

CITY OF KINSTON

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2008

Prepared by City of Kinston Finance Department

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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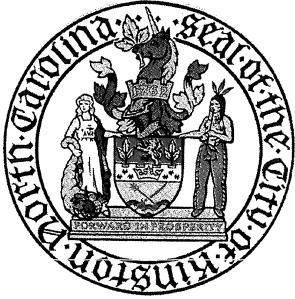
INTRODUCTORY SECTION

Letter of Transmittal

List of Principal Officials

Organizational Chart

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



City of Kinston

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O. A. RITCH, JR.
Mayor

SCOTT A. STEVENS
City Manager

JAMES P. CAULEY III
City Attorney

CAROL L. BARWICK
City Clerk

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, 2008, 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 unqualified opinion is included in the financial section. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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.

This report includes all the funds of the City. The City provides a full range of services including police and fire protection; sanitation services; construction and maintenance of streets and other infrastructure; planning and zoning services; and parks and recreational services. In addition to general governmental activities, the City owns and operates electric, water and wastewater utilities; therefore, these activities are included in the reporting entity. Kinston Leasing Corporation is considered a blended component unit of the City; however, there was no activity during the fiscal year ended June 30, 2008. The Kinston-Lenoir County Library, the Lenoir County 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 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, contract and grant agreements, is included in a separate reporting package.

ECONOMIC CONDITION AND OUTLOOK

Kinston, 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 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 70, US 258, NC 11, NC 55 and NC 58. The community currently has a 7.2 percent unemployment rate compared to a statewide rate of 6.2 percent and a national average of 5.5 percent. The July 2008 population estimates for the City report population as 22,962.

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, delivery of services, planning and budgetary management.

The City has experienced a conservative expansion. Overall, the value of new construction and renovation was \$20.1 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

All indications are that economic growth will accelerate. In May 2008 Spirit AeroSystems, Inc. announced it was coming to Kinston and the North Carolina Global Transportation Park (GTP). Spirit is a \$4 billion manufacturer and the world's largest independent supplier of commercial airplane assemblies and components. Spirit expects to invest \$570.5 million in a 400,000 square foot design and manufacturing facility on 307 acres and create 1,000 jobs. The North Carolina State budget includes \$29 Million for transportation improvements to the GTP in preparation of the location of Spirit. Spirit is expected to begin production in 2010. In April 2008 Sanderson Farms, the nations fourth largest poultry processing company, announced that it would invest in a \$ 126.5 million production complex in Kinston consisting of a new feed mill, poultry processing plant and hatchery. Sanderson expects to create 1,650 jobs. At full capacity the new facility will process and sell 6.7 million pounds of dressed poultry meat per week. Commerce Overseas Corporation, an aircraft parts supplier, announced it would move its company's corporate headquarters to the GTP and expects to create 72 jobs through 2010. These new employers are also expected to create a "domino effect" of new business, as suppliers set up shop, new homes are built and retailers expand their inventories.

In May 2008 Smithfield Packing Company ceased operations at their 60-year old West Vernon Avenue plant in May 2008. The age of the building prompted Smithfield to transfer operations to other facilities around the country. However, Smithfield will continue normal operations at a \$ 100 million modern, efficient facility in Kinston that opened in November 2006. In November 2007 West Pharmaceutical Services announced that it would expand its current workforce by 154 jobs and investing \$ 18.7 million during the next three years.

MAJOR INITIATIVES

FOR THE YEAR

Fiscal Year 2007-2008 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during previous fiscal years.

Clean Water Management Trust Fund Buy Out Project

Implementation of a \$1.181 million dollar grant from the Clean Water Management Trust Fund commenced in late 2006, which will result in the acquisition of approximately 300 properties located in the flood plain. When combined with the 850 properties previously acquired, the city will own approximately 900 acres of contiguous green space to be used for clean water, conservation, flood protection, and low-impact recreational purposes - greatly enhancing the quality of life for our citizens. The project is expected to be complete by July 31, 2009.

Engineering -Traffic Signal Project

The City has begun operation of the new traffic signal system, which consists of a centrally located control center and a system of traffic signals coordinated to move traffic around and through Kinston. The City has signed performance agreements for maintenance and operation of the new system with NC Department of Transportation. The City will be responsible for approximately 24% of the final project costs estimated at \$3.5 million.

Water Resources - Contract I: Wastewater Treatment Facilities at Kinston Regional Water Reclamation Facility (KRWRF)

Work on this project began in April 2004 and was complete in 2007. It consisted of improvements and expansion of the Kinston Regional Water Reclamation Facility to meet effluent discharge permit limits and increase capacity to 11.85 million gallons daily. The work included: headworks structures; BNR and aeration basins; secondary clarifiers with return and waste sludge facilities; denitrification filters; UV disinfection and post- aeration facilities; aeration and filter blower buildings; methanol storage and feed facility; non-potable plant water supply system; plant drain system; mechanical systems; engine-generator, power distribution system; plant control system; yard piping; site work; modifications to existing aeration basins, clarifiers, sludge pumping station, and chemical storage and feed facilities; demolition of facilities; and all other work included to decommission and demolish the Peachtree Plant. This \$26.9 million project was funded through a FEMA grant and began treating wastewater in August 2006. The plant was considered substantially complete in December 2006. In February 2007, the contractor walked-off the job leaving contract work and warranty work incomplete due to a dispute over the amount of sludge that was hauled during demolition of the Peachtree waste water treatment plant. Issues with the contractor resulted in litigation to resolve the final contract payment amount. This was settled in arbitration in May 2008. A final audit with FEMA is scheduled for August 12, 2008. The city is also negotiating a final settlement with Black & Veatch, which provided engineering services for this contract. The audit and settlement with Black & Veatch will determine Kinston's final cost for this project.

Water Resources - Water Reuse Project at the Kinston Regional Water Reclamation Facility (KRWRF)

This project consists of expanding the water reuse site developed in KRWRF Contract IV. The City has acquired additional property adjacent to the KRWRF plant for the expansion. The City chose the Wooten Company as the consultant to provide design and permitting services. The estimated cost of the project is \$1,737,200. Funding for the project will be provided by a \$1,290,000 Clean Water Management Trust Fund (CWMTF) grant, \$267,200 of local cash match and \$180,000 of in-kind service. The project has been submitted for permits. Construction is expected to begin in October 2008 and be complete by April 2009.

Water Resources - College Street Sewer Rehabilitation

This project will evaluate and rehabilitate or replace approximately 4,428 linear feet of sewer lines and 16 manholes on College Street. The estimated cost of the project is \$1,127,600. The City has received a grant from the Clean Water Management Trust Fund (CWMTF) of \$902,080 with a local match of \$225,520, (\$169,120 cash and \$56,400 of in-kind service). Stearns & Wheler has been selected as the engineering firm for the project. Construction is expected to begin in November 2008 and be complete by May 2009.

Water Resources - Adkin Branch Stream Restoration Project

The North Carolina Ecosystem Enhancement Program is in the process of planning the Adkin Branch Stream Restoration Project. This project will parallel the Adkin Branch from Hwy 11 to Lincoln Street. It will consist of cleaning debris from the degraded stream and surrounding riparian area and widening the stream to restore it to its natural stable condition. The City of Kinston is participating in this project to the extent of assisting with obtaining easements where needed. All engineering and construction costs are being funded by the NCEEP. Total estimated cost for the project is \$2.0 Million. Construction is expected to begin in October 2008 and be complete by October 2009.

Water Resources - Neuse Regional Water and Sewer Authority (NRWASA)

Kinston is a member of NRWASA and will begin purchasing potable water from the new surface water plant in September 2008. As a member, Kinston is currently paying a member assessment of \$2 per active water service per month to NRWASA, which is approximately \$22,000 per month. This will end in August 2008. Beginning in September 2008 Kinston will be obligated to purchase a minimum of 3.07 MGD from NRWASA at an estimated cost of \$3.34 per 1,000 gallons, or \$3,742,800 annually. We expect to purchase no more than the minimum, using our existing groundwater wells for any additional supply that is needed.

Water Resources - 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. The project design is ongoing and expected to cost \$300,000. Construction cost is estimated at \$5.0 million. The Wooten Company is providing engineering design services for this project, which should be complete by October 2008. Construction will be scheduled pending the availability of funds. The City is pursuing grants with the North Carolina Rural Economic Development Center, the North Carolina Department of Commerce and the Golden Leaf Foundation. Any balance in funding would likely need to be included in a State Revolving Fund loan.

Water Resources - Highway 70 Industrial Park Water Line Extension Project

This project involves the completion of looped water mains on Enterprise Boulevard and Smithfield Way to improve reliability, water quality and fire protection in the industrial park. Total project cost is estimated at \$551,268. Lenoir County is funding this project through grant applications with the North Carolina Rural Center, the CDBG program and a cash match of \$22,460. Funding should be in place by November 2008. Permits have been applied for. Construction should begin in January 2009 and be complete by May 2009.

Water Resources - Stockton Road Water Line Replacement

City crews completed work to replace an existing water line in Stockton Road in June 2008. City equipment and crews performed the work. Material costs were less than \$25,000.

Water Resources - Hillcrest Low Pressure Sewer System

Project consists of the construction of a low-pressure forcemain with individual pump stations for new town homes being constructed along Hillcrest Road at the Hillcrest Subdivision. Initial construction included the forcemain and one residential pump station. Work was performed by city crews and equipment and completed in early 2008. Material costs were approximately \$20,000

Electric Division - Caswell Center Primary Distribution Upgrade and Street Lights

The City is working with the Caswell Center to replace the existing overhead primary electric system to underground electric system. In addition, this upgrade will include installing campus street lighting. The total cost of this project is expected to be \$2.7 million. The City will be 100% reimbursed by the NC Department of Health and Human Services for this project. This project began in 2006 and is expected to be complete by February 2009.

Electric Division - Caswell Center Generator Installation

As part of the agreement with the NC Department of Health and Human Services, the City will install two peak shaving generators. The City will own and operate these generators. The cost of this installation is estimated to be \$2,250,000. The City will borrow funds for this project. The debt service payments will be made utilizing the electric peak-shaving credits. This project began in 2006 and should be completed by June 2009.

Electric Division - Lenox Generator Installation

The City will install a second peak shaving generator at Lenox China. This project is to assist Lenox in the retention of over 400 jobs in Lenoir County. The estimated cost of this project is \$400,000. This project will be funded by proceeds from a NC Department of Commerce IDF block grant of the same amount.

Electric Division - Hwy 70 West Industrial Park Substation

The City will complete construction of a new substation in the Hwy 70 West Industrial Park. The estimated cost to construct this substation is \$2.9 million. The Local Government Commission has approved the borrowing of funds to finance this project. The estimated completion date of this project is March 2009.

Planning – Urban Progress Zone

Secured Urban Progress Zone (UPZ) designation from the state department of commerce for the urban core area. This area consists of two square miles of declining residential areas of the city surrounding the Central Business District and former industrial areas vacated by the tobacco and textile industries. Combined with the Tier 1 designation for Lenoir County, up to \$15,500 in job creation credits and significant personal and real property investment incentives have been made available to help revitalize this area where past investments in infrastructure are now producing a negative return.

To support redevelopment of the UPZ, city council declared the same area a Community Development Area and adopted a Demolition by Neglect Ordinance to protect the large number historically significant buildings and neighborhoods.

Planning – State Historical Site

A local state historic site received funding (\$3.5 million for phase I and another \$6.0 million commitment for phases II & III) from the state legislature to establish a world class American Civil War Interpretive Center and expanded State Historic Site in the downtown district that will serve as an anchor attraction supporting the numerous smaller heritage tourism venues nearby.

Planning – Historical District Revitalization Plan

City Council approved funding (\$5,000) for development of a Request for Qualifications to solicit proposals for the development of a Historic District Revitalization Plan for our four National Register listed historic districts.

Planning –Comprehensive Transportation Plan

Both the Highway and Pedestrian components of the Comprehensive Transportation Plan were adopted by the City and the State Department of Transportation.

Planning –Hope VI Funding

Initial discussions were held with HUD and state and federal legislative delegations to begin the process of securing HOPE VI type funding to modernize our approach to public housing. The purpose is to improve housing conditions for the tenants, promote self-sufficiency, and reduce the excessive demand for public services caused by antiquated high-density development.

Public Safety - The GATE

The GATE is a 7,000 sq. ft. community development center located at 102 East Gordon Street. This facility was developed with the goal of providing youth an opportunity to improve educational and social skills. The City of Kinston completed this project with the assistance of two grants provided by the Governors Crime Commission and city funding. The project is a collaborative effort which includes the faith-based community, Lenoir County Schools and Lenoir Community College.

Public Safety - Fire Station Number One

Fire Station One is located in the 400 block of East Vernon Avenue. The 14,000 sq. ft. facility replaces a 40-year old facility located at 203 East King Street. The new facility has six apparatus bays, sleeping quarters, kitchen, day room, training room and administrative offices. This station opened in early 2008 and has improved response times and service delivery to the fire district. Most of the funding is provided through a \$3.135 Million USDA Rural Development Loan.

Recreation - Fairfield Park, Neuseway Park and Rotary Dog Park

The walking track around the perimeter of Fairfield Park was completed, which now provides the public a one (1) mile walk around the park.

A miniature train, “Big Daddy’s Express” and train tracks were installed at the Neuseway Park, which provides the public with daily train rides. Also, a train caboose was purchased and relocated to the park, which now serves as a ticket booth and souvenir stand for the train. Landscaping was also completed around the train and the caboose through a company that donated trees, flowers and shrubs.

The Rotary Dog Park, located on Hwy. 11/55 (the old Webb’s Salvage Yard) was cleared of debris to build a dog obstacle training course. Dirt was also moved to build up the area and enhance the ponds. The Dog Park will be completed, through private and local funding and will include obstacle and training courses for dogs, fencing for the exercise of smaller dogs, ponds for training and walking tracks around the ponds.

Worker’s Compensation and Safety Costs

Although insurance premiums and medical expenses related to on-the-job injuries are an ever present and increasing liability, the City has been successful at maintaining its costs for the year. During Fiscal Year 2008, the City recorded, for a third year, three (3) lost work day cases. New procedures for treatment of on the job injuries combined with close supervision of the cases continue to reduce the liabilities to the City.

IN THE FUTURE

Public Safety - Public Safety Facility

This project includes the renovation of the existing police station and old fire station into a 15,000 sq. ft. Public Safety Facility. Renovations include a training room/emergency operations center, prisoner booking area, evidence storage, sally port and expanded office space for public safety employees. This renovation will improve the efficiency of the department while improving safety for all employees. The completion date of this project is October 2008. Most of the Funding is provided through a \$1.851 Million USDA Loan

Planning - Funding for Comprehensive Planning

Start-up funds included in the FY2007-08 budget were carried over to the FY2008-09 budget for preliminary work geared towards the development of a Comprehensive Master Plan to establish a unified community vision for the next several decades. The plan will include “smart growth” and “livability” strategies that, when implemented, will result in desirable population increases and enhancement of the existing tax base utilizing public infrastructure already in place and annexation of fringe areas that will have a positive community impact.

Recent announcements related to the creation of over 2,500 new jobs in the county over the next three years will challenge us to make Kinston a competitive place to live and emphasize the importance of having a comprehensive plan in place to manage the growth.

Planning - Comprehensive Bicycle Plan

The Regional Planning Organization for transportation matters has agreed to develop, at no cost to the city, a Comprehensive Bicycle Plan that will become a component of the Comprehensive Transportation Plan.

Water Resources - Sanderson Farms Water/Sewer Utility Project

Sanderson Farms has announced plans to build three new facilities that will be served with city water and sewer services. The hatchery site will require construction of a fire line to meet fire protection needs and a small sewer lift station. The feed mill site will require a fire line extension and the extension of a gravity sewer line. The processing plant will require a large water service connection and connection to an existing sewer line along the property. Total costs for these extensions are estimated at \$725,500. The City is applying for grants with the North Carolina Rural Center and the North Carolina Industrial Development Fund. If both grants are awarded, the remaining city share of this cost will be \$36,275. Funding awards should be announced by October 2008. Construction should begin in January 2009 and be complete in August 2009.

Water Resources - Spirit Aero Systems Water/Sewer/Stormwater Project

Spirit Aero Systems has selected property in the North Carolina Global Transpark to construct a new manufacturing facility to build airplane components. To accommodate and serve this new industry will require the relocation of an existing 12" sewer main, construction of a 12" water main, relocation of an 8" water main, and construction of stormwater detention facilities for the project. Costs for the water and sewer work are estimated to be \$538,451. The city is pursuing grants from the North Carolina Rural Center and the North Carolina Industrial Development Fund for this work, which would reduce the city cost to \$26,923. The City and Lenoir County have committed to constructing stormwater improvements at a cost of up to \$1 million. We are currently investigating grant opportunities for this work as well. Grant awards should be announced by October 2008. Construction will need to be complete by August 2009.

Water Resources - East Vernon Avenue Sewer Rehabilitation Project

This project was identified in a Sanitary Sewer Evaluation Study performed in 2006. It involves replacement or rehabilitation of 10" and 12" sewer mains under Vernon Avenue from McLewan Street to Dr. Martin Luther King Jr. Boulevard. The project is expected to cost \$675,000. The City has received a grant of \$500,000 from the North Carolina Rural Center Supplement Grant Program, with a \$175,000 city cash match for this project. Work is expected to begin in March 2009 and be completed in October 2009.

Water Resources - Briery Run Phase III Sewer Rehabilitation Project

The Briery Run Sewer Outfall serves the North Carolina Global Transpark area and will begin receiving flow from the Highway 70 Industrial Park upon completion of the Highway 70 Industrial Park Sewer Project. The Phase III sewer project involves rehabilitation of the outfall from Graham Drive to Highway 58. Total cost for the project is estimated at \$3,017,520. The city has applied for a \$500,000 grant from the North Carolina Rural Center and a \$2,097,920 grant from the Clean Water Management Trust Fund, which will leave a city match of \$356,640 cash and \$62,960 of in-kind services. Grant awards should be announced by December 2008. Project construction would not begin until at least August 2009, with completion in January 2010.

Water Resources - Stormwater Utility

The City of Kinston Stormwater Utility Fee was initiated on July 1, 2007. All developed properties are being charged a flat fee of \$4 per month, which generates approximately \$436,000 in revenue per year. The City Council has already approved changing the fee charged to non-single-family-residential properties to one based on actual impervious area. Beginning January 1, 2009, any such property will pay \$4 per month for every 3,059 square feet of impervious area. This change in fee is expected to generate an additional \$200,000-\$300,000 annually. The additional funds will be used primarily to address stormwater system capital improvements. A list of projects has been developed and will be worked into the Capital Improvement Plan listed below.

Water Resources - Capital Improvement Plan Update

The City has applied for a Planning Grant with the North Carolina Rural Center to complete a Capital Improvement Plan Update for water and sewer improvements. The last update was performed in 2002. The project is expected to cost \$50,000. City cost will be \$10,000 with a grant of \$40,000. The grant will not cover stormwater related work, but the city will request the study include a stormwater CIP, to be funded by our Stormwater Utility Fund. We will also seek a Clean Water Management Trust Fund mini-grant for the stormwater portion.

Water Resources (Water Operations) - Water Line Replacements

Replacing old and leaky water mains is done to reduce maintenance needs on old pipes, improve fire protection and improve water quality to our customers. Projects scheduled for this year include replacing water lines on College Street and Rhem Street. Work will be performed by city crews. Material costs area estimated at \$10,000.

City - Fuel

With the continuous rise in unleaded gasoline and diesel fuel prices, and the uncertainty of the futures market, the City has begun to research potential alternate sources to power our vehicles and equipment. The \$838,000 budgeted for fuel-related expenses in the FY 2008-09 Annual Operating Budget is a 41% increase from FY 2007-08. With no relief expected in the coming years, sources such as fuel blends, bio-diesel, propane, natural gas, electricity, and hydrogen must be explored. If and when an alternative source is deemed to be more feasible, the City will look to convert our existing fleet and purchase new vehicles and equipment already equipped to use the new fuel source. Grants and other funding sources will be pursued to aid in the research and potential conversion.

Recreation - Neuseway Park, Rotary Dog Park, Boat Ramp and Soccer Complex

The boat ramp on Hwy. 70 East will be completed, which will provide easy access for fishing and canoe/kayak travel.

An authentic Indian Village with replica tipi's, totem poles and exhibits will be installed at the Neuseway Nature Park. Also, a giant tipi will be installed at the campground for overnight stay.

A county wide soccer game complex will be constructed on flood buy-out property pending the approval and funding of grant monies. The Lenoir County Commissioners approved a resolution to apply for a Clean Water Trust Fund Grant of which \$1 million would be used to fund a 26-acre soccer complex with 10 playing fields.

MIS Upgrades

MIS will be upgrading the Banner software from version 6 to version 7. This upgrade will affect Finance and Human Resource users only. The new version will be a web-based program meaning access to forms will be through the internet. In version 7, forms have been redesigned and now include tabs to simplify information access. Payroll and AP checks will no longer have to be manually torn apart. Users will have the ability to print the checks on laser printers. Also, without this upgrade, printing of W2's will not be available. It is available in version 7.

Other Post - Employment Retirement Benefits (OPEBs) - Non-Pension Benefit Plan

The City of Kinston maintains a retiree medical plan in which the City pays \$12.37 per month for each year of creditable service up to a maximum of 30 years upon retirement. Retirement can occur at either the attainment of 30 years of service or the attainment of 50 years of age and 20 years of service. This benefit commences at retirement and is payable until death of the member or age 65. Cash outlays for Fiscal Year 2008 were \$230,157. Our annual required contribution for Fiscal Year 2009 is \$245,575, subject to revisions. This benefit is no longer offered to employees hired after August 31, 2005.

Effective no later than with the Fiscal Year ending June 30, 2009, the City will adopt procedures under Governmental Accounting Standards Board (“GASB”) Statements No. 43 and 45. The value of the obligation made to provide retiree benefits must be actuarially calculated and accrued upon implementation. Although there is no requirement that the City actually fund the OPEB cost, not doing so could have a significant impact on the City’s overall credit rating, consequently, affecting the cost of issuing debt financing. An actuary has been engaged to complete the study and the City is evaluating our alternatives. The ultimate expense will be affected by funding methods and/or funding vehicles chosen to provide benefits in the future.

Pride of Kinston

In taking stock of the 2007-2008 fiscal and program year, Pride of Kinston will continue to build the necessary partnerships with local and state organizations to help revitalize Kinston’s Central Business District. Pride will continue to sponsor downtown clean-up and beautification efforts. With the recent announcements of major business coming to Kinston, the Pride is laying the groundwork for even greater advances in the coming year as we work in partnership with governments and investors to achieve the overall goal: restoration of our downtown as a thriving vibrant center for social and business interaction.

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, 2007. 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 management's discussion and analysis, 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,



Keith M. Fiaschetti, MBA
Finance Director



Scott A. Stevens,
City Manager

CITY OF KINSTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS
JUNE 30, 2008

CITY COUNCIL

O. A. RITCH, JR.
Mayor

ROBERT A SWINSON, IV
Mayor Pro Tem

JOSEPH M. TYSON

ALICE S. TINGLE

JIMMY COUSINS

WILLIAM W. BARKER

CITY ADMINISTRATION

SCOTT A. STEVENS
City Manager

KEITH M. FIASCHETTI
Finance Director

CAROL L. BARWICK
City Clerk

BRENDA RUFFIN
Director of Human Resources

RHONDA F. BARWICK
Director of Public Services

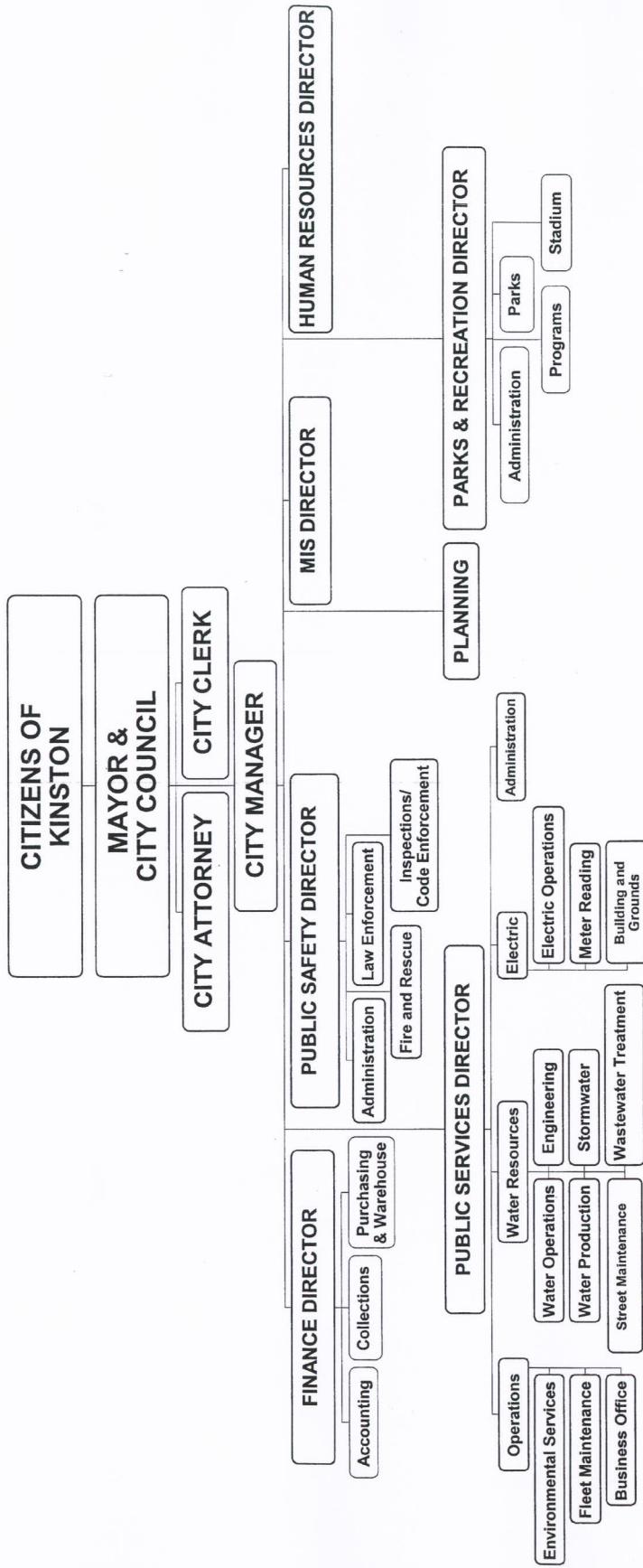
GREG SMITH
Director of Public Safety
Inspections & Code Enf.

