,458
Restricted intergovernmental	848,404	598,353	1,446,757
Investment earnings	10,953	127	11,080
Other	265,061	9,214	274,275
Total revenues	19,474,938	607,694	20,082,632
Expenditures:			
Current:			
General government	1,939,339	-	1,939,339
Public safety	9,079,573	35,265	9,114,838
Public services	1,328,145	-	1,328,145
Parks and recreation	3,894,012	24,994	3,919,006
Community development	1,422,543	230,654	1,653,197
Debt service:			
Principal	480,604	-	480,604
Interest	388,074	-	388,074
Total expenditures	18,532,290	290,913	18,823,203
Revenues over (under) expenditures	942,648	316,781	1,259,429
Other Financing Sources (Uses):			
Transfers in	809,334	8,356	817,690
Transfers out	(496,846)	(9,334)	(506,180)
Long-term debt issued	125,972	-	125,972
Total other financing sources (uses)	438,460	(978)	437,482
Net change in fund balances	1,381,108	315,803	1,696,911
Fund Balances:			
Beginning of year - July 1	6,939,312	(129,667)	6,809,645
End of year - June 30	\$ 8,320,420	\$ 186,136	\$ 8,506,556

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

CITY OF KINSTON, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

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

Net change in fund balances - governmental funds (Exhibit D)	\$ 1,696,911
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	1,014,138
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,135,192)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment represents the amount of change related to revenues subject to the "availability" criteria.	2,526
Internal service funds are used to charge costs to individual funds. The net income of certain activities of the internal service funds are reported with governmental activities.	373,522
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which proceeds of long-term debt exceeded principal repayments in the governmental funds in the current period.	354,632
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	8,147
Expenses related to the increase in vacation and sick pay and the increase in the net pension obligation 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.	(44,741)
Total changes in net position of governmental activities	\$ <u>2,269,943</u>

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

CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance From Final Budget Over/Under	
	Original	Final	Actual		
Revenues:					
Ad valorem taxes	\$ 10,059,550	\$ 10,077,500	\$ 10,805,474	\$ 727,974	
Sales and services	1,643,144	1,682,862	1,605,774	(77,088)	
Other taxes and licenses	5,436,148	5,477,329	5,536,814	59,485	
Unrestricted intergovernmental	389,900	389,900	402,458	12,558	
Restricted intergovernmental	836,230	881,220	848,404	(32,816)	
Investment earnings	13,617	13,617	10,953	(2,664)	
Other	123,975	167,365	265,061	97,696	
Total revenues	<u>18,502,564</u>	<u>18,689,793</u>	<u>19,474,938</u>	<u>785,145</u>	
Expenditures:					
Current:					
General government	2,078,365	2,490,958	1,945,307	545,651	
Public safety	10,258,473	10,406,008	9,635,448	770,560	
Public services	1,919,165	1,922,165	1,437,104	485,061	
Parks and recreation	3,955,791	4,269,090	4,091,888	177,202	
Community development	1,176,357	1,590,775	1,422,543	168,232	
Total expenditures	<u>19,388,151</u>	<u>20,678,996</u>	<u>18,532,290</u>	<u>2,146,706</u>	
Revenues over (under) expenditures	<u>(885,587)</u>	<u>(1,989,203)</u>	<u>942,648</u>	<u>2,931,851</u>	
Other Financing Sources (Uses):					
Transfers in	800,000	811,500	809,334	(2,166)	
Transfers (out)	(493,490)	(496,846)	(496,846)	-	
Long-term debt issued	-	125,972	125,972	-	
Appropriated fund balance	579,077	1,548,577	-	(1,548,577)	
Total other financing sources	<u>885,587</u>	<u>1,989,203</u>	<u>438,460</u>	<u>(1,550,743)</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,381,108</u>	<u>\$ 1,381,108</u>	
Fund Balance:					
Beginning of year - July 1			<u>6,939,312</u>		
End of year - June 30			<u>\$ 8,320,420</u>		

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF FUND NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2014

	Major Enterprise Funds			Nonmajor Enterprise Funds		Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Enterprise Funds	Total	
Assets:						
Current assets:						
Cash and investments	\$ 2,534,750	\$ 1,993,392	\$ 3,137,897	\$ 1,823,495	\$ 9,489,534	\$ 2,893,486
Due from other funds	770,164	-	-	-	770,164	-
Accounts receivable	144,876	47,440	17,448	789,710	999,474	83,069
Customer receivables, net	6,461,599	1,002,453	717,664	-	8,181,716	-
Inventories	967,516	270,166	-	-	1,237,682	244,720
Restricted cash and equivalents	1,738,773	-	-	-	1,738,773	-
Total current assets	<u>12,617,678</u>	<u>3,313,451</u>	<u>3,873,009</u>	<u>2,613,205</u>	<u>22,417,343</u>	<u>3,221,275</u>
Non-current assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	577,040	41,276,198	-	45,525,128	19,468
Distribution system	38,962,785	15,317,573	51,733,135	-	106,013,493	-
Equipment	2,006,955	2,337,388	2,080,463	4,165,100	10,589,906	379,354
Accumulated depreciation	(23,871,858)	(11,958,196)	(27,883,914)	(3,288,575)	(67,002,543)	(327,298)
Construction in progress	919,173	-	440,310	344,861	1,704,344	167,876
Total capital assets, net	<u>21,891,325</u>	<u>6,340,410</u>	<u>68,599,850</u>	<u>1,221,386</u>	<u>98,052,971</u>	<u>239,400</u>
Total assets	<u>34,509,003</u>	<u>9,653,861</u>	<u>72,472,859</u>	<u>3,834,591</u>	<u>120,470,314</u>	<u>3,460,675</u>
Liabilities and Net Position:						
Current liabilities:						
Accounts payable and accrued liabilities	4,429,623	158,800	227,651	411,939	5,228,013	667,978
Due to other funds	-	-	-	-	-	428,370
Liabilities payable from restricted assets:						
Customer deposits	1,738,773	-	-	-	1,738,773	-
Current portion of compensated absences	17,097	14,824	9,239	17,158	58,318	24,815
Current portion of long-term debt	650,606	205,076	998,252	110,023	1,963,957	-
Total current liabilities	<u>6,836,099</u>	<u>378,700</u>	<u>1,235,142</u>	<u>539,120</u>	<u>8,989,061</u>	<u>1,121,163</u>
Non-current liabilities:						
Accrued compensated absences	51,290	44,472	27716	51,473	174,951	84,206
Long-term debt	4,816,990	1,238,213	8,913,821	248,580	15,217,604	-
Total non-current liabilities	<u>4,868,280</u>	<u>1,282,685</u>	<u>8,941,537</u>	<u>300,053</u>	<u>15,392,555</u>	<u>84,206</u>
Total liabilities	<u>11,704,379</u>	<u>1,661,385</u>	<u>10,176,679</u>	<u>839,173</u>	<u>24,381,616</u>	<u>1,205,369</u>
Net Position:						
Net investment in capital assets	16,423,729	4,897,121	58,687,777	862,783	80,871,410	239,400
Unrestricted	<u>6,380,895</u>	<u>3,095,355</u>	<u>3,608,403</u>	<u>2,132,635</u>	<u>15,217,288</u>	<u>2,015,906</u>
Total net position	<u>\$ 22,804,624</u>	<u>\$ 7,992,476</u>	<u>\$ 62,296,180</u>	<u>\$ 2,995,418</u>	<u>96,088,698</u>	<u>\$ 2,255,306</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>1,779,208</u>	
Total					<u>\$ 97,867,906</u>	

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
Operating Revenues:						
Charges for services	\$ 53,978,114	\$ 7,649,864	\$ 5,725,431	\$ 6,334,733	\$ 73,688,142	\$ 3,501,602
Other	775,218	215,012	19,900	273,401	1,283,531	2,947
Total operating revenues	<u>54,753,332</u>	<u>7,864,876</u>	<u>5,745,331</u>	<u>6,608,134</u>	<u>74,971,673</u>	<u>3,504,549</u>
Operating Expenses:						
Administration	-	-	-	-	-	1,462,203
Public service operations	-	-	-	-	-	1,093,682
Warehouse operations	-	-	-	-	-	528,457
Electrical operations	52,483,616	-	-	-	52,483,616	-
Environmental services	-	-	-	2,752,728	2,752,728	-
Stormwater services	-	-	-	639,349	639,349	-
Community Center services	-	-	-	2,103,610	2,103,610	-
Water production	-	442,677	-	-	442,677	-
Depreciation	1,019,631	450,479	2,271,626	232,342	3,974,078	21,113
Water operations	-	5,972,359	-	-	5,972,359	-
Wastewater plant operations	-	-	3,588,932	-	3,588,932	-
Claims reimbursement	-	-	-	-	-	278,367
Total operating expenses	<u>53,503,247</u>	<u>6,865,515</u>	<u>5,860,558</u>	<u>5,728,029</u>	<u>71,957,349</u>	<u>3,383,822</u>
Operating income (loss)	<u>1,250,085</u>	<u>999,361</u>	<u>(115,227)</u>	<u>880,105</u>	<u>3,014,324</u>	<u>120,727</u>
Non-Operating Revenues (Expenses):						
Interest earned on investments	8,918	2,892	15,798	2,864	30,472	3,666
Interest on long-term debt	(238,525)	(64,900)	(331,045)	(5,418)	(639,888)	-
Economic development reimbursements	-	(41,226)	(8,834)	-	(50,060)	-
Total non-operating revenues (expenses)	<u>(229,607)</u>	<u>(103,234)</u>	<u>(324,081)</u>	<u>(2,554)</u>	<u>(659,476)</u>	<u>3,666</u>
Income (loss) before capital contributions and transfers	<u>1,020,478</u>	<u>896,127</u>	<u>(439,308)</u>	<u>877,551</u>	<u>2,354,848</u>	<u>124,393</u>
Capital Contributions and Transfers:						
Capital contributions	518,754	-	-	-	518,754	-
Transfers in	300,000	91,500	-	-	391,500	460,650
Transfers (out)	(824,883)	(66,563)	(71,709)	(200,505)	(1,163,660)	-
Total contributions and transfers	<u>(6,129)</u>	<u>24,937</u>	<u>(71,709)</u>	<u>(200,505)</u>	<u>(253,406)</u>	<u>460,650</u>
Change in net position	<u>1,014,349</u>	<u>921,064</u>	<u>(511,017)</u>	<u>677,046</u>	<u>2,101,442</u>	<u>585,043</u>
Net Position:						
Beginning of year - July 1	<u>21,790,275</u>	<u>7,071,412</u>	<u>62,807,197</u>	<u>2,318,372</u>		<u>1,670,263</u>
End of year - June 30	<u>\$ 22,804,624</u>	<u>\$ 7,992,476</u>	<u>\$ 62,296,180</u>	<u>\$ 2,995,418</u>		<u>\$ 2,255,306</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>303,049</u>	
Total					<u>\$ 2,404,491</u>	

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

CITY OF KINSTON, NORTH CAROLINA**STATEMENT OF CASH FLOWS**
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
Cash Flows from Operating Activities:						
Cash received from customers	\$ 54,467,424	\$ 7,832,118	\$ 5,705,781	\$ 6,345,633	\$ 74,350,956	\$ 3,510,026
Cash paid to suppliers for goods and services	(51,261,795)	(5,056,958)	(2,763,214)	(3,396,688)	(62,478,655)	(1,075,991)
Cash paid to employees	(1,150,683)	(1,320,009)	(711,702)	(1,869,648)	(5,052,042)	(2,138,974)
Customer deposits	98,336	-	-	-	98,336	-
Net cash provided (used) by operating activities	<u>2,153,282</u>	<u>1,455,151</u>	<u>2,230,865</u>	<u>1,079,297</u>	<u>6,918,595</u>	<u>295,061</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers from other funds	300,000	91,500	-	-	391,500	460,650
Transfers to other funds	(824,883)	(66,563)	(71,709)	(200,505)	(1,163,660)	-
Advances to/from other funds	471,519	-	-	-	471,519	(269,926)
Net cash provided (used) by non-capital financing activities	<u>(53,364)</u>	<u>24,937</u>	<u>(71,709)</u>	<u>(200,505)</u>	<u>(300,641)</u>	<u>190,724</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(444,601)	(201,252)	(193,979)	(1,110,310)	(1,950,142)	(221,473)
Principal paid on general obligation bond maturities and equipment contracts	(725,310)	(200,254)	(978,614)	(110,023)	(2,014,201)	-
Interest paid on bonded indebtedness and equipment contracts	(238,525)	(64,900)	(331,045)	(5,418)	(639,888)	-
Contributed capital	518,754	-	-	-	518,754	-
Net cash provided (used) by capital and related financing activities	<u>(889,682)</u>	<u>(466,406)</u>	<u>(1,503,638)</u>	<u>(1,225,751)</u>	<u>(4,085,477)</u>	<u>(221,473)</u>
Cash Flows from Investing Activities:						
Interest on investments	8,918	2,892	15,798	2,864	30,472	3,666
Net cash provided (used) by investing activities	<u>8,918</u>	<u>2,892</u>	<u>15,798</u>	<u>2,864</u>	<u>30,472</u>	<u>3,666</u>
Net increase (decrease) in cash and cash equivalents/investments	1,219,154	1,016,574	671,316	(344,095)	2,562,949	267,978
Cash and Cash Equivalents/Investments:						
Beginning of year - July 1	<u>3,054,369</u>	<u>976,818</u>	<u>2,466,581</u>	<u>2,167,590</u>	<u>8,665,358</u>	<u>2,625,508</u>
End of year - June 30	<u>\$ 4,273,523</u>	<u>\$ 1,993,392</u>	<u>\$ 3,137,897</u>	<u>\$ 1,823,495</u>	<u>\$ 11,228,307</u>	<u>\$ 2,893,486</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,250,085	\$ 999,361	\$ (115,227)	\$ 880,105	\$ 3,014,324	\$ 120,727
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	1,019,631	450,479	2,271,626	232,342	3,974,078	21,113
Non-operating revenues (expenses)	-	(41,226)	(8,834)	-	(50,060)	-
Change in Assets and Liabilities:						
(Increase) decrease in accounts receivable	(285,908)	(19,850)	(39,550)	(262,501)	(607,809)	5,477
Increase (decrease) in customer deposits	98,336	-	-	-	98,336	-
Increase (decrease) in prepaid fees	-	(12,908)	-	-	(12,908)	-
(Increase) decrease in inventories	(9,777)	21,106	-	-	11,329	36,572
Increase (decrease) accounts payable	71,613	59,376	121,976	225,148	478,113	130,493
Increase (decrease) in compensated absences payable	<u>9,302</u>	<u>(1,187)</u>	<u>874</u>	<u>4,203</u>	<u>13,192</u>	<u>(19,321)</u>
Net cash provided (used) by operating activities	<u>\$ 2,153,282</u>	<u>\$ 1,455,151</u>	<u>\$ 2,230,865</u>	<u>\$ 1,079,297</u>	<u>\$ 6,918,595</u>	<u>\$ 295,061</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

The City reports the following major governmental fund:

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

The City reports the following nonmajor governmental funds:

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

Capital Project Funds. Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City has 13 capital project funds; the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

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

Proprietary funds include the following major funds:

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 Reserve Fund is consolidated with the Water Enterprise Fund (the operating fund) for financial reporting purposes.

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

The City reports the following nonmajor enterprise funds:

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

Stormwater Fund. The Stormwater Fund accounts for activities associated with building, improving, and maintaining the stormwater drainage system.

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 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 Inventory Internal Service Fund are accounted for in the governmental activities in the government-wide financial statements, and the individual fund data is provided in the Internal Service Fund section of the report. The Public Services Fund is accounted for in the business-type activities in the government-wide financial statements, and the individual fund data is provided in the Internal Service Fund section of the report.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem 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 to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. Intergovernmental revenues and sales and services are not susceptible to accrual, because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under 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 are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Budgetary Data

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

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

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

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

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

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

April 30: Each department head will transmit to the Budget Officer the departmental budget requests and revenue estimates for the budget year.

June 1: The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

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

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

Deposits 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.

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 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio securities are valued at fair value.

Cash and Cash Equivalents

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

Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Restricted cash at June 30, 2014, consists of the following:

Business-Type Activities:

Electric Fund - customer deposits	<u>\$ 1,738,773</u>
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CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Ad Valorem Taxes Receivable

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

Allowances for Doubtful Accounts

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

Inventory

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

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 are recorded at their estimated fair market value on the date of donation. General infrastructure assets acquired prior to July 1, 2003 consist of road networks that were acquired or received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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 BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The following estimated useful lives are used to compute depreciation:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City does not have any items that meet this criterion. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has five items that meet the criterion for this category - prepaid taxes, property taxes receivable, GTP fire taxes receivable, notes receivable, and pavement assessment receivables.

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 premium 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 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.

Compensated Absences

The vacation policy of the City provides for the accumulation of up to 30 days earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

as a result of employee resignations and retirements. The City has assumed a first-in/first-out method of using accumulated compensated time. The portion of the accumulated vacation pay that is estimated to be used within the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Position/Fund Balances

Net Position

Net position in 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 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:

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

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

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

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

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures in the 2010 JAG Recover Act Relief Project Fund and the 2012 Edward Byrne Memorial JAG Grant Fund.

Restricted for Community Development – portion of fund balance that is restricted by unspent grant proceeds solely for the Train Depot Capital Project Fund and the 2009 PSN GCC Project 61 Special Revenue Fund, and unspent donor proceeds for the College Street Railroad Crossing Project.

Restricted fund balance and net position at June 30, 2014 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>	<u>Governmental Activities</u>
Restricted, All Other:		
Community development	\$ 133,151	\$ 133,151
Perpetual care	299	75,299
Public safety	1,676	1,676
Total	<u>\$ 135,126</u>	<u>\$ 210,126</u>

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

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

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

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Committed fund balance at June 30, 2014, is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
General government	\$ 6,851
Public safety	17,411
Community development	57,297
Cultural and recreation	8,250
Total	<u>\$ 89,809</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. Revisions that alter the total expenditures of any fund or that change functional appropriations must be approved by the governing board at its next regular meeting.

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

Assigned fund balance at June 30, 2014, is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
Community development	<u>\$ 20,359</u>

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 8,320,420
Less:	
Inventories	85,125
Stabilization by State statute	<u>1,193,123</u>
Total available fund balance	<u>\$ 7,042,172</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>\$ 361,818</u>

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 BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, as follows:

Nonmajor Special Revenue Funds:

2011 Edward Byrne Memorial JAG Grant	\$ 115
2011 PSN GCC Crossing Boundaries Project	343
Hurricane Irene - FEMA - 4019-DR-NC	188,013

Nonmajor Capital Project Funds:

Battlefield Parkway/Soccer Complex	\$ 3,488
New Fire Station #3	19
CWMTF Flood Buy-Out II	20,680

Internal Service Funds:

Fleet Maintenance	\$ 180,825
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The deficit in the Internal Service Fund is expected to be funded by future analysis of internal fees. The deficits in the nonmajor special revenue funds and capital project funds are the result of revenue timing and will be funded by future grant revenues.

3. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the City's deposits had a carrying amount of \$16,289,545 and a bank balance of \$15,984,500. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2014, the City's petty cash fund totaled \$12,850.

Investments

At June 30, 2014, the City had \$6,565,253 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no formal policy regarding credit risk of its investments.

