

CITY OF KINSTON
NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2009

CITY OF KINSTON

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Prepared by City of Kinston Finance Department

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2009

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INTRODUCTORY SECTION

Letter of Transmittal

List of Principal Officials

Organizational Chart

GFOA Certificate of Achievement for Excellence in Financial Reporting

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Mayor

SCOTT A. STEVENS
City Manager

JAMES P. CAULEY III
City Attorney

CAROL L. BARWICK
City Clerk

October 9, 2009

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, 2009, 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. 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.

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

The City is required to undergo an annual "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and the auditor's reports on the internal control over financial reporting and compliance with applicable laws, regulations, 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 12.4 percent unemployment rate compared to a statewide rate of 11.0 percent and a national average of 9.5 percent. The July 2008 population estimates for the City report population as 22,649.

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 \$9.7 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 500,000 square foot design and manufacturing facility on 304 acres and create at least 1,000 jobs. Ground-breaking began in September 2008 and construction progress continues on the facilities. The N.C. Department of Transportation is working to get the necessary road and rail links to the Global TransPark. The rail link is a \$32.7 million project with construction scheduled to begin in early 2010. The nearly 6-mile north-south rail spur will connect the N.C. Railroad's main line through Kinston to Spirit manufacturing facilities at the TransPark. Spirit is expected to open for production in April 2010. The entire plant, including offices, should open that summer.

In April 2008 Sanderson Farms, the nations fourth largest poultry processing company, announced that it would invest in a \$ 121 million production complex in Kinston consisting of a new feed mill, poultry processing plant and hatchery. Sanderson expects to create 1,600 jobs. At full capacity the new facility will process and sell 6.7 million pounds of dressed poultry meat per week. Sanderson has begun construction at the feed mill and hatchery sites. The completion date for the feed mill and hatchery are scheduled for November 2010. The processing plant should be completed by January 2011. With the arrival of both Spirit AeroSystems and Sanderson Farms we are expecting a "domino effect" of new business, as suppliers set up shop, new homes are built and retailers expand their inventories.

Electrolux the world's largest manufacturer of kitchen appliances and equipment for cleaning and outdoor use will invest \$55 million in its 500,000 square foot Kinston facility for a new dishwasher product line. Also, Dopaco Inc's food packaging facility will hire 123 new workers for its Kinston plant by 2010.

City of Kinston was declared a 2009 All-America City by the National Civic League. The civic "oscar" for communities of all sizes. The win is the second for Kinston, which took home All-America City status in 1988. Kinston was one of 10 winners of the award. The Planning Department led these efforts to display our community's inclusiveness, collaboration, and grassroots problem solving skills. The two most critical needs identified by the committee members were Jobs

and Education. Our three projects that were highlighted included NRWASA water treatment plant, the Little-by-Little mentoring program at Southeast Elementary, and our Gang, Awareness, Training and Education center. The community raised \$40,000 in private donations to fund Kinston delegation's trip to Tampa, Florida for the competition.

MAJOR INITIATIVES

FOR THE YEAR

Fiscal Year 2008-2009 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

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 and was anticipated to result in the acquisition of approximately 300 properties located in the flood plain. In the end, a total of 185 parcels were acquired. The majority of the remaining properties had multiple heirs with complex circumstances surrounding the ownership, and approximately 43 property owners declined to participate in the program. Also, due to State budgetary restraints, the project was not extended as requested, and the project concluded July 31, 2009. When combined with the 850 properties previously acquired through FEMA funding, the city now owns close to 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.

Engineering -Traffic Signal Project

The City and the North Carolina Department of Transportation are in final negotiations to determine project costs. The City's cost share of this project is estimated at \$1,082,457. We will be able to deduct city expenses, which are \$384,673. The remaining cost will be paid over three years, beginning in FY 2009-10. We are also pursuing reimbursement of \$63,770 for costs we incurred after the project completion date, but before Schedule C & D maintenance agreements were signed in 2008.

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 August, 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 wastewater treatment plant. Issues with the contractor resulted in litigation to resolve the final contract payment amount. This was settled in arbitration in May, 2008. FEMA has agreed to an additional reimbursement to the City in the amount of \$1,198,121.46, which should be received Fiscal Year 2009/2010. The city has also entered into litigation with Black & Veatch, which provided engineering services for this contract. The 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 (KRWRP)

This project consists of expanding the water reuse site developed in KRWRP Contract IV. The City has acquired additional property adjacent to the KRWRP 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, and funding for the project will be provided by a \$1,290,000 Clean Water Management Trust Fund (CWMTF) grant, \$267,200 local cash match and \$180,000 of in-kind services. The project is currently under construction by Peters & White Construction. All work except tree planting should be done in July, 2009. Tree planting will take place in December, 2009. Project should be complete and closed out by January 31, 2010.

Water Resources - College Street Sewer Rehabilitation

This project will replace approximately 5,100 linear feet of sewer lines and 16 manholes on College Street. The estimated cost of the project is \$1,127,600 and will be funded by 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 & Wheeler has been selected as the engineering firm for the project. Bids were opened on July 10, 2009, awarded on July 20, 2009 and construction should be completed in December, 2009.

Water Resources - Adkin Branch Stream Restoration Project

The North Carolina Ecosystem Enhancement Program (NCEEP) has begun construction of the Adkin Branch Stream Restoration Project. This project consists of cleaning debris from the degraded stream and surrounding riparian area and widening the stream to restore it to its natural stable condition from Lincoln Street to Highway 11. 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. The project is designed by Ko & Associates and the general contractor is Appalachian Environmental. Construction cost will be about \$2,000,000. Construction is expected to be complete by October, 2009.

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

Kinston began purchasing potable water from the new NRWASA surface water plant in September, 2008. We purchase a minimum of 3.07 MGD from NRWASA at a cost of \$3.34 per 1,000 gallons, or \$3,742,800 annually. We purchase no more than the minimum, using our existing groundwater wells for any additional supply that is needed.

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 McLewean 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. STEP Construction began work in June, 2009 and work will be complete in November, 2009.

Water Resources - Spirit Aerosystems Water/Sewer/Stormwater Project

Spirit Aerosystems 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 \$568,487. Funding consists of grants from the North Carolina Rural Center (\$271,646) and the North Carolina Industrial Development Fund (\$269,855) and a city cash match of \$26,986. The City has also committed to funding stormwater

improvements at a cost of up to \$1 million. The stormwater work is complete and has been paid. Water and sewer work is under construction by Seaside Environmental Constructors and expected to be complete by December, 2009.

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 North Carolina Industrial Development Fund (IDF) and a cash match of \$22,460.00. The grant from the North Carolina Rural Center has been awarded. Final details are still being worked out for the IDF grant. All funding is expected to be in place by September 1, 2009. Design and permitting is complete. Construction should be complete by May 1, 2010.

Water Resources - Briery Run Phase III Sewer Rehabilitation Project

The Briery Run Sewer Outfall serves northern Kinston and the North Carolina Global TransPark area. The Phase III sewer project involves rehabilitation of portions of the outfall from Graham Drive to Airport Road. Total cost for the project is estimated at \$625,000. The city has received a grant of \$500,000 from the North Carolina Rural Center. Construction is expected to begin by December, 2009.

Water Resources - Stormwater Utility

The City of Kinston Stormwater Utility Fee was initiated on July 1, 2007. All developed properties were charged a flat fee of \$4 per month until January 1, 2009. At that time the fee charged to non-single-family-residential properties was changed to one based on actual impervious area. Before January 1, 2009, annual revenue from this utility was \$436,000. After this change annual revenue is projected to be around \$900,000. The additional funds will be used primarily to address stormwater system capital improvements.

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 construction was completed on July 14, 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 2010.

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 \$460,000. This project will be funded by proceeds from a NC Department of Commerce IDF block grant of \$400,000 and from Lenox China to make up the difference.

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. Assembly of the substation began in June 2009. Project is expected to be completed by February 2010.

Planning – Urban Progress Zone

Renew the 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-EDA Aviation Cluster

Economic Development Administration: Aviation Cluster is a federal initiative to identify needs and projects to help bring additional vendors to the GTP to supplement Spirit. This is a partnership with City of Kinston, Lenoir County, Committee of 100, Eastern Region, and East Carolina Council.

Community Development:

Call Kinston Home Corporation, a 501(c)(3) is reestablishing its presence through some start-up funding from the City. It's main focus is to promote quality of life and enrichment of the cultural, recreational, and historic resources within our historic district(s) and the identified Urban Progress Zone.

Recreation – Emma Webb Picnic Shelter

The picnic shelter at Emma Webb is in the process of being renovated. The roof has been rebuilt and the old shingles have been removed and are being replaced with a metal roof.

Recreation – The Rotary Dog Park

The Rotary Dog Park, located on Hwy. 11/55 (the old Webb's Salvage Yard) has been cleared of debris and dirt has been hauled in to build up the area and enhance the ponds. A silt fence has been installed and a walking track will be constructed around the perimeter of the fence. Fencing will be installed to house big dogs and to exercise little dogs. An obstacle training course will be built, along with a training course by the ponds for larger dogs. Also, land was cleared of debris to build a dog obstacle training course.

Recreation – Neuseway Park – Additional Campground Sites

Ten (10) additional campground sites at the Neuseway Nature Park Campground have been added. These sites include full hook ups with sewer and electric. A giant replica tepee has been installed at the campground area, along with a observation deck that allows for overnight stay in the campground. Also, totem poles and Indian exhibits have been added in the campground and at the train area.

Recreation – Neuseway Park (Mitchell Street)

A new staging area was built at the Neuseway Park (Mitchell Street) to enhance the Sand In The Streets concert series and to allow for additional recreational activities.

Recreation – Boat Ramp

The boat ramp on Hwy. 70 was completed, which now allows for easy access for fishing, canoe and kayak travel.

IN THE FUTURE

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. Sanderson Farms has also requested assistance with increasing the water pressure at the plant with a booster pump station. Total costs for this work is estimated at \$1,225,500 (\$725,500 without the booster station). This project is eligible 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 \$112,750. The city is prepared to pursue funding and begin this project upon the completion of a development agreement with the industry.

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. Preliminary engineering work was done by the Wooten Company for routing the sewer to the Briery Run Outfall. Additional preliminary work will be completed to evaluate discharging the sewer to the Neuse Outfall. We will also be pursuing funding from various state and federal agencies for this project. Construction is not expected to begin until the fall of 2010.

Chestnut Street/Martin Luther King Jr. Boulevard Drainage Project

City staff is currently evaluating the problems and solutions to drainage issues along this line from East Street along Chestnut Street to the Adkin Branch. Cost will depend on whether work can be performed with city crews or if contractors must be hired. Funds for this project will come from Kinston's stormwater utility fee.

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 William Street and Lawrence Lane. Work will be performed by city crews. Material costs are estimated at \$20,000.

Harvey Parkway (formerly Crescent Road Extension)

NCDOT is near construction of the extension of Harvey Parkway from Highway 258 to Highway 70. Utility conflicts along existing NCDOT roads will be corrected by NCDOT and their contractors during construction at the City's expense. Estimated costs of the relocations are \$120,000, which would be repaid to NCDOT over three years after the work is complete.

GTP Rail

A rail spur will be constructed by the NCDOT Railway Division to provide rail service to the new Spirit Aerosystems property. If there are any utility conflicts along existing NCDOT roads, the city will be expected to resolve the conflicts or allow NCDOT to resolve them at our expense. This project is still in design and no determination of utility conflicts has been made at this point.

Electric Division – Harvey Parkway Expansion Primary Line Relocation

The City was requested by the North Carolina Department of Transportation to relocate electric utility lines in conflict with their Crescent Road Expansion. They asked that these lines be put underground. The City is in the process of this relocation. The Engineers have finished their design

and a contractor has been selected to implement this work. The Estimated total cost of this project is \$150,000 and will be funded by reimbursements from the NCDOT and the Electric Capital Reserve Fund. This project should be completed by December 1, 2009.

Electric Division – Spirit Aerospace Rail Spur

The NCDOT has requested the City relocate electric utility lines in conflict with the Spirit Aerospace Rail Spur that will be constructed in the North Carolina Global Transpark. This project will require engineering support from our Consultant and will begin October 5, 2009. A budget has not been established for this project.

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.

The Planning Department continues to request funding for this comprehensive plan for the future. As of now there are no funds budgeted for this plan.

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.

Carey Road Extension

The project involves the construction of an extension to Carey Road which will be located at the projected relocation site of Fire Station Two. The proposed site for the extension is at the intersection of Carey Road and Rouse Road. The road will extend to HWY 258 North. The estimated cost to construct the road extension is \$3,500,000.

Public Safety- Fire Stations Two and Three

Fire Station Two will be located at Carey and Rouse Rd. intersection. The 7,700 sq. ft. facility will replace a 30-year old facility located at 2207 Plaza Blvd. Fire Station Three will be located in the vicinity of Hill Farm Rd & Hwy. 70. The 7,700 sq. ft. facility will replace a 12-year old facility located at 202 Hull Rd. These new facilities will have two apparatus bays, sleeping quarters, kitchen, day room, and administrative offices. The new stations will improve response times and service delivery to the fire districts they will serve. Most of the funding will be obtained through federal grants and/or USDA loans at an approximate cost of \$2.772 million dollars.

Public Safety- Fire Apparatus

This project includes the replacement of two existing fire engines. The equipment being replaced is a 1993 Pierce pumper and a 1993 E-One pumper. Both pieces of apparatus have become cost ineffective. The new apparatus will both provide 1500 gallons per minute pumping capacity with on-board foam systems. The funding will be provided through a \$847,090 dollar USDA loan and grant.

Recreation – New Community Center

A new 40,000-square foot community center will be built during the coming months in Lenoir County. Woodmen of the World has agreed to provide \$5 million of private funds for the new community center while the city of Kinston and Lenoir County will provide \$1 million toward the construction project. The plans for the facility include two indoor basketball courts, an outdoor swimming pool, walking track, banquet rooms and a conference room.

Recreation – Mock Gym, Neuseway Park, Battlefield Parkway, Soccer Complex, Grainger Stadium, Rotary Dog Park, Neuseway Campground and Community Center

Nautilus weight equipment will be purchased and installed at Mock Gymnasium to allow for additional and newer equipment.

Roofing system will be purchased and installed over the stage at the Neuseway Park to allow for additional concerts.

Work will continue with the Clean Water Trust Fund Grant and Parks & Recreation Trust Fund Grant for the Battlefield Parkway and the Lenoir County Soccer Complex.

The City will begin a three (3) year project to waterproof the grandstand of the ballpark by coating the concrete and supporting steel structure at Grainger Stadium with an epoxy agent.

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, 2008. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

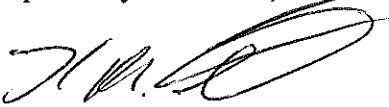
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State Single Audit Implementation Act require annual independent audits of the City's compliance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

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

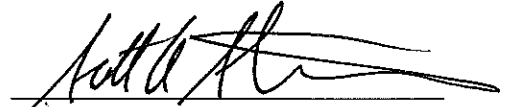
We also acknowledge the valuable professional service provided by the accounting firm of Martin Starnes & Associates, CPA's, P. A. and appreciate their assistance in preparing this report.

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

Respectfully submitted,



Keith M. Fiaschetti, MBA
Finance Director



Scott A. Stevens,
City Manager

CITY OF KINSTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS JUNE 30, 2009

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 and Code Enf.

AMANDA ENGESEETHER
Director of Planning

BILL ELLIS
Director of Parks and Recreation

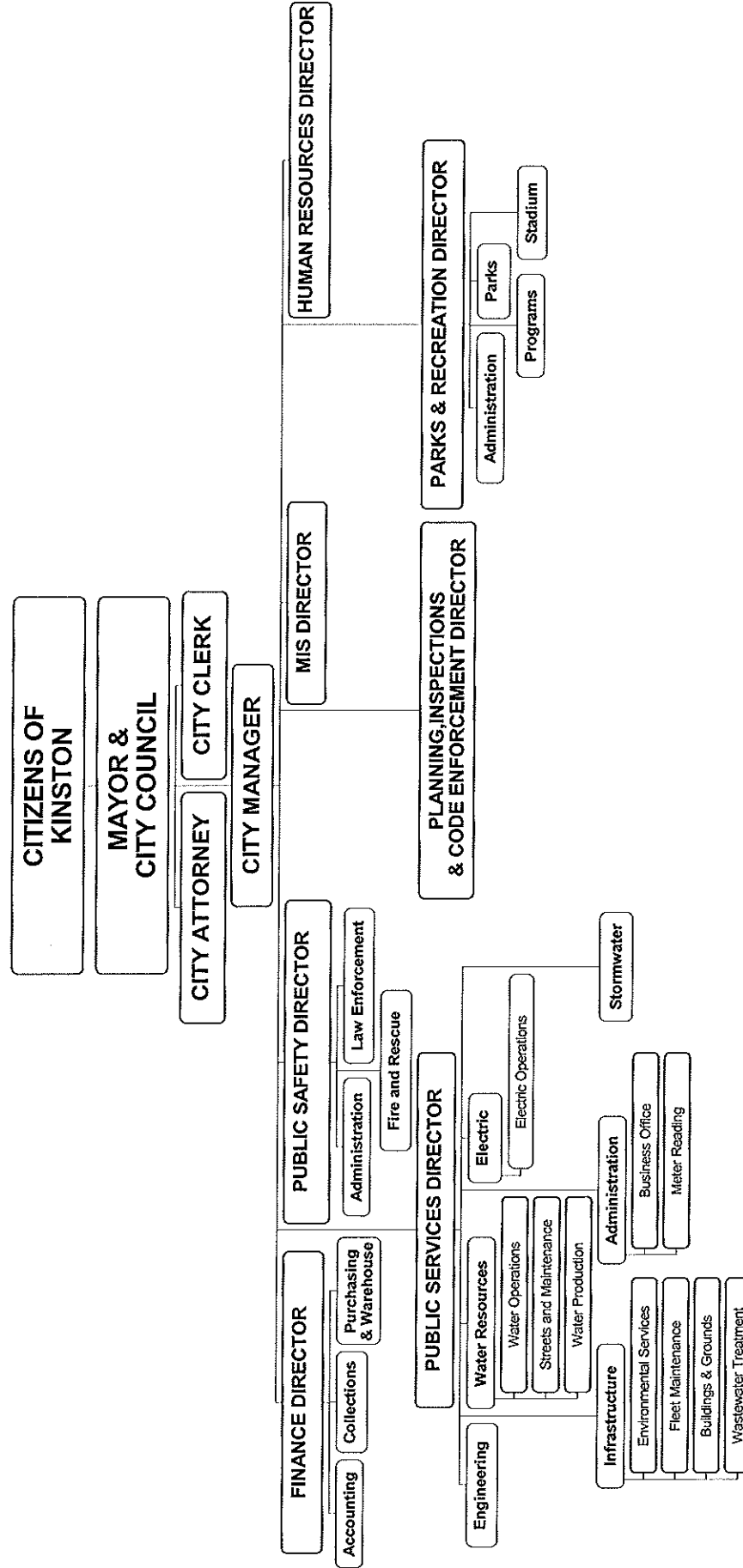
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City of Kinston

Organizational Structure

FY 2008-2009



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, 2008

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.



President

Executive Director

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FINANCIAL SECTION

Independent Auditors' 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, 2009, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 provides 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 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, 2009, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in 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 October 9, 2009 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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 financial statements and 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, are 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.
October 9, 2009

City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

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, 2009. 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.

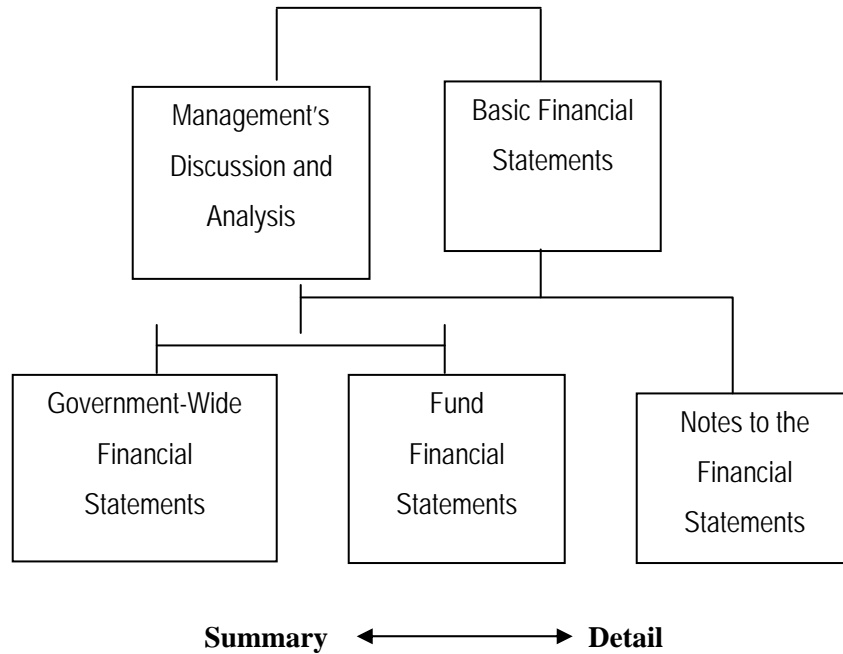
Financial Highlights

- The overall financial position of the City increased in 2009 as evidenced by an increase in total net assets of \$1.3 million. This increase was from governmental activities of \$ 1.1 million, while business-type activities remained about the same as in the prior year.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$104.3 million (net assets). Of this amount, \$15.1 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 \$4.9 million, a decrease of \$ 0.4 million in comparison with the prior year and are primarily due to the payment of construction costs related to the City hall renovation project. Approximately 58.5 percent of this total amount, or \$2.9 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 \$2.8 million, or 16.6 percent of total General Fund expenditures.
- The City's total debt decreased by \$6.9 million during the current fiscal year. Most of this decrease came from the retirement of \$ 3.6 million Series 2005A Revenue Bonds in the Wastewater Fund, these bonds were used to help finance construction of the Wastewater treatment plant, and \$ 3.5 million in principal payments made against existing debt.

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 non-financial 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 13 – 15 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 short and long-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 16 – 22 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 23 of this report.