TOMMY LEE
Director of Planning,

BILL ELLIS
Director of Parks and
Recreation

City of Kingston Organizational Structure

FY 2007-2008



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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Clare S. Cox

President

Jeffrey R. Ecker

Executive Director

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



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of City of Kinston's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the City of Kinston, North Carolina, as of June 30, 2008, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2008 on our consideration of the City of Kinston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary information as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of the City of Kinston, North Carolina. The combining and individual nonmajor fund statements, the budget and actual schedules, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
September 24, 2008

Management's Discussion and Analysis

This section of the City of Kinston's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

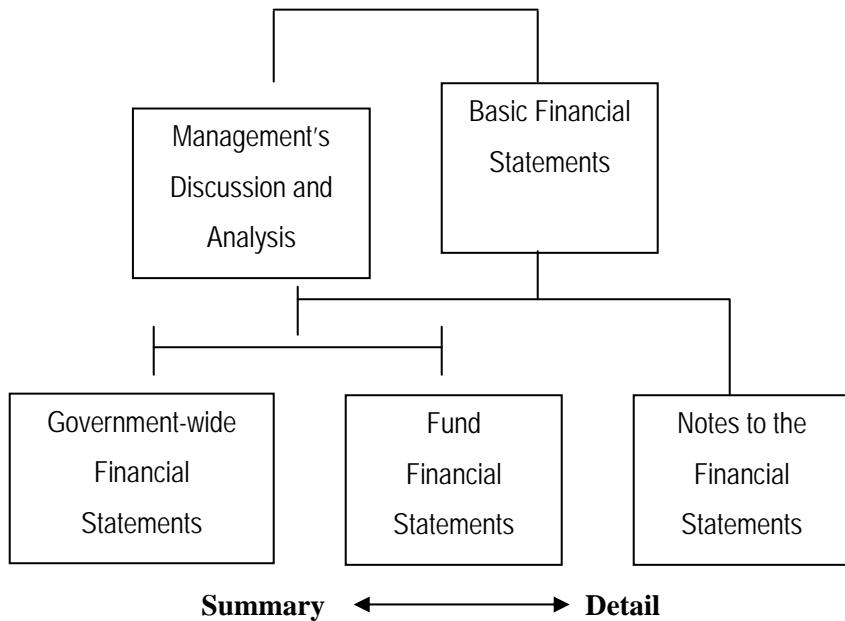
Financial Highlights

- The overall financial position of the City slightly decreased in 2008 as evidenced by a decrease in total net assets of \$0.1 million. This decrease was from governmental activities of \$ 0.4 million, while business-type activities increased \$ 0.3 million.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$102.8 million (net assets). Of this amount, \$21.9 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.3 million, a decrease of \$ 2.6 million in comparison with the prior year and is primarily due to the payment of construction costs related to the new main fire station and city hall renovation projects. Approximately 58.5 percent of this total amount, or \$3.1 million, is available for spending at the government's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$2.0 million, or 11.0 percent of total General Fund expenditures.
- The City's total debt increased by \$4.4 million during the current fiscal year. Most of this increase came from borrowing \$ 2.3 million in the Wastewater Capital Project Fund for improvements to the sanitary sewer system and \$3.0 million in the Electric Fund Capital Project fund for a new substation.

Overview of the Financial Statements

This annual report consists primarily of three parts: management's discussion and analysis (this section), the basic financial statements, and a section that presents combining and individual fund statements as well as detailed budgetary comparison schedules. 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. The following diagram shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds statements* tell how general government services, like public safety, were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the electric, water and wastewater systems.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data, and are followed by the required supplemental financial data on the Law Enforcement Officers' Special Separation Allowance and the Separation Allowance Plan. In addition to these required elements, a section is included with combining statements that provide details about nonmajor governmental funds, which are totaled and presented in a single column in the basic financial statements. This section also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets (the difference between assets and liabilities) and how they have changed. Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. Other nonfinancial factors, such

as changes in the City's property tax base and the condition of the City's roads, must be considered to assess the overall health of the City.

The government-wide financial statements are divided into two categories:

- Governmental activities - Most of the City's basic services are included here, such as public safety, community planning and development, streets, and culture and recreation. Property taxes, other taxes, and grants and contributions finance most of these activities.
- Business-type activities - The City charges fees to customers to cover the costs of certain services provided. The City's electric, water, wastewater and sanitation systems are included here.

The government-wide financial statements are on pages 12 – 14 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Statutes. Other funds are established to control and manage resources designated for specific purposes.

The City has two kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can be readily converted to cash and (2) the balances left at year-end that are available for spending in the next year. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the General Fund, as required by State Statutes. A budgetary comparison statement is presented for the General Fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual resources, changes to appropriations, and ending balances, and (d) the variance between the final budget and actual resources. Because the City's budgetary basis of accounting does not differ from the modified accrual basis used in the funds statements, reconciliation is not necessary at the end of the statement.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the Government-wide Statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that supply and service for the City's other programs and activities. 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 15 – 21 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 22 of this report.

Financial Analysis of the City as a Whole

Net Assets: For the City, assets exceeded liabilities by \$102.9 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2008 and 2007 is presented below:

City of Kinston's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 8,598,727	\$11,637,490	\$ 23,607,734	\$ 19,091,329	\$ 32,206,461	\$ 30,728,819
Capital Assets	16,923,803	14,996,384	104,015,671	103,035,200	120,939,474	118,031,584
Total Assets	25,522,530	26,633,874	127,623,405	122,126,529	153,145,935	148,760,403
Long-term liabilities outstanding	9,811,515	10,147,187	32,785,162	27,964,797	42,596,677	38,111,984
Other liabilities	1,698,892	2,011,485	6,074,143	5,730,278	7,773,035	7,741,763
Total liabilities	11,510,407	12,158,672	38,859,305	33,695,075	50,369,712	45,853,747
Net assets:						
Invested in capital assets, net of related debt	8,665,752	10,469,056	71,886,277	76,322,354	80,552,029	86,791,410
Restricted	524,143	696,026	-	-	524,143	696,026
Unrestricted	4,822,228	3,310,120	16,877,823	12,109,100	21,700,051	15,419,220
Total net assets	\$14,012,123	\$14,475,202	\$ 88,764,100	\$ 88,431,454	\$102,776,223	\$102,906,656

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The City's net assets decreased slightly by \$0.13 million for the fiscal year ended June 30, 2008. However, the largest portion (78.4%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21.9 million is unrestricted.

Net assets of the governmental activities decreased \$ 0.46 million, or 3.2 percent, to \$14.0 million. However, \$9.2 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). The remaining balance of \$4.8 million is unrestricted. The unrestricted net assets are available primarily to support operations and to provide for payment of long-term debt.

The net assets of the business-type activities increased by \$0.33 million, or 0.4 percent, to \$88.8 million. These net assets will be used to finance the operations and expansion of the electric, water, wastewater, environmental and storm- water operations.

Changes in Net Assets: The following table presents the City's changes in net assets for the fiscal years ended June 30, 2008 and 2007:

City of Kinston's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,953,699	\$ 1,444,584	\$ 60,596,297	\$ 59,106,038	\$ 62,549,996	\$ 60,550,622
Operating grants/contributions	1,196,860	1,072,792	-	-	1,196,860	1,072,792
Capital grants/contributions	99,827	450,960	785,614	4,267,212	885,441	4,718,172
General revenues:						
Property taxes	8,213,392	7,455,353	-	-	8,213,392	7,455,353
Other taxes	4,845,014	5,085,866	-	-	4,845,014	5,085,866
Grants/contributions not restricted to specific programs	341,054	341,662	-	-	341,054	341,662
Other	575,808	346,255	270,067	496,310	845,875	842,565
Total revenues	17,225,654	16,197,472	61,651,978	63,869,560	78,877,632	80,067,032
Expenses:						
General government	2,980,089	1,983,777	-	-	2,980,089	1,983,777
Public Safety	9,160,026	8,887,330	-	-	9,160,026	8,887,330
Highways and streets	1,740,530	2,365,762	-	-	1,740,530	2,365,762
Economic & physical development	1,369,772	1,342,519	-	-	1,369,772	1,342,519
Culture and recreation	3,628,908	2,851,379	-	-	3,628,908	2,851,379
Interest on long-term debt	319,271	226,828	-	-	319,271	226,828
Electric	-	-	47,230,530	47,429,959	47,230,530	47,429,959
Water	-	-	3,199,827	3,350,291	3,199,827	3,350,291
Wastewater	-	-	5,295,824	4,271,411	5,295,824	4,271,411
Non-Major Fund	-	-	4,083,288	2,836,185	4,083,288	2,836,185
Total expenses	19,198,596	17,657,595	59,809,469	57,887,846	79,008,065	75,545,441
Increase in net assets before transfers	(1,972,942)	(1,460,123)	1,842,509	5,981,714	(130,433)	4,521,591
Transfers	1,509,863	1,329,736	(1,509,863)	(1,329,736)	-	-
Increase (decrease) in net assets	(463,079)	(130,387)	332,646	4,651,978	(130,433)	4,521,591
Net assets, July 1	14,475,202	14,605,589	88,431,454	83,779,476	102,906,656	98,385,065
Net assets, June 30	\$ 14,012,123	\$ 14,475,202	\$ 88,764,100	\$ 88,431,454	\$ 102,776,223	\$ 102,906,656

Total government-wide revenues of \$78.9 million were primarily derived from charges for services (79.3%), property taxes (10.4%) and other taxes (6.1%). The total expenses of all programs were \$79.0 million. The expenses cover a range of services with the two largest being electric services (59.8%) and public safety (fire/EMS and police) (11.6%).

Governmental Activities

Governmental activities slightly decreased the City's net assets by \$0.5 million. Key elements of this decrease are as follows:

- Increase in governments expenses of \$ 1.5 million with \$ 1.0 million of the increase generated by general government and \$ 0.8 million by culture and recreation. These increases are primarily due to capital outlay.

- Increase of 10.2% in property tax revenues partially offset the decrease due to growth and continued diligence in the collection of property taxes.

Business-type Activities

Business-type activities increased the City of Kinston's net assets by \$ 0.3 million. Key elements of this increase are as follows:

- Charges for services increased by approximately \$1.5 million, or 2.5% over the prior year. The increase was the combined result of increased electric consumption and increases in residential refuse collection fees. The revenue increase in electric was offset by \$0.1 million in additional purchased power costs over the prior year.
- Increase of \$ 1.2 million in non-major fund expenditures primarily due to the transfer of \$0.4 million to the general fund to fund activities that reduces stormwater pollution. Increase of \$ 1.0 million in wastewater expenditures primarily due to depreciation expense on the new wastewater treatment plan.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate 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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Kinston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,950,108 of which, nothing is designated for subsequent year's expenditures, while total fund balance was \$4,158,741. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.0% of total General Fund expenditures of \$17,744,665, while total fund balance represents 23.4% of that same amount.

At June 30, 2008, the governmental funds of City of Kinston reported a combined fund balance of \$5,325,521, a 32.2% decrease over last year. Included in this change in fund balance is a \$ 2.5 million decrease in the fund balance of the nonmajor general fund. Contributing factor in this decrease is \$3.9 million reduction in restricted assets which includes expended proceeds of the interim financing or bridge loan for the new main fire station and city hall renovation projects.

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.

Revenues were less than the budgeted amounts in several categories. The most significant variances were in other taxes and licenses \$ 0.2 million and other revenues \$ 0.2 million. The shortfall in other taxes and licenses was primarily in local government sales tax revenues and was the result of a slowdown in the national and state economies which impacted the local economy as well, the variance in other revenue was in miscellaneous revenues and the result of not receiving reimbursement from the Federal Emergency Management Administration (FEMA) for administrative costs related to the construction of the new waste water treatment plant. This variance was partially offset from higher Ad valorem tax revenues due to a better collection rate, Franchise Utilities tax revenues were also over budget, which helped to offset the revenue shortfalls in other categories.

Expenditures were managed as well, and the Town was able to comply with most budgetary requirements. Significant favorable variances (actual expenditures below the final amended budget) is attributable to a spending and hiring freeze that was implemented in response to the national, state, and local slowdown in the economy.

Proprietary Funds. Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets (deficit) at the end of the year amounted to \$5.4 million in the Electric fund, \$5.7 million in the Water fund, \$5.3 million in the Wastewater fund and \$.3 million in the nonmajor fund. The Electric, Water and nonmajor funds experienced growth in net assets for the funds of approximately \$0.2 million, \$0.8 million, and \$.03 million respectively. These were more than offset by the \$1.0 million decrease in net assets of the Wastewater Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2008, the City had \$120.9 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water and wastewater operating plant and infrastructure and construction in process. This amount represents a net increase of \$2.9 million, or 2.5%, over last year. The summary of capital assets at June 30, 2008 and 2007 is presented below:

City of Kinston's Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,856,515	\$ 2,874,515	\$ 878,503	\$ 878,503	\$ 3,735,018	\$ 3,753,018
Infrastructure	2,201,268	2,467,521	123,642	130,510	2,324,910	2,598,031
Buildings & improvements	8,469,906	5,645,169	50,463,825	2,542,350	58,933,731	8,187,519
Equipment & vehicles	1,998,430	1,655,728	1,138,048	1,144,181	3,136,478	2,799,909
Operating plant	-	-	49,779,602	51,094,290	49,779,602	51,094,290
Construction in progress	1,397,684	2,353,451	1,632,051	47,245,366	3,029,735	49,598,817
Total	\$ 16,923,803	\$ 14,996,384	\$ 104,015,671	\$ 103,035,200	\$ 120,939,474	\$ 118,031,584

This year's major capital asset additions included:

- Construction in process – City Hall Renovations - \$0.9 million
- Completion of Wastewater Treatment Plant – \$49.3 million
- Completion of New Main Fire Stations - \$ 3.0 Million
- Equipment and vehicles - \$ 2.8 million

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

Long-term Debt. At June 30, 2008, the City had \$40.8 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

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Installment contracts	\$ 8,258,051	\$ 8,643,047	\$ 2,663,321	\$ 2,786,698	\$ 10,921,372	\$ 11,429,745
Revenue bonds	-	-	19,832,648	15,168,004	19,832,648	15,168,004
Notes payable	-	-	10,004,900	9,716,567	10,004,900	9,716,567
Total	\$ 8,258,051	\$ 8,643,047	\$ 32,500,869	\$ 27,671,269	\$ 40,758,920	\$ 36,314,316

The City of Kinston's total long-term debt increased by \$4.4 million (12.2%) during the fiscal year, primarily due to \$ 5.3 million revenue bond financing to fund improvements to the sanitary sewer system and to fund construction of a substation in the electric system. 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 City of Kinston is \$ 81,020,459,

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 2008, 19 residential and 11 nonresidential units were constructed with a value of \$17.7 million
- Retail sales during 2008 were \$374.2 million.
- The June 2008 unemployment rate was 5.5 percent compared to 7.2 percent for the state and 6.2 percent for the nation.

The following are highlights for the 2009 budgets for the governmental activities:

Property tax receipts are expected to increase \$ 697,000 mainly attributable to an increase of 10% in the property tax rate (From \$ 0.60 cents to \$ 0.66 cents per \$ 100 of valuation). Estimated sales tax revenues increases due to the effect an increase in the property tax rate has on the formula used to allocate sales tax revenues to the City. The most significant factors negatively impacting the 2009 budget is the lack of growth within the City and surrounding area and the escalating costs, most notably energy prices, of doing business. However in the future all indications are that economic growth will accelerate as two major new employers are coming to Kinston, others are expanding. In addition, these new employers are also expected to create a "domino effect" of other new businesses, as suppliers set-up, new homes are built and retailers expend inventories. Other details on this appear in the introductory section letter of transmittal category of the comprehensive annual financial report.

The General Fund initial budget for 2008-2009 decreased 4.8% from \$18.7 million (2008 adjusted adopted budget) to \$17.8 million. The decrease in the new budget is attributable to the street sweeping function and part of the street maintenance department being moved from the general fund to the stormwater fund and a decrease in capital spending from the prior fiscal year.

The following are highlights for the 2009 budgets for the business-type activities:

- Water rates increased 10% for variable consumption charges only, effective July 1, 2008.
- Sewer rates increased \$ 1.00 for the inside City base charge, \$ 2.00 for the outside City base charges, and 11% for variable consumption charges, effective July 1, 2008.
- Electric rates increased \$ 0.0121 per kWh for all rates, effective August 1, 2008.
- Residential garbage rates increased 14.3% and commercial garbage rates increased 10%, effective July 1, 2008.
- Effective January 1, 2009 Stormwater rates on all non-single family residential and commercial properties will be charged \$ 4.00 per Equivalent Residential Unit (ERU) per month. One ERU equals 3,059 square feet of impervious area and a maximum cap has been set at 250 ERU's per property. All single-family residential property will continue to be charged a flat rate of \$ 4.00 per month.

Contacting the City's Financial Management

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 NC 28502 or call (252) 939-3147.

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.

CITY OF KINSTON, NORTH CAROLINA**STATEMENT OF NET ASSETS**
JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 5,561,726	\$ 9,928,512	\$ 15,490,238
Receivables:			
Due from governmental agencies	1,363,593	3,602,666	4,966,259
Accounts receivables	1,167,965	1,010,544	2,178,509
Taxes receivable	761,319	-	761,319
Customer receivables, net	-	6,988,985	6,988,985
Internal balance	(735,891)	735,891	-
Inventories	313,310	1,341,136	1,654,446
Restricted cash and investments	166,705	-	166,705
Capital assets:			
Land and construction in process	4,254,199	2,510,554	6,764,753
Other capital assets, net of depreciation	12,669,604	101,505,117	114,174,721
Total assets	<u>25,522,530</u>	<u>127,623,405</u>	<u>153,145,935</u>
Liabilities:			
Accounts payable and accrued expenses	1,552,752	4,567,450	6,120,202
Accrued interest payable	103,533	108,347	211,880
Unearned revenue	42,607	12,908	55,515
Customer deposits	-	1,385,438	1,385,438
Long-term liabilities:			
Due within one year	1,023,957	6,174,080	7,198,037
Due in more than one year	8,787,558	26,611,082	35,398,640
Total liabilities	<u>11,510,407</u>	<u>38,859,305</u>	<u>50,369,712</u>
Net assets:			
Invested in capital assets, net of related debt	8,832,457	71,514,802	80,347,259
Restricted for:			
Public works	442,449	-	442,449
Perpetual care:			
Expendable	6,694	-	6,694
Nonexpendable	75,000	-	75,000
Unrestricted	4,655,523	17,249,298	21,904,821
Total net assets	<u>\$ 14,012,123</u>	<u>\$ 88,764,100</u>	<u>\$ 102,776,223</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, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 2,980,089	\$ 791,491	\$ 114,215	\$ -
Public safety	9,160,026	54,916	213,950	
Public services	1,740,530	15,277	839,612	-
Community development	1,369,772	145,400	-	-
Cultural and recreation	3,628,908	946,615	29,083	99,827
Interest on long-term debt	319,271	-	-	-
Total governmental activities	<u>19,198,596</u>	<u>1,953,699</u>	<u>1,196,860</u>	<u>99,827</u>
Business-Type Activities:				
Electric	47,230,530	48,105,623	-	616,961
Water	3,199,827	4,867,268	-	15,000
Wastewater	5,295,824	4,349,850	-	153,653
Nonmajor funds	4,083,288	3,273,556	-	-
Total business-type activities	<u>59,809,469</u>	<u>60,596,297</u>	<u>-</u>	<u>785,614</u>
Total primary government	<u>\$ 79,008,065</u>	<u>\$ 62,549,996</u>	<u>\$ 1,196,860</u>	<u>\$ 885,441</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, special items, and transfers				
Change in net assets:				
Net Assets:				
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 Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (2,074,383)	\$ -	\$ (2,074,383)
(8,891,160)	-	(8,891,160)
(885,641)	-	(885,641)
(1,224,372)	-	(1,224,372)
(2,553,383)	-	(2,553,383)
(319,271)	-	(319,271)
<hr/>	<hr/>	<hr/>
(15,948,210)	-	(15,948,210)
-	1,492,054	1,492,054
-	1,682,441	1,682,441
-	(792,321)	(792,321)
<hr/>	<hr/>	<hr/>
-	(809,732)	(809,732)
<hr/>	<hr/>	<hr/>
-	1,572,442	1,572,442
<hr/>	<hr/>	<hr/>
(15,948,210)	1,572,442	(14,375,768)
8,213,392	-	8,213,392
2,949,288	-	2,949,288
1,652,492	-	1,652,492
243,234	-	243,234
341,054	-	341,054
288,941	270,067	559,008
286,867	-	286,867
<hr/>	<hr/>	<hr/>
13,975,268	270,067	14,245,335
1,509,863	(1,509,863)	-
<hr/>	<hr/>	<hr/>
15,485,131	(1,239,796)	14,245,335
(463,079)	332,646	(130,433)
14,475,202	88,431,454	102,906,656
<hr/>	<hr/>	<hr/>
\$ 14,012,123	\$ 88,764,100	\$ 102,776,223

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

CITY OF KINSTON, NORTH CAROLINA**BALANCE SHEET - GOVERNMENTAL FUNDS**
JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 3,307,947	\$ 1,337,849	\$ 4,645,796
Receivables:			
Due from government agencies	1,363,593	-	1,363,593
Accounts receivable	796,046	290,171	1,086,217
Taxes receivable	761,319	-	761,319
Inventories	110,262	-	110,262
Restricted cash and investments	166,705	-	166,705
Total assets	<u>\$ 6,505,872</u>	<u>\$ 1,628,020</u>	<u>\$ 8,133,892</u>

Liabilities and Fund Balances:

Liabilities:			
Accounts payable and accrued liabilities	\$ 842,344	\$ 319,161	\$ 1,161,505
Due to other funds	-	142,079	142,079
Deferred revenue	1,462,180	-	1,462,180
Unearned revenue	42,607	-	42,607
Total liabilities	<u>2,347,131</u>	<u>461,240</u>	<u>2,808,371</u>

Fund Balances:

Reserved for Powell Bill	442,449	-	442,449
Reserved for restricted assets	166,705	-	166,705
Reserved for inventories	110,262	-	110,262
Reserved by State statute	1,458,878	42,652	1,501,530
Reserved for encumbrances	30,339	-	30,339

Unreserved:

Undesignated, reported in			
General Fund	1,950,108	-	1,950,108
Permanent Fund	-	81,694	81,694
Special revenue funds	-	39,795	39,795
Capital project funds	-	1,002,639	1,002,639
Total fund balances	<u>4,158,741</u>	<u>1,166,780</u>	<u>5,325,521</u>

Total liabilities and fund balances \$ 6,505,872 \$ 1,628,020

Amounts reported for governmental activities in the

Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 16,890,641The assets and liabilities of the Internal Service Fund is included in governmental activities in the Statement of Net Assets 216,626Other long-term assets are not available to pay for current expenditures and therefore are deferred in the funds. 1,462,180Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds. (9,882,845)Net assets of governmental activities, per Exhibit A \$ 14,012,123*The accompanying notes are an integral part of the financial statements.*

CITY OF KINSTON, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 7,896,095	\$ -	\$ 7,896,095
Sales and services	1,511,054	-	1,511,054
Other taxes	4,845,014	-	4,845,014
Intergovernmental revenue:			
Unrestricted	341,054	-	341,054
Restricted	1,028,480	489,135	1,517,615
Investment earnings	154,095	91,707	245,802
Other	274,101	12,766	286,867
Total revenue	16,049,893	593,608	16,643,501
Expenditures:			
General government	1,649,345	-	1,649,345
Public safety	8,778,555	2,732,624	11,511,179
Public services	1,915,880	-	1,915,880
Parks and recreation	3,204,286	138,307	3,342,593
Community development	1,196,850	137,083	1,333,933
Debt service:			
Principal	848,396	-	848,396
Interest	151,353	173,578	324,931
Total expenditures	17,744,665	3,181,592	20,926,257
Revenues over (under) expenditures	(1,694,772)	(2,587,984)	(4,282,756)
Other Financing Sources (Uses):			
Transfers in	1,451,007	88,125	1,539,132
Transfers (out)	(231,967)	(20,020)	(251,987)
Long-term debt issued	463,401	-	463,401
Total other financing sources (uses)	1,682,441	68,105	1,750,546
Net change in fund balances	(12,331)	(2,519,879)	(2,532,210)
Fund Balance:			
Beginning of year, July 1	4,171,072	3,686,659	7,857,731
End of year, June 30	\$ 4,158,741	\$ 1,166,780	\$ 5,325,521