Receivables – Allowances for Doubtful Accounts

The receivables shown in the Balance Sheet and the Statement of Net Position at June 30, 2014 are net of the following allowances for doubtful accounts:

Fund	
General Fund:	
Taxes receivable	<u>\$ 141,840</u>
Enterprise Funds:	
Electric Fund	1,507,195
Water Fund	268,643
Wastewater Fund	222,456
Nonmajor enterprise funds	<u>120,338</u>
Total enterprise funds	<u>2,118,632</u>
 Total allowances for doubtful accounts	 <u>\$ 2,260,472</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Local option sales tax and other	
state shared revenues	\$ 480,537
State and local sales tax	<u>76,173</u>
Total	<u>\$ 556,710</u>

Long-Term Loan Receivables

The City has entered into several financing arrangements with unrelated third parties for the renovation and rehabilitation of certain structures within the City limits, which have resulted in long-term loan receivables for the City. These receivables are collateralized by deeds of trust on the underlying property; however, the City has considered the possibility of receiving these funds as remote and, accordingly, has not recorded them as part of the City's financial statements. These notes include a promissory note collateralized by a deed of trust on Grainger Place Apartments in the amount of \$612,000, due on December 31, 2033 at -0% interest, and a promissory note from Floyd II, LLC, collateralized by a deed of trust for Kinston Oaks Apartments in the amount of \$99,355, with payments due to start on the 31st anniversary of the completion date in the amount of 1/10 of the outstanding principal. The City issued a note receivable on February 27, 2014 in the amount of \$225,000 from Abby Gardens, LLC 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, 2014 is \$217,086.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets

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

Governmental Funds:

Capital Assets Not Being Depreciated:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Land	\$ 3,482,916	\$ -	\$ -	\$ 3,482,916
Construction in progress	3,771,745	344,018	-	4,115,763
Total capital assets not being depreciated	<u>7,254,661</u>	<u>344,018</u>	<u>-</u>	<u>7,598,679</u>

Capital Assets Being Depreciated:

Buildings and improvements	14,752,167	38,696	-	14,790,863
Equipment	4,436,802	485,415	-	4,922,217
Vehicles	7,048,105	135,385	(88,673)	7,094,817
Infrastructure	6,048,581	-	-	6,048,581
Total capital assets being depreciated	<u>32,285,655</u>	<u>659,496</u>	<u>88,673</u>	<u>32,856,478</u>

Less Accumulated Depreciation:

Buildings and improvements	(5,430,569)	(342,118)	(5,772,687)
Equipment	(3,896,329)	(237,308)	(4,133,637)
Vehicles	(6,273,128)	(385,304)	(6,569,759)
Infrastructure	(4,219,334)	(167,850)	(4,387,184)
Total accumulated depreciation	<u>(19,819,360)</u>	<u>\$ (1,132,580)</u>	<u>\$ 88,673</u>
Total capital assets being depreciated, net	<u>12,466,295</u>		<u>11,993,211</u>
Total	<u>\$ 19,720,956</u>		<u>\$ 19,591,890</u>

Employee Health and Insurance

Internal Service Fund:

Capital Assets Being Depreciated:

Buildings and improvements	\$ 19,468	\$ -	\$ -	\$ 19,468
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Less Accumulated Depreciation:

Buildings and improvements	(9,247)	(487)	-	(9,734)
Total accumulated depreciation	<u>(9,247)</u>	<u>\$ (487)</u>	<u>\$ -</u>	<u>(9,734)</u>
Total capital assets being depreciated, net	<u>10,221</u>			<u>9,734</u>

Total Employee Health and Insurance

Fund capital assets, net	<u>\$ 10,221</u>			<u>\$ 9,734</u>
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CITY OF KINSTON, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Fleet Maintenance Fund:				
Capital Assets Being Depreciated:				
Equipment	\$ 107,873	\$ 10,624	\$ -	\$ 118,497
Vehicles	66,879	-	-	66,879
Total capital assets being depreciated	<u>174,752</u>	<u>10,624</u>	<u>-</u>	<u>185,376</u>
Less Accumulated Depreciation:				
Equipment	(107,873)	(2,125)	-	(109,998)
Vehicles	(66,879)	-	-	(66,879)
Total accumulated depreciation	<u>(174,752)</u>	<u>\$ (2,125)</u>	<u>\$ -</u>	<u>(176,877)</u>
Total capital assets being depreciated, net	<u>-</u>			<u>8,499</u>
Fleet Maintenance Fund capital assets, net	<u>\$ -</u>			<u>\$ 8,499</u>
 Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,482,916	\$ -	\$ -	\$ 3,482,916
Construction in progress	3,771,745	344,018	-	4,115,763
Total capital assets not being depreciated	<u>7,254,661</u>	<u>344,018</u>	<u>-</u>	<u>7,598,679</u>
Capital Assets Being Depreciated:				
Buildings and improvements	14,771,635	38,696	-	14,810,331
Equipment	4,544,675	496,039	-	5,040,714
Vehicles	7,114,984	135,385	(88,673)	7,161,696
Infrastructure	6,048,581	-	-	6,048,581
Total capital assets being depreciated	<u>32,479,875</u>	<u>670,120</u>	<u>(88,673)</u>	<u>33,061,322</u>
Less Accumulated Depreciation:				
Buildings and improvements	(5,439,816)	(342,605)	-	(5,782,421)
Equipment	(4,004,202)	(239,433)	-	(4,243,635)
Vehicles	(6,340,007)	(385,304)	88,673	(6,636,638)
Infrastructure	(4,219,334)	(167,850)	-	(4,387,184)
Total accumulated depreciation	<u>(20,003,359)</u>	<u>\$ (1,135,192)</u>	<u>\$ 88,673</u>	<u>(21,049,878)</u>
Total capital assets being depreciated, net	<u>12,476,516</u>			<u>12,011,444</u>
Total governmental activities capital assets, net	<u>\$ 19,731,177</u>			<u>\$ 19,610,123</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

General government	\$ 101,236
Public safety	521,396
Public works	306,845
Parks and recreation	163,259
Community development	39,844
Internal service funds	2,612
Total	<u>\$ 1,135,192</u>

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Business-Type Activities:					
Electric Fund:					
Capital Assets Not Being Depreciated:					
Land	\$ 202,380	\$ -	\$ -	\$ -	\$ 202,380
Construction in progress	<u>748,631</u>	<u>170,542</u>	<u>-</u>	<u>-</u>	<u>919,173</u>
Total capital assets not being depreciated	<u>951,011</u>	<u>170,542</u>	<u>-</u>	<u>-</u>	<u>1,121,553</u>
Capital Assets Being Depreciated:					
Buildings and improvements	3,671,890	-	-	-	3,671,890
Equipment	691,044	41,415	-	-	732,459
Vehicles	1,274,496	-	-	-	1,274,496
Distribution system	<u>38,730,141</u>	<u>232,644</u>	<u>-</u>	<u>-</u>	<u>38,962,785</u>
Total capital assets being depreciated	<u>44,367,571</u>	<u>274,059</u>	<u>-</u>	<u>-</u>	<u>44,641,630</u>
Less Accumulated Depreciation:					
Buildings and improvements	(2,717,312)	(73,053)	-	-	(2,790,365)
Equipment	(666,535)	(32,792)	-	-	(699,327)
Vehicles	(1,064,941)	(103,714)	-	-	(1,168,655)
Distribution system	<u>(18,403,439)</u>	<u>(810,072)</u>	<u>-</u>	<u>-</u>	<u>(19,213,511)</u>
Total accumulated depreciation	<u>(22,852,227)</u>	<u>(1,019,631)</u>	<u>-</u>	<u>-</u>	<u>(23,871,858)</u>
Total capital assets being depreciated, net	<u>21,515,344</u>				<u>20,769,772</u>
Electric Fund capital assets, net	<u>22,466,355</u>				<u>21,891,325</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Water Fund:					
Capital Assets Not Being Depreciated:					
Land	66,605	-	-	-	66,605
Capital Assets Being Depreciated:					
Buildings and improvements	577,040	-	-	-	577,040
Equipment	821,666	74,120	(5,250)	-	890,536
Vehicles	1,324,609	127,132	(4,889)	-	1,446,852
Infrastructure	41,195	-	-	-	41,195
Distribution system	15,276,378	-	-	-	15,276,378
Total capital assets being depreciated	<u>18,040,888</u>	<u>201,252</u>	<u>(10,139)</u>	<u>-</u>	<u>18,232,001</u>
Less Accumulated Depreciation:					
Buildings and improvements	(577,040)	-	-	-	(577,040)
Equipment	(671,209)	(69,779)	5,250	-	(735,738)
Vehicles	(1,219,630)	(63,039)	4,889	-	(1,277,780)
Infrastructure	(8,877)	(1,881)	-	-	(10,758)
Distribution system	(9,041,100)	(315,780)	-	-	(9,356,880)
Total accumulated depreciation	<u>(11,517,856)</u>	<u>(450,479)</u>	<u>10,139</u>	<u>-</u>	<u>(11,958,196)</u>
Total capital assets being depreciated, net	<u>6,523,032</u>				<u>6,273,805</u>
Water Fund capital assets, net	<u>6,589,637</u>				<u>6,340,410</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Wastewater Fund:					
Capital Assets Not Being Depreciated:					
Land	953,658	-	-	-	953,658
Construction in progress	358,731	81,579	-	-	440,310
Total capital assets not being depreciated	<u>1,312,389</u>	<u>81,579</u>	<u>-</u>	<u>-</u>	<u>1,393,968</u>
Capital Assets Being Depreciated:					
Buildings and improvements	41,276,198	-	-	-	41,276,198
Equipment	1,781,753	25,767	-	-	1,807,520
Vehicles	249,262	23,681	-	-	272,943
Distribution system	51,670,183	62,952	-	-	51,733,135
Total capital assets being depreciated	<u>94,977,396</u>	<u>112,400</u>	<u>-</u>	<u>-</u>	<u>95,089,796</u>
Less Accumulated Depreciation:					
Buildings and improvements	(7,139,048)	(1,022,340)	-	-	(8,161,388)
Equipment	(1,760,385)	(11,813)	-	-	(1,772,198)
Vehicles	(237,123)	(7,771)	-	-	(244,894)
Distribution system	(16,475,732)	(1,229,702)	-	-	(17,705,434)
Total accumulated depreciation	<u>(25,612,288)</u>	<u>(2,271,626)</u>	<u>-</u>	<u>-</u>	<u>(27,883,914)</u>
Total capital assets being depreciated, net	<u>69,365,108</u>				<u>67,205,882</u>
Wastewater Fund capital assets, net	<u>70,677,497</u>				<u>68,599,850</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Environmental Services Fund:					
Capital Assets Being Depreciated:					
Equipment	464,782	65,331	-	-	530,113
Vehicles	2,425,199	682,118	(78,179)	-	3,029,138
Total capital assets being depreciated	<u>2,889,981</u>	<u>747,449</u>	<u>(78,179)</u>	-	<u>3,559,251</u>
Less Accumulated Depreciation:					
Equipment	(453,838)	(16,714)	-	-	(470,552)
Vehicles	(2,385,324)	(146,393)	78,179	-	(2,453,538)
Total accumulated depreciation	<u>(2,839,162)</u>	<u>(163,107)</u>	<u>78,179</u>	-	<u>(2,924,090)</u>
Total capital assets being depreciated, net	<u>50,819</u>				<u>635,161</u>
Environmental Services Fund capital assets, net	<u>50,819</u>				<u>635,161</u>
Stormwater Fund:					
Capital Assets Not Being Depreciated:					
Construction in progress	-	344,861	-	-	344,861
Capital Assets Being Depreciated:					
Equipment	62,400	18,000	-	-	80,400
Vehicles	356,230	-	-	-	356,230
Distribution system	<u>169,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,219</u>
Total capital assets being depreciated	<u>587,849</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>605,849</u>
Less Accumulated Depreciation:					
Equipment	(46,140)	(16,081)	-	-	(62,221)
Vehicles	(229,109)	(44,693)	-	-	(273,802)
Distribution system	(20,001)	(8,461)	-	-	(28,462)
Total accumulated depreciation	<u>(295,250)</u>	<u>(69,235)</u>	<u>-</u>	<u>-</u>	<u>(364,485)</u>
Total capital assets being depreciated, net	<u>292,599</u>				<u>241,364</u>
Stormwater Fund capital assets, net	<u>292,599</u>				<u>586,225</u>
Public Services Internal Service Fund:					
Capital Assets Not Being Depreciated:					
Construction in progress	-	167,876	-	-	167,876
Capital Assets Being Depreciated:					
Equipment	60,165	42,973	-	-	103,138
Vehicles	90,840	-	-	-	90,840
Total capital assets being depreciated	<u>151,005</u>	<u>42,973</u>	<u>-</u>	<u>-</u>	<u>193,978</u>
Less Accumulated Depreciation:					
Equipment	(39,381)	(15,823)	-	-	(55,204)
Vehicles	(82,805)	(2,678)	-	-	(85,483)
Total accumulated depreciation	<u>(122,186)</u>	<u>\$ (18,501)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(140,687)</u>
Total capital assets being depreciated, net	<u>28,819</u>				<u>53,291</u>
Public Services Fund capital assets, net	<u>28,819</u>				<u>221,167</u>
Business-type activities capital assets, net	<u>\$ 100,105,726</u>				<u>\$ 98,274,138</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Liabilities

Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2014, were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts and vouchers	\$ 839,376	\$ 5,085,260	\$ 5,924,636
Accrued payroll and related liabilities	226,006	121,563	347,569
Employee health unpaid claims	380,000	-	380,000
Total accounts payable and accrued liabilities	<u>1,445,382</u>	<u>5,206,823</u>	<u>6,652,205</u>

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Kinston contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.41%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Kinston are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$971,016, \$924,099, and \$967,629, respectively. The contributions made by the City equaled the required contributions for each year.

Law Enforcement Officers' Special Separation Allowance

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Retirees receiving benefits	12
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	73
Total	85

A separate financial report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The amortization period at December 31, 2012 was 18 years.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Annual required contribution	\$ 204,340
Interest on net pension obligation	59,816
Adjustment to annual required contribution	<u>(97,467)</u>
Annual pension cost	166,689
Contributions made	<u>163,177</u>
Increase in net pension obligation	3,512
Net pension obligation:	
Beginning of year - July 1	<u>1,196,311</u>
End of year - June 30	<u><u>\$ 1,199,823</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 175,156	63.34%	\$ 1,130,258
2013	193,690	65.90%	1,196,311
2014	166,689	97.89%	1,199,823

Funded Status and Funding Progress

As December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$2,074,364. The covered payroll (annual payroll of active employees covered by the plan) was \$3,299,649, and the ratio of the UAAL to the covered payroll was 62.87%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent 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, 2014 were \$199,274, which consisted of \$163,326 from the City and \$35,948 from the law enforcement officers.

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.

Years of Employment	Percentage of Pay
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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

At June 30, 2014, 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>6</u>
Total	<u><u>7</u></u>

A separate financial report was not issued for the plan.

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

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

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

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.25% to 8.55% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized on a level dollar open basis. The amortization period at July 1, 2013 was six years.

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

Annual required contribution	\$ 2,006
Interest on net pension obligation	1,962
Adjustment to annual required contribution	<u>(7,364)</u>
Annual pension cost	(3,396)
Contributions made	<u>5,407</u>
Increase (decrease) in net pension obligation	(8,803)
Net pension obligation:	
Beginning of year - July 1	<u>39,245</u>
End of year - June 30	<u><u>\$ 30,442</u></u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 761	1839.30%	\$ 51,108
2013	(885)	-1240.45%	39,245
2014	(3,396)	-159.22%	30,442

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$8,732. The covered payroll (annual payroll of active employees covered by the plan) was \$242,652, and the ratio of the UAAL to the covered payroll was 3.6 percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan

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 percent of the employees' compensation and all contributions and investment earnings are 100 percent 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, 2014 were \$321,384, which consisted of \$160,233 from the City and \$161,151 from the employees.

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

Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Kinston, to the Firefighters' and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing, multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Other Post-Employment Benefit

Healthcare Benefits

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

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

Retirees and dependents receiving benefits	59
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	187
Total	246

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

The current ARC rate is 3.37% of annual covered payroll. For the current year, the City contributed \$217,075, or 2.61%, of the annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers, represented 3.37% and 3.37% of covered payroll, respectively. There were no contributions made by employees. The City's obligation to contribute to the Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies

Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Annual OPEB Cost and Net Obligation

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 280,559
Interest on net OPEB obligation	6,898
Adjustments to annual required contribution	<u>(7,488)</u>
Annual OPEB cost (expense)	279,969
Contributions made	<u>(217,075)</u>
Increase (decrease) in net OPEB obligation	62,894
Net OPEB obligation:	
Beginning of year - July 1	<u>164,735</u>
End of year - June 30	<u>\$ 227,629</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 260,045	78.25%	\$ 108,184
2013	260,355	78.28%	164,735
2014	279,969	77.54%	227,629

Fund Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,138,266. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,328,243, and the ratio of the UAAL to the covered payroll was 37.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment,

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2013 was 25 years.

As of June 30, 2014, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die 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 BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

For the fiscal year ended June 30, 2014, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

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

No. Years Contributing	Years Relief	FY Contributions Resume
Less than 10	1	2014
10 - 20	2	2015
20 or more	3	2016

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

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, 2014, the City made contributions of \$51,835 for this additional group term life insurance.

Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
General Fund:		
Property taxes receivable	\$ 828,625	\$ -
Prepaid property taxes	-	30,041
Pavement assessment receivables	96,114	-
Notes receivable	217,086	-
GTP fire taxes receivable	64	-
Total	<u>\$ 1,141,889</u>	<u>\$ 30,041</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 \$278,367 in claims was incurred for benefits during fiscal year 2014.

Claims Liability

	Year Ended June 30	
	2014	2013
Unpaid claims, beginning of fiscal year	\$ 369,800	\$ 304,000
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	278,367	468,433
Payments and reduction in claims estimates	(268,167)	(402,633)
Unpaid claims, end of fiscal year	<u>\$ 380,000</u>	<u>\$ 369,800</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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Claims, Judgments, and Contingent Liabilities

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

Purchase Commitments

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

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

Long-Term Obligations

Installment Contracts

Year of Loan	Purpose and Collateral	Interest Rates	*** Effective		Balance June 30, 2014
			Interest Rates	Maturity	
Governmental Activities:					
2002	Grainger Stadium Renovations	5.65%		2017	\$ 482,759
2009	New Main Fire Station	4.75%		2049	3,009,802
2009	City Hall Renovations	4.38%		2039	1,710,459
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	85,576
2011	Fire Trucks	4.00%		2030	768,856
2012	Various Vehicles and Equipment	1.39%		2018	483,029
2012	Fire Station	3.50%		2043	2,337,500
2013	Recreation Mowers	5.65%		2020	108,821
Total governmental activities					<u>\$ 8,986,802</u>

CITY OF KINSTON, NORTH CAROLINA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Year of Loan	Purpose and Collateral	*** Effective			Balance June 30, 2014		
		Interest Rates	Interest Rates	Maturity			
Business-Type Activities:							
Water Fund							
2010	Various vehicles and equipment	3.38%	2.20%	2015	\$ 37,400		
2012	Various vehicles and equipment	1.39%		2018	<u>59,531</u>		
					<u>96,931</u>		
Wastewater Fund							
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	513,675		
2012	Various vehicles and equipment	1.39%		2018	<u>31,111</u>		
					<u>544,786</u>		
Electric Fund							
2010	Various vehicles and equipment	3.38%	2.20%	2015	<u>93,699</u>		
					<u>93,699</u>		
Environmental Services Fund							
2012	Various vehicles and equipment	1.39%		2018	<u>202,051</u>		
					<u>202,051</u>		
Stormwater Fund							
2010	Equipment	3.38%	2.20%	2015	10,590		
2012	Various vehicles and equipment	1.39%		2018	<u>145,962</u>		
					<u>156,552</u>		
Total business-type activities					\$ 1,094,019		

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Installment Contracts		Installment Contracts		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	\$ 491,910	\$ 369,467	\$ 342,284	\$ 34,162	\$ 834,194	\$ 403,629
2016	462,854	351,697	204,459	25,157	667,313	376,854
2017	470,688	334,151	208,522	19,352	679,210	353,503
2018	341,338	315,820	150,128	13,338	491,466	329,158
2019	187,333	305,107	91,953	8,412	279,286	313,519
2020-2024	1,031,995	1,405,874	96,673	3,691	1,128,668	1,409,565
2025-2029	1,264,265	1,173,615	-	-	1,264,265	1,173,615
2030-2034	1,348,801	897,348	-	-	1,348,801	897,348
2035-2039	1,509,691	610,837	-	-	1,509,691	610,837
2040-2044	1,102,600	291,636	-	-	1,102,600	291,636
2045-2049	775,327	113,788	-	-	775,327	113,788
2050-2054	-	-	-	-	-	-
Total	<u>\$ 8,986,802</u>	<u>\$ 6,169,340</u>	<u>\$ 1,094,019</u>	<u>\$ 104,112</u>	<u>\$ 10,080,821</u>	<u>\$ 6,273,452</u>

Installment contracts of the governmental activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$84,153 will be paid from the Wastewater Fund, \$93,699 from the Electric Fund, \$54,409 from the Water Fund, \$57,729 from the Environmental Services Fund, and \$52,294 from the StormWater Fund.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Notes Payable

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

Business-Type Activities:

Year of Loan	Purpose and Collateral	Interest Rates	Maturity	Balance June 30,2014
2003	Expansion to Sanitary Sewer System	2.66%	2023	\$ 737,808
2003	Expansion to Sanitary Sewer System	2.66%	2024	382,500
2007	Expansion to Sanitary Sewer System	2.27%	2027	4,781,039
Total business-type activities				\$ 5,901,347

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 488,001	\$ 138,091	\$ 626,092
2016	488,001	126,563	614,564
2017	488,001	115,034	603,035
2018	488,001	103,506	591,507
2019	488,001	91,978	579,979
2020-2024	2,358,026	286,969	2,644,995
2025-2028	1,103,316	49,980	1,153,296
Total	<u>\$ 5,901,347</u>	<u>\$ 912,122</u>	<u>\$ 6,813,469</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Revenue Bonds

Revenue bonds outstanding at June 30, 2014 are as follows:

Water Fund:

\$1,392,161 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	<u>\$ 1,346,358</u>
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Wastewater Fund:

\$882,612 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	853,573
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\$2,536,000 - Combined Enterprise System Revenue Bonds, 2004 Series, due in semi-annual installments through June 15, 2019; interest at 4.25%	1,028,022
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\$2,350,000 - Combined Enterprise System Revenue Bonds, 2008 Series, due in semi-annual installments through October 15, 2023; interest at 3.72%	<u>1,584,345</u>
Total	<u>3,465,940</u>

Electric Fund:

\$3,500,227 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	3,385,069
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\$2,950,000 - Combined Enterprise System Revenue Bonds, Series 2008, due in semi-annual installments through October 15, 2023; interest at 3.72%	<u>1,988,828</u>
Total	<u>5,373,897</u>

Total Revenue Bonds	<u>\$10,186,195</u>
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CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,133,672	\$ 409,058	\$ 1,542,730
2016	1,268,704	363,199	1,631,903
2017	1,324,704	309,865	1,634,569
2018	1,381,453	255,328	1,636,781
2019	1,434,065	198,290	1,632,355
2020-2024	<u>3,643,597</u>	<u>291,588</u>	<u>3,935,185</u>
Total	<u>\$ 10,186,195</u>	<u>\$ 1,827,328</u>	<u>\$ 12,013,523</u>

\$150,667 of the current portion will be paid from the Water Fund, \$426,098 from the Wastewater Fund, and \$556,907 from the Electric Fund.