Financial Analysis of the City as a Whole

Net Assets: For the City, assets exceeded liabilities by \$104.3 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2009 and 2008 is presented below:

City of Kinston's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,223,317	\$ 8,598,727	\$ 17,457,256	\$ 23,607,734	\$ 25,680,573	\$ 32,206,461
Capital Assets	17,874,658	16,923,803	104,559,877	104,015,671	122,434,535	120,939,474
Total Assets	26,097,975	25,522,530	122,017,133	127,623,405	148,115,108	153,145,935
Long-term liabilities outstanding	8,953,613	9,811,515	26,708,601	32,785,162	35,662,214	42,596,677
Other liabilities	1,590,110	1,698,892	6,550,556	6,074,143	8,140,666	7,773,035
Total liabilities	10,543,723	11,510,407	33,259,157	38,859,305	43,802,880	50,369,712
Net assets:						
Invested in capital assets, net of related debt	10,632,852	8,665,752	78,153,107	71,886,277	87,827,828	80,552,029
Restricted	501,969	524,143	-	-	501,969	524,143
Unrestricted	4,419,431	4,822,228	10,604,869	16,877,823	15,982,431	21,700,051
Total net assets	<u>\$15,554,252</u>	<u>\$14,012,123</u>	<u>\$ 88,757,976</u>	<u>\$ 88,764,100</u>	<u>\$104,312,228</u>	<u>\$102,776,223</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The City's net assets increased \$1.3 million for the fiscal year ended June 30, 2009. However, the largest portion (68%) 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 \$16.0 million is unrestricted.

Net assets of the governmental activities increased \$ 1.1 million, or 8 percent, to \$15.6 million. However, \$11.1 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 \$4.4 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 decreased slightly by \$0.14 million, or 0.16 percent, to \$88.8 million. These net assets will be used to finance the operations and expansion of the electric, water, wastewater, environmental and stormwater operations.

Changes in Net Assets: The following table presents the City's changes in net assets for the fiscal years ended June 30, 2009 and 2008:

City of Kinston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 2,013,968	\$ 1,953,699	\$ 66,069,506	\$ 60,596,297	\$ 68,083,474	\$ 62,549,996
Operating grants/contributions	1,022,955	1,196,860	-	-	1,022,955	1,196,860
Capital grants/contributions	462,297	99,827	2,753,405	785,614	3,215,702	885,441
General revenues:						
Property taxes	8,670,590	8,213,392	-	-	8,670,590	8,213,392
Other taxes	5,001,493	4,845,014	-	-	5,001,493	4,845,014
Grants/contributions not restricted to specific programs	357,346	341,054	-	-	357,346	341,054
Other taxes	367,365	575,808	125,330	270,067	492,695	845,875
Total revenues	<u>17,896,014</u>	<u>17,225,654</u>	<u>68,948,241</u>	<u>61,651,978</u>	<u>86,844,255</u>	<u>78,877,632</u>
Expenses:						
General government	2,594,129	2,980,089	-	-	2,594,129	2,980,089
Public safety	9,218,831	9,160,026	-	-	9,218,831	9,160,026
Highways and streets	1,606,515	1,740,530	-	-	1,606,515	1,740,530
Economic and physical development	730,734	1,369,772	-	-	730,734	1,369,772
Culture and recreation	3,552,374	3,628,908	-	-	3,552,374	3,628,908
Interest on long-term debt	119,472	319,271	-	-	119,472	319,271
Electric	-	-	521,602,697	47,230,530	51,602,697	47,230,530
Water	-	-	7,516,489	3,199,827	7,516,489	3,199,827
Wastewater	-	-	5,296,885	5,295,824	5,296,885	5,295,824
Nonmajor funds	-	-	3,362,902	4,083,288	3,362,902	4,083,288
Total expenses	<u>17,822,055</u>	<u>19,198,596</u>	<u>537,778,973</u>	<u>59,809,469</u>	<u>85,601,028</u>	<u>79,008,065</u>
Increase in net assets before transfers	73,959	(1,972,942)	1,169,268	1,842,509	1,243,227	(130,433)
Transfers	<u>1,024,672</u>	<u>1,509,863</u>	<u>(1,024,672)</u>	<u>(1,509,863)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>1,098,631</u>	<u>(463,079)</u>	<u>144,596</u>	<u>332,646</u>	<u>1,243,227</u>	<u>(130,433)</u>
Net assets, July 1	14,012,123	14,475,202	88,764,100	88,431,454	102,776,223	102,906,656
Prior period adjustment	443,498	-	(150,720)	-	292,778	-
Net assets, July 1 as restated	<u>14,455,621</u>	<u>14,475,202</u>	<u>88,613,380</u>	<u>88,431,454</u>	<u>103,069,001</u>	<u>102,906,656</u>
Net assets, June 30	<u>\$ 15,554,252</u>	<u>\$ 14,012,123</u>	<u>\$ 88,757,976</u>	<u>\$ 88,764,100</u>	<u>\$ 104,312,228</u>	<u>\$ 102,776,223</u>

Total government-wide revenues of \$86.8 million were primarily derived from charges for services (78.4%), property taxes (10.0%), and other taxes (5.8%). The total expenses of all programs were \$85.6 million. The expenses cover a range of services with the two largest being electric services (60.3%) and public safety (fire/EMS, police and inspections/code enforcement) (10.8%).

Governmental Activities

Governmental activities increased the City's net assets by \$1.1 million. Key elements of this increase are as follows:

- Decrease in government's expenses of \$ 1.4 million representing measures to deal with the downturn in the national, State, and local economies,
- Prior period adjustment of \$ 0.4 million due to capital assets being restated, representing assets that were not properly capitalized in prior year,
- Increase of 5.6% in property tax revenues mainly due to a 10% increase in the property tax rate and continued diligence in the collection of property taxes.

Business-Type Activities

Business-type activities decreased slightly the City of Kinston's net assets by \$ 0.14 million. Key elements of this decrease are as follows:

- Charges for services increased by approximately \$5.5 million, or 9.0% over the prior year. The increase was the result of increases in electric rates. The revenue increase in electric was offset by \$4.3 million in additional purchased power costs over the prior year.
- Increase of \$3.7 million in Water Fund expenditures primarily due to \$3.1 million due to State mandated regulations requiring the City (along with many other Eastern North Carolina communities) that depend on aquifers' to start turning to surface water in an effort to preserve the water supply in the underground reservoir. Accordingly, Kinston began purchasing surface water from the Neuse Regional Water and Sewer Authority in September 2009 and \$.9 million in water expenditures to SpiritAerosystem, Inc. for on-site stormwater management basins at their new manufacturing facility under construction at the Global TransPark in Kinston.

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 \$2.8 million of which, nothing is designated for subsequent year's expenditures, while total fund balance was \$4.8 million. 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 16.6% of total General Fund expenditures of \$16.8 million while total fund balance represents 28.4% of that same amount.

At June 30, 2009, the governmental funds of the City of Kinston reported a combined fund balance of \$4.9 million, a 7.4% decrease over last year. Included in this change in fund balance is a \$1.0 million decrease in the fund balance of the nonmajor General Fund. Contributing factor in this decrease is the completion of the 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 \$0.1 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 delays in proposed land sale. 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 City was able to comply with most budgetary requirements. Significant favorable variances (actual expenditures below the final amended budget) is attributable to a operating budget cuts and hiring delays 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 at the end of the year amounted to \$4.7 million in the Electric Fund, \$3.3 million in the Water Fund, \$1.4 million in the Wastewater Fund, and \$.5 million in the nonmajor funds. The nonmajor funds experienced growth in net assets for the funds of approximately \$0.2 million. The Electric Fund experienced a decrease of net assets of approximately \$2.7 million. 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, 2009, the City had \$122.4 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 \$1.2 million, or 1%, over last year. The summary of capital assets at June 30, 2009 and 2008 is presented below:

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

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,856,515	\$ 2,856,515	\$ 1,222,643	\$ 878,503	\$ 4,079,158	\$ 3,735,018
Infrastructure	1,935,015	2,201,268	19,822	123,642	1,954,837	2,324,910
Buildings and	5,465,781	8,469,906	39,509,290	50,463,825	44,975,071	58,933,731
Equipment and vehicles	1,243,856	1,998,434	1,383,431	1,138,048	2,627,287	3,136,482
Operating plant	-	-	57,173,550	49,779,601	57,173,550	49,779,601
Construction in progress	6,373,491	1,397,684	5,251,141	1,632,051	11,624,632	3,029,735
PP adjustment	-	443,494	-	(150,720)	-	292,774
Total	<u>\$ 17,874,658</u>	<u>\$ 17,367,301</u>	<u>\$ 104,559,877</u>	<u>\$ 103,864,950</u>	<u>\$ 122,434,535</u>	<u>\$ 121,232,251</u>

This year's major capital asset additions and reclassifications included:

- Construction in process – City Hall Renovations - \$1.1 million
- Construction in process – Electric Substation and Caswell Project - \$3.1 million
- Construction in process – Various Sewer Projects - \$ 1.2 million
- Reclass fire station to construction in process – \$3.0 million
- Reclass wastewater treatment plant from building improvements to operating plant - \$8.5 million

More detailed information about the City's capital assets is presented in Note 6 of the basic financial statements.

Long-Term Debt. At June 30, 2009, the City had \$33.6 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	
	2009	2008	2009	2008	2009	2008
Installment contracts	\$ 7,241,806	\$ 8,258,051	\$ 1,890,245	\$ 2,663,321	\$ 9,132,051	\$ 10,921,372
Revenue bonds	-	-	15,293,513	19,832,648	15,293,513	19,832,648
Notes payable	-	-	9,223,012	10,004,900	9,223,012	10,004,900
Total	<u>\$ 7,241,806</u>	<u>\$ 8,258,051</u>	<u>\$ 26,406,770</u>	<u>\$ 32,500,869</u>	<u>\$ 33,648,576</u>	<u>\$ 40,758,920</u>

The City of Kinston's total long-term debt decreased by \$6.9 million (16%) during the fiscal year, primarily due to the retirement of \$ 3.6 million Series 2005A Revenue Bonds used to partially fund the construction of the new wastewater treatment plant and \$3.5 million in principal payments made against existing debt. 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 \$92,890,141.

More detailed information about the City's long-term obligations is presented in Note 7 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 2009, 5 residential and 8 non-residential units were constructed with a value of \$9.7 million
- Retail sales during 2009 were \$366.2 million.
- The June 2009 unemployment rate was 12.4 percent compared to 11.0 percent for the State and 9.5 percent for the nation.

The following are highlights for the 2010 budgets for the governmental activities:

Property tax receipts are expected to increase \$400,000 mainly attributable to property revaluations. Local government sales tax revenues and State-collected local tax revenues are anticipated to be at or below prior year's levels due to the current economic downturn for the State and the nation. The most significant factors negatively impacting the 2010 budget is the lack of growth within the City and surrounding area and the escalating costs 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 2009-2010 increased 5.0% from \$18.0 million (2009 adjusted adopted budget) to \$18.9 million. The increase in the new budget is attributable to higher operating costs across most departments and an increase in capital spending from the prior fiscal year.

The following are highlights for the 2010 budgets for the business-type activities:

- Water rates: \$ 2.00 base rate increase for inside residential and outside residential/small general service accounts; 11% increase in volumetric rates for inside residential and outside residential/small general service accounts - effective July 1, 2009.
- Wastewater rates: 25% increase in volumetric rates – effective July 1, 2009.

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 North Carolina 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.

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CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 5,542,884	\$ 5,917,054	\$ 11,459,938
Receivables:			
Due from governmental agencies	1,333,872	1,198,123	2,531,995
Accounts receivables	1,136,753	773,059	1,909,812
Taxes receivable	823,398	-	823,398
Customer receivables, net	-	7,317,589	7,317,589
Internal balance	(962,986)	962,986	-
Inventories	286,418	1,288,445	1,574,863
Restricted cash and investments	62,978	-	62,978
Capital assets:			
Land and construction in process	9,230,006	6,473,784	15,703,790
Other capital assets, net of depreciation	<u>8,644,652</u>	<u>98,086,093</u>	<u>106,730,745</u>
Total assets	<u>26,097,975</u>	<u>122,017,133</u>	<u>148,115,108</u>
Liabilities:			
Accounts payable and accrued expenses	1,413,120	4,940,721	6,353,841
Accrued interest payable	96,832	108,347	205,179
Unearned revenue	80,158	12,908	93,066
Customer deposits	-	1,488,580	1,488,580
Long-term liabilities:			
Due within one year	804,045	2,456,096	3,260,141
Due in more than one year	<u>8,149,568</u>	<u>24,252,505</u>	<u>32,402,073</u>
Total liabilities	<u>10,543,723</u>	<u>33,259,157</u>	<u>43,802,880</u>
Net assets:			
Invested in capital assets, net of related debt	10,632,852	78,153,107	88,785,959
Restricted for:			
Public works	420,275	-	420,275
Perpetual care:			
Expendable	6,694	-	6,694
Non-expendable	75,000	-	75,000
Unrestricted	<u>4,419,431</u>	<u>10,604,869</u>	<u>15,024,300</u>
Total net assets	<u>\$ 15,554,252</u>	<u>\$ 88,757,976</u>	<u>\$ 104,312,228</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, 2009

		Program Revenues		
		Charges	Operating	Capital
	Expenses	for Services	Grants and Contributions	Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 2,594,129	\$ 521,641	\$ 14,202	\$ -
Public safety	9,218,831	24,170	187,368	-
Public services	1,606,515	-	801,860	-
Community development	730,734	79,757	19,525	-
Cultural and recreation	3,552,374	1,388,400	-	462,297
Interest on long-term debt	119,472	-	-	-
Total governmental activities	17,822,055	2,013,968	1,022,955	462,297
Business-Type Activities:				
Electric	51,602,697	53,174,103	-	1,305,801
Water	7,516,489	4,880,404	-	15,000
Wastewater	5,296,885	4,133,136	-	1,299,839
Nonmajor funds	3,362,902	3,881,863	-	132,765
Total business-type activities	67,778,973	66,069,506	-	2,753,405
Total primary government	\$ 85,601,028	\$ 68,083,474	\$ 1,022,955	\$ 3,215,702

General Revenues:

Taxes:

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

Transfers

Total general revenues and transfers

Change in net assets:

Net Assets:

Beginning of year - July 1
Prior period adjustment
Net assets beginning of year, as restated

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
\$ (2,058,286)	\$ -	\$ (2,058,286)
(9,007,293)	-	(9,007,293)
(804,655)	-	(804,655)
(631,452)	-	(631,452)
(1,701,677)	-	(1,701,677)
(119,472)	-	(119,472)
<u>(14,322,835)</u>	<u>-</u>	<u>(14,322,835)</u>
-	2,877,207	2,877,207
-	(2,621,086)	(2,621,086)
-	136,090	136,090
-	651,726	651,726
<u>-</u>	<u>1,043,938</u>	<u>1,043,938</u>
<u>(14,322,835)</u>	<u>1,043,938</u>	<u>(13,278,897)</u>
8,670,590	-	8,670,590
2,861,603	-	2,861,603
1,882,161	-	1,882,161
257,729	-	257,729
357,346	-	357,346
88,357	125,330	213,687
279,008	-	279,008
<u>14,396,794</u>	<u>125,330</u>	<u>14,522,124</u>
<u>1,024,672</u>	<u>(1,024,672)</u>	<u>-</u>
<u>15,421,466</u>	<u>(899,342)</u>	<u>14,522,124</u>
1,098,631	144,596	1,243,227
14,012,123	88,764,100	102,776,223
443,498	(150,720)	292,778
<u>14,455,621</u>	<u>88,613,380</u>	<u>103,069,001</u>
<u>\$ 15,554,252</u>	<u>\$ 88,757,976</u>	<u>\$ 104,312,228</u>

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Other Governmental Funds	Total
Assets:			
Cash and investments	\$ 4,410,489	\$ 276,883	\$ 4,687,372
Receivables:			
Due from government agencies	1,333,872	-	1,333,872
Accounts receivable	870,259	92,573	962,832
Taxes receivable	823,398	-	823,398
Inventories	68,632	-	68,632
Restricted cash and investments	62,978	-	62,978
Total assets	<u>\$ 7,569,628</u>	<u>\$ 369,456</u>	<u>\$ 7,939,084</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,085,575	\$ 12,516	\$ 1,098,091
Due to other funds	-	192,681	192,681
Deferred revenue	1,636,140	-	1,636,140
Unearned revenue	80,158	-	80,158
Total liabilities	<u>2,801,873</u>	<u>205,197</u>	<u>3,007,070</u>
Fund Balances:			
Reserved for Powell Bill	420,275	-	420,275
Reserved for restricted assets	62,978	-	62,978
Reserved for inventories	68,632	-	68,632
Reserved by State statute	1,391,389	42,112	1,433,501
Reserved for encumbrances	35,658	-	35,658
Unreserved:			
General Fund	2,788,823	-	2,788,823
Permanent Fund	-	83,268	83,268
Special revenue funds	-	5,682	5,682
Capital project funds	-	33,197	33,197
Total fund balances	<u>4,767,755</u>	<u>164,259</u>	<u>4,932,014</u>
Total liabilities and fund balances	<u>\$ 7,569,628</u>	<u>\$ 369,456</u>	

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.

17,848,768

The assets and liabilities of the Internal Service Fund are included in
governmental activities in the Statement of Net Assets.

149,424

Other long-term assets are not available to pay for current expenditures and,
therefore, are deferred in the funds.

1,636,144

Some liabilities, including bonds payable and accrued interest, are not due
and payable in the current period and, therefore, are not reported in the funds.

(9,012,098)

Net assets of governmental activities, per Exhibit A

\$ 15,554,252

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, 2009

	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 8,608,531	\$ -	\$ 8,608,531
Sales and services	1,652,192	-	1,652,192
Other taxes	5,001,493	-	5,001,493
Intergovernmental revenue:			
Unrestricted	357,346	-	357,346
Revenues:			
Restricted	908,026	577,226	1,485,252
Investment earnings	66,149	5,451	71,600
Other	267,564	10,289	277,853
Total revenue	<u>16,861,301</u>	<u>592,966</u>	<u>17,454,267</u>
Expenditures:			
General government	1,888,916	-	1,888,916
Public safety	8,685,859	1,306,954	9,992,813
Public services	1,347,391	-	1,347,391
Parks and recreation	3,046,631	317,443	3,364,074
Community development	789,539	163,715	953,254
Debt service:			
Principal	883,365	4,986,000	5,869,365
Interest	126,173	-	126,173
Total expenditures	<u>16,767,874</u>	<u>6,774,112</u>	<u>23,541,986</u>
Revenues over (under) expenditures	<u>93,427</u>	<u>(6,181,146)</u>	<u>(6,087,719)</u>
Other Financing Sources (Uses):			
Transfers in	823,078	203,703	1,026,781
Transfers (out)	(307,491)	(11,078)	(318,569)
Long-term debt issued	-	4,986,000	4,986,000
Total other financing sources (uses)	<u>515,587</u>	<u>5,178,625</u>	<u>5,694,212</u>
Net change in fund balances	<u>609,014</u>	<u>(1,002,521)</u>	<u>(393,507)</u>
Fund Balance:			
Beginning of year - July 1	<u>4,158,741</u>	<u>1,166,780</u>	<u>5,325,521</u>
End of year - June 30	<u>\$ 4,767,755</u>	<u>\$ 164,259</u>	<u>\$ 4,932,014</u>

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

CITY OF KINSTON, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

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)	\$ (393,507)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	1,851,613
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,171,323)
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.	(165,655)
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.	173,960
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.	(67,204)
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.	1,022,946
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>(152,199)</u>
Total changes in net assets of governmental activities	<u>\$ 1,098,631</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, 2009

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
				Over/Under
Revenues:				
Ad valorem taxes	\$ 8,585,300	\$ 8,585,300	\$ 8,608,531	\$ 23,231
Sales and services	1,671,500	1,671,500	1,652,192	(19,308)
Other taxes	5,116,400	5,116,400	5,001,493	(114,907)
Intergovernmental revenue:				
Unrestricted	395,700	395,700	357,346	(38,354)
Restricted	952,000	952,000	908,026	(43,974)
Investment earnings	85,000	85,000	66,149	(18,851)
Other	434,900	474,900	267,564	(207,336)
Total revenues	<u>17,240,800</u>	<u>17,280,800</u>	<u>16,861,301</u>	<u>(419,499)</u>
Expenditures:				
Current:				
General government	1,965,397	2,211,798	1,894,387	317,411
Public safety	10,041,810	9,810,500	9,277,442	533,058
Public services	1,643,550	1,678,447	1,413,887	264,560
Parks and recreation	3,443,430	3,503,130	3,392,619	110,511
Community development	825,700	831,907	789,539	42,368
Contingency	246,100	1,205	-	1,205
Total expenditures	<u>18,165,987</u>	<u>18,036,987</u>	<u>16,767,874</u>	<u>1,269,113</u>
Revenues over (under) expenditures	<u>(925,187)</u>	<u>(756,187)</u>	<u>93,427</u>	<u>849,614</u>
Other Financing Sources (Uses):				
Transfers in	812,000	812,000	823,078	11,078
Transfers (out)	(148,813)	(352,516)	(307,491)	45,025
Long-term debt issued	262,000	262,000	-	(262,000)
Appropriated fund balance	-	34,703	-	(34,703)
Total other financing sources	<u>925,187</u>	<u>756,187</u>	<u>515,587</u>	<u>(240,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>609,014</u>	<u>\$ 609,014</u>
Fund Balance:				
Beginning of year - July 1			<u>4,158,741</u>	
End of year - June 30			<u>\$ 4,767,755</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, 2009