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
FOR THE YEAR ENDED JUNE 30, 2008**

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)	\$ (2,532,210)
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.	3,397,211
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,469,888)
In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(33,066)
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.	(116,121)
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	(166,545)
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 assets. This is the amount by which proceed of long-term debt exceeded principal repayments in the governmental funds in the current period.	390,656
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.	<u>66,884</u>
Total changes in net assets of governmental activities	<u>\$ (463,079)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 7,794,100	\$ 7,794,100	\$ 7,896,095	\$ 101,995
Sales and services	1,563,500	1,563,500	1,511,054	(52,446)
Other taxes	5,053,800	5,053,800	4,845,014	(208,786)
Intergovernmental revenue:				
Unrestricted	369,100	369,100	341,054	(28,046)
Restricted	936,800	936,800	1,028,480	91,680
Investment earnings	65,000	65,000	154,095	89,095
Other	496,000	558,500	274,101	(284,399)
Total revenues	<u>16,278,300</u>	<u>16,340,800</u>	<u>16,049,893</u>	<u>(290,907)</u>
Expenditures:				
Current:				
General government	2,101,510	2,121,160	1,992,779	128,381
Public safety	9,274,200	9,633,618	9,376,427	257,191
Public services	2,305,500	2,351,777	1,974,323	377,454
Parks and recreation	3,171,350	3,298,186	3,204,286	93,900
Community development	1,126,762	1,252,804	1,196,850	55,954
Contingency	226,300	-	-	-
Total expenditures	<u>18,205,622</u>	<u>18,657,545</u>	<u>17,744,665</u>	<u>912,880</u>
Revenues over (under) expenditures	<u>(1,927,322)</u>	<u>(2,316,745)</u>	<u>(1,694,772)</u>	<u>621,973</u>
Other Financing Sources (Uses):				
Transfers in	1,168,573	1,373,963	1,451,007	77,044
Transfers out	(92,297)	(255,729)	(231,967)	23,762
Long-term debt issued	528,600	528,600	463,401	(65,199)
Appropriated fund balance	322,446	669,911	-	(669,911)
Total other financing sources	<u>1,927,322</u>	<u>2,316,745</u>	<u>1,682,441</u>	<u>(634,304)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(12,331)</u>	<u>\$ (12,331)</u>
Fund Balance:				
Beginning of year, July 1			<u>4,171,072</u>	
End of year, June 30			<u>\$ 4,158,741</u>	

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
Assets:						
Current Assets:						
Cash and investments	3,918,626	2,378,839	2,982,488	61,445	9,341,398	1,503,044
Due from other funds	-	2,558,532	-	-	2,558,532	-
Due from government agencies	-	-	3,602,666	-	3,602,666	-
Accounts receivable	523,800	50,158	11,706	422,273	1,007,937	84,355
Customer receivables, net	5,816,503	674,014	498,468	-	6,988,985	-
Inventories	1,079,170	261,966	-	-	1,341,136	203,048
Total current assets	11,338,099	5,923,509	7,095,328	483,718	24,840,654	1,790,447
Noncurrent Assets:						
Capital assets:						
Land	202,380	66,605	609,518	-	878,503	-
Buildings	3,671,890	577,040	52,335,698	-	56,584,628	19,468
Distribution system	32,318,708	14,760,938	36,738,450	-	83,818,096	-
Equipment	1,579,488	2,032,081	1,702,179	2,773,100	8,086,848	358,999
Accumulated depreciation	(18,696,752)	(9,623,921)	(16,379,935)	(2,308,387)	(47,008,995)	(320,765)
Construction in progress	477,551	-	1,154,500	-	1,632,051	-
Total capital assets, net	19,553,265	7,812,743	76,160,410	464,713	103,991,131	57,702
Total assets	30,891,364	13,736,252	83,255,738	948,431	128,831,785	1,848,149
Liabilities and Net Assets:						
Current liabilities:						
Accounts payable and accrued liabilities	4,402,709	127,146	-	99,191	4,629,046	437,998
Due to other funds	104,492	-	1,776,992	45,477	1,926,961	489,492
Unearned revenue	-	12,908	-	-	12,908	-
Current portion of compensated absences	24,348	19,239	13,296	15,612	72,495	-
Current portion of long-term debt	681,622	210,786	4,913,872	295,305	6,101,585	-
Total current liabilities	5,213,171	370,079	6,704,160	455,585	12,742,995	927,490
Noncurrent liabilities:						
Customer deposits	1,385,438	-	-	-	1,385,438	-
Accrued compensated absences	49,435	39,060	26,994	31,698	147,187	96,813
Long-term debt	8,829,351	2,261,163	14,767,887	540,883	26,399,284	-
Total noncurrent liabilities	10,264,224	2,300,223	14,794,881	572,581	27,931,909	96,813
Total liabilities	15,477,395	2,670,302	21,499,041	1,028,166	40,674,904	1,024,303
Net assets:						
Invested in capital assets, net of related debt	10,042,292	5,340,794	56,478,651	(371,475)	71,490,262	57,702
Unrestricted	5,371,677	5,725,156	5,278,046	291,740	16,666,619	766,144
Total net assets	\$ 15,413,969	\$ 11,065,950	\$ 61,756,697	\$ (79,735)	\$ 88,156,881	\$ 823,846
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to Enterprise Funds					607,219	
					\$ 88,764,100	

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 ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Major Enterprise Funds			Nonmajor Enterprise Funds		Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund		Total	
Operating Revenues:						
Charges for services	\$ 47,772,074	\$ 4,740,848	\$ 4,348,943	\$ 3,266,894	\$ 60,128,759	\$ 3,051,890
Other	333,549	126,420	907	6,662	467,538	3,000
Total operating revenues	<u>48,105,623</u>	<u>4,867,268</u>	<u>4,349,850</u>	<u>3,273,556</u>	<u>60,596,297</u>	<u>3,054,890</u>
Operating Expenditures:						
Administration	-	-	-	-	-	1,288,884
Public service operations	-	-	-	-	-	902,231
Warehouse operations	-	-	-	-	-	583,541
Electrical operations	46,792,841	-	-	-	46,792,841	-
Environmental services	-	-	-	2,517,341	2,517,341	-
Stormwater services	-	-	-	14,228	14,228	-
Water production	-	1,428,635	-	-	1,428,635	-
Depreciation	831,366	496,505	2,488,626	213,647	4,030,144	16,294
Wastewater plant operations	-	1,759,701	2,861,464	-	4,621,165	-
Claims reimbursement	-	-	-	-	-	265,764
Total operating expenditures	<u>47,624,207</u>	<u>3,684,841</u>	<u>5,350,090</u>	<u>2,745,216</u>	<u>59,404,354</u>	<u>3,056,714</u>
Operating income (loss)	<u>481,416</u>	<u>1,182,427</u>	<u>(1,000,240)</u>	<u>528,340</u>	<u>1,191,943</u>	<u>(1,824)</u>
Nonoperating Revenues (Expenditures):						
Interest earned on investments	15,419	96,433	157,927	288	270,067	43,139
Interest on long-term debt	(271,752)	(97,174)	(441,264)	(25,503)	(835,693)	-
Total nonoperating revenues (expenditures)	<u>(256,333)</u>	<u>(741)</u>	<u>(283,337)</u>	<u>(25,215)</u>	<u>(565,626)</u>	<u>43,139</u>
Income (loss) before capital contributions and transfers	<u>225,083</u>	<u>1,181,686</u>	<u>(1,283,577)</u>	<u>503,125</u>	<u>626,317</u>	<u>41,315</u>
Capital Contributions and Transfers:						
Capital contributions	616,961	15,000	153,653	-	785,614	-
Transfers in	202,935	40,000	277,991	30,124	551,050	266,386
Transfers out	(851,538)	(457,979)	(112,916)	(504,694)	(1,927,127)	(177,454)
Total contributions and transfers	<u>(31,642)</u>	<u>(402,979)</u>	<u>318,728</u>	<u>(474,570)</u>	<u>(590,463)</u>	<u>88,932</u>
Change in net assets	193,441	778,707	(964,849)	28,555	35,854	130,247
Net Assets:						
Beginning of year - July 1	<u>15,220,528</u>	<u>10,287,243</u>	<u>62,721,546</u>	<u>(108,290)</u>		<u>693,599</u>
End of year - June 30	<u>\$ 15,413,969</u>	<u>\$ 11,065,950</u>	<u>\$ 61,756,697</u>	<u>\$ (79,735)</u>		<u>\$ 823,846</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund activities related to Enterprise Funds.					<u>296,792</u>	<u>\$ 332,646</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, 2008

	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	\$ 47,261,205	\$ 4,861,969	\$ 4,561,514	\$ 3,182,850	\$ 59,867,538	\$ 3,013,896
Cash paid to suppliers for goods and services	(45,331,428)	(2,041,972)	(2,390,345)	(1,551,895)	(51,315,640)	(1,407,554)
Cash paid to employees	(1,189,827)	(1,212,810)	(628,350)	(977,049)	(4,008,036)	(1,694,927)
Customer deposits	141,326	-	-	-	141,326	-
Net cash provided (used) by operating activities	<u>881,276</u>	<u>1,607,187</u>	<u>1,542,819</u>	<u>653,906</u>	<u>4,685,188</u>	<u>(88,585)</u>
Cash Flows From Noncapital Financing Activities:						
Transfers from other funds	202,935	40,000	277,991	30,124	551,050	266,386
Transfers to other funds	(851,538)	(457,979)	(112,916)	(504,694)	(1,927,127)	(177,454)
Advances from other funds	104,492		1,776,992	45,477	1,926,961	939,512
Advances to other funds	-	(2,469,870)	-	(88,662)	(2,558,532)	-
Net cash provided (used) by noncapital financing activities	<u>(544,111)</u>	<u>(2,887,849)</u>	<u>1,942,067</u>	<u>(517,755)</u>	<u>(2,007,648)</u>	<u>1,028,444</u>
Cash Flows From Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(622,090)	(375,430)	(3,736,512)	(259,263)	(4,993,295)	(37,015)
Proceeds from long-term debt	3,150,000	123,500	3,588,709	213,100	7,075,309	-
Principal paid on general obligation bond maturities and equipment contracts	(463,639)	(182,470)	(1,346,914)	(252,686)	(2,245,709)	-
Interest paid on bonded indebtedness and equipment contracts	(271,752)	(97,175)	(441,264)	(25,503)	(835,694)	-
Contributed capital	616,961	15,000	153,653	-	785,614	-
Net cash used by capital and related financing activities	<u>2,409,480</u>	<u>(516,575)</u>	<u>(1,782,328)</u>	<u>(324,352)</u>	<u>(213,775)</u>	<u>(37,015)</u>
Cash Flows From Investing Activities:						
Interest on investments	15,419	96,433	157,927	288	270,067	43,139
Net cash provided (used) by investing activities	<u>15,419</u>	<u>96,433</u>	<u>157,927</u>	<u>288</u>	<u>270,067</u>	<u>43,139</u>
Net increase in cash and cash equivalents/investments	<u>2,762,064</u>	<u>(1,700,804)</u>	<u>1,860,485</u>	<u>(187,913)</u>	<u>2,733,832</u>	<u>945,983</u>
Cash and Cash Equivalents/Investments:						
Beginning of year, July 1	<u>1,156,562</u>	<u>4,079,643</u>	<u>1,122,003</u>	<u>249,358</u>	<u>6,607,566</u>	<u>557,061</u>
End of year, June 30	<u>\$ 3,918,626</u>	<u>\$ 2,378,839</u>	<u>\$ 2,982,488</u>	<u>\$ 61,445</u>	<u>\$ 9,341,398</u>	<u>\$ 1,503,044</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 481,416	\$ 1,182,427	\$ (1,000,240)	\$ 528,340	\$ 1,191,943	\$ (1,824)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	831,366	496,505	2,488,626	213,647	4,030,144	16,294
Change in Assets and Liabilities:						
(Increase) decrease in accounts receivable	(844,418)	(5,299)	211,664	(90,706)	(728,759)	(40,994)
Increase (decrease) in customer deposits	141,326	-	-	-	141,326	-
Increase (decrease) in inventories	(162,232)	(8,511)	-	-	(170,743)	(35,293)
Increase (decrease) accounts payable	434,396	(53,852)	(151,307)	127	229,364	(18,329)
Increase (decrease) in compensated absences payable	(578)	(4,083)	(5,924)	2,498	(8,087)	(8,439)
Net cash provided (used) by operating activities	<u>\$ 881,276</u>	<u>\$ 1,607,187</u>	<u>\$ 1,542,819</u>	<u>\$ 653,906</u>	<u>\$ 4,685,188</u>	<u>\$ (88,585)</u>

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

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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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, water and sewer, electric, 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. The criteria provided in GASB Statement No. 14, *The Financial Reporting Entity*, have been considered and the City has one blended component unit, which is described below. Blended component units, although legally separate entities are, in substance, part of the government's operations, thus data from these units are combined with the data of the primary government.

Blended Component Unit. Kinston Leasing Corporation ("KLC") is a nonprofit public benefit corporation organized and operated under the laws of the State of North Carolina. KLC was specifically organized for the purpose of assisting the City in carrying out its municipal and governmental functions through the acquisition, construction and operation, sale or lease of real estate and improvements, facilities and equipment. Because of its specific purpose and its fiscal dependency on the City, all KLC transactions are included in the appropriate funds of the City. KLC is governed by a board of three directors. One third of the directors are appointed by the City Council. The remaining directors are elected by the Board of Directors at their annual meeting.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government and its component unit. 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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

financed through taxes, intergovernmental revenues, and other nonexchange 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.

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. Nonoperating revenues, such as subsidies result from nonexchange transactions. Other nonoperating 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 13 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 6 capital project funds, the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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, that is used to account for unexpended 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.

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

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

The City reports the following non-major 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.

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. City of Kinston has four internal service funds, the Employee Health Fund, the Fleet Maintenance Fund, the Warehouse Inventory 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 Inventory Fund is used to account for the purchases of fuel and fleet maintenance inventory. The Public Services 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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

service. The Employee Health, Fleet Maintenance and Warehouse Inventory Internal Service Funds 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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Lenoir County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Kinston. For motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lenoir County from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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, the capital reserve, 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 projects funds and appropriations therein lapse at the completion of the project.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

utilized. Encumbrances outstanding at year-end are reported as reservations of fund balances in governmental fund types since they do not constitute expenditures or liabilities as the commitments will be honored during the subsequent year.

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/or 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 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.

E. Assets, Liabilities, 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. 15-31]. The City may designate, as an official depository, and 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 State 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 nonguaranteed 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, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The City pools monies 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

The unexpended escrow proceeds issued by the City are classified as restricted assets for the General Fund because their use is completely restricted to the purpose of purchasing vehicles and related police equipment.

Ad Valorem Taxes Receivable

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2007. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts. Registered motor vehicles taxes are described elsewhere in Note 1.

Allowance 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.

Inventories

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. The amount is recorded as an asset, offset by a reservation of fund balance in an equal amount. 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 costs 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 not to provide for depreciation in the first year of service, but to take a full year's depreciation in the year of disposal. Depreciation is charged to operations using the

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

straight-line method based on the estimated useful life of an asset. The following estimated useful lives are used to compute depreciation:

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

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 liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and deferred refunding costs are reported as deferred charges and amortized over the term of the related debt. The unamortized portion of the difference between the reacquisition price and the net carrying value of the old bonds is deferred and amortized over the shorter of the life of the new bonds or the remaining life of the old bonds. The unamortized charge is reported as a deduction from long-term debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and 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 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.

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. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of the accumulated vacation pay that is

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

estimated to be used within the next fiscal year has been designated as a current liability in the government-wide financial statements.

Net Assets

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

Fund Balances

In the Fund Financial Statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

North Carolina General Statutes [G.S. 159-13(b)(16)] restrict appropriation of fund balances to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for Powell Bill- represents the portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserve for Restricted Assets -represents the portion of fund balance which is restricted for use by third party agreements or installment purchase agreements.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Reserved for Inventories - represents the total amount of inventories in the General Fund.

Reserved by State Statute - in certain governmental funds, a portion of fund balance is thus designated as these amounts represent the portion of fund balances applicable to various assets not yet realized in cash, which are not available for appropriation as defined by North Carolina General Statute.

Reserved for Encumbrances - represents the portion of fund balance of the General Fund available for appropriation to pay for commitments related to unperformed contracts.

Unreserved:

Designated for Subsequent Year's Expenditures - represents the amount of fund balance that is available for appropriation that has been adopted for the 2008 - 2009 budget ordinance.

Undesignated - represents the amount of fund balance which is available for future appropriations.

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.

2. Stewardship, Compliance and Accountability

Deficit in Fund Balance or Net Assets of Individual Funds

The City has fund balance deficits in individual funds at June 30, 2008 are as follows:

Non-Major Governmental Funds

Justice Assistance Grant	\$ 283
CWMTF Flood Buy-out	7,040

Internal Service Fund:

Warehouse	\$ 424,113
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Non-Major Enterprise Fund

Environmental Services Fund	\$ 100,159
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These deficits are expected to be funded by grant revenue and other financing sources.

Excess of Expenditures over Appropriations

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,

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

After 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.

Expenditures may not legally exceed appropriations at the functional level in the General Fund and/or 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 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. During the year several amendments to the original General Fund budget were necessary, the effects of which were not material.

A budget calendar is included in State law that prescribes the last day on which certain steps of the budget procedures are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

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

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

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

For the fiscal year ended June 30, 2008, total expenditures in the Fleet Maintenance Internal Service Fund exceeded authorized appropriations made by the governing board by \$36,794. The City will closely monitor these activities in the future to ensure that expenditures will be properly authorized.

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 noninterest 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

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the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2008, the City's deposits had a carrying amount of \$6,966,356 and a bank balance of \$9,726,348. Of the bank balance, \$300,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2008, the City's petty cash fund totaled \$7,334.

Investments

At June 30, 2008, the City had \$8,683,253 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The City has no formal policy regarding credit risk.

Receivables - Allowance for Uncollectible Accounts

The receivables shown in the Balance Sheet and the Statement of Net Assets at June 30, 2008, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2008</u>
General Fund	
Taxes receivable	\$ 141,840
Enterprise Funds:	
Electric Fund	662,341
Water Fund	96,625
Wastewater Fund	73,179
Nonmajor Enterprise Funds	<u>55,950</u>
Total Enterprise Funds:	<u>888,095</u>
Total allowances for doubtful accounts	<u>\$ 1,029,935</u>

Long-Term Loan Receivables

The City has entered into several financing arrangements with unrelated third parties for the renovation and rehab 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

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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 in 12/31/2033 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.

Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2008, was as follows:

	<u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2008</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,874,515	\$ -	\$ (18,000)	\$ 2,856,515
Construction in progress	<u>2,353,451</u>	<u>998,567</u>	<u>(1,954,334)</u>	<u>1,397,684</u>
Total capital assets not being depreciated	<u>5,227,966</u>	<u>998,567</u>	<u>(1,972,334)</u>	<u>4,254,199</u>
Capital Assets Being Depreciated:				
Buildings and improvements	9,346,060	3,105,920	-	12,451,980
Equipment	3,261,530	696,813	(66,460)	3,891,883
Vehicles	6,631,110	601,411	(505,801)	6,726,720
Infrastructure	<u>5,325,064</u>	<u>-</u>	<u>-</u>	<u>5,325,064</u>
Total capital assets being depreciated	<u>24,563,764</u>	<u>4,404,144</u>	<u>(572,261)</u>	<u>28,395,647</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3,700,891)	(281,183)	-	(3,982,074)
Equipment	(2,607,445)	(400,112)	50,491	(2,957,066)
Vehicles	(5,629,467)	(522,340)	488,700	(5,663,107)
Infrastructure	<u>(2,857,543)</u>	<u>(266,253)</u>	<u>-</u>	<u>(3,123,796)</u>
Total accumulated depreciation	<u>(14,795,346)</u>	<u>\$ (1,469,888)</u>	<u>\$ 539,191</u>	<u>(15,726,043)</u>
Total capital assets being depreciated, net	<u>9,768,418</u>			<u>12,669,604</u>
	<u>\$ 14,996,384</u>			<u>\$ 16,923,803</u>

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

General government	\$ 106,206
Public safety	663,603
Public works	337,338
Parks and recreation	317,194
Community development	35,839
Internal service funds	<u>9,708</u>
	<u><u>\$ 1,469,888</u></u>

The City had \$883,236 in construction commitments for the purpose of construction of a new fire station and renovations to the old station to create offices for public safety.

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	July 1, 2007	Increases	Decreases	June 30, 2008
Business-Type Activities:				
Electric Fund:				
Capital assets not being depreciated:				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	69,242	408,309	-	477,551
Total capital assets not being depreciated	<u>271,622</u>	<u>408,309</u>	<u>-</u>	<u>679,931</u>
Capital Assets Being Depreciated:				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	467,398	101,103	-	568,501
Vehicles	1,155,234	-	(144,247)	1,010,987
Distribution system	<u>32,206,030</u>	<u>112,678</u>	<u>-</u>	<u>32,318,708</u>
Total capital assets being depreciated	<u>37,500,552</u>	<u>213,781</u>	<u>(144,247)</u>	<u>37,570,086</u>
Less Accumulated Depreciation:				
Buildings and improvements	(2,216,116)	(91,797)	-	(2,307,913)
Equipment	(400,476)	(48,209)	-	(448,685)
Vehicles	(1,038,631)	(41,507)	144,247	(935,891)
Distribution system	<u>(14,354,410)</u>	<u>(649,853)</u>	<u>-</u>	<u>(15,004,263)</u>
Total accumulated depreciation	<u>(18,009,633)</u>	<u>(831,366)</u>	<u>144,247</u>	<u>(18,696,752)</u>
Total capital assets being depreciated, net	<u>19,490,919</u>			<u>18,873,334</u>
Electric Fund capital assets, net	<u>19,762,541</u>			<u>19,553,265</u>
Water Fund:				
Capital Assets Not Being Depreciated:				
Land	66,605	-	-	66,605
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>66,605</u>	<u>-</u>	<u>-</u>	<u>66,605</u>
Capital Assets Being Depreciated:				
Buildings and improvements	577,040	-	-	577,040
Equipment	656,515	58,930	-	715,445
Vehicles	1,216,251	272,226	(171,841)	1,316,636
Infrastructure	23,320	-		23,320
Distribution system	<u>14,693,344</u>	<u>44,274</u>	<u>-</u>	<u>14,737,618</u>
Total capital assets being depreciated	<u>17,166,470</u>	<u>375,430</u>	<u>(171,841)</u>	<u>17,370,059</u>

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	July 1, 2007	Increases	Decreases	June 30, 2008
Less Accumulated Depreciation:				
Buildings and improvements	(541,539)	(12,450)	-	(553,989)
Equipment	(556,285)	(39,344)	-	(595,629)
Vehicles	(1,089,232)	(94,479)	171,841	(1,011,870)
Infrastructure	(1,166)	(1,166)	-	(2,332)
Distribution system	<u>(7,111,035)</u>	<u>(349,066)</u>	-	<u>(7,460,101)</u>
Total accumulated depreciation	<u>(9,299,257)</u>	<u>(496,505)</u>	171,841	<u>(9,623,921)</u>
Total capital assets being depreciated, net	<u>7,867,213</u>			<u>7,746,138</u>
Water Fund capital assets, net	<u>7,933,818</u>			<u>7,812,743</u>
 Wastewater Fund:				
Capital Assets Not Being Depreciated:				
Land	609,518	-	-	609,518
Construction in progress	<u>47,176,124</u>	<u>264,643</u>	<u>(46,286,267)</u>	<u>1,154,500</u>
Total capital assets not being depreciated	<u>47,785,642</u>	<u>264,643</u>	<u>(46,286,267)</u>	<u>1,764,018</u>
Capital Assets Being Depreciated:				
Buildings and improvements	2,999,973	49,335,725	-	52,335,698
Equipment	1,440,069	-	-	1,440,069
Vehicles	262,110	-	-	262,110
Distribution system	<u>36,316,039</u>	<u>422,411</u>	-	<u>36,738,450</u>
Total capital assets being depreciated	<u>41,018,191</u>	<u>49,758,136</u>	-	<u>90,776,327</u>
 Less Accumulated Depreciation:				
Buildings and improvements	(1,948,898)	(1,310,003)	-	(3,258,901)
Equipment	(1,132,980)	(277,788)	-	(1,410,768)
Vehicles	(262,110)	-	-	(262,110)
Distribution system	<u>(10,547,322)</u>	<u>(900,834)</u>	-	<u>(11,448,156)</u>
Total accumulated depreciation	<u>(13,891,310)</u>	<u>(2,488,625)</u>	-	<u>(16,379,935)</u>
Total capital assets being depreciated, net	<u>27,126,881</u>			<u>74,396,392</u>
Wastewater Fund capital assets, net	<u>74,912,523</u>			<u>76,160,410</u>

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	July 1, 2007	Increases	Decreases	June 30, 2008
Environmental Services Fund:				
Capital Assets Being Depreciated:				
Equipment	446,542	-	-	446,542
Vehicles	<u>2,433,516</u>	<u>259,263</u>	<u>(366,221)</u>	<u>2,326,558</u>
Total capital assets being depreciated	<u>2,880,058</u>	<u>259,263</u>	<u>(366,221)</u>	<u>2,773,100</u>
Less Accumulated Depreciation:				
Equipment	(440,367)	(6,176)	-	(446,543)
Vehicles	<u>(2,020,594)</u>	<u>(207,470)</u>	<u>366,221</u>	<u>(1,861,843)</u>
Total accumulated depreciation	<u>(2,460,961)</u>	<u>(213,646)</u>	<u>366,221</u>	<u>(2,308,386)</u>
Total capital assets being depreciated, net	<u>419,097</u>			<u>464,714</u>
Environmental services fund capital assets, net	<u>419,097</u>			<u>464,714</u>
 Public Services Internal Service Fund:				
Capital Assets Being Depreciated:				
Equipment	9,025	-	-	9,025
Vehicles	<u>69,939</u>	<u>23,905</u>	<u>-</u>	<u>93,844</u>
Total capital assets being depreciated	<u>78,964</u>	<u>23,905</u>	<u>-</u>	<u>102,869</u>
Less Accumulated Depreciation:				
Equipment	(1,805)	(1,805)	-	(3,610)
Vehicles	<u>(69,938)</u>	<u>(4,782)</u>	<u>-</u>	<u>(74,720)</u>
Total accumulated depreciation	<u>(71,743)</u>	<u>(6,587)</u>	<u>-</u>	<u>(78,330)</u>
Total capital assets being depreciated, net	<u>7,221</u>			<u>24,539</u>
Public services fund capital assets, net	<u>7,221</u>			<u>24,539</u>
Business-type activities capital assets, net	<u>\$ 103,035,200</u>			<u>\$ 104,015,671</u>

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B. Liabilities

Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2008 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts and vouchers	\$ 821,439	\$ 4,387,681	\$ 5,209,120
Accrued payroll and related liabilities	468,313	179,769	648,082
Customer deposits	-	1,385,438	1,385,438
Employee health unpaid claims	263,000	-	263,000
Accrued interest payable	103,533	108,347	211,880
 Total accounts payable and accrued liabilities	 \$ 1,656,285	 \$ 6,061,235	 \$ 7,717,520

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Kinston contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 4.90% and 4.86% 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, 2008, 2007 and 2006 were \$690,892, \$649,260, and \$635,890, 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

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Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>79</u>
Total	<u>84</u>

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, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5 to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postemployment benefit increases.