Revenue Bond Covenants

The Series 2004, 2005, and 2008 revenue bonds are special obligations of the City, secured solely by the pledge of net revenue of the City's enterprise funds. Pursuant to the bond and related agreements, the City has made certain covenants that provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 1.25 for parity indebtedness and 1.00 for parity and subordinated indebtedness. In addition, rates must be set at levels to provide for the payment of current expenses and to provide deposits to meet certain trust fund requirements associated with the bond agreements. Principal and interest payments for the fiscal year ended June 30, 2014 were \$1,094,320 and \$1,282,142, respectively. Total customer revenue for the City's enterprise funds totaled \$63,391,147 for the year ended June 30, 2014.

The debt service coverage ratio calculation for the year ended June 30, 2014 is as follows:

Operating revenues	\$ 68,391,147
Operating expenses*	<u>62,487,584</u>
Income available for debt service	<u>5,903,563</u>
Debt service, principal and interest	
interest paid (parity debt)	<u>\$ 2,376,462</u>
Debt service coverage ratio for parity debt	<u>2.48</u>

*Per rate covenants; this does not include the depreciation expense of \$3,974,078.

At June 30, 2014, the City was in compliance with the bond covenants described above.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Other Long-Term Debt Disclosures

North Carolina General Statutes limit certain indebtedness of the City to an amount not greater than eight percent (8%) of the appraised value of property subject to taxation by the City. At June 30, 2014, the legal debt limit for the City was \$125,096,448, providing a legal debt margin of \$109,114,280.

At June 30, 2014, the City has no authorized bonds remaining to be issued.

Changes in Long-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2014 is as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	Current Portion of Balance
Governmental Funds:					
Accrued compensated absences	\$ 682,849	\$ 405,785	\$ 418,647	\$ 669,987	\$ 100,498
Police separation allowance	1,196,311	166,689	163,177	1,199,823	-
Separation allowance plan	39,245	-	8,803	30,442	-
Installment contracts	9,341,434	125,972	480,604	8,986,802	491,910
OPEB liability	164,735	279,969	217,075	227,629	-
Total	<u>\$ 11,424,574</u>	<u>\$ 978,415</u>	<u>\$ 1,288,306</u>	<u>\$ 11,114,683</u>	<u>\$ 592,408</u>
Employee Health and Insurance Fund:					
Accrued compensated absences	\$ 10,268	2,430	12,698	-	-
Total	<u>\$ 10,268</u>	<u>2,430</u>	<u>12,698</u>	<u>-</u>	<u>-</u>
Fleet Maintenance Fund:					
Accrued compensated absences	\$ 26,970	1,479	4,045	24,404	3,661
Total	<u>\$ 26,970</u>	<u>1,479</u>	<u>4,045</u>	<u>24,404</u>	<u>3,661</u>
Governmental Activities:					
Accrued compensated absences	\$ 720,087	\$ 409,694	\$ 435,390	\$ 694,391	\$ 104,159
Police separation allowance	1,196,311	3,512	-	1,199,823	-
Separation allowance plan	39,245	-	8,803	30,442	-
Installment contracts	9,341,434	125,972	480,604	8,986,802	491,910
OPEB liability	164,735	62,894	-	227,629	-
Total governmental acitivities	<u>\$ 11,461,812</u>	<u>\$ 602,072</u>	<u>\$ 924,797</u>	<u>\$ 11,139,087</u>	<u>\$ 596,069</u>

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Long-term liability activity for business-type activities for the year ended June 30, 2014, is as follows:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Current Portion of Balance</u>
Major Enterprise Funds:					
Water Fund:					
Accrued compensated absences	\$ 60,483	\$ 13,934	\$ 15,121	\$ 59,296	\$ 14,824
Installment contracts	151,340	-	54,409	96,931	54,409
Revenue bonds	<u>1,492,203</u>	<u>-</u>	<u>145,845</u>	<u>1,346,358</u>	<u>150,667</u>
Total	<u><u>1,704,026</u></u>	<u><u>13,934</u></u>	<u><u>215,375</u></u>	<u><u>1,502,585</u></u>	<u><u>219,900</u></u>
Wastewater Fund:					
Accrued compensated absences	\$ 36,081	\$ 9,894	\$ 9,020	\$ 36,955	\$ 9,239
Notes payable	6,389,348	-	488,001	5,901,347	488,001
Installment contracts	625,263	-	80,477	544,786	84,153
Revenue bonds	<u>3,876,076</u>	<u>-</u>	<u>410,136</u>	<u>3,465,940</u>	<u>426,098</u>
Total	<u><u>10,926,768</u></u>	<u><u>9,894</u></u>	<u><u>987,634</u></u>	<u><u>9,949,028</u></u>	<u><u>1,007,491</u></u>
Electric Fund:					
Accrued compensated absences	\$ 59,085	\$ 24,073	\$ 14,771	\$ 68,387	\$ 17,097
Installment contracts	280,669	-	186,970	93,699	93,699
Revenue bonds	<u>5,912,237</u>	<u>-</u>	<u>538,340</u>	<u>5,373,897</u>	<u>556,907</u>
Total	<u><u>6,251,991</u></u>	<u><u>24,073</u></u>	<u><u>740,081</u></u>	<u><u>5,535,983</u></u>	<u><u>667,703</u></u>
Nonmajor Enterprise Funds:					
Environmental Services Fund:					
Accrued compensated absences	\$ 52,797	\$ 9,235	\$ 13,199	\$ 48,833	\$ 12,208
Installment contracts	259,780	-	57,729	202,051	57,729
Total	<u><u>312,577</u></u>	<u><u>9,235</u></u>	<u><u>70,928</u></u>	<u><u>250,884</u></u>	<u><u>69,937</u></u>
Stormwater Fund:					
Accrued compensated absences	\$ 11,214	\$ 6,302	\$ 2,804	\$ 14,712	\$ 3,678
Installment contracts	208,846	-	52,294	156,552	52,294
Total	<u><u>220,060</u></u>	<u><u>6,302</u></u>	<u><u>55,098</u></u>	<u><u>171,264</u></u>	<u><u>55,972</u></u>
Woodmen of the World Community Center Fund:					
Accrued compensated absences	\$ 417	\$ 4,773	\$ 104	\$ 5,086	\$ 1,272
Total	<u><u>417</u></u>	<u><u>4,773</u></u>	<u><u>104</u></u>	<u><u>5,086</u></u>	<u><u>1,272</u></u>
Public Services Internal Service Fund:					
Accrued compensated absences	\$ 91,104	\$ 16,289	\$ 22,776	\$ 84,617	\$ 21,154
Total	<u><u>91,104</u></u>	<u><u>16,289</u></u>	<u><u>22,776</u></u>	<u><u>84,617</u></u>	<u><u>21,154</u></u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	Current Portion of Balance
Total Business-Type Activities:					
Accrued compensated absences	\$ 311,181	\$ 84,500	\$ 77,795	\$ 317,886	\$ 79,472
Notes payable	6,389,348	-	488,001	5,901,347	488,001
Installment contracts	1,525,898	-	431,879	1,094,019	342,284
Revenue bonds	<u>11,280,516</u>	<u>-</u>	<u>1,094,321</u>	<u>10,186,195</u>	<u>1,133,672</u>
Total	<u>\$ 19,506,943</u>	<u>\$ 84,500</u>	<u>\$ 2,091,996</u>	<u>\$ 17,499,447</u>	<u>\$ 2,043,429</u>

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2014, is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 19,610,123	\$ 98,274,138
Long-term debt	<u>8,986,802</u>	<u>17,181,561</u>
Net investment in capital assets	<u>\$ 10,623,321</u>	<u>\$ 81,092,577</u>

Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances as of June 30, 2014 are as follows:

Receivable Fund	Payable Fund				
	Nonmajor Governmental	Water Fund	Nonmajor Enterprise Fund	Internal Service Fund	Total
	Governmental	Water Fund	Enterprise Fund	Internal Service Fund	Total
Electric Fund	\$ 341,794	\$ -	\$ -	\$ 428,370	\$ 770,164

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Interfund Transfers

The following is a detailed schedule of interfund transfers for the year ended June 30, 2014:

Transfers In	Transfers Out						Total
	Major	Major	Major	Major	Nonmajor	Nonmajor	
	General	Electric	Water	Wastewater	Enterprise	Governmental	
Transfers In	Fund	Fund	Fund	Fund	Fund	Fund	
Major General Fund	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ 9,334	\$ 809,334
Major Electric Fund	300,000	-	-	-	-	-	300,000
Major Water Fund	-	-	-	63,000	28,500	-	91,500
Nonmajor governmental funds	8,356	-	-	-	-	-	8,356
Internal service funds	188,490	24,883	66,563	8,709	172,005	-	460,650
Total	<u>\$ 496,846</u>	<u>\$ 824,883</u>	<u>\$ 66,563</u>	<u>\$ 71,709</u>	<u>\$ 200,505</u>	<u>\$ 9,334</u>	<u>\$ 1,669,840</u>

Transfers out from the General Fund to the nonmajor governmental funds were to fund the match portion of the 2012 Federal Bullet-Proof Vest Partnership and the City's matching funds for the CDBG Catalyst Grant Kinston Slum and Blight Initiative. Transfers from all funds to the internal service funds were for shortfalls in Internal Service Fund charges for services. Transfers out from the Electric Fund to the General Fund were made to pay non-allocable administrative expenditures in the receiving fund related to the management of the transferring fund. Transfer from the Stormwater Fund to Water Fund was to reimburse the Water Fund for use of pipe cleaning and pipeline televising services. Transfer from the Wastewater Fund to the Water Fund represents project assets that have been allocated to service the Water Fund.

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Kinston has recognized on-behalf payments for pension contributions made by the State as a revenue and an expenditure of \$1,360 for the 18 employed firemen who perform firefighting duties for the City's fire department. The employees elected to be members of the Firemen's and Rescue Workers' Pension Fund, a cost-sharing, multiple-employer public-employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

Also, the City has recognized as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$19,800 for the salary supplement and stipend benefits paid to eligible firemen by the local Board of Trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2014. Under State law, the local Board of Trustees for the Fund receives an amount each year, which the Board may use at its own discretion for eligible firemen or their departments.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

4. Jointly Governed Organizations

North Carolina Eastern Municipal Power Agency

The City, in conjunction with thirty-one 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 thirty-two 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, 2014 were \$46,754,841.

Eastern Carolina Council of Governments

The City, in conjunction with seven counties and twenty-eight 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 fourteen-member Board of Directors. The City provided no funding to the Commission during the year ended June 30, 2014.

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 \$214,409 of funding for the Authority for the year ended June 30, 2014.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. During the year ended June 30, 2014, the City provided \$190,000 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 Housing Authority

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

5. Federal and State-Assisted Programs

The City has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the possible refund of grant monies.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Separation Allowance Plan
- Other Post-Employment Benefits – Retiree Health Plan

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CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 1,526,173	\$ 1,526,173	0.00%	\$ 3,714,193	41.09%
12/31/2009	-	1,828,803	1,828,803	0.00%	3,799,983	48.13%
12/31/2010	-	1,754,219	1,754,219	0.00%	3,472,141	50.52%
12/31/2011	-	1,996,069	1,996,069	0.00%	3,646,237	54.74%
12/31/2012	-	1,935,700	1,935,700	0.00%	3,452,899	56.06%
12/31/2013	-	2,074,364	2,074,364	0.00%	3,299,649	62.87%

CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2014**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 155,141	36.38%
2010	170,012	33.95%
2011	200,463	42.74%
2012	185,449	59.82%
2013	207,514	78.63%
2014	204,340	79.86%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation.

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None

* Includes inflation at 3.00%

CITY OF KINSTON, NORTH CAROLINA

SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial			Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)					
7/01/2009	\$ -	\$ 104,970		\$ 104,970	0.00%	\$ 832,512	12.61%
7/01/2010	-	57,206		57,206	0.00%	708,111	8.08%
7/01/2011	-	48,450		48,450	0.00%	514,985	9.41%
7/01/2012	-	31,542		31,542	0.00%	498,551	6.33%
7/01/2013	-	10,652		10,652	0.00%	243,696	4.37%
7/01/2014	-	8,732		8,732	0.00%	242,652	3.60%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 28,990		\$ 36,536	126.03%
2010	21,179		18,792	88.73%
2011	11,060		15,870	143.49%
2012	9,617		13,997	145.54%
2013	6,150		10,978	178.50%
2014	2,006		5,407	269.54%

Notes to the Required Schedules:

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

Valuation date	7/1/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Medical cost trend rate	4.25% to 8.55%
Year of ultimate trend rate	N/A

* Includes inflation at 3.00%

CITY OF KINSTON, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 245,575		\$ 218,494	88.97%
2010	234,694		220,273	93.86%
2011	234,694		224,791	95.78%
2012	259,761		203,494	78.34%
2013	280,559		203,494	72.53%
2014	280,559		217,075	77.37%

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	25 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	N/A
Ultimate trend rate	N/A
Year of ultimate trend rate	N/A

* Includes inflation at 3.00%

MAJOR FUNDS

- General Fund
- Electric Fund
- Water Fund
- Wastewater Fund

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GENERAL FUND

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

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CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
BALANCE SHEET
JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	2014	2013
Assets:		
Cash and investments	\$ 8,424,698	\$ 6,912,023
Receivables:		
Due from governmental agencies	556,710	577,149
Accounts receivable	370,773	371,680
Taxes receivable	828,625	938,226
Inventories	85,125	89,785
Total assets	<u>\$ 10,265,931</u>	<u>\$ 8,888,863</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 879,896	\$ 764,928
Advances from grantors	7,946	12,151
Prepaid privilege licenses	102,825	115,249
Total liabilities	<u>990,667</u>	<u>892,328</u>
Deferred Inflows of Resources:		
Property taxes receivable	828,625	938,226
Prepaid property taxes	30,041	20,316
Pavement assessment receivables	96,114	98,622
GTP fire taxes receivable	64	59
Total deferred inflows of resources:	<u>954,844</u>	<u>1,057,223</u>
Fund Balance:		
Non-spendable, not in spendable form:		
Inventories	85,125	89,785
Restricted:		
Stabilization by State statute	1,193,123	1,051,988
Unassigned	7,042,172	5,797,539
Total fund balance	<u>8,320,420</u>	<u>6,939,312</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,265,931</u>	<u>\$ 8,888,863</u>

CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 9,997,500	\$ 10,665,557	\$ 668,057	\$ 9,586,396
Penalties and interest	80,000	139,917	59,917	92,384
Total	<u>10,077,500</u>	<u>10,805,474</u>	<u>727,974</u>	<u>9,678,780</u>
Sales and Services:				
Rents, concessions, and fees	292,069	305,921	13,852	281,268
Inspection fees	160,000	126,446	(33,554)	176,202
Cemetery fees	186,000	172,655	(13,345)	206,640
Cable franchise	166,141	171,752	5,611	147,549
Lenoir County Participation: Recreation	843,300	829,000	(14,300)	829,000
Woodmen Foundation Reimbursement - Recreation	35,352	-	(35,352)	314,463
Total	<u>1,682,862</u>	<u>1,605,774</u>	<u>(77,088)</u>	<u>1,955,122</u>
Other Taxes and Licenses:				
Local government sales tax	3,324,550	3,243,976	(80,574)	2,925,258
Franchise tax	1,775,579	1,884,314	108,735	1,587,545
Occupancy tax	210,000	207,838	(2,162)	187,437
Gross receipts tax	32,000	43,146	11,146	38,761
Licenses and permits	64,300	78,717	14,417	106,336
GTP fire protection taxes	70,900	78,823	7,923	86,629
Total	<u>5,477,329</u>	<u>5,536,814</u>	<u>59,485</u>	<u>4,931,966</u>
Unrestricted Intergovernmental:				
Payment in lieu of taxes	254,400	259,298	4,898	261,340
Beer and wine tax	100,000	93,921	(6,079)	87,116
ABC revenue	35,500	49,239	13,739	51,803
Total	<u>389,900</u>	<u>402,458</u>	<u>12,558</u>	<u>400,259</u>
Restricted Intergovernmental:				
Powell Bill allocations	616,990	630,620	13,630	625,891
School resource officer	82,000	84,789	2,789	81,704
NC Department of Transportation	171,240	120,586	(50,654)	90,034
Federal drug forfeiture	-	2,002	2,002	17,878
Court allocation	-	66	66	698
Forfeited drug proceeds	10,990	10,341	(649)	8,550
Total	<u>881,220</u>	<u>848,404</u>	<u>(32,816)</u>	<u>824,755</u>

CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Other Revenue:				
Investment income	13,617	10,953	(2,664)	13,425
Sales of surplus materials and assets	35,000	38,172	3,172	97,899
Miscellaneous	132,365	226,889	94,524	104,160
Total	180,982	276,014	95,032	215,484
Total revenues	18,689,793	19,474,938	785,145	18,006,366
Expenditures:				
General government	2,490,958	1,945,307	545,651	1,996,003
Public safety	10,406,008	9,635,448	770,560	9,376,755
Public services	1,922,165	1,437,104	485,061	1,946,233
Parks and recreation	4,269,090	4,091,888	177,202	4,117,618
Community development	1,590,775	1,422,543	168,232	1,042,139
Total expenditures	20,678,996	18,532,290	2,146,706	18,478,748
Revenues over (under) expenditures	(1,989,203)	942,648	2,931,851	(472,382)
Other Financing Sources (Uses):				
Appropriated fund balance	1,548,577	-	(1,548,577)	-
Transfers in	811,500	809,334	(2,166)	800,000
Transfers out	(496,846)	(496,846)	-	(227,287)
Long-term debt issued	125,972	125,972	-	621,038
Total other financing sources (uses):	1,989,203	438,460	(1,550,743)	1,193,751
Net change in fund balance	\$ -	1,381,108	\$ 1,381,108	721,369
Fund Balance:				
Beginning of year - July 1		6,939,312		6,217,943
End of year - June 30		\$ 8,320,420		\$ 6,939,312

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NONMAJOR FUND TYPES

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Governmental Fund Types			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	
			Temple Israel Perpetual Care Fund	Total
Assets:				
Cash and investments	\$ 82,755	\$ 163,103	\$ 75,299	\$ 321,157
Receivables	371,395	53,327	-	424,722
Total assets	<u>\$ 454,150</u>	<u>\$ 216,430</u>	<u>\$ 75,299</u>	<u>\$ 745,879</u>
Liabilities, Deferred Infows of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 863	\$ -	\$ -	\$ 863
Due to other funds	301,280	40,514	-	341,794
Total liabilities	<u>\$ 302,143</u>	<u>\$ 40,514</u>	<u>\$ -</u>	<u>\$ 342,657</u>
Deferred Infows of Resources:				
Notes receivable	217,086	-	-	217,086
Total deferred infows of resources	<u>217,086</u>	<u>-</u>	<u>-</u>	<u>217,086</u>
Fund Balances:				
Non-spendable, not in spendable form:				
Perpetual maintenance	-	-	75,000	75,000
Restricted:				
Stabilization by State statute	154,309	53,327	-	207,636
Restricted, all other	29,776	105,051	299	135,126
Committed	31,757	58,052	-	89,809
Assigned	20,359	-	-	20,359
Unassigned	(301,280)	(40,514)	-	(341,794)
Total fund balances	<u>(65,079)</u>	<u>175,916</u>	<u>75,299</u>	<u>186,136</u>
Total liabilities, deferred infows of resources, and fund balances	<u>\$ 454,150</u>	<u>\$ 216,430</u>	<u>\$ 75,299</u>	<u>\$ 745,879</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Fund Types				
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total	
Revenues:					
Intergovernmental revenue	\$ 181,776	\$ 416,577	\$ -	\$ 598,353	
Miscellaneous income	9,214	-	-	9,214	
Interest	17	9	101	127	
Total revenues	<u>191,007</u>	<u>416,586</u>	<u>101</u>	<u>607,694</u>	
Expenditures:					
Current:					
Public safety	15,725	19,540	-	35,265	
Community development	10,654	220,000	-	230,654	
Cultural and recreation	-	24,994	-	24,994	
Total expenditures	<u>26,379</u>	<u>264,534</u>	<u>-</u>	<u>290,913</u>	
Revenues over (under) expenditures	<u>164,628</u>	<u>152,052</u>	<u>101</u>	<u>316,781</u>	
Other Financing Sources (Uses):					
Transfers in	8,356	-	-	8,356	
Transfers (out)	(634)	-	(8,700)	(9,334)	
Total other financing sources (uses)	<u>7,722</u>	<u>-</u>	<u>(8,700)</u>	<u>(978)</u>	
Net change in fund balances	172,350	152,052	(8,599)	315,803	
Fund Balances:					
Beginning of year - July 1	(237,429)	23,864	83,898	(129,667)	
End of year - June 30	<u>\$ (65,079)</u>	<u>\$ 175,916</u>	<u>\$ 75,299</u>	<u>\$ 186,136</u>	

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

2009 COPS Hiring Recovery Program Grant (ARRA) – This fund accounts for Federal monies from the U.S. Department of Justice Office of Community Oriented Policing Services (COPS). The grant is part of the 2009 American Reinvestment and Recovery Act (ARRA) for the hiring of two-full time law enforcement officers for a three-year period.