	Major Enterprise Funds			Nonmajor		Internal
	Electric Fund	Water Fund	Wastewater Fund	Enterprise Funds	Total	Service Funds
Assets:						
Current assets:						
Cash and investments	\$ 3,260,120	\$ 1,490,036	\$ 143,816	\$ 213,955	\$ 5,107,927	\$ 1,664,639
Due from other funds	-	1,002,100	-	-	1,002,100	-
Due from government agencies	-	-	1,198,123	-	1,198,123	-
Accounts receivable	179,068	50,126	73,680	467,155	770,029	176,951
Customer receivables, net	6,178,472	653,222	485,895	-	7,317,589	-
Inventories	1,014,078	274,367	-	-	1,288,445	217,785
Total current assets	10,631,738	3,469,851	1,901,514	681,110	16,684,213	2,059,375
Non-current assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	577,040	41,276,198	-	45,525,128	19,468
Distribution system	32,318,708	14,468,783	45,568,661	-	92,356,152	-
Equipment	1,647,742	2,013,802	2,000,030	2,987,802	8,649,376	358,284
Accumulated depreciation	(19,444,342)	(9,977,392)	(16,592,645)	(2,460,138)	(48,474,517)	(321,912)
Construction in progress	3,625,605	-	1,625,536	-	5,251,141	-
Total capital assets, net	22,021,983	7,148,838	74,831,438	527,664	104,529,923	55,840
Total assets	32,653,721	10,618,689	76,732,952	1,208,774	121,214,136	2,115,215
Liabilities and Net Assets:						
Current liabilities:						
Accounts payable and accrued liabilities	4,325,442	84,214	461,170	120,981	4,991,807	372,290
Due to other funds	-	-	-	-	-	809,419
Unearned revenue	-	12,908	-	-	12,908	-
Current portion of compensated absences	19,224	17,080	9,454	14,981	60,739	-
Current portion of long-term debt	659,034	197,288	1,310,484	228,551	2,395,357	-
Total current liabilities	5,003,700	311,490	1,781,108	364,513	7,460,811	1,181,709
Non-current liabilities:						
Customer deposits	1,488,580	-	-	-	1,488,580	-
Accrued compensated absences	54,716	48,611	26,907	42,638	172,872	106,567
Long-term debt	8,096,873	2,052,689	13,457,403	404,448	24,011,413	-
Total non-current liabilities	9,640,169	2,101,300	13,484,310	447,086	25,672,865	106,567
Total liabilities	14,643,869	2,412,790	15,265,418	811,599	33,133,676	1,288,276
Net Assets:						
Invested in capital assets, net of related debt	13,266,076	4,898,861	60,063,551	(105,335)	78,123,153	55,840
Unrestricted	4,743,776	3,307,038	1,403,983	502,510	9,957,307	771,099
Total net assets	\$ 18,009,852	\$ 8,205,899	\$ 61,467,534	\$ 397,175	88,080,460	\$ 826,939
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to Enterprise Funds					677,516	
Total					\$ 88,757,976	

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, 2009

	Major Enterprise Funds			Nonmajor		Internal
	Electric Fund	Water Fund	Wastewater Fund	Enterprise Funds	Total	Service Funds
Operating Revenues:						
Charges for services	\$ 52,694,737	\$ 4,646,838	\$ 4,039,725	\$ 3,835,737	\$ 65,217,037	\$ 2,783,415
Other	434,168	192,352	56,261	28,398	711,179	1,155
Total operating revenues	53,128,905	4,839,190	4,095,986	3,864,135	65,928,216	2,784,570
Operating Expenditures:						
Administration	-	-	-	-	-	1,411,166
Public service operations	-	-	-	-	-	954,099
Warehouse operations	-	-	-	-	-	248,500
Electrical operations	50,294,535	-	-	-	50,294,535	-
Environmental services	-	-	-	2,660,110	2,660,110	-
Stormwater services	-	-	-	426,165	426,165	-
Water production	-	1,108,655	-	-	1,108,655	-
Depreciation	847,575	483,720	2,202,645	262,617	3,796,557	16,862
Water operations	-	5,807,683	-	-	5,807,683	-
Wastewater plant operations	-	-	2,734,146	-	2,734,146	-
Claims reimbursement	-	-	-	-	-	334,030
Total operating expenditures	51,142,110	7,400,057	4,936,791	3,348,892	66,827,850	2,964,657
Operating income (loss)	1,986,795	(2,560,867)	(840,805)	515,243	(899,634)	(180,087)
Non-operating Revenues (Expenditures):						
Interest earned on investments	38,862	28,706	57,762	-	125,330	16,757
Interest on long-term debt	(339,295)	(91,902)	(439,635)	(26,455)	(897,287)	-
Total non-operating revenues (expenditures)	(300,433)	(63,196)	(381,873)	(26,455)	(771,957)	16,757
Income (loss) before capital contributions and transfer:	1,686,362	(2,624,063)	(1,222,678)	488,788	(1,671,591)	(163,330)
Capital Contributions and Transfers:						
Capital contributions	1,305,801	15,000	1,299,839	132,765	2,753,405	-
Transfers in	3,000	-	26,986	-	29,986	183,580
Transfers (out)	(831,368)	(56,001)	(5,489)	(144,643)	(1,037,501)	(17,157)
Total contributions and transfers	477,433	(41,001)	1,321,336	(11,878)	1,745,890	166,423
Change in net assets	2,163,795	(2,665,064)	98,658	476,910	74,299	3,093
Net Assets:						
Beginning of year - July 1	15,413,969	11,065,950	61,756,697	(79,735)		823,846
Prior period adjustment	432,088	(194,987)	(387,821)	-		-
Net assets beginning of year, as restated	15,846,057	10,870,963	61,368,876	(79,735)		823,846
End of year - June 30	\$ 18,009,852	\$ 8,205,899	\$ 61,467,534	\$ 397,175		\$ 826,939
Adjustment to reflect the consolidation of the Public Services Internal Service Fund activities related to enterprise funds.					70,297	
Total					\$ 144,596	

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, 2009

	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	\$ 53,111,668	\$ 4,860,014	\$ 6,451,128	\$ 3,819,253	\$ 68,242,063	\$ 2,691,974
Cash paid to suppliers for goods and services	(49,171,528)	(5,656,816)	(1,654,153)	(1,873,383)	(58,355,880)	(1,230,172)
Cash paid to employees	(1,135,025)	(1,307,462)	(622,752)	(1,180,793)	(4,246,032)	(1,788,312)
Customer deposits	103,142	-	-	-	103,142	-
Net cash provided (used) by operating activities	<u>2,908,257</u>	<u>(2,104,264)</u>	<u>4,174,223</u>	<u>765,077</u>	<u>5,743,293</u>	<u>(326,510)</u>
Cash Flows from Noncapital Financing Activities:						
Transfers from other funds	3,000	-	26,986	-	29,986	183,580
Transfers to other funds	(831,368)	(56,001)	(5,489)	(11,763)	(904,621)	(17,157)
Advances from other funds	(699,413)	-	(3,912,159)	(45,477)	(4,657,049)	319,927
Advances to other funds	-	1,556,432	-	-	1,556,432	-
Net cash provided (used) by non-capital financing activities	<u>(1,527,781)</u>	<u>1,500,431</u>	<u>(3,890,662)</u>	<u>(57,240)</u>	<u>(3,975,252)</u>	<u>486,350</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(2,452,117)	180,186	873,673	(192,803)	(1,591,061)	(15,000)
Principal paid on general obligation bond maturities and equipment contracts	(592,233)	(221,972)	(4,913,872)	(336,069)	(6,064,146)	-
Interest paid on bonded indebtedness and equipment contracts	(339,295)	(91,902)	(439,635)	(26,455)	(897,287)	-
Contributed capital	1,305,801	(179,987)	1,299,839	-	2,425,653	-
Net cash provided (used) by capital and related financing activities	<u>(2,077,844)</u>	<u>(313,675)</u>	<u>(3,179,995)</u>	<u>(555,327)</u>	<u>(6,126,841)</u>	<u>(15,000)</u>
Cash Flows from Investing Activities:						
Interest on investments	38,862	28,705	57,762	-	125,329	16,757
Net increase (decrease) in cash and cash equivalents/investments	<u>(658,506)</u>	<u>(888,803)</u>	<u>(2,838,672)</u>	<u>152,510</u>	<u>(4,233,471)</u>	<u>161,597</u>
Cash and Cash Equivalents/Investments:						
Beginning of year - July 1	<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>1,503,042</u>
End of year - June 30	<u>\$ 3,260,120</u>	<u>\$ 1,490,036</u>	<u>\$ 143,816</u>	<u>\$ 213,955</u>	<u>\$ 5,107,927</u>	<u>\$ 1,664,639</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,986,795	\$ (2,560,867)	\$ (840,805)	\$ 515,243	\$ (899,634)	\$ (180,087)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	847,575	483,720	2,202,645	262,617	3,796,557	16,862
Change in Assets and Liabilities:						
(Increase) decrease in accounts receivable	(17,237)	20,824	2,355,142	(44,882)	2,313,847	(92,596)
Increase (decrease) in customer deposits	103,142	-	-	-	103,142	-
Increase (decrease) in inventories	65,092	(12,401)	-	-	52,691	(14,737)
Increase (decrease) accounts payable	(77,267)	(42,932)	461,170	21,790	362,761	(65,707)
Increase (decrease) in compensated absences payable	157	7,392	(3,929)	10,309	13,929	9,755
Net cash provided (used) by operating activities	<u>\$ 2,908,257</u>	<u>\$ (2,104,264)</u>	<u>\$ 4,174,223</u>	<u>\$ 765,077</u>	<u>\$ 5,743,293</u>	<u>\$ (326,510)</u>
Non-cash investing, capital, and financing activities:						
Transfer of capital assets				<u>\$ 132,765</u>		
Transfer-in long-term debt obligation				<u>\$ (132,880)</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.

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CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 non-profit 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 financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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

The City reports the following major governmental fund:

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds - The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City has 14 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 8 capital project funds, the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 nonmajor enterprise funds:

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

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

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 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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

districts in the County, including the City of Kinston. For registered 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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 project 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 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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, 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 money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

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

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, 2008. 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.

Allowances for Doubtful Accounts

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Inventory

Inventories in governmental funds are reported at cost, using the first-in/first-out (FIFO) method, which approximates market. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Costs associated with construction in progress are recorded in their respective capital asset category upon approval by the City Council, which approximates the completion date.

It is the City's policy 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 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 obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums,

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond 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 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 estimated to be used within the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

Net Assets/Fund Balances

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 governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget 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 those amounts stand at the close of the fiscal year preceding the budget year.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for streets - Powell Bill - 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.

Reserved for inventories – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for encumbrances - represents the portion of fund balance of the General Fund available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Unreserved:

Designated for subsequent year's expenditures – portion of the total fund balance available for appropriation that has been designated for the adopted 2009 - 2010 budget ordinance.

Undesignated – portion of total fund balance available for appropriation that is uncommitted at year-end.

Use of Estimates

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2. Stewardship, Compliance, and Accountability

Significant Violation of Finance-Related Legal and Contractual Provisions

Noncompliance with Revenue Bond Debt Covenants

Pursuant to the bond and related agreements, the City has certain covenants that provide for rates to be set 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. The City is not in compliance with the debt coverage ratios as defined above.

If the City fails to comply with the covenants set forth in the loan agreement, it must, within thirty (30) days of the receipt of the audit report request a Consultant “to make recommendations, if any, as to a revision of the City's rates, fees, rentals and charges, its current expenses or the method of operation of the Combined Enterprise system in order to satisfy the foregoing coverage requirements. Copies of such request and of the recommendations of the Consultant, if any, must be filed by the City with the Trustee and the Local Government Commission. Promptly upon its receipt of the recommendations of the Consultant, the City shall, after giving due consideration to the recommendations, revise its rates, fees, rentals and charges or its current expenses to result in compliance with the covenants set forth in the agreement.” If the City fails to comply with the recommendations of the Consultant or with its own recommended action, legal proceedings can be taken, forcing the City to revise rates or its nature of operations to ensure compliance.

Corrective Action

As per the bond trust agreement within 30 days of the receipt of the audit report, Management will hire a Consultant to make recommendations, if any, as to a revision in rates, current expenses, or the method of operation of the combined enterprise system funds in order to satisfy the requirements of the bond agreement. Copies of such request and of the recommendation of the Consultant, if any, will be filed by the City with the Trustee and the Local Government Commission.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Deficit in Fund Balance or Net Assets of Individual Funds

The City has fund balance deficits in individual funds at June 30, 2009 and are as follows:

Nonmajor Governmental Funds:

2007 Bullet Proof Vest	\$ 267
2007 Justice Assistance	283
Battlefield Parkway Soccer Complex	44,661
New Fire Station #4	2,824
CWMTF Flood Buy-out	138,954

Internal Service Fund:

Warehouse	424,547
Fleet Maintenance	45,237

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, 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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

For the fiscal year ended June 30, 2009, total expenditures in the Fleet Maintenance Internal Service Fund exceeded authorized appropriations made by the governing board by \$26,865. 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 non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the City's deposits had a carrying amount of \$3,348,680 and a bank balance of \$2,967,633. Of the bank balance, \$756,568 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2009, the City's petty cash fund totaled \$4,150.

Investments

At June 30, 2009, the City had \$8,170,086 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no formal policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The receivables shown in the Balance Sheet and the Statement of Net Assets at June 30, 2009 are net of the following allowances for doubtful accounts:

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Fund</u>	<u>June 30, 2009</u>
General Fund:	
Taxes receivable	\$ 143,933
Enterprise Fund:	
Electric Fund	976,788
Water Fund	112,672
Wastewater Fund	93,033
Nonmajor enterprise funds	<u>76,416</u>
Total enterprise funds	<u>1,258,909</u>
Total allowances for doubtful accounts	<u>\$ 1,400,749</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 underlying property; however, the City has considered the possibility of receiving these funds as remote and, accordingly, has not recorded them as part of the City's financial statements. These notes include a promissory note collateralized by a deed of trust on Grainger Place Apartments in the amount of \$612,000, due on *December 31, 2033* at -0-% interest, and a promissory note from Floyd II, LLC collateralized by a deed of trust for Kinston Oaks Apartments in the amount of \$99,355, with payments due to start on the 31st anniversary of the completion date in the amount of *1/10* of the outstanding principal.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2009 was as follows:

	July 1, 2008 as restated	Increases	Decreases	Adjustment	June 30, 2009
Capital Assets Not Being Depreciated:					
Land	\$ 2,856,515	\$ -	\$ -	\$ -	\$ 2,856,515
Construction in progress	<u>1,766,053</u>	<u>1,631,756</u>	<u>(29,500)</u>	<u>3,005,182</u>	<u>6,373,491</u>
Total capital assets not being depreciated	<u>4,622,568</u>	<u>1,631,756</u>	<u>(29,500)</u>	<u>3,005,182</u>	<u>9,230,006</u>
Capital Assets Being Depreciated:					
Buildings and improvements	12,451,976	138,327	-	(3,005,182)	9,585,121
Equipment	3,891,883	40,438	(23,148)	-	3,909,173
Vehicles	6,726,720	66,982	(559,684)	-	6,234,018
Infrastructure	<u>5,325,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,325,064</u>
Total capital assets being depreciated	<u>28,395,643</u>	<u>245,747</u>	<u>(582,832)</u>	<u>(3,005,182)</u>	<u>25,053,376</u>
Less Accumulated Depreciation:					
Buildings and improvements	(3,906,945)	(212,395)	-	-	(4,119,340)
Equipment	(2,957,062)	(291,926)	23,148	-	(3,225,840)
Vehicles	(5,663,107)	(400,749)	390,361	-	(5,673,495)
Infrastructure	<u>(3,123,796)</u>	<u>(266,253)</u>	<u>-</u>	<u>-</u>	<u>(3,390,049)</u>
Total accumulated depreciation	<u>(15,650,910)</u>	<u>\$ (1,171,323)</u>	<u>\$ 413,509</u>	<u>\$ -</u>	<u>(16,408,724)</u>
Total capital assets being depreciated, net	<u>12,744,733</u>				<u>8,644,652</u>
Total	<u>\$ 17,367,301</u>				<u>\$ 17,874,658</u>

Beginning governmental capital assets were restated by \$443,498, which represents assets that were not properly capitalized in prior years.

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

General government	\$ 90,679
Public safety	429,073
Public works	292,581
Parks and recreation	315,875
Community development	35,839
Internal service funds	<u>7,276</u>
Total	<u>\$ 1,171,323</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	July 1, 2008 as restated	Increases	Decreases	Adjustment	June 30, 2009
Business-Type Activities:					
Electric Fund:					
Capital assets not being depreciated:					
Land	\$ 202,380	\$ -	\$ -	\$ -	\$ 202,380
Construction in progress	909,639	2,715,966	-	-	3,625,605
Total capital assets not being depreciated	<u>1,112,019</u>	<u>2,715,966</u>	<u>-</u>	<u>-</u>	<u>3,827,985</u>
Capital Assets Being Depreciated:					
Buildings and improvements	3,671,890	-	-	-	3,671,890
Equipment	568,501	-	-	-	568,501
Vehicles	1,010,987	168,239	(99,985)	-	1,079,241
Distribution system	32,318,708	-	-	-	32,318,708
Total capital assets being depreciated	<u>37,570,086</u>	<u>168,239</u>	<u>(99,985)</u>	<u>-</u>	<u>37,638,340</u>
Less Accumulated Depreciation:					
Buildings and improvements	(2,307,913)	(91,798)	-		(2,399,711)
Equipment	(448,685)	(34,157)	-	-	(482,842)
Vehicles	(935,891)	(72,488)	99,985	-	(908,394)
Distribution system	(15,004,263)	(649,132)	-	-	(15,653,395)
Total accumulated depreciation	<u>(18,696,752)</u>	<u>(847,575)</u>	<u>99,985</u>	<u>-</u>	<u>(19,444,342)</u>
Total capital assets being depreciated, net	<u>18,873,334</u>				<u>18,193,998</u>
Electric Fund capital assets, net	<u>19,985,353</u>				<u>22,021,983</u>
Water Fund:					
Capital Assets Not Being Depreciated:					
Land	66,605	-	-	-	66,605
Construction in progress	809,508	-	-	(809,508)	-
Total capital assets not being depreciated	<u>876,113</u>	<u>-</u>	<u>-</u>	<u>(809,508)</u>	<u>66,605</u>
Capital Assets Being Depreciated:					
Buildings and improvements	577,040	-	-	-	577,040
Equipment	715,445	14,801	-	-	730,246
Vehicles	1,316,636	-	(56,401)	-	1,260,235
Infrastructure	23,320	-	-	-	23,320
Distribution system	13,659,275	-	-	809,508	14,468,783
Total capital assets being depreciated	<u>16,291,716</u>	<u>14,801</u>	<u>(56,401)</u>	<u>809,508</u>	<u>17,059,624</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	July 1, 2008 as restated	Increases	Decreases	Adjustment	June 30, 2009
Less Accumulated Depreciation:					
Buildings and improvements	(553,989)	(12,450)	-	-	(566,439)
Equipment	(595,629)	(39,712)	-	-	(635,341)
Vehicles	(1,011,870)	(91,149)	56,401	-	(1,046,618)
Infrastructure	(2,332)	(1,166)	-	-	(3,498)
Distribution system	(7,386,252)	(339,243)	-	-	(7,725,495)
Total accumulated depreciation	(9,550,072)	(483,720)	56,401	-	(9,977,391)
Total capital assets being depreciated, net	6,741,643				7,082,233
Water Fund capital assets, net	7,617,756				7,148,838
Wastewater Fund:					
Capital Assets Not Being Depreciated:					
Land	953,658	-	-	-	953,658
Construction in progress	58,007,300	1,261,495	-	(57,643,259)	1,625,536
Total capital assets not being depreciated	58,960,958	1,261,495	-	(57,643,259)	2,579,194
Capital Assets Being Depreciated:					
Buildings and improvements	2,999,973	-	-	38,276,225	41,276,198
Equipment	1,440,069	-	-	308,381	1,748,450
Vehicles	262,110	-	(10,530)	-	251,580
Distribution system	26,510,008	-	-	19,058,653	45,568,661
Total capital assets being depreciated	31,212,160	-	(10,530)	57,643,259	88,844,889
Less Accumulated Depreciation:					
Buildings and improvements	(2,025,508)	(1,024,180)	-	-	(3,049,688)
Equipment	(1,410,768)	(76,897)	-	-	(1,487,665)
Vehicles	(262,110)	-	10,530	-	(251,580)
Distribution system	(10,702,144)	(1,101,568)	-	-	(11,803,712)
Total accumulated depreciation	(14,400,530)	(2,202,645)	10,530	-	(16,592,645)
Total capital assets being depreciated, net	16,811,630				72,252,244
Wastewater Fund capital assets, net	75,772,588				74,831,438

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>
Environmental Services Fund:				
Capital Assets Being Depreciated:				
Equipment	446,542	-	-	446,542
Vehicles	2,326,558	192,803	(110,866)	2,408,495
Total capital assets being depreciated	<u>2,773,100</u>	<u>192,803</u>	<u>(110,866)</u>	<u>2,855,037</u>
Less Accumulated Depreciation:				
Equipment	(446,543)	-	-	(446,543)
Vehicles	(1,861,843)	(229,427)	110,866	(1,980,404)
Total accumulated depreciation	<u>(2,308,386)</u>	<u>(229,427)</u>	<u>110,866</u>	<u>(2,426,947)</u>
Total capital assets being depreciated, net	<u>464,714</u>			<u>428,090</u>
Environmental services fund capital assets, net	<u>464,714</u>			<u>428,090</u>
 Stormwater Fund:				
Capital Assets Being Depreciated:				
Vehicles	-	132,765	-	132,765
Less Accumulated Depreciation:				
Vehicles	-	(33,191)	-	(33,191)
Environmental services fund capital assets, net	<u>-</u>			<u>99,574</u>
 Public Services Internal Service Fund:				
Capital Assets Being Depreciated:				
Equipment	9,025	15,000	-	24,025
Vehicles	93,844	-	(8,715)	85,129
Total capital assets being depreciated	<u>102,869</u>	<u>15,000</u>	<u>(8,715)</u>	<u>109,154</u>
Less Accumulated Depreciation:				
Equipment	(3,610)	(4,804)	-	(8,414)
Vehicles	(74,720)	(4,781)	8,715	(70,786)
Total accumulated depreciation	<u>(78,330)</u>	<u>(9,585)</u>	<u>8,715</u>	<u>(79,200)</u>
Total capital assets being depreciated, net	<u>24,539</u>			<u>29,954</u>
 Business-type activities capital assets, net	<u>\$ 103,864,950</u>			<u>\$ 104,559,877</u>

Beginning Electric Fund assets were restated by \$432,088, which represents assets that were not properly capitalized in prior years. The Water Fund and Wastewater Fund assets were undervalued in prior years, resulting in a prior period adjustment. The effect was a decrease to beginning assets of \$194,987 and \$387,821 for the Water and Wastewater Funds, respectively.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

B. Liabilities

Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2009 were as follows:

	Governmental	Business-Type	
	Activities	Activities	Total
Accounts and vouchers	\$ 635,995	\$ 4,712,180	\$ 5,348,175
Accrued payroll and related liabilities	514,125	228,541	742,666
Customer deposits	-	1,488,580	1,488,580
Employee health unpaid claims	263,000	-	263,000
Accrued interest payable	96,832	108,347	205,179
	<u> </u>	<u> </u>	<u> </u>
Total accounts payable and accrued liabilities	<u>\$ 1,509,952</u>	<u>\$ 6,537,648</u>	<u>\$ 8,047,600</u>

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 LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% 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, 2009, 2008, and 2007 were \$674,399, \$690,892, and \$649,260, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Law Enforcement Officers' Special Separation Allowance

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	80
Total	<u>85</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, 2008 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 post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The amortization period at December 31, 2008 was 22 years.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 146,782
Interest on net pension obligation	53,339
Adjustment to annual required contribution	<u>(44,980)</u>
Annual pension cost	155,141
Contributions made	<u>56,444</u>
Increase in net pension obligation	98,697
Net pension obligation beginning of year - July 1	<u>735,717</u>
Net pension obligation end of year - June 30	<u>\$ 834,414</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of	
		APC Contributed	Net Pension Obligation
2007	\$ 120,066	27.64%	\$ 642,524
2008	141,308	34.05%	735,717
2009	155,141	36.38%	834,414

Funded Status and Funding Progress

As December 31, 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 \$1,526,173. The covered payroll (annual payroll of active employees covered by the plan) was \$3,714,193, and the ratio of the UAAL to the covered payroll was 41.09%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 were \$234,472, which consisted of \$178,737 from the City and \$55,735 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 non-existent after age 62. As benefits are increased under Social Security or under the basic retirement plan, the benefits payable under this plan are reduced.

