

**CITY OF KINSTON  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED JUNE 30, 2010**

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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, 2010**

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## **INTRODUCTORY SECTION**

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Letter of Transmittal

List of Principal Officials

Organizational Chart

GFOA Certificate of Achievement for Excellence in Financial Reporting

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Finance Office

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B. J. MURPHY  
Mayor

SCOTT A. STEVENS  
City Manager

JAMES P. CAULEY III  
City Attorney

CHRISTINA ALPHIN  
City Clerk

September 20, 2010

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, 2010, 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. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the data enclosed is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position and, where applicable, the cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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 wastewater and stormwater 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 10.6 percent unemployment rate compared to a statewide rate of 10.0 percent and a national average of 9.5 percent. The July 2009 population estimates for the City report population as 22,056.

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 is growing. Overall, the value of new construction and renovation was \$59.9 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

All indications are that economic growth will continue. In July 2010 Spirit AeroSystems, Inc. held its grand opening for its Kinston facility at 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 is investing \$570.5 million in a 500,000 square foot design and manufacturing facility on 304 acres and will create at least 1,000 jobs. 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, construction began in April 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.

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, hatchery, and processing plant are scheduled for November 2010. 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.

Schenker Logistics Inc., a New York State based logistics firm signed a five-year renewable lease at the Global TransPark and will serve as a third-party logistics supplier for the Spirit AeroSystems operation in Kinston. In April 2010 Masterbrand Cabinets announced it will invest more than \$ 3.75 million at its existing facility in Kinston bringing up to 334 new jobs over the

next three years. A developer announced plans to build a senior living complex consisting of 12 one-story buildings on about seven acres; (senior living complex is called Abby Gardens). Construction began in July 2010 on a 100 bed skilled Veterans Administration nursing facility. This \$12 to \$18 million facility will provide support for the 110,000 veterans living within a 50-mile radius of Lenoir County and create 152 new jobs for the region. Construction is scheduled to be finished in the winter of 2012 and the home should open that spring.

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## **MAJOR INITIATIVES**

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### **FOR THE YEAR**

Fiscal Year 2009-2010 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

#### **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. All work included decommission and demolish of the Peachtree Plant. This \$26.9 million project was funded through a Federal Emergency Management Agency (FEMA) grant and began treating wastewater in August 2006. The plant was considered substantially complete in August, 2006. The City received the final reimbursement from FEMA on January 19, 2010 of \$1,228,710.97.

#### **Water Reuse Project at the Kinston Regional Water Reclamation Facility (KRWRF)**

This project consists of expanding the water reuse site developed in KRWRF Contract IV. The City acquired additional property adjacent to the KRWRF plant for the expansion, and chose the Wooten Company as the consultant to provide design and permitting services. Funding for the project was provided by \$1,290,000 Clean Water Management Trust Fund (CWMTF) grant, \$267,200 local cash match and \$180,000 of in-kind services. The project was completed in February, 2010 and has been closed out. Final Project costs were \$1,737,200.

#### **College Street Sewer Rehabilitation**

This project replaces 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 is 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 & Wheler is the engineering firm for the project. Bid was awarded to Sappah Brothers, Inc. in July, 2009. Project was to be completed in February, 2010. Contractor did not meet project schedule and has been declared in default by the City. We are currently waiting on a proposal from the surety company to complete the project. Approximately 58% of pipe has been installed, but only 25% has passed testing. Grant has been extended and current grant deadline for completion is April, 2011.

#### **Adkin Branch Stream Restoration Project**

The North Carolina Ecosystem Enhancement Program (NCEEP) has substantially completed construction of Phase I 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. Phase I was from Lincoln Street to Washington Avenue. Phase II will be from Washington Avenue 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 NCEEP has some issues with their general contractor and removed them from the project. The City has incurred

damages to the Lincoln Street bridge, Davis Street landfill and some miscellaneous sidewalk and street locations. Total damages are estimated at \$1 million. City is working with NCEEP, the Attorney General, and the contractor's surety to repair damages. City should not have any expense in these repairs. No schedule has been set for the repairs. Phase II construction will not be permitted until damages are remediated for Phase I.

#### **East Vernon Avenue Sewer Rehabilitation Project**

This project involved replacement or rehabilitation of 10" and 12" sewer mains under Vernon Avenue from McLewan Street to Dr. Martin Luther King Jr. Boulevard. Bid was awarded to STEP Construction. Scope was reduced to work from MLK to Independence Street after contaminated soil was found, resulting in higher costs. The project budget was \$675,000, including a grant of \$500,000 from the North Carolina Rural Center Supplement Grant Program, and a \$175,000 city cash match. Work was completed in March, 2010 with a final project cost of \$674,759.52.

#### **Spirit Aerosystems Water/Sewer/Stormwater Project**

This project involves 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 Spirit site. Final costs are estimated at \$736,568.00. Funding consists of grants from the North Carolina Rural Center \$368,284 and the North Carolina Industrial Development Fund \$331,456 and a city cash match of \$36,828. The City also funded \$1,000,000 of stormwater improvements which have been completed. All water and sewer work is complete, except lift station improvements, which should be complete by September, 2010.

#### **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 US 70 industrial park. Total project cost is estimated at \$551,268. Lenoir County is funding this project through grants with the North Carolina Rural Center \$275,633, the North Carolina Industrial Development Fund \$253,175 and a City cash match of \$22,460. The contractor, Ormond Utilities, completed work in June, 2010. Final costs will be within the project budget.

#### **Briery Run Phase III Sewer Rehabilitation Project**

The Briery Run Sewer Outfall serves northern Kinston and the North Carolina Global Transpark area. Phase III sewer project involves rehabilitation of the outfall from Graham Drive to Highway 58. This project was funded with a North Carolina Rural Center Grant of \$500,000 plus a \$125,000 city cash match. The project scope includes work between Graham Drive and Airport Road. This work was awarded to Insituform Technologies and was completed in July 2010. Total project costs were within the \$625,000 project budget.

#### **Traffic Signal Project**

The City's final cost share for this project to update and automate traffic signals in the city limits is \$1,174,778.70. The City received credit for \$384,673.72 in city expenses and for a \$22,157.21 billing adjustment, resulting in an unpaid balance of \$767,947.77. Balance is to be paid to NCDOT in three equal annual payments of \$255,982.59. The first payment was made in December, 2009.

### **Sanderson Farms Utilities Project**

Sanderson Farms is building three new facilities that will be served with city water and sewer services. The hatchery site required construction of a fire line to meet fire protection needs and a small sewer lift station. The feed mill site required a water line extension and the extension of a gravity sewer line. The processing plant required a large water service connection, water booster station and connection to an existing sewer line along the property. Total costs for this work was estimated at \$1,121,775. This project is funded with a North Carolina Rural Center grant of \$560,887.50, a North Carolina Industrial Development Fund grant of \$500,311.65 and a city cash match of \$60,575.85. All work for the feed mill is complete. Work at the hatchery is substantially complete. Work at the processing plant is expected to be substantially complete in September, 2010. All work has been contracted and is expected to be completed within the project budget.

### **2009-10 Street Resurfacing Project**

Project involves the resurfacing of city streets, including all or portions of College Street, Roundtree Street, Stockton Road, Daniels Street, Independence Street, Emma Webb Drive, and DuPont Circle. Project budget was \$151,000. Work has been completed within budget.

### **Railroad Realignment Project**

The North Carolina Railroad (NCRR) is performing work to realign the existing track through downtown Kinston, from Herritage Street to McLewan Street. The project requires the train depot be removed and will reduce parking available at the Arts Council on Queen Street. North Carolina Railroad has provided the City of Kinston \$315,000 to remove the depot, improve parking for the Arts Council and construct fencing and sidewalk between Herritage Street and Queen Street. To date, the depot has been removed and construction has been contracted for the parking, sidewalk and fence improvements. Completion of these items will be in 2010.

### **Herritage Street Sidewalk Improvements**

The City has received a grant of \$200,000 from the Golden Leaf Foundation to make improvements to the Herritage Street business district. The project will include removing existing sidewalks and curbing and replacing with concrete sidewalks and curbing along with a brick street lawn to spur interest and redevelopment in this commercial area. The city will provide a \$10,000 in-kind contribution to the project. The work has been awarded to Lanier Construction for \$200,000 and should be complete in September, 2010.

### **Martin Luther King Blvd Enhancement Project**

This project will provide physical improvements to the MLK Corridor, in addition to providing training to community advocates to improve the physical appearance and safety of the neighborhood. The project includes construction of roundabout circle and sidewalk improvements along the corridor in collaboration with NCDOT, landscaping, streetscape, crosswalks and improved lighting. The funding will be provided through \$502,500 from NCDOT, \$422,500 from the Golden LEAF Foundation and \$120,000 from the City of Kinston, including some in-kind services. Project should be completed by December 2011.

### **Electric Division – Felix Harvey Parkway Expansion Primary Line Relocation**

The North Carolina Department of Transportation (NCDOT) requested the City relocate electric utility lines in conflict with their road expansion. They asked that these lines be put underground. The City is in the process of this relocation. The Estimated total cost of this aspect of the project is \$205,800 and is primarily funded by the DOT. The expansion is being built between U.S. 70 West and U.S. 258 North to better serve the Global TransPark.

### **Electric Division – Spirit Aerospace Rail Spur**

The NCDOT has begun construction of a Rail Spur to benefit Spirit AeroSystems at the Global TransPark and has requested the City relocate electric utility lines in conflict with this initiative. The estimated cost of the project is \$ 246,408 and is fully reimbursable by the DOT.

### **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. Total budget: \$460,000, total spent to date: \$404,606.10. Estimated completion date: October 1, 2010.

### **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 City borrowed funds to finance this project. Assembly of the substation began in June 2009. Total budget: \$3,343,000 Total spent to date: \$3,010,512.34 Estimated date of completion: December 1, 2010.

### **Management Information Systems**

MIS will be moving from Novell Netware to Novell Suse Linux 11 OES, this a major update. Novell stopped development on Netware back in March of 2010. There are changes in the way the operating system handles printing and MIS will make changes prior to the upgrade later this year.

### **Planning – Urban Progress Zone**

In November 2009, City Council renewed the existing 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 has 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.

### **Mayor's Homeownership Committee**

Mayor Murphy established a committee that included the Planning Department to assess the gap between those that rent and those that own homes. This committee created an educational document, "Homeownership Resource Guide," to help motivated citizens seek out resources, from credit counseling to financial resources, in order to make owning a home a reality. The Committee also passed a resolution supporting a Comprehensive Plan for the City of Kinston.

### **Community Development:**

Call Kinston Home Corporation, a non-profit organization is reestablishing its presence through some start-up funding from the City. Its 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 – Woodmen of the World Community Center**

Woodmen of the World has agreed to provide \$7 million of private funds for the construction of a new 60,000-square foot community center. The City of Kinston and Lenoir County will provide \$500,000 each toward the construction project. The plans for the facility include an outdoor pool with a bubble, two indoor basketball courts, elevated walking track, a large banquet room and a conference room. The center will be located at the former Smithfield Packaging Plant site on Vernon Avenue and construction should begin in FY11.

### **Recreation – Emma Webb Picnic Shelter, The Rotary Dog Park, and Barnet Park**

The picnic shelter at Emma Webb was completely renovated at Emma Webb Park, along with removing the fencing and turning the tennis courts into a parking lot, due them no longer being used as tennis courts due to cracking.

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. Fencing has been installed for large and small dog exercise areas, an obstacle course has been built, restrooms are approximately 75% complete and the retrieving training grounds have been completed.