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

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

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

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

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

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

2011-2013 Bullet Proof Vest Partnership Grant – This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance towards the purchase of law enforcement ballistic vests.

Talent Enhancement and Capacity Building Grant – This fund accounts for monies used for expenditures relating to administrative, personnel, travel, and tuition expenses to attend classes for grant writing at East Carolina University.

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

CDBG Catalyst Grant - Kinston Slum and Blight Elimination Initiative– This fund accounts for monies used for expenditures relating to demolition of blighted properties along the Martin Luther King, Jr. Corridor.

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	2009 Community Development Administration	2010 Governor's Crime Commission Grant	2010 Bulletproof Vest Partnership Grant (BVP)	2010 JAG Recover Act Relief Project	2011 Edward Byrne Memorial JAG Grant
Assets:					
Cash and investments	\$ 20,359	\$ 8,815	\$ 308	\$ 767	\$ -
Accounts receivable	256,588	-	-	-	-
Total assets	<u>\$ 276,947</u>	<u>\$ 8,815</u>	<u>\$ 308</u>	<u>\$ 767</u>	<u>\$ -</u>
Liabilities, Deferred Infows of Resources, and Fund Balances					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 115
Accounts payable and accrued liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>
Deferred Infows of Resources:					
Notes receivable	217,086	-	-	-	-
Total deferred inflows of resources	<u>217,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
Stabilization by State Statute	39,502	-	-	-	-
Restricted, all other	-	-	-	767	-
Committed	-	8,815	308	-	-
Assigned	20,359	-	-	-	-
Unassigned	-	-	-	-	(115)
Total fund balances (deficit)	<u>59,861</u>	<u>8,815</u>	<u>308</u>	<u>767</u>	<u>(115)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 276,947</u>	<u>\$ 8,815</u>	<u>\$ 308</u>	<u>\$ 767</u>	<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	2009 Community Development Administration	2009 Governor's Crime Commission Grant	2009 Cops Hiring Recovery Program Grant (ARRA)	2010 Bulletproof Vest Partnership Grant (BVP)	2010 JAG Recovery Act Relief Project	2011 Edward Byrne Memorial JAG Grant
Revenues:						
Restricted:						
Intergovernmental revenue	\$ -	\$ -	\$ 33,732	\$ -	\$ -	\$ -
Miscellaneous revenue	9,214	-	-	-	-	-
Investment earnings	17	-	-	-	-	-
Total revenues	9,231	-	33,732	-	-	-
Expenditures:						
Community development	-	-	-	-	-	-
Public safety	-	-	(25,077)	-	-	-
Total expenditures	-	-	(25,077)	-	-	-
Revenues over (under) expenditures	9,231	-	58,809	-	-	-
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	9,231	-	58,809	-	-	-
Fund Balances:						
Beginning of year - July 1	50,630	8,815	(58,809)	308	767	(115)
End of year - June 30	<u>\$ 59,861</u>	<u>\$ 8,815</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ 767</u>	<u>\$ (115)</u>

2012 Edward Byrne Memorial JAG Grant	2011 PSN GCC Crossing Boundaries Project	2009 PSN GCC Project 61	Bulletproof Vest Partnership Grant	Talent Enhancement and Capacity Building Grant	Hurricane Irene - FEMA - 4019-DR-NC	CDBG Catalyst Grant-Kinston Slum and Blight Elimination Initiative Fund	GCC Body Camera Project Fund	2013 Edward Byrne Memorial JAG Grant	Total
\$ -	\$ -	\$ -	\$ 12,492	\$ (2,463)	\$ 110,855	\$ -	\$ 10,069	\$ 17,091	\$ 181,776
-	-	-	-	-	-	-	-	-	9,214
-	-	-	-	-	-	-	-	-	17
-	-	-	12,492	(2,463)	110,855	-	10,069	17,091	191,007
-	-	-	-	-	-	10,654	-	-	10,654
-	-	-	10,384	-	-	-	13,327	17,091	15,725
-	-	-	10,384	-	-	10,654	13,327	17,091	26,379
-	-	-	2,108	(2,463)	110,855	(10,654)	(3,258)	-	164,628
-	-	-	5,000	-	-	-	3,356	-	8,356
-	-	-	-	(634)	-	-	-	-	(634)
-	-	-	5,000	(634)	-	-	3,356	-	7,722
-	-	-	7,108	(3,097)	110,855	(10,654)	98	-	172,350
909	(343)	28,100	3,080	3,097	(298,868)	25,000	-	-	(237,429)
\$ 909	\$ (343)	\$ 28,100	\$ 10,188	\$ -	\$ (188,013)	\$ 14,346	\$ 98	\$ -	\$ (65,079)

CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT ADMINISTRATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other revenue	\$ 1,000	\$ 9,214	\$ 8,214	\$ 1,200
Investment earnings	10	17	7	16
Total revenues	<u>1,010</u>	<u>9,231</u>	<u>8,221</u>	<u>1,216</u>
Revenues over (under) expenditures	<u>1,010</u>	<u>9,231</u>	<u>8,221</u>	<u>1,216</u>
Other Financing Sources (Uses):				
Transfer (out)	(1,010)	-	1,010	-
Total other financing sources (uses)	<u>(1,010)</u>	<u>-</u>	<u>1,010</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 9,231	\$ <u>9,231</u>	1,216
Fund Balance:				
Beginning of year - July 1		<u>50,630</u>		<u>49,414</u>
End of year - June 30		<u>\$ 59,861</u>		<u>\$ 50,630</u>

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2009 GOVERNOR'S CRIME COMMISSION GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<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:					
Restricted intergovernmental revenue, State Grant	\$ 100,381	\$ 92,546	\$ -	\$ 92,546	\$ (7,835)
Total revenues	<u>100,381</u>	<u>92,546</u>	<u>-</u>	<u>92,546</u>	<u>(7,835)</u>
Expenditures:					
Public Safety:					
Personnel costs	107,017	102,876	-	102,876	4,141
Administration	<u>26,824</u>	<u>14,311</u>	<u>-</u>	<u>14,311</u>	<u>12,513</u>
Total expenditures	<u>133,841</u>	<u>117,187</u>	<u>-</u>	<u>117,187</u>	<u>16,654</u>
Revenues over (under) expenditures	<u>(33,460)</u>	<u>(24,641)</u>	<u>-</u>	<u>(24,641)</u>	<u>8,819</u>
Other Financing Sources (Uses):					
Transfers in (out)	33,460	33,456	-	33,456	(4)
Total other financing sources (uses)	<u>33,460</u>	<u>33,456</u>	<u>-</u>	<u>33,456</u>	<u>(4)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,815</u>	<u>-</u>	<u>\$ 8,815</u>	<u>\$ 8,815</u>
Fund Balance:					
Beginning of year - July 1				<u>8,815</u>	
End of year - June 30				<u>\$ 8,815</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2009 COPS HIRING RECOVERY PROGRAM GRANT (ARRA)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, Federal Grant	\$ 252,588	\$ 218,856	\$ 33,732	\$ 252,588	\$ -
Total revenues	<u>252,588</u>	<u>218,856</u>	<u>33,732</u>	<u>252,588</u>	<u>-</u>
Expenditures:					
Public Safety:					
Personnel costs	252,588	277,665	(25,077)	252,588	-
Total expenditures	<u>252,588</u>	<u>277,665</u>	<u>(25,077)</u>	<u>252,588</u>	<u>-</u>
Net change in fund balance	\$ -	\$ (58,809)	58,809	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1				(58,809)	
End of year - June 30				<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2010 BULLET PROOF VEST PARTNERSHIP GRANT (BVP)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<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:					
Restricted intergovernmental revenue, Federal Grant	\$ 11,878	\$ 11,879	\$ -	\$ 11,879	\$ 1
Total revenues	<u>11,878</u>	<u>11,879</u>	<u>-</u>	<u>11,879</u>	<u>1</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	23,756	23,449	\$ -	23,449	307
Total expenditures	<u>23,756</u>	<u>23,449</u>	<u>-</u>	<u>23,449</u>	<u>307</u>
Revenues over (under) expenditures	<u>(11,878)</u>	<u>(11,570)</u>	<u>-</u>	<u>(11,570)</u>	<u>308</u>
Other Financing Sources (Uses):					
Transfers in (out)	11,878	11,878	\$ -	11,878	-
Total other financing sources (uses)	<u>11,878</u>	<u>11,878</u>	<u>-</u>	<u>11,878</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 308</u>	<u>-</u>	<u>\$ 308</u>	<u>\$ 308</u>
Fund Balance:					
Beginning of year - July 1				308	
End of year - June 30				<u>\$ 308</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2010 JAG RECOVERY ACT RELIEF PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

		Actual				
	Project Authorization	Prior Years	Current Year	Total to Date		Variance Over/Under
Revenues:						
Restricted intergovernmental revenue, Federal Grant	\$ 51,973	\$ 49,230	\$ -	\$ 49,230	\$	(2,743)
Total revenues	<u>51,973</u>	<u>49,230</u>	<u>-</u>	<u>49,230</u>		<u>(2,743)</u>
Expenditures:						
Public Safety:						
Law enforcement supplies	<u>51,973</u>	<u>48,463</u>	<u>-</u>	<u>48,463</u>		<u>3,510</u>
Total expenditures	<u>51,973</u>	<u>48,463</u>	<u>-</u>	<u>48,463</u>		<u>3,510</u>
Net change in fund balance	\$ -	\$ 767	-	\$ 767	\$	767
Fund Balance:						
Beginning of year - July 1				<u>767</u>		
End of year - June 30				<u>\$ 767</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2011 EDWARD-BYRNE MEMORIAL JAG GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, Federal Grant	\$ 46,478	\$ 46,477	\$ -	\$ 46,477	\$ (1)
Total revenues	<u>46,478</u>	<u>46,477</u>	<u>-</u>	<u>46,477</u>	<u>(1)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	46,478	46,592	-	46,592	(114)
Total expenditures	<u>46,478</u>	<u>46,592</u>	<u>-</u>	<u>46,592</u>	<u>(114)</u>
Net change in fund balance	\$ -	\$ (115)	-	\$ (115)	\$ (115)
Fund Balance:					
Beginning of year - July 1				(115)	
End of year - June 30				\$ (115)	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2012 EDWARD-BYRNE MEMORIAL JAG GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, Federal Grant	\$ 35,775	\$ 35,776	\$ _____ -	\$ 35,776	\$ _____ 1
Total revenues	<u>35,775</u>	<u>35,776</u>	<u>_____ -</u>	<u>35,776</u>	<u>_____ 1</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	35,775	34,867	_____ -	34,867	908
Total expenditures	<u>35,775</u>	<u>34,867</u>	<u>_____ -</u>	<u>34,867</u>	<u>908</u>
Net change in fund balance	\$ _____ -	\$ 909	_____ -	\$ 909	\$ 909
Fund Balance:					
Beginning of year - July 1				<u>909</u>	
End of year - June 30				<u>\$ 909</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2011 PSN GCC CROSSING BOUNDARIES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 10,000	\$ 3,711	\$ -	\$ 3,711	\$ (6,289)
Total revenues	<u>10,000</u>	<u>3,711</u>	<u>-</u>	<u>3,711</u>	<u>(6,289)</u>
Expenditures:					
Community Development					
Grant expenses	10,000	4,054	-	4,054	5,946
Total expenditures	<u>10,000</u>	<u>4,054</u>	<u>-</u>	<u>4,054</u>	<u>5,946</u>
Net change in fund balance	\$ -	\$ (343)	-	\$ (343)	\$ (343)
Fund Balance:					
Beginning of year - July 1				(343)	
End of year - June 30				<u>(343)</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS -2009 PSN GCC PROJECT 61
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

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

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - BULLET PROOF VEST PARTNERSHIP GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 17,955	\$ 203	\$ 12,492	\$ 12,695	\$ (5,260)
Total revenues	<u>17,955</u>	<u>203</u>	<u>12,492</u>	<u>12,695</u>	<u>(5,260)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	35,908	15,078	10,384	25,462	10,446
Total expenditures	<u>35,908</u>	<u>15,078</u>	<u>10,384</u>	<u>25,462</u>	<u>10,446</u>
Revenues over (under) expenditures	(17,953)	(14,875)	2,108	(12,767)	5,186
Other Financing Sources (Uses):					
Transfers in (out)	17,953	17,955	5,000	22,955	5,002
Total other financing sources (uses)	<u>17,953</u>	<u>17,955</u>	<u>5,000</u>	<u>22,955</u>	<u>5,002</u>
Net change in fund balance	\$ -	\$ 3,080	7,108	\$ 10,188	\$ 10,188
Fund Balance:					
Beginning of year - July 1				3,080	
End of year - June 30				<u>\$ 10,188</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - TALENT ENHANCEMENT AND CAPACITY BUILDING GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, CDBG Grant	\$ 30,677	\$ 33,140	\$ (2,463)	\$ 30,677	\$ -
Total revenues	<u>30,677</u>	<u>33,140</u>	<u>(2,463)</u>	<u>30,677</u>	<u>-</u>
Expenditures:					
Community Development:					
Reimbursement to General Fund:					
Administration	3,002	3,002	-	3,002	-
Personnel	20,000	20,000	-	20,000	-
Meeting and travel	3,495	3,495	-	3,495	-
Tuition and education reimbursement	<u>3,546</u>	<u>3,546</u>	<u>-</u>	<u>3,546</u>	<u>-</u>
Total expenditures	<u>30,043</u>	<u>30,043</u>	<u>-</u>	<u>30,043</u>	<u>-</u>
Revenues over (under) expenditures	<u>634</u>	<u>3,097</u>	<u>(2,463)</u>	<u>634</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers (out)	<u>(634)</u>	<u>-</u>	<u>(634)</u>	<u>(634)</u>	<u>-</u>
Total other financing sources	<u>(634)</u>	<u>-</u>	<u>(634)</u>	<u>(634)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,097</u>	<u>(3,097)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1				<u>3,097</u>	
End of year - June 30				<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - HURRICANE IRENE - FEMA-4019-DR-NC
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue,					
FEMA Grant	\$ 1,930,463	\$ 1,480,607	\$ 110,855	\$ 1,591,462	\$ (339,001)
Total revenues	<u>1,930,463</u>	<u>1,480,607</u>	<u>110,855</u>	<u>1,591,462</u>	<u>(339,001)</u>
Expenditures:					
Community Development:					
City-wide emergency protective measures	57,021	47,128	-	47,128	9,893
Traffic signals	90	15	-	15	75
Sidewalks, curbs, and gutters	35,553	50,144	-	50,144	(14,591)
Pistol range facilities	1,388	1,388	-	1,388	-
Barnett Park buildings and lighting	5,691	5,429	-	5,429	262
Water production sites	36,346	25,806	-	25,806	10,540
Lovitt Hines Center	1,611	1,461	-	1,461	150
Garbage and recycle carts	1,200	1,200	-	1,200	-
Grainger Stadium	3,615	3,525	-	3,525	90
Bill Fay Park Facilities	13,446	13,001	-	13,001	445
Harvey Gardens gazebo and lights	3,850	3,675	-	3,675	175
Kinston Regional Water Reclamation Facility	29,143	35,628	-	35,628	(6,485)
Fairfield Center Facilities	3,346	3,346	-	3,346	-
Mock Gym, Freeman Center, and Parks Admin Building	1,996	1,996	-	1,996	-
Georgia Battle Center and Emma Webb Park	1,580	1,580	-	1,580	-
Holloway Gym and Shelter	3,129	3,129	-	3,129	-
Emergency protective measures	137,297	140,447	-	140,447	(3,150)
Street signs	2,316	2,725	-	2,725	(409)
Power system	1,072,231	1,069,666	-	1,069,666	2,565
Hillcrest Subdivision sewage systems	1,221	1,680	-	1,680	(459)
Fire Station #3, quarters and engine bay	11,900	11,900	-	11,900	-
Public safety building, City Hall	1,342	1,342	-	1,342	-
Water operations	6,504	4,160	-	4,160	2,344
Maplewood Cemetery	2,482	2,482	-	2,482	-
Southeast Elementary School	8,056	15,253	-	15,253	(7,197)
City-wide debris removal	<u>393,644</u>	<u>331,369</u>	<u>-</u>	<u>331,369</u>	<u>62,275</u>
Total expenditures	<u>1,930,463</u>	<u>1,779,475</u>	<u>-</u>	<u>1,779,475</u>	<u>150,988</u>
Net change in fund balance	\$ -	\$ (298,868)	\$ 110,855	\$ (188,013)	\$ (188,013)
Fund Balance:					
Beginning of year - July 1					(298,868)
End of year - June 30					<u>\$ (188,013)</u>

CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - CDBG CATALYST GRANT - KINSTON SLUM
AND BLIGHT ELIMINATION INITIATIVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Federal grants	\$ 100,000	\$ -	\$ -	\$ -	\$ (100,000)
Total revenues	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Expenditures:					
Community Development					
Demolition	112,500	-	10,654	10,654	101,846
Planning	2,500	-	-	-	2,500
Administration	10,000	-	-	-	10,000
Total expenditures	<u>125,000</u>	<u>-</u>	<u>10,654</u>	<u>10,654</u>	<u>114,346</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>-</u>	<u>(10,654)</u>	<u>(10,654)</u>	<u>14,346</u>
Other Financing Sources (Uses):					
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 25,000</u>	<u>(10,654)</u>	<u>\$ 14,346</u>	<u>\$ 14,346</u>
Fund Balance:					
Beginning of year - July 1				<u>25,000</u>	
End of year - June 30				<u>\$ 14,346</u>	

CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - GCC BODY CAMERA PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

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

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2013 EDWARD-BYRNE MEMORIAL JAG GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, Federal Grant	\$ 34,181	\$ -	\$ 17,091	\$ 17,091	\$ (17,090)
Total revenues	<u>34,181</u>	<u>-</u>	<u>17,091</u>	<u>17,091</u>	<u>(17,090)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	34,181	-	17,091	17,091	17,090
Total expenditures	<u>34,181</u>	<u>-</u>	<u>17,091</u>	<u>17,091</u>	<u>17,090</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30				\$ -	

NONMAJOR CAPITAL PROJECT FUNDS

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

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

New Fire Station # 2 – This fund accounts for funds used to construct a new fire station at the intersection of Carey Road and Rouse Road to replace the current fire station located near the intersection of Plaza Blvd. and Queen Street.

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

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

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

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

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

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

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

Main Street Solutions Grant – This fund accounts for funds to be used in the renovation of the Miller Furniture building downtown.

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

College Street Railroad Crossing Fund – This fund accounts for monies used for expenditures relating to the improvement projects on College Street and downtown areas in exchange for the closing of the College Street Railroad Crossing

Riverwalk Project Phase I Fund – This fund accounts for monies used for expenditures relating to the a multi-use path beginning at Heritage Street and running northwesterly towards Atlantic Avenue in Kinston for providing alternate means of transportation for the community to promote recreation, health, fitness, and economic growth for the community and will be funded by grants from the NCDOT and Federal granting agencies.