At June 30, 2009, the Separation Allowance - Employees' membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>21</u>
Total	<u>28</u>

A separate financial report was not issued for the plan.

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

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

The annual required contribution for the current year was determined as part of the July 1, 2008 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 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized on a level dollar open basis. The amortization period at July 1, 2008 was 6 years.

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

Annual required contribution	\$ 28,990
Interest on net pension obligation	7,986
Adjustment to annual required contribution	<u>(21,715)</u>
Annual pension cost	15,261
Contributions made	<u>36,536</u>
Increase (decrease) in net pension obligation	(21,275)
Net pension obligation, beginning of year - July 1	<u>110,156</u>
Net pension obligation, end of year - June 30	<u><u>\$ 88,881</u></u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 27,000	219.00%	\$ 138,756
2008	22,807	225.40%	110,156
2009	15,261	239.40%	88,881

Funded Status and Funding Progress. As of June 30, 2009, 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 \$104,970. 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 12.6 percent.

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 were \$332,468 which consisted of \$149,659 from the City and \$182,809 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 Benefit

Healthcare Benefits

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

Membership of the Plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	45
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>295</u>
Total	<u><u>340</u></u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

The current ARC rate is 2.383% of annual covered payroll. For the current year, the City contributed \$218,494, or 88.97%, of annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.38% and 2.38% of covered payroll, respectively. There were no contributions made by employees. The City's obligation to contribute to the Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies

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

Annual OPEB Cost and Net Obligation

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

Annual required contribution	\$ 245,575
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	245,575
Contributions made	218,494
Increase (decrease) in net OPEB obligation	27,081
Net OPEB obligation, beginning of year - July 1	-
Net OPEB obligation, end of year - June 30	<u>\$ 27,081</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 245,575	88.97%	\$ 27,081

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Fund Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,839,772. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,327,213, and the ratio of the UAAL to the covered payroll was 27.5 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date and an annual medical cost trend increase of 11.00 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 28 years.

As of June 30, 2009, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death 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 those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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, 2009, the City made contributions to the State for death benefits of \$15,249. The City's required contributions to the Death Trust Plan for employees not engaged in law enforcement and for law enforcement officers represented .11 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:

	Deferred Revenue	Unearned Revenue
General Fund		
Prepaid property taxes not yet earned	\$ -	\$ 45,017
Grant receivable	-	35,141
Privilege licenses receivable	708,676	-
Property taxes receivable	677,446	-
Property taxes receivable, automobiles	145,932	-
Paving assessments receivable	104,086	-
Total	<u>\$ 1,636,140</u>	<u>\$ 80,158</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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 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 \$278,341 in claims was incurred for benefits during fiscal year 2009.

Claims Liability

	June 30	
	2009	2008
Unpaid claims, beginning of fiscal year	\$ 263,000	\$ 252,300
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	278,341	198,382
Payments and reduction in claims estimates	(278,341)	(187,682)
Unpaid claims, end of fiscal year	<u>\$ 263,000</u>	<u>\$ 263,000</u>

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

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Long-Term Obligations

Installment Contracts

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:

Year Ending June 30	Governmental Activities Installment Contracts		Business-Type Activities Installment Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 704,045	\$ 322,410	\$ 659,430	\$ 66,243	\$ 1,363,475	\$ 388,653
2011	444,287	299,128	466,744	40,943	911,031	340,071
2012	410,110	281,548	440,280	24,374	850,390	305,922
2013	271,479	265,823	230,520	10,189	501,999	276,012
2014	208,865	254,148	93,271	1,889	302,136	256,037
2015-2019	888,910	1,108,205	-	-	888,910	1,108,205
2020-2024	507,445	952,360	-	-	507,445	952,360
2025-2029	634,051	825,754	-	-	634,051	825,754
2030-2034	792,308	667,497	-	-	792,308	667,497
2035-2039	989,234	469,656	-	-	989,234	469,656
2040-2044	615,744	274,596	-	-	615,744	274,596
2045-2049	775,328	113,788	-	-	775,328	113,788
Total	<u>\$ 7,241,806</u>	<u>\$ 5,834,913</u>	<u>\$ 1,890,245</u>	<u>\$ 143,638</u>	<u>\$ 9,132,051</u>	<u>\$ 5,978,551</u>

Installment contracts of the government activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$175,911 will be repaid from the Wastewater Fund, \$862,344 from the Electric Fund, \$218,991 from the Water Fund, \$533,339 from the Environmental Services Fund, and \$99,660 from the Stormwater Fund.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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:

Year Ending June 30	Principal	Interest	Total
2010	\$ 781,887	\$ 222,490	\$ 1,004,377
2011	781,888	202,042	983,930
2012	781,888	181,595	963,483
2013	488,001	161,147	649,148
2014	488,001	149,619	637,620
2015-2019	2,440,005	575,172	3,015,177
2020-2024	2,358,026	286,969	2,644,995
2025-2029	1,103,316	49,980	1,153,296
Total	<u>\$ 9,223,012</u>	<u>\$ 1,829,014</u>	<u>\$ 11,052,026</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Revenue Bonds

Revenue bonds outstanding at June 30, 2009 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%	\$ 1,358,411
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\$1,211,360 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	<u>672,576</u>
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Total	<u>2,030,987</u>
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Wastewater Fund:

\$882,612 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2014; interest at 3.39%	861,215
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\$767,987 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	426,405
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\$2,536,000 - Combined Enterprise System Revenue Bonds, 2004 Series, due in semi-annual installments through June 15, 2021; interest at 4.25%	1,861,022
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\$2,350,000 - Combined Enterprise System Revenue Bonds, 2008 Series, due in semi-annual installments through October 15, 2023; interest at 3.72%	<u>2,220,321</u>
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Total	<u>5,368,963</u>
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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%	3,415,374
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\$3,045,653 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	1,691,019
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\$2,950,000 - Combined Enterprise System Revenue Bonds, Series 2008, due in semi-annual installments through October 15, 2023; interest at 3.72%	<u>2,787,170</u>
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Total	<u>7,893,563</u>
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Total Revenue Bonds	<u>\$ 15,293,513</u>
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CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

Year Ending June 30	Principal	Interest	Total
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	1,094,321	448,996	1,543,317
2015-2019	6,542,597	1,535,687	8,078,284
2020-2024	3,643,599	291,526	3,935,125
Total	<u>\$ 15,293,513</u>	<u>\$ 4,445,206</u>	<u>\$ 19,738,719</u>

Revenue Bond Covenants

The Series 2004, 2005, and 2008 revenue bonds are special obligations of the City, secured solely by the pledge of net revenue of the City's Enterprise Funds. Pursuant to the bond and related agreements, the City has made certain covenants that provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 1.25 for parity indebtedness and 1.00 for parity and subordinated indebtedness. In addition, rates must be set at levels to provide for the payment of current expenses and to provide deposits to meet certain trust fund requirements associated with the bond agreements. Principal and interest payments for the fiscal year ending June 30, 2009 were \$4,539,136 and \$635,357, respectively. Total customer revenue for the City's enterprise funds totaled \$65,179,125 for the year ending June 30, 2009.

At June 30, 2009, the City was not in compliance with the bond covenants described above. The City's failure to comply and actions to be taken are discussed in Note 2 of these financial statements.

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, 2009, the legal debt limit for the City was \$111,283,551 providing a legal debt margin of \$92,890,141.

At June 30, 2009, 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, 2009

Changes in Long-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2009 is as follows:

	July 1, 2008	Increases	Decreases	Transfers	June 30, 2009	Current Portion of Balance
Accrued compensated absences	\$ 707,591	\$ 432,478	\$ 378,638	\$ -	\$ 761,431	\$ 100,000
Police separation allowance	735,717	98,697	-	-	834,414	-
Separation allowance plan	110,156	-	21,275	-	88,881	-
Installment contracts	8,258,051	4,986,000	5,869,365	(132,880)	7,241,806	704,045
OPEB liability	-	27,081	-	-	27,081	-
Total	<u>\$ 9,811,515</u>	<u>\$ 5,544,256</u>	<u>\$ 6,269,278</u>	<u>\$ (132,880)</u>	<u>\$ 8,953,613</u>	<u>\$ 804,045</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, 2009 is as follows:

	July 1, 2008	Increases	Decreases	Transfers	June 30, 2009	Current Portion of Balance
Accrued compensated absences	\$ 284,293	\$ 74,973	\$ 57,435	\$ -	\$ 301,831	\$ 60,739
Notes payable	10,004,900	-	781,888	-	9,223,012	781,887
Installment contracts	2,663,321	-	905,956	132,880	1,890,245	659,430
Revenue bonds	19,832,648	-	4,539,135	-	15,293,513	954,040
Total	<u>\$ 32,785,162</u>	<u>\$ 74,973</u>	<u>\$ 6,284,414</u>	<u>\$ 132,880</u>	<u>\$ 26,708,601</u>	<u>\$ 2,456,096</u>

Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances as of June 30, 2009 are as follows:

	Payable Fund					Total
	Nonmajor Governmental	Electric Fund	Wastewater Fund	Nonmajor Enterprise Fund	Internal Service Fund	
Receivable Fund						
Water Fund	\$ 192,681	\$ -	\$ -	\$ -	\$ 770,305	\$ 962,986

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, 2009

Interfund Transfers

The following is a detailed schedule of interfund transfers for the year ended June 30, 2009:

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	\$ -	\$ 800,000	\$ -	\$ -	\$ 132,880	\$ 11,078	\$ 12,000	\$ 955,958
Major Electric Fund	-	-	-	-	-	-	3,000	3,000
Major Wastewater Fund	-	-	26,986	-	-	-	-	26,986
Nonmajor Governmental Funds	203,703	-	-	-	-	-	-	203,703
Internal Service Funds	103,788	31,368	29,015	5,489	11,763	-	2,157	183,580
Total	<u>\$ 307,491</u>	<u>\$ 831,368</u>	<u>\$ 56,001</u>	<u>\$ 5,489</u>	<u>\$ 144,643</u>	<u>\$ 11,078</u>	<u>\$ 17,157</u>	<u>\$ 1,373,227</u>

Transfers out from the General Fund to the nonmajor governmental funds were to partially fund the fire station and city hall renovation projects. 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 non-allocable 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 closeouts of special revenue funds.

Claims and Judgments

At June 30, 2009, 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, 2009

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, 2009 were \$45,379,621.

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 \$8,106 to the Council during the fiscal year ended June 30, 2009.

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, 2009.

Neuse Regional Water and Sewer Authority

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

Lenoir County Tourism Development Authority

The City, in conjunction with Lenoir County, established the Lenoir County Tourism Development Authority. The participating governments established the Authority to promote tourism in the County area. The City appoints three members of the seven-member Board of Directors. The City provided \$154,368 of funding for the Authority for the year ended June 30, 2009.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009. During the year ended June 30, 2009, the City provided \$190,000 to the Library. Separate financial statements of the Library are available at the Library address of 510 North Queen Street, Kinston, North Carolina 28501.

City of Kinston Housing Authority

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

5. Federal and State Assisted Programs

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

6. Prior Period Adjustment

Errors were discovered with regards to amounts capitalized and ultimately reported as capital assets in prior years. The effect of such errors resulted in an understatement of capital assets and net assets for governmental activities of \$443, 498, and a net overstatement of capital assets and net assets for business-type activities of \$150,720.

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2003	-	\$ 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%
12/31/2008	-	1,526,173	1,526,173	0.00%	3,714,193	41.09%

CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2009**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of APC Contributed
2004	\$ 91,650	9.90%
2005	99,787	20.50%
2006	124,414	18.00%
2007	120,066	27.64%
2008	141,308	34.05%
2009	146,782	36.38%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	22 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%

CITY OF KINSTON, NORTH CAROLINA

SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2004	\$ -	\$ 403,950	\$ 403,950	0.00%	\$ 1,743,007	23.2%
7/1/2005	-	341,549	341,549	0.00%	1,573,188	21.7%
7/1/2006	-	232,610	232,610	0.00%	1,638,447	14.2%
7/1/2007	-	197,938	197,938	0.00%	1,186,179	16.7%
7/1/2008	-	143,512	143,512	0.00%	832,512	17.2%
7/1/2009	-	104,970	104,970	0.00%	832,512	12.6%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 28,990	\$ -	0.00%

Notes to the Required Schedules:

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

Additional information as of the latest actuarial valuation follows.

Valuation date	7/1/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	7.25%
Medical cost trend rate	4.5% to 12.3%
Year of ultimate trend rate	N/A

* Includes inflation at 3.75%

CITY OF KINSTON, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS -
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 2,839,772	\$ 2,839,772	0.00%	\$ 10,327,213	27.5%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 245,575	\$ -	0.00%

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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	11% to 5%
Year of ultimate trend rate	N/A

* Includes inflation at 3.75%

MAJOR FUNDS

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

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GENERAL FUND

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

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CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	<u>2009</u>	<u>2008</u>
Assets:		
Cash and investments	\$ 4,410,489	3,307,947
Receivables:		
Due from governmental agencies	1,333,872	1,363,593
Accounts receivable	870,259	796,046
Taxes receivable	823,398	761,319
Inventories	68,632	110,262
Restricted cash and investments	<u>62,978</u>	<u>166,705</u>
Total assets	<u>\$ 7,569,628</u>	<u>6,505,872</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,085,575	842,344
Unearned revenue	80,158	42,607
Deferred revenue	<u>1,636,140</u>	<u>1,462,180</u>
Total liabilities	<u>2,801,873</u>	<u>2,347,131</u>
Fund Balances:		
Reserved for Powell Bill	420,275	442,449
Reserved for restricted assets	62,978	166,705
Reserved for inventories	68,632	110,262
Reserved for by State statute	1,391,389	1,458,878
Reserved for encumbrances	35,658	30,339
Unreserved:		
Undesignated	<u>2,788,823</u>	<u>1,950,108</u>
Total fund balances	<u>4,767,755</u>	<u>4,158,741</u>
Total liabilities and fund balances	<u>\$ 7,569,628</u>	<u>\$ 6,505,872</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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 8,515,300	\$ 8,524,996	\$ 9,696	\$ 7,825,411
Penalties and Interest	70,000	83,535	13,535	70,684
Total	8,585,300	8,608,531	23,231	7,896,095
Sales and Services:				
Rents, concessions, and fees	465,500	390,475	(75,025)	402,165
Inspection fees	150,000	79,757	(70,243)	145,400
Cemetery fees	195,000	285,730	90,730	175,077
Cable franchise	175,000	215,130	40,130	187,412
Lenoir County Participation:				
Recreation	686,000	681,100	(4,900)	601,000
Total	1,671,500	1,652,192	(19,308)	1,511,054
Other Taxes and Licenses:				
Local government sales tax	3,340,400	2,861,603	(478,797)	2,949,288
Franchise tax	1,540,000	1,882,161	342,161	1,652,492
Occupancy tax	185,000	176,982	(8,018)	191,174
Gross receipts tax	18,500	16,595	(1,905)	15,875
Licenses and permits	32,500	64,152	31,652	36,185
Total	5,116,400	5,001,493	(114,907)	4,845,014
Unrestricted Intergovernmental:				
Payment in lieu of taxes	252,000	253,850	1,850	233,604
Beer and wine tax	143,200	102,228	(40,972)	105,772
ABC revenue	500	1,268	768	1,678
Total	395,700	357,346	(38,354)	341,054
Restricted Intergovernmental:				
Powell Bill allocations	750,000	702,690	(47,310)	793,559
Vector control	-	-	-	5,002
School resource officer	75,000	76,039	1,039	73,538
N.C. Department of Transportation	127,000	99,170	(27,830)	46,053
Federal grants, miscellaneous	-	1,442	1,442	9,479
State grants, miscellaneous	-	12,760	12,760	96,734
Court allocation	-	853	853	3,171
Forfeited drug proceeds	-	15,072	15,072	944
Total	952,000	908,026	(43,974)	1,028,480
Other Revenue:				
Investment income	85,000	66,149	(18,851)	154,095
Sales of surplus materials and assets	330,000	58,180	(271,820)	108,040
Miscellaneous	144,900	209,384	64,484	166,061
Total	559,900	333,713	(226,187)	428,196
Total revenues	17,280,800	16,861,301	(419,499)	16,049,893

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Expenditures:				
General Government:				
Governing Body:				
Salaries and benefits	117,084	114,451	2,633	113,318
Operating	126,700	113,363	13,337	85,960
Capital outlay	-	-	-	1,449
Total	243,784	227,814	15,970	200,727
Executive:				
Salaries and benefits	601,046	583,729	17,317	468,267
Operating	303,386	279,785	23,601	387,894
Total	904,432	863,514	40,918	856,161
Finance:				
Salaries and benefits	614,379	609,587	4,792	554,534
Operating	402,407	360,876	41,531	356,568
Capital outlay	116,400	115,389	1,011	27,230
Total	1,133,186	1,085,852	47,334	938,332
Human Resources:				
Salaries and benefits	295,088	256,673	38,415	254,910
Operating	323,100	255,285	67,815	249,004
Capital outlay	-	-	-	766
Total	618,188	511,958	106,230	504,680
Engineering and Public Facilities:				
Salaries and benefits	543,059	529,900	13,159	523,842
Operating	355,231	287,457	67,774	333,663
Capital outlay	43,100	33,817	9,283	47,341
Less: interdepartmental charges	(293,640)	(302,875)	9,235	(299,601)
Total	647,750	548,299	99,451	605,245
Indirect costs reimbursement	(1,335,542)	(1,343,050)	7,508	(1,112,366)
Total general government	2,211,798	1,894,387	317,411	1,992,779
Public Safety:				
Police and Fire Administration:				
Salaries and benefits	887,987	870,658	17,329	842,675
Operating	257,852	231,692	26,160	220,208
Capital outlay	-	-	-	2,840
Total	1,145,839	1,102,350	43,489	1,065,723
Police:				
Salaries and benefits	4,148,794	4,096,248	52,546	4,100,425
Operating	1,042,200	979,991	62,209	980,927
Capital outlay	179,500	8,387	171,113	404,461
Total	5,370,494	5,084,626	285,868	5,485,813

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and benefits	2,534,910	2,402,143	132,767	2,415,876
Operating	392,300	320,072	72,228	343,960
Capital outlay	23,500	23,581	(81)	65,055
Total	2,950,710	2,745,796	204,914	2,824,891
Inspections and Code Enforcement:				
Salaries and benefits	227,957	224,511	3,446	-
Operating	115,500	120,159	(4,659)	-
Total	343,457	344,670	(1,213)	-
Total public safety	9,810,500	9,277,442	533,058	9,376,427
Public Services:				
Salaries and benefits	748,769	695,724	53,045	976,622
Operating	812,394	690,170	122,224	791,255
Capital outlay	117,284	27,993	89,291	206,446
Total	1,678,447	1,413,887	264,560	1,974,323
Parks and Recreation:				
Salaries and benefits	2,079,384	2,060,051	19,333	1,933,758
Operating	1,317,346	1,292,776	24,570	1,220,582
Capital outlay	106,400	39,792	66,608	49,946
Total	3,503,130	3,392,619	110,511	3,204,286
Community Development:				
Planning:				
Salaries and benefits	149,155	145,322	3,833	322,133
Operating	85,040	56,876	28,164	180,484
Total	234,195	202,198	31,997	502,617
Economic Development:				
Operating	586,070	575,699	10,371	633,021
Capital outlay	11,642	11,642	-	61,212
Total	597,712	587,341	10,371	694,233
Total community development	831,907	789,539	42,368	1,196,850
Contingency	1,205	-	(1,205)	-
Total expenditures	18,036,987	16,767,874	1,267,908	17,744,665
Revenues over (under) expenditures	(756,187)	93,427	849,614	(1,694,772)

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Appropriated fund balance	34,703	-	(34,703)	-
Transfers in	812,000	823,078	11,078	1,451,007
Transfers out	(352,516)	(307,491)	45,025	(231,967)
Proceeds from borrowing	262,000	-	(262,000)	463,401
Total other financing sources (uses):	<u>756,187</u>	<u>515,587</u>	<u>(240,600)</u>	<u>1,682,441</u>
 Net change in fund balance	 \$ -	 609,014	 \$ 609,014	 (12,331)
Fund Balance:				
Beginning of year - July 1		<u>4,158,741</u>		<u>4,171,072</u>
End of year - June 30		<u>\$ 4,767,755</u>		<u>\$ 4,158,741</u>

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NONMAJOR FUND TYPES

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2009

	Government Fund Types			Total
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund Temple Israel Perpetual Care Fund	
Assets:				
Cash and investments	\$ 1,215	\$ 192,400	\$ 83,268	\$ 276,883
Receivables	63,824	28,749	-	92,573
Total assets	<u>\$ 65,039</u>	<u>\$ 221,149</u>	<u>\$ 83,268</u>	<u>\$ 369,456</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,998	\$ 8,518	\$ -	\$ 12,516
Due to other funds	13,247	179,434	-	192,681
Total liabilities	<u>17,245</u>	<u>187,952</u>	<u>-</u>	<u>205,197</u>
Fund Balances:				
Reserved by State statute	42,112	-	-	42,112
Unreserved fund balance:				
Undesignated	5,682	33,197	83,268	122,147
Total fund balances	<u>47,794</u>	<u>33,197</u>	<u>83,268</u>	<u>164,259</u>
Total liabilities and fund balances	<u>\$ 65,039</u>	<u>\$ 221,149</u>	<u>\$ 83,268</u>	<u>\$ 369,456</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, 2009**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total
Revenues:				
Intergovernmental revenue	\$ 114,929	\$ 462,297	\$ -	\$ 577,226
Miscellaneous income	10,289	-	-	10,289
Interest	(128)	4,005	1,574	5,451
Total revenues	<u>125,090</u>	<u>466,302</u>	<u>1,574</u>	<u>592,966</u>
Expenditures:				
Current:				
Public safety	124,069	1,182,885	-	1,306,954
Community development	25,196	138,519	-	163,715
Parks and recreation	-	317,443	-	317,443
Debt service	-	4,986,000	-	4,986,000
Total expenditures	<u>149,265</u>	<u>6,624,847</u>	<u>-</u>	<u>6,774,112</u>
Revenues over (under) expenditures	<u>(24,175)</u>	<u>(6,158,545)</u>	<u>1,574</u>	<u>(6,181,146)</u>
Other Financing Sources (Uses):				
Transfers in	600	203,103	-	203,703
Transfers out	(11,078)	-	-	(11,078)
Long-term debt issued	-	4,986,000	-	4,986,000
Total other financing sources (uses)	<u>(10,478)</u>	<u>5,189,103</u>	<u>-</u>	<u>5,178,625</u>
Net change in fund balances	(34,653)	(969,442)	1,574	(1,002,521)
Fund Balances:				
Beginning of year - July 1	<u>82,447</u>	<u>1,002,639</u>	<u>81,694</u>	<u>1,166,780</u>
End of year - June 30	<u>\$ 47,794</u>	<u>\$ 33,197</u>	<u>\$ 83,268</u>	<u>\$ 164,259</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

Operation Video Impact Grant - 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 and 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.