Lighting was installed at Barnet Park at the #3 softball field, new entranceway signage was installed and the termite softball field was expanded with new fencing and lighting so it could be used for older age groups.

### **IN THE FUTURE**

#### **Harvey Parkway Extension (formely Crescent Road Extension )**

NCDOT has begun construction of the extension of Harvey Parkway from Highway 258 to Highway 70. Utility conflicts along existing NCDOT roads have been corrected by NCDOT and their contractors during construction at the City's expense. Estimated cost of the relocations is \$106,590, which would be repaid to NCDOT over three years. First payment of \$35,530 is due in July, 2010.

#### **GTP Rail Spur Water and Sewer Utility Relocations (performed by NCDOT)**

A rail spur will be constructed by the NCDOT Railway Division to provide rail service to the new Spirit Aerosystems project. NCDOT is to resolve any utility conflicts along the project. Conflicts in NCDOT street rights-of-way will be handled at city expense. Conflicts at other locations will be corrected at NCDOT expense. NCDOT has informed the city the estimated city expense is \$490,000, to be repaid to NCDOT over 5 years, beginning in July, 2011.

#### **Chestnut Street/Martin Luther King Jr. Boulevard Drainage Project**

Phase I of this project will replace drainage pipes from the Adkin Branch to Adkin Street. Bid has been awarded to Lanier Construction for \$58,706.10. Work will begin in September, 2010 and be complete by January, 2011. Cost for remaining phases is estimated at \$450,000 and will take three more years to complete. Funds for this project will come from Kinston's stormwater utility fee.

#### **Pollock Street Lift Station Force main Project**

The City of Kinston has applied for two grants to replace the existing forcemain at the Pollock Street Lift Station. The City has been awarded a \$500,000 grant from the North Carolina Rural Center. A grant of \$300,000 has been requested from the Clean Water Management Trust Fund. This grant is still being considered by the Trust Fund. If the Trust Fund grant is not awarded, the

City will adjust the scope of the project to match the available budget of \$625,000 (\$125,000 city cash match and the \$500,000 grant). Construction should begin in January, 2011.

#### **Annexation of Briarwood, Crestview, Hickory Hills/Galaxy MHP, Silver Creek, and Hwy 258 N Parcels**

The City Council approved the annexation of this area with an effective date of November 30, 2009. The annexation area consists of approximately 500 acres, with 492 tax parcels and an estimated 1,193 residents in the area of Highway 258 North, Daly Waldrop, Hull and Banks School Roads. The overall increase in revenue to the City, is estimated at \$195,000 on an annual basis. The annexation is currently on hold pending the outcome of legal proceedings. If the annexation is upheld, the City will be required to provide most municipal services to the annexation area on the effective date and within two years of the effective date, the City is required to provide sewer service to the annexation area.

#### **Annexation of Sanderson Farms Processing Plant and Feedmill Sites**

The City Council approved the annexation of Sanderson Farms' processing plant and feedmill sites with an effective date of November 2, 2009. The annexation area consists of approximately 264 acres located along US 70 and Parrott Dickerson Road. The overall increase in tax revenue to the City after the facilities are built is estimated at \$700,000.

#### **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. Preliminary engineering work was done by the Wooten Company for routing the sewer to the Briery Run Outfall. Additional engineering work will be performed to evaluate discharging the sewer to the Neuse Outfall. Construction cost is estimated at \$5.0 million. We will be pursuing funding from various state and federal agencies for this project. Construction schedule will be dependent on funding and development in the industrial park.

#### **Composting Feasibility Study**

The city intends to conduct a study to determine the financial and engineering feasibility of creating compost material using biosolids from the wastewater treatment plant, woody debris, leaves and/or grass clippings currently being collected and disposed of by Public Services. Study cost is estimated at \$25,000.

#### **Planning - Funding for Comprehensive Planning**

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. Development of a Comprehensive Master Plan would 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 and secure grant funding opportunities.

### **Public Safety- Fire Stations # Two and # Three**

Fire Station Two will be located at Carey and Rouse Rd. intersection. The 5,973 sq. ft. facility will replace a 30-year old facility located at 2207 Plaza Blvd. Fire Station Three will be located on Hill Farm Rd. The 5,973 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. The estimated cost to construct the new fire stations is \$ 2.75 Million; most of the funding will be obtained through a USDA-RD loan.

### **Public Safety- Fire Apparatus**

This project includes the replacement of two existing front line fire engines. The equipment being placed into a reserve status is a 1993 Pierce pumper and a 1993 E-One pumper. The new apparatus will both provide 1500 gallons per minute pumping capacity with on-board foam systems. The funding will be provided through a combination of USDA loans and grants totaling \$998,000.

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## **OTHER INFORMATION**

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**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, 2009. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

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

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

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

Respectfully submitted,



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Keith M. Fiaschetti, MBA  
Finance Director



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Scott A. Stevens,  
City Manager

**CITY OF KINSTON, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICERS**  
**JUNE 30, 2010**

**CITY COUNCIL**

**B. J. MURPHY**  
Mayor

**WILLIAM W. BARKER**  
Mayor Pro Tem

**JOSEPH M. TYSON**

**ALICE S. TINGLE**

**BOBBY MERRITT**

**ROBERT A SWINSON, IV**

**CITY ADMINISTRATION**

**SCOTT A. STEVENS**  
City Manager

**KEITH M. FIASCHETTI**  
Finance Director

**MONIQUE HICKS**  
Deputy City Clerk

**GLORIA BLAKE**  
Interim Director of Human  
Resources

**RHONDA F. BARWICK**  
Director of Public Services

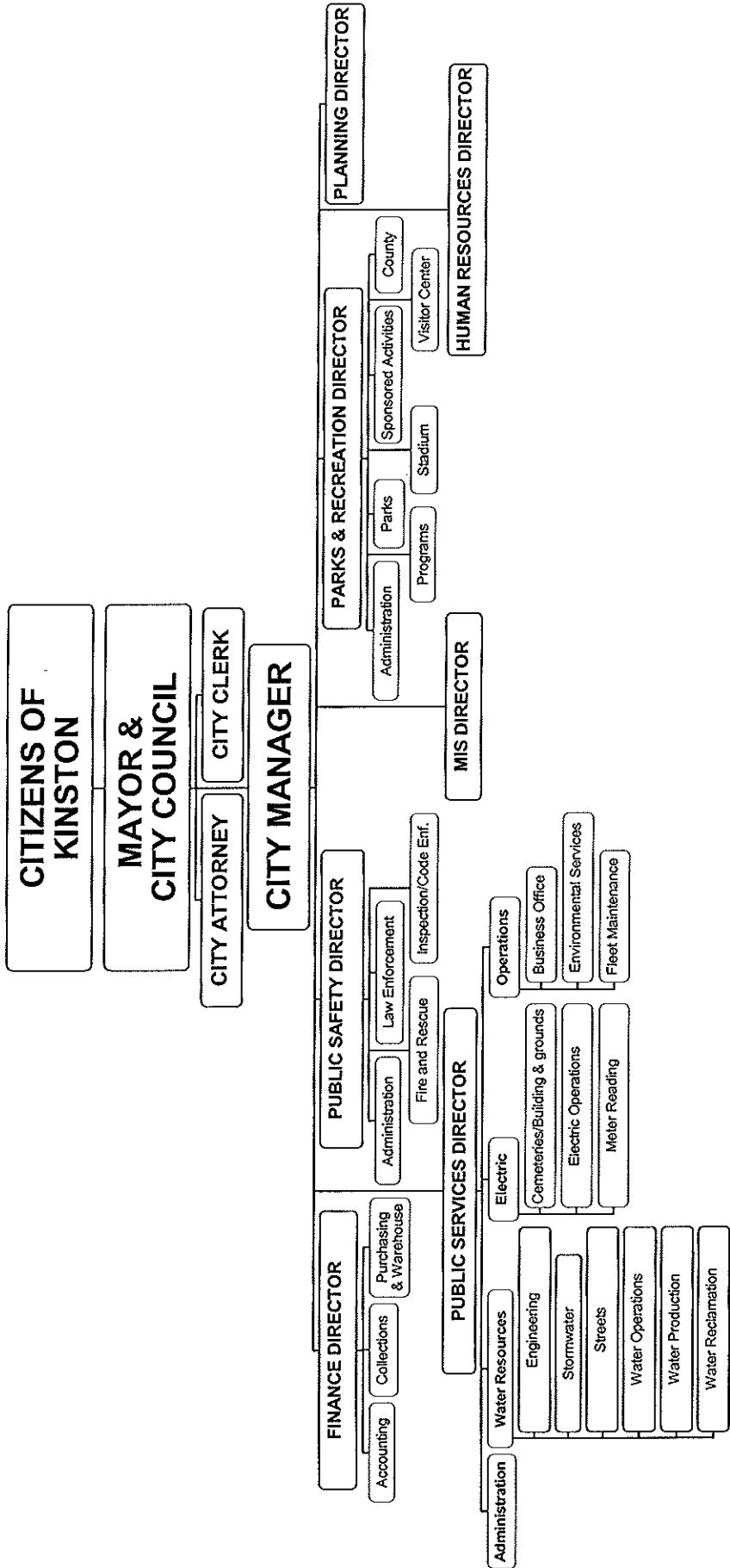
**ANNETTE BOYD**  
Interim Director of  
Public Safety  
Inspections & Code Enf.

**AMANDA ENGESETHER**  
Director of Planning,

**BILL ELLIS**  
Director of Parks and  
Recreation

# City of Kinston Organizational Structure

FY 2009-2010



# 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, 2009

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**

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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

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

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*"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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the 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, 2010, 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 September 20, 2010 on our consideration of the City of Kinston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 fund financial statements and schedules, budgetary 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. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

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

Martin Starnes & Associates, CPAs, P.A.  
September 20, 2010

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

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010**

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, 2010. 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.