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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	\$ 134,207
Interest on net pension obligation	46,583
Adjustment to annual required contribution	<u>(39,482)</u>
Annual pension cost	141,308
Contributions made	<u>48,115</u>
Increase in net pension obligation	93,193
Net pension obligation beginning of year	<u>642,524</u>
Net pension obligation end of year	<u><u>\$ 735,717</u></u>

Three-Year Trend Information

Fiscal Year Ended June 30,	Percentage of		
	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
2006	\$ 131,146	17.04%	\$ 555,641
2007	120,066	27.64%	642,524
2008	141,308	34.05%	735,717

Funded Status and Funding Progress. As December 31, 2007, 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 \$1,355,060. The covered payroll (annual payroll of active employees covered by the plan) was \$3,393,664, and the ratio of the UAAL to the covered payroll was 39.93%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

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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, 2008 were \$226,703, which consisted of \$174,404 from the City and \$52,299 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.

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

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

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

At December 31, 2007, the Separation Allowance - Employees' membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u>30</u>

A separate financial report was not issued for the plan.

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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 December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.50% to 14.7% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases.

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	\$ 40,099
Interest on net pension obligation	10,060
Adjustment to annual required contribution	<u>(27,352)</u>
Annual pension cost	22,807
Contributions made	<u>51,407</u>
Increase (decrease) in net pension obligation	(28,600)
Net pension obligation beginning of year	<u>138,756</u>
Net pension obligation end of year	<u><u>\$ 110,156</u></u>

Fiscal Year Ended June 30,	Three-Year Trend Information		
	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
2006	\$ 47,612	148.90%	\$ 170,888
2007	27,000	219.00%	138,756
2008	22,807	225.40%	110,156

Funded Status and Funding Progress-As of June 30, 2008 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 \$143,512. The covered payroll (annual payroll of active employees covered by the plan) was \$832,512, and the ratio of the UAAL to the covered payroll was 17.2 percent.

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

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, 2008 were \$323,174, which consisted of \$146,421 from the City and \$176,753 from the employees.

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

Other Post-Employment Benefits

Health Care Benefits

In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement health care benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (NCLGERS) 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.

Currently, forty-one (41) retirees are eligible for post-retirement health benefits. The cost of post-retirement health benefits is recognized as expenditure when paid. For 2008 those costs totaled \$230,157. The City obtains healthcare coverage through private insurers.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Governmental Employee's Retirement System (Death Trust Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of 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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Trust Plan. The City has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Trust Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the City made contributions to the State for death benefits of \$14,945. The City's required contributions to the Death Trust Plan for employees not engaged in law enforcement and for law enforcement officers represented .12 percent and .14 percent of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Deferred/Unearned Revenue

The balance in deferred revenue on the fund financial statements and unearned revenue on the fund and government-wide financial statements at year-end is composed of the following:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
General Fund		
Prepaid property taxes not yet earned	\$ -	\$ 42,607
Privilege licenses receivable	591,226	-
Property taxes receivable	612,396	-
Property taxes receivable, automobiles	148,923	-
Paving assessments receivable	<u>109,635</u>	<u>-</u>
	<u>\$ 1,462,180</u>	<u>\$ 42,607</u>
Proprietary Fund - Water Fund		
Repayment agreements	<u>\$ -</u>	<u>\$ 12,908</u>

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's Employee Health Internal Service Fund was established to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$350,000 and in aggregate in excess of \$2,000,000. A total of \$198,382 in claims were incurred for benefits during fiscal year 2008.

Claims Liability

	<u>2008</u>	<u>2007</u>
Unpaid claims, beginning of fiscal year	\$ 252,300	\$ 297,800
Incurred claims (including claims incurred but not reported as of fiscal year end)	198,382	198,457
Payments and reduction in claims estimates	<u>(187,682)</u>	<u>(243,957)</u>
Unpaid claims, end of fiscal year	<u>\$ 263,000</u>	<u>\$ 252,300</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 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 a given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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 & 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

The City has entered into loan agreements for financing various land, building, building improvements and equipment purchases, which principally serve as collateral for these obligations. These obligations are for varying annual installments with interest rates ranging from 2.24 to 5.65 percent.

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 923,957	\$ 254,028	\$ 780,563	\$ 90,364	\$ 1,704,520	\$ 344,392
2010	725,815	327,634	637,660	64,197	1,363,475	391,831
2011	466,057	302,198	444,974	40,069	911,031	342,267
2012	431,880	283,400	418,510	24,719	850,390	308,119
2013	298,457	266,733	288,345	11,267	586,802	278,000
2014-2018	1,009,155	1,159,012	93,269	1,889	1,102,424	1,160,901
2019-2023	485,340	974,465	-	-	485,340	974,465
2024-2028	606,421	853,384	-	-	606,421	853,384
2029-2033	757,770	702,035	-	-	757,770	702,035
2034-2038	1,055,214	512,837	-	-	1,055,214	512,837
2039-2043	587,823	302,517	-	-	587,823	302,517
2044-2048	741,338	149,002	-	-	741,338	149,002
2049	168,824	8,019	-	-	168,824	8,019
Total	<u>\$ 8,258,051</u>	<u>\$ 6,095,264</u>	<u>\$ 2,663,321</u>	<u>\$ 232,505</u>	<u>\$ 10,921,372</u>	<u>\$ 6,327,769</u>

Installment contracts of the government activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$363,646 will be repaid from the Wastewater Fund, \$1,145,469 from the Electric Fund, \$318,018 from the Water Fund and \$836,190 from the Environmental Services Fund.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Notes Payable

Notes payable include obligations of the City for various water and sewer fund improvements. These unsecured obligations are for varying annual installments with interest rates ranging from 2.265 percent to 3.70 percent. Annual debt service requirements to maturity for notes payable are as follows:

June 30,	Principal	Interest	Total
2009	\$ 781,888	\$ 242,937	\$ 1,024,825
2010	781,888	222,490	1,004,378
2011	781,888	202,042	983,930
2012	781,888	181,595	963,483
2013	488,001	161,147	649,148
2014-2018	2,440,005	632,813	3,072,818
2019-2023	2,440,005	344,610	2,784,615
2024-2028	1,509,337	84,318	1,593,655
Total	<u>\$ 10,004,900</u>	<u>\$ 2,071,952</u>	<u>\$ 12,076,852</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Revenue Bonds

Revenue bonds outstanding at June 30, 2008 are as follows:

Water Fund:

\$1,392,161 - Combined Enterprise System Revenue Bonds, Series 2004, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	\$ 1,359,617
\$1,211,360 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	794,314
Total Water Fund	2,153,931

Wastewater Fund:

\$882,612 - Combined Enterprise System Revenue Bonds, Series 2004, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	861,979
\$767,987 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	503,586
\$2,536,000 - Combined Enterprise System Revenue Bonds, 2004 Series, due in Semi-annual installments through June 15, 2021; interest at 4.5%	2,007,648
\$3,590,000 - Combined Enterprise System Revenue Bonds, 2005 Series, due in Semi-annual installments through June 15, 2019; interest at 4.25%	3,590,000
\$2,350,000 - Combined Enterprise System Revenue Bonds, 2008 Series, due in Semi-annual installments through October 15, 2023; interest at 3.72%	2,350,000
Total Wastewater Fund	9,313,213

Electric Fund:

\$3,500,227 - Combined Enterprise System Revenue Bonds, Series 2004, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	3,418,404
\$3,045,653 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	1,997,100
\$2,950,000 - Combined Enterprise System Revenue Bonds, Series 2008, due in Semi-annual installments through October 15, 2023; interest at 3.72% .	2,950,000
Total Electric Fund	8,365,504
Total Revenue Bonds	\$ 19,832,648

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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

Fiscal Year Ending

June 30,	Principal	Interest	Total
2009	\$ 4,539,136	\$ 669,976	\$ 5,209,112
2010	954,040	595,387	1,549,427
2011	985,600	560,605	1,546,205
2012	1,017,646	525,481	1,543,127
2013	1,055,710	487,524	1,543,234
2014-2018	6,202,853	1,786,402	7,989,255
2019-2023	4,856,801	485,699	5,342,500
2024-2028	<u>220,862</u>	<u>4,108</u>	<u>224,970</u>
Total	<u><u>\$ 19,832,648</u></u>	<u><u>\$ 5,115,182</u></u>	<u><u>\$ 24,947,830</u></u>

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 ending June 30, 2008 were \$635,357 and \$596,439, respectively. Total customer revenue for the City's Enterprise Funds totaled \$60,128,759 for the year ending June 30, 2008.

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, 2008, the legal debt limit for the City was \$101,946,732 providing a legal debt margin of \$81,020,459.

At June 30, 2008, the City has no authorized bonds remaining to be issued.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Changes in Long-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2008, is as follows:

	July 1, 2007	Increases	Decreases	June 30, 2008	Current Portion of Balance
Accrued compensated absences	\$ 722,860	\$ 479,101	\$ 494,370	\$ 707,591	\$ 100,000
Police separation allowance	642,524	93,193	-	735,717	-
Separation allowance plan	138,756	-	28,600	110,156	-
Installment contracts	8,643,047	463,400	848,396	8,258,051	923,957
Total	<u>\$ 10,147,187</u>	<u>\$ 1,035,694</u>	<u>\$ 1,371,366</u>	<u>\$ 9,811,515</u>	<u>\$ 1,023,957</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

Long-term liability activity for business-type activities for the year ended June 30, 2008, is as follows:

	July 1, 2007	Increases	Decreases	June 30, 2008	Current Portion of Balance
Accrued compensated absences	\$ 293,528	\$ 84,201	\$ 93,436	\$ 284,293	\$ 72,493
Notes payable	9,716,567	1,238,709	950,376	10,004,900	781,888
Installment contracts	2,786,698	536,600	659,977	2,663,321	780,563
Revenue bonds	15,168,004	5,300,000	635,356	19,832,648	4,539,136
Total	<u>\$ 27,964,797</u>	<u>\$ 7,159,510</u>	<u>\$ 2,339,145</u>	<u>\$ 32,785,162</u>	<u>\$ 6,174,080</u>

Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances as of June 30, 2008 are as follows:

Receivable Fund	Payable Fund					
	Nonmajor	Electric	Wastewater	Nonmajor	Internal	
	Governmental	Fund	Fund	Enterprise	Service	Total
Water Fund	\$ 142,079	\$ 104,492	\$ 1,776,992	\$ 45,477	\$ 489,492	<u>\$ 2,558,532</u>

Amounts due to Water 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, 2008

Interfund Transfers

The following is a detailed schedule of interfund transfers for the year ended June 30, 2008:

Transfers In	Transfers Out								Totals
	Major General Fund	Major Electric Fund	Major Water Fund	Major Wastewater Fund	Non-Major Enterprise Fund	Non-Major Governmental Fund	Internal Service Fund		
Major General Fund	\$ -	\$ 828,166	\$ 61,024	\$ 6,486	\$ 435,806	\$ 17,220	\$ 102,305	\$ 1,451,007	-
Major Electric Fund	-	-	100,000	100,000	-	-	2,935	202,935	-
Major Water Fund	-	-	-	-	-	-	40,000	40,000	-
Major Wastewater Fund	-	-	277,991	-	-	-	-	277,991	-
Nonmajor Governmental Funds	85,325	-	-	-	-	-	-	85,325	-
Nonmajor Enterprise Funds	-	-	-	-	-	-	30,124	30,124	-
Internal Service Funds	<u>146,642</u>	<u>23,372</u>	<u>18,964</u>	<u>6,430</u>	<u>68,888</u>	<u>-</u>	<u>2,090</u>	<u>266,386</u>	
Total	<u><u>\$ 231,967</u></u>	<u><u>\$ 851,538</u></u>	<u><u>\$ 457,979</u></u>	<u><u>\$ 112,916</u></u>	<u><u>\$ 504,694</u></u>	<u><u>\$ 17,220</u></u>	<u><u>\$ 177,454</u></u>	<u><u>\$ 2,353,768</u></u>	

Transfers out from the General Fund to the Non-Major Governmental Funds were to satisfy matching requirements for grants. Transfers from all funds to the Internal Service Funds were for shortfalls in Internal Service Fund charges for services. The transfer from the Water Fund to the Wastewater Fund was funding of capital projects. Transfers out from the Electrical Fund to the General Fund were made to pay nonallocable administrative expenditures in the receiving fund related to the management of the transferring fund. Transfers from the Nonmajor Governmental Funds to General Fund was for fund close outs of special revenue funds. The transfer from the Nonmajor Enterprise Fund to the General Fund was for Stormwater Utility Fees and is used exclusively for improving and maintaining our stormwater system.

Claims and Judgments

At June 30, 2008, the City was a defendant in various lawsuits and other claims; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse affect on the City's financial position.

**CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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, which 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, 2008 were \$42,173,268.

Eastern Carolina Council of Governments

The City, in conjunction with seven counties and twenty-eight other municipalities established the Eastern Carolina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$8,143 to the Council during the fiscal year ended June 30, 2008.

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, 2008.

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. There were no purchases of treated water by the City for the year ended June 30, 2008.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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 \$180,874 of funding for the Authority for the year ended June 30, 2008.

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, 2008. During the year ended June 30, 2008, the City provided \$293,890 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

CITY OF KINSTON, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2008

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)				
12/31/1998	-	\$ 321,925	\$ 321,925	0.00%	\$ 2,150,376	14.97%
12/31/1999	-	367,921	367,921	0.00%	2,550,453	14.43%
12/31/2000	-	548,684	548,684	0.00%	2,393,727	22.92%
12/31/2001	-	653,364	653,364	0.00%	2,758,523	23.69%
12/31/2002	-	697,832	697,832	0.00%	2,742,798	25.44%
12/31/2003	-	788,802	788,802	0.00%	2,728,417	28.91%
12/31/2004	-	1,020,283	1,020,283	0.00%	2,971,406	34.34%
12/31/2005	-	978,609	978,609	0.00%	2,899,443	33.75%
12/31/2006	-	1,146,009	1,146,009	0.00%	3,537,713	32.39%
12/31/2007	-	1,355,060	1,355,060	0.00%	3,393,664	39.93%

CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2008**

Year Ended June 30		Annual Required Contribution (ARC)	Percentage of APC Contributed
1998	\$	59,331	63.80%
1999		63,699	55.70%
2000		53,672	39.90%
2001		62,878	33.70%
2002		73,890	25.70%
2003		87,961	9.70%
2004		91,650	9.90%
2005		99,787	20.50%
2006		124,414	18.00%
2007		112,501	29.50%
2008		134,207	35.85%

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	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 Years
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
Cost of living adjustments	None

* Includes inflation at 3.75%

MAJOR FUNDS

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

CITY OF KINSTON, NORTH CAROLINA**GENERAL FUND
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008**

	2008
Assets:	
Cash and investments	\$ 3,307,947
Receivables:	
Due from governmental agencies	1,363,593
Accounts receivable	796,046
Taxes receivable	761,319
Due from other funds	-
Inventories	110,262
Restricted cash and investments	166,705
Total assets	<u><u>\$ 6,505,872</u></u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	\$ 842,344
Unearned revenue	42,607
Deferred revenue	<u>1,462,180</u>
Total liabilities	<u><u>2,347,131</u></u>
Fund Balances:	
Reserved for Powell Bill	442,449
Reserved for restricted assets	166,705
Reserved for inventories	110,262
Reserved for by State statute	1,458,878
Reserved for encumbrances	30,339
Unreserved:	
Designated for subsequent year's expenditures	-
Undesignated	<u>1,950,108</u>
Total fund balances	<u><u>4,158,741</u></u>
Total liabilities and fund balances	<u><u>\$ 6,505,872</u></u>

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.

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, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	2008		2007	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 7,708,600	\$ 7,825,411	\$ 116,811	\$ 7,399,384
Penalties and Interest	85,500	70,684	(14,816)	80,302
Total	<u>7,794,100</u>	<u>7,896,095</u>	<u>101,995</u>	<u>7,479,686</u>
Sales and Services:				
Rents, concessions and fees	469,600	402,165	(67,435)	373,097
Inspection fees	120,000	145,400	25,400	111,400
Cemetery fees	195,000	175,077	(19,923)	199,815
Cable franchise	175,000	187,412	12,412	173,269
Lenoir County Participation:				
Recreation	603,900	601,000	(2,900)	587,004
Total	<u>1,563,500</u>	<u>1,511,054</u>	<u>(52,446)</u>	<u>1,444,585</u>
Other Taxes and Licenses:				
Local government sales tax	3,301,700	2,949,288	(352,412)	3,169,464
Franchise tax	1,511,400	1,652,492	141,092	1,638,566
Occupancy tax	185,000	191,174	6,174	189,095
Gross receipts tax	19,200	15,875	(3,325)	17,795
Licenses and permits	36,500	36,185	(315)	70,947
Total	<u>5,053,800</u>	<u>4,845,014</u>	<u>(208,786)</u>	<u>5,085,867</u>
Unrestricted Intergovernmental:				
Payment In lieu of taxes	230,200	233,604	3,404	236,826
Beer and wine tax	138,400	105,772	(32,628)	104,236
ABC revenue	500	1,678	1,178	600
Total	<u>369,100</u>	<u>341,054</u>	<u>(28,046)</u>	<u>341,662</u>
Restricted Intergovernmental:				
Powell Bill allocations	767,800	793,559	25,759	715,558
Vector control	6,000	5,002	(998)	-
School resource officer	75,000	73,538	(1,462)	73,290
NC Dept. of Transportation	88,000	46,053	(41,947)	-
Federal grants, miscellaneous	-	9,479	9,479	32,913
Federal drug forfeiture	-	-	-	43,168
State grants, miscellaneous	-	96,734	96,734	53,003
Court allocation	-	3,171	3,171	10,522
Forfeited drug proceeds	-	944	944	13,880
Total	<u>936,800</u>	<u>1,028,480</u>	<u>91,680</u>	<u>942,334</u>
Other Revenue:				
Investment income	65,000	154,095	89,095	96,590
Sales of surplus materials and assets	125,000	108,040	(16,960)	56,343
Miscellaneous	433,500	166,061	(267,439)	315,369
Total	<u>623,500</u>	<u>428,196</u>	<u>(195,304)</u>	<u>468,302</u>
Total revenues	<u>16,340,800</u>	<u>16,049,893</u>	<u>(290,907)</u>	<u>15,762,436</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, 2008

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	2008	2007		
	Budget	Actual	Variance Over/Under	Actual
Expenditures:				
General Government:				
Governing Body:				
Salaries and benefits	116,198	113,318	2,880	109,185
Operating	109,299	85,960	23,339	204,001
Capital outlay	1,500	1,449	51	1,290
Total	<u>226,997</u>	<u>200,727</u>	<u>26,270</u>	<u>314,476</u>
Executive:				
Salaries and benefits	480,623	468,267	12,356	443,149
Operating	337,703	387,894	(50,191)	253,257
Capital outlay	51	-	51	28,839
Total	<u>818,377</u>	<u>856,161</u>	<u>(37,784)</u>	<u>725,245</u>
Finance:				
Salaries and benefits	558,216	554,534	3,682	508,155
Operating	367,311	356,568	10,743	328,594
Capital outlay	36,700	27,230	9,470	2,570
Total	<u>962,227</u>	<u>938,332</u>	<u>23,895</u>	<u>839,319</u>
Human Resources:				
Salaries and benefits	306,142	254,910	51,232	250,161
Operating	259,100	249,004	10,096	227,681
Capital outlay	800	766	34	2,570
Total	<u>566,042</u>	<u>504,680</u>	<u>61,362</u>	<u>480,412</u>
Engineering and Public Facilities:				
Salaries and benefits	547,518	523,842	23,676	533,825
Operating	362,363	333,663	28,700	303,985
Capital outlay	49,676	47,341	2,335	114,224
Less: interdepartmental charges	(299,600)	(299,601)	1	(500,279)
Total	<u>659,957</u>	<u>605,245</u>	<u>54,712</u>	<u>451,755</u>
Indirect costs reimbursement	(1,112,440)	(1,112,366)	(74)	(850,493)
Total general government	<u>2,121,160</u>	<u>1,992,779</u>	<u>128,381</u>	<u>1,960,714</u>
Public Safety:				
Police and Fire Administration:				
Salaries and benefits	852,216	842,675	9,541	787,904
Operating	258,600	220,208	38,392	221,039
Capital outlay	3,000	2,840	160	16,145
Total	<u>1,113,816</u>	<u>1,065,723</u>	<u>48,093</u>	<u>1,025,088</u>
Police:				
Salaries and benefits	4,167,775	4,100,425	67,350	3,985,759
Operating	1,003,811	980,927	22,884	993,657
Capital outlay	410,739	404,461	6,278	335,636
Total	<u>5,582,325</u>	<u>5,485,813</u>	<u>96,512</u>	<u>5,315,052</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, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

		2008	Variance	2007	
		Budget	Actual	Over/Under	Actual
Fire:					
Salaries and benefits		2,462,369	2,415,876	46,493	2,326,322
Operating		408,909	343,960	64,949	432,226
Capital outlay		66,199	65,055	1,144	13,716
Total		<u>2,937,477</u>	<u>2,824,891</u>	<u>112,586</u>	<u>2,772,264</u>
Total public safety		9,633,618	9,376,427	257,191	9,112,404
Public Services:					
Salaries and benefits		994,273	976,622	17,651	883,889
Operating		1,110,261	791,255	319,006	1,076,110
Capital outlay		247,243	206,446	40,797	238,993
Total		<u>2,351,777</u>	<u>1,974,323</u>	<u>377,454</u>	<u>2,198,992</u>
Parks and Recreation:					
Salaries and benefits		1,995,468	1,933,758	61,710	1,788,090
Operating		1,230,318	1,220,582	9,736	1,163,929
Capital outlay		72,400	49,946	22,454	321,113
Total		<u>3,298,186</u>	<u>3,204,286</u>	<u>93,900</u>	<u>3,273,132</u>
Community Development:					
Inspections and Code Enforcement:					
Salaries and benefits		330,646	322,133	8,513	312,496
Operating		211,360	180,484	30,876	267,368
Total		<u>542,006</u>	<u>502,617</u>	<u>39,389</u>	<u>579,864</u>
Economic Development:					
Operating		637,944	633,021	4,923	632,299
Capital outlay		72,854	61,212	11,642	42,645
Total		<u>710,798</u>	<u>694,233</u>	<u>16,565</u>	<u>674,944</u>
Total community development		<u>1,252,804</u>	<u>1,196,850</u>	<u>55,954</u>	<u>1,254,808</u>
Total expenditures		<u>18,657,545</u>	<u>17,744,665</u>	<u>912,880</u>	<u>17,800,050</u>
Revenues over (under) expenditures		<u>(2,316,745)</u>	<u>(1,694,772)</u>	<u>621,973</u>	<u>(2,037,614)</u>
Other Financing Sources (Uses):					
Appropriated fund balance		669,911	-	(669,911)	-
Transfers in		1,373,963	1,451,007	77,044	1,265,879
Transfers out		(255,729)	(231,967)	23,762	(177,864)
Proceeds from borrowing		528,600	463,401	(65,199)	681,885
Total other financing sources (uses):		<u>2,316,745</u>	<u>1,682,441</u>	<u>(634,304)</u>	<u>1,769,900</u>
Net change in fund balance		<u>\$ -</u>	<u>(12,331)</u>	<u>\$ (12,331)</u>	<u>(267,714)</u>
Fund Balance:					
Beginning of year, July 1			4,171,072		4,438,262
End of year, June 30		<u>\$ 4,158,741</u>		<u>\$ 4,171,072</u>	

NON-MAJOR FUND TYPES

Non-Major Special Revenue Funds - Descriptions for individual non-major special revenue funds are provided on the title pages located at the front of the section for non-major special revenue funds.