Flood Closeout Fund - This fund accounts for the closeout and related overages and underage of the Fran and Floyd Hazard Mitigation Buyout Fund.

2007 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.

2008 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 for the City's Public Safety Division and Lenoir County Sheriff's Department.

2008 Governor's Highway Safety Program (GHSP) – This fund accounts for monies from the State of North Carolina for the Law Enforcement Division to purchase proper equipment to safely conduct traffic checking stations with the objective to reduce alcohol related motor vehicle violations, therefore reducing related accidents and injuries.

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	<u>Community Development Administration</u>	<u>Oaks Apartment Complex</u>	<u>FEMA Assistance to Firefighters</u>	<u>Operation Video Impact</u>	<u>Gang Awareness, Training, and Education</u>
Assets:					
Cash and investments	\$ -	\$ -	\$ -	\$ 19	\$ 50
Accounts receivable	<u>42,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008</u>
Total assets	<u>\$ 42,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 1,058</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds	\$ 643	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622</u>
Total liabilities	<u>643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622</u>
Fund Balance:					
Reserved by State statute	42,112	-	-	-	-
Unreserved fund balance:					
Undesignated	<u>(643)</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>436</u>
Total fund balance (deficit)	<u>41,469</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>436</u>
Total liabilities and fund balance	<u>\$ 42,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 1,058</u>

<u>Gang GATE Phase II</u>	<u>2007 Bullet Proof Vest</u>	<u>Flood Closeout</u>	<u>2007 Justice Assistance</u>	<u>2008 JAG Grant</u>	<u>2008 GHSP Grant</u>	<u>Total</u>	<u>2008</u>
\$ -	\$ -	\$ 1,146	\$ -	\$ -	\$ -	\$ 1,215	\$ 16,868
<u>13,889</u>	<u>667</u>	<u>-</u>	<u>-</u>	<u>5,450</u>	<u>698</u>	<u>63,824</u>	<u>119,302</u>
<u>\$ 13,889</u>	<u>\$ 667</u>	<u>\$ 1,146</u>	<u>\$ -</u>	<u>\$ 5,450</u>	<u>\$ 698</u>	<u>\$ 65,039</u>	<u>\$ 136,170</u>
\$ 5,239	\$ 934	\$ -	\$ 283	\$ 5,450	\$ 698	\$ 13,247	\$ 44,655
<u>3,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,998</u>	<u>9,068</u>
<u>8,615</u>	<u>934</u>	<u>-</u>	<u>283</u>	<u>5,450</u>	<u>698</u>	<u>17,245</u>	<u>53,723</u>
-	-	-	-	-	-	42,112	42,652
<u>5,274</u>	<u>(267)</u>	<u>1,146</u>	<u>(283)</u>	<u>-</u>	<u>-</u>	<u>5,682</u>	<u>39,795</u>
<u>5,274</u>	<u>(267)</u>	<u>1,146</u>	<u>(283)</u>	<u>-</u>	<u>-</u>	<u>47,794</u>	<u>82,447</u>
<u>\$ 13,889</u>	<u>\$ 667</u>	<u>\$ 1,146</u>	<u>\$ -</u>	<u>\$ 5,450</u>	<u>\$ 698</u>	<u>\$ 65,039</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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	Community Development Administration	SARF-DCA	Oaks Apartment Complex	FEMA Assistance to Firefighters	2003 LLEBG	Operation Video Impact	Gang Awareness, Training, and Education
Revenues:							
Restricted:							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,793
Other:							
Miscellaneous revenue	10,289	-	-	-	-	-	-
Investment earnings	(128)	-	-	-	-	-	-
Total revenues	10,161	-	-	-	-	-	9,793
Expenditures:							
Planning and community development							
Administration	-	-	-	-	-	-	-
Other services	-	-	-	-	25	-	21,834
Total expenditures	-	-	-	-	25	-	21,834
Revenues over (under) expenditures	10,161	-	-	-	(25)	-	(12,041)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	(8,827)	(2,233)	(18)	-	-	-
Total other financing sources (uses)	-	(8,827)	(2,233)	(18)	-	-	-
Change in fund balances	10,161	(8,827)	(2,233)	(18)	(25)	-	(12,041)
Fund Balance:							
Beginning of year - July 1	31,308	8,827	2,233	18	25	19	12,477
End of year - June 30	\$ 41,469	\$ -	\$ -	\$ -	\$ -	\$ 19	\$ 436

Schedule 6

<u>Gang GATE</u> <u>Phase II</u>	<u>2007 Bullet</u> <u>Proof Vest</u>	<u>CDBG</u> <u>Capacity Grant</u> <u>(IDA) Savings</u>	<u>Flood</u> <u>Closeout</u>	<u>2007 Justice</u> <u>Assistance</u>	<u>2008 JAG</u> <u>Grant</u>	<u>2008 GHSP</u> <u>Grant</u>	<u>Total</u>	<u>2008</u>
\$ 65,251	\$ 4,966	\$ 19,525	\$ -	\$ -	\$ 5,071	\$ 10,323	\$ 114,929	\$ 165,380
-	-	-	-	-	-	-	10,289	6,766
-	-	-	-	-	-	-	(128)	3,187
65,251	4,966	19,525	-	-	5,071	10,323	125,090	175,333
-	-	19,525	-	-	5,671	-	25,196	137,083
81,997	9,890	-	-	-	-	10,323	124,069	164,095
81,997	9,890	19,525	-	-	5,671	10,323	149,265	301,178
(16,746)	(4,924)	-	-	-	(600)	-	(24,175)	(125,845)
-	-	-	-	-	600	-	600	53,125
-	-	-	-	-	-	-	(11,078)	(1,146)
-	-	-	-	-	600	-	(10,478)	51,979
(16,746)	(4,924)	-	-	-	-	-	(34,653)	(73,866)
22,020	4,657	-	1,146	(283)	-	-	82,447	156,313
\$ 5,274	\$ (267)	\$ -	\$ 1,146	\$ (283)	\$ -	\$ -	\$ 47,794	\$ 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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Rent and program income	\$ 8,200	\$ 10,289	\$ 2,089	\$ 6,766
Investment earnings	1,800	(128)	(1,928)	3,153
Total revenues	<u>10,000</u>	<u>10,161</u>	<u>161</u>	<u>9,919</u>
Expenditures:				
Contract services	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>108,000</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>10,161</u>	<u>35,161</u>	<u>(98,081)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	30,000	-	(30,000)	-
Transfer out	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing soruces	<u>\$ -</u>	<u>10,161</u>	<u>\$ 10,161</u>	<u>(98,081)</u>
Fund Balance:				
Beginning of year - July 1		<u>31,308</u>		<u>129,389</u>
End of year - June 30		<u>\$ 41,469</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, 2009

		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	1,757,446	1,757,709	-	1,757,709	263
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	1,672,620	1,662,910	-	1,662,910	9,710
Revenues over (under) expenditures	84,826	94,799	-	94,799	9,973
Other Financing Sources (Uses):					
Transfers out	(84,826)	(85,972)	(8,827)	(94,799)	(9,973)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ 8,827	(8,827)	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			8,827		
End of year - June 30			\$ -		

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, 2009

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, federal and State grants	\$ 144,000	\$ 114,585	\$ -	\$ 114,585	\$ (29,415)
Expenditures:					
Administration	14,400	11,915	-	11,915	2,485
Acquisition, relocation, demolition of private properties	129,600	100,437	-	100,437	29,163
Total expenditures	144,000	112,352	-	112,352	31,648
Revenues over (under) expenditures	-	2,233	-	2,233	2,233
Other Financing Sources (Uses):					
Transfers in		2,233	-	2,233	2,233
Transfers out	-	(2,233)	(2,233)	(4,466)	(4,466)
Total other financing sources (uses)	-	-	(2,233)	(2,233)	(2,233)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ 2,233	(2,233)	\$ -	\$ -
Fund Balances:					
Fund balance - July 1			2,233		
Fund balance - June 30			\$ -		

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, 2009

	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	\$ -
Expenditures:					
Capital outlay	83,382	83,364	-	83,364	18
Revenues over (under) expenditures	(8,400)	(8,382)	-	(8,382)	18
Other Financing Sources (Uses):					
Transfers out	-	-	(18)	(18)	(18)
Transfers in	8,400	8,400	-	8,400	-
Total other financing sources (uses)	8,400	8,400	(18)	8,382	(18)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ 18	(18)	\$ -	\$ -
Fund Balances:					
Fund balance - July 1			18		
Fund balance - June 30			\$ -		

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, 2009

		<u>Actual</u>			
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 31,757	\$ 31,757	\$ -	\$ 31,757	\$ -
Investment earnings	-	25	-	25	25
Total revenues	<u>31,757</u>	<u>31,782</u>	<u>-</u>	<u>31,782</u>	<u>25</u>
Expenditures:					
Capital outlay	<u>35,286</u>	<u>35,286</u>	<u>25</u>	<u>35,311</u>	<u>(25)</u>
Revenues over (under) expenditures	<u>(3,529)</u>	<u>(3,504)</u>	<u>(25)</u>	<u>(3,529)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in	<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>(25)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Fund balance- July 1			<u>25</u>		
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, 2009

	<u>Project</u>	<u>Actual</u>			
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Variance</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 19,831	\$ 19,831	\$ -	\$ 19,831	\$ -
Expenditures:					
Capital outlay	22,034	22,015	-	22,015	19
Revenues over (under) expenditures	(2,203)	(2,184)	-	(2,184)	19
Other Financing Sources (Uses):					
Transfers in	2,203	2,203	-	2,203	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 19	-	\$ 19	\$ 19
Fund Balances:					
Fund balance - July 1			\$ 19		
Fund balance - June 30			\$ 19		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - GANG AWARENESS, TRAINING, AND EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 100,000	\$ 90,207	\$ 9,793	\$ 100,000	\$ -
Expenditures:					
Personnel costs	85,000	1,606	-	1,606	83,394
Administration	-	54,413	4,745	59,158	(59,158)
Capital outlay	48,000	62,977	17,089	80,066	(32,066)
Total expenditures	133,000	118,996	21,834	140,830	(7,830)
Revenues over (under) expenditures	(33,000)	(28,789)	(12,041)	(40,830)	(7,830)
Other Financing Sources (Uses):					
Transfers in	33,000	41,266	-	41,266	8,266
Revenues and other financing sources over (under) expenditures	\$ -	\$ 12,477	(12,041)	\$ 436	\$ 436
Fund Balances:					
Fund balance- July 1			12,477		
Fund balance - June 30			\$ 436		

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, 2009

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 141,890	\$ 29,733	\$ 65,251	\$ 94,984	\$ (46,906)
Expenditures:					
Administration	138,190	40,481	56,359	96,840	41,350
Capital outlay	3,700	2,705	25,638	28,343	(24,643)
Total expenditures	141,890	43,186	81,997	125,183	16,707
Revenues over (under) expenditures	-	(13,453)	(16,746)	(30,199)	(30,199)
Other Financing Sources (Uses):					
Transfers in (out)	-	35,473	-	35,473	35,473
Revenues and other financing sources over (under) expenditures	\$ -	\$ 22,020	(16,746)	\$ 5,274	\$ 5,274
Fund Balances:					
Fund balance - July 1			22,020		
Fund balance - June 30			\$ 5,274		

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, 2009

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 4,967	\$ -	\$ 4,966	\$ 4,966	\$ (1)
Expenditures:					
Capital outlay	9,934	310	9,890	10,200	(266)
Revenues over (under) expenditures	(4,967)	(310)	(4,924)	(5,234)	(267)
Other Financing Sources (Uses):					
Transfers in	4,967	4,967	-	4,967	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 4,657	(4,924)	\$ (267)	\$ (267)
Fund Balances:					
Fund balance - July 1			4,657		
Fund balance - June 30			<u>\$ (267)</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, 2009

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 45,917	\$ 29,083	\$ 19,525	\$ 48,608	\$ 2,691
Expenditures:					
Administration	45,917	29,083	19,525	\$ 48,608	\$ (2,691)
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Fund balance - July 1			-		
Fund balance - June 30			<u>\$ -</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - FLOOD CLOSEOUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		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)
Revenues over (under) expenditures	-	281,678	-	281,678	281,678
Other Financing Sources (Uses):					
Transfers in	700,481	702,523	-	702,523	2,042
Transfers out	(700,481)	(683,055)	-	(683,055)	17,426
Total other financing sources	-	19,468	-	19,468	19,468
Revenues and other financing sources over (under) expenditures and other financing sources					
	\$ -	\$ 301,146	-	\$ 301,146	\$ 301,146
Fund Balances:					
Fund balance - July 1			1,146		
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, 2009

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

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2008 JAG GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 14,996	\$ -	\$ 5,071	\$ 5,071	\$ (9,925)
Total revenues	<u>14,996</u>	<u>-</u>	<u>5,071</u>	<u>5,071</u>	<u>(9,925)</u>
Expenditures:					
Personnel costs	15,596	-	5,671	5,671	9,925
Total expenditures	<u>15,596</u>	<u>-</u>	<u>5,671</u>	<u>5,671</u>	<u>9,925</u>
Revenues over (under) expenditures	<u>(600)</u>	<u>-</u>	<u>(600)</u>	<u>(600)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in	600	-	600	600	-
Total other financing sources	<u>600</u>	<u>-</u>	<u>600</u>	<u>600</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Fund balance - July 1			<u>-</u>		
Fund balance - June 30			<u>\$ -</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2008 GHSP GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grant	\$ 11,975	\$ -	\$ 10,323	\$ 10,323	\$ (1,652)
Total revenues	<u>11,975</u>	<u>-</u>	<u>10,323</u>	<u>10,323</u>	<u>(1,652)</u>
Expenditures:					
Capital outlay	11,975	-	10,323	10,323	1,652
Total expenditures	<u>11,975</u>	<u>-</u>	<u>10,323</u>	<u>10,323</u>	<u>1,652</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Fund balance - July 1			<u>-</u>		
Fund balance - June 30			<u>\$ -</u>		

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NONMAJOR CAPITAL PROJECT FUNDS

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

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.

New Fire Station # 4 – This fund accounts for certain preliminary architectural services for the possible construction of a new fire station at the intersection of Carey Road and Rouse Toad to replace the original fire station # 4 located near the intersection of Plaza Blvd and Queen Street.

Contentnea/Savannah Ballfields – This fund accounts for funds paid to the City by Lenoir County for the construction of new athletic fields at the new Contentnea/Savannah Middle School.

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

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

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

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2009

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	Fire Station Public Safety Complex	Retro- Green	CWMTF Flood Buy-Out	New Fire Station #4
Assets:				
Cash and investments	\$ -	\$ 8,250	\$ -	\$ -
Accounts receivable	23,199	-	-	-
Total assets	<u>\$ 23,199</u>	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ 1,513	\$ -	\$ 130,436	\$ 2,824
Accounts payable	-	-	8,518	-
Total liabilities	<u>1,513</u>	<u>-</u>	<u>138,954</u>	<u>2,824</u>
Fund Balance:				
Unreserved:				
Undesignated	<u>21,686</u>	<u>8,250</u>	<u>(138,954)</u>	<u>(2,824)</u>
Total fund balance	<u>21,686</u>	<u>8,250</u>	<u>(138,954)</u>	<u>(2,824)</u>
Total liabilities and fund balance	<u>\$ 23,199</u>	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule 21

Contentnea Savannah Ballfields	Train Depot	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund	Total	2008
\$ 1,121	\$ 176,239	\$ -	\$ 6,790	\$ 192,400	\$ 1,239,287
5,308	242	-	-	28,749	170,869
<u>\$ 6,429</u>	<u>\$ 176,481</u>	<u>\$ -</u>	<u>\$ 6,790</u>	<u>\$ 221,149</u>	<u>\$ 1,410,156</u>
\$ -	\$ -	\$ 44,661	\$ -	\$ 179,434	\$ 97,424
-	-	-	-	8,518	310,093
<u>-</u>	<u>-</u>	<u>44,661</u>	<u>-</u>	<u>187,952</u>	<u>407,517</u>
6,429	176,481	(44,661)	6,790	33,197	1,002,639
<u>6,429</u>	<u>176,481</u>	<u>(44,661)</u>	<u>6,790</u>	<u>33,197</u>	<u>1,002,639</u>
<u>\$ 6,429</u>	<u>\$ 176,481</u>	<u>\$ -</u>	<u>\$ 6,790</u>	<u>\$ 221,149</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, 2009 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	Fire Station Public Safety Complex	Retro- Green	CWMTF Flood Buy-Out	New Fire Station #4
Revenues:				
Interest income	\$ 4,005	\$ -	\$ -	\$ -
State grants	-	-	13,297	-
Other income	-	-	-	-
Total revenues	<u>4,005</u>	<u>-</u>	<u>13,297</u>	<u>-</u>
Expenditures:				
Parks and recreation	-	-	145,211	-
Public safety	1,180,061	-	-	2,824
Community Development	-	-	-	-
Debt Service	<u>4,986,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,166,061</u>	<u>-</u>	<u>145,211</u>	<u>2,824</u>
Revenues over (under) expenditures	<u>(6,162,056)</u>	<u>-</u>	<u>(131,914)</u>	<u>(2,824)</u>
Other Financing Sources (Uses):				
Transfers in	203,103	-	-	-
Transfers (out)	-	-	-	-
Long-term debt issued	<u>4,986,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,189,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(972,953)	-	(131,914)	(2,824)
Fund Balances:				
Beginning of year - July 1	<u>994,639</u>	<u>8,250</u>	<u>(7,040)</u>	<u>-</u>
End of year - June 30	<u>\$ 21,686</u>	<u>\$ 8,250</u>	<u>\$ (138,954)</u>	<u>\$ (2,824)</u>

Schedule 22

Contentnea Savannah Ballfields	Train Depot	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund	Total	2008
\$ -	\$ -	\$ -	\$ -	\$ 4,005	\$ 84,610
134,000	315,000	-	-	462,297	323,755
-	-	-	-	-	6,000
134,000	315,000	-	-	466,302	414,365
127,571	-	44,661	-	317,443	138,307
-	-	-	-	1,182,885	2,742,107
-	138,519	-	-	138,519	-
-	-	-	-	4,986,000	-
127,571	138,519	44,661	-	6,624,847	2,880,414
6,429	176,481	(44,661)	-	(6,158,545)	(2,466,049)
-	-	-	-	203,103	35,000
-	-	-	-	-	(16,074)
-	-	-	-	4,986,000	-
-	-	-	-	5,189,103	18,926
6,429	176,481	(44,661)	-	(969,442)	(2,447,123)
-	-	-	6,790	1,002,639	3,449,762
\$ 6,429	\$ 176,481	\$ (44,661)	\$ 6,790	\$ 33,197	1,002,639

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, 2009

		Actual		
	Project Authorization	Prior Years	Current Years	Total to Date
Revenues:				
Investment earnings	\$ 159,000	\$ 156,348	\$ 4,005	\$ 160,353
Expenditures:				
Loan closing costs	-	13,926	-	13,926
Debt service	4,986,000	-	4,986,000	4,986,000
Capital outlay:				
Construction costs	5,362,103	4,147,783	1,180,061	5,327,844
Total expenditures	10,348,103	4,161,709	6,166,061	10,327,770
Revenues over (under) expenditures	(10,189,103)	(4,005,361)	(6,162,056)	(10,167,417)
Other Financing Sources (Uses):				
Transfers in	217,103	14,000	203,103	217,103
Debt issued - short term financing	9,972,000	4,986,000	4,986,000	9,972,000
Total other financing sources (uses)	10,189,103	5,000,000	5,189,103	10,189,103
Revenues and other financing sources over (under) expenditures	\$ -	\$ 994,639	(972,953)	\$ 21,686
Fund Balance:				
Beginning of year - July 1			994,639	
End of year - June 30			\$ 21,686	

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, 2009

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - 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, 2009

		Actual		
	Project Authorization	Prior Years	Current Years	Total to Date
Revenue:				
State grants	\$ 1,181,000	\$ 532,499	\$ 13,297	\$ 545,796
Miscellaneous revenue	26,000	-	-	-
Total revenues	<u>1,207,000</u>	<u>532,499</u>	<u>13,297</u>	<u>545,796</u>
Expenditures:				
Salaries and benefits	-	-	9,400	9,400
Capital outlay	<u>1,242,000</u>	<u>574,539</u>	<u>135,811</u>	<u>710,350</u>
Total expenditures	<u>1,242,000</u>	<u>574,539</u>	<u>145,211</u>	<u>719,750</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>(42,040)</u>	<u>(131,914)</u>	<u>(173,954)</u>
Other Financing Sources (Uses):				
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (7,040)</u>	<u>(131,914)</u>	<u>\$ (138,954)</u>
Fund Balance:				
Beginning of year - July 1			<u>(7,040)</u>	
End of year - June 30			<u>\$ (138,954)</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEW FIRE STATION #4
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Years	Total to Date
Expenditures:				
Capital outlay	\$ 80,000	\$ -	\$ 2,824	\$ 2,824
Revenues over (under) expenditures	(80,000)	-	(2,824)	(2,824)
Other Financing Sources (Uses):				
Debt issued	80,000	-	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	(2,824)	\$ (2,824)
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ (2,824)	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CONTENTNEA SAVANNAH BALLFIELDS PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Actual</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Years</u>
			<u>Total to Date</u>
Revenue:			
State grants	\$ 134,000	\$ -	\$ 134,000
Expenditures:			
Capital outlay	134,000	-	127,571
Revenues over (under) expenditures	\$ -	\$ -	6,429
Fund Balance:			
Beginning of year - July 1			-
End of year - June 30			\$ 6,429