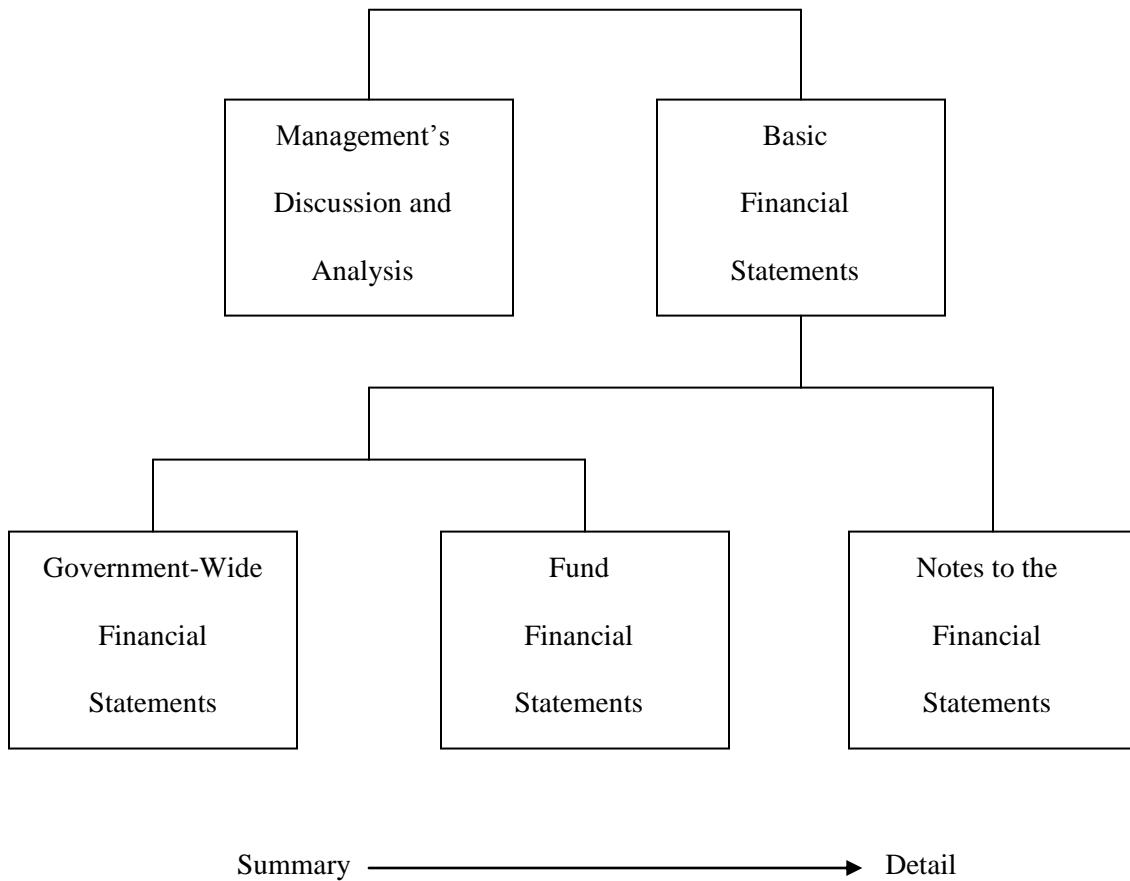
#### **Financial Highlights**

- The overall financial position of the City increased in 2010 as evidenced by an increase in total net assets of \$2.6 million. This was from business-type activities which increased \$ 3.0 million while governmental activities decreased \$ 0.4 million.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$107.0 million (net assets). Of this amount, \$15.5 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.2 million, an increase of \$ 0.3 million in comparison with the prior year and is primarily due to an increase in general fund balance. Approximately 70.9 percent of this total amount, or \$3.7 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 \$3.6 million, or 20.2 percent of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$1.1 million during the current fiscal year. Most of this decrease came from payment of \$ 3.1 million in principal payments on existing debt which was partially offset by \$ 2.5 million increase in debt mainly to finance improvements to the sanitary sewer system and the purchase of various vehicles and equipment for the public safety and public services divisions.

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

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

## Required Components of Annual Financial Report



### Basic Financial Statements

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

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

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

## **Government-Wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

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

The City of Kinston adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the Government-Wide Statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that supply and service for the City's other programs and activities. Three of the internal service funds predominantly benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements. The Fleet Maintenance Fund, Employee Health and Insurance Fund, and Warehouse Inventory Fund are included in governmental activities. The public services fund, which functions as a management group for the enterprise funds is included in the business-type activities.

The fund financial statements are on pages 16 – 25 of this report.

#### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 26 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kinston's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 61 of this report.

## Government-Wide Financial Analysis

**Net Assets:** For the City, assets exceeded liabilities by \$107 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2010 and 2009 is presented below:

### City of Kinston's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 8,250,910	\$ 8,223,317	\$ 18,778,686	\$ 17,457,256	\$ 27,029,596	\$ 25,680,573
Capital assets	<u>17,026,160</u>	<u>17,874,658</u>	<u>105,751,425</u>	<u>104,559,877</u>	<u>122,777,585</u>	<u>122,434,535</u>
Total assets	<u>25,277,070</u>	<u>26,097,975</u>	<u>124,530,111</u>	<u>122,017,133</u>	<u>149,807,181</u>	<u>148,115,108</u>
Long-term liabilities						
outstanding	8,756,657	8,953,613	25,885,012	26,708,601	34,641,669	35,662,214
Other liabilities	<u>1,399,082</u>	<u>1,590,110</u>	<u>6,809,910</u>	<u>6,550,556</u>	<u>8,208,992</u>	<u>8,140,666</u>
Total liabilities	<u>10,155,739</u>	<u>10,543,723</u>	<u>32,694,922</u>	<u>33,259,157</u>	<u>42,850,661</u>	<u>43,802,880</u>
Net assets:						
Invested in capital assets,						
net of related debt	10,172,960	10,632,852	81,162,571	78,153,107	91,335,531	88,785,959
Restricted	83,390	501,969	-	-	83,390	501,969
Unrestricted	<u>4,864,981</u>	<u>4,419,431</u>	<u>10,672,618</u>	<u>10,604,869</u>	<u>15,537,599</u>	<u>15,024,300</u>
Total net assets	<u>\$ 15,121,331</u>	<u>\$ 15,554,252</u>	<u>\$ 91,835,189</u>	<u>\$ 88,757,976</u>	<u>\$ 106,956,520</u>	<u>\$ 104,312,228</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 \$2.6 million for the fiscal year ended June 30, 2010. However, the largest portion (85.4%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15.5 million is unrestricted.

Net assets of the governmental activities decreased \$ 0.4 million, or 2.8 percent, to \$15.1 million. However, \$10.2 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). The remaining balance of \$4.9 million is unrestricted. The unrestricted net assets are available primarily to support operations and to provide for payment of long-term debt.

The net assets of the business-type activities increased by \$3.1 million, or 3.5 percent, to \$91.8 million. These net assets will be used to help finance the operations and/or expansion of the electric, water, wastewater, environmental services and stormwater management systems.

**Changes in Net Assets:** The following table presents the City's changes in net assets for the fiscal years ended June 30, 2010 and 2009:

**City of Kinston's Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,132,624	\$ 2,013,968	\$ 69,110,128	\$ 66,069,506	\$ 71,242,752	\$ 68,083,474
Operating grants/contributions	1,276,437	1,022,955	-	-	1,276,437	1,022,955
Capital grants/contributions	39,407	462,297	4,051,316	2,753,405	4,090,723	3,215,702
General revenues:						
Property taxes	9,093,393	8,670,590	-	-	9,093,393	8,670,590
Other taxes	4,903,299	5,001,493	-	-	4,903,299	5,001,493
Grants/contributions not restricted to specific programs	281,404	357,346	-	-	281,404	357,346
Other	182,813	367,365	11,292	125,330	194,105	492,695
<b>Total revenues</b>	<b>17,909,377</b>	<b>17,896,014</b>	<b>73,172,736</b>	<b>68,948,241</b>	<b>91,082,113</b>	<b>86,844,255</b>
<b>Expenses:</b>						
General government	2,873,676	2,594,129	-	-	2,873,676	2,594,129
Public safety	9,864,668	9,218,831	-	-	9,864,668	9,218,831
Highways and streets	1,936,357	1,606,515	-	-	1,936,357	1,606,515
Economic & physical development	780,818	730,734	-	-	780,818	730,734
Culture and recreation	3,533,204	3,552,374	-	-	3,533,204	3,552,374
Interest on long-term debt	315,202	119,472	-	-	315,202	119,472
Electric	-	-	53,041,348	51,602,697	53,041,348	51,602,697
Water	-	-	7,378,161	7,516,489	7,378,161	7,516,489
Wastewater	-	-	5,296,980	5,296,885	5,296,980	5,296,885
Non-major fund	-	-	3,417,407	3,362,902	3,417,407	3,362,902
<b>Total expenses</b>	<b>19,303,925</b>	<b>17,822,055</b>	<b>69,133,896</b>	<b>67,778,973</b>	<b>88,437,821</b>	<b>85,601,028</b>
<b>Increase in net assets before transfers</b>	<b>(1,394,548)</b>	<b>73,959</b>	<b>4,038,840</b>	<b>1,169,268</b>	<b>2,644,292</b>	<b>1,243,227</b>
<b>Transfers</b>	<b>961,627</b>	<b>1,024,672</b>	<b>(961,627)</b>	<b>(1,024,672)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>(432,921)</b>	<b>1,098,631</b>	<b>3,077,213</b>	<b>144,596</b>	<b>2,644,292</b>	<b>1,243,227</b>
Net assets, July 1	15,554,252	14,012,123	88,757,976	88,764,100	104,312,228	102,776,223
Prior period adjustment	-	443,498	-	(150,720)	-	292,778
<b>Net assets, July 1 as restated</b>	<b>15,554,252</b>	<b>14,455,621</b>	<b>88,757,976</b>	<b>88,613,380</b>	<b>104,312,228</b>	<b>103,069,001</b>
<b>Net assets, June 30</b>	<b>\$ 15,121,331</b>	<b>\$ 15,554,252</b>	<b>\$ 91,835,189</b>	<b>\$ 88,757,976</b>	<b>\$ 106,956,520</b>	<b>\$ 104,312,228</b>

Total government-wide revenues of \$91.1 million were primarily derived from charges for services (78.2%), property taxes (10.0%) and other taxes (5.4%). The total expenses of all programs were \$88.4 million. The expenses cover a range of services with the two largest being electric services (60.0%) and public safety (fire/EMS, police and inspections/code enforcement) (11.2%).

## **Governmental Activities**

Governmental activities decreased the City's net assets by \$0.4 million. Key elements of this decrease are as follows:

- Increase in government's expenses of \$ 1.5 million with the increases generated by: general government, \$ 0.3 million, \$0.3 million by highways and streets and \$ 0.6 million by public safety. These increases are mainly attributable to postponing expenditures in the prior year due to the economic downturn in the national, State, and local economies.

## **Business-Type Activities**

Business-type activities increased the City's net assets by \$ 3.1 million. Key elements of this increase are as follows:

- Charges for services increased by approximately \$ 3.0 million, or 4.6% over the prior year. The increase was the result of increases in electric, water and wastewater utility rates. The revenue increase in electric was offset by \$0.9 million in additional purchased power costs over the prior year.
- Revenues from capital grants increased \$ 1.3 million primarily related to expansion of the City's electric, water and wastewater system to benefit new industry and to fund various sewer rehabilitation projects.

## **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 \$3.6 million of which, nothing is designated for subsequent year's expenditures, while total fund balance was \$5.1 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 20.2% of total General Fund expenditures of \$17.8 million while total fund balance represents 28.5% of that same amount.

At June 30, 2010, the governmental funds of City of Kinston reported a combined fund balance of \$5.2 million, a 4.9% increase over last year.

**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 revenues \$ 0.1 million mainly attributable to delays in proposed land sales. This variance was partially offset from higher ad valorem tax revenues due to a better collection rate.

Expenditures were managed as well, and the City was able to comply with its budgetary requirements. Significant favorable variance (actual expenditures below the final amended budget) is attributable to a delay in the purchase of various trucks and equipment including two new fire trucks in the fire and rescue division.