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Retro- Green	New Fire Station #2	Train Depot	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund
Assets:					
Cash and investments	\$ 8,250	\$ -	\$ 51	\$ -	\$ 6,851
Accounts receivable	-	462	-	-	-
Total assets	<u>\$ 8,250</u>	<u>\$ 462</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 6,851</u>
Liabilities:					
Due to other funds	\$ -	\$ 462	\$ -	\$ 3,488	\$ -
Total liabilities	-	462	-	3,488	-
Fund Balance:					
Restricted:					
Stabilization by State statute	-	462	-	-	-
Restricted, all other	-	-	51	-	-
Committed	8,250	-	-	-	6,851
Unassigned	-	(462)	-	(3,488)	-
Total fund balances	<u>8,250</u>	<u>-</u>	<u>51</u>	<u>(3,488)</u>	<u>6,851</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,250</u>	<u>\$ 462</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 6,851</u>

New Fire Station #3	Martin Luther King Jr. Blvd. Enhancement	Heritage St. Improvements	CWMTF Flood Buy-Out II	NEA Our Town Fund	College Street Railroad Crossing Project	College Street Railroad Crossing Project	Total
\$ - 731	\$ 31,829 -	\$ 11,122 -	\$ - -	\$ - 15,134	\$ 105,000 37,000	\$ 163,103 53,327	
\$ 731	\$ 31,829	\$ 11,122	\$ -	\$ 15,134	\$ 142,000	\$ 216,430	
\$ 750 750	\$ - -	\$ - -	\$ 20,680 20,680	\$ 15,134 15,134	\$ - -	\$ 40,514 40,514	
731 - - (750) (19)	- - 31,829 - 31,829	- - 11,122 - 11,122	- - (20,680) (20,680)	15,134 - (15,134) -	37,000 105,000 - - 142,000	53,327 105,051 58,052 (40,514) 175,916	
\$ 731	\$ 31,829	\$ 11,122	\$ -	\$ 15,134	\$ 142,000	\$ 216,430	

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Retro- Green	New Fire Station #2	Train Depot	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund	New Fire Station #3
Revenues:						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ -
Federal and State grants	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Total revenues	-	-	-	-	9	-
Expenditures:						
Cultural and recreation	-	-	-	-	-	-
Public safety	-	6,845	-	-	-	12,695
Community development	-	-	-	-	-	-
Total expenditures	-	6,845	-	-	-	12,695
Net change in fund balances	-	(6,845)	-	-	9	(12,695)
Fund Balances:						
Beginning of year - July 1	8,250	6,845	51	(3,488)	6,842	12,676
End of year - June 30	\$ 8,250	\$ -	\$ 51	\$ (3,488)	\$ 6,851	\$ (19)

Schedule 23

Martin Luther King Jr. Blvd. Enhancement	Heritage St. Improvements	CWMTF Flood Buy-Out II	Main Street Solutions Grant	NEA Our Town Fund	College Street Railroad Crossing Project	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9
-	-	-	200,000	54,577	-	254,577
-	-	-	-	-	162,000	162,000
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	200,000	54,577	162,000	416,586
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	24,994	-	24,994
-	-	-	-	-	-	19,540
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-	-	-	200,000	-	20,000	220,000
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-	-	-	200,000	24,994	20,000	264,534
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	29,583	142,000	152,052
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31,829	11,122	(20,680)	-	(29,583)	-	23,864
\$ 31,829	\$ 11,122	\$ (20,680)	\$ -	\$ -	\$ 142,000	\$ 175,916

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - RETRO-GREEN CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Miscellaneous grants	\$ 25,000	\$ -	\$ -	\$ -	\$ (25,000)
Miscellaneous revenue	<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:					
Cultural and recreation:					
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>\$ 8,250</u>	<u>\$ 8,250</u>
Fund Balance:					
Beginning of year - July 1				<u>8,250</u>	
End of year - June 30				<u>\$ 8,250</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEW FIRE STATION #2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 225,000	\$ 225,000	\$ -	\$ 225,000	\$ -
Investment earnings	550	586	- -	586	36
Total revenues	<u>225,550</u>	<u>225,586</u>	- -	<u>225,586</u>	36
Expenditures:					
Public Safety:					
Capital outlay	1,500,550	1,493,741	6,845	1,500,586	(36)
Total expenditures	<u>1,500,550</u>	<u>1,493,741</u>	6,845	<u>1,500,586</u>	(36)
Revenues over (under) expenditures	<u>(1,275,000)</u>	<u>(1,268,155)</u>	(6,845)	<u>(1,275,000)</u>	-
Other Financing Sources (Uses):					
Debt issued	1,275,000	1,275,000	- -	1,275,000	-
Total other financing sources (uses)	<u>1,275,000</u>	<u>1,275,000</u>	- -	<u>1,275,000</u>	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,845</u>	(6,845)	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1				<u>6,845</u>	
End of year - June 30				<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT
SCHEDEULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - BATTLEFIELD PARKWAY/SOCCER COMPLEX
SCHEDEULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 9	\$ 9
Total revenues	<u>-</u>	<u>9</u>	<u>9</u>
Net change in fund balance	<u>\$ -</u>	<u>9</u>	<u>\$ 9</u>
Fund Balance:			
Beginning of year - July 1			<u>6,842</u>
End of year - June 30		<u>\$ 6,851</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEW FIRE STATION #3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 187,500	\$ 187,500	\$ -	\$ 187,500	\$ -
Investment earnings	522	523	-	523	1
Total revenues	<u>188,022</u>	<u>188,023</u>	<u>-</u>	<u>188,023</u>	<u>1</u>
Expenditures:					
Public Safety:					
Construction costs	1,481,840	1,469,165	12,695	1,481,860	(20)
Total expenditures	<u>1,481,840</u>	<u>1,469,165</u>	<u>12,695</u>	<u>1,481,860</u>	<u>(20)</u>
Revenues over (under) expenditures	<u>(1,293,818)</u>	<u>(1,281,142)</u>	<u>(12,695)</u>	<u>(1,293,837)</u>	<u>(19)</u>
Other Financing Sources (Uses):					
Debt issued	1,062,500	1,062,500	-	1,062,500	-
Transfer from General Fund	231,318	231,318	-	231,318	-
Total other financing sources (uses)	<u>1,293,818</u>	<u>1,293,818</u>	<u>-</u>	<u>1,293,818</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,676</u>	<u>(12,695)</u>	<u>\$ (19)</u>	<u>\$ (19)</u>
Fund Balance:					
Beginning of year - July 1				<u>12,676</u>	
End of year - June 30				<u>\$ (19)</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - MARTIN LUTHER KING JR., BLVD. ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - HERITAGE STREET IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CWMTF FLOOD BUY-OUT II CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - MAIN STREET SOLUTIONS GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
State grants	\$ 200,000	\$ _____ -	\$ 200,000	\$ 200,000	\$ _____ -
Total revenues	<u>200,000</u>	<u>_____ -</u>	<u>200,000</u>	<u>200,000</u>	<u>_____ -</u>
Expenditures:					
Community Development:					
Capital outlay - water and sewer lines	200,000	_____ -	200,000	200,000	_____ -
Total expenditures	<u>200,000</u>	<u>_____ -</u>	<u>200,000</u>	<u>200,000</u>	<u>_____ -</u>
Net change in fund balance	\$ _____ -	\$ _____ -	_____ -	\$ _____ -	\$ _____ -
Fund Balance:					
Beginning of year - July 1				_____ -	
End of year - June 30				\$ <u>_____ -</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEA OUR TOWN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal and State grants	\$ 140,000	\$ 52,918	\$ 54,577	\$ 107,495	\$ (32,505)
Total revenues	<u>140,000</u>	<u>52,918</u>	<u>54,577</u>	<u>107,495</u>	<u>(32,505)</u>
Expenditures:					
Cultural and recreation:					
African American Music Trail Project:					
Capital outlay	140,000	82,501	24,994	107,495	32,505
Total expenditures	<u>140,000</u>	<u>82,501</u>	<u>24,994</u>	<u>107,495</u>	<u>32,505</u>
Net change in fund balance	\$ -	\$ (29,583)	29,583	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1				(29,583)	
End of year - June 30				\$ -	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - COLLEGE STREET RAILROAD CROSSING PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

		Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:						
NCDOT State grants	\$ 88,000	\$ -	\$ -	\$ -	\$ (88,000)	
Contribution from NC Railroad Company	125,000	-	125,000	125,000	-	
Contribution from Northfolk Southern Corporation	37,000	-	37,000	37,000	-	
Total revenues	<u>250,000</u>	<u>-</u>	<u>162,000</u>	<u>162,000</u>	<u>(88,000)</u>	
Expenditures:						
Community Development:						
Herritage Street Widening Project	88,000	-	-	-	88,000	
Other Mitigation Activities	162,000	-	20,000	20,000	142,000	
Total expenditures	<u>250,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>230,000</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>142,000</u>	<u>\$ 142,000</u>	<u>\$ 142,000</u>	
Fund Balance:						
Beginning of year - July 1					<u>-</u>	
End of year - June 30				<u>\$ 142,000</u>		

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - RIVERWALK PROJECT PHASE I
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

					Actual		
	Project Authorization	Prior Years	Current Year	Total to Date		Variance Over/Under	
Revenues:							
NCDOT Reimbursements	\$ 120,218	\$ -	\$ -	\$ -		\$ (120,218)	
Federal Highway Planning and Construction Grant	480,870	-	-	-		(480,870)	
Total revenues	601,088	-	-	-		(601,088)	
Expenditures:							
Cultural and recreation:							
Construction - bike and pedestrian	300,000	-	-	-		300,000	
Construction - division enhancement	301,088	-	-	-		301,088	
Total expenditures	601,088	-	-	-		601,088	
Net change in fund balance	\$ -	\$ -	\$ -	\$ -		\$ -	
Fund Balance:							
Beginning of year - July 1							
End of year - June 30							

PERMANENT FUND

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

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CITY OF KINSTON, NORTH CAROLINA

PERMANENT FUND - TEMPLE ISRAEL PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Over/Under
Revenues:			
Investment earnings	\$ -	\$ 101	\$ 101
Contributions	75,000	-	(75,000)
Total revenues	<u>75,000</u>	<u>101</u>	<u>(74,899)</u>
Revenues over (under) expenditures	<u>75,000</u>	<u>101</u>	<u>74,899</u>
Other Financing Sources (Uses):			
Transfers out	(75,000)	(8,700)	66,300
Total other financing sources (uses)	<u>(75,000)</u>	<u>(8,700)</u>	<u>66,300</u>
Net change in fund balance	<u>\$ -</u>	<u>(8,599)</u>	<u>\$ (8,599)</u>
Fund Balance:			
Beginning of year - July 1			<u>83,898</u>
End of year - June 30		<u>\$ 75,299</u>	

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ELECTRIC FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services, electricity sales	\$ 52,962,248	\$ 54,056,690	\$ 1,094,442	\$ 52,641,331
Other	712,000	775,218	63,218	681,119
Total operating revenues	<u>53,674,248</u>	<u>54,831,908</u>	<u>1,157,660</u>	<u>53,322,450</u>
Non-Operating Revenues:				
Grant funds	-	-	-	837
Interest earned on investments	8,000	7,182	(818)	10,009
Total non-operating revenues	<u>8,000</u>	<u>7,182</u>	<u>(818)</u>	<u>10,846</u>
Total revenues	<u>53,682,248</u>	<u>54,839,090</u>	<u>1,156,842</u>	<u>53,333,296</u>
Expenditures:				
Electric Operations:				
Salaries and benefits	1,350,033	1,159,985	190,048	1,055,764
Operating	1,880,987	1,526,717	354,270	1,739,183
Purchased power	46,666,200	47,689,305	(1,023,105)	46,398,005
Indirect costs	2,142,290	2,142,290	-	1,550,500
Capital outlay	<u>365,127</u>	<u>234,079</u>	<u>131,048</u>	<u>3,165</u>
Total	<u>52,404,637</u>	<u>52,752,376</u>	<u>(347,739)</u>	<u>50,746,617</u>
Debt Service:				
Principal retirement	725,400	725,310	90	802,859
Interest and other charges	245,700	245,344	356	274,202
Total debt service	<u>971,100</u>	<u>970,654</u>	<u>446</u>	<u>1,077,061</u>
Total expenditures	<u>53,375,737</u>	<u>53,723,030</u>	<u>(347,293)</u>	<u>51,823,678</u>
Revenues over (under) expenditures	<u>306,511</u>	<u>1,116,060</u>	<u>809,549</u>	<u>1,509,618</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Appropriated fund balance	757,572	-	(757,572)	-
Debt issued	48,600	-	(48,600)	-
Transfers in	300,000	300,000	-	94,000
Transfers out - Capital Reserve Fund	(481,000)	(481,000)	-	(131,800)
Transfers out	(931,683)	(931,683)	-	(826,600)
Total other financing sources (uses)	<u>(306,511)</u>	<u>(1,112,683)</u>	<u>(806,172)</u>	<u>(864,400)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	\$ <u>3,377</u>	\$ <u>3,377</u>	\$ <u>645,218</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>3,377</u>		\$ <u>645,218</u>	
Transfers in - Capital Project Fund	106,800			171,125
Transfers out - Capital Reserve Fund		-		(265,125)
Transfers in - Capital Reserve Fund	481,000			131,800
Capital outlay	274,059			-
Payment of debt principal	725,310			802,859
Depreciation	(1,019,631)			(1,039,734)
Non-capitalized expenditures from capital project funds	4,003			(595,111)
Bad debt expense	(78,576)			(111,906)
Capital contributions	518,754			368,384
Investment earnings from capital project funds	1,736			1,732
Change in accrued compensated absences	(9,302)			6,407
Change in accrued interest payable	<u>6,819</u>			<u>(4,690)</u>
Change in net position	\$ <u>1,014,349</u>		\$ <u>110,959</u>	

CITY OF KINSTON, NORTH CAROLINA

ELECTRIC CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 5,778,272	\$ 4,631,322	\$ 500,000	\$ 5,131,322	\$ (646,950)
Dopaco project contribution	500,000	336,246	18,754	355,000	(145,000)
Interest earned on investments	14,500	18,767	-	18,767	4,267
Miscellaneous revenue	-	68,366	-	68,366	68,366
Total revenues	<u>6,292,772</u>	<u>5,054,701</u>	<u>518,754</u>	<u>5,573,455</u>	<u>(719,317)</u>
Expenditures:					
Caswell Center upgrades	5,259,095	2,857,434	-	2,857,434	2,401,661
West Industrial Park Substation Project	3,345,035	2,667,146	-	2,667,146	677,889
Lenox China Generator Project	466,500	405,397	-	405,397	61,103
Felix Harvey Parkway Extension Project	205,800	80,605	-	80,605	125,195
Spirit Aerosystem Rail Spur Project	379,163	199,667	-	199,667	179,496
EEBGP Transportation Grant	499,081	503,084	(4,003)	499,081	-
Dopaco Inc. Generator Project	1,000,000	856,601	(1,600)	855,001	144,999
West Pharmaceutical Generator Project	962,500	962,500	-	962,500	-
Highway 58 Widening Project	103,459	103,459	-	103,459	-
531 Circuit Rebuild	511,125	343,234	162,862	506,096	5,029
Queen Street Bridge Electric Line Relocation Project	<u>540,000</u>	<u>-</u>	<u>9,280</u>	<u>9,280</u>	<u>530,720</u>
Total	<u>13,271,758</u>	<u>8,979,127</u>	<u>166,539</u>	<u>9,145,666</u>	<u>4,126,092</u>
Debt Service:					
Principal retirement	311,000	310,951	-	310,951	49
Interest and other charges	<u>190,000</u>	<u>189,949</u>	<u>-</u>	<u>189,949</u>	<u>51</u>
Total debt service	<u>501,000</u>	<u>500,900</u>	<u>-</u>	<u>500,900</u>	<u>100</u>
Total expenditures	<u>13,772,758</u>	<u>9,480,027</u>	<u>166,539</u>	<u>9,646,566</u>	<u>4,126,192</u>
Revenue over (under) expenditures	<u>(7,479,986)</u>	<u>(4,425,326)</u>	<u>352,215</u>	<u>(4,073,111)</u>	<u>3,406,875</u>
Other Financing Sources (Uses):					
Debt issued	5,480,526	2,950,000	-	2,950,000	(2,530,526)
Transfers in	<u>1,999,460</u>	<u>1,892,660</u>	<u>106,800</u>	<u>1,999,460</u>	<u>-</u>
Total other financing sources (uses)	<u>7,479,986</u>	<u>4,842,660</u>	<u>106,800</u>	<u>4,949,460</u>	<u>(2,530,526)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 417,334</u>	<u>\$ 459,015</u>	<u>\$ 876,349</u>	<u>\$ 876,349</u>

CITY OF KINSTON, NORTH CAROLINA

ELECTRIC CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Interest earned on investments	\$ 5,822	\$ 5,264	\$ 1,736	\$ 7,000	\$ 1,178
Total revenues	<u>5,822</u>	<u>5,264</u>	<u>1,736</u>	<u>7,000</u>	<u>1,178</u>
Other Financing Sources (Uses):					
Transfers in	3,571,103	3,186,103	481,000	3,667,103	96,000
Transfers out	<u>(3,576,925)</u>	<u>(2,148,235)</u>	<u>-</u>	<u>(2,148,235)</u>	<u>1,428,690</u>
Total other financing sources (uses)	<u>(5,822)</u>	<u>1,037,868</u>	<u>481,000</u>	<u>1,518,868</u>	<u>1,524,690</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,043,132</u>	<u>\$ 482,736</u>	<u>\$ 1,525,868</u>	<u>\$ 1,525,868</u>

WATER FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Water sales	\$ 7,436,500	\$ 7,649,864	\$ 213,364	\$ 7,270,928
Other	176,000	215,012	39,012	222,820
Total operating revenues	<u>7,612,500</u>	<u>7,864,876</u>	<u>252,376</u>	<u>7,493,748</u>
Non-Operating Revenues:				
Interest earned on investments	1,600	2,580	980	1,882
Total revenues	<u>7,614,100</u>	<u>7,867,456</u>	<u>253,356</u>	<u>7,495,630</u>
Expenditures:				
Water Production:				
Salaries and benefits	335,046	303,201	31,845	268,323
Operating	562,100	492,514	69,586	433,927
Repairs and maintenance	110,000	66,998	43,002	38,582
Capital outlay	160,500	61,192	99,308	25,722
Indirect costs	(307,323)	(307,323)	-	(183,650)
Total water production	<u>860,323</u>	<u>616,582</u>	<u>243,741</u>	<u>582,904</u>
Water Operations:				
Salaries and benefits	1,073,027	1,015,621	57,406	944,152
Operating	832,211	725,868	106,343	627,727
Repairs and maintenance	102,500	85,857	16,643	91,669
Capital outlay	351,100	279,463	71,637	297,663
Indirect costs	122,150	122,150	-	122,150
Total water operations	<u>2,480,988</u>	<u>2,228,959</u>	<u>252,029</u>	<u>2,083,361</u>
Water Operations:				
Purchased water	<u>3,743,400</u>	<u>3,743,400</u>	<u>-</u>	<u>3,743,400</u>
Debt Service:				
Principal retirement	200,400	200,254	146	192,463
Interest and other charges	67,700	66,679	1,021	71,694
Total debt service	<u>268,100</u>	<u>266,933</u>	<u>1,167</u>	<u>264,157</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance	2013
	Budget	Actual	Over/Under	Actual
Non-Operating Expenditures:				
Economic development reimbursements	43,000	41,226	1,774	38,283
Total expenditures	7,395,811	6,897,100	498,711	6,712,105
Revenues over (under) expenditures	218,289	970,356	752,067	783,525
Other Financing Sources (Uses):				
Long-term debt issued	41,600	-	(41,600)	76,540
Appropriated fund balance	15,984	-	(15,984)	-
Transfers from other funds	91,500	91,500	-	28,500
Transfer to other funds	(367,373)	(66,563)	300,810	(84,500)
Total other financing sources (uses)	(218,289)	24,937	243,226	20,540
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 995,293	\$ 995,293	\$ 804,065
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 995,293		\$ 804,065	
Capital outlay	201,252		257,248	
Interest from Capital Reserve Fund	312		374	
Payment of debt principal	200,254		192,463	
Debt issued	-		(76,540)	
Depreciation	(450,479)		(435,371)	
Bad debt expense	(28,534)		(12,373)	
Change in accrued compensated absences	1,187		2,097	
Change in accrued interest payable	1,779		814	
Change in net position	\$ 921,064		\$ 732,777	

CITY OF KINSTON, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Other:					
Contribution from Lenoir County	\$ 75,000	\$ 76,054	\$ -	\$ 76,054	\$ 1,054
Investment earnings	1,100	583	312	895	(205)
Total revenues	<u>76,100</u>	<u>76,637</u>	<u>312</u>	<u>76,949</u>	<u>849</u>
Revenue over (under) expenditures	<u>76,100</u>	<u>76,637</u>	<u>312</u>	<u>76,949</u>	<u>849</u>
Other Financing Sources (Uses):					
Transfers in	4,058,130	3,817,586	-	3,817,586	(240,544)
Transfers out	<u>(4,134,230)</u>	<u>(4,035,229)</u>	<u>-</u>	<u>(4,035,229)</u>	<u>99,001</u>
Total other financing sources (uses)	<u>(76,100)</u>	<u>(217,643)</u>	<u>-</u>	<u>(217,643)</u>	<u>(141,543)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (141,006)</u>	<u>\$ 312</u>	<u>\$ (140,694)</u>	<u>\$ (140,694)</u>