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Actual		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>
Revenue:				
State grants	\$ 315,000	\$ -	315,000	\$ 315,000
Expenditures:				
Capital outlay	315,000	-	138,519	138,519
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	176,481	<u>\$ 176,481</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ 176,481</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - BATTLEFIELD PARKWAY/SOCCER COMPLEX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Actual		
	Project Authorization	Prior Years	Current Years	Total to Date
Revenue:				
State grants	\$ 143,000	\$ -	\$ -	\$ -
Miscellaneous revenue	7,000	-	-	-
Total revenues	150,000	-	-	-
Expenditures:				
Capital outlay	150,000	-	44,661	44,661
Revenues over (under) expenditures	\$ -	\$ -	(44,661)	\$ (44,661)
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ (44,661)	

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, 2009

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

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PERMANENT FUND

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

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CITY OF KINSTON, NORTH CAROLINA

PERMANENT FUND - TEMPLE ISRAEL PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 1,574	\$ 1,574
Net change in fund balance	<u>\$ -</u>	<u>1,574</u>	<u>\$ 1,574</u>
Fund Balance:			
Beginning of year - July 1		<u>81,694</u>	
End of year - June 30		<u>\$ 83,268</u>	

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ELECTRIC FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services, electricity sales	\$ 52,894,208	\$ 53,014,110	\$ 119,902	48,041,158
Other	606,300	434,168	(172,132)	333,549
Total operating revenues	53,500,508	53,448,278	(52,230)	48,374,707
Non-operating Revenues:				
Interest earned on investments	17,000	24,164	7,164	15,419
Total revenues	53,517,508	53,472,442	(45,066)	48,390,126
Expenditures:				
Electric Operations:				
Salaries and benefits	1,319,420	1,135,182	184,238	1,189,249
Operating	2,068,457	1,271,732	796,725	1,678,703
Purchased power	46,520,869	46,510,311	10,558	42,173,202
Indirect costs	1,366,014	1,366,014	-	1,286,979
Capital outlay	315,953	179,379	136,574	246,979
Total	51,590,713	50,462,618	1,128,095	46,575,112
Debt Service:				
Principal retirement	596,240	592,233	4,007	463,639
Interest and other charges	253,960	253,960	-	268,790
Total debt service	850,200	846,193	4,007	732,429
Contingency	8,280	-	8,280	-
Total expenditures	52,449,193	51,308,811	1,140,382	47,307,541
Revenues over (under) expenditures	1,068,315	2,163,631	1,095,316	1,082,585
Other Financing Sources (Uses):				
Appropriated fund balance	17,053	-	(17,053)	-
Debt issued	299,000	-	(299,000)	200,000
Transfers in	3,000	3,000	-	202,935
Transfers out - Capital Reserve Fund	(556,000)	(556,000)	-	(556,000)
Transfers out	(831,368)	(831,368)	-	(851,538)
Total other financing sources (uses)	(1,068,315)	(1,384,368)	(316,053)	(1,004,603)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 779,263	\$ 779,263	\$ 77,982

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 779,263		\$ 77,982
Transfers in - project		878,035		70,000
Transfers out - capital reserve		(878,035)		(70,000)
Transfers in - capital reserve		556,000		556,000
Capital outlay		168,239		213,781
Debt issued		-		(200,000)
Payment of debt principal		592,233		463,639
Depreciation		(847,575)		(831,366)
Non-capitalized expenditures from capital project funds		-		(432,088)
Interest expense - project		(87,627)		-
Bad debt expense		(319,373)		(269,084)
Capital contributions		1,305,801		616,961
Investment earnings from capital project funds		14,698		-
Change in accrued compensated absences		(156)		578
Decrease in accrued interest payable		2,292		(2,962)
Change in net assets		<u>\$ 2,163,795</u>		<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, 2009

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 2,320,103	\$ 646,698	\$ 1,305,801	\$ 1,952,499	\$ (367,604)
Interest earned on investments	14,500	-	14,698	14,698	198
Total revenues	<u>2,334,603</u>	<u>646,698</u>	<u>1,320,499</u>	<u>1,967,197</u>	<u>(367,406)</u>
Expenditures:					
Caswell Center upgrades	5,259,095	588,086	1,338,672	1,926,758	3,332,337
West Industrial Park Substation project	3,345,035	149,628	1,337,344	1,486,972	1,858,063
Lenox China generator project	466,500	171,925	40,210	212,135	254,365
Total	<u>9,070,630</u>	<u>909,639</u>	<u>2,716,226</u>	<u>3,625,865</u>	<u>5,444,765</u>
Debt Service:					
Principal retirement	413,373	-	162,831	162,831	250,542
Interest and other charges	<u>87,627</u>	<u>-</u>	<u>87,627</u>	<u>87,627</u>	<u>-</u>
Total debt service	<u>501,000</u>	<u>-</u>	<u>250,458</u>	<u>250,458</u>	<u>250,542</u>
Total expenditures	9,571,630	909,639	2,966,684	3,876,323	5,695,307
Revenue over (under) expenditures	<u>(7,237,027)</u>	<u>(262,941)</u>	<u>(1,646,185)</u>	<u>(1,909,126)</u>	<u>5,327,901</u>
Other Financing Sources (Uses):					
Debt issued	6,288,992	2,950,000	-	2,950,000	(3,338,992)
Transfers in	<u>948,035</u>	<u>70,000</u>	<u>878,035</u>	<u>948,035</u>	<u>-</u>
Total other financing sources	<u>7,237,027</u>	<u>3,020,000</u>	<u>878,035</u>	<u>3,898,035</u>	<u>(3,338,992)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,757,059</u>	<u>\$ (768,150)</u>	<u>\$ 1,988,909</u>	<u>\$ 1,988,909</u>

CITY OF KINSTON, NORTH CAROLINA

ELECTRIC CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Other Financing Sources (Uses):					
Transfers in	\$ 274,303	\$ 830,303	\$ 556,000	\$ 1,386,303	\$ 1,112,000
Transfers out	(274,303)	(70,000)	(878,035)	(948,035)	(673,732)
Total other financing sources	-	760,303	(322,035)	438,268	438,268
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 760,303	\$ (322,035)	\$ 438,268	\$ 438,268

WATER FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Water sales	\$ 5,172,500	\$ 4,646,838	\$ (525,662)	4,740,848
Other	121,000	192,352	71,352	126,420
Total operating revenues	5,293,500	4,839,190	(454,310)	4,867,268
Non-operating Revenues:				
Interest earned on investments	60,000	28,706	(31,294)	96,433
Total revenues	5,353,500	4,867,896	(485,604)	4,963,701
Expenditures:				
Water Production:				
Salaries and benefits	324,317	319,716	4,601	313,958
Operating	575,543	510,550	64,993	791,661
Capital outlay	36,600	14,801	21,799	960
Indirect costs	256,752	254,949	1,804	226,238
Total water production	1,193,212	1,100,016	93,197	1,332,817
Water Operations:				
Salaries and benefits	1,029,777	995,138	34,639	894,769
Operating	780,910	529,480	251,430	633,059
Capital outlay	144,500	8,605	135,895	381,065
Indirect costs	256,752	254,949	1,804	226,238
Total water operations	2,211,939	1,788,172	423,768	2,135,131
Water Operations:				
Purchased water	3,120,000	3,119,511	489	-
Debt Service:				
Principal retirement	221,522	221,972	(450)	182,470
Interest and other charges	93,778	93,778	-	97,991
Total debt service	315,300	315,750	(450)	280,461
Contingency	206	-	206	-
Total operating expenditures	6,840,657	6,323,448	517,209	3,748,409
Revenues over (under) expenditures	(1,487,157)	(1,455,552)	31,605	1,215,292

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Long-term debt issued	-	-	-	123,500
Appropriated fund balance	10,469	-	(10,469)	-
Transfers from:				
Other funds	-	18,922	18,922	40,000
Capital reserve	1,532,689	1,492,689	(40,000)	-
Transfers to:				
Capital reserve	-	-	-	(1,120,471)
Other funds	(56,001)	(56,001)	-	(363,208)
Total other financing sources (uses)	<u>1,487,157</u>	<u>1,455,610</u>	<u>(31,547)</u>	<u>(1,320,179)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ 58</u>	<u>\$ (104,887)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 58		\$ (104,887)
Transfers - Capital Reserve Fund		(1,492,689)		1,135,491
Transfers - Capital Project Fund		(18,922)		(109,791)
Capital outlay		14,801		375,430
Capital contributions		15,000		15,000
Payment of debt principal		221,972		182,470
Debt issued		-		(123,500)
Depreciation		(483,720)		(496,505)
Repairs and maintenance expense from capital project fund		(900,000)		-
Bad debt expense		(16,048)		(99,901)
Change in accrued compensated		(7,392)		4,083
Change in accrued interest payable		<u>1,876</u>		<u>817</u>
Change in net assets		<u>\$ (2,665,064)</u>		<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, 2009

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and state grants	\$ 300,000	\$ 300,000	\$ -	\$ 300,000	\$ -
Expenditures:					
Smithfield	281,078	281,078	-	281,078	-
Revenue over (under) expenditures	18,922	18,922	-	18,922	-
Other Financing Sources (Uses):					
Transfers out	(18,922)	-	(18,922)	(18,922)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 18,922	\$ (18,922)	\$ -	\$ -

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, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Other:					
Contribution from Lenoir County	\$ -	\$ 15,000	\$ 15,000	\$ 30,000	\$ 30,000
Expenditures:					
Stormwater Construction	1,000,000	-	900,000	900,000	100,000
Revenue over (under) expenditures	(1,000,000)	15,000	(885,000)	(870,000)	130,000
Other Financing Sources (Uses):					
Transfers in	4,429,643	4,565,134	-	4,565,134	135,491
Transfers out	(3,429,643)	(1,289,666)	(1,492,689)	(2,782,355)	647,288
Total other financing sources	1,000,000	3,275,468	(1,492,689)	1,782,779	782,779
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 3,290,468	\$ (2,377,689)	\$ 912,779	\$ 912,779

WASTEWATER FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Sewer sales	\$ 4,552,049	\$ 4,039,725	\$ (512,324)	4,348,943
Other	24,500	56,261	31,761	907
Total operating revenues	4,576,549	4,095,986	(480,563)	4,349,850
Non-operating Revenues:				
Interest earned on investments	120,000	57,762	(62,238)	157,927
Total revenues	4,696,549	4,153,748	(542,801)	4,507,777
Expenditures:				
Wastewater Plant Operations:				
Salaries and benefits	634,039	618,823	15,216	622,426
Operating	731,909	501,637	230,272	683,864
Indirect costs	1,597,760	1,597,760	-	1,542,986
Total wastewater plant operations	2,963,708	2,718,220	245,488	2,849,276
Debt Service:				
Principal retirements	1,342,700	1,323,872	18,828	1,346,913
Interest and other charges	447,900	468,578	(20,678)	436,013
Total debt service	1,790,600	1,792,450	(1,850)	1,782,926
Total operating expenditures	4,754,308	4,510,670	243,638	4,632,202
Revenues over (under) expenditures	(57,759)	(356,922)	(786,439)	(124,425)
Other Financing Sources (Uses):				
Appropriated fund balance	109,634	-	-	-
Transfers out - capital projects	(46,386)	(33,750)	12,636	(126,808)
Transfers in - other funds	87,825	808,963	721,138	-
Transfers out	(93,314)	(5,489)	87,825	(112,916)
Total other financing sources (uses)	57,759	769,724	821,599	(239,724)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 412,802	\$ 412,802	\$ (364,149)

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	2009		2008
	Budget	Actual	Actual
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 412,802	\$ (364,149)
Transfers out - capital projects		33,750	126,808
Payment of debt principal		1,323,872	1,346,913
Depreciation		(2,202,645)	(2,488,626)
Capital contributions		1,299,839	153,653
Transfers in - capital projects		(721,138)	277,991
Transfer to/from project		(60,839)	-
Repairs and maintenance expense from capital project fund		-	(14,696)
Change in accrued compensated absences		3,928	5,928
Change in accrued interest payable		28,943	(5,251)
Bad debt expense		(19,854)	(3,420)
Change in net assets		<u>\$ 98,658</u>	<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, 2009

			Actual		
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 39,519,097	\$ 35,730,279	\$ 1,299,839	\$ 37,030,118	\$ (2,488,979)
Local funds	-	32,462	-	32,462	32,462
Investment earnings	366,564	366,560	-	366,560	(4)
Total revenues	39,885,661	36,129,301	1,299,839	37,429,140	(2,456,521)
Expenditures:					
Northside WWTP expansion	49,478,056	54,996,274	81,781	55,078,055	(5,599,999)
Smithfield Sewer Capital Projects	708,641	704,863	3,813	708,676	(35)
Water Reuse Capital Project	1,287,564	449,637	663,901	1,113,538	174,026
East Vernon Ave Sewer Rehab Project	675,000	-	226,555	226,555	448,445
Briery Tun Phase III Sewer Project	625,000	-	69	69	624,931
Spirit Aero Utilities Project	568,487	-	194,476	194,476	374,011
Colleges Street Sewer Rehabilitation Project	1,071,200	-	90,900	90,900	980,300
Total	54,413,948	56,150,774	1,261,495	57,412,269	(2,998,321)
Debt Service:					
Principal retirement	9,190,000	-	3,590,000	3,590,000	5,600,000
Total expenditures	63,603,948	56,150,774	4,851,495	61,002,269	2,601,679
Revenue over (under) expenditures	(23,718,287)	(20,021,473)	(3,551,656)	(23,573,129)	145,158
Other Financing Sources (Uses):					
Debt issued	23,588,816	23,071,017	-	23,071,017	(517,799)
Transfers in	850,609	801,704	60,736	862,440	11,831
Transfers out	(721,138)	-	(721,138)	(721,138)	-
Total other financing sources (uses)	23,718,287	23,872,721	(660,402)	23,212,319	(505,968)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ 3,851,248	\$ (4,212,058)	\$ (360,810)	\$ (360,810)

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, 2009

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	Environmental Services Fund	Stormwater Fund	Total
Assets:			
Cash and investments	\$ 42,456	\$ 171,499	\$ 213,955
Accounts receivable	355,257	111,898	467,155
Equipment	2,855,037	132,765	2,987,802
Accumulated depreciation	(2,426,947)	(33,191)	(2,460,138)
Total assets	<u>825,803</u>	<u>382,971</u>	<u>1,208,774</u>
Current Liabilities:			
Accounts payable and accrued liabilities	114,361	6,620	120,981
Current portion of installment notes	195,331	33,220	228,551
Current portion of compensated absences	11,752	3,229	14,981
Total current liabilities	<u>321,444</u>	<u>43,069</u>	<u>364,513</u>
Non-current Liabilities:			
Non-current portion of installment notes	338,008	66,440	404,448
Non-current portion of compensated absences	33,449	9,189	42,638
Total non-current liabilities	<u>371,457</u>	<u>75,629</u>	<u>447,086</u>
Total liabilities	<u>692,901</u>	<u>118,698</u>	<u>811,599</u>
Net Assets:			
Invested in capital assets, net of related debt	(105,249)	(86)	(105,335)
Unrestricted (deficit)	<u>238,151</u>	<u>264,359</u>	<u>502,510</u>
Total net assets	<u>\$ 132,902</u>	<u>\$ 264,273</u>	<u>\$ 397,175</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, 2009

	Environmental Services Fund	Stormwater Fund	Total
Operating Revenues:			
Charges for services	\$ 3,133,030	\$ 702,707	\$ 3,835,737
Other operating income	10,745	17,653	28,398
Total operating revenues	<u>3,143,775</u>	<u>720,360</u>	<u>3,864,135</u>
Operating Expenses:			
Operations	2,660,110	426,165	3,086,275
Depreciation	<u>229,426</u>	<u>33,191</u>	<u>262,617</u>
Total operating expenses	<u>2,889,536</u>	<u>459,356</u>	<u>3,348,892</u>
Operating income (loss)	<u>254,239</u>	<u>261,004</u>	<u>515,243</u>
Non-operating Revenue (Expense):			
Interest on long-term debt	<u>(21,178)</u>	<u>(5,277)</u>	<u>(26,455)</u>
Total non-operating revenue (expense)	<u>(21,178)</u>	<u>(5,277)</u>	<u>(26,455)</u>
Income (loss) before capital contributions and transfers	233,061	255,727	488,788
Capital Contributions and Transfers:			
Capital contributions	-	132,765	132,765
Transfers out	<u>-</u>	<u>(144,643)</u>	<u>(144,643)</u>
Total other financing sources (uses)	<u>-</u>	<u>(11,878)</u>	<u>(11,878)</u>
Change in net assets	233,061	243,849	476,910
Total net assets, beginning - July 1	<u>(100,159)</u>	<u>20,424</u>	<u>(79,735)</u>
Total net assets, ending - June 30	<u>\$ 132,902</u>	<u>\$ 264,273</u>	<u>\$ 397,175</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2009

	Environmental Services Fund	Stormwater Fund	Total
Operating Activities:			
Cash received from customers	\$ 3,142,860	\$ 676,393	\$ 3,819,253
Cash paid to suppliers for goods and services	(1,704,322)	(169,061)	(1,873,383)
Cash paid to or on behalf of employees for services	(940,697)	(240,096)	(1,180,793)
Net cash provided by (used in) operating activities	<u>497,841</u>	<u>267,236</u>	<u>765,077</u>
Non-Capital Financing Activities:			
Transfers to other funds	-	(11,763)	(11,763)
Advances from other funds	<u>-</u>	<u>(45,477)</u>	<u>(45,477)</u>
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(57,240)</u>	<u>(57,240)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(192,803)	-	(192,803)
Principal paid on general obligation bond maturities and equipment contracts	(302,849)	(33,220)	(336,069)
Interest paid on bonded indebtedness and equipment contracts	<u>(21,178)</u>	<u>(5,277)</u>	<u>(26,455)</u>
Net cash provided (used) by capital and related financing activities	<u>(516,830)</u>	<u>(38,497)</u>	<u>(555,327)</u>
Net increase (decrease) in cash and cash equivalents/investments	(18,989)	171,499	152,510
Cash and Cash Equivalents/Investments:			
Beginning of year - July 1	<u>61,445</u>	<u>-</u>	<u>61,445</u>
End of year - June 30	<u><u>\$ 42,456</u></u>	<u><u>\$ 171,499</u></u>	<u><u>\$ 213,955</u></u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Environmental Services Fund	Stormwater Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 254,239	\$ 261,004	\$ 515,243
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	229,426	33,191	262,617
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(915)	(43,967)	(44,882)
Increase (decrease) in accounts payable	17,200	4,590	21,790
Increase (decrease) in compensated absences	(2,109)	12,418	10,309
Total adjustments	<u>243,602</u>	<u>6,232</u>	<u>249,834</u>
Net cash provided by (used in) operating activities	<u>\$ 497,841</u>	<u>\$ 267,236</u>	<u>\$ 765,077</u>
Non-cash investing, capital, and financing activities:			
Transfer of capital assets	<u>\$ -</u>	<u>\$ 132,765</u>	<u>\$ 132,765</u>
Transfer-in long-term debt obligation	<u>\$ -</u>	<u>\$ (132,880)</u>	<u>\$ (132,880)</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS - ENVIRONMENTAL SERVICES
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 3,156,400	\$ 3,133,030	\$ (23,370)	2,806,980
Other	-	10,745	10,745	469
Total operating revenues	3,156,400	3,143,775	(12,625)	2,807,449
Non-operating Revenues:				
State Grant	5,000	-	(5,000)	-
Total non-operating revenues	5,000	-	(5,000)	-
Total revenues	3,161,400	3,143,775	(17,625)	2,807,449
Expenditures:				
Bulk Leaf Collection:				
Salaries and benefits	4,400	4,064	336	5,101
Operating	45,300	41,528	3,772	36,042
Total leaf collection	49,700	45,592	4,108	41,143
Vector Control:				
Salaries and benefits	43,842	43,806	36	-
Operating	13,900	10,047	3,853	-
Total Vector Control	57,742	53,853	3,889	-
Commercial Solid Waste:				
Salaries and benefits	261,505	258,050	3,455	250,340
Operating	489,400	488,600	800	455,225
Capital outlay	-	-	-	13,038
Indirect costs	198,383	198,384	(1)	184,843
Total commercial solid waste	949,288	945,034	4,254	903,446
Residential Solid Waste:				
Salaries and benefits	706,209	641,214	64,995	689,661
Operating	618,990	671,411	(52,421)	623,805
Capital outlay	228,813	228,693	120	270,957
Indirect costs	198,384	198,383	1	184,843
Total residential solid waste	1,752,396	1,739,701	12,695	1,769,266
Recycling:				
Salaries and benefits	35,299	35,260	39	34,445
Operating	22,800	15,673	7,127	19,862
Capital outlay	-	-	-	-
Total recycling	58,099	50,933	7,166	54,307

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS - ENVIRONMENTAL SERVICES
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	303,937	302,849	1,088	252,504
Interest and other charges	24,063	24,063	-	26,615
Total debt service	328,000	326,912	1,088	279,119
Contingency	545	-	545	-
Total expenditures	3,195,770	3,162,025	33,745	3,047,281
Revenues over (under) expenditures	(34,370)	(18,250)	16,120	(239,832)
Other Financing Sources (Uses):				
Appropriated fund balance	192,803	-	(192,803)	-
Transfers in	-	-	-	30,124
Transfers out	(158,433)	-	158,433	(72,951)
Long-term debt issued	-	-	-	213,100
Total other financing sources (uses)	34,370	-	(34,370)	170,273
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (18,250)	\$ (18,250)	\$ (69,559)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (18,250)		(69,559)
Capital outlay		192,803		259,263
Debt issued		-		(213,100)
Payment of debt principal		302,849		252,504
Depreciation		(229,426)		(213,647)
Change in accrued compensated absences		2,109		(2,498)
Change in accrued interest payable		2,885		1,112
Bad debt expense		(19,909)		(5,944)
Change in net assets		\$ 233,061		\$ 8,131

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 569,850	\$ 702,707	\$ 132,857	\$ 459,914
Other	17,300	17,653	353	6,193
Total operating revenues	587,150	720,360	133,210	466,107
Non-operating Revenues:				
Interest earned on investments	500	-	(500)	288
Total revenues	587,650	720,360	132,710	466,395
Expenditures:				
Stormwater Operations:				
Salaries and benefits	299,091	252,514	46,577	4,913
Operating	148,600	111,710	36,890	4,850
Capital outlay	40,500	12,523	27,977	4,465
Indirect costs	37,000	37,000	-	-
Total commercial solid waste	525,191	413,747	111,444	14,228
Debt Service:				
Principal retirement	34,553	33,220	1,333	-
Interest and other charges	4,397	4,397	-	-
Total debt service	38,950	37,617	1,333	-
Contingency	2,209	-	2,209	-
Total Expenditures	566,350	451,364	114,986	14,228
Revenues over (under) expenditures	21,300	268,996	247,696	452,167
Other Financing Sources (Uses):				
Appropriated fund balance	17,363	-	(17,363)	-
Transfers out	(38,663)	(11,763)	26,900	(431,743)
Total other financing sources (uses)	(21,300)	(11,763)	9,537	(431,743)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 257,233	\$ 257,233	\$ 20,424

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2009</u>			<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 257,233		\$ 20,424
Transfer of capital assets		132,765		-
Transfer of long-term debt		(132,880)		-
Payment of debt principal		33,220		-
Depreciation		(33,191)		-
Decrease in accrued compensated absences		(12,418)		-
Increase in accrued interest payable		<u>(880)</u>		<u>-</u>
Change in net assets		<u>\$ 243,849</u>		<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.