**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 \$4.8 million in the Electric Fund, \$1.9 million in the Water Fund, \$2.2 million in the Wastewater Fund and \$1.1 million in the nonmajor funds. The electric, wastewater, and nonmajor funds experienced growth in net assets of \$ 2.5 million, \$ 1.7 million, and \$ 0.6 million respectively. These were more than offset by the \$ 1.7 million decrease in net assets of the Water Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

### Capital Asset and Debt Administration

**Capital Assets.** At June 30, 2010, the City had \$122.8 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net increase of \$0.3 million, or 0.3%, over last year. The summary of capital assets at June 30, 2010 and 2009 is presented below:

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

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,482,916	\$ 2,856,515	\$ 1,222,643	\$ 1,222,643	\$ 4,705,559	\$ 4,079,158
Infrastructure	1,668,762	1,935,015	18,656	19,822	1,687,418	1,954,837
Buildings & improvements	9,530,561	5,465,781	38,384,552	39,509,290	47,915,113	44,975,071
Equipment & vehicles	1,234,696	1,243,856	1,211,987	1,383,431	2,446,683	2,627,287
Operating plant	-	-	55,097,319	57,173,550	55,097,319	57,173,550
Construction in progress	1,109,225	6,373,491	9,816,268	5,251,141	10,925,493	11,624,632
Total	<u>\$ 17,026,160</u>	<u>\$ 17,874,658</u>	<u>\$ 105,751,425</u>	<u>\$ 104,559,877</u>	<u>\$ 122,777,585</u>	<u>\$ 122,434,535</u>

This year's major capital asset additions included:

- New Main Fire Station – \$ 3.4 million
- City Hall Renovations – \$2.0 million
- Construction in process – Electric Fund: Substation and Caswell Developmental Center project - \$1.7 million
- Construction in process – Various sewer projects - \$ 2.6 million

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

**Long-Term Debt.** At June 30, 2010, the City had \$32.5 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	
	2010	2009	2010	2009	2010	2009
Installment contracts	\$ 6,965,646	\$ 7,241,806	\$ 2,718,988	\$ 1,890,245	\$ 9,684,634	\$ 9,132,051
Revenue bonds	-	-	14,339,473	15,293,513	14,339,473	15,293,513
Notes payable	-	-	8,441,124	9,223,012	8,441,124	9,223,012
Total	<u>\$ 6,965,646</u>	<u>\$ 7,241,806</u>	<u>\$ 25,499,585</u>	<u>\$ 26,406,770</u>	<u>\$ 32,465,231</u>	<u>\$ 33,648,576</u>

The City's total long-term liabilities decreased by \$1.1 million (3.1%) during the fiscal year, primarily due to \$3.1 million in principal payments made against existing debt which was partially offset by \$ 1.9 million increase in new debt issuance to finance improvements to the sanitary sewer system, finance the purchase of various vehicles and equipment for the public safety and public services divisions. 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 \$ 88,856,888.

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

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

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

- During fiscal year 2010, 2 residential and 14 non-residential units were constructed with a value of \$10.9 million.
- Retail sales during 2010 were \$383.9 million.
- The June 2010 unemployment rate was 10.6 percent compared to 10.0 percent for the State and 9.5 percent for the nation.

The following are highlights for the 2011 budgets for the governmental activities:

The most significant factors negatively impacting the 2011 budget is the lack of growth within the City and surrounding area, the escalating costs of doing business and the overall weaknesses in the national, State and local economies. However, locally all indications are that economic growth will accelerate as two major new employers have arrived in Kinston, while others are expanding. 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 expand inventories. Other details on this appear in the introductory section letter of transmittal category of the comprehensive annual financial report.

General Fund revenues are estimated to remain flat while operating costs to maintain the same service levels have increased. To offset some of these increases, the City continues to defer capital outlay spending where possible; eliminated funding for 12 full-time positions and 1 temporary full-time position within the General Fund. The majority of these positions are currently vacant, but full-time employees were offered employment elsewhere within the city if their position was eliminated. Although a cost of living increase of 1.5% effective January 1, 2011 (effect on Fiscal Year 2011 budget 0.75%) is budgeted, no employee pay increases have been budgeted again this year.

The General Fund initial budget for 2010-2011 decreased 5.6% from \$21.3 million (2010 adjusted adopted budget) to \$20.1 million. The decrease in the new budget is attributable to deferring capital outlay spending and reduced staffing levels.

The following are highlights for the 2011 budgets for the business-type activities:

- Water rates: increased 20% for industrial customers – effective July 1, 2010.
- Wastewater rates: increased 15% for wholesale and industrial customers – effective July 1, 2010.

### **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**

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

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## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 5,799,439	\$ 5,130,121	\$ 10,929,560
Receivables:			
Due from governmental agencies	1,191,086	548,831	1,739,917
Accounts receivables	1,144,853	1,163,547	2,308,400
Taxes receivable	821,875	-	821,875
Customer receivables, net	-	8,690,601	8,690,601
Internal balance	(1,141,886)	1,141,886	-
Inventories	323,097	1,192,969	1,516,066
Restricted cash and investments	112,446	910,731	1,023,177
Capital assets:			
Land and construction in process	4,592,141	11,038,912	15,631,053
Other capital assets, net of depreciation	12,434,019	94,712,513	107,146,532
Total assets	<u>25,277,070</u>	<u>124,530,111</u>	<u>149,807,181</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	1,265,270	5,208,542	6,473,812
Accrued interest payable	90,373	108,347	198,720
Unearned revenue	43,439	12,908	56,347
Customer deposits	-	1,480,113	1,480,113
Long-term liabilities:			
Due within one year	637,066	2,497,861	3,134,927
Due in more than one year	8,119,591	23,387,151	31,506,742
Total liabilities	<u>10,155,739</u>	<u>32,694,922</u>	<u>42,850,661</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	10,172,960	81,162,571	91,335,531
Restricted for:			
Perpetual care:			
Expendable	8,390	-	8,390
Non-expendable	75,000	-	75,000
Unrestricted	<u>4,864,981</u>	<u>10,672,618</u>	<u>15,537,599</u>
Total net assets	<u>\$ 15,121,331</u>	<u>\$ 91,835,189</u>	<u>\$ 106,956,520</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, 2010**

Functions/Programs	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,873,676	\$ 392,192	\$ -	\$ -
Public safety	9,864,668	14,147	512,067	
Public services	1,936,357	-	764,370	-
Community development	780,818	228,591	-	-
Cultural and recreation	3,533,204	1,497,694	-	39,407
Interest on long-term debt	315,202	-	-	-
Total governmental activities	<u>19,303,925</u>	<u>2,132,624</u>	<u>1,276,437</u>	<u>39,407</u>
<b>Business-Type Activities:</b>				
Electric	53,041,348	55,029,445	-	1,311,358
Water	7,378,161	5,453,278	-	16,025
Wastewater	5,296,980	4,518,939	-	2,723,933
Nonmajor funds:				
Environmental Services	2,787,992	3,175,775	-	-
Stormwater	629,415	932,691	-	-
Total business-type activities	<u>69,133,896</u>	<u>69,110,128</u>	<u>-</u>	<u>4,051,316</u>
Total primary government	<u>\$ 88,437,821</u>	<u>\$ 71,242,752</u>	<u>\$ 1,276,437</u>	<u>\$ 4,090,723</u>
<b>General Revenues:</b>				
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				
<b>Net Assets:</b>				
Beginning of year - July 1				
End of year - June 30				

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (2,481,484)	\$ -	\$ (2,481,484)	
(9,338,454)	-	(9,338,454)	
(1,171,987)	-	(1,171,987)	
(552,227)	-	(552,227)	
(1,996,103)	-	(1,996,103)	
(315,202)	-	(315,202)	
<u>(15,855,457)</u>	<u>-</u>	<u>(15,855,457)</u>	
- 3,299,456		3,299,456	
- (1,908,859)		(1,908,859)	
- 1,945,893		1,945,893	
- 387,783		387,783	
- 303,276		303,276	
<u>- 4,027,548</u>	<u></u>	<u>4,027,548</u>	
<u>(15,855,457)</u>	<u>4,027,548</u>	<u>(11,827,909)</u>	
9,093,393	-	9,093,393	
2,920,585	-	2,920,585	
1,704,144	-	1,704,144	
278,570	-	278,570	
281,404	-	281,404	
8,370	11,292	19,662	
174,443	-	174,443	
<u>14,460,909</u>	<u>11,292</u>	<u>14,472,201</u>	
<u>961,627</u>	<u>(961,627)</u>	<u>-</u>	
<u>15,422,536</u>	<u>(950,335)</u>	<u>14,472,201</u>	
(432,921)	3,077,213	2,644,292	
<u>15,554,252</u>	<u>88,757,976</u>	<u>104,312,228</u>	
<u>\$ 15,121,331</u>	<u>\$ 91,835,189</u>	<u>\$ 106,956,520</u>	

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

## CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Other Governmental Funds	Total
<b>Assets:</b>			
Cash and investments	\$ 4,577,417	\$ 293,836	\$ 4,871,253
Receivables:			
Due from government agencies	1,191,086	-	1,191,086
Accounts receivable	889,331	168,050	1,057,381
Taxes receivable	821,875	-	821,875
Inventories	82,175	-	82,175
Restricted cash and investments	112,446	-	112,446
Total assets	<u>\$ 7,674,330</u>	<u>\$ 461,886</u>	<u>\$ 8,136,216</u>

**Liabilities and Fund Balances:****Liabilities:**

Accounts payable and accrued liabilities	\$ 923,846	\$ 10,012	\$ 933,858
Due to other funds	-	345,149	345,149
Deferred revenue	1,641,652	-	1,641,652
Unearned revenue	43,439	-	43,439
Total liabilities	<u>2,608,937</u>	<u>355,161</u>	<u>2,964,098</u>

**Fund Balances:**

Reserved for restricted assets	112,446	-	112,446
Reserved for inventories	82,175	-	82,175
Reserved by State statute	1,260,640	41,572	1,302,212
Reserved for encumbrances	6,412	-	6,412
Unreserved:			
General Fund	3,603,720	-	3,603,720
Permanent Fund	-	83,390	83,390
Special revenue funds	-	22,734	22,734
Capital project funds	-	(40,971)	(40,971)
Total fund balances	<u>5,065,393</u>	<u>106,725</u>	<u>5,172,118</u>

Total liabilities and fund balances \$ 7,674,330 \$ 461,886

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. 17,003,820

The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 114,133

Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds. 1,641,652

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. (8,810,392)

Net assets of governmental activities, per Exhibit A \$ 15,121,331

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

**CITY OF KINSTON, NORTH CAROLINA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 9,094,918	\$ -	\$ 9,094,918
Sales and services	1,677,717	-	1,677,717
Other taxes	4,903,299	-	4,903,299
Intergovernmental revenue:			
Unrestricted	281,404	-	281,404
<b>Revenues:</b>			
Restricted	862,695	453,149	1,315,844
Investment earnings	7,035	137	7,172
Other	164,635	6,962	171,597
Total revenues	<u>16,991,703</u>	<u>460,248</u>	<u>17,451,951</u>
<b>Expenditures:</b>			
General government	2,170,499	-	2,170,499
Public safety	9,043,651	513,558	9,557,209
Public services	1,636,134	-	1,636,134
Parks and recreation	3,251,898	15,274	3,267,172
Community development	668,865	96,238	765,103
Debt service:			
Principal	704,045	-	704,045
Interest	<u>321,661</u>	<u>-</u>	<u>321,661</u>
Total expenditures	<u>17,796,753</u>	<u>625,070</u>	<u>18,421,823</u>
Revenues over (under) expenditures	<u>(805,050)</u>	<u>(164,822)</u>	<u>(969,872)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	828,821	130,120	958,941
Transfers (out)	(154,018)	(22,832)	(176,850)
Long-term debt issued	<u>427,885</u>	<u>-</u>	<u>427,885</u>
Total other financing sources (uses)	<u>1,102,688</u>	<u>107,288</u>	<u>1,209,976</u>
Net change in fund balances	<u>297,638</u>	<u>(57,534)</u>	<u>240,104</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>4,767,755</u>	<u>164,259</u>	<u>4,932,014</u>
End of year - June 30	<u>\$ 5,065,393</u>	<u>\$ 106,725</u>	<u>\$ 5,172,118</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, 2010**

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)	\$ 240,104
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.	423,078
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,268,026)
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.	5,512
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.	(35,296)
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.	282,619
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>(80,912)</u>
Total changes in net assets of governmental activities	<u>\$ (432,921)</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, 2010