Non-Major Capital Project Funds – Description for individual non-major capital project funds are provided on the title pages located at the front of the section for non-major capital project funds.

Permanent Fund – The City has one 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.

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2008

	Government Fund Types			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and investments	\$ 16,868	\$ 1,239,287	\$ 81,694	\$ 1,337,849
Due from other funds	-	-	-	-
Receivables	<u>119,302</u>	<u>170,869</u>	-	<u>290,171</u>
Total assets	<u>\$ 136,170</u>	<u>\$ 1,410,156</u>	<u>\$ 81,694</u>	<u>\$ 1,628,020</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 9,068	\$ 310,093	\$ -	\$ 319,161
Due to other funds	44,655	97,424	-	142,079
Deferred revenues	-	-	-	-
Total liabilities	<u>53,723</u>	<u>407,517</u>	<u>-</u>	<u>461,240</u>
Fund Balances:				
Reserved by State statute	42,652	-	-	42,652
Unreserved fund balance:				
Undesignated	<u>39,795</u>	<u>1,002,639</u>	<u>81,694</u>	<u>1,124,128</u>
Total fund balances	<u>82,447</u>	<u>1,002,639</u>	<u>81,694</u>	<u>1,166,780</u>
Total liabilities and fund balances	<u>\$ 136,170</u>	<u>\$ 1,410,156</u>	<u>\$ 81,694</u>	<u>\$ 1,628,020</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, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental revenue	\$ 165,380	\$ 323,755	\$ -	\$ 489,135
Miscellaneous income	6,766	6,000	-	12,766
Interest	3,187	84,610	3,910	91,707
Total revenues	<u>175,333</u>	<u>414,365</u>	<u>3,910</u>	<u>593,608</u>
Expenditures:				
Current:				
Public safety	164,095	2,742,107	-	2,906,202
Community development	137,083	-	-	137,083
Parks and recreation	-	138,307	-	138,307
Total expenditures	<u>301,178</u>	<u>2,880,414</u>	<u>-</u>	<u>3,181,592</u>
Revenues over (under) expenditures	<u>(125,845)</u>	<u>(2,466,049)</u>	<u>3,910</u>	<u>(2,587,984)</u>
Other Financing Sources (Uses):				
Transfers in	53,125	35,000	-	88,125
Transfers out	(1,146)	(16,074)	(2,800)	(20,020)
Long-term debt issued	-	-	-	-
Total other financing sources (uses)	<u>51,979</u>	<u>18,926</u>	<u>(2,800)</u>	<u>68,105</u>
Net change in fund balances	(73,866)	(2,447,123)	1,110	(2,519,879)
Fund Balances:				
Beginning of year, July 1	156,313	3,449,762	80,584	3,686,659
End of year, June 30	<u>\$ 82,447</u>	<u>\$ 1,002,639</u>	<u>\$ 81,694</u>	<u>\$ 1,166,780</u>

NON-MAJOR 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 accounts for miscellaneous federal and state grant monies received from various funding agencies.

SARF - DCA - This fund accounts for proceeds from the State Acquisition and Relocation Fund Project funded by NC Department of Commerce, Division of Community Assistance and awarded to assist the flood recovery program by providing relocation assistance to flood clients.

Oaks Apartments - This fund accounts for the Community Development Block Grant fund for the Oaks Apartments project.

FEMA Assistance to Firefighters Grand Fund - This fund accounts for a hazard mitigation grant from the Federal Emergency Management Agency to purchase equipment for the fire department.

Local Law Enforcement Block Grant 2003 - This fund accounts for a Local Law Enforcement Black Grant funded by the US department of Justice, Bureau of Justice Assistance to purchase equipment for the police department.

Governor's Highway Safety Program 2005 - This fund account for staff and equipment utilized for enforcement of violations located in and around the top ten crash sites targeted by the Crashless in Kinston Program.

Operation Video Impact Gant - This fund accounts for grant monies used to purchase equipment for the police department.

Gang Awareness Training and Education Fund - This fund accounts for grant monies used to administer and purchase equipment to train and educate the police department in dealing with gangs.

Gang GATE Phase II - This fund accounts for grant monies used in phase II of the purchase of equipment to train and educate the police department in dealing with gangs.

2007 Bullet Proof Vest Grant - This fund accounts for grant monies awarded by the U.S. Department of Justice Bureau of Justice Assistance used to purchase equipment for the Law Enforcement Department.

CDBG IDA Capacity Grant - This fund accounts for grant monies from the North Carolina Department of Commerce-Division of Community Assistance to administer an Individual Development Account (IDA) saving program, and conduct sessions to low income individuals on ways to save money and establish an IDA for that purpose.

Flood Close Out Fund - This fund accounts for the close out and related overages and underages of the Fran and Floyd hazard mitigation buyout fund.

Justice Assistance Grant - This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance for the purchase of law enforcement supplies of which specific items purchased will be dispersed to the Lenoir County Sheriff's Department.

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2008

	Community Development Administration	SARF DCA	Oaks Apartment Project	FEMA Assistance to Firefighters	2003 LLEBG	2005 GHSP
Assets:						
Cash and investments	\$ -	\$ 8,827	\$ 2,233	\$ -	\$ 25	\$ -
Due from other funds	-	-	-	-	-	-
Due from government agencies	-	-	-	-	-	-
Accounts receivable	42,652	-	-	63	-	18
Total assets	<u>\$ 42,652</u>	<u>\$ 8,827</u>	<u>\$ 2,233</u>	<u>\$ 63</u>	<u>\$ 25</u>	<u>\$ 18</u>
Liabilities and Fund Balances:						
Liabilities:						
Due to other funds	\$ 11,344	\$ -	\$ -	\$ 45	\$ -	\$ 18
Accounts payable and accrued liabilities	-	-	-	-	-	-
Total liabilities	<u>\$ 11,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 18</u>
Fund Balance:						
Reserved by State statute	42,652	-	-	-	-	-
Unreserved fund balance:						
Undesignated	(11,344)	8,827	2,233	18	25	-
Total fund balance (deficit)	<u>31,308</u>	<u>8,827</u>	<u>2,233</u>	<u>18</u>	<u>25</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 42,652</u>	<u>\$ 8,827</u>	<u>\$ 2,233</u>	<u>\$ 63</u>	<u>\$ 25</u>	<u>\$ 18</u>

Schedule 5

Operation Video Impact	Gang Awareness Training & Education	Gang GATE Phase II	2007 Bullet Proof Vest	CDBG Capacity Grant	Flood Close Out	2007 Justice Assistance	Total
\$ -	\$ -	\$ -	\$ 4,637	\$ -	\$ 1,146	\$ -	\$ 16,868
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>36</u>	<u>32,303</u>	<u>31,417</u>	<u>20</u>	<u>9,556</u>	<u>-</u>	<u>3,237</u>	<u>119,302</u>
<u>\$ 36</u>	<u>\$ 32,303</u>	<u>\$ 31,417</u>	<u>\$ 4,657</u>	<u>\$ 9,556</u>	<u>\$ 1,146</u>	<u>\$ 3,237</u>	<u>\$ 136,170</u>
\$ 17	\$ 15,302	\$ 4,853	\$ -	\$ 9,556	\$ -	\$ 3,520	\$ 44,655
-	<u>4,524</u>	<u>4,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,068</u>
<u>17</u>	<u>19,826</u>	<u>9,397</u>	<u>-</u>	<u>9,556</u>	<u>-</u>	<u>3,520</u>	<u>53,723</u>
-	-	-	-	-	-	-	42,652
<u>19</u>	<u>12,477</u>	<u>22,020</u>	<u>4,657</u>	<u>-</u>	<u>1,146</u>	<u>(283)</u>	<u>39,795</u>
<u>19</u>	<u>12,477</u>	<u>22,020</u>	<u>4,657</u>	<u>-</u>	<u>1,146</u>	<u>(283)</u>	<u>82,447</u>
<u>\$ 36</u>	<u>\$ 32,303</u>	<u>\$ 31,417</u>	<u>\$ 4,657</u>	<u>\$ 9,556</u>	<u>\$ 1,146</u>	<u>\$ 3,237</u>	<u>\$ 136,170</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, 2008**

	Community Development Administration	SARF-DCA	Oaks Apartment Project	FEMA Assistance to Firefighters	2003 LLEBG	2004 LLEBG
Revenues:						
Restricted:						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:						
Miscellaneous revenue	6,766	-	-	-	-	-
Investment earnings	3,153	-	-	-	-	34
Total revenues	9,919	-	-	-	-	34
Expenditures:						
Planning and community development						
Administration	108,000	-	-	-	-	-
Rehabilitation of private properties	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Other services	-	-	-	940	-	-
Total expenditures	108,000	-	-	940	-	-
Revenues over (under) expenditures	(98,081)	-	-	(940)	-	34
Other Financing Sources (Uses):						
Transfers in	-			2,233	-	-
Transfers out	-	(1,146)	-	-	-	-
Total other financing sources (uses)	-	(1,146)	2,233	-	-	-
Change in fund balances	(98,081)	(1,146)	2,233	(940)	-	34
Fund Balance:						
Beginning of year - July 1	129,389	9,973	-	958	25	(34)
End of year - June 30	\$ 31,308	\$ 8,827	\$ 2,233	\$ 18	\$ 25	\$ -

Schedule 6

2005 GHSP	Operation Video Impact	Gang Awareness Training & Education	Gang GATE Phase II	2007 Bullet Proof Vest	CDBG Capacity Grant	Flood Close Out	2007 Justice Assistance	Total
\$ -	\$ -	\$ 59,632	\$ 29,733	\$ -	\$ 29,083	\$ -	\$ 46,932	\$ 165,380
-	-	-	-	-	-	-	-	6,766
-	-	-	-	-	-	-	-	3,187
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
205	541	70,664	43,186	310	29,083	-	48,249	164,095
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(205)	(541)	(11,032)	(13,453)	(310)	-	-	(1,317)	(125,845)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
6	-	8,266	35,473	4,967	-	1,146	1,034	53,125
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
6	-	8,266	35,473	4,967	-	1,146	1,034	51,979
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(199)	(541)	(2,766)	22,020	4,657	-	1,146	(283)	(73,866)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
199	560	15,243	-	-	-	-	-	156,313
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ 19	\$ 12,477	\$ 22,020	\$ 4,657	\$ -	\$ 1,146	\$ (283)	\$ 82,447

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT ADMINISTRATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	2008		Variance Over/Under
	Budget	Actual	
Revenues:			
Rent and program income	\$ 8,000	\$ 6,766	\$ (1,234)
Other revenue	-	-	-
Investment earnings	-	3,153	3,153
Total revenues	<u>8,000</u>	<u>9,919</u>	<u>1,919</u>
Expenditures:			
Contract services	108,000	108,000	-
Total expenditures	<u>108,000</u>	<u>108,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(98,081)</u>	<u>1,919</u>
Other Financing Sources (Uses):			
Appropriated fund balance	100,000	-	(100,000)
Transfer out	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(98,081)</u>	<u>\$ (98,081)</u>
Fund Balance:			
End of year, June 30		<u>129,389</u>	
		<u>\$ 31,308</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - SARF DCA PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual					
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:						
Restricted intergovernmental revenue, State grant project	\$ 1,748,883	\$ 1,748,883	\$ -	\$ 1,748,883	\$ -	
Interest revenue	8,563	8,826	-	8,826	263	
Total revenues	<u>1,757,446</u>	<u>1,757,709</u>	<u>-</u>	<u>1,757,709</u>	<u>263</u>	
Expenditures:						
Administration	-	11,263	-	11,263	(11,263)	
Acquisition, relocation, demolition of private properties	1,672,620	1,651,647	-	1,651,647	20,973	
Total expenditures	<u>1,672,620</u>	<u>1,662,910</u>	<u>-</u>	<u>1,662,910</u>	<u>9,710</u>	
Revenues over (under) expenditures	84,826	94,799	-	94,799	9,973	
Other Financing Sources (Uses):						
Transfers out	(84,826)	(84,826)	(1,146)	(85,972)	(1,146)	
Revenues and other financing sources over (under) expenditures	\$ -	\$ 9,973	(1,146)	\$ 8,827	\$ 8,827	
Fund Balance:						
Beginning of year, July 1			9,973			
End of year, June 30			<u>\$ 8,827</u>			

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - OAKS APARTMENT COMPLEX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>				
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>		<u>Variance Over/Under</u>
Revenues:						
Restricted intergovernmental revenue, federal and State grants	\$ 144,000	\$ 114,585	\$ -	\$ 114,585	\$ -	\$ (29,415)
Total revenues	<u>144,000</u>	<u>114,585</u>	<u>-</u>	<u>114,585</u>	<u>-</u>	<u>(29,415)</u>
Expenditures:						
Administration	14,400	11,915	-	11,915	-	2,485
Acquisition, relocation, demolition of private properties	<u>129,600</u>	<u>100,437</u>	<u>-</u>	<u>100,437</u>	<u>-</u>	<u>29,163</u>
Total expenditures	<u>144,000</u>	<u>112,352</u>	<u>-</u>	<u>112,352</u>	<u>-</u>	<u>31,648</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,233</u>	<u>-</u>	<u>2,233</u>	<u>-</u>	<u>2,233</u>
Other Financing Sources (Uses):						
Transfers in		-	2,233	2,233	2,233	2,233
Transfers out	<u>-</u>	<u>(2,233)</u>	<u>-</u>	<u>(2,233)</u>	<u>-</u>	<u>(2,233)</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,233)</u>	<u>2,233</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>2,233</u>	<u>\$ 2,233</u>	<u>\$ -</u>	<u>\$ 2,233</u>
Fund Balances:						
Fund balance, July 1						-
Fund balance, June 30					<u>\$ 2,233</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - FEMA ASSISTANCE TO FIREFIGHTERS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual					
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:						
Restricted intergovernmental revenue, federal grant	\$ 74,982	\$ 74,982	\$ -	\$ 74,982	\$ -	
Investment earnings	-	-	-	-	-	
Total revenues	<u>74,982</u>	<u>74,982</u>	<u>-</u>	<u>74,982</u>	<u>-</u>	
Expenditures:						
Capital outlay	83,382	82,424	940	83,364	18	
Total expenditures	<u>83,382</u>	<u>82,424</u>	<u>940</u>	<u>83,364</u>	<u>18</u>	
Revenues over (under) expenditures	(8,400)	(7,442)	(940)	(8,382)	18	
Other Financing Sources (Uses):						
Transfers in	8,400	8,400	-	8,400	-	
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 958</u>	<u>(940)</u>	<u>\$ 18</u>	<u>\$ 18</u>	
Fund Balances:						
Fund balance, July 1			958			
Fund balance, June 30			<u>\$ 18</u>			

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - LLEBG - 2003

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual					
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:						
Restricted intergovernmental revenue, federal grant	\$ 31,757	\$ 31,757	\$ -	\$ 31,757	\$ -	
Investment earnings	- 25	25	-	25	25	
Total revenues	<u>31,757</u>	<u>31,782</u>	<u>-</u>	<u>31,782</u>	<u>-</u>	
Expenditures:						
Capital outlay	35,286	35,286	-	35,286	-	
Total expenditures	<u>35,286</u>	<u>35,286</u>	<u>-</u>	<u>35,286</u>	<u>-</u>	
Revenues over (under) expenditures	<u>(3,529)</u>	<u>(3,504)</u>	<u>-</u>	<u>(3,504)</u>	<u>25</u>	
Other Financing Sources (Uses):						
Transfers in	3,529	3,529	-	3,529	-	
Total other financing sources	<u>3,529</u>	<u>3,529</u>	<u>-</u>	<u>3,529</u>	<u>-</u>	
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 25</u>	<u>-</u>	<u>\$ 25</u>	<u>\$ 25</u>	
Fund Balances:						
Fund balance, July 1				25		
Fund balance, June 30				<u>\$ 25</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - LLEBG - 2004

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 11,348	\$ 11,348	\$ -	\$ 11,348	\$ -
Investment earnings	- 303	303	34	337	337
Total revenues	<u>11,348</u>	<u>11,651</u>	<u>34</u>	<u>11,685</u>	<u>337</u>
Expenditures:					
Capital outlay	12,609	12,946	-	12,946	(337)
Total expenditures	<u>12,609</u>	<u>12,946</u>	<u>-</u>	<u>12,946</u>	<u>(337)</u>
Revenues over (under) expenditures	<u>(1,261)</u>	<u>(1,295)</u>	<u>34</u>	<u>(1,261)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in	1,261	1,261	-	1,261	-
Total other financing sources	<u>1,261</u>	<u>1,261</u>	<u>-</u>	<u>1,261</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (34)</u>	<u>34</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Fund balance, July 1				(34)	
Fund balance, June 30				<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - GOVERNOR'S HIGHWAY SAFETY PROGRAM -2005

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 18,540	\$ 18,540	\$ -	\$ 18,540	\$ -
Total revenues	<u>18,540</u>	<u>18,540</u>	<u>-</u>	<u>18,540</u>	<u>-</u>
Expenditures:					
Personnel costs	2,831	2,831	-	2,831	-
Capital outlay	<u>34,249</u>	<u>34,050</u>	<u>205</u>	<u>34,255</u>	<u>(6)</u>
Total expenditures	<u>37,080</u>	<u>36,881</u>	<u>205</u>	<u>37,086</u>	<u>(6)</u>
Revenues over (under) expenditures	<u>(18,540)</u>	<u>(18,341)</u>	<u>(205)</u>	<u>(18,546)</u>	<u>(6)</u>
Other Financing Sources (Uses):					
Transfers in	18,540	18,540	6	18,546	6
Total other financing sources	<u>18,540</u>	<u>18,540</u>	<u>6</u>	<u>18,546</u>	<u>6</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 199</u>	<u>(199)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Fund balance, July 1				199	
Fund balance, June 30				<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - OPERATION VIDEO IMPACT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<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	\$ 19,831	\$ 19,831	\$ -	\$ 19,831	\$ -
Total revenues	<u>19,831</u>	<u>19,831</u>	<u>-</u>	<u>19,831</u>	<u>-</u>
Expenditures:					
Capital outlay	22,034	21,474	541	22,015	19
Total expenditures	<u>22,034</u>	<u>21,474</u>	<u>541</u>	<u>22,015</u>	<u>19</u>
Revenues over (under) expenditures	(2,203)	(1,643)	(541)	(2,184)	19
Other Financing Sources (Uses):					
Transfers in	2,203	2,203	-	2,203	-
Total other financing sources	<u>2,203</u>	<u>2,203</u>	<u>-</u>	<u>2,203</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ 560	(541)	\$ 19	\$ 19
Fund Balances:					
Fund balance, July 1				560	
Fund balance, June 30				<u>\$ 19</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - GANG AWARENESS, TRAINING, & EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Project Authorization	Actual				
		Prior Years	Current Year	Total to Date		Variance Over/Under
Revenues:						
Restricted intergovernmental revenue, State grant	\$ 100,000	\$ 30,575	\$ 59,632	\$ 90,207	\$ (9,793)	
Total revenues	<u>100,000</u>	<u>30,575</u>	<u>59,632</u>	<u>90,207</u>	<u>(9,793)</u>	
Expenditures:						
Personnel costs	85,000	1,606	-	1,606	83,394	
Administration	-		54,413	54,413	(54,413)	
Capital outlay	48,000	46,726	16,251	62,977	(14,977)	
Total expenditures	<u>133,000</u>	<u>48,332</u>	<u>70,664</u>	<u>118,996</u>	<u>14,004</u>	
Revenues over (under) expenditures	(33,000)	(17,757)	(11,032)	(28,789)	4,211	
Other Financing Sources (Uses):						
Transfers in	33,000	33,000	8,266	41,266	8,266	
Total other financing sources	<u>33,000</u>	<u>33,000</u>	<u>8,266</u>	<u>41,266</u>	<u>8,266</u>	
Revenues and other financing sources over (under) expenditures	\$ -	\$ 15,243	(2,766)	\$ 12,477	\$ 12,477	
Fund Balances:						
Fund balance, July 1			15,243			
Fund balance, June 30			<u>\$ 12,477</u>			

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - GANG GATE PHASE II
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 141,891	\$ -	\$ 29,733	\$ 29,733	\$ (112,158)
Total revenues	<u>141,891</u>	<u>-</u>	<u>29,733</u>	<u>29,733</u>	<u>(112,158)</u>
Expenditures:					
Personnel costs	-	-	-	-	-
Administration	138,191	-	40,481	40,481	97,710
Capital outlay	3,700	-	2,705	2,705	995
Total expenditures	<u>141,891</u>	<u>-</u>	<u>43,186</u>	<u>43,186</u>	<u>98,705</u>
Revenues over (under) expenditures	-	-	(13,453)	(13,453)	(13,453)
Other Financing Sources (Uses):					
Transfers in	-	-	35,473	35,473	35,473
Total other financing sources	<u>-</u>	<u>-</u>	<u>35,473</u>	<u>35,473</u>	<u>35,473</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	22,020	\$ 22,020	\$ 22,020
Fund Balances:					
Fund balance, July 1	\$ -				
Fund balance, June 30			\$ 22,020		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2007 BULLET PROOF VEST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 4,967	\$ -	\$ -	\$ -	\$ (4,967)
Total revenues	<u>4,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,967)</u>
Expenditures:					
Capital outlay	9,934	-	310	310	9,624
Total expenditures	<u>9,934</u>	<u>-</u>	<u>310</u>	<u>310</u>	<u>9,624</u>
Revenues over (under) expenditures	(4,967)	-	(310)	(310)	4,657
Other Financing Sources (Uses):					
Transfers in	4,967	-	4,967	4,967	-
Total other financing sources	<u>4,967</u>	<u>-</u>	<u>4,967</u>	<u>4,967</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	4,657	\$ 4,657	\$ 4,657
Fund Balances:					
Fund balance, July 1					-
Fund balance, June 30				<u>\$ 4,657</u>	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - CDBG CAPACITY GRANT (IDA) SAVINGS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grant project	\$ 75,000	\$ _____ -	\$ 29,083	\$ 29,083	\$ (45,917)
Total revenues	75,000	_____ -	29,083	29,083	(45,917)
Expenditures:					
Administration	75,000	_____ -	29,083	29,083	45,917
Total expenditures	75,000	_____ -	29,083	29,083	45,917
Revenues over (under) expenditures	\$ _____ -	\$ _____ -	_____ -	_____ -	\$ _____ -
Fund Balances:					
Fund balance, July 1				_____ -	
Fund balance, June 30				\$ _____ -	

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - FLOOD CLOSE OUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Actual				
	Project Authorization	Prior Years	Current Year	Total to Date		Variance Over/Under
Revenues:						
Restricted intergovernmental revenue, federal grants	\$ -	\$ 277,084	\$ -	\$ 277,084	\$ 277,084	
Miscellaneous revenue		7,425		7,425		7,425
Total revenues		284,509		284,509		284,509
Expenditures:						
Acquisition, relocation, demolition of private properties		2,831		2,831		(2,831)
Total expenditures		2,831		2,831		(2,831)
Revenues over (under) expenditures		281,678		281,678		281,678
Other Financing Sources (Uses):						
Transfers in	700,481	701,377	1,146	702,523		2,042
Transfers out	(700,481)	(983,055)	-	(983,055)		(282,574)
Total other financing sources		(281,678)	1,146	(280,532)		(280,532)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	1,146	\$ 1,146	\$ 1,146	
Fund Balances:						
Fund balance, July 1						
Fund balance, June 30					\$ 1,146	

CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2007 JUSTICE ASSISTANCE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Actual</u>			
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 46,932	\$ -	\$ 46,932	\$ 46,932	\$ -
Total revenues	<u>46,932</u>	<u>-</u>	<u>46,932</u>	<u>46,932</u>	<u>-</u>
Expenditures:					
Personnel costs	-	-	-	-	-
Capital outlay	47,966	-	48,249	48,249	(283)
Total expenditures	<u>47,966</u>	<u>-</u>	<u>48,249</u>	<u>48,249</u>	<u>(283)</u>
Revenues over (under) expenditures	(1,034)	-	(1,317)	(1,317)	(283)
Other Financing Sources (Uses):					
Transfers in	1,034	-	1,034	1,034	-
Total other financing sources	<u>1,034</u>	<u>-</u>	<u>1,034</u>	<u>1,034</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	(283)	\$ (283)	\$ (283)
Fund Balances:					
Fund balance, July 1					-
Fund balance, June 30				\$ (283)	

NON-MAJOR CAPTIAL PROJECT FUNDS

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

Fire Station/Public Safety Complex – This fund accounts for funds to be used to construct a new fire station and renovate the public safety complex

Recreation Improvements Capital Project Fund – This fund accounts for funds to be used for various improvements at city parks and recreation facilities.

Fairfield Renovation Capital Project Fund – This fund accounts for funds to be used for renovations to the various projects at Fairfield Park.

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.