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CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Assets:					
Cash and investments	\$ 855,512	\$ -	\$ -	\$ 809,127	\$ 1,664,639
Accounts receivable	947	679	172,295	3,030	176,951
Inventory	-	217,785	-	-	217,785
Capital assets:					
Buildings	19,468	-	-	-	19,468
Equipment	-	249,130	-	109,154	358,284
Accumulated depreciation	(7,303)	(235,409)	-	(79,200)	(321,912)
Total assets	<u>868,624</u>	<u>232,185</u>	<u>172,295</u>	<u>842,111</u>	<u>2,115,215</u>
Liabilities:					
Due to other funds	-	232,414	577,005	-	809,419
Accounts payable and accrued liabilities	278,459	16,733	19,837	57,261	372,290
Accrued compensated absences	10,072	28,275	-	68,220	106,567
Total liabilities	<u>288,531</u>	<u>277,422</u>	<u>596,842</u>	<u>125,481</u>	<u>1,288,276</u>
Net Assets:					
Invested in capital assets, net of related debt	12,165	13,721	-	29,954	55,840
Unrestricted (deficit)	<u>567,928</u>	<u>(58,958)</u>	<u>(424,547)</u>	<u>686,676</u>	<u>771,099</u>
Total net assets	<u>\$ 580,093</u>	<u>\$ (45,237)</u>	<u>\$ (424,547)</u>	<u>\$ 716,630</u>	<u>\$ 826,939</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, 2009

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Administration Services Fund	Total
Operating Revenues:					
Contributions from various funds	\$ 505,100	\$ 30,015	\$ 248,066	\$ 2,000,234	\$ 2,783,415
Other income	-	1,155	-	-	1,155
Total operating revenues	<u>505,100</u>	<u>31,170</u>	<u>248,066</u>	<u>2,000,234</u>	<u>2,784,570</u>
Operating Expenses:					
Administration	221,454	384,051	-	805,661	1,411,166
Operations	-	-	248,500	954,099	1,202,599
Depreciation	486	6,790	-	9,586	16,862
Claims reimbursement	334,030	-	-	-	334,030
Total operating expenses	<u>555,970</u>	<u>390,841</u>	<u>248,500</u>	<u>1,769,346</u>	<u>2,964,657</u>
Operating income (loss)	<u>(50,870)</u>	<u>(359,671)</u>	<u>(434)</u>	<u>230,888</u>	<u>(180,087)</u>
Non-operating Revenue (Expense):					
Interest earned on investments	<u>16,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,757</u>
Income (loss) before transfers	(34,113)	(359,671)	(434)	230,888	(163,330)
Other financing sources (uses):					
Transfers in	-	183,580	-	-	183,580
Transfers out	-	-	-	(17,157)	(17,157)
Total other financing sources (uses)	<u>-</u>	<u>183,580</u>	<u>-</u>	<u>(17,157)</u>	<u>166,423</u>
Change in net assets	(34,113)	(176,091)	(434)	213,731	3,093
Total net assets, beginning - July 1	<u>614,206</u>	<u>130,854</u>	<u>(424,113)</u>	<u>502,899</u>	<u>823,846</u>
Total net assets, ending - June 30	<u>\$ 580,093</u>	<u>\$ (45,237)</u>	<u>\$ (424,547)</u>	<u>\$ 716,630</u>	<u>\$ 826,939</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Administration Services Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 506,134	\$ 32,098	\$ 153,931	\$ 1,999,811	\$ 2,691,974
Cash paid to suppliers for goods and services	(456,170)	(51,067)	(298,437)	(424,498)	(1,230,172)
Cash paid to or on-behalf-of employees for services	(127,139)	(340,032)	-	(1,321,141)	(1,788,312)
Net cash provided (used) for operating activities	(77,175)	(359,001)	(144,506)	254,172	(326,510)
Cash Flows from Non-capital Financing Activities:					
Transfers from other funds	-	183,580	-	-	183,580
Transfers to other funds	-	-	-	(17,157)	(17,157)
Advances from other funds	-	175,421	144,506	-	319,927
Net cash provided (used) by non-capital financing activities	-	359,001	144,506	(17,157)	486,350
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	-	-	-	(15,000)	(15,000)
Cash Flows from Investing Activities:					
Interest on investments	16,757	-	-	-	16,757
Net increase (decrease) in cash and cash equivalents/investments	(60,418)	-	-	222,015	161,597
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	915,930	-	-	587,112	1,503,042
End of year - June 30	\$ 855,512	\$ -	\$ -	\$ 809,127	\$ 1,664,639
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (50,870)	\$ (359,671)	\$ (434)	\$ 230,888	\$ (180,087)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	486	6,790	-	9,586	16,862
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	1,034	928	(94,135)	(423)	(92,596)
(Increase) decrease in inventories	-	(14,737)	-	-	(14,737)
Increase (decrease) in accounts payable	(29,531)	3,250	(49,937)	10,511	(65,707)
Increase (decrease) in accrued compensated absences	1,706	4,439	-	3,610	9,755
Total adjustments	(26,305)	670	(144,072)	23,284	(146,423)
Net cash provided (used) by operating activities	\$ (77,175)	\$ (359,001)	\$ (144,506)	\$ 254,172	\$ (326,510)

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 505,100	\$ 505,100	\$ -	\$ 494,201
Insurance proceeds	-	-	-	3,000
Total operating revenue	505,100	505,100	-	497,201
Operating Expenses:				
Administration:				
Salaries and benefits	131,211	128,845	2,366	126,445
Operating	118,052	90,903	27,149	51,348
Capital outlay	-	-	-	699
Claims reimbursements, operating	331,000	334,030	(3,030)	265,764
Total administration	580,263	553,778	26,485	444,256
Operating income (loss)	(75,163)	(48,678)	26,485	52,945
Non-operating Revenues (Expenditures):				
Investment earnings	18,900	16,757	(2,143)	43,139
Contingency	(889)	-	889	-
Total non-operating revenues (expenditures)	18,011	16,757	(1,254)	43,139
Revenues over (under) expenditures	(57,152)	(31,921)	25,231	96,084
Other Financing Sources (Uses):				
Appropriated fund balance	57,152	-	57,152	-
Transfers out	-	-	-	(43,259)
Total other financing sources (uses)	57,152	-	57,152	(43,259)
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(31,921)	\$ (31,921)	\$ 52,825
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling Items:				
Change in accrued vacation pay		(1,706)		2,123
Depreciation		(486)		(487)
Change in net assets		\$ (34,113)		\$ 54,461

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 110,626	\$ 30,015	\$ (80,611)	156,456
Other	-	1,155	1,155	-
Total operating revenue	110,626	31,170	(79,456)	156,456
Operating Expenses:				
Administration:				
Salaries and benefits	282,891	344,471	(61,580)	352,252
Operating	67,711	35,141	32,570	55,029
Contingency	2,145	-	2,145	-
Total operating expenditures	352,747	379,612	(26,865)	407,281
Revenues over (under) expenses	(242,121)	(348,442)	(106,321)	(250,825)
Other Financing Sources (Uses):				
Appropriated fund balance	511	-	(511)	-
Transfers in	241,610	183,580	(58,030)	-
Transfers out	-	-	-	265,977
Total other financing sources (uses)	242,121	183,580	(58,541)	265,977
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(164,862)	\$ (164,862)	\$ 15,152
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling Items:				
Change in accrued vacation pay		(4,439)		5,169
Capital outlay		-		13,110
Depreciation		(6,790)		(9,221)
Change in net assets		\$ (176,091)		\$ 24,210

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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions from other funds	\$ 850,000	\$ 248,066	\$ (601,934)	442,645
Other	425,000	-	(425,000)	-
Total operating revenue	<u>1,275,000</u>	<u>248,066</u>	<u>(1,026,934)</u>	<u>442,645</u>
Operating Expenses:				
Fuel purchased	850,000	248,063	601,937	466,906
Fleet maintenance inventory	425,000	437	424,563	116,635
Total operating expenditures	<u>1,275,000</u>	<u>248,500</u>	<u>1,026,500</u>	<u>583,541</u>
Revenue and other financing sources over (under) expenses and other financing uses	<u>\$ -</u>	<u>\$ (434)</u>	<u>\$ (434)</u>	<u>\$ (140,896)</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Change in net assets		<u>\$ (434)</u>		<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, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 1,999,073	\$ 2,000,234	\$ 1,161	1,958,588
Operating Expenses:				
Administration:				
Salaries and benefits	561,317	514,451	46,866	447,466
Operating	114,300	61,684	52,616	63,275
Capital outlay	4,000	-	4,000	1,291
Indirect charges	225,916	225,916	-	212,629
Total administration	905,533	802,051	103,482	724,661
Operations:				
Salaries and benefits	837,423	810,300	27,123	760,323
Operating	199,729	142,930	56,799	141,891
Capital outlay	22,700	15,869	6,831	23,920
Total operations	1,059,852	969,099	90,753	926,134
Contingency	6,360	-	6,360	-
Total expenditures	1,971,745	1,771,150	200,595	1,650,795
Revenues over (under) expenses	27,328	229,084	201,756	307,793
Other Financing Sources (Uses):				
Appropriated fund balance	329	-	(329)	-
Transfers in	-	-	-	409
Transfers out	(27,657)	(17,157)	10,500	(134,195)
Total other financing sources (uses)	(27,328)	(17,157)	10,171	(133,786)
Revenue and other financing sources over (under) expenses and other financing uses	\$ -	211,927	\$ 211,927	174,005
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling Items:				
Change in accrued vacation pay		(3,610)		1,148
Capital outlay		15,000		23,905
Depreciation		(9,586)		(6,586)
Change in net assets		\$ 213,731		\$ 192,472

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OTHER FINANCIAL INFORMATION

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

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CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2009

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2008</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008-2009	\$ -	\$ 8,480,980	\$ 8,029,872	\$ 451,108
2007-2008	367,793	-	263,283	104,510
2006-2007	107,902	-	48,567	59,335
2005-2006	56,533	-	17,632	38,901
2004-2005	43,497	-	7,792	35,705
2003-2004	37,594	-	5,020	32,574
2002-2003	30,287	-	3,221	27,066
2001-2002	29,887	-	2,483	27,404
2000-2001	26,946	-	1,811	25,135
1999-2000	20,892	-	1,231	19,661
1998-1999	32,905	-	32,905	-
Total	<u>\$ 754,236</u>	<u>\$ 8,480,980</u>	<u>\$ 8,413,817</u>	821,399
Motor vehicle tags receivable				145,932
Less allowance for uncollectible ad valorem taxes receivable: General Fund				<u>(143,933)</u>
Ad Valorem Taxes Receivable, Net General Fund				<u>\$ 823,398</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund			\$ 8,608,531	
Less auto fee			(139,059)	
Penalties and interest collected			83,535	
Add credits and adjustments			<u>(139,190)</u>	
Total collections and credits			<u>\$ 8,413,817</u>	

CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 1,365,324,792	\$ 0.66	\$ 8,191,948	\$ 7,414,409	\$ 777,539
Penalties	-		4,916	4,916	-
Total	<u>1,365,324,792</u>	-	<u>8,196,864</u>	<u>7,419,325</u>	<u>777,539</u>
Municipal Service:					
District			51,963	51,963	-
Discoveries	<u>31,735,045</u>	0.60	<u>280,103</u>	<u>265,903</u>	<u>14,200</u>
Abatements	<u>(6,015,447)</u>		<u>(47,950)</u>	<u>(37,135)</u>	<u>(10,815)</u>
Total property valuation	<u>\$ 1,391,044,390</u>				
Net levy			8,480,980	7,700,056	780,924
Uncollected taxes at June 30, 2009			<u>451,108</u>	<u>280,706</u>	<u>170,402</u>
Current year's taxes collected			<u>\$ 8,029,872</u>	<u>\$ 7,419,350</u>	<u>\$ 610,522</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.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	129
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	136
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	139
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	143
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	145

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City of Kingston, North Carolina

Net Assets By Component
Last Seven Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets, net of related debt	\$ 8,194,255	\$ 7,642,027	\$ 6,747,204	\$ 8,022,946	\$ 10,469,056	\$ 8,832,457	\$ 10,632,852
Restricted	289,314	440,884	590,711	619,832	696,026	524,143	501,969
Unrestricted	5,618,353	4,134,942	4,517,268	3,962,060	3,310,120	4,655,523	4,419,431
Total governmental activities							
net assets	14,101,922	12,217,853	11,855,183	12,604,838	14,475,202	14,012,123	15,554,252
Business-type activities:							
Invested in capital assets, net of related debt	43,152,193	45,059,829	53,715,106	73,141,568	76,322,354	71,514,802	78,153,107
Unrestricted	3,595,708	5,824,985	9,857,561	10,637,908	12,109,100	17,249,298	10,604,869
Total business-type activities							
net assets	46,747,901	50,884,814	63,572,667	83,779,476	88,431,454	88,764,100	88,757,976
Primary government:							
Invested in capital assets, net of related debt	51,346,448	52,701,856	60,462,310	81,164,514	86,791,410	80,347,259	88,785,959
Restricted	289,314	440,884	590,711	619,832	696,026	524,143	501,969
Unrestricted	9,214,061	9,959,927	14,374,829	14,599,968	15,419,220	21,904,821	15,024,300
Total primary government							
net assets	\$ 60,849,823	\$ 63,102,667	\$ 75,427,850	\$ 96,384,314	\$ 102,906,656	\$ 102,776,223	\$ 104,312,228

GASB Statement No. 34 Implemented in Fiscal Year 2003

City of Kinston, North Carolina

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

	2003	2004	2005	2006	2007	2008	2009
Expenses:							
Governmental activities:							
General government	\$ 1,543,904	\$ 1,917,328	\$ 2,351,252	\$ 1,402,565	\$ 1,983,777	\$ 2,980,089	\$ 2,594,129
Public safety	8,070,686	8,890,704	8,675,761	8,607,793	8,887,330	9,160,026	9,218,831
Sanitation (Public Services)	4,684,903	1,858,283	1,847,141	1,880,438	2,365,762	1,740,530	1,606,515
Culture and recreation	2,362,355	2,594,715	2,551,858	2,012,994	1,342,519	1,369,772	730,734
Community development	9,685,039	2,890,594	2,256,483	2,665,090	2,851,379	3,628,908	3,552,374
Interest on long-term debt	183,755	185,904	168,857	177,873	226,828	319,271	119,472
Total governmental activities expenses	26,530,642	18,337,528	17,851,352	16,746,753	17,657,595	19,198,596	17,822,055
Business-type activities:							
Electric	38,356,608	38,338,927	40,016,886	44,074,061	47,429,959	47,230,530	51,602,697
Water	6,879,646	3,206,893	3,771,820	3,671,141	3,350,291	3,199,827	7,516,489
Sewer		4,391,983	4,536,399	4,654,361	4,271,411	5,295,824	5,296,885
Nonmajor Funds	N/A	2,576,785	2,673,660	2,664,596	2,836,185	4,083,288	3,362,902
Total business-type activities expenses	45,236,254	48,514,588	50,998,765	55,064,159	57,887,846	59,809,469	67,778,973
Total primary government expenses	71,766,896	66,852,116	68,850,117	71,810,912	75,545,441	79,008,065	85,601,028
Program revenue:							
Governmental activities:							
Charges for services:							
General government		245,335	354,781	442,506	409,650	791,491	521,641
Public safety	N/A	N/A	24,472	20,186	42,046	54,916	24,170
Public Services	2,321,232	115,606	15,272	15,277	15,277	15,277	-
Culture and recreation	844,992	287,007	775,499	258,442	111,400	145,400	1,388,400
Community Development	109,257	100,804	104,942	997,313	866,211	946,615	79,757
Operating grants and contributions:							
General government	N/A	N/A	N/A	4,320	N/A	114,215	14,202
Public safety	206,557	810,392	154,281	167,583	358,551	213,950	187,368
Public Services	732,964	659,146	756,882	735,128	703,967	839,612	801,860
Culture and recreation	N/A	498,070	N/A	1,167,482	10,274	29,083	-
Community development	8,503,678	1,461,269	1,189,565	58,763	N/A		19,525
Capital grants and contributions, Community Development							
Culture and recreation	N/A	N/A	N/A	N/A	450,960	99,827	462,297
Community development	693,944	N/A	N/A	N/A	N/A		
Total governmental activities program revenue	14,082,466	4,177,629	3,375,694	3,867,000	2,968,336	3,250,386	3,499,220

City of Kinston, North Carolina

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

	2003	2004	2005	2006	2007	2008	2009
Business-type activities:							
Charges for services:							
Electric	39,124,614	39,259,547	39,727,807	44,686,861	46,817,025	48,105,623	53,174,103
Water	7,053,960	3,426,666	4,104,468	4,659,004	4,977,377	4,867,268	4,880,404
Sewer	comb w/water	4,189,404	4,705,513	4,622,074	4,618,345	4,349,850	4,133,136
Nonmajor Funds	N/A	2,578,277	2,584,199	2,589,512	2,693,291	3,273,556	3,881,863
Capital grants and contributions:							
Electric	482	N/A	N/A	N/A	N/A	616,961	1,305,801
Water	929,775	N/A	8,400	300,000	29,738	15,000	15,000
Sewer	N/A	3,954,803	13,446,075	19,123,503	4,237,474	153,653	1,299,839
Nonmajor Funds	N/A	6,353	24,704	N/A	N/A	-	132,765
Total business-type activities program revenues	47,108,831	53,415,050	64,601,166	75,980,954	63,373,250	61,381,911	68,822,911
Total primary government program revenues	61,191,297	57,592,679	67,976,860	79,847,954	66,341,586	64,632,297	72,322,131
Net (expense) revenue:							
Governmental activities	(12,448,176)	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,259)	(15,948,210)	(14,322,835)
Business-type activities	1,872,577	4,900,462	13,602,401	20,916,795	5,485,404	1,572,442	1,043,938
Total primary government net expense	\$ (10,575,599)	\$ (9,259,437)	\$ (873,257)	\$ 8,037,042	\$ (9,203,855)	\$ (14,375,768)	\$ (13,278,897)

City of Kingston, North Carolina

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

	2003	2004	2005	2006	2007	2008	2009
General revenues and other changes in net assets:							
Governmental activities:							
Taxes:							
Property taxes	\$ 6,862,613	\$ 6,961,891	\$ 7,574,054	\$ 7,428,644	\$ 7,455,353	\$ 8,213,392	\$ 8,670,590
Sales taxes	2,309,906	3,033,439	3,042,893	2,991,928	3,169,463	2,949,288	2,861,603
Other taxes	1,561,712	1,221,479	1,950,381	1,737,049	1,916,403	1,895,726	2,139,890
Unrestricted intergovernmental	344,373	159,286	426,652	360,586	341,662	341,054	357,346
Investment earnings	41,581	26,576	63,365	94,385	200,033	288,941	88,357
Miscellaneous	349,200	93,195	63,353	26,264	146,222	286,867	279,008
Transfers	955,000	779,964	992,290	990,552	1,329,736	1,509,863	1,024,672
Capital contributions	75,234	N/A	N/A	N/A	N/A	N/A	N/A
Total governmental activities	12,499,619	12,275,830	14,112,988	13,629,408	14,558,872	15,485,131	15,421,466
Business-type activities:							
Investment earnings	28,716	16,415	77,742	280,566	496,310	270,067	125,330
Transfers	(955,000)	(779,964)	(992,290)	(990,552)	(1,329,736)	(1,509,863)	(1,024,672)
Total business-type activities	(926,284)	(763,549)	(914,548)	(709,986)	(833,426)	(1,239,796)	(899,342)
Total primary government	11,573,335	11,512,281	13,198,440	12,919,422	13,725,446	14,245,335	14,522,124
Changes in net assets:							
Governmental activities	51,443	(1,884,069)	(362,670)	749,655	(130,387)	(463,079)	1,098,631
Business-type activities	946,293	4,136,913	12,687,853	20,206,809	4,651,978	332,646	144,596
Total primary government	\$ 997,736	\$ 2,252,844	\$ 12,325,183	\$ 20,956,464	\$ 4,521,591	\$ (130,433)	\$ 1,243,227

City of Kingston, North Carolina

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

Function / Program	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
General government	\$	\$	\$	\$	\$	\$	\$
Public safety	(874,062)	(1,671,993)	(1,996,471)	(955,739)	(1,574,157)	(2,074,383)	(2,058,286)
Sanitation (Public Services)	(7,864,129)	(8,080,312)	(8,497,008)	(8,420,024)	(8,486,733)	(8,891,160)	(9,007,293)
Culture and recreation	(1,630,707)	(1,083,531)	(1,074,987)	(1,130,033)	(1,646,518)	(885,641)	(804,655)
Community development	(1,517,363)	(1,809,638)	(1,776,359)	(587,070)	(1,220,845)	(2,553,383)	(1,701,677)
Interest on long-term debt	(378,160)	(1,328,521)	(961,976)	(1,609,014)	(1,534,208)	(1,224,372)	(631,452)
	(183,755)	(185,904)	(168,857)	(177,873)	(226,828)	(319,271)	(119,472)
Total governmental activities	(12,448,176)	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,289)	(15,948,210)	(14,322,835)
Business-type activities:							
Electric	768,488	920,620	(289,079)	612,800	(612,934)	1,492,054	2,877,207
Water	1,104,089	219,773	341,048	1,287,863	1,656,824	1,682,441	(2,621,086)
Sewer	Comb w/water	3,752,224	13,615,189	19,091,216	4,584,408	(792,321)	136,090
Nonmajor Funds	N/A	7,845	(64,757)	(75,084)	(142,894)	(809,732)	651,726
Total business-type activities	1,872,577	4,900,462	13,602,401	20,916,795	5,485,404	1,572,442	1,043,937
Total government	\$ (10,575,599)	\$ (9,259,437)	\$ (873,257)	\$ 8,037,042	\$ (9,203,885)	\$ (14,375,768)	\$ (13,278,898)

GASB Statement No. 34 Implemented in fiscal year 2003

Source: City records.