	Budgeted Amounts			Variance From Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 9,019,000	\$ 9,019,000	\$ 9,094,918	\$ 75,918
Sales and services	1,675,600	1,675,600	1,677,717	2,117
Other taxes	4,885,727	4,885,727	4,903,299	17,572
Intergovernmental revenue:				
Unrestricted	359,900	359,900	281,404	(78,496)
Restricted	796,000	796,000	862,695	66,695
Investment earnings	55,000	55,000	7,035	(47,965)
Other	261,000	271,467	164,635	(106,832)
Total revenues	<u>17,052,227</u>	<u>17,062,694</u>	<u>16,991,703</u>	<u>(70,991)</u>
<b>Expenditures:</b>				
Current:				
General government	2,056,012	2,407,734	2,175,965	231,769
Public safety	10,978,533	10,814,312	9,681,953	1,132,359
Public services	1,805,100	1,799,926	1,702,129	97,797
Parks and recreation	3,594,440	3,573,435	3,567,841	5,594
Community development	712,250	712,250	668,865	43,385
Total expenditures	<u>19,146,335</u>	<u>19,307,657</u>	<u>17,796,753</u>	<u>1,510,904</u>
Revenues over (under) expenditures	<u>(2,094,108)</u>	<u>(2,244,963)</u>	<u>(805,050)</u>	<u>1,439,913</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	808,000	813,983	828,821	14,838
Transfers (out)	(73,892)	(154,018)	(154,018)	-
Long-term debt issued	1,360,000	1,360,000	427,885	(932,115)
Appropriated fund balance	-	224,998	-	(224,998)
Total other financing sources	<u>2,094,108</u>	<u>2,244,963</u>	<u>1,102,688</u>	<u>(1,142,275)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,638</u>	<u>\$ 297,638</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>4,767,755</u>	
End of year - June 30			<u>\$ 5,065,393</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, 2010**

	Major Enterprise Funds			Nonmajor Enterprise Funds		Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund		Total	
<b>Assets:</b>						
Current assets:						
Cash and investments	\$ 1,032,536	\$ 1,089,473	\$ 1,298,241	\$ 766,198	\$ 4,186,448	\$ 1,871,859
Due from other funds	1,226,032	-	-	-	1,226,032	-
Due from government agencies	-	-	548,831	-	548,831	-
Accounts receivable	520,514	51,112	92,645	494,601	1,158,872	92,147
Customer receivables, net	7,296,525	778,321	615,755	-	8,690,601	-
Inventories	951,337	241,632	-	-	1,192,969	240,920
Restricted cash and equivalents	807,837	102,894	-	-	910,731	-
Total current assets	<u>11,834,781</u>	<u>2,263,432</u>	<u>2,555,472</u>	<u>1,260,799</u>	<u>17,914,484</u>	<u>2,204,926</u>
Non-current assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	577,040	41,276,198	-	45,525,128	19,468
Distribution system	32,318,708	14,468,783	45,454,601	-	92,242,092	-
Equipment	1,948,963	2,085,806	2,114,090	3,040,752	9,189,611	311,608
Accumulated depreciation	(20,328,494)	(10,456,059)	(18,790,529)	(2,687,118)	(52,262,200)	(290,858)
Construction in progress	5,601,538	-	4,214,731	-	9,816,269	-
Total capital assets, net	<u>23,414,985</u>	<u>6,742,175</u>	<u>75,222,749</u>	<u>353,634</u>	<u>105,733,543</u>	<u>40,218</u>
Total assets	<u>35,249,766</u>	<u>9,005,607</u>	<u>77,778,221</u>	<u>1,614,433</u>	<u>123,648,027</u>	<u>2,245,144</u>
<b>Liabilities and Net Assets:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	4,670,089	120,734	329,957	117,949	5,238,729	409,572
Due to other funds	-	-	-	-	-	880,883
Unearned revenue	-	12,908	-	-	12,908	-
Current portion of compensated absences	17,383	17,325	9,555	16,074	60,336	-
Current portion of long-term debt	773,952	238,304	1,209,469	215,800	2,437,525	-
Total current liabilities	<u>5,461,424</u>	<u>389,271</u>	<u>1,548,981</u>	<u>349,823</u>	<u>7,749,498</u>	<u>1,290,455</u>
Non-current liabilities:						
Customer deposits	1,480,113	-	-	-	1,480,113	-
Accrued compensated absences	52,149	51,975	28,664	48,221	181,009	109,661
Other long-term payables	-	71,060	-	-	71,060	-
Long-term debt	7,791,415	2,001,385	13,027,661	241,598	23,062,059	-
Total non-current liabilities	<u>9,323,677</u>	<u>2,124,420</u>	<u>13,056,325</u>	<u>289,819</u>	<u>24,794,241</u>	<u>109,661</u>
Total liabilities	<u>14,785,101</u>	<u>2,513,691</u>	<u>14,605,306</u>	<u>639,641</u>	<u>32,543,739</u>	<u>1,400,116</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	15,657,454	4,605,380	60,985,619	(103,764)	81,144,689	40,218
Unrestricted	<u>4,807,211</u>	<u>1,886,536</u>	<u>2,187,296</u>	<u>1,078,556</u>	<u>9,959,599</u>	<u>804,810</u>
Total net assets	<u>\$ 20,464,665</u>	<u>\$ 6,491,916</u>	<u>\$ 63,172,915</u>	<u>\$ 974,792</u>	<u>91,104,288</u>	<u>\$ 845,028</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>730,901</u>	
Total					<u>\$ 91,835,189</u>	

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

## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Major Enterprise Funds			Nonmajor Enterprise Funds		Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Enterprise Funds	Total	
<b>Operating Revenues:</b>						
Charges for services	\$ 54,502,979	\$ 5,261,469	\$ 4,466,760	\$ 4,027,877	\$ 68,259,085	\$ 2,928,585
Other	477,546	155,861	20,381	50,062	703,850	5,681
Total operating revenues	<u>54,980,525</u>	<u>5,417,330</u>	<u>4,487,141</u>	<u>4,077,939</u>	<u>68,962,935</u>	<u>2,934,266</u>
<b>Operating Expenditures:</b>						
Administration	-	-	-	-	-	1,438,474
Public service operations	-	-	-	-	-	977,051
Warehouse operations	-	-	-	-	-	446,064
Electrical operations	51,756,348	-	-	-	51,756,348	-
Environmental services	-	-	-	2,586,001	2,586,001	-
Stormwater services	-	-	-	581,521	581,521	-
Water production	-	900,647	-	-	900,647	-
Depreciation	884,152	478,667	2,197,884	226,980	3,787,683	15,622
Water operations	-	5,747,258	-	-	5,747,258	-
Wastewater plant operations	-	-	2,699,723	-	2,699,723	-
Claims reimbursement	-	-	-	-	-	208,035
Total operating expenditures	<u>52,640,500</u>	<u>7,126,572</u>	<u>4,897,607</u>	<u>3,394,502</u>	<u>68,059,181</u>	<u>3,085,246</u>
Operating income (loss)	<u>2,340,025</u>	<u>(1,709,242)</u>	<u>(410,466)</u>	<u>683,437</u>	<u>903,754</u>	<u>(150,980)</u>
<b>Non-Operating Revenues (Expenditures):</b>						
Interest earned on investments	6,202	1,804	1,488	562	10,056	2,434
Interest on long-term debt	(337,293)	(87,467)	(444,091)	(17,131)	(885,982)	-
DOT Municipal Participation Reimbursement	-	(106,590)	-	-	(106,590)	-
Total non-operating revenues (expenditures)	<u>(331,091)</u>	<u>(192,253)</u>	<u>(442,603)</u>	<u>(16,569)</u>	<u>(982,516)</u>	<u>2,434</u>
Income (loss) before capital contributions and transfers	<u>2,008,934</u>	<u>(1,901,495)</u>	<u>(853,069)</u>	<u>666,868</u>	<u>(78,762)</u>	<u>(148,546)</u>
<b>Capital Contributions and Transfers:</b>						
Capital contributions	1,311,358	16,025	2,723,933	-	4,051,316	-
Transfers in	3,000	233,528	43,104	-	279,632	179,536
Transfers (out)	(868,479)	(62,041)	(208,587)	(89,251)	(1,228,358)	(12,901)
Total contributions and transfers	<u>445,879</u>	<u>187,512</u>	<u>2,558,450</u>	<u>(89,251)</u>	<u>3,102,590</u>	<u>166,635</u>
<b>Change in net assets</b>	<b>2,454,813</b>	<b>(1,713,983)</b>	<b>1,705,381</b>	<b>577,617</b>	<b>3,023,828</b>	<b>18,089</b>
<b>Net Assets:</b>						
Beginning of year - July 1	<u>18,009,852</u>	<u>8,205,899</u>	<u>61,467,534</u>	<u>397,175</u>		<u>826,939</u>
End of year - June 30	<u>\$ 20,464,665</u>	<u>\$ 6,491,916</u>	<u>\$ 63,172,915</u>	<u>\$ 974,792</u>		<u>\$ 845,028</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds						<u>53,385</u>
Total						<u>\$ 3,077,213</u>

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

## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 53,521,026	\$ 5,291,245	\$ 4,987,608	\$ 4,050,493	\$ 67,850,372	\$ 3,019,070
Cash paid to suppliers for goods and services	(50,141,833)	(5,166,738)	(2,194,217)	(1,953,874)	(59,456,662)	(1,235,180)
Cash paid to employees	(1,211,535)	(1,337,243)	(634,861)	(1,210,005)	(4,393,644)	(1,817,203)
Customer deposits	(8,467)	-	-	-	(8,467)	-
Net cash provided (used) by operating activities	<u>2,159,191</u>	<u>(1,212,736)</u>	<u>2,158,530</u>	<u>886,614</u>	<u>3,991,599</u>	<u>(33,313)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers from other funds	3,000	233,528	43,105	-	279,633	177,270
Transfers to other funds	(868,479)	(62,041)	(208,587)	(89,251)	(1,228,358)	(10,635)
Advances from other funds	-	1,002,100	-	-	1,002,100	71,464
Advances to other funds	(1,226,032)	-	-	-	(1,226,032)	-
Net cash provided (used) by non-capital financing activities	<u>(2,091,511)</u>	<u>1,173,587</u>	<u>(165,482)</u>	<u>(89,251)</u>	<u>(1,172,657)</u>	<u>238,099</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(2,277,154)	(72,004)	(2,589,196)	(52,950)	(4,991,304)	-
Proceeds from long-term debt	468,495	187,000	779,728	52,950	1,488,173	-
Principal paid on general obligation bond maturities and equipment contracts	(659,034)	(197,288)	(1,310,485)	(228,551)	(2,395,358)	-
Interest paid on bonded indebtedness and equipment contracts	(337,293)	(194,057)	(444,091)	(17,131)	(992,572)	-
Contributed capital	<u>1,311,358</u>	<u>16,025</u>	<u>2,723,933</u>	<u>-</u>	<u>4,051,316</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,493,628)</u>	<u>(260,324)</u>	<u>(840,111)</u>	<u>(245,682)</u>	<u>(2,839,745)</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	6,201	1,804	1,488	562	10,055	2,434
Net cash provided (used) by investing activities	<u>6,201</u>	<u>1,804</u>	<u>1,488</u>	<u>562</u>	<u>10,055</u>	<u>2,434</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(1,419,747)</u>	<u>(297,669)</u>	<u>1,154,425</u>	<u>552,243</u>	<u>(10,748)</u>	<u>207,220</u>
<b>Cash and Cash Equivalents/Investments:</b>						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 1,840,373</u>	<u>\$ 1,192,367</u>	<u>\$ 1,298,241</u>	<u>\$ 766,198</u>	<u>\$ 5,097,179</u>	<u>\$ 1,871,859</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 2,340,025	\$ (1,709,242)	\$ (410,466)	\$ 683,437	\$ 903,754	\$ (150,980)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation	884,152	478,667	2,197,884	226,980	3,787,683	15,622
<b>Change in Assets and Liabilities:</b>						
(Increase) decrease in accounts receivable	(1,459,499)	(126,085)	500,467	(27,446)	(1,112,563)	84,804
Increase (decrease) in customer deposits	(8,467)	-	-	-	(8,467)	-
Increase (decrease) in inventories	62,741	32,735	-	-	95,476	(23,135)
Increase (decrease) accounts payable	344,647	107,580	(131,213)	(3,032)	317,982	37,282
Increase (decrease) in compensated absences payable	(4,408)	3,609	1,858	6,675	7,734	3,094
Net cash provided (used) by operating activities	<u>\$ 2,159,191</u>	<u>\$ (1,212,736)</u>	<u>\$ 2,158,530</u>	<u>\$ 886,614</u>	<u>\$ 3,991,599</u>	<u>\$ (33,313)</u>

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

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

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

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**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**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.