CWMTF Flood Buy-Out Project Fund – This fund accounts for funds to be used for the acquisition of properties in the 100-year flood plain of the Neuse River and one of its major tributaries known as Adkin Branch.

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

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2008

	Fire Station Public Safety Complex	Recreation Improvements	Fairfield Renovation	Retro- Green	CWMTF Flood Buy-out	Capital Reserve	Total
Assets:							
Cash and investments	\$ 1,224,247	\$ -	\$ -	\$ 8,250	\$ -	\$ 6,790	\$ 1,239,287
Accounts receivable	73,415	-	-	-	97,454	-	170,869
Total assets	<u>\$ 1,297,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,250</u>	<u>\$ 97,454</u>	<u>\$ 6,790</u>	<u>\$ 1,410,156</u>
Liabilities and Fund Balances:							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 97,424	\$ -	\$ 97,424
Accounts payable	303,023	-	-	-	7,070	-	310,093
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>303,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,494</u>	<u>-</u>	<u>407,517</u>
Fund Balance:							
Reserved:							
Unreserved:							
Undesignated	994,639	-	-	8,250	(7,040)	6,790	1,002,639
Total fund balance	<u>994,639</u>	<u>-</u>	<u>-</u>	<u>8,250</u>	<u>(7,040)</u>	<u>6,790</u>	<u>1,002,639</u>
Total liabilities and fund balance	<u>\$ 1,297,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,250</u>	<u>\$ 97,454</u>	<u>\$ 6,790</u>	<u>\$ 1,410,156</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Fire Station Public Safety Complex	Recreation Improvements	Fairfield Renovation	Retro- Green	CWMTF Flood Buy-out	Capital Reserve	Total
Revenues:							
Interest income	\$ 84,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,610
State grants	-	-	45,051	-	278,704	-	323,755
Other income	-	-	6,000	-	-	-	6,000
Total revenues	<u>84,610</u>	<u>-</u>	<u>51,051</u>	<u>-</u>	<u>278,704</u>	<u>-</u>	<u>414,365</u>
Expenditures:							
Parks and recreation	-	-	461	-	137,846	-	138,307
Public safety	2,742,107	-	-	-	-	-	2,742,107
Total expenditures	<u>2,742,107</u>	<u>-</u>	<u>461</u>	<u>-</u>	<u>137,846</u>	<u>-</u>	<u>2,880,414</u>
Revenues over (under) expenditures	(2,657,497)	-	50,590	-	140,858	-	(2,466,049)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	35,000	-	35,000
Transfers (out)	-	(6,513)	(9,561)	-	-	-	(16,074)
Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(6,513)	(9,561)	-	35,000	-	18,926
Net change in fund balances	(2,657,497)	(6,513)	41,029	-	175,858	-	(2,447,123)
Fund Balances:							
Beginning of year - July 1	3,652,136	6,513	(41,029)	8,250	(182,898)	6,790	3,449,762
End of year - June 30	<u>994,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,250</u>	<u>\$ (7,040)</u>	<u>\$ 6,790</u>	<u>\$ 1,002,639</u>

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - FIRE STATION / PUBLIC SAFETY COMPLEX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	Actual		
		Prior Years	Current Years	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 71,738	\$ 84,610	\$ 156,348
Total revenues	<u> </u>	<u>71,738</u>	<u>84,610</u>	<u>156,348</u>
Expenditures:				
Loan closing costs	-	13,926	-	13,926
Debt service	4,986,000	-	-	-
Capital outlay:				
Construction costs	5,348,023	1,405,676	2,742,107	4,147,783
Total expenditures	<u>10,334,023</u>	<u>1,419,602</u>	<u>2,742,107</u>	<u>4,161,709</u>
Revenues over (under) expenditures	<u>(10,334,023)</u>	<u>(1,347,864)</u>	<u>(2,657,497)</u>	<u>(4,005,361)</u>
Other Financing Sources (Uses):				
Transfers in	362,023	14,000	-	14,000
Debt issued - short term financing	9,972,000	4,986,000	-	4,986,000
Debt issued - community facilities loan	-	-	-	-
Total other financing sources (uses)	<u>10,334,023</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,652,136</u>	<u>(2,657,497)</u>	<u>\$ 994,639</u>
Fund Balance:				
Beginning of year, July 1			3,652,136	
End of year, June 30			<u>\$ 994,639</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - RECREATION IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>
Revenues:				
Sale of property	\$ 245,939	\$ 245,938	\$ -	\$ 245,938
Total revenues	<u>245,939</u>	<u>245,938</u>	<u>-</u>	<u>245,938</u>
Expenditures:				
Capital outlay	237,439	230,925	-	230,925
Total expenditures	<u>237,439</u>	<u>230,925</u>	<u>-</u>	<u>230,925</u>
Revenues over (under) expenditures	8,500	15,013	-	15,013
Other Financing Sources (Uses):				
Transfers out	(8,500)	(8,500)	(6,513)	(15,013)
Total other financing sources (uses)	<u>(8,500)</u>	<u>(8,500)</u>	<u>(6,513)</u>	<u>(15,013)</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ 6,513	(6,513)	\$ -
Fund Balance:				
Beginning of year, July 1			6,513	
End of year, June 30			<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - FAIRFIELD RENOVATION CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual		
	Project Authorization	Prior Years	Current Years
			Total to Date
Revenues:			
State grants	\$ 153,750	\$ 64,950	\$ 45,051
Other miscellaneous revenue	6,000	28,750	6,000
Total revenues	<u>159,750</u>	<u>93,700</u>	<u>51,051</u>
Expenditures:			
Capital outlay	281,250	271,229	461
Total expenditures	<u>281,250</u>	<u>271,229</u>	<u>461</u>
Revenues over (under) expenditures	<u>(121,500)</u>	<u>(177,529)</u>	<u>50,590</u>
Other Financing Sources (Uses):			
Transfers in	121,500	136,500	-
Transfer out	-	-	(9,561)
Total other financing sources (uses)	<u>121,500</u>	<u>136,500</u>	<u>(9,561)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (41,029)</u>	<u>41,029</u>
Fund Balance:			
Beginning of year, July 1			<u>(41,029)</u>
End of year, June 30			<u>\$ -</u>

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 FISCAL YEAR ENDED JUNE 30, 2008

	Actual		
	Project Authorization	Prior Years	Current Years
			Total to Date
Revenue:			
Donations	\$ 25,000	\$ -	\$ -
Miscellaneous revenue	20,000	8,450	-
Total revenues	<u>45,000</u>	<u>8,450</u>	<u>8,450</u>
Expenditures:			
Capital outlay	45,000	200	-
Total expenditures	<u>45,000</u>	<u>200</u>	<u>200</u>
Revenues over (under) expenditures	\$ -	\$ 8,250	-
			<u>\$ 8,250</u>
Fund Balance:			
Beginning of year, July 1			8,250
End of year, June 30			<u>\$ 8,250</u>

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CWMTF FLOOD BUY-OUT CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Actual			
	Project Authorization	Prior Years	Current Years	Total to Date
Revenue:				
State grants	\$ 1,281,000	\$ 253,795	\$ 278,704	\$ 532,499
Miscellaneous revenue	<u>26,000</u>	-	-	-
Total revenues	<u>1,307,000</u>	<u>253,795</u>	<u>278,704</u>	<u>532,499</u>
Expenditures:				
Capital outlay	<u>1,383,266</u>	<u>436,693</u>	<u>137,846</u>	<u>574,539</u>
Total expenditures	<u>1,383,266</u>	<u>436,693</u>	<u>137,846</u>	<u>574,539</u>
Revenues over (under) expenditures	<u>(76,266)</u>	<u>(182,898)</u>	<u>140,858</u>	<u>(42,040)</u>
Other Financing Sources (Uses):				
Transfers in	<u>76,266</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Total other financing sources (uses)	<u>76,266</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (182,898)</u>	<u>175,858</u>	<u>\$ (7,040)</u>
Fund Balance:				
Beginning of year, July 1			<u>(182,898)</u>	
End of year, June 30			<u>\$ (7,040)</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 FISCAL YEAR ENDED JUNE 30, 2008**

	Budget	Actual	Variance Over/Under
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	\$ <u>-</u>	<u>-</u>	\$ <u>-</u>
Fund Balance:			
Beginning of year, July 1		<u>6,790</u>	
End of year, June 30	\$ <u>6,790</u>		

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, 2008

	Budget	Actual	Variance
			Over/Under
Revenues:			
Investment earnings	\$ -	\$ 3,910	\$ 3,910
Contributions	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total revenues	<u>75,000</u>	<u>3,910</u>	<u>(71,090)</u>
Revenues over (under) expenditures	<u>75,000</u>	<u>3,910</u>	<u>71,090</u>
Other Financing Sources (Uses):			
Transfers out	<u>(75,000)</u>	<u>(2,800)</u>	<u>72,200</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>(2,800)</u>	<u>72,200</u>
Net change in fund balance	<u>\$ -</u>	<u>1,110</u>	<u>\$ 1,110</u>
Fund Balance:			
Beginning of year, July 1		<u>80,584</u>	
End of year, June 30	<u>\$ -</u>	<u>81,694</u>	

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.

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, 2008**

	2008		
	Budget	Actual	Variance Over/Under
Operating Revenues:			
Charges for services, electricity sales	\$ 48,272,540	\$ 48,041,158	\$ (231,382)
Other	471,900	333,549	(138,351)
Total operating revenues	<u>48,744,440</u>	<u>48,374,707</u>	<u>(369,733)</u>
Nonoperating Revenues:			
Interest earned on investments	75,000	15,419	(59,581)
Total nonoperating revenues	<u>75,000</u>	<u>15,419</u>	<u>(59,581)</u>
Total revenues	<u>48,819,440</u>	<u>48,390,126</u>	<u>(429,314)</u>
Expenditures:			
Electric Operations:			
Salaries and benefits	1,197,657	1,189,249	8,408
Operating	1,780,599	1,678,703	101,896
Purchased power	42,582,949	42,173,202	409,747
Indirect costs	1,286,979	1,286,979	-
Capital outlay	313,000	246,979	66,021
Total	<u>47,161,184</u>	<u>46,575,112</u>	<u>586,072</u>
Debt Service:			
Principal retirement	462,830	463,639	(809)
Interest and other charges	268,790	268,790	-
Total debt service	<u>731,620</u>	<u>732,429</u>	<u>(809)</u>
Total expenditures	<u>47,892,804</u>	<u>47,307,541</u>	<u>585,263</u>
Revenues over (under) expenditures	<u>926,636</u>	<u>1,082,585</u>	<u>155,949</u>
Other Financing Sources (Uses):			
Appropriated fund balance	77,967	-	(77,967)
Debt issued	200,000	200,000	-
Transfers in	202,935	202,935	-
Transfers out - Capital Reserve	(556,000)	(556,000)	-
Transfers out	(851,538)	(851,538)	-
Total other financing sources (uses)	<u>(926,636)</u>	<u>(1,004,603)</u>	<u>(77,967)</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, 2008**

	2008		Variance Over/Under
	Budget	Actual	
Revenues and other financing sources over (under) expenditures	\$ <u> </u>	\$ <u>77,982</u>	\$ <u>77,982</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures		\$ 77,982	
Transfers in- project	70,000		
Transfers out- capital reserve	(70,000)		
Transfers in - capital reserve	556,000		
Capital outlay	213,781		
Debt issued	(200,000)		
Payment of debt principal	463,639		
Depreciation	(831,366)		
Non capitalized expenditures from capital project funds	(432,088)		
Bad debt expense	(269,084)		
Capital contributions	616,961		
Decrease in accrued compensated absences	578		
Decrease in accrued interest payable	(2,962)		
Change in net assets	\$ <u>193,441</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, 2008

	Project Authorization	Actual				Variance Over/Under		
		Prior Years	Current Year	Total to Date				
Revenues:								
Restricted Intergovernmental:								
Federal and State grants	\$ 2,320,103	\$ 29,738	\$ 616,961	\$ 646,699	\$ (1,673,404)			
Total revenues	2,320,103	29,738	616,961	646,699	(1,673,404)			
Expenditures:								
Smithfield expansion	1,755,000	1,176,020	-	1,176,020	578,980			
Copper wire replacement	64,900	-	-	-	64,900			
Caswell Center upgrades	5,259,095	69,242	518,844	588,086	4,671,009			
West Industrial Park Substation project	3,343,000	-	149,628	149,628	3,193,372			
Lenox China generator project	400,000	-	171,925	171,925	228,075			
Total expenditures	10,821,995	1,245,262	840,397	2,085,659	8,736,336			
Revenue over (under) expenditures	(8,501,892)	(1,215,524)	(223,436)	(1,438,960)	7,062,932			
Other Financing Sources (Uses):								
Debt issued	8,431,892	1,150,000	2,950,000	4,100,000	(4,331,892)			
Transfers in	70,000	26,019	70,000	96,019	26,019			
Total other financing sources	8,501,892	1,176,019	3,020,000	4,196,019	(4,305,873)			
Revenues over (under) expenditures	\$ -	\$ (39,505)	\$ 2,796,564	\$ 2,757,059	\$ 2,757,059			

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, 2008

	Actual				
Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Other Financing Sources (Uses):					
Transfers in	\$ 274,303	\$ 274,303	\$ 556,000	\$ 830,303	\$ 556,000
Transfers out	<u>(274,303)</u>	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>204,303</u>
Total other financing sources	<u>-</u>	<u>274,303</u>	<u>486,000</u>	<u>760,303</u>	<u>760,303</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 274,303</u>	<u>\$ 486,000</u>	<u>\$ 760,303</u>	<u>\$ 760,303</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.

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, 2008

	2008		
	Budget	Actual	Variance Over/Under
Operating Revenues:			
Charges for services:			
Water sales	\$ 5,123,289	\$ 4,740,848	\$ (382,441)
Other	138,500	126,420	(12,080)
Total operating revenues	<u>5,261,789</u>	<u>4,867,268</u>	<u>(394,521)</u>
Nonoperating Revenues:			
Interest earned on investments	<u>50,000</u>	<u>96,433</u>	<u>46,433</u>
Total nonoperating revenues	<u>50,000</u>	<u>96,433</u>	<u>46,433</u>
Total revenues	<u>5,311,789</u>	<u>4,963,701</u>	<u>(348,088)</u>
Expenditures:			
Water Production:			
Salaries and benefits	319,639	313,958	5,681
Operating	899,106	791,661	107,445
Capital outlay	1,000	960	40
Indirect costs	226,238	226,238	-
Total water production	<u>1,445,983</u>	<u>1,332,817</u>	<u>113,166</u>
Water Operations:			
Salaries and benefits	906,724	894,769	11,955
Operating	769,185	633,059	136,126
Capital outlay	485,060	381,065	103,995
Indirect costs	226,238	226,238	-
Total water operations	<u>2,387,207</u>	<u>2,135,131</u>	<u>252,076</u>
Debt Service:			
Principal retirement	183,299	182,470	829
Interest and other charges	97,991	97,991	-
Total debt service	<u>281,290</u>	<u>280,461</u>	<u>829</u>
Contingency	<u>9,637</u>	<u>-</u>	<u>9,637</u>
Total operating expenditures	<u>4,124,117</u>	<u>3,748,409</u>	<u>375,708</u>
Revenues over (under) expenditures	<u>1,187,672</u>	<u>1,215,292</u>	<u>27,620</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, 2008

	2008		
	Budget	Actual	Variance Over/Under
Other Financing Sources (Uses):			
Long-term debt issued	126,000	123,500	(2,500)
Appropriated fund balance	370,551	-	(370,551)
Transfers from:			
Other funds	40,000	40,000	-
Transfers to:			
Capital reserve	(1,361,015)	(1,120,471)	240,544
Other funds	(363,208)	(363,208)	-
Total other financing sources (uses)	<u>(1,187,672)</u>	<u>(1,320,179)</u>	<u>(132,507)</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ (104,887)	\$ (104,887)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other uses		\$ (104,887)	
Transfers in - capital reserve		1,135,491	
Transfers out - capital reserve		(109,791)	
Capital outlay		375,430	
Capital contributions		15,000	
Payment of debt principal		182,470	
Debt issued		(123,500)	
Depreciation		(496,505)	
Bad debt expense		(99,901)	
Change in accrued compensated		4,083	
Change in accrued interest payable		<u>817</u>	
Change in net assets	\$	<u>778,707</u>	

CITY OF KINSTON, NORTH CAROLINA

WATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>				
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>		<u>Variance Over/Under</u>
Revenues:						
Restricted Intergovernmental:						
Federal and state grants	\$ 300,000	\$ 300,000	\$ -	\$ 300,000	\$ -	
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	
Expenditures:						
FY 99/00 Capital Projects	447,807	447,807	-	447,807	-	
FY 02/05 Capital Projects	235,155	229,609	-	229,609	5,546	
Smithfield	325,000	281,078	-	281,078	43,922	
Total expenditures	<u>1,007,962</u>	<u>958,494</u>	<u>-</u>	<u>958,494</u>	<u>49,468</u>	
Revenue over (under) expenditures	<u>(707,962)</u>	<u>(658,494)</u>	<u>-</u>	<u>(658,494)</u>	<u>49,468</u>	
Other Financing Sources (Uses):						
Debt issued	235,155	-	-	-	(235,155)	
Transfers in	472,807	284,587	-	284,587	(188,220)	
Transfers out	-	-	-	-	-	
Total other financing sources	<u>707,962</u>	<u>284,587</u>	<u>-</u>	<u>284,587</u>	<u>(423,375)</u>	
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (373,907)</u>	<u>\$ -</u>	<u>\$ (373,907)</u>	<u>\$ (373,907)</u>	

CITY OF KINSTON, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Other:					
Contribution from Lenoir County	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
Revenue over (under) expenditures	_____ -	_____ -	15,000	15,000	15,000
Other Financing Sources (Uses):					
Transfers in	3,429,643	3,429,643	1,135,491	4,565,134	1,135,491
Transfers out	(3,429,643)	(1,179,875)	(109,791)	(1,289,666)	2,139,977
Total other financing sources	_____ -	2,249,768	1,025,700	3,275,468	3,275,468
Revenues and other financing sources over (under) expenditures	\$ _____ -	\$ 2,249,768	\$ 1,040,700	\$ 3,290,468	\$ 3,290,468

WASTEWATER FUND

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

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, 2008**

	2008		
	Budget	Actual	Variance Over/Under
Operating Revenues:			
Charges for services:			
Sewer sales	\$ 4,783,482	\$ 4,348,943	\$ (434,539)
Other	54,500	907	(53,593)
Total operating revenues	<u>4,837,982</u>	<u>4,349,850</u>	<u>(488,132)</u>
Nonoperating Revenues:			
Interest earned on investments	60,000	157,927	97,927
Total nonoperating revenues	<u>60,000</u>	<u>157,927</u>	<u>97,927</u>
Total revenues	<u>4,897,982</u>	<u>4,507,777</u>	<u>(390,205)</u>
Expenditures:			
Wastewater Plant Operations:			
Salaries and benefits	649,302	622,426	26,876
Operating	826,085	683,864	142,221
Indirect costs	<u>1,542,985</u>	<u>1,542,986</u>	<u>(1)</u>
Total wastewater plant operations	<u>3,018,372</u>	<u>2,849,276</u>	<u>169,096</u>
Debt Service:			
Principal retirements	1,533,710	1,346,913	186,797
Interest and other charges	<u>249,550</u>	<u>436,013</u>	<u>(186,463)</u>
Total debt service	<u>1,783,260</u>	<u>1,782,926</u>	<u>334</u>
Contingency	<u>2,219</u>	<u>-</u>	<u>2,219</u>
Total operating expenditures	<u>4,803,851</u>	<u>4,632,202</u>	<u>171,649</u>
Revenues over (under) expenditures	<u>94,131</u>	<u>(124,425)</u>	<u>(561,854)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	148,785	-	-
Transfers out - capital projects	(130,000)	(126,808)	3,192
Transfers in - other funds	-	-	-
Transfers out	(112,916)	(112,916)	-
Total other financing sources (uses)	<u>(94,131)</u>	<u>(239,724)</u>	<u>3,192</u>
Revenues and other financing sources over (under) expenditures	\$ <u>-</u>	\$ <u>(364,149)</u>	\$ <u>(364,149)</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, 2008**

	2008		
	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other uses			
Revenues and other financing sources over (under) expenditures and other uses		\$ (364,149)	
Transfers out - capital projects		126,808	
Payment of debt principal		1,346,913	
Depreciation		(2,488,626)	
Capital contributions		153,653	
Transfers in - capital projects		277,991	
Repairs and maintenance expense from capital project fund		(14,696)	
Change in accrued compensated absences		5,928	
Change in accrued interest payable		(5,251)	
Bad debt expense		(3,420)	
Change in net assets	\$	<u>(964,849)</u>	

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, 2008

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 49,003,202	\$ 44,558,521	\$ 153,653	\$ 44,712,174	\$ (4,291,028)
Local funds	38,200	32,462	-	32,462	(5,738)
Investment earnings	<u>356,000</u>	<u>366,560</u>	<u>-</u>	<u>366,560</u>	<u>10,560</u>
Total revenues	<u>49,397,402</u>	<u>44,957,543</u>	<u>153,653</u>	<u>45,111,196</u>	<u>(4,286,206)</u>
Expenditures:					
Northside WWTP expansion	59,483,250	51,527,208	3,469,066	54,996,274	4,486,976
FY 99/00 Capital Projects	10,931,212	10,959,848	57,452	11,017,300	(86,088)
FY 02/05 Capital Projects	653,574	581,155	-	581,155	72,419
FY 05/08 Capital Projects	76,400	63,021	-	63,021	13,379
Smithfield Sewer Capital Projects	774,219	579,563	125,300	704,863	69,356
Water Reuse Capital Project	1,737,200	350,249	99,388	449,637	1,287,563
Colleges Street Sewer Rehabilitation Project	<u>1,071,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,200</u>
Total expenditures	<u>74,727,055</u>	<u>64,061,044</u>	<u>3,751,206</u>	<u>67,812,250</u>	<u>6,914,805</u>
Revenue over (under) expenditures	<u>(25,329,653)</u>	<u>(19,103,501)</u>	<u>(3,597,553)</u>	<u>(22,701,054)</u>	<u>2,628,599</u>
Other Financing Sources (Uses):					
Debt issued	22,348,600	20,337,308	3,588,709	23,926,017	1,577,417
Transfers in	2,981,053	2,221,486	404,799	2,626,285	(354,768)
Transfers out	-	-	-	-	-
Total other financing sources	<u>25,329,653</u>	<u>22,558,794</u>	<u>3,993,508</u>	<u>26,552,302</u>	<u>1,222,649</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 3,455,293</u>	<u>\$ 395,955</u>	<u>\$ 3,851,248</u>	<u>\$ 3,851,248</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, 2008

	<u>Project Authorization</u>	<u>Actual</u>				<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>		
Other Financing Sources (Uses):						
Transfers in	\$ 87,825	\$ 87,825	\$ -	\$ 87,825	\$ -	-
Transfers out	<u>(87,825)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,825</u>
Total other financing sources	<u>-</u>	<u>87,825</u>	<u>-</u>	<u>87,825</u>	<u>-</u>	<u>87,825</u>
Revenues over (under) expenditures	\$ -	\$ 87,825	\$ -	\$ 87,825	\$ -	\$ 87,825

NON-MAJOR ENTERPRISE FUND

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government's 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 Serviced 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.