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WASTEWATER FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013	
	Budget	Actual		Actual	
Operating Revenues:					
Charges for services:					
Sewer sales	\$ 5,514,000	\$ 5,725,431	\$ 211,431	\$ 5,365,358	
Other	9,000	19,900	10,900	6,964	
Total operating revenues	<u>5,523,000</u>	<u>5,745,331</u>	<u>222,331</u>	<u>5,372,322</u>	
Non-Operating Revenues:					
Interest earned on investments	14,300	15,452	1,152	14,951	
Grant funds	-	-	-	13,071	
Total non-operating revenues	<u>14,300</u>	<u>15,452</u>	<u>1,152</u>	<u>28,022</u>	
Total revenues	<u>5,537,300</u>	<u>5,760,783</u>	<u>223,483</u>	<u>5,400,344</u>	
Expenditures:					
Wastewater Plant Operations:					
Salaries and benefits	794,791	712,576	82,215	697,551	
Operating	702,500	601,623	100,877	587,946	
Repairs and maintenance	68,500	36,516	31,984	57,913	
Indirect costs	2,247,541	2,247,541	-	2,129,000	
Capital outlay	<u>127,200</u>	<u>96,340</u>	<u>30,860</u>	<u>98,103</u>	
Total wastewater plant operations	<u>3,940,532</u>	<u>3,694,596</u>	<u>245,936</u>	<u>3,570,513</u>	
Debt Service:					
Principal retirement	1,017,500	978,614	38,886	950,773	
Interest and other charges	<u>344,600</u>	<u>336,027</u>	<u>8,573</u>	<u>365,745</u>	
Total debt service	<u>1,362,100</u>	<u>1,314,641</u>	<u>47,459</u>	<u>1,316,518</u>	
Non-Operating Expenditures:					
Economic development reimbursements	<u>9,300</u>	<u>8,834</u>	<u>466</u>	<u>8,204</u>	
Total expenditures	<u>5,311,932</u>	<u>5,018,071</u>	<u>293,861</u>	<u>4,895,235</u>	
Revenues over (under) expenditures	<u>225,368</u>	<u>742,712</u>	<u>(70,378)</u>	<u>505,109</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013	
	Budget	Actual		Actual	
Other Financing Sources (Uses):					
Appropriated fund balance	50,941	-	-	-	-
Long-term debt issued	46,000	-	-	40,000	
Transfers in - capital projects	-	-	-	18,817	
Transfers out - other funds	(322,309)	(71,709)	250,600	(9,300)	
Total other financing sources (uses)	(225,368)	(71,709)	250,600	49,517	
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 671,003	\$ 671,003	\$ 554,626	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 671,003		\$ 554,626		
Capital outlay	141,550		75,164		
Debt issued	-		(40,000)		
Payment of debt principal	978,614		950,773		
Depreciation	(2,271,626)		(2,331,182)		
Capital contributions	-		73,000		
Interest from Capital Project Fund	346		414		
Change in accrued compensated absences	(874)		7,760		
Change in accrued interest payable	4,982		(5,887)		
Bad debt expense	(35,012)		(10,256)		
Change in net position	\$ (511,017)		\$ (744,405)		

CITY OF KINSTON, NORTH CAROLINA

WASTEWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<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:					
Restricted Intergovernmental:					
Federal and State grants	\$ 5,946,140	\$ 2,811,157	\$ -	\$ 2,811,157	\$ (3,134,983)
Local funds	-	32,462	-	32,462	32,462
Investment earnings	-	131,308	-	131,308	131,308
Other revenue	574,000	576,800	-	576,800	2,800
Total revenues	<u>6,520,140</u>	<u>3,551,727</u>	-	<u>3,551,727</u>	<u>(2,968,413)</u>
Expenditures:					
Spirit Aero Utilities Project	736,569	683,830	-	683,830	52,739
Sanderson Farms Utilities Project	1,094,150	1,062,863	-	1,062,863	31,287
College Street Sewer Rehabilitation Project	1,645,200	1,578,148	-	1,578,148	67,052
Highway 70 Industrial Park Sewer Project	40,000	40,000	-	40,000	-
Pollock Street Sewer Rehabilitation Project	604,247	604,247	-	604,247	-
Neuse Outfall Sewer Evaluation	50,750	50,750	-	50,750	-
Smithfield Plant Expansion Project	3,817,000	318,731	52,429	371,160	3,445,840
Total expenditures	<u>7,987,916</u>	<u>4,338,569</u>	<u>52,429</u>	<u>4,390,998</u>	<u>3,596,918</u>
Revenue over (under) expenditures	<u>(1,467,776)</u>	<u>(786,842)</u>	<u>(52,429)</u>	<u>(839,271)</u>	<u>628,505</u>
Other Financing Sources (Uses):					
Debt issued	1,280,028	205,028	-	205,028	(1,075,000)
Transfers in	454,790	703,339	-	703,339	248,549
Transfers out	(267,042)	(223,845)	-	(223,845)	43,197
Total other financing sources (uses)	<u>1,467,776</u>	<u>684,522</u>	-	<u>684,522</u>	<u>(783,254)</u>
Revenues and other financing sources over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ (102,320)</u>	<u>\$ (52,429)</u>	<u>\$ (154,749)</u>	<u>\$ (154,749)</u>

CITY OF KINSTON, NORTH CAROLINA

WASTEWATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<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:					
Investment earnings	\$ -	\$ 621	\$ 346	\$ 967	\$ 967
Revenue over (under) expenditures	- -	621	346	967	967
Other Financing Sources (Uses):					
Transfers in	342,825	342,825	- -	342,825	- -
Transfers out	(342,825)	(87,825)	- -	(87,825)	255,000
Total other financing sources (uses)	- -	255,000	- -	255,000	255,000
Revenues and other financing sources over (under) expenditures and other financing sources	\$ - -	\$ 255,621	\$ 346	\$ 255,967	\$ 255,967

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2014

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
Assets:				
Current assets:				
Cash and investments	\$ 656,744	\$ 667,743	\$ 499,008	\$ 1,823,495
Accounts receivable	400,971	371,013	17,726	789,710
Total current assets	<u>1,057,715</u>	<u>1,038,756</u>	<u>516,734</u>	<u>2,613,205</u>
Non-current assets:				
Capital assets:				
Construction in progress	-	344,861	-	344,861
Equipment	3,559,251	605,849	-	4,165,100
Accumulated depreciation	(2,924,090)	(364,485)	-	(3,288,575)
Total non-current assets	<u>635,161</u>	<u>586,225</u>	<u>-</u>	<u>1,221,386</u>
Total assets	<u>1,692,876</u>	<u>1,624,981</u>	<u>516,734</u>	<u>3,834,591</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	313,134	8,532	90,273	411,939
Current portion of installment notes	57,729	52,294	-	110,023
Current portion of compensated absences	12,208	3,678	1,272	17,158
Total current liabilities	<u>383,071</u>	<u>64,504</u>	<u>91,545</u>	<u>539,120</u>
Non-current liabilities:				
Non-current portion of installment notes	144,322	104,258	-	248,580
Non-current portion of compensated absences	36,625	11,034	3,814	51,473
Total non-current liabilities	<u>180,947</u>	<u>115,292</u>	<u>3,814</u>	<u>300,053</u>
Total liabilities	<u>564,018</u>	<u>179,796</u>	<u>95,359</u>	<u>839,173</u>
Net Position:				
Net investment in capital assets	433,110	429,673	-	862,783
Unrestricted	<u>695,748</u>	<u>1,015,512</u>	<u>421,375</u>	<u>2,132,635</u>
Total net position	<u>\$ 1,128,858</u>	<u>\$ 1,445,185</u>	<u>\$ 421,375</u>	<u>\$ 2,995,418</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
Operating Revenues:				
Charges for services	\$ 3,139,918	\$ 904,938	\$ 2,289,877	\$ 6,334,733
Other operating income	20,583	252,818	-	273,401
Total operating revenues	<u>3,160,501</u>	<u>1,157,756</u>	<u>2,289,877</u>	<u>6,608,134</u>
Operating Expenses:				
Operations	2,752,728	639,349	2,103,610	5,495,687
Depreciation	163,107	69,235	-	232,342
Total operating expenses	<u>2,915,835</u>	<u>708,584</u>	<u>2,103,610</u>	<u>5,728,029</u>
Operating income (loss)	<u>244,666</u>	<u>449,172</u>	<u>186,267</u>	<u>880,105</u>
Non-Operating Revenues (Expenses):				
Interest earned on investments	1,185	1,264	415	2,864
Interest on long-term debt	(2,817)	(2,601)	-	(5,418)
Total non-operating revenues (expenses)	<u>(1,632)</u>	<u>(1,337)</u>	<u>415</u>	<u>(2,554)</u>
Income (loss) before capital contributions and transfers	<u>243,034</u>	<u>447,835</u>	<u>186,682</u>	<u>877,551</u>
Capital Contributions and Transfers:				
Transfers (out)	(150,232)	(50,273)	-	(200,505)
Total capital contributions and transfers	<u>(150,232)</u>	<u>(50,273)</u>	<u>-</u>	<u>(200,505)</u>
Change in net position	92,802	397,562	186,682	677,046
Net Position:				
Beginning of year - July 1	<u>1,036,056</u>	<u>1,047,623</u>	<u>234,693</u>	<u>2,318,372</u>
End of year - June 30	<u>\$ 1,128,858</u>	<u>\$ 1,445,185</u>	<u>\$ 421,375</u>	<u>\$ 2,995,418</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 3,168,120	\$ 894,607	\$ 2,282,906	\$ 6,345,633
Cash paid to suppliers for goods and services	(1,539,977)	(321,698)	(1,535,013)	(3,396,688)
Cash paid to or on behalf of employees for services	(987,631)	(318,737)	(563,280)	(1,869,648)
Net cash provided (used) by operating activities	<u>640,512</u>	<u>254,172</u>	<u>184,613</u>	<u>1,079,297</u>
Cash Flows from Non-Capital Financing Activities:				
non-capital financing activities	(150,232)	(50,273)	-	(200,505)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(747,449)	(362,861)	-	(1,110,310)
Principal paid on general obligation bond maturities and equipment contracts	(57,729)	(52,294)	-	(110,023)
Interest paid on bonded indebtedness and equipment contracts	(2,817)	(2,601)	-	(5,418)
Net cash provided (used) by capital and related financing activities	<u>(807,995)</u>	<u>(417,756)</u>	<u>-</u>	<u>(1,225,751)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>1,185</u>	<u>1,264</u>	<u>415</u>	<u>2,864</u>
Net increase (decrease) in cash and cash equivalents/investments	(316,530)	(212,593)	185,028	(344,095)
Cash and Cash Equivalents/Investments:				
Beginning of year - July 1	<u>973,274</u>	<u>880,336</u>	<u>313,980</u>	<u>2,167,590</u>
End of year - June 30	<u>\$ 656,744</u>	<u>\$ 667,743</u>	<u>\$ 499,008</u>	<u>\$ 1,823,495</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 244,666	\$ 449,172	\$ 186,267	\$ 880,105
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	163,107	69,235	-	232,342
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	7,619	(263,149)	(6,971)	(262,501)
Increase (decrease) in accounts payable	229,084	(4,584)	648	225,148
Increase (decrease) in compensated absences	(3,964)	3,498	4,669	4,203
Total adjustments	<u>395,846</u>	<u>(195,000)</u>	<u>(1,654)</u>	<u>199,192</u>
Net cash provided (used) by operating activities	<u>\$ 640,512</u>	<u>\$ 254,172</u>	<u>\$ 184,613</u>	<u>\$ 1,079,297</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 3,230,800	\$ 3,139,918	\$ (90,882)	\$ 3,240,741
Other	42,500	20,583	(21,917)	50,488
Total operating revenues	<u>3,273,300</u>	<u>3,160,501</u>	<u>(112,799)</u>	<u>3,291,229</u>
Non-Operating Revenues:				
State Grant	2,800	-	(2,800)	5,315
Interest earned on investments	400	1,185	785	1,149
Total non-operating revenues	<u>3,200</u>	<u>1,185</u>	<u>(2,015)</u>	<u>6,464</u>
Total revenues	<u>3,276,500</u>	<u>3,161,686</u>	<u>(114,814)</u>	<u>3,297,693</u>
Expenditures:				
Bulk Leaf Collection:				
Salaries and benefits	9,811	11,648	(1,837)	9,273
Operating	32,700	19,637	13,063	43,241
Capital outlay	-	-	-	20,097
Total leaf collection	<u>42,511</u>	<u>31,285</u>	<u>11,226</u>	<u>72,611</u>
Vector Control:				
Salaries and benefits	25,010	28,685	(3,675)	25,252
Operating	16,400	12,497	3,903	6,605
Capital outlay	6,300	-	6,300	31,266
Total vector control	<u>47,710</u>	<u>41,182</u>	<u>6,528</u>	<u>63,123</u>
Commercial Solid Waste:				
Salaries and benefits	267,199	261,752	5,447	243,536
Operating	577,100	513,814	63,286	525,688
Capital outlay	268,800	234,001	34,799	-
Indirect costs	269,459	269,459	-	295,650
Total commercial solid waste	<u>1,382,558</u>	<u>1,279,026</u>	<u>103,532</u>	<u>1,064,874</u>
Residential Solid Waste:				
Salaries and benefits	739,539	679,727	59,812	652,948
Operating	765,000	699,171	65,829	749,349
Capital outlay	483,617	451,144	32,473	2,233
Indirect costs	269,459	269,459	-	256,650
Total residential solid waste	<u>2,257,615</u>	<u>2,099,501</u>	<u>158,114</u>	<u>1,661,180</u>
Recycling:				
Salaries and benefits	40,680	30,540	10,140	38,140
Operating	20,300	8,766	11,534	1,589
Total recycling	<u>60,980</u>	<u>39,306</u>	<u>21,674</u>	<u>39,729</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	58,000	57,729	271	27,328
Interest and other charges	4,300	4,277	23	362
Total debt service	<u>62,300</u>	<u>62,006</u>	<u>294</u>	<u>27,690</u>
Total expenditures	<u>3,853,674</u>	<u>3,552,306</u>	<u>301,368</u>	<u>2,929,207</u>
Revenues over (under) expenditures	<u>(577,174)</u>	<u>(390,620)</u>	<u>186,554</u>	<u>368,486</u>
Other Financing Sources (Uses):				
Transfers out	(181,543)	(150,232)	31,311	(151,700)
Long-term debt issued	<u>309,600</u>	<u>-</u>	<u>(309,600)</u>	<u>259,780</u>
Total other financing sources (uses)	<u>577,174</u>	<u>(150,232)</u>	<u>(727,406)</u>	<u>108,080</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (540,852)</u>	<u>\$ (540,852)</u>	<u>\$ 476,566</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (540,852)		\$ 476,566	
Capital outlay	747,449		49,844	
Debt issued	-		(259,780)	
Payment of debt principal	57,729		27,328	
Depreciation	(163,107)		(52,177)	
Loss on the disposal of capital asset	-		(14,592)	
Change in accrued compensated absences	3,964		472	
Change in accrued interest payable	1,460		(2,179)	
Bad debt expense	(13,841)		(1,796)	
Change in net position	<u>\$ 92,802</u>		<u>\$ 223,686</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013	
	Budget	Actual			Actual
Operating Revenues:					
Charges for services	\$ 900,000	\$ 904,938	\$ 4,938	\$ 899,685	
Other	920	252,818	251,898	19,676	
Total operating revenues	<u>900,920</u>	<u>1,157,756</u>	<u>256,836</u>	<u>919,361</u>	
Non-Operating Revenues:					
State Grant	-	-	-	21,600	
Interest earned on investments	900	1,264	364	1,386	
Total non-operating revenues	<u>900</u>	<u>1,264</u>	<u>364</u>	<u>22,986</u>	
Total revenues	<u>901,820</u>	<u>1,159,020</u>	<u>257,200</u>	<u>942,347</u>	
Expenditures:					
Stormwater Operations:					
Salaries and benefits	394,495	322,235	72,260	261,871	
Operating	157,000	120,750	36,250	127,142	
Capital outlay	625,799	362,876	262,923	33,755	
Indirect costs	192,851	192,851	-	197,000	
Total stormwater operations	<u>1,370,145</u>	<u>998,712</u>	<u>371,433</u>	<u>619,768</u>	
Debt Service:					
Principal retirement	52,300	52,294	6	10,590	
Interest and other charges	3,800	3,716	84	984	
Total debt service	<u>56,100</u>	<u>56,010</u>	<u>90</u>	<u>11,574</u>	
Total expenditures	<u>1,426,245</u>	<u>1,054,722</u>	<u>371,523</u>	<u>631,342</u>	
Revenues over (under) expenditures	<u>(524,425)</u>	<u>104,298</u>	<u>628,723</u>	<u>311,005</u>	
Other Financing Sources (Uses):					
Appropriated fund balance	555,898	-	(555,898)	-	
Transfers out	(50,273)	(50,273)	-	(51,800)	
Long-term debt issued	18,800	-	(18,800)	187,666	
Total other financing sources (uses)	<u>524,425</u>	<u>(50,273)</u>	<u>(574,698)</u>	<u>135,866</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 54,025</u>	<u>\$ 54,025</u>	<u>\$ 446,871</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013		
	Budget	Actual			Actual	
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:						
Revenues and other financing sources over (under) expenditures and other financing uses						
Debt issued		\$ 54,025		\$ 446,871		
Payment of debt principal		52,294		10,590		
Depreciation		(69,235)		(65,634)		
Change in accrued compensated absences		(3,498)		1,166		
Change in accrued interest payable		1,115		(1,629)		
Capital outlay		<u>362,861</u>		<u>-</u>		
Change in net position		<u>\$ 397,562</u>		<u>\$ 203,698</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013	
	Budget	Actual		Actual	Actual
Operating Revenues:					
Charges for services	\$ 1,868,082	\$ 2,289,877	\$ 421,795	\$ 1,083,132	
Non-Operating Revenues:					
Interest earned on investments	-	415	415	77	
Total revenues	1,868,082	2,290,292	422,210	1,083,209	
Expenditures:					
Operations:					
Salaries and benefits	411,299	567,949	(156,650)	340,719	
Operating	1,688,082	1,530,992	157,090	507,380	
Total expenditures	2,099,381	2,098,941	440	848,099	
Revenues over (under) expenditures	(231,299)	191,351	422,650	235,110	
Other Financing Sources (Uses):					
Appropriated fund balance	231,299	-	(231,299)	-	
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 191,351	\$ 191,351	\$ 235,110	
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 191,351			\$ 235,110	
Change in accrued compensated absences	(4,669)			(417)	
Change in net position	\$ 186,682			\$ 234,693	

INTERNAL SERVICE FUNDS

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

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

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2014

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Assets:					
Cash and investments	\$ 1,164,640	\$ -	\$ 70,442	\$ 1,658,404	\$ 2,893,486
Accounts receivable	569	33,722	45,870	2,908	83,069
Inventory	-	244,720	-	-	244,720
Capital assets:					
Construction in progress	-	-	-	167,876	167,876
Buildings	19,468	-	-	-	19,468
Equipment	-	185,376	-	193,978	379,354
Accumulated depreciation	(9,734)	(176,877)	-	(140,687)	(327,298)
Total assets	<u>1,174,943</u>	<u>286,941</u>	<u>116,312</u>	<u>1,882,479</u>	<u>3,460,675</u>
Liabilities:					
Due to other funds	-	428,370	-	-	428,370
Accounts payable and accrued liabilities	437,685	14,992	111,946	103,355	667,978
Current portion of compensated absences	-	3,661	-	21,154	24,815
Non-current portion of compensated absences	-	20,743	-	63,463	84,206
Total liabilities	<u>437,685</u>	<u>467,766</u>	<u>111,946</u>	<u>187,972</u>	<u>1,205,369</u>
Net Position:					
Net investment in capital assets	9,734	8,499	-	221,167	239,400
Unrestricted	<u>727,524</u>	<u>(189,324)</u>	<u>4,366</u>	<u>1,473,340</u>	<u>2,015,906</u>
Total net position	<u><u>\$ 737,258</u></u>	<u><u>\$ (180,825)</u></u>	<u><u>\$ 4,366</u></u>	<u><u>\$ 1,694,507</u></u>	<u><u>\$ 2,255,306</u></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, 2014