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

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

**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 10 capital project funds, the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

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

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

***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, 2010**

#### **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, 2010**

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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, 2010**

**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, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT- Term Portfolio'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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2009. 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, 2010**

**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 to take full year depreciation in the first year of service, but not to provide for depreciation in the year of disposal. Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The following estimated useful lives are used to compute depreciation:

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

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**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, 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.

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**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.

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.

**Reserved 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**

**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, 2010**

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

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

The City has fund balance deficits in individual funds at June 30, 2010 and are as follows:

###### **Nonmajor Governmental Funds:**

Gang GATE Phase II	\$ 1,553
2009 Governor's Crime Commission Equipment Grant	217
2009 JAG Recovery Act Relief Project	73
2009 COPS Hiring Recovery Program Grant (ARRA)	2,067
2009 Bulletproof Vest Partnership Grant (BVP)	3,384
CWMTF Flood Buy-out	154,228
New Fire Station #2	65,294
Battlefield Parkway/Soccer Complex	5,254
Fire Trucks & Equipment	9,101

###### **Internal Service Fund:**

Warehouse	424,695
Fleet Maintenance	203,321

These deficits are expected to be funded by grant revenue and other financing sources.

##### **B. 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.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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

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

For the fiscal year ended June 30, 2010, total expenditures in the Fleet Maintenance Internal Service Fund exceeded authorized appropriations made by the governing board by \$74,795. 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, 2010, the City's deposits had a carrying amount of \$3,656,553 and a bank balance of \$3,736,438. Of the bank balance, \$988,451 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2010, the City's petty cash fund totaled \$4,150.

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Investments**

At June 30, 2010, the City had \$8,292,034 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAA by Standard and Poor's. The City has no formal policy regarding credit risk.

**Receivables - Allowances for Doubtful Accounts**

The receivables shown in the Balance Sheet and the Statement of Net Assets at June 30, 2010 are net of the following allowances for doubtful accounts:

<b>Fund</b>	<b>2010</b>
<b>General Fund:</b>	
Taxes receivable	<u>\$ 141,840</u>
 <b>Enterprise Funds:</b>	
Electric Fund	1,124,090
Water Fund	148,070
Wastewater Fund	120,205
Nonmajor enterprise funds	<u>89,820</u>
 Total enterprise funds	<u>1,482,185</u>
 Total allowances for doubtful accounts	<u>\$ 1,624,025</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, 2010**

**Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2010 was as follows:

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 2,856,515	\$ 626,401	\$ -	\$ 3,482,916
Construction in progress	<u>6,373,491</u>	<u>102,244</u>	<u>(5,366,510)</u>	<u>1,109,225</u>
Total capital assets not being depreciated	<u>9,230,006</u>	<u>728,645</u>	<u>(5,366,510)</u>	<u>4,592,141</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	9,585,121	4,382,482	-	13,967,603
Equipment	3,909,173	372,542	-	4,281,715
Vehicles	6,234,018	314,041	(179,300)	6,368,759
Infrastructure	<u>5,325,064</u>	<u>-</u>	<u>-</u>	<u>5,325,064</u>
Total capital assets being depreciated	<u>25,053,376</u>	<u>5,069,065</u>	<u>(179,300)</u>	<u>29,943,141</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(4,119,340)	(317,702)	-	(4,437,042)
Equipment	(3,225,840)	(317,481)	-	(3,543,321)
Vehicles	(5,673,495)	(372,406)	173,444	(5,872,457)
Infrastructure	<u>(3,390,049)</u>	<u>(266,253)</u>	<u>-</u>	<u>(3,656,302)</u>
Total accumulated depreciation	<u>(16,408,724)</u>	<u>\$ (1,273,842)</u>	<u>\$ 173,444</u>	<u>(17,509,122)</u>
Total capital assets being depreciated, net	<u>8,644,652</u>			<u>12,434,019</u>
Total	<u>\$ 17,874,658</u>			<u>\$ 17,026,160</u>

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

General government	\$ 90,679
Public safety	534,138
Public works	300,223
Parks and recreation	303,412
Community development	35,839
Internal service funds	<u>9,551</u>
Total	<u>\$ 1,273,842</u>

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
<b>Business-Type Activities:</b>				
<b>Electric Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	<u>3,625,605</u>	<u>1,975,933</u>	<u>-</u>	<u>5,601,538</u>
Total capital assets not being depreciated	<u>3,827,985</u>	<u>1,975,933</u>	<u>-</u>	<u>5,803,918</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	568,501	122,540	-	691,041
Vehicles	1,079,241	178,681	-	1,257,922
Distribution system	<u>32,318,708</u>	<u>-</u>	<u>-</u>	<u>32,318,708</u>
Total capital assets being depreciated	<u>37,638,340</u>	<u>301,221</u>	<u>-</u>	<u>37,939,561</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(2,399,711)	(91,798)	-	(2,491,509)
Equipment	(482,842)	(58,666)	-	(541,508)
Vehicles	(908,394)	(85,731)	-	(994,125)
Distribution system	<u>(15,653,395)</u>	<u>(647,957)</u>	<u>-</u>	<u>(16,301,352)</u>
Total accumulated depreciation	<u>(19,444,342)</u>	<u>(884,152)</u>	<u>-</u>	<u>(20,328,494)</u>
Total capital assets being depreciated, net	<u>18,193,998</u>			<u>17,611,067</u>
Electric Fund capital assets, net	<u>22,021,983</u>			<u>23,414,985</u>
<b>Water Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	66,605	-	-	66,605
Total capital assets not being depreciated	<u>66,605</u>	<u>-</u>	<u>-</u>	<u>66,605</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	577,040	-	-	577,040
Equipment	730,246	12,500	-	742,746
Vehicles	1,260,235	59,504	-	1,319,739
Infrastructure	23,320	-	-	23,320
Distribution system	<u>14,468,783</u>	<u>-</u>	<u>-</u>	<u>14,468,783</u>
Total capital assets being depreciated	<u>17,059,624</u>	<u>72,004</u>	<u>-</u>	<u>17,131,628</u>

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(566,439)	(10,601)	-	(577,040)
Equipment	(635,341)	(42,211)	-	(677,552)
Vehicles	(1,046,618)	(96,205)	-	(1,142,823)
Infrastructure	(3,498)	(1,166)	-	(4,664)
Distribution system	(7,725,495)	(328,484)	-	(8,053,979)
Total accumulated depreciation	(9,977,391)	(478,667)	-	(10,456,058)
Total capital assets being depreciated, net	<u>7,082,233</u>			<u>6,675,570</u>
Water Fund capital assets, net	<u>7,148,838</u>			<u>6,742,175</u>
 <b>Wastewater Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	953,658	-	-	953,658
Construction in progress	1,625,536	2,589,195	-	4,214,731
Total capital assets not being depreciated	<u>2,579,194</u>	<u>2,589,195</u>	-	<u>5,168,389</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,748,450	-	-	1,748,450
Vehicles	251,580	-	-	251,580
Distribution system	45,568,661	-	-	45,568,661
Total capital assets being depreciated	<u>88,844,889</u>	<u>-</u>	<u>-</u>	<u>88,844,889</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(3,049,688)	(1,022,340)	-	(4,072,028)
Equipment	(1,487,665)	(75,759)	-	(1,563,424)
Vehicles	(251,580)	-	-	(251,580)
Distribution system	(11,803,712)	(1,099,785)	-	(12,903,497)
Total accumulated depreciation	<u>(16,592,645)</u>	<u>(2,197,884)</u>	<u>-</u>	<u>(18,790,529)</u>
Total capital assets being depreciated, net	<u>72,252,244</u>			<u>70,054,360</u>
Wastewater Fund capital assets, net	<u>74,831,438</u>			<u>75,222,749</u>

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
<b>Environmental Services Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	446,542	-	-	446,542
Vehicles	2,408,495	-	-	2,408,495
Total capital assets being depreciated	<u>2,855,037</u>	<u>-</u>	<u>-</u>	<u>2,855,037</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(446,543)	-	-	(446,543)
Vehicles	(1,980,404)	(183,199)	-	(2,163,603)
Total accumulated depreciation	<u>(2,426,947)</u>	<u>(183,199)</u>	<u>-</u>	<u>(2,610,146)</u>
Total capital assets being depreciated, net	<u>428,090</u>			<u>244,891</u>
Environmental services fund capital assets, net	<u>428,090</u>			<u>244,891</u>
 <b>Stormwater Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	-	52,950	-	52,950
Vehicles	132,765	-	-	132,765
Total capital assets being depreciated	<u>132,765</u>	<u>52,950</u>	<u>-</u>	<u>185,715</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	-	(10,590)	-	(10,590)
Vehicles	(33,191)	(33,191)	-	(66,382)
Total accumulated depreciation	<u>(33,191)</u>	<u>(43,781)</u>	<u>-</u>	<u>(76,972)</u>
Total capital assets being depreciated, net	<u>99,574</u>			<u>108,743</u>
Environmental services fund capital assets, net	<u>99,574</u>			<u>108,743</u>
 <b>Public Services Internal Service Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	24,025	-	-	24,025
Vehicles	85,129	5,856	(13,536)	77,449
Total capital assets being depreciated	<u>109,154</u>	<u>5,856</u>	<u>(13,536)</u>	<u>101,474</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(8,414)	(4,805)	-	(13,219)
Vehicles	(70,786)	(5,001)	5,414	(70,373)
Total accumulated depreciation	<u>(79,200)</u>	<u>\$ (9,806)</u>	<u>\$ 5,414</u>	<u>(83,592)</u>
Total capital assets being depreciated, net	<u>29,954</u>			<u>17,882</u>
Public services fund capital assets, net	<u>29,954</u>			<u>17,882</u>
Business-type activities capital assets, net	<u><u>\$ 104,559,877</u></u>			<u><u>\$ 105,751,425</u></u>

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**B. Liabilities**

**Payables**

Accounts payable and accrued liabilities at the government-wide level at June 30, 2010 were as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Accounts and vouchers	\$ 454,027	\$ 4,952,416	\$ 5,406,443
Accrued payroll and related liabilities	548,243	256,126	804,369
Customer deposits	-	1,480,113	1,480,113
Employee health unpaid claims	263,000	-	263,000
Accrued interest payable	<u>90,373</u>	<u>108,347</u>	<u>198,720</u>
 Total accounts payable and accrued liabilities	 <u>\$ 1,355,643</u>	 <u>\$ 6,797,002</u>	 <u>\$ 8,152,645</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, 2010, 2009, and 2008 were \$684,977, \$674,399, and \$690,892, 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, 2010**

#### **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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>83</u>
Total	<u><u>87</u></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, 2010**

*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	\$ 170,012
Interest on net pension obligation	60,495
Adjustment to annual required contribution	<u>(52,563)</u>
Annual pension cost	177,944
Contributions made	<u>57,722</u>
Increase in net pension obligation	120,222
Net pension obligation beginning of year - July 1	<u>834,414</u>
Net pension obligation end of year - June 30	<u><u>\$ 954,636</u></u>

**Three-Year Trend Information**

<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>June 30</b>			
2008	\$ 141,308	34.05%	\$ 735,717
2009	155,141	36.38%	834,414
2010	177,944	32.44%	954,636

**Funded Status and Funding Progress**

As December 31, 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 \$1,828,803. The covered payroll (annual payroll of active employees covered by the plan) was \$3,799,953, and the ratio of the UAAL to the covered payroll was 48.13%.