CITY OF KINSTON, NORTH CAROLINA**NONMAJOR ENTERPRISE FUNDS**
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	Environmental Services	Stormwater	Total
Assets:			
Cash and investments	\$ 61,445	\$ -	\$ 61,445
Accounts receivable	354,342	67,931	422,273
Capital Assets:			
Equipment	2,773,100	-	2,773,100
Accumulated depreciation	(2,308,387)	-	(2,308,387)
Total assets	<u>880,500</u>	<u>67,931</u>	<u>948,431</u>
Current Liabilities:			
Due to other funds	-	45,477	45,477
Accounts payable and accrued liabilities	97,161	2,030	99,191
Current portion of installment notes	295,305	-	295,305
Current portion of compensated absences	15,612	-	15,612
Total current liabilities	<u>408,078</u>	<u>47,507</u>	<u>455,585</u>
Noncurrent Liabilities:			
Noncurrent portion of installment notes	540,883	-	540,883
Noncurrent portion of compensated absences	31,698	-	31,698
Total noncurrent liabilities	<u>572,581</u>	<u>-</u>	<u>572,581</u>
Total liabilities	<u>980,659</u>	<u>47,507</u>	<u>1,028,166</u>
Net Assets:			
Invested in capital assets, net of related debt	(371,475)	-	(371,475)
Unrestricted (deficit)	271,316	20,424	291,740
Total net assets	<u>\$ (100,159)</u>	<u>\$ 20,424</u>	<u>\$ (79,735)</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Environmental Services	Stormwater	Total
Operating Revenues:			
Charges for services	\$ 2,806,980	\$ 459,914	\$ 3,266,894
Other operating income	469	6,193	6,662
Total operating revenues	<u>2,807,449</u>	<u>466,107</u>	<u>3,273,556</u>
Operating Expenses:			
Operations	2,517,341	14,228	2,531,569
Depreciation	213,647	-	213,647
Total operating expenses	<u>2,730,988</u>	<u>14,228</u>	<u>2,745,216</u>
Operating income (loss)	<u>76,461</u>	<u>451,879</u>	<u>528,340</u>
Nonoperating Revenue (Expense):			
Interest earned on investments	-	288	288
Interest on long-term debt	(25,503)	-	(25,503)
Total nonoperating revenue (expense)	<u>(25,503)</u>	<u>288</u>	<u>(25,215)</u>
Income (loss) before transfers	50,958	452,167	503,125
Other financing sources (uses)			
Transfers in	30,124	-	30,124
Transfers out	(72,951)	(431,743)	(504,694)
Total other financing sources (uses)	<u>(42,827)</u>	<u>(431,743)</u>	<u>(474,570)</u>
Change in net assets	8,131	20,424	28,555
Total net assets - beginning, July 1	<u>(108,290)</u>	<u>-</u>	<u>(108,290)</u>
Total net assets - ending, June 30	<u>\$ (100,159)</u>	<u>\$ 20,424</u>	<u>\$ (79,735)</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Environmental Services	Stormwater	Total
Operating Activities:			
Cash received from customers	\$ 2,784,674	\$ 398,176	\$ 3,182,850
Cash paid to suppliers for goods and services	(1,539,697)	(12,198)	(1,551,895)
	<u>(977,049)</u>	<u>-</u>	<u>(977,049)</u>
Net cash provided by (used in) for operating activities	<u>267,928</u>	<u>385,978</u>	<u>653,906</u>
Noncapital Financing Activities:			
Transfers from other funds	30,124	-	30,124
Transfers to other funds	(72,951)	(431,743)	(504,694)
Advances from other funds	-	45,477	45,477
Advances to other funds	<u>(88,662)</u>	<u>-</u>	<u>(88,662)</u>
Net cash provided (used) by noncapital financing activities	<u>(131,489)</u>	<u>(386,266)</u>	<u>(517,755)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(259,263)	-	(259,263)
Proceeds from long-term debt	213,100	-	213,100
Principal paid on general obligation bond maturities and equipment contracts	-	-	-
Interest paid on bonded indebtedness and equipment contracts	<u>(252,686)</u>	<u>-</u>	<u>(252,686)</u>
Net cash used by capital and related financing activities	<u>(25,503)</u>	<u>-</u>	<u>(25,503)</u>
	<u>(324,352)</u>	<u>-</u>	<u>(324,352)</u>
Investing Activities:			
Interest on investments	-	288	288
Net cash provided (used) in investing activities	<u>-</u>	<u>288</u>	<u>288</u>
Net increase (decrease) in cash and cash equivalents/investments	(187,913)	-	(187,913)
Cash and Cash Equivalents/Investments:			
Beginning of year, July 1	<u>249,358</u>	<u>-</u>	<u>249,358</u>
End of year, June 30	<u>\$ 61,445</u>	<u>\$ -</u>	<u>\$ 61,445</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Environmental Services	Stormwater	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 76,461	\$ 451,879	\$ 528,340
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	213,647	-	213,647
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	(22,775)	(67,931)	(90,706)
Increase (Decrease) in accounts payable	(1,903)	2,030	127
Increase (Decrease) in compensated absences	2,498	-	2,498
Total adjustments	<u>191,467</u>	<u>(65,901)</u>	<u>125,566</u>
Net cash provided by (used in) operating activities	<u>\$ 267,928</u>	<u>\$ 385,978</u>	<u>\$ 653,906</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Environmental Services	Stormwater	Total
Operating Activities:			
Cash received from customers	\$ 2,784,674	\$ 398,176	\$ 3,182,850
Cash paid to suppliers for goods and services	(1,539,697)	(12,198)	(1,551,895)
	<u>(977,049)</u>	<u>-</u>	<u>(977,049)</u>
Net cash provided by (used in) for operating activities	<u>267,928</u>	<u>385,978</u>	<u>653,906</u>
Noncapital Financing Activities:			
Transfers from other funds	30,124	-	30,124
Transfers to other funds	(72,951)	(431,743)	(504,694)
Advances from other funds	-	45,477	45,477
Advances to other funds	<u>(88,662)</u>	<u>-</u>	<u>(88,662)</u>
Net cash provided (used) by noncapital financing activities	<u>(131,489)</u>	<u>(386,266)</u>	<u>(517,755)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(259,263)	-	(259,263)
Proceeds from long-term debt	213,100	-	213,100
Principal paid on general obligation bond maturities and equipment contracts	-	-	-
Interest paid on bonded indebtedness and equipment contracts	<u>(252,686)</u>	<u>-</u>	<u>(252,686)</u>
Net cash used by capital and related financing activities	<u>(25,503)</u>	<u>-</u>	<u>(25,503)</u>
	<u>(324,352)</u>	<u>-</u>	<u>(324,352)</u>
Investing Activities:			
Interest on investments	-	288	288
Net cash provided (used) in investing activities	<u>-</u>	<u>288</u>	<u>288</u>
Net increase (decrease) in cash and cash equivalents/investments	(187,913)	-	(187,913)
Cash and Cash Equivalents/Investments:			
Beginning of year, July 1	<u>249,358</u>	<u>-</u>	<u>249,358</u>
End of year, June 30	<u>\$ 61,445</u>	<u>\$ -</u>	<u>\$ 61,445</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Environmental Services	Stormwater	Total
Reconciliation of Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 76,461	\$ 451,879	\$ 528,340
Adjustments to reconcile operating income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation	213,647	-	213,647
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	(22,775)	(67,931)	(90,706)
Increase (Decrease) in accounts payable	(1,903)	2,030	127
Increase (Decrease) in compensated absences	2,498	-	2,498
Total adjustments	<u>191,467</u>	<u>(65,901)</u>	<u>125,566</u>
Net cash provided by (used in) operating activities	<u>\$ 267,928</u>	<u>\$ 385,978</u>	<u>\$ 653,906</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, 2008

	2008		
	Budget	Actual	Variance
			Over/Under
Operating Revenues:			
Charges for services	\$ 439,200	\$ 459,914	\$ 20,714
Other	1,000	6,193	5,193
Total operating revenues	<u>440,200</u>	<u>466,107</u>	<u>25,907</u>
Nonoperating Revenues:			
Interest earned on investments	500	288	(212)
Total nonoperating revenues	<u>500</u>	<u>288</u>	<u>(212)</u>
Total revenues	<u>440,700</u>	<u>466,395</u>	<u>25,695</u>
Expenditures:			
Stormwater Operations:			
Salaries and benefits	5,600	4,913	687
Operating	59,327	4,850	54,477
Capital outlay	5,000	4,465	535
Total commercial solid waste	<u>69,927</u>	<u>14,228</u>	<u>55,699</u>
Revenues over (under) expenditures	<u>370,773</u>	<u>452,167</u>	<u>81,394</u>
Other Financing Sources (Uses):			
Appropriated fund balance	-	-	-
Transfers in	-	-	-
Transfers out	(370,773)	(431,743)	(60,970)
Long-term debt issued	-	-	-
Total other financing sources (uses)	<u>(370,773)</u>	<u>(431,743)</u>	<u>(60,970)</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ 20,424	\$ 20,424
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Change in net assets	<u>\$ 20,424</u>		

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.

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	Employee Health	Fleet Maintenance	Warehouse	Public Services	Total
Assets:					
Cash and investments	\$ 915,930	\$ -	\$ -	\$ 587,114	\$ 1,503,044
Accounts receivable	1,981	1,607	78,160	2,607	84,355
Inventory	-	203,048	-	-	203,048
Capital assets:					
Buildings	19,468	-	-	-	19,468
Equipment	-	256,130	-	102,869	358,999
Accumulated depreciation	(6,817)	(235,619)	-	(78,329)	(320,765)
Total assets	<u>\$ 930,562</u>	<u>\$ 225,166</u>	<u>\$ 78,160</u>	<u>\$ 614,261</u>	<u>\$ 1,848,149</u>
Liabilities:					
Due to other funds	\$ -	\$ 56,993	\$ 432,499	\$ -	\$ 489,492
Accounts payable and accrued liabilities	307,990	13,483	69,774	46,751	437,998
Accrued compensated absences	8,366	23,836	-	64,611	96,813
Total liabilities	<u>\$ 316,356</u>	<u>\$ 94,312</u>	<u>\$ 502,273</u>	<u>\$ 111,362</u>	<u>\$ 1,024,303</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 12,651	\$ 20,511	\$ -	\$ 24,540	\$ 57,702
Unrestricted (deficit)	601,555	110,343	(424,113)	478,359	766,144
Total net assets	<u>\$ 614,206</u>	<u>\$ 130,854</u>	<u>\$ (424,113)</u>	<u>\$ 502,899</u>	<u>\$ 823,846</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Employee Health	Fleet Maintenance	Warehouse	Public Services	Total
Operating Revenues:					
Contributions from various funds	\$ 494,201	\$ 156,456	\$ 442,645	\$ 1,958,588	\$ 3,051,890
Other income	3,000	-	-	-	3,000
Total operating revenues	<u>497,201</u>	<u>156,456</u>	<u>442,645</u>	<u>1,958,588</u>	<u>3,054,890</u>
Operating Expenses:					
Administration	176,369	389,002	-	723,513	1,288,884
Operations	-	-	583,541	902,231	1,485,772
Depreciation	487	9,221	-	6,586	16,294
Claims reimbursement	265,764	-	-	-	265,764
Total operating expenses	<u>442,620</u>	<u>398,223</u>	<u>583,541</u>	<u>1,632,330</u>	<u>3,056,714</u>
Operating income (loss)	<u>54,581</u>	<u>(241,767)</u>	<u>(140,896)</u>	<u>326,258</u>	<u>(1,824)</u>
Nonoperating Revenue (Expense):					
Interest earned on investments	43,139	-	-	-	43,139
Total nonoperating revenue (expense)	<u>43,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,139</u>
Income (loss) before transfers	97,720	(241,767)	(140,896)	326,258	41,315
Other financing sources (uses)					
Transfers in	-	265,977	-	409	266,386
Transfers out	(43,259)	-	-	(134,195)	(177,454)
Total other financing sources (uses)	<u>(43,259)</u>	<u>265,977</u>	<u>-</u>	<u>(133,786)</u>	<u>88,932</u>
Change in net assets	54,461	24,210	(140,896)	192,472	130,247
Total net assets - beginning, July 1	<u>559,745</u>	<u>106,644</u>	<u>(283,217)</u>	<u>310,427</u>	<u>693,599</u>
Total net assets - ending, June 30	<u>\$ 614,206</u>	<u>\$ 130,854</u>	<u>\$ (424,113)</u>	<u>\$ 502,899</u>	<u>\$ 823,846</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Employee Health	Fleet Maintenance	Warehouse	Public Services	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 496,426	\$ 155,968	\$ 402,002	\$ 1,959,500	\$ 3,013,896
Cash paid to suppliers for goods and services	(318,913)	(72,957)	(570,906)	(444,778)	(1,407,554)
Cash paid to or on behalf of employees for services	(128,568)	(357,420)	-	(1,208,939)	(1,694,927)
Net cash provided (used) for operating activities	48,945	(274,409)	(168,904)	305,783	(88,585)
Cash Flows from Noncapital Financing Activities:					
Transfers from other funds	-	265,977	-	409	266,386
Transfers to other funds	(43,259)	-	-	(134,195)	(177,454)
Advances from other funds	749,066	21,542	168,904	-	939,512
Advances to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	705,807	287,519	168,904	(133,786)	1,028,444
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	-	(13,110)	-	(23,905)	(37,015)
Net cash provided (used) by capital and related financing activities	-	(13,110)	-	(23,905)	(37,015)
Investing Activities:					
Interest on investments	43,139	-	-	-	43,139
Net cash provided (used) in investing activities	43,139	-	-	-	43,139
Net increase (decrease) in cash and cash equivalents/investments	797,891	-	-	148,092	945,983
Cash and Cash Equivalents/Investments:					
Beginning of year, July 1	118,039	-	-	439,022	557,061
End of year, June 30	\$ 915,930	\$ -	\$ -	\$ 587,114	\$ 1,503,044
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 54,581	\$ (241,767)	\$ (140,896)	\$ 326,258	\$ (1,824)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487	9,221	-	6,586	16,294
Change in assets and liabilities:					
(Increase) Decrease in accounts receivable	(775)	(488)	(40,643)	912	(40,994)
(Increase) Decrease in inventories	590	(35,883)	-	-	(35,293)
Increase (Decrease) in accounts payable	(3,815)	(324)	12,635	(26,825)	(18,329)
Increase (Decrease) in accrued compensated absences	(2,123)	(5,168)	-	(1,148)	(8,439)
Total adjustments	(5,636)	(32,642)	(28,008)	(20,475)	(86,761)
Net cash provided (used) by operating activities	\$ 48,945	\$ (274,409)	\$ (168,904)	\$ 305,783	\$ (88,585)

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, 2008

	2008		
	Financial Plan	Actual	Variance Over/Under
Operating Revenues:			
Contributions	\$ 494,200	\$ 494,201	\$ 1
Insurance proceeds	<u>6,000</u>	<u>3,000</u>	<u>(3,000)</u>
Total operating revenue	<u>500,200</u>	<u>497,201</u>	<u>(2,999)</u>
Operating Expenses:			
Administration:			
Salaries and benefits	127,690	126,445	1,245
Operating	128,503	51,348	77,155
Capital outlay	800	699	101
Claims reimbursements, operating	<u>256,702</u>	<u>265,764</u>	<u>(9,062)</u>
Total administration	<u>513,695</u>	<u>444,256</u>	<u>69,439</u>
Operating income (loss)	<u>(13,495)</u>	<u>52,945</u>	<u>66,440</u>
Nonoperating Revenues (Expenditures):			
Investment earnings	11,800	43,139	31,339
Contingency	<u>(310)</u>	<u>-</u>	<u>310</u>
Total nonoperating revenues (expenditures):	<u>11,490</u>	<u>43,139</u>	<u>31,649</u>
Revenues over (under) expenditures	<u>(2,005)</u>	<u>96,084</u>	<u>98,089</u>
Other Financing Sources (Uses):			
Appropriated fund balance	45,264	-	45,264
Transfers out	<u>(43,259)</u>	<u>(43,259)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,005</u>	<u>(43,259)</u>	<u>45,264</u>
Revenue and other financing sources over (under) expenses	<u>\$ -</u>	<u>52,825</u>	<u>\$ 52,825</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:			
Reconciling Items:			
Change in accrued vacation pay	2,123		
Depreciation	<u>(487)</u>		
Change in net assets	<u>\$ 54,461</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, 2008

	2008		
	Financial Plan	Actual	Variance Over/Under
Operating Revenues:			
Contributions	\$ 103,968	\$ 156,456	\$ 52,488
Other	(2)	-	2
Total operating revenue	<u>103,966</u>	<u>156,456</u>	<u>52,490</u>
Operating Expenses:			
Administration:			
Salaries and benefits	299,560	352,252	(52,692)
Operating	70,927	55,029	15,898
Total operating expenditures	<u>370,487</u>	<u>407,281</u>	<u>(36,794)</u>
Revenues over (under) expenses	<u>(266,521)</u>	<u>(250,825)</u>	<u>15,696</u>
Other Financing Sources (Uses):			
Appropriated fund balance	532	-	(532)
Transfers in	<u>265,989</u>	<u>265,977</u>	<u>(12)</u>
Total other financing sources (uses)	<u>266,521</u>	<u>265,977</u>	<u>(544)</u>
Revenue and other financing sources over (under) expenses	\$ <u> -</u>	15,152	\$ <u> 15,152</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:			
Reconciling Items:			
Change in accrued vacation pay		5,169	
Capital outlay		13,110	
Depreciation		(9,221)	
Change in net assets	\$ <u> </u>	<u>24,210</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, 2008

	2008		
	Financial Plan	Actual	Variance Over/Under
Operating Revenues:			
Contributions from other funds	\$ 850,000	\$ 442,645	\$ (407,355)
Other	425,000	-	(425,000)
Total operating revenue	<u>1,275,000</u>	<u>442,645</u>	<u>(832,355)</u>
Operating Expenses:			
Fuel purchased	850,000	466,906	383,094
Fleet maintenance inventory	425,513	116,635	308,878
Total operating expenditures	<u>1,275,513</u>	<u>583,541</u>	<u>691,972</u>
Revenues over (under) expenses	<u>(513)</u>	<u>(140,896)</u>	<u>(140,383)</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>513</u>	<u>-</u>	<u>(513)</u>
Total other financing sources (uses)	<u>513</u>	<u>-</u>	<u>(513)</u>
Revenue and other financing sources over (under) expenses	<u>\$ -</u>	<u>\$ (140,896)</u>	<u>\$ (140,896)</u>
Reconciliation of Financial Plan			
Basis (Modified Accrual) to Full Accrual:			
Change in net assets		<u>\$ (140,896)</u>	

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUND - PUBLIC SERVICES
SCHEDULE OF REVENUES AND EXPENDITURES-FINANCIAL PLAN
AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008

	2008		
	Financial Plan	Actual	Variance Over/Under
Operating Revenues:			
Contributions	\$ 1,958,588	\$ 1,958,588	\$ -
Total operating revenue	<u>1,958,588</u>	<u>1,958,588</u>	<u>-</u>
Operating Expenses:			
Administration:			
Salaries and benefits	472,893	447,466	25,427
Operating	132,300	63,275	69,025
Capital outlay	1,300	1,291	9
Indirect charges	212,629	212,629	-
Total administration	<u>819,122</u>	<u>724,661</u>	<u>94,461</u>
Operations:			
Salaries and benefits	787,737	760,325	27,412
Operating	189,201	141,891	47,310
Capital outlay	23,920	23,920	-
Total operations	<u>1,000,858</u>	<u>926,136</u>	<u>74,722</u>
Contingency	5,630	-	5,630
Total expenditures	<u>1,825,610</u>	<u>1,650,797</u>	<u>174,813</u>
Revenues over (under) expenses	<u>132,978</u>	<u>307,791</u>	<u>174,813</u>
Other Financing Sources (Uses):			
Appropriated fund balance	821	-	(821)
Transfers in	409	409	-
Transfers out	(134,208)	(134,195)	13
Total other financing sources (uses)	<u>(132,978)</u>	<u>(133,786)</u>	<u>(808)</u>
Revenue and other financing sources over (under) expenses	\$ -	174,005	\$ 174,005
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:			
Reconciling Items:			
Change in accrued vacation pay	1,148		
Capital outlay	23,905		
Depreciation	(6,586)		
Change in net assets	<u>\$ 192,472</u>		

OTHER FINANCIAL INFORMATION

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

CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2008

Year	Uncollected Balance July 1, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008	\$ -	\$ 7,701,960	\$ 7,334,167	\$ 367,793
2006-2007	378,327	-	270,425	107,902
2005-2006	109,210	-	52,677	56,533
2004-2005	58,543	-	15,046	43,497
2003-2004	43,055	-	5,461	37,594
2002-2003	33,974	-	3,687	30,287
2001-2002	31,321	-	1,434	29,887
2000-2001	28,030	-	1,084	26,946
1999-2000	21,419	-	527	20,892
1998-1999	33,288	-	383	32,905
1997-1998	23,477	-	23,477	-
	<u>\$ 760,644</u>	<u>\$ 7,701,960</u>	<u>\$ 7,708,368</u>	<u>754,236</u>
Motor vehicle tags receivable				148,923
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(141,840)</u>
Ad Valorem Taxes Receivable, Net				
General Fund				<u>\$ 761,319</u>
Reconcilement With Revenues:				
Ad valorem taxes - General Fund				\$ 7,825,411
Less auto fee				(149,612)
Penalties and interest collected				70,684
Add credits and adjustments				<u>(38,115)</u>
Total collections and credits				<u>\$ 7,708,368</u>

CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Total Levy				
	City-Wide		Property Excluding Registered	Registered	
	Property Valuation	Rate		Motor Vehicles	Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 1,248,614,547	0.60	\$ 7,491,687	\$ 6,714,609	\$ 777,078
Penalties	-		3,153	3,153	-
Total	<u>1,248,614,547</u>	-	<u>7,494,840</u>	<u>6,717,762</u>	<u>777,078</u>
Municipal Service					
District			52,803	52,803	-
Discoveries	<u>31,735,045</u>	0.60	<u>190,410</u>	<u>190,410</u>	<u>-</u>
Abatements	<u>(6,015,447)</u>		<u>(36,093)</u>	<u>(18,940)</u>	<u>(17,153)</u>
Total property valuation	<u>\$ 1,274,334,145</u>				
Net levy			7,701,960	6,942,035	759,925
Uncollected taxes at June 30, 2008			<u>367,793</u>	<u>205,929</u>	<u>161,864</u>
Current year's taxes collected			<u>\$ 7,334,167</u>	<u>\$ 6,736,106</u>	<u>\$ 598,061</u>
Current levy collection percentage			<u>95.22%</u>	<u>97.03%</u>	<u>78.70%</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.

Contents	Pages
Financial Trends	118
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	124
These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	
Debt Capacity	130
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	137
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	140
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.	

City of Kinston, North Carolina

Net Assets By Component

Last Five Fiscal Years

(accrual basis of accounting)

(Unaudited)

	2004	2005	2006	2007	2008
Governmental activities:					
Invested in capital assets, net of related debt	\$ 7,642,027	\$ 6,747,204	\$ 8,022,946	\$ 10,469,056	\$ 8,832,457
Restricted	440,884	590,711	619,832	696,026	524,143
Unrestricted	4,134,942	4,517,268	3,962,060	3,310,120	4,655,523
Total governmental activities net assets	\$ 12,217,853	\$ 11,855,183	\$ 12,604,838	\$ 14,475,202	\$ 14,012,123
Business-type activities:					
Invested in capital assets, net of related debt	\$ 45,059,829	\$ 53,715,106	\$ 73,141,568	\$ 76,322,354	\$ 71,514,802
Unrestricted	5,824,985	9,857,561	10,637,908	12,109,100	17,249,298
Total business-type activities net assets	\$ 50,884,814	\$ 63,572,667	\$ 83,779,476	\$ 88,431,454	\$ 88,764,100
Primary government:					
Invested in capital assets, net of related debt	\$ 52,701,856	\$ 60,462,310	\$ 81,164,514	\$ 86,791,410	\$ 80,347,259
Restricted	440,884	590,711	619,832	696,026	524,143
Unrestricted	9,959,927	14,374,829	14,599,968	15,419,220	21,904,821
Total primary government net assets	\$ 63,102,667	\$ 75,427,850	\$ 96,384,314	\$ 102,906,656	\$ 102,776,223

GASB Statement No. 34 Implemented in Fiscal Year 2003

City of Kinston, North Carolina

Changes In Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005	2006	2007	2008
Expenses:					
Governmental activities:					
General government	\$ 1,917,328	\$ 2,351,252	\$ 1,402,565	\$ 1,983,777	\$ 2,980,089
Public safety	8,890,704	8,675,761	8,607,793	8,887,330	9,160,026
Sanitation (Public Services)	1,858,283	1,847,141	1,880,438	2,365,762	1,740,530
Culture and recreation	2,594,715	2,551,858	2,012,994	1,342,519	1,369,772
Community development	2,890,594	2,256,483	2,665,090	2,851,379	3,628,908
Interest on long-term debt	185,904	168,857	177,873	226,828	319,271
Total governmental activities expenses	18,337,528	17,851,352	16,746,753	17,657,595	19,198,596
Business-type activities:					
Electric	38,338,927	40,016,886	44,074,061	47,429,959	47,230,530
Water	3,206,893	3,771,820	3,671,141	3,350,291	3,199,827
Sewer	4,391,983	4,536,399	4,654,361	4,271,411	5,295,824
Nonmajor Funds	2,576,785	2,673,660	2,664,596	2,836,185	4,083,288
Total business-type activities expenses	48,514,588	50,998,765	55,064,159	57,887,846	59,809,469
Total primary government expenses	66,852,116	68,850,117	71,810,912	75,545,441	79,008,065
Program revenue:					
Governmental activities:					
Charges for services:					
General government	245,335	354,781	442,506	409,650	791,491
Public safety	N/A	24,472	20,186	42,046	54,916
Public Services	115,606	15,272	15,277	15,277	15,277
Culture and recreation	287,007	775,499	258,442	111,400	145,400
Community Development	100,804	104,942	997,313	866,211	946,615
Operating grants and contributions:					
General government	N/A	N/A	4,320	N/A	114,215
Public safety	810,392	154,281	167,583	358,551	213,950
Public Services	659,146	756,882	735,128	703,967	839,612
Culture and recreation	498,070	N/A	1,167,482	10,274	29,083
Community development	1,461,269	1,189,565	58,763	N/A	
Capital grants and contributions, Community Development					
Culture and recreation	N/A	N/A	N/A	450,960	99,827
Community development	N/A	N/A	N/A	N/A	
Total governmental activities program revenue	4,177,629	3,375,694	3,867,000	2,968,336	3,250,386
Business-type activities:					
Charges for services:					
Electric	39,259,547	39,727,807	44,686,861	46,817,025	48,105,623
Water	3,426,666	4,104,468	4,659,004	4,977,377	4,867,268
Sewer	4,189,404	4,705,513	4,622,074	4,618,345	4,349,850
Nonmajor Funds	2,578,277	2,584,199	2,589,512	2,693,291	3,273,556
Capital grants and contributions:					
Electric	N/A	N/A	N/A	N/A	616,961
Water	N/A	8,400	300,000	29,738	15,000
Sewer	3,954,803	13,446,075	19,123,503	4,237,474	153,653
Nonmajor Funds	6,353	24,704	N/A	N/A	
Total business-type activities program revenues	53,415,050	64,601,166	75,980,954	63,373,250	61,381,911
Total primary government program revenues	57,592,679	67,976,860	79,847,954	66,341,586	64,632,297
Net (expense) revenue:					
Governmental activities	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,259)	(15,948,210)
Business-type activities	4,900,462	13,602,401	20,916,795	5,485,404	1,572,442
Total primary government net expense	(9,259,437)	(873,257)	8,037,042	(9,203,855)	(14,375,768)