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Operating Revenues:					
Contributions from various funds	\$ 673,596	\$ 311,042	\$ 532,823	\$ 1,984,141	\$ 3,501,602
Other income	204	2,333	-	410	2,947
Total operating revenues	<u>673,800</u>	<u>313,375</u>	<u>532,823</u>	<u>1,984,551</u>	<u>3,504,549</u>
Operating Expenses:					
Administration	264,513	534,611	-	663,079	1,462,203
Operations	-	-	528,457	1,093,682	1,622,139
Depreciation	487	2,125	-	18,501	21,113
Claims reimbursement	278,367	-	-	-	278,367
Total operating expenses	<u>543,367</u>	<u>536,736</u>	<u>528,457</u>	<u>1,775,262</u>	<u>3,383,822</u>
Operating income (loss)	<u>130,433</u>	<u>(223,361)</u>	<u>4,366</u>	<u>209,289</u>	<u>120,727</u>
Non-Operating Revenues (Expenses):					
Interest earned on investments	<u>1,434</u>	<u>-</u>	<u>-</u>	<u>2,232</u>	<u>3,666</u>
Income (loss) before transfers	<u>131,867</u>	<u>(223,361)</u>	<u>4,366</u>	<u>211,521</u>	<u>124,393</u>
Capital Contributions and Transfers:					
Transfers in	<u>-</u>	<u>460,650</u>	<u>-</u>	<u>-</u>	<u>460,650</u>
Change in net position	<u>131,867</u>	<u>237,289</u>	<u>4,366</u>	<u>211,521</u>	<u>585,043</u>
Net Position:					
Beginning of year - July 1	<u>605,391</u>	<u>(418,114)</u>	<u>-</u>	<u>1,482,986</u>	<u>1,670,263</u>
End of year - June 30	<u>\$ 737,258</u>	<u>\$ (180,825)</u>	<u>\$ 4,366</u>	<u>\$ 1,694,507</u>	<u>\$ 2,255,306</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 674,315	\$ 320,180	\$ 530,137	\$ 1,985,394	\$ 3,510,026
Cash paid to suppliers for goods and services	(375,726)	(73,002)	(504,045)	(123,218)	(1,075,991)
Cash paid to or on behalf of employees for services	(124,716)	(427,278)	-	(1,586,980)	(2,138,974)
Net cash provided (used) by operating activities	<u>173,873</u>	<u>(180,100)</u>	<u>26,092</u>	<u>275,196</u>	<u>295,061</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers from other funds	-	460,650	-	-	460,650
Advances to/from other funds	-	(269,926)	-	-	(269,926)
Net cash provided (used) by non-capital financing activities	-	<u>190,724</u>	-	-	<u>190,724</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	-	(10,624)	-	(210,849)	(221,473)
Cash Flows from Investing Activities:					
Interest on investments	<u>1,434</u>	-	-	<u>2,232</u>	<u>3,666</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>175,307</u>	-	<u>26,092</u>	<u>66,579</u>	<u>267,978</u>
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	<u>989,333</u>	-	<u>44,350</u>	<u>1,591,825</u>	<u>2,625,508</u>
End of year - June 30	<u>\$ 1,164,640</u>	<u>\$ -</u>	<u>\$ 70,442</u>	<u>\$ 1,658,404</u>	<u>\$ 2,893,486</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	<u>\$ 130,433</u>	<u>\$ (223,361)</u>	<u>\$ 4,366</u>	<u>\$ 209,289</u>	<u>\$ 120,727</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487	2,125	-	18,501	21,113
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	515	6,805	(2,686)	843	5,477
(Increase) decrease in inventories	-	36,572	-	-	36,572
Increase (decrease) in accounts payable	52,706	325	24,412	53,050	130,493
Increase (decrease) in accrued compensated absences	(10,268)	(2,566)	-	(6,487)	(19,321)
Total adjustments	<u>43,440</u>	<u>43,261</u>	<u>21,726</u>	<u>65,907</u>	<u>174,334</u>
Net cash provided (used) by operating activities	<u>\$ 173,873</u>	<u>\$ (180,100)</u>	<u>\$ 26,092</u>	<u>\$ 275,196</u>	<u>\$ 295,061</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUND - EMPLOYEE HEALTH
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013
	Financial Plan	Actual	Variance Over/Under
Operating Revenues:			
Contributions	\$ 680,400	\$ 673,596	\$ (6,804)
Other	-	204	204
Total operating revenues	<u>680,400</u>	<u>673,800</u>	<u>(6,600)</u>
Non-Operating Revenues:			
Investment earnings	-	1,434	1,434
Total revenues	<u>680,400</u>	<u>675,234</u>	<u>(5,166)</u>
Operating Expenditures:			
Administration:			
Salaries and benefits	124,066	114,448	9,618
Operating	196,100	160,333	35,767
Claims reimbursements, operating	<u>364,000</u>	<u>278,367</u>	<u>85,633</u>
Total operating expenditures	<u>684,166</u>	<u>553,148</u>	<u>131,018</u>
Revenues over (under) expenditures	<u>(3,766)</u>	<u>122,086</u>	<u>125,852</u>
Other Financing Sources (Uses):			
Appropriated fund balance	3,766	-	(3,766)
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>122,086</u>	<u>\$ 122,086</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:			
Reconciling items:			
Change in accrued vacation pay	10,268		5,681
Depreciation	<u>(487)</u>		<u>(487)</u>
Change in net position	<u>\$ 131,867</u>		<u>\$ (86,625)</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 271,835	\$ 311,042	\$ 39,207	\$ 198,935
Other	<u>-</u>	2,333	2,333	6,719
Total revenues	<u>271,835</u>	<u>313,375</u>	<u>41,540</u>	<u>205,654</u>
Operating Expenditures:				
Administration:				
Salaries and benefits	482,900	424,712	58,188	445,982
Operating	51,800	34,965	16,835	28,090
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	5,184
Fleet maintenance inventory	<u>85,000</u>	<u>88,124</u>	<u>(3,124)</u>	<u>124,120</u>
Total expenditures	<u>619,700</u>	<u>547,801</u>	<u>71,899</u>	<u>603,376</u>
Revenues over (under) expenditures	<u>(347,865)</u>	<u>(234,426)</u>	<u>113,439</u>	<u>(397,722)</u>
Other Financing Sources (Uses):				
Transfers in	460,650	460,650	<u>-</u>	495,100
Transfers out	<u>(112,785)</u>	<u>-</u>	<u>112,785</u>	<u>(439,876)</u>
Total other financing sources (uses)	<u>347,865</u>	<u>460,650</u>	<u>112,785</u>	<u>55,224</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>226,224</u>	<u>\$ 226,224</u>	<u>(342,498)</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Change in accrued vacation pay	2,566			(2,319)
Capital outlay	10,624			<u>-</u>
Depreciation	<u>(2,125)</u>			<u>-</u>
Change in net position	<u>\$ 237,289</u>			<u>\$ (344,817)</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014		2013	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions from other funds	\$ 850,000	\$ 532,823	\$ (317,177)	\$ 530,167
Other	<u>-</u>	<u>-</u>	<u>-</u>	88
Total revenues	<u>850,000</u>	<u>532,823</u>	<u>(317,177)</u>	<u>530,255</u>
Operating Expenditures:				
Fuel purchased	<u>850,000</u>	<u>528,457</u>	<u>321,543</u>	<u>530,604</u>
Revenue and other financing sources over (under) expenses and other financing uses	<u>\$ -</u>	<u>4,366</u>	<u>\$ 4,366</u>	<u>(349)</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Change in net position	<u>\$ 4,366</u>		<u>\$ (349)</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 1,984,140	\$ 1,984,141	\$ 1	\$ 2,433,900
Other	-	410	410	14,839
Total operating revenues	<u>1,984,140</u>	<u>1,984,551</u>	<u>411</u>	<u>2,448,739</u>
Non-Operating Revenues:				
Investment earnings	-	2,232	2,232	2,286
Total revenues	<u>1,984,140</u>	<u>1,986,783</u>	<u>2,643</u>	<u>2,451,025</u>
Operating Expenditures:				
Administration:				
Salaries and benefits	652,838	612,306	40,532	599,836
Operating	91,050	53,184	37,866	50,218
Capital outlay	14,550	4,076	10,474	5,905
Indirect charges	-	-	-	327,300
Total administration	<u>758,438</u>	<u>669,566</u>	<u>88,872</u>	<u>983,259</u>
Operations:				
Salaries and benefits	1,037,474	968,187	69,287	942,102
Operating	173,000	154,415	18,585	161,096
Capital outlay	396,168	181,929	214,239	34,455
Total operations	<u>1,606,642</u>	<u>1,304,531</u>	<u>302,111</u>	<u>1,137,653</u>
Total operating expenditures	<u>2,365,080</u>	<u>1,974,097</u>	<u>390,983</u>	<u>2,120,912</u>
Revenues over (under) expenditures	<u>(380,940)</u>	<u>12,686</u>	<u>393,626</u>	<u>330,113</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, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013**

	2014		2013	
	Financial Plan	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Appropriated fund balance	380,940	-	(380,940)	-
Transfers out	-	-	-	(4,700)
Total other financing sources (uses)	<u>380,940</u>	<u>-</u>	<u>(380,940)</u>	<u>(4,700)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ <u> </u> -	12,686	\$ <u> </u> 12,686	\$ <u> </u> 325,413
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Change in accrued vacation pay		6,487		(14,615)
Capital outlay		210,849		15,819
Depreciation		<u>(18,501)</u>		<u>(12,906)</u>
Change in net position	\$ <u> </u> 211,521		\$ <u> </u> 313,711	

OTHER FINANCIAL INFORMATION

Other financial information includes additional detailed analysis of particular aspects of the City's financial position or results of operations.

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CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 10,430,850	\$ 10,022,906	\$ 407,944
2012-2013	\$ 503,641	241	331,527	\$ 172,355
2011-2012	\$ 145,719	241	75,635	\$ 70,325
2010-2011	\$ 86,803	-	30,874	\$ 55,929
2009-2010	\$ 58,703	-	15,120	\$ 43,583
2008-2009	\$ 59,488	-	10,048	\$ 49,440
2007-2008	\$ 24,229	-	3,628	\$ 20,601
2006-2007	\$ 28,211	-	2,894	\$ 25,317
2005-2006	\$ 18,650	-	2,554	\$ 16,096
2004-2005	\$ 20,524	-	1,608	\$ 18,916
2003-2004	\$ 20,882	-	20,882	\$ -
Total	\$ 966,850	\$ 10,431,332	\$ 10,517,676	880,506
Motor vehicle tags receivable				\$ 89,959
Less allowance for uncollectible ad valorem taxes receivable: General Fund				<u>(141,840)</u>
Ad valorem taxes receivable, net General Fund				<u>\$ 828,625</u>
Reconcilement With Revenues:				
Ad valorem taxes - General Fund				\$ 10,665,557
Less auto fee				(211,012)
Penalties and interest collected				139,917
Add credits and adjustments				<u>(76,786)</u>
Total collections and credits				<u>\$ 10,517,676</u>

CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Total Levy			
	City-Wide		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate		
Original Levy:				
Property taxed at current rate	\$ 1,518,940,303	0.66	\$ 10,025,006	\$ 8,907,040
Penalties	<u>-</u>		<u>52,445</u>	<u>52,445</u>
Total	<u>1,518,940,303</u>		<u>10,077,451</u>	<u>8,959,485</u>
Municipal Service:				
District			<u>57,948</u>	<u>57,948</u>
Discoveries	<u>53,013,182</u>	0.66	<u>349,887</u>	<u>349,715</u>
Abatements	<u>(8,247,879)</u>		<u>(54,436)</u>	<u>(53,625)</u>
Total property valuation	<u>\$ 1,563,705,606</u>			
Net Levy			10,430,850	9,313,523
Uncollected taxes at June 30, 2014			<u>407,944</u>	<u>314,983</u>
Current Year's Taxes Collected			<u>\$ 10,022,906</u>	<u>\$ 8,998,540</u>
Current Levy Collection Percentage			<u>96.09%</u>	<u>96.62%</u>
				<u>91.68%</u>

STATISTICAL SECTION (Unaudited)

This part of the City of Kinston's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the finance statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	145
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	153
These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	
Debt Capacity	156
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	160
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	162
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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City of Kinston, North Carolina
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(audited)

GAESD Statement No. 31 | Unaudited in Fiscal Year 2002

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

	2005	2006	2007	2008	2009	Fiscal Year	2010	2011	2012	2013	2014
Expenses:											
Governmental activities:											
General government											
Public safety											
Sanitation (public services)											
Culture and recreation											
Community development											
Interest on long-term debt											
Total governmental activities expenses											
Business-type activities:											
Electric											
Water											
Wastewater											
Nonmajor funds											
Total business-type activities expenses											
Total primary government expenses											
Program revenue:											
Governmental activities:											
Charges for services:											
General government											
Public safety											
Public services											
Culture and recreation											
Community development											
Operating grants and contributions:											
General government											
Public safety											
Public services											
Culture and recreation											
Community development											
Capital grants and contributions, Community development											
Public safety											
Public services											
Culture and recreation											
Community development											
Total governmental activities program revenue											
Business-type activities:											
Charges for services:											
Electric											
Water											
Wastewater											
Nonmajor funds											
Capital grants and contributions:											
Electric											
Water											
Wastewater											
Nonmajor funds											
Total business-type activities program revenues											
Total primary government program revenues											
Net (expense) revenue:											
Governmental activities:											
Business-type activities											
Electric											
Water											
Wastewater											
Nonmajor funds											
Total primary government net expense											

(Continued)

City of Kinston, North Carolina

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	7,574,054	7,428,644	7,455,353	8,213,392	8,670,590	9,093,393	8,947,351	9,623,407	9,769,405	10,695,873
Sales taxes	3,042,893	2,991,928	3,169,463	2,949,288	2,861,603	2,920,585	3,026,406	3,270,967	2,925,258	3,243,976
Other taxes	1,930,381	1,731,049	1,916,403	1,895,726	2,139,890	1,982,714	2,219,513	2,255,359	2,006,708	2,297,838
Unrestricted intergovernmental	426,652	360,586	341,662	341,054	357,346	281,404	349,123	360,261	400,259	402,458
Investment earnings	63,365	94,385	200,033	288,941	88,357	8,370	20,107	20,202	15,240	12,514
Miscellaneous	63,353	26,264	146,222	286,867	279,008	174,443	223,451	182,766	210,924	276,812
Transfers	992,290	990,552	1,329,736	1,509,863	1,024,672	961,627	1,011,000	841,920	1,100,100	772,160
Capital contributions										
Total governmental activities	14,112,988	13,629,408	14,558,872	15,485,131	15,421,466	15,422,536	15,797,151	16,554,884	16,427,894	17,696,631
Business-type activities:										
Investment earnings	77,742	280,566	496,310	270,067	125,330	11,292	43,004	41,388	34,260	32,704
Transfers	(992,290)	(990,552)	(1,329,736)	(1,509,863)	(1,024,672)	(961,627)	(1,011,000)	(841,920)	(1,100,100)	(772,160)
Total business-type activities	(914,548)	(709,986)	(833,426)	(1,239,796)	(899,342)	(950,335)	(967,996)	(800,532)	(1,065,840)	(739,456)
Total primary government	13,198,440	12,919,422	13,725,446	14,245,335	14,522,124	14,472,201	14,829,155	15,754,352	15,362,054	16,957,175
Changes in net position:										
Governmental activities:										
Investment earnings	(362,670)	749,655	(130,387)	(463,079)	1,098,631	(432,221)	771,703	1,580,995	(1,313,669)	2,269,943
Transfers	12,667,883	20,206,809	4,651,978	332,646	144,596	3,077,213	567,603	1,907,851	1,152,772	2,404,491
Total primary government	\$ 12,325,183	\$ 20,956,464	\$ 4,521,591	\$ (130,433)	\$ 1,243,227	\$ 2,644,292	\$ 1,339,305	\$ 3,488,846	\$ (160,897)	\$ 4,674,434

City of Kinston, North Carolina

Program Revenues by Function/Program
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Function / Program	Fiscal Year							2014
	2005	2006	2007	2008	2009	2010	2011	
Governmental activities:								
General government	\$ (1,966,471)	\$ (955,739)	\$ (1,574,157)	\$ (2,074,383)	\$ (2,058,286)	\$ (2,481,484)	\$ (2,739,837)	\$ (2,914,602)
Public safety	(8,497,008)	(8,420,024)	(8,482,733)	(8,891,160)	(9,007,293)	(9,338,454)	(8,395,033)	(9,312,929)
Streets and Cemetery (Public services)	(1,074,987)	(1,130,033)	(1,646,518)	(885,641)	(804,655)	(1,171,987)	(924,105)	(1,144,852)
Culture and recreation	(1,776,359)	(587,070)	(1,220,845)	(2,553,383)	(1,701,677)	(1,996,103)	(1,902,086)	(1,446,812)
Community development	(961,976)	(1,609,014)	(1,534,208)	(1,224,312)	(631,452)	(552,227)	(522,638)	(319,453)
Interest on long-term debt	(168,857)	(177,813)	(226,828)	(319,271)	(119,472)	(315,202)	(350,729)	(226,847)
Total governmental activities	(14,475,638)	(12,879,753)	(14,685,289)	(15,948,210)	(14,322,835)	(15,885,457)	(15,025,448)	(17,741,563)
Business-type activities:								
Business-type activities:								
Electric	(289,079)	612,800	(612,934)	1,492,054	2,877,207	3,299,456	1,584,596	1,425,999
Water	341,048	1,287,863	1,656,824	1,682,441	(2,621,086)	(1,908,859)	(1,076,950)	87,030
Wastewater	13,615,189	19,091,216	4,584,408	(792,321)	134,090	1,945,893	420,724	778,32
Nonmajor funds	(64,757)	(75,084)	(42,894)	(809,732)	651,726	691,059	607,230	416,823
Total business-type activities	\$ 13,602,401	20,916,795	5,488,404	1,572,442	1,043,937	4,027,549	1,535,600	974,195
Total government	\$ 873,257	\$ 8,037,042	\$ (9,205,895)	\$ (14,375,768)	\$ (13,276,898)	\$ (11,827,908)	\$ (12,295,505)	\$ (15,522,951)
(12,292,741)								

GASB Statement No. 34 implemented in fiscal year 2003

Source: City records.

City of Kinston, North Carolina

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Fund:						
Reserved	\$ 3,016,132	\$ 2,250,430	\$ 2,505,053	\$ 2,208,633	\$ 1,978,932	\$ 1,461,673
Unreserved:	1,795,129	2,187,832	1,576,019	1,950,108	2,788,823	3,603,720
Non-spendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total General Fund	\$ 4,811,961	\$ 4,438,262	\$ 4,171,072	\$ 4,158,741	\$ 4,767,755	\$ 5,065,393
All Other Governmental Funds:						
Reserved	\$ 182,905	\$ 313,363	\$ 4,168,822	\$ 42,652	\$ 42,112	\$ 41,572
Unreserved, reported in:						
Special revenue funds	142,252	(83,522)	102,534	39,795	5,682	22,734
Major capital projects funds	-	-	-	-	-	-
Capital projects funds	91,317	(176,826)	(665,281)	1,002,639	33,197	(40,971)
Permanent Fund	76,824	78,454	80,584	81,634	83,268	83,390
Non-spendable in Permanent Fund	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Restricted in capital project	-	-	-	-	-	-
Committed in capital project	-	-	-	-	-	-
Assigned in Special Revenue Fund	-	-	-	-	-	-
Unassigned in capital project	-	-	-	-	-	-
Total all other government funds	\$ 493,298	\$ 131,469	\$ 3,686,659	\$ 1,166,730	\$ 164,259	\$ 106,725

City of Kinston, North Carolina

Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 7,295,551	\$ 7,453,311	\$ 7,479,685	\$ 7,896,095	\$ 8,608,531	\$ 9,094,918	\$ 8,937,400	\$ 9,607,610	\$ 9,678,780	\$ 10,805,474
Other taxes	4,993,274	4,728,976	5,085,886	4,855,014	5,001,493	4,905,299	5,246,119	5,526,328	4,931,966	5,536,814
Intergovernmental	2,520,599	2,490,910	1,663,077	1,868,669	1,842,598	1,597,248	1,967,500	3,348,925	1,881,675	1,849,215
Charges for services	1,274,366	1,458,756	1,444,584	1,511,054	1,652,192	1,677,717	1,613,184	1,738,320	1,955,122	1,605,774
Other	179,280	434,937	546,582	532,669	349,453	178,769	231,138	199,309	216,847	285,355
Total revenues	16,263,570	16,566,890	16,209,794	16,643,501	17,454,267	17,451,951	17,995,341	20,420,492	18,664,390	20,082,632
Expenditures:										
General government	1,820,443	1,888,204	1,960,260	1,649,345	1,888,916	2,170,499	2,170,354	2,210,601	1,992,856	1,939,339
Public safety	8,331,314	8,920,980	9,886,828	11,511,179	9,992,813	9,557,209	10,131,381	11,416,806	9,346,240	9,114,838
Public services	1,836,629	1,834,359	2,134,327	1,915,880	1,347,391	1,636,134	1,350,374	1,492,119	1,898,906	1,328,145
Culture and recreation	2,425,258	2,811,762	3,425,570	3,342,593	3,364,074	3,267,172	3,421,337	3,557,481	4,227,800	3,919,006
Community development	2,179,013	1,968,797	1,263,181	1,333,933	953,254	765,103	1,327,385	2,845,447	1,053,839	1,653,197
Capital outlay	600	72,114	-	-	-	-	-	-	-	-
Debt service:										
Principal	565,844	775,232	870,910	848,396	5,869,365	704,045	529,865	525,739	387,146	480,604
Interest	171,995	177,916	158,906	324,931	126,173	321,661	312,867	327,446	306,975	389,074
Total expenditures	17,330,986	18,449,364	19,699,982	20,926,257	23,541,986	18,421,823	19,243,563	22,375,639	19,298,852	18,823,203
Excess of revenues (under) expenditures	(1,067,326)	(1,882,474)	(3,490,188)	(4,282,756)	(6,087,719)	(969,872)	(1,248,222)	(1,985,147)	(624,462)	1,259,429
<i>Other financing sources (uses):</i>										
Transfers in	1,196,251	1,284,760	1,307,879	1,536,332	1,026,781	956,941	976,448	1,042,786	832,287	817,690
Transfers (out)	(547,705)	(524,658)	(197,576)	(249,187)	(318,569)	(176,850)	(365,948)	(61,766)	(277,287)	(506,180)
Issuance of long-term debt	1,015,000	314,730	5,687,885	463,401	4,986,000	427,885	3,197,500	-	621,038	125,972
Total other financing sources	1,663,546	1,074,832	6,778,188	1,750,546	5,694,212	1,209,976	3,908,300	431,020	1,226,038	437,482
Net changes in fund balance	\$ 596,220	\$ (807,642)	\$ 3,288,000	\$ (2,532,210)	\$ (393,507)	\$ 240,104	\$ 2,560,078	\$ (1,524,127)	\$ 601,576	\$ 1,696,911
Debt service as a percentage of noncapital expenditures	4.3%	5.2%	5.2%	5.6%	25.5%	5.6%	4.4%	3.8%	3.6%	4.6%