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, 2010**

**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, 2010 were \$223,964, which consisted of \$175,102 from the City and \$48,862 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.

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

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

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

At June 30, 2010, the Separation Allowance - Employees' membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>16</u>
Total	<u><u>20</u></u>

A separate financial report was not issued for the plan.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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

The annual required contribution for the current year was determined as part of the July 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.50% to 14.7% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases. 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, 2009 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	\$ 21,179
Interest on net pension obligation	6,444
Adjustment to annual required contribution	<u>(17,521)</u>
Annual pension cost	10,102
Contributions made	<u>18,792</u>
Increase (decrease) in net pension obligation	(8,690)
Net pension obligation, beginning of year - July 1	<u>88,881</u>
Net pension obligation, end of year - June 30	<u>\$ 80,191</u>

#### **Three-Year Trend Information**

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2008	\$ 22,807	225.40%	\$ 110,156
2009	15,261	239.40%	88,881
2010	10,102	186.02%	80,191

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

*Funded Status and Funding Progress.* As of July 1, 2010, 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 \$57,206. The covered payroll (annual payroll of active employees covered by the plan) was \$708,111, and the ratio of the UAAL to the covered payroll was 8.1 percent.

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

**Supplemental Retirement Income Plan**

The City offers its employees optional participation in the Supplemental Retirement Income Plan of North Carolina, a tax deferred investment program created in accordance with Internal Revenue Code Section 401(k). The plan, available to all permanent employees not engaged in law enforcement, permits them to defer a portion of their salary until future years. The City also contributes an amount equal to 1.5 percent of the employees' compensation and all contributions and investment earnings are 100 percent vested immediately and are not tied to years of service. However, the funds are not available to employees until termination, retirement, death or unforeseeable emergency. The Plan has a loan provision that allows participants to borrow from their account. Contributions for the year ended June 30, 2010 were \$328,317 which consisted of \$152,109 from the City and \$176,208 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), a multiple-employer plan, and have at least twenty (20) years of creditable service under the NCLGERS, provided that the last ten years of continuous service were with the City. Each retired participant receives an annual retirement medical allowance, until he reaches age sixty-five (65), of \$12.37 per year of creditable service, not to exceed thirty (30) years, for each month of the medical plan year. The City obtains healthcare coverage through private insurers. A separate report was not issued for the Plan.

Membership of the Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	44
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>252</u>
Total	<u>296</u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

**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 2.33% of annual covered payroll. For the current year, the City contributed \$220,273, or 2.19%, of the annual covered payroll. The City purchases insurance from a private carrier for healthcare coverage. The City's required contributions, under a City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.33% and 2.33% 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	\$ 234,694
Interest on net OPEB obligation	-
Adjustments to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	234,694
Contributions made	<u>(220,273)</u>
Increase (decrease) in net OPEB obligation	14,421
Net OPEB obligation, beginning of year - July 1	<u>27,081</u>
Net OPEB obligation, end of year - June 30	<u>\$ 41,502</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 and 2010 were as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2009	\$ 245,575	88.97%	\$ 27,081
2010	234,694	93.85%	41,502

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**Fund Status and Funding Progress**

As of December 31, 2008, 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 \$2,673,181. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,058,691, and the ratio of the UAAL to the covered payroll was 26.6 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, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date. The investment rate included a 3.75 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 payrolls on a closed basis. The remaining amortization period at December 31, 2008 was 27 years.

As of June 30, 2010, 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 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

**CITY OF KINSTON, NORTH CAROLINA**  
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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 payrolls 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, 2010, the City made contributions to the State for death benefits of \$15,455. 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 Revenues**

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

	<u>Deferred</u> <u>Revenues</u>	<u>Unearned</u> <u>Revenues</u>
General Fund		
Prepaid property taxes not yet earned	\$ -	\$ 22,333
Grant receivable	- -	21,106
Privilege licenses receivable	719,414	-
Property taxes receivable	686,119	-
Property taxes receivable, automobiles	135,734	-
Paving assessments receivable	100,385	-
<b>Total</b>	<b><u>\$ 1,641,652</u></b>	<b><u>\$ 43,439</u></b>
Proprietary Fund - Water Fund		
Repayment agreements	\$ - -	\$ 12,908

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City's Employee Health Internal Service Fund was established to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that 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 \$191,996 in claims was incurred for benefits during fiscal year 2010.

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Claims Liability**

	<b>Year Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
Unpaid claims, beginning of fiscal year	\$ 263,000	\$ 263,000
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	191,996	278,341
Payments and reduction in claims estimates	<u>(191,996)</u>	<u>(278,341)</u>
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 is individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

**Purchase Commitments**

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

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

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Long-Term Obligations**

**Installment Contracts**

<b>Year of Loan</b>	<b>Purpose and Collateral</b>	<b>Interest Rates</b>	<b>*** Effective</b>		<b>Balance June 30,2010</b>
			<b>Interest Rates</b>	<b>Maturity</b>	
<b><u>Governmental Activities:</u></b>					
2002	Grainger Stadium Renovations	5.65%		2017	\$ 1,034,483
2006	Various Vehicles and Equipment	3.66%		2011	37,002
2007	Various Vehicles and Equipment	3.53%		2012	206,314
2008	Various Vehicles and Equipment	2.59%		2013	273,962
2009	New Main Fire Station	4.75%		2049	3,135,000
2009	City Hall Renovations	4.38%		2039	1,851,000
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	427,885
Total Governmental Activities					<u>\$ 6,965,646</u>
<b><u>Business-Type Activities:</u></b>					
<b>Water</b>					
2007	Vehicle and Equipment	3.53%		2012	\$ 87,584
2008	Various Vehicles and Equipment	2.59%		2013	63,089
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	187,000
					<u>337,673</u>
<b>Wastewater</b>					
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	779,728
<b>Electric</b>					
2006	Improvements to Distribution System	4.05%		2013	615,280
2008	Supervisory Control & Data Acquisition System	2.59%		2013	60,413
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	468,495
					<u>1,144,188</u>
<b>Environmental Services</b>					
2006	Various Vehicles and Equipment	3.66%		2011	33,299
2007	Various Vehicles and Equipment	3.53%		2012	186,976
2008	Various Vehicles and Equipment	2.59%		2013	117,733
					<u>338,008</u>
<b>Stormwater</b>					
2007	Various Vehicles and Equipment	3.53%		2012	66,440
2010	Equipment	3.38%	2.20%	2015	52,951
					<u>119,391</u>
Total Business-Type Activities					<u>\$ 2,718,988</u>

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

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

Year Ending June 30	Governmental Activities		Business-Type Activities			
	Installment Contracts		Installment Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 529,864	\$ 312,867	\$ 670,037	\$ 102,452	\$ 1,199,901	\$ 415,319
2012	495,687	292,395	646,737	77,932	1,142,424	370,327
2013	357,056	273,777	440,302	55,632	797,358	329,409
2014	294,442	259,210	306,548	39,046	600,990	298,256
2015	297,671	245,179	216,953	28,500	514,624	273,679
2016-2020	631,541	1,046,850	438,411	63,418	1,069,952	1,110,268
2021-2025	668,489	929,247	-	-	668,489	929,247
2026-2030	662,942	796,863	-	-	662,942	796,863
2031-2035	828,424	631,381	-	-	828,424	631,381
2036-2040	920,451	424,549	-	-	920,451	424,549
2041-2045	644,992	245,348	-	-	644,992	245,348
2046-2050	634,087	76,960	-	-	634,087	76,960
Total	<u>\$ 6,965,646</u>	<u>\$ 5,534,626</u>	<u>\$ 2,718,988</u>	<u>\$ 366,980</u>	<u>\$ 9,684,634</u>	<u>\$ 5,901,606</u>

Installment contracts of the government activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$779,728 will be repaid from the Wastewater Fund, \$1,144,188 from the Electric Fund, \$337,673 from the Water Fund, \$338,008 from the Environmental Services Fund, and \$119,391 from the Storm Water Fund.

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Notes Payable**

Notes payable include obligations of the City for various Water and Sewer Fund improvements are as follows:

**Business-Type Activities:**

<b>Year of Loan</b>	<b>Purpose and Collateral</b>	<b>Interest</b>	<b>Balance</b>	
		<b>Rates</b>	<b>Maturity</b>	<b>June 30,2010</b>
1996	Expansion to Sanitary Sewer System	3.04%	2012	\$ 587,774
2003	Expansion to Sanitary Sewer System	2.66%	2023	1,065,722
2003	Expansion to Sanitary Sewer System	2.66%	2024	535,500
2007	Expansion to Sanitary Sewer System	2.27%	2027	<u>6,252,128</u>
Total Business-Type Activities				<u>\$ 8,441,124</u>

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

<b>Year Ending</b>				
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	488,001	138,091	626,092	
2016-2020	2,440,005	517,532	2,957,537	
2021-2025	2,237,797	231,509	2,469,306	
2026-2030	<u>735,543</u>	<u>24,990</u>	<u>760,533</u>	
Total	<u>\$ 8,441,124</u>	<u>\$ 1,606,525</u>	<u>\$ 10,047,649</u>	

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Revenue Bonds**

Revenue bonds outstanding at June 30, 2010 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%	\$ 1,356,001
\$1,211,360 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	546,016
Total	1,902,017

**Wastewater Fund:**

\$882,612 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2014; interest at 3.39%	859,687
\$767,987 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	346,167
\$2,536,000 - Combined Enterprise System Revenue Bonds, 2004 Series, due in semi-annual installments through June 15, 2021; interest at 4.25%	1,708,098
\$2,350,000 - Combined Enterprise System Revenue Bonds, 2008 Series, due in semi-annual installments through October 15, 2023; interest at 3.72%	2,102,326
Total	5,016,278

**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%	3,409,312
\$3,045,653 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	1,372,817
\$2,950,000 - Combined Enterprise System Revenue Bonds, Series 2008, due in semi-annual installments through October 15, 2023; interest at 3.72%	2,639,049
Total	7,421,178
Total Revenue Bonds	\$ 14,339,473

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

<b>Year Ending</b>				
<b>June 30</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,133,671	409,050	1,542,721	
2016-2020	6,676,645	1,268,356	7,945,001	
2021-2025	2,375,880	149,807	2,525,687	
Total	<u>\$ 14,339,473</u>	<u>\$ 3,849,819</u>	<u>\$ 18,189,292</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, 2010 were \$954,040 and \$595,387, respectively. Total customer revenue for the City's enterprise funds totaled \$64,884,996 for the year ending June 30, 2010.