(Continued)

City of Kinston, North Carolina

Changes In Net Assets (Continued)

Last Five Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2004	2005	2006	2007	2008
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	6,961,891	7,574,054	7,428,644	7,455,353	8,213,392
Sales taxes	3,033,439	3,042,893	2,991,928	3,169,463	2,949,288
Other taxes	1,221,479	1,950,381	1,737,049	1,916,403	1,895,726
Unrestricted intergovernmental	159,286	426,652	360,586	341,662	341,054
Investment earnings	26,576	63,365	94,385	200,033	288,941
Miscellaneous	93,195	63,353	26,264	146,222	286,867
Transfers	779,964	992,290	990,552	1,329,736	1,509,863
Capital contributions	N/A	N/A	N/A	N/A	N/A
Total governmental activities	12,275,830	14,112,988	13,629,408	14,558,872	15,485,131
Business-type activities:					
Investment earnings	16,415	77,742	280,566	496,310	270,067
Transfers	(779,964)	(992,290)	(990,552)	(1,329,736)	(1,509,863)
Total business-type activities	(763,549)	(914,548)	(709,986)	(833,426)	(1,239,796)
Total primary government	11,512,281	13,198,440	12,919,422	13,725,446	14,245,335
Changes in net assets:					
Governmental activities	(1,884,069)	(362,670)	749,655	(130,387)	(463,079)
Business-type activities	4,136,913	12,687,853	20,206,809	4,651,978	332,646
Total primary government	\$ 2,252,844	\$ 12,325,183	\$ 20,956,464	\$ 4,521,591	\$ (130,433)

City of Kinston, North Carolina

Program Revenues by Function/Program

Last Five Fiscal Years*

(accrual basis of accounting)

(Unaudited)

Function / Program	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
General government	\$ (1,671,993)	\$ (1,996,471)	\$ (955,739)	\$ (1,574,157)	\$ (2,074,383)
Public safety	(8,080,312)	(8,497,008)	(8,420,024)	(8,486,733)	(8,891,160)
Sanitation (Public Services)	(1,083,531)	(1,074,987)	(1,130,033)	(1,646,518)	(885,641)
Culture and recreation	(1,809,638)	(1,776,359)	(587,070)	(1,220,845)	(2,553,383)
Community development	(1,328,521)	(961,976)	(1,609,014)	(1,534,208)	(1,224,372)
Interest on long-term debt	(185,904)	(168,857)	(177,873)	(226,828)	(319,271)
Total governmental activities	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,289)	(15,948,210)
Business-type activities:					
Electric	920,620	(289,079)	612,800	(612,934)	1,492,054
Water	219,773	341,048	1,287,863	1,656,824	1,682,441
Sewer	3,752,224	13,615,189	19,091,216	4,584,408	(792,321)
Nonmajor Funds	7,845	(64,757)	(75,084)	(142,894)	(809,732)
Total business-type activities	4,900,462	13,602,401	20,916,795	5,485,404	1,572,442
Total government	\$ (9,259,437)	\$ (873,257)	\$ 8,037,042	\$ (9,203,885)	\$ (14,375,768)

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)

	1999	2000	2001	2002
General Fund:				
Reserved	\$ 2,371,648	\$ 3,893,590	\$ 2,524,259	\$ 2,257,743
Unreserved:	2,370,800	2,517,740	3,363,408	2,255,854
Total General Fund	\$ 4,742,448	\$ 6,411,330	\$ 5,887,667	\$ 4,513,597
All Other Governmental Funds:				
Reserved	\$ 917,061	\$ 1,363,743	\$ 1,104,612	\$ 2,679,480
Unreserved, reported in:				
Special revenue funds	(642,576)	(2,158,481)	(633,619)	(1,858,297)
Major Capital projects funds				
Capital projects funds		734,648	(764,546)	(1,561,255)
Permanent fund				
Total all other government funds	\$ 274,485	\$ (60,090)	\$ (293,553)	\$ (740,072)

Fiscal Year									
2003		2004		2005		2006		2007	
\$ 1,957,731	\$ 1,778,943	\$ 3,016,132	\$ 2,250,430	\$ 2,595,053	\$ 2,208,633				
2,562,359	2,164,023	1,795,829	2,187,832	1,576,019	1,950,108				
\$ 4,520,090	\$ 3,942,966	\$ 4,811,961	\$ 4,438,262	\$ 4,171,072	\$ 4,158,741				
<hr/>									
\$ 3,548,911	\$ 244,764	\$ 182,905	\$ 313,363	\$ 4,168,822	\$ 42,652				
(2,237,726)	520,709	142,252	(83,522)	102,534	39,795				
(506,332)									
(34,654)		91,317	(176,826)	(665,281)	1,002,639				
		76,824	78,454	80,584	81,694				
\$ 770,199	\$ 765,473	\$ 493,298	\$ 131,469	\$ 3,686,659	\$ 1,166,780				

City of Kinston, North Carolina

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	1999	2000	2001	2002
Revenues:				
Taxes	\$ 6,331,104	\$ 6,343,842	\$ 6,428,254	\$ 6,963,814
Other taxes	3,907,272	4,105,684	4,058,658	3,174,637
Intergovernmental	8,777,499	12,257,094	14,619,450	12,149,628
Charges for services	3,638,114	3,879,629	3,870,712	4,035,122
Other	648,608	373,522	542,322	1,248,001
Total revenues	23,302,597	26,959,771	29,519,396	27,571,202
Expenditures:				
General government	45,062	1,041,340	1,139,790	1,106,747
Public safety	7,077,312	7,077,340	7,757,768	7,705,335
Public services	4,001,927	4,215,536	4,660,841	5,570,632
Culture and recreation	2,422,189	2,081,602	2,263,251	2,315,358
Community development	9,280,169	12,756,775	13,006,858	11,603,199
Capital outlay	51,374	501,697	1,502,389	2,188,162
Debt service:				
Principal	888,422	683,052	741,994	526,608
Interest	155,479	70,342	158,231	131,890
Total expenditures	23,921,934	28,427,684	31,231,122	31,147,931
Excess of revenues (under) expenditures	(619,337)	(1,467,913)	(1,711,726)	(3,576,729)
Other financing sources (uses):				
Transfers in	1,206,208	991,145	1,041,317	1,319,735
Transfers out	(196,808)	(155,845)	(86,717)	(364,735)
Issuance of long-term debt		1,966,920		801,140
Total other financing sources	1,009,400	2,802,220	954,600	1,756,140
Net changes in fund balance	\$ 390,063	\$ 1,334,307	\$ (757,126)	\$ (1,820,589)
Debt service as a percentage of noncapital expenditures	4.4%	2.7%	3.0%	2.3%

Fiscal Year						
	2003	2004	2005	2006	2007	2008
\$	6,870,946	\$ 7,115,953	\$ 7,295,551	\$ 7,453,311	\$ 7,479,685	\$ 7,896,095
	3,871,618	4,568,842	4,993,274	4,728,976	5,085,866	4,845,014
	10,516,843	3,109,756	2,520,599	2,490,910	1,653,077	1,858,669
	3,937,476	1,547,926	1,274,966	1,458,756	1,444,584	1,511,054
	431,429	205,906	179,280	434,937	546,582	532,669
	25,628,312	16,548,383	16,263,670	16,566,890	16,209,794	16,643,501
	1,379,073	1,884,437	1,820,443	1,888,204	1,960,260	1,649,345
	7,547,052	8,190,475	8,331,314	8,920,980	9,886,828	11,511,179
	4,317,306	1,621,290	1,836,529	1,834,359	2,134,327	1,915,880
	2,164,615	2,340,430	2,425,258	2,811,762	3,425,570	3,342,593
	9,642,912	2,787,031	2,179,013	1,968,797	1,263,181	1,333,933
	1,302,947	890,775	600	72,114		
	854,814	550,208	565,844	775,232	870,910	848,396
	117,630	230,348	171,995	177,916	158,906	324,931
	27,326,349	18,494,994	17,330,996	18,449,364	19,699,982	20,926,257
	(1,698,037)	(1,946,611)	(1,067,326)	(1,882,474)	(3,490,188)	(4,282,756)
	1,126,767	988,796	1,196,251	1,284,760	1,307,879	1,536,332
	(171,767)	(529,147)	(547,705)	(524,658)	(197,576)	(249,187)
	2,259,799	905,114	1,015,000	314,730	5,667,885	463,401
	3,214,799	1,364,763	1,663,546	1,074,832	6,778,188	1,750,546
\$	1,516,762	\$ (581,848)	\$ 596,220	\$ (807,642)	\$ 3,288,000	\$ (2,532,210)
	3.7%	4.4%	4.3%	5.2%	5.2%	5.6%

City of Kinston, North Carolina
The Electric System
Electricity Purchased, Consumed & 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)
1999	475,203,112	134,569,928	278,442,925	19,662,916	432,675,769	42,527,343	10%	0.0618
2000	474,564,987	138,898,879	292,509,374	17,063,645	448,471,898	26,093,089	6%	0.0611
2001	460,901,038	128,835,008	295,874,709	18,039,778	442,749,495	18,151,543	4%	0.0630
2002	467,918,731	139,697,073	291,218,874	16,872,338	447,788,285	20,130,446	4%	0.0690
2003	464,469,048	136,959,635	288,458,227	16,388,724	441,806,586	22,662,463	5%	0.0710
2004	475,439,130	136,413,157	288,003,273	30,195,605	454,612,035	20,827,095	5%	0.0731
2005	484,523,623	139,408,959	295,020,542	28,633,767	463,063,268	21,460,355	5%	0.0781
2006	492,063,385	126,593,785	301,904,545	28,149,694	456,648,024	32,415,361	7%	0.0810
2007	501,150,574	128,931,657	319,701,583	28,664,564	477,297,801	23,852,773	5%	0.0817

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

Note:
 (1) Forecasted Data

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

Source:

Notes:

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

Rates prior to Fiscal Year 2000 were not available
*Masterhand rate was retired on 10/01/2007

City of Kinston, North Carolina
Electric System - Major Users
As of 6/30/2008

Customer	2008				Percentage of Total Electric Sales
	Annual KWH	Annual Revenues	Rank		
Electrolux	\$29,661,671	\$1,425,768	1		3.06%
Dopaco	22,475,263	1,262,614	2		2.71%
Smithfield Packing K-2	19,798,887	1,072,308	3		2.30%
Masterbrand	18,820,800	1,010,771	4		2.17%
Kinston Housing Authority	8,031,052	976,599	5		2.10%
Smithfield Packing K-1	14,652,130	878,691	6		1.89%
Lenox	27,220,665	872,367	7		1.87%
LMH	13,351,181	759,283	8		1.63%
Caswell	11,686,400	632,935	9		1.36%
West Pharmaceuticals	11,521,331	611,106	10		1.30%
Total	\$177,219,380	\$9,502,443			

Source: City of Kinston Public Services Department

1999

Customer	Annual KWH	Annual Revenues	Rank	Percentage of Total Electric Sales
Smithfield	\$17,600,200	\$1,045,564	1	2.83%
Frigidaire	25,652,314	1,167,758	2	3.16%
Glen Raven Mills	14,232,600	908,655	3	2.46%
Dopaco	13,348,800	840,009	4	2.27%
Caswell Center	11,100,800	792,083	5	2.14%
Dimon International	10,915,843	768,759	6	2.08%
Bassett Walker	7,527,600	706,200	7	1.91%
Lenox China	9,677,489	687,029	8	1.86%
West Company	11,277,079	614,414	9	1.66%
Lenoir Memorial Hospital	13,173,218	579,981	10	1.57%
<hr/>		<u>\$134,505,943</u>	<u>\$8,110,452</u>	

City of Kinston, North Carolina**Ratios of Net General Bonded Debt Outstanding by Type****Last Ten Fiscal Years****(Unaudited)**

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita	Installment Contracts
1999	0	0	0	0	0	1,765,283
2000	0	0	0	0	0	3,049,151
2001	0	0	0	0	0	2,307,157
2002	0	0	0	0	0	2,581,689
2003	0	0	0	0	0	3,986,674
2004	0	0	0	0	0	3,857,418
2005	0	0	0	0	0	4,306,574
2006	0	0	0	0	0	3,846,072
2007	0	0	0	0	0	8,643,047
2008	0	0	0	0	0	8,258,051

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

Business-Type Activities		Revenue Bonds	Total Primary Government	Total Debt Per Capita
Notes and Installments	General Obligation Bonds			
8,150,715	0	15,245,000	25,160,998	1,007
7,032,292	0	14,475,000	24,556,443	983
5,929,160	0	13,565,000	21,801,317	920
5,251,113	0	12,730,000	20,562,802	868
5,877,997	0	11,846,000	21,710,671	917
6,714,017	0	13,466,000	24,037,435	1,034
6,445,581	0	16,367,067	27,119,222	1,183
5,721,263	0	15,777,811	25,345,146	1,109
12,503,265	0	15,168,004	36,314,316	1,581
12,668,221	0	19,832,648	40,758,920	1,775

City of Kinston, North Carolina
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2008
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 73,100,000	37.95%	\$ 27,741,450
Subtotal, overlapping debt	\$ 73,100,000		\$ 27,741,450
City Direct Debt	-	100%	-
Total direct and overlapping debt	<u>\$ 73,100,000</u>		<u>\$ 27,741,450</u>

Sources:

Notes:

- (1) Includes general obligation bonds for Enterprise Fund and General Long-Term Debt Account Group.
- (2) Determined by ratio of assessed valuation of property subject to taxation in Lenoir County (\$3,358,243,266).
- (3) Amount in debt outstanding column multiplied by percentage applicable.

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

	1999	2000	2001	2002
Debt limit	\$ 81,496,431	\$ 82,877,930	\$ 82,325,183	\$ 92,964,718
Total net debt applicable to limit	1,765,283	3,049,151	2,307,157	2,581,689
Legal debt margin	\$ 79,731,148	\$ 79,828,779	\$ 80,018,026	\$ 90,383,029
Total net debt applicable to the limit as a percentage of debt limit	2.21%	3.82%	2.88%	2.86%

2003	2004	2005	2006	2007	2008
\$ 92,657,120	\$ 92,299,722	\$ 93,609,501	\$ 95,001,119	\$ 96,127,414	\$ 101,946,732
3,986,674	3,857,418	4,306,574	3,846,072	8,643,047	20,926,273
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 88,670,446	\$ 88,442,304	\$ 89,302,927	\$ 91,155,047	\$ 87,484,367	\$ 81,020,459

4.50%	4.36%	4.82%	4.22%	9.88%	25.83%
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City of Kinston, North Carolina**Pledged-Revenue Coverage****Last Ten Fiscal Years***(dollars in thousands)***(Unaudited)****Combined Enterprise Revenue Bonds**

Fiscal Year	Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 43,830,191	\$ 38,993,599	\$ 4,836,592	\$ 630,000	\$ 844,292	3.28
2000	41,024,124	38,102,716	2,921,408	770,000	816,571	1.84
2001	43,477,825	40,341,061	3,136,764	910,000	781,921	1.85
2002	42,461,360	39,216,493	3,244,867	835,000	740,061	2.06
2003	46,207,290	42,135,152	4,072,138	885,000	700,816	2.57
2004	49,470,309	45,850,694	3,619,615	353,933	1,217,633	2.30
2005	51,199,729	47,457,736	3,741,993	589,256	585,435	3.19
2006	56,838,017	54,526,650	2,311,367	589,256	501,167	2.12
2007	56,909,055	51,857,666	5,051,381	1,192,410	704,022	2.66
2008	51,592,808	5,284,261	4,750,167	1,217,959	699,457	2.48

Special Assessment Collections	Special Assessment Bonds			Sales Tax Increment Bonds		
	Debt Service		Coverage	Sales Tax Increment	Debt Service	
	Principal	Interest			Principal	Interest
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		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)	Unemployment Rate (4)
1999	24974	21,212	10,062	6.3%
2000	24974	16,744	10,275	4.8%
2001	23688	16,744	9,950	7.2%
2002	23688	23,936	10,260	9.1%
2003	23688	17,779	11,347	7.1%
2004	23238	(5)	10,099	6.1%
2005	22917	(5)	9,876	6.7%
2006	22851	(5)	9,797	5.7%
2007	22962	(5)	9,549	4.9%
2008	(5)	(5)	9,546	7.2%

Sources:

- (1) NC State Data Profile
- (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	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Caswell Center	1,634	1	5.80%	1,800	2	6.24%
Lenoir County Public Schools	1,310	2	5.01%	1,325	3	4.56%
Lenoir Memorial Hospital	1,100	3	4.00%	1,150	4	3.97%
Electrolux Home Products (Frigidaire Co.)	1,053	4	3.09%	850	5	2.91%
Smithfield Packing Company	853	5	2.51%	450	10	1.54%
Master Brand Cabinets, Inc	635	6	3.20%	na	na	0.00%
Associated Materials, Inc	609	7	2.26%	450	10	1.54%
Lenoir Community College	520	8	1.85%	449	na	1.54%
Vernon Park Mall	500	9	1.78%	525	8	1.80%
Lenox China	432	10	1.59%	320	na	1.09%
	<u>8,646</u>		33.30%	<u>7,319</u>		24.93%

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	3	5	3	3	3	3	3	2	3
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	4	4	4	5	4	4	4	4	3.5	3.5
Finance	13	12	13	13	13	12	11	11	11	12
Computer Services	3	3	3	3	3	3	3	3	3	3
Legal	3	4	3	3	3	2	2			
Building Safety	2	2	2	2	2	2	2	2	2	2
Planning	3	3	4	3	3	3	3	3	3	3
Facility Mgmt	5	5	5	5	5	5	5	5	5	5
Community Development										
Parks and Recreation:										
General & Administrative	8	8	8	8	7	6	6	6	6	6
SOAR										
Recreation	23	24	26	25	24	24	25	28	28	26
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	78	74	80	75	75	74	74	74	75	75
Civilians (a)	11	8	12	12	10	10	10	10	10	9
Fire:										
Firefighters and Officers	64	64	65	65	57	56	56	55	55	54
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	19	17	20	19	17	16	17	18	15	16
Street Sweeping	2	1	2	1	1	1	1	1	1	1
Refuse Collection	28	27	35	29	28	30	31	30	26	26
Weed Control	2	2	2	2	2	1	1	1	1	1
Central Garage	12	14	14	13	11	10	11	10	10	9
Street Lighting	1			1	1	1	1	1	1	1
Traffic Control	2	2	2	2	2	2	2	2	2	2
Electric:										
Distribution	23	22	27	23	21	23	23	20	21	21
Billing & Administration	21	20	21	19	19	21	21	19	20	23
Meter Reading	4	4	8	8	8	8	8	7	6	6
Water:										
Administration	3	3	3	3	3	3	3	3	3	3
Transmission	24	23	27	26	18	18	18	20	24	25
Purification	3	3	3	3	3	2	2	2	3	3
Lake Bloomington Park										
Sewer Maintenance	16	17	19	16	15	15	15	13	14	13
Stormwater										1
Other Programs/Functions:										
Engineering	11	10	13	11	10	9	9	10	10	8
Risk Management	3	3	3	3	3	3	3	3	2.5	2.5
Parking										
Cultural District										
Total	406	394	441	412	382	378	381	375	375	375

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	1999	2000	2001	2002
Police:				
Calls for service	**	31,262	31,769	31,624
Adult arrest	**	4,554	3,736	3,269
Juvenile arrest	**	154	148	196
Speeding citations only	**	1,428	1,031	1,259
Traffic citations	**	5,676	3,695	3,821
Fire:				
Total fire runs	**	**	575	119
Total rescue runs	**	**	294	624
Property loss	**	**	\$ 291,850	\$ 552,773
Building safety:				
Total building permits	145	204	129	100
Total value all permits	\$ 18,165,316	\$ 48,959,642	\$ 29,960,815	\$ 16,666,270
Library, volumes in collection	119,332	121,157	121,066	120,214
Public service:				
Garbage collected (ton)	23,223	24,873	23,248	22,846
Recycle collected (ton)	1,151	1,133	999	820
Parks and Recreation:				
Recreation program attendance:				
Athletics	137,000	140,000	142,000	146,000
Centers & Parks	405,000	403,000	408,000	412,000
Other Programs	100,000	101,000	100,000	101,500
Golf Rounds Played	7,000	7,100	7,300	7,500

Source: Various City records

Note: ** Indicator not available

2003	2004	2005	2006	2007	2008
29,598	29,803	30,610	31,192	35,156	32,213
3,039	3,169	2,847	2,945	4,910	3,008
167	186	146	172	171	161
1,000	600	1,240	656	863	1,280
2,870	2,782	3,453	2,506	5,823	5,677
998	826	704	664	216	870
691	699	410	143	145	121
\$ 737,261	\$ 773,719	\$ 433,537	\$ 380,311	\$ 761,793	\$ 642,430
147	135	122	121	124	115
\$ 12,374,362	\$ 14,540,108	\$ 16,423,622	\$ 58,292,255	\$ 35,183,618	\$ 20,778,089
114,729	113,465	115,695	116,474	14,026	99,905
22,989	22,816	22,977	22,685	20,521	19,937
765	730	695	632	574	836
156,000	155,000	160,000	158,500	163,000	172,000
418,000	421,000	419,000	419,500	421,500	520,000
106,000	108,000	111,000	114,000	113,000	116,000
7,500	7,500	7,500	7,800	7,950	8,200

City of Kinston, North Carolina

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

Function/Program	1999	2000	2001	2002
Police:				
Stations	5	5	6	6
Fire & Rescue				
Fire Stations	3	3	3	3
Refuse Collection:				
Collection Trucks	27	27	27	26
Other Public Works				
Streets (Miles)	115.73	115.36	113.4	113.4
Streets Lights	2057	2060	2060	2061
Traffic Signals	20	N/A	N/A	N/A
Parks & Recreation:				
Acreage	278	278	245	245
Parks	13	13	12	14
Golf Course	1	1	1	1
Baseball/Softball Diamonds			7	16
Soccer/Football Fields		2	2	2
Basketball Courts	8	8	8	8
Tennis Courts	19	19	19	17
Swimming pools	3	3	3	3
Parks with Playground Equipment	7	7	7	7
Picnic Shelters	5	5	5	5
Community Centers	5	5	5	5
Museums	1	1	1	2
Stadium	4200 seat	4200 seat	4200 seat	4200 seat
Airport Theater	300 seat	300 seat	300 seat	300 seat
Indoor Batting Facility			1	1
Natural Sites	4	4	4	4
Gymnasium	3	3	3	3
Spray Ground	0	0	0	0
Dog Park	0	0	0	0
Library:				
Facilities	1	1	1	1
Volumes	119,332	121,157	121,066	120,214
Water:				
Storage Capacity (MGPD)	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD
Average Daily Consumption (MGPD)	5.07 MGD	4.82 MGD	4.57 MGD	4.46 MGD
Peak Consumption (MGPD)	7.61 MGD	7.23 MGD	6.86 MGD	6.69 MGD
Miles of Water Mains	200	206	207.5	208.2
Wastewater:				
Sanitary Sewers (miles)	205.74	206	204.8	206.2
Storm Sewers (miles)	N/A	N/A	N/A	N/A
Average Daily Flow	5.94 MGD	5.1 MGD	5.68 MGD	4.46 MGD
Electric:				
Average Daily Usage	1580 MWH	1580 MWH	1,215,678 KWH	1,215,678 KWH
Mile of Distribution Lines	365	365	375	375

Source: Various City records

2003	2004	2005	2006	2007	2008
6	4	4	4	4	3
3	3	3	3	3	3
25	25	25	25	25	25
114.6	114.7	115.4	113.9	114.91	114.91
2061	2062	2064	2064	2123	2106
N/A	N/A	N/A	15	15	15
245	245	245	245	300	300
14	14	14	14	15	15
1	1	1	1	1	1
16	16	17	17	17	26
2	2	2	2	2	13
8	6	6	6	6	4
15	14	16	16	16	17
3	3	2	2	2	2
7	8	8	8	8	8
5	5	6	8	8	8
5	5	5	5	5	5
2	2	2	2	2	2
4200 seat					
0	0	0	0	0	0
1	1	1	1	1	1
4	4	4	4	4	5
3	4	4	4	4	4
0	0	0	0	1	1
0	0	0	0	0	1
1	1	1	1	1	1
114,729	113,465	115,695	116,474	14,026	99,905
4.25 MGD					
4.09 MGD	3.49 MGD	3.71 MGD	3.80 MGD	3.63 MGD	3.49 MGD
6.14 MGD	5.24 MGD	5.57 MGD	5.70 MGD	5.45 MGD	5.24 MGD
208.2	211.7	212.3	212.7	214	214.4
206.2	208.3	209.2	209.4	211.2	211.4
N/A	N/A	N/A	62.3	62.3	62.4
4.09 MGD	3.5 MGD	5.24 MGD	5.12 MGD	5.29 MGD	4.64 MGD
1,215,678 KWH	1,226,817 KWH	1,258,457 KWH	1,317,090 KWH	1,373,711 KWH	1,373,015 KWH
375	425	425	430	430	430