**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)
2005	475,439,130	136,413,157	288,003,273	30,195,605	454,612,035	20,827,095	5%	0.0710
2006	484,523,623	139,408,959	295,120,542	28,633,767	463,063,268	21,460,355	5%	0.0731
2007	492,063,385	126,593,785	301,904,545	28,149,694	456,648,024	32,415,361	7%	0.0781
2008	501,150,574	128,931,657	319,701,563	28,664,564	477,297,804	23,852,773	5%	0.0810
2009	470,222,174	141,893,853	286,958,132	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	287,902,532	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	126,777,737	306,791,731	15,430,733	449,000,221	29,012,270	6%	0.0978

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

Note:

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

Electric Rates	Cents Per KWH						2013	2014
	2005	2006	2007	2008	2009	2010		
Residential	11.0	12.0	12.7	12.7	14.1	14.6	14.7	14.8
Small General Service	9.3	10.1	12.5	12.4	14.1	14.6	14.6	14.7
Medium General Service	0.0	10.3	10.4	10.3	11.8	12.2	12.3	12.0
Public Housing	9.4	10.1	11.7	12.6	13.9	14.4	14.3	14.4
Church And School	13.2	14.2	14.9	14.9	16.3	16.9	17.1	17.1
Municipal Service	6.0	6.7	4.0	4	5.1	6	6	6.0
Masterbrand	5.3	5.3	5.3	5.3*	0	0	0	0.0
Large General Service	7.2	7.9	8.6	8.7	10.7	11	10.8	10.7
CDC Rate	5.0	5.5	5.9	6	7	7.6	8.2	8.5
Area Lights	20.9	22.2	21.5	22	22	22.8	23.4	23.5
							23.7	23.8

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

Notes: *Masterbrand rate was retired on 10/01/207

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
2005	\$ 0.775	\$ 0.600	\$ 0.270	\$ 1.645
2006	0.790	0.600	0.270	1.660
2007	0.840	0.600	0.270	1.710
2008	0.840	0.600	0.270	1.710
2009	0.840	0.660	0.270	1.770
2010	0.800	0.660	0.270	1.730
2011	0.800	0.660	0.270	1.730
2012	0.800	0.660	0.270	1.730
2013	0.800	0.660	0.270	1.730
2014	0.835	0.660	0.270	1.765

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

**City of Kinston, North Carolina
Principal Taxpayers
Current Year and Nine Years Ago
As of 6/30/2014**

Name of Taxpayer	Nature of Property	2014			2005			
		Assessed Value	Rank	Percentage of Total Assessed Value	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
Sanderson Farms, Inc	Poultry Processor	\$ 118,179,413	1	7.56%	Masterbrand Cabinets Inc.	\$ 27,920,016	1	2.40%
Smithfield Packing	Meat Processor	103,974,207	2	6.65%	Carolina Telephone	17,712,238	2	1.50%
Carolina Telephone	Utility	33,869,767	3	2.17%	Smithfield Packing	15,060,743	3	1.30%
Masterbrand Cabinets, Inc	Manufacturer	23,343,430	4	1.49%	Poole Walter Realty, Inc.	10,730,931	4	0.90%
Poole Walter Realty, Inc.	Real Estate	16,691,129	5	1.07%	Exco! Realty Trust NC	8,570,473	5	0.70%
BRE Retail Residential NC Owner LP	Shopping Center	16,167,148	6	1.03%	Barnet Southern Corp	6,695,657	6	0.60%
Piedmont Natural Gas	Utility	12,571,268	7	0.80%	Dwight C. and Patricia Howard	6,560,765	7	0.60%
Lowe's Home Centers	Shopping	10,353,854	8	0.66%	NC Natural Gas	6,529,476	8	0.60%
Vernon Park Mall Holding Corp.	Shopping Mall	10,048,067	9	0.64%	Perry, Inc.	6,510,604	9	0.60%
Perry's, Inc.	Real Estate	9,980,497	10	0.64%	Smith Investment Properties	6,077,132	10	0.50%
Total Assessed Valuation of Top Ten Taxpayers		\$ 355,173,780		22.72%	Total Assessed Valuation of Top Ten Taxpayers	\$ 112,358,035		9.70%
Balance of Assessed Valuation		\$1,207,791,896		77.28%	Balance of Assessed Valuation	\$1,085,680,738		90.30%
Total Assessed Valuation		\$1,562,965,676		100.00%	Total Assessed Valuation	\$1,170,118,757		100.00%

Source: Lenoir County Tax Office

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

Fiscal Year Ended June 30:	Tax Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Amount	Total Collections to Date
			Amount	Percentage of Levy			
2005	2004	\$ 7,088,728	\$ 6,677,323	0.9420	\$ 387,576	\$ 7,064,899	0.9966
2006	2005	7,180,425	6,783,645	0.9447	364,312	7,147,957	0.9955
2007	2006	7,268,251	6,889,924	0.9479	345,859	7,235,783	0.9955
2008	2007	7,701,960	7,334,167	0.9522	336,257	7,670,424	0.9959
2009	2008	8,480,980	8,029,872	0.9468	382,502	8,412,374	0.9919
2010	2009	8,888,479	8,473,336	0.9533	333,865	8,807,201	0.9909
2011	2010	8,764,337	8,363,449	0.9543	281,790	8,645,239	0.9864
2012	2011	9,429,114	8,983,219	0.9527	85,424	9,068,643	0.9618
2013	2012	9,533,752	9,035,552	0.9477	40,754	9,076,306	0.9520
2014	2013	\$ 10,430,850	\$ 10,022,906	0.9609	\$ 32,269	\$ 10,055,175	0.9640

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2003-2012

Notes:

There is no personal property tax (on cars or jewelry); only real property is taxed.

A tax levy provides taxes remitted in the following year.

For tax year 2012 collections are as of 07/30/2013.

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				
	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	Total Primary Government	Total Debt Per Capita
2005	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ 4,306,574	\$ 6,445,581	0	\$ 16,367,067	\$ 27,119,222
2006	-	-	-	0	-	-	3,846,072	5,721,263	0	15,777,811	25,345,146
2007	-	-	-	0	-	-	8,643,047	12,503,265	0	15,168,004	36,314,316
2008	-	-	-	0	-	-	8,258,051	12,668,221	0	19,832,648	40,758,920
2009	-	-	-	0	-	-	7,241,806	11,113,257	0	15,293,513	33,648,576
2010	-	-	-	0	-	-	6,985,646	11,160,112	0	14,339,473	32,465,231
2011	-	-	-	0	-	-	9,633,282	9,708,187	0	13,353,874	32,695,343
2012	-	-	-	0	-	-	9,107,542	8,279,562	0	12,336,227	29,723,331
2013	-	-	-	0	-	-	9,341,434	7,915,246	0	11,280,517	28,537,197
2014	-	-	-	0	-	-	8,986,803	6,995,366	0	10,186,196	26,168,365
											1,209

City of Kinston, North Carolina
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2014
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 70,366,923	38.52%	\$ 27,107,842
City Direct Debt	<u>8,986,803</u>		<u>8,986,803</u>
Total direct and overlapping debt	<u>\$ 79,353,726</u>		<u>\$ 36,094,645</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, 2014 assessed valuation of \$4,059,809,356 for Lenoir County and \$1,563,705,606 for the City of Kinston.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 93,609,501	\$ 95,001,119	\$ 96,127,414	\$ 101,946,732	\$ 111,203,551	\$ 106,982,646	\$ 105,523,959	\$ 113,508,985	\$ 114,575,354	\$ 125,096,448
Total net debt applicable to limit	4,306,574	3,846,072	8,643,047	20,926,273	18,393,410	18,125,758	19,341,469	17,387,104	17,256,580	15,982,168
Legal debt margin	\$ 89,302,927	\$ 91,155,047	\$ 87,484,367	\$ 81,020,459	\$ 92,810,141	\$ 88,856,888	\$ 86,182,490	\$ 96,121,881	\$ 97,318,574	\$ 109,114,280
Total net debt applicable to the limit as a percentage of debt limit	4.82%	4.22%	9.88%	25.83%	19.82%	20.40%	22.44%	18.09%	17.73%	14.65%
Legal Debt Margin Calculation for Fiscal Year 2014										
Assessed valuation	\$ 1,563,705,606									
8%	125,096,448									
Less applicable debt	(15,982,168) A									
Debt margin	\$ 109,114,280									
Notes:										
Debt includes installment contracts and notes payable										
Calculation only includes debt guaranteed by the unit's taxing authority, so revenue bonds are excluded.										

A=	Total government wide debt	\$ 28,638,534
	Less revenue bonds	(10,136,195)
	Less compensated absences	(1,012,277)
	Less law enforcement separation allowance	(1,199,823)
	Less separation allowance	(30,442)
	Less other post employment benefits	<u>(227,629)</u>
		\$ 15,982,168

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		Special Collections	Sales Tax Increment	Debt Service Interest	Debt Service Interest
				Principal	Debt Service Interest				
2005	\$ 51,199,729	\$ 47,457,736	\$ 3,741,983	\$ 589,256	\$ 319	0	0	0	0
2006	56,838,017	54,526,650	2,311,367	589,256	501,167	2.12	0	0	0
2007	56,909,055	51,857,666	5,051,381	1,192,410	704,022	2.66	0	0	0
2008	57,592,808	52,842,641	4,750,167	1,217,369	699,457	2.48	0	0	0
2009	62,189,411	59,945,018	2,244,393	1,363,251	754,475	1.06	0	0	0
2010	64,894,480	61,103,976	3,790,514	1,386,156	667,936	1.86	0	0	0
2011	66,310,137	61,739,024	4,571,113	1,389,715	621,036	2.26	0	0	0
2012	64,196,224	59,240,780	4,955,444	1,431,762	573,795	2.47	0	0	0
2013	66,105,976	60,986,859	5,110,117	1,732,828	690,238	2.06	0	0	0
2014	68,391,147	62,487,584	5,903,563	1,747,182	629,280	2.48	0	0	0

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)
2005	22917	(5)	9,876	6.7%
2006	22851	(5)	9,797	5.7%
2007	22962	16526	9,549	4.9%
2008	22649	(5)	9,546	7.2%
2009	22056	14476	9,258	12.4%
2010	21677	(5)	9,039	10.6%
2011	21642	(5)	9,075	11.2%
2012	21622	(5)	9,097	10.7%
2013	21625	(5)	8,994	9.9%
2014	21641	(5)	8,997	7.3%

Sources:

- (1) US Census Bureau
- (2) US Census Bureau - Information available at City level only for years census conducted.
- (3) Lenoir County School Board
- (4) NC Employment Security Commission
- (5) Information is not presently available

Note: The demographic statistic is being added to the report.

City of Kinston, North Carolina

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2014			2005			
	Employees	Rank	Percentage of Total County Employment	Employer	Employees	Rank	Percentage of Total County Employment
Sanderson Farms	1,616	1	6.10%	Caswell Center	1,690	1	6.42%
Caswell Center	1,501	2	5.66%	Lenoir County Public Schools	1,395	2	5.30%
Lenoir County Public Schools	1,078	3	4.07%	Lenoir Memorial Hospital	1,100	3	4.18%
Lenoir Memorial Hospital	938	4	3.54%	Electrolux Home Products (Frigidaire Co.)	750	4	2.85%
Electrolux Home Products	634	5	2.39%	Dupont	707	5	2.68%
Associated Materials, Inc	614	6	2.32%	Smithfield Packing Co.	600	6	2.28%
Lenoir Community College	526	7	1.98%	Lenoir Community College	574	7	2.18%
Masterbrand	519	8	1.96%	Lenoir County	500	8	1.90%
Lenoir County	466	9	1.76%	City of Kinston	476	9	1.81%
City of Kinston	381	10	1.44%	Masterbrand	440	10	1.67%
Total	8,273		31.20%	Total	8,232		31.26%

Sources:

Lenoir County Economic Development
 Employment Security Commission
 Various HR Managers

City of Kinston, North Carolina

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

Functions/Program	Full-Time Equivalent Employees as of June 30						2011	2012	2013	2014
	2005	2006	2007	2008	2009	2010				
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	3	2	3	3	3	4	2	2	2
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	4	4	3.5	3.5	1.5	2.5	2.5	2.5	2.5	2.5
Finance	11	11	11	12	12	11	12	13	13	13
Computer Services	3	3	3	3	3	3	3	3	3	4
Legal	2	2	2	2	2	2	2	2	2	2
Building Safety	3	3	3	3	3	3	2	2	2	2
Planning	5	5	5	5	5	5	4	4	3	2
Facility Maint										
Community Development										
Parks and Recreation:										
General & Administrative										
SOAR	6	6	6	6	6	5	5	4	5	5
Recreation	25	28	28	26	25	24	25	25	27	31
Pool(s)	1	1	1	1	1	1	1	1	1	1
Golf Course(s)	1	1	1	1	1	1	1	1	1	1
Police:										
Officers	74	74	75	75	77	73	73	79	76	76
Civilians (a)	10	10	10	9	9	8	8	8	8	8
Fire:										
Firefighters and Officers	56	55	55	54	54	50	49	49	47	47
Civilians	2	2	2	2	2	2	2	2	2	2
Public Works:										
Administration	1	1	1	1	1	1	1	1	1	1
Street Maintenance	17	18	15	16	12	12	12	12	12	11
Street Sweeping	1	1	1	1	1	1	1	1	1	1
Refuse Collection	31	30	26	26	26	25.5	26.5	26.5	26.5	26.5
Weed Control	1	1	1	1	1	0.5	0.5	0.5	0.5	0.5
Central Garage	11	10	10	9	10	9	10	10	10	10
Street Lighting	1	1	1	1	1	1	1	1	1	1
Traffic Control	2	2	2	2	2	2	2	2	2	2
Electric:										
Distribution	23	20	21	21	23	23	23	23	20	22
Billing & Administration	21	19	20	23	23	22	22	22	22	23
Meter Reading	8	7	6	6	6	7	7	7	9	9
Water:										
Administration	3	3	3	3	3	3	3	3	3	3
Transmission	18	20	24	25	25	25	25	25	24	24
Purification	2	2	3	3	3	3	3	3	3	3
Lake Bloomington Park										
Sewer Maintenance	15	13	14	13	13	13	13	13	14	14
Stormwater										
Other Programs/Functions:										
Engineering	9	10	10	8	7	7	7	7	10	11
Risk Management	3	3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	1.5
Parking										
Cultural District										
Total	381	375	375	375	379	360	366	364	375	381

Source: Prior year CAFR's
Various HR & Budget records

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

Function/Program	2005	2006	2007	2008	2009	Fiscal Year	2010	2011	2012	2013	2014
Police:											
Calls for service	30,610	31,192	35,156	32,213	32,686	33,101	29,767	30,753	28,944	26,729	
Adult arrest	2,847	2,945	4,910	3,008	2,755	3,553	2,896	3,240	2,823	2,392	
Juvenile arrest	146	172	171	161	122	89	97	117	130	97	
Speeding citations only	1,240	656	863	1,280	392	837	771	572	488	525	
Traffic citations	3,453	2,506	5,823	5,677	4,374	3,584	4,081	3,870	3,916		
Fire:											
Total fire runs	704	664	216	870	843	185	764	908	898	898	
Total rescue runs	410	143	145	121	151	117	82	80	96	96	
Property loss	\$ 433,537	\$ 380,311	\$ 761,793	\$ 642,430	\$ 791,822	\$ 472,680	\$ 2,124,175	\$ 1,194,425	\$ 11,441,115	\$ 726,548	
Building safety:											
Total building permits	\$ 16,423,622	\$ 58,292,255	\$ 35,183,618	\$ 124	\$ 115	\$ 98	\$ 59,871,760	\$ 83	\$ 15,617,899	\$ 102	\$ 114
Total value all permits											
Library, volumes in collection	115,695	116,474	14,026	99,905	235,108	233,466	245,837		237,195	244,343	198,083
Public service:											
Garbage collected (ton)	22,977	22,685	20,521	19,937	21,254	19,108	17,272	16,744	21,017	18,214	
Recycle collected (ton)	695	632	574	836.48	563.21	637.56	655.1	657.53	628	615	
Parks and Recreation:											
Recreation program attendance:											
Athletics	160,000	158,500	163,000	172,000	175,000	202,000	204,500	208,300	205,100	202,100	
Centers & Parks	419,000	419,500	421,500	520,000	518,000	522,000	547,000	552,000	547,000	625,000	
Other Programs	111,000	114,000	113,000	116,000	122,000	118,000	116,300	118,000	123,000	128,000	
Golf Rounds Played	7,500	7,800	7,950	8,200	9,300	9,100	9,000	8,000	8,650	9,200	

Source: Various City records
Note: ** Indicator not available

City of Kinston, North Carolina

**Capital Asset Statistics By Fund
Last Ten Fiscal Years
(Unaudited)**

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Stations	4	4	4	4	3	3	3	5	2	1
Fire & Rescue	3	3	3	3	3	3	3	3	3	3
Fire Stations										
Refuse Collection:										
Collection Trucks	25	25	25	25	25	25	25	25	25	25
Other Public Works										
Streets (Miles)	115.4	113.9	114.91	114.91	114.91	114.91	114.91	114.91	114.83	115.11
Streets Lights	2064	2064	2123	2106	2106	2106	2106	2106	2065	2065
Traffic Signals	N/A	15	15	15	15	15	15	15	15	15
Parks & Recreation:										
Acreage	245	245	300	300	300	300	300	300	332	332
Parks	14	14	15	15	15	15	15	15	15	15
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	17	17	17	26	26	26	26	26	26	26
Soccer/Football Fields	2	2	2	13	13	13	13	13	13	13
Basketball Courts	6	6	6	4	4	4	4	4	6	6
Tennis Courts	16	16	16	17	17	17	17	17	17	17
Swimming Pools	2	2	2	2	2	2	2	2	4	4
Parks with Playground Equipment	8	8	8	8	8	8	8	8	8	8
Picnic Shelters	6	8	8	8	8	8	8	8	8	9
Community Centers	5	5	5	5	5	5	5	6	7	7
Museums	2	2	2	2	2	2	2	2	2	2
Stadium	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat
Airport Theater	0	0	0	0	0	0	0	0	0	0
Indoor Bating Facility	1	1	1	1	1	1	1	1	1	1
Natural Sites	4	4	4	5	5	5	5	5	5	5
Gymnasium	4	4	4	4	4	4	4	5	6	6
Spray Ground	0	0	1	1	1	1	1	1	1	1
Dog Park	0	0	0	1	1	1	1	1	1	1
Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	115,695	116,474	14,026	99,905	235,108	233,466	245,837	237,195	244,343	198,083
Water:										
Storage Capacity (MGPD)	4.25 MGD	4.25 MGD	4.25MGD							
Average Daily Consumption (MGPD)	3.71 MGD	3.80 MGD	3.63 MGD	3.49 MGD	2.94 MGD	3.41 MGD	4.14 MGD	4.4 MGD	4.14 MGD	4.14 MGD
Peak Consumption (MGPD)	5.57 MGD	5.70 MGD	5.45 MGD	5.24 MGD	5.12 MGD	5.11 MGD	8.19 MGD	10.4 MGD	10.4 MGD	10.4 MGD
Miles of Water Mains	212.3	212.7	214	214.4	214.7	214.7	216.76	216.76	216.76	216.76
Wastewater:										
Sanitary Sewers (miles)	209.2	209.4	211.2	211.4	211.4	212.98	213.24	213.24	213.24	213.24
Storm Sewers (miles)	N/A	62.3	62.3	62.4	62.4	55.39	55.39	55.39	55.39	55.39
Average Daily Flow	5.24 MGD	5.12 MGD	5.29 MGD	4.64 MGD	4.29 MGD	5.09 MGD	5.14 MGD	4.24 MGD	4.69 MGD	6.23 MGD
Electric:										
Average Daily Usage	1,258,457 KWH	1,317,090 KWH	1,373,711 KWH	1,373,015 KWH	1,219,047 KWH	1,197,294 KWH	1,232,906 KWH	1,152,495 KWH	1,198,459 KWH	1,230,138 KWH
Mile of Distribution Lines	425	430	430	430	430	430	430	430	430	435
Source:	Various City records									
Note:										