City of Kingston, North Carolina

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund:										
Reserved	\$ 3,893,590	\$ 2,524,259	\$ 2,257,743	\$ 1,957,731	\$ 1,778,943	\$ 3,016,132	\$ 2,250,430	\$ 2,595,053	\$ 2,208,633	\$ 1,978,932
Unreserved:	2,517,740	3,363,408	2,255,854	2,562,359	2,164,023	1,795,829	2,187,832	1,576,019	1,950,108	2,788,823
	\$ 6,411,330	\$ 5,887,667	\$ 4,513,597	\$ 4,520,090	\$ 3,942,966	\$ 4,811,961	\$ 4,438,262	\$ 4,171,072	\$ 4,158,741	\$ 4,767,755
Total General Fund										
All Other Governmental Funds:										
Reserved	\$ 1,363,743	\$ 1,104,612	\$ 2,679,480	\$ 3,548,911	\$ 244,764	\$ 182,905	\$ 313,363	\$ 4,168,822	\$ 42,652	\$ 42,112
Unreserved, reported in:										
Special revenue funds	(2,158,481)	(633,619)	(1,858,297)	(2,237,726)	520,709	142,252	(83,522)	102,534	39,795	5,682
Major Capital projects funds	-	-	-	(506,332)	-	-	-	-	-	-
Capital projects funds	734,648	(764,546)	(1,561,255)	(34,654)	-	91,317	(176,826)	(665,281)	1,002,639	33,197
Permanent fund	-	-	-	-	-	76,824	78,454	80,584	81,694	83,268
Total all other government funds	\$ (60,090)	\$ (293,553)	\$ (740,072)	\$ 770,199	\$ 765,473	\$ 493,298	\$ 131,469	\$ 3,686,659	\$ 1,166,780	\$ 164,259

City of Kingston, North Carolina

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Taxes	\$ 6,343,842	\$ 6,428,254	\$ 6,963,814	\$ 6,870,946	\$ 7,115,953	\$ 7,295,551	\$ 7,453,311	\$ 7,479,685	\$ 7,896,095	\$ 8,608,531
Other taxes	4,105,684	4,058,658	3,174,637	3,871,618	4,568,842	4,993,274	4,728,976	5,085,866	4,845,014	5,001,493
Intergovernmental	12,257,094	14,619,450	12,149,628	10,516,843	3,109,756	2,520,599	2,490,910	1,653,077	1,858,669	1,842,598
Charges for services	3,879,629	3,870,712	4,035,122	3,937,476	1,547,926	1,274,966	1,458,756	1,444,584	1,511,054	1,652,192
Other	373,522	542,322	1,248,001	431,429	205,906	179,280	434,937	546,582	532,669	349,453
Total revenues	26,959,771	29,519,396	27,571,202	25,628,312	16,548,383	16,263,670	16,566,890	16,209,794	16,643,501	17,454,267
Expenditures:										
General government	1,041,340	1,139,790	1,106,747	1,379,073	1,884,437	1,820,443	1,888,204	1,960,260	1,649,345	1,888,916
Public safety	7,077,340	7,757,768	7,705,335	7,547,052	8,190,475	8,331,314	8,920,980	9,886,828	11,511,179	9,992,813
Public services	4,215,536	4,660,841	5,570,632	4,317,306	1,621,290	1,836,529	1,834,359	2,134,327	1,915,880	1,347,391
Culture and recreation	2,081,602	2,263,251	2,315,358	2,164,615	2,340,430	2,425,258	2,811,762	3,425,570	3,342,593	3,364,074
Community development	12,756,775	13,006,858	11,603,199	9,642,912	2,787,031	2,179,013	1,968,797	1,263,181	1,333,933	953,254
Capital outlay	501,697	1,502,389	2,188,162	1,302,947	890,775	600	72,114			
Debt service:										
Principal	683,052	741,994	526,608	854,814	550,208	565,844	775,232	870,910	848,396	5,869,365
Interest	70,342	158,231	131,890	117,630	230,348	171,995	177,916	158,906	324,931	126,173
Total expenditures	28,427,684	31,231,122	31,147,931	27,326,349	18,494,994	17,330,996	18,449,364	19,699,982	20,926,257	23,541,986
Excess of revenues (under) expenditures	(1,467,913)	(1,711,726)	(3,576,729)	(1,698,037)	(1,946,611)	(1,067,326)	(1,882,474)	(3,490,188)	(4,282,756)	(6,087,719)
Other financing sources (uses):										
Transfers in	991,145	1,041,317	1,319,735	1,126,767	988,796	1,196,251	1,284,760	1,307,879	1,536,332	1,026,781
Transfers out	(155,845)	(86,717)	(364,735)	(171,767)	(529,147)	(547,705)	(524,658)	(197,576)	(249,187)	(318,569)
Issuance of long-term debt	1,966,920		801,140	2,259,799	905,114	1,015,000	314,730	5,667,885	463,401	4,986,000
Total other financing sources	2,802,220	954,600	1,756,140	3,214,799	1,364,763	1,663,546	1,074,832	6,778,188	1,750,546	5,694,212
Net changes in fund balance	\$ 1,334,307	\$ (757,126)	\$ (1,820,589)	\$ 1,516,762	\$ (581,848)	\$ 596,220	\$ (807,642)	\$ 3,288,000	\$ (2,532,210)	\$ (393,507)
Debt service as a percentage of noncapital expenditures	2.7%	2.9%	2.1%	3.6%	4.2%	4.3%	5.2%	5.2%	5.6%	27.6%

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)
2000	475,203,112	134,569,928	278,442,925	19,662,916	432,675,769	42,527,343	10%	
2001	474,564,987	138,898,879	292,509,374	17,063,645	448,471,898	26,093,089	6%	0.0618
2002	460,901,038	128,835,008	295,874,709	18,039,778	442,749,495	18,151,543	4%	0.0611
2003	467,918,731	139,697,073	291,218,874	16,872,338	447,788,285	20,130,446	4%	0.0630
2004	464,469,048	136,959,635	288,458,227	16,388,724	441,806,586	22,662,463	5%	0.0690
2005	475,439,130	136,413,157	288,003,273	30,195,605	454,612,035	20,827,095	5%	0.0710
2006	484,523,623	139,408,959	295,020,542	28,633,767	463,063,268	21,460,355	5%	0.0731
2007	492,063,385	126,593,785	301,904,545	28,149,694	456,648,024	32,415,361	7%	0.0781
2008	501,150,574	128,931,657	319,701,583	28,664,564	477,297,801	23,852,773	5%	0.0810
2009	470,222,174	141,893,893	286,858,132	16,200,053	444,952,078	25,270,096	5%	0.0970

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

Electric Rates	Cents Per KWH									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential	9.9	9.9	10.3	10.8	10.8	11.0	12.0	12.7	12.7	14.1
Small General Service	8.8	8.7	8.8	9.4	9.4	9.3	10.1	12.5	12.4	14.1
Medium General Service	0	0	0.0	0.0	0.0	0.0	10.3	10.4	10.3	11.8
Public Housing	8.5	8.5	8.8	9.3	9.4	9.4	10.1	11.7	12.6	13.9
Church and School	119	11.9	12.4	13.1	13.1	13.2	14.2	14.9	14.9	16.3
Municipal Service	3	3	5.0	6.0	6.0	6.0	6.7	4.0	4	5.1
Masterbrand	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3*	0
Large General Service	6.6	6.6	7.0	7.5	7.2	7.2	7.9	8.6	8.7	10.7
CDC Rate	4.9	5	7.9	4.9	5.0	5.0	5.5	5.9	6	7
Area Lights	18.5	18.5	19.6	20.6	20.7	20.9	22.2	21.5	22	22

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

Notes: Rates prior to Fiscal Year 2000 were not available

*Masterbrand rate was retired on 10/01/2007

City of Kinston, North Carolina
Principal Taxpayers
As of 6/30/2009

2009					2000				
Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value	Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
Smithfield Packing Co., Inc.	Meat Processor	\$82,129,679	1	5.80%	Dimon International	Tobacco Processor	\$19,101,635	1	1.80%
	Communications	32,845,850	2	2.30%	VPM, Inc.	Shopping Mall	13,770,555	2	1.30%
	Masterbrand cabinets, Inc.	24,192,441	3	1.70%	Carolina Telephone	Utility	11,844,103	3	1.10%
	Smithfield Packing Realty	15,235,405	4	1.10%	Kinston Ham Products, Inc.	Meat Processor	11,462,454	4	1.10%
	Poole Walter Realty Inc.	14,939,553	5	1.10%	Hampton Industries	Manufacturer	9,132,370	5	0.90%
	Excel Realty Trust NC	10,671,531	6	0.80%	Austin Co.	Tobacco Processor	8,647,877	6	0.80%
	Piedmont Natural Gas	10,597,826	7	0.80%	Excel Rally	Shopping Mall	6,987,119	7	0.70%
	Robert L. James Jr. et al	8,430,218	8	0.60%	Beuhler Products	Manufacturer	6,859,487	8	0.70%
	Lowes Home centers Inc.	8,126,897	9	0.60%	Barnet Southern Corp.	Manufacturer	6,190,590	9	0.60%
	Perrys Inc.	6,804,628	10	0.50%	Poole Walter Realty, Inc.	Shopping Mall	5,759,111	10	0.60%
Total Assessed Valuation of Top Ten Taxpayers		\$213,974,028		15.20%	Total Assessed Valuation of Top Ten Taxpayers		\$99,755,301		9.60%
Balance of Assessed Valuation		\$1,190,042,735		84.80%	Balance of Assessed Valuation		\$936,218,818		90.40%
Total Assessed Valuation		\$1,404,016,763		100.00%	Total Assessed Valuation		\$1,035,974,119		100.00%

Source: Lenoir County Tax Office

Ratios of Net General Bonded Debt Outstanding by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Debt Per Capita
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita	Installment Contracts	Notes and Installments	General Obligation Bonds	Revenue Bonds	Total Primary Government	
2000	0	0	0	0	0	\$ 3,049,151	\$ 7,032,292	0	\$ 14,475,000	\$ 24,556,443	\$ 983
2001	0	0	0	0	0	2,307,157	5,929,160	0	13,565,000	21,801,317	920
2002	0	0	0	0	0	2,581,689	5,251,113	0	12,730,000	20,562,802	868
2003	0	0	0	0	0	3,986,674	5,877,997	0	11,846,000	21,710,671	917
2004	0	0	0	0	0	3,857,418	6,714,017	0	13,466,000	24,037,435	1,034
2005	0	0	0	0	0	4,306,574	6,445,581	0	16,367,067	27,119,222	1,183
2006	0	0	0	0	0	3,846,072	5,721,263	0	15,777,811	25,345,146	1,109
2007	0	0	0	0	0	8,643,047	12,503,265	0	15,168,004	36,314,316	1,581
2008	0	0	0	0	0	8,258,051	12,668,221	0	19,832,648	40,758,920	1,775
2009	0	0	0	0	0	7,241,806	11,113,257	0	15,293,513	33,648,576	1,465

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

Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2009
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 71,400,000	36.61%	\$ 26,139,540
Subtotal, overlapping debt	71,400,000		26,139,540
City Direct Debt	-	100%	-
Total direct and overlapping debt	\$ 71,400,000		\$ 26,139,540

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 (\$3,800,000,000).
- (3) Amount in debt outstanding column multiplied by percentage applicable.

[illegible]

Debt includes Installment contracts and Notes payable

Calculation only includes debt guaranteed by the unit's taxing authority, so Revenue Bonds are excluded.

City of Kingston, North Carolina
Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)
(Unaudited)

Fiscal Year	Combined Enterprise Revenue Bonds					Special/Assessment Bonds			Sales Tax Increment Bonds		
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Special Assessment Collections	Debt Service		Sales Tax Increment	Debt Service	
				Principal	Interest		Principal	Interest		Principal	Interest
2000	\$ 41,024,124	\$ 38,102,716	\$ 2,921,408	\$ 770,000	\$ 816,571	0	0	0	0	0	0
2001	43,477,825	40,341,061	3,136,764	910,000	781,921	0	0	0	0	0	0
2002	42,461,360	39,216,493	3,244,867	835,000	740,061	0	0	0	0	0	0
2003	46,207,290	42,135,152	4,072,138	885,000	700,816	0	0	0	0	0	0
2004	49,470,309	45,850,694	3,619,615	353,933	1,217,633	0	0	0	0	0	0
2005	51,199,729	47,457,736	3,741,993	589,256	585,435	0	0	0	0	0	0
2006	56,838,017	54,526,650	2,311,367	589,256	501,167	0	0	0	0	0	0
2007	56,909,055	51,857,666	5,051,381	1,192,410	704,022	0	0	0	0	0	0
2008	57,592,808	52,842,641	4,750,167	1,217,959	699,457	0	0	0	0	0	0
2009	62,189,411	59,945,018	2,244,393	1,363,251	677,290	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)
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	16526	9,549	4.9%
2008	22649	(5)	9,546	7.2%
2009	(5)	(5)	9,258	12.4%

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	2009			2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Caswell Center	1,634	1	6.67%	1,780	1	6.63%
Lenoir County Public Schoos	1,310	2	5.35%	1,325	3	4.94%
Lenoir Memorial Hospital	1,200	3	4.90%	1,150	4	4.29%
Electrolux Home Products (Frigidaire Co.)	785	4	3.20%	850	5	3.17%
Associated Materials, Inc (Alside)	531	5	2.17%	450	8	1.68%
Lenoir Community College	520	6	2.12%	449	10	1.67%
Lenoir County	441	7	1.80%	483	7	1.80%
Hillco, LTD	412	8	1.68%	371	na	1.38%
Lenox China	400	9	1.63%	320	na	1.19%
Wal-Mart	385	10	1.57%	300	na	1.12%
	<u>7,618</u>		31.09%	<u>7,478</u>		27.87%

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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	5	3	3	3	3	3	2	3	3
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	4	4	5	4	4	4	4	3.5	3.5	3.5
Finance	12	13	13	13	12	11	11	11	12	12
Computer Services	3	3	3	3	3	3	3	3	3	3
Legal	4	3	3	3	2	2	2	2	2	2
Building Safety	2	2	2	2	2	2	2	2	2	2
Planning	3	4	3	3	3	3	3	3	3	3
Facility Management	5	5	5	5	5	5	5	5	5	5
Community Development										
Parks and Recreation:										
General and Administrative	8	8	8	7	6	6	6	6	6	6
SOAR										
Recreation	24	26	25	24	24	25	28	28	26	25
Pool(s)	1	1	1	1	1	1	1	1	1	1
Golf Course(s)	1	1	1	1	1	1	1	1	1	1
Police:										
Officers	74	80	75	75	74	74	74	75	75	77
Civilians (a)	8	12	12	10	10	10	10	10	9	9
Fire:										
Firefighters and Officers	64	65	65	57	56	56	55	55	54	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	17	20	19	17	16	17	18	15	16	12
Street Sweeping	1	2	1	1	1	1	1	1	1	1
Refuse Collection	27	35	29	28	30	31	30	26	26	26
Weed Control	2	2	2	2	1	1	1	1	1	1
Central Garage	14	14	13	11	10	11	10	10	9	10
Street Lighting										
Traffic Control	2	2	2	2	2	2	2	2	2	2
Electric:										
Distribution	22	27	23	21	23	23	20	21	21	23
Billing and Administration	20	21	19	19	21	21	19	20	23	23
Meter Reading	4	8	8	8	8	8	7	6	6	6
Water:										
Administration	3	3	3	3	3	3	3	3	3	3
Transmission	23	27	26	18	18	18	20	24	25	25
Purification	3	3	3	3	2	2	2	3	3	3
Lake Bloomington Park										
Sewer Maintenance										
Stormwater	17	19	16	15	15	15	13	14	13	13
Other Programs/Functions:										
Engineering	10	13	11	10	9	9	10	10	8	7
Risk Management	3	3	3	3	3	3	3	2.5	2.5	2.5
Parking										
Cultural District										
Total	394	441	412	382	378	381	375	375	375	379

Source: Prior year CAFR's
Various HR and budget records

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Calls for service	31,262	31,769	31,624	29,598	29,803	30,610	31,192	35,156	32,213	32,686
Adult arrest	4,554	3,736	3,269	3,039	3,169	2,847	2,945	4,910	3,008	2,755
Juvenile arrest	154	148	196	167	186	146	172	171	161	122
Speeding citations only	1,428	1,031	1,259	1,000	600	1,240	656	863	1,280	392
Traffic citations	5,676	3,695	3,821	2,870	2,782	3,453	2,506	5,823	5,677	3,567
Fire:										
Total fire runs	**	575	119	998	826	704	664	216	870	843
Total rescue runs	**	294	624	691	699	410	143	145	121	151
Property loss	**	\$ 291,850	\$ 552,773	\$ 737,261	\$ 773,719	\$ 433,537	\$ 380,311	\$ 761,793	\$ 642,430	\$ 791,822
Building safety:										
Total building permits	204	129	100	147	135	122	121	124	115	98
Total value all permits	\$ 48,959,642	\$ 29,960,815	\$ 16,666,270	\$ 12,374,362	\$ 14,540,108	\$ 16,423,622	\$ 58,292,255	\$ 35,183,618	\$ 20,778,089	\$ 9,735,748
Library, volumes in collection	121,157	121,066	120,214	114,729	113,465	115,695	116,474	14,026	99,905	235,108
Public service:										
Garbage collected (ton)	24,873	23,248	22,846	22,989	22,816	22,977	22,685	20,521	19,937	21,254
Recycle collected (ton)	1,133	999	820	765	730	695	632	574	836.48	563.21
Parks and Recreation:										
Recreation program attendance:										
Athletics	140,000	142,000	146,000	156,000	155,000	160,000	158,500	163,000	172,000	175,000
Centers and Parks	403,000	408,000	412,000	418,000	421,000	419,000	419,500	421,500	520,000	518,000
Other Programs	101,000	100,000	101,500	106,000	108,000	111,000	114,000	113,000	116,000	122,000
Golf Rounds Played	7,100	7,300	7,500	7,500	7,500	7,500	7,800	7,950	8,200	9,300

Source: Various City records

Note: ** Indicator not available

City of Kingston, North Carolina

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police:										
Stations	5	6	6	6	4	4	4	4	3	3
Fire and Rescue										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse Collection:										
Collection Trucks	27	27	26	25	25	25	25	25	25	25
Other Public Works										
Streets (Miles)	115.36	113.4	113.4	114.6	114.7	115.4	113.9	114.91	114.91	114.91
Streets Lights	2060	2060	2061	2061	2062	2064	2064	2123	2106	2106
Traffic Signals	N/A	N/A	N/A	N/A	N/A	N/A	15	15	15	15
Parks and Recreation:										
Acreage	278	245	245	245	245	245	245	300	300	300
Parks	13	12	14	14	14	14	14	15	15	15
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds										
Soccer/Football Fields	2	2	2	2	16	17	17	17	26	26
Basketball Courts	8	8	8	8	6	6	6	6	13	13
Tennis Courts	19	19	17	15	14	16	16	16	17	17
Swimming pools	3	3	3	3	3	2	2	2	2	2
Parks with Playground Equipment	7	7	7	7	8	8	8	8	8	8
Picnic Shelters	5	5	5	5	5	6	8	8	8	8
Community Centers	5	5	5	5	5	5	5	5	5	5
Museums	1	1	2	2	2	2	2	2	2	2
Stadium	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 Seat	4200 seat	4200 seat	4200 seat
300 seat	300 seat	300 seat	300 seat	0	0	0	0	0	0	0
Airport Theater										
Indoor Baiting Facility	1	1	1	1	1	1	1	1	1	1
Natural Sites	4	4	4	4	4	4	4	4	5	5
Gymnasium	3	3	3	3	4	4	4	4	4	4
Spray Ground	0	0	0	0	0	0	0	1	1	1
Dog Park	0	0	0	0	0	0	0	0	1	1
Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	121,157	121,066	120,214	114,729	113,465	115,695	116,474	14,026	99,905	235,108
Water:										
Storage Capacity (MGPD)	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25MGD	4.25MGD
Average Daily Consumption (MGPD)	4.82 MGD	4.57 MGD	4.46 MGD	4.09 MGD	3.49 MGD	3.71 MGD	3.80 MGD	3.63 MGD	3.49MGD	2.94MGD
Peak Consumption (MGPD)	7.23 MGD	6.86 MGD	6.69 MGD	6.14 MGD	5.24 MGD	5.57 MGD	5.70 MGD	5.45 MGD	5.24MGD	5.12MGD
Miles of Water Mains	206	207.5	208.2	208.2	211.7	212.3	212.7	214	214.4	214.7
Wastewater:										
Sanitary Sewers (miles)	206	204.8	206.2	206.2	208.3	209.2	209.4	211.2	211.4	211.4
Storm Sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	62.3	62.3	62.4	62.4
Average Daily Flow	5.1 MGD	5.68 MGD	4.46 MGD	4.09 MGD	3.5 MGD	5.24 MGD	5.12 MGD	5.29 MGD	4.6MGD	4.29MGD
Electric:										
Average Daily Usage	1580 MWH	1,215,678 KWH	1,215,678 KWH	1,215,678 KWH	1,226,817 KWH	1,258,457 KWH	1,317,090 KWH	1,373,711 KWH	1,373,015 KWH	1,219,047 KWH
Mile of Distribution Lines	365	375	375	375	425	425	430	430	430	430

Source: Various City records

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