The debt service coverage ratio calculation for the year ended June 30, 2010, is as follows:

Operating revenues	\$ 64,884,996
Operating expenses*	<u>61,103,976</u>
Income available for debt service	<u>3,781,020</u>
Debt service, principal and interest paid (Revenue bond only)	\$ 2,036,092
Debt service coverage ratio for parity debt	1.86

\*Per rate covenants, this does not include the depreciation expense of 3,787,683

At June 30, 2010, the City was in compliance with the bond covenants described above.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

#### **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, 2010, the legal debt limit for the City was \$106,982,646 providing a legal debt margin of \$88,856,888.

At June 30, 2010, the City has no authorized bonds remaining to be issued.

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

Long-term liability activity for governmental activities for the year ended June 30, 2010 is as follows:

	<b>July 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2010</b>	<b>Current Portion of Balance</b>
Accrued compensated absences	\$ 761,431	\$ 387,039	\$ 433,788	\$ 714,682	\$ 107,202
Police separation allowance	834,414	120,222	-	954,636	-
Separation allowance plan	88,881	-	8,690	80,191	-
Installment contracts	7,241,806	427,885	704,045	6,965,646	529,864
OPEB liability	27,081	14,421	-	41,502	-
<b>Total</b>	<b><u>\$ 8,953,613</u></b>	<b><u>\$ 949,567</u></b>	<b><u>\$ 1,146,523</u></b>	<b><u>\$ 8,756,657</u></b>	<b><u>\$ 637,066</u></b>

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, 2010 is as follows:

	<b>July 1, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2010</b>	<b>Current Portion of Balance</b>
Accrued compensated absences	\$ 301,831	\$ 73,624	\$ 61,088	\$ 314,367	\$ 60,336
Notes payable	9,223,012	-	781,888	8,441,124	781,888
Installment contracts	1,890,245	1,488,173	659,430	2,718,988	670,037
Revenue bonds	15,293,513	-	954,040	14,339,473	985,600
<b>Total</b>	<b><u>\$ 26,708,601</u></b>	<b><u>\$ 1,561,797</u></b>	<b><u>\$ 2,456,446</u></b>	<b><u>\$ 25,813,952</u></b>	<b><u>\$ 2,497,861</u></b>

#### **Other Long-Term Payables**

As part of a statewide plan to attract tenants to the Global TransPark (GTP), the City has entered into a Utility Agreement with the N.C. Department of Transportation. The agreement states that the City is responsible to reimburse the Department of Transportation \$35,530 annually, interest free, for three years beginning fiscal year 2011, for relocation of municipally-owned water lines. A long-term liability of \$71,060 has been reported in the Water Fund. The current portion due is reported in current accounts payable.

**CITY OF KINSTON, NORTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Interfund Balances and Activity**

**Due To/From Other Funds**

The composition of interfund balances as of June 30, 2010 are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>						<b>Total</b>
	<b>Nonmajor Governmental</b>	<b>Electric Fund</b>	<b>Wastewater Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Internal Service Fund</b>		
Electric Fund	\$ 345,149	\$ -	\$ -	\$ -	\$ 880,883	\$ 1,226,032	

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

**Interfund Transfers**

The following is a detailed schedule of interfund transfers for the year ended June 30, 2010:

<b>Transfers In</b>	<b>Transfers Out</b>							<b>Total</b>
	<b>Major General Fund</b>	<b>Major Electric Fund</b>	<b>Major Water Fund</b>	<b>Major Wastewater Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Nonmajor Governmental Fund</b>	<b>Internal Service Fund</b>	
Major General Fund	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ 22,832	\$ 5,983	\$ 828,821
Major Electric Fund	-	-	-	-	-	-	3,000	3,000
Major Water Fund	-	-	-	205,028	28,500	-	-	233,528
Major Wastewater Fund	-	-	43,104	-	-	-	-	43,104
Nonmajor Governmental Funds	80,126	50,000	-	-	-	-	-	130,120
Internal Service Funds	73,892	18,479	18,937	3,559	60,751	-	3,918	179,536
<b>Total</b>	<b>\$ 154,018</b>	<b>\$ 868,479</b>	<b>\$ 62,041</b>	<b>\$ 208,587</b>	<b>\$ 89,251</b>	<b>\$ 22,832</b>	<b>\$ 12,901</b>	<b>\$ 1,418,109</b>

Transfers out from the General Fund to the nonmajor governmental funds were to partially fund the MLK boulevard enhancement, GATE Phase II, Governor's Crime Commission Program and the Ballistic Vest Partnership. Transfers from all funds to the internal service funds were for shortfalls in Internal Service Fund charges for services. 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. Electric Fund transfers to nonmajor governmental fund were also for MLK blvd project. Transfers between Water and Wastewater funds were to fund capital projects. Transfer from Stormwater to Water Fund was to reimburse water fund for use of pipe cleaning and pipeline televising services. Transfers from the nonmajor governmental fund to General Fund were for fund closeouts of special revenue funds including fire station and city hall renovation projects.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

#### **Claims and Judgments**

At June 30, 2010, 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.

#### **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, 2010 were \$46,251,928.

##### **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 \$8,035 to the Council during the fiscal year ended June 30, 2010.

##### **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, 2010.

##### **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.

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**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 \$170,689 of funding for the Authority for the year ended June 30, 2010.

**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, 2010. During the year ended June 30, 2010, 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.

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## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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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, 2010**

Actuarial Valuation Date	Actuarial			Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)					
2003	\$ -	\$ 788,802		\$ 788,802	0.00%	\$ 2,728,417	28.91%
2004	-	1,020,283		1,020,283	0.00%	2,971,406	34.34%
2005	-	978,609		978,609	0.00%	2,899,443	33.75%
2006	-	1,146,009		1,146,009	0.00%	3,537,713	32.39%
2007	-	1,355,060		1,355,060	0.00%	3,393,664	39.93%
2008	-	1,526,173		1,526,173	0.00%	3,714,193	41.09%
2009	-	1,828,803		1,828,803	0.00%	3,799,983	48.13%

## CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
2004	\$ 91,650	0.00%
2005	99,787	0.00%
2006	124,414	0.00%
2007	120,066	0.00%
2008	141,308	0.00%
2009	155,141	0.00%
2010	170,012	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	12/31/2008
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, 2010

Actuarial Valuation Date	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
2004	\$ -	\$ 403,950	\$ 403,950	0.00%	\$ 1,743,007	23.2%
2005	-	341,549	341,549	0.00%	1,573,188	21.7%
2006	-	232,610	232,610	0.00%	1,638,447	14.2%
2007	-	197,938	197,938	0.00%	1,186,179	16.7%
2008	-	143,512	143,512	0.00%	832,512	17.2%
2009	-	104,970	104,970	0.00%	832,512	12.6%
2010	-	57,206	57,206	0.00%	708,111	8.1%

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
	2010	\$ 21,179		
			\$ -	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	7/1/2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	6 years
Asset valuation method	Market value
<b>Actuarial Assumptions:</b>	
Investment rate of return*	7.25%
Medical cost trend rate	4.5% to 14.7%
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, 2010**

Actuarial Valuation Date	Actuarial						Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)			
2007	\$ -	\$ 2,839,772	\$ 2,839,772	0.00%	\$ 10,327,213			27.5%
2008	-	2,673,181	2,673,181	0.00%	10,058,691			26.6%

**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%
2010	234,694	-	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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	27 years
Asset valuation method	Market value of assets
<b>Actuarial Assumptions:</b>	
Investment rate of return*	4.00%
Medical cost trend rate	N/A
Ultimate trend rate	N/A
Year of ultimate trend rate	N/A

\* Includes inflation at 3.75%

## **MAJOR FUNDS**

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

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## **GENERAL FUND**

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

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## CITY OF KINSTON, NORTH CAROLINA

**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Cash and investments	\$ 4,577,417	\$ 4,410,489
Receivables:		
Due from governmental agencies	1,191,086	1,333,872
Accounts receivable	889,331	870,259
Taxes receivable	821,875	823,398
Inventories	82,175	68,632
Restricted cash and investments	<u>112,446</u>	<u>62,978</u>
Total assets	<u><u>\$ 7,674,330</u></u>	<u><u>\$ 7,569,628</u></u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 923,846	\$ 1,085,575
Unearned revenue	43,439	80,158
Deferred revenue	<u>1,641,652</u>	<u>1,636,140</u>
Total liabilities	<u><u>2,608,937</u></u>	<u><u>2,801,873</u></u>
<b>Fund Balances:</b>		
Reserved for Powell Bill	-	420,275
Reserved for restricted assets	112,446	62,978
Reserved for inventories	82,175	68,632
Reserved for by State statute	1,260,640	1,391,389
Reserved for encumbrances	6,412	35,658
Unreserved:		
Undesignated	<u>3,603,720</u>	<u>2,788,823</u>
Total fund balances	<u><u>5,065,393</u></u>	<u><u>4,767,755</u></u>
Total liabilities and fund balances	<u><u>\$ 7,674,330</u></u>	<u><u>\$ 7,569,628</u></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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>			<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 8,935,800	\$ 9,000,403	\$ 64,603	\$ 8,524,996
Penalties and Interest	83,200	94,515	11,315	83,535
Total	<u>9,019,000</u>	<u>9,094,918</u>	<u>75,918</u>	<u>8,608,531</u>
<b>Sales and Services:</b>				
Rents, concessions, and fees	391,400	360,557	(30,843)	390,475
Inspection fees	150,000	228,591	78,591	79,757
Cemetery fees	195,000	188,265	(6,735)	285,730
Cable franchise	214,000	179,804	(34,196)	215,130
Lenoir County Participation:	<u>725,200</u>	<u>720,500</u>	<u>(4,700)</u>	<u>681,100</u>
Recreation				
Total	<u>1,675,600</u>	<u>1,677,717</u>	<u>2,117</u>	<u>1,652,192</u>
<b>Other Taxes and Licenses:</b>				
Local government sales tax	2,851,500	2,920,585	69,085	2,861,603
Franchise tax	1,769,727	1,704,144	(65,583)	1,882,161
Occupancy tax	185,000	183,610	(1,390)	176,982
Gross receipts tax	18,500	26,367	7,867	16,595
Licenses and permits	61,000	68,593	7,593	64,152
Total	<u>4,885,727</u>	<u>4,903,299</u>	<u>17,572</u>	<u>5,001,493</u>
<b>Unrestricted Intergovernmental:</b>				
Payment in lieu of taxes	252,000	248,513	(3,487)	253,850
Beer and wine tax	106,800	32,340	(74,460)	102,228
ABC revenue	1,100	551	(549)	1,268
Total	<u>359,900</u>	<u>281,404</u>	<u>(78,496)</u>	<u>357,346</u>
<b>Restricted Intergovernmental:</b>				
Powell Bill allocations	600,000	618,548	18,548	702,690
School resource officer	75,000	75,211	211	76,039
N.C. Department of Transportation	121,000	145,822	24,822	99,170
Federal grants, miscellaneous	-	-	-	1,442
State grants, miscellaneous	-	-	-	12,760
Court allocation	-	434	434	853
Forfeited drug proceeds	-	22,680	22,680	15,072
Total	<u>796,000</u>	<u>862,695</u>	<u>66,695</u>	<u>908,026</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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Revenue:</b>				
Investment income	55,000	7,035	(47,965)	66,149
Sales of surplus materials and assets	161,000	11,354	(149,646)	58,180
Miscellaneous	110,467	153,281	42,814	209,384
Total	326,467	171,670	(154,797)	333,713
Total revenues	17,062,694	16,991,703	(70,991)	16,861,301
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and benefits	116,100	117,604	(1,504)	114,451
Operating	110,239	79,512	30,727	113,363
Total	226,339	197,116	29,223	227,814
<b>Executive:</b>				
Salaries and benefits	559,500	550,144	9,356	583,729
Operating	371,700	321,087	50,613	279,785
Total	931,200	871,231	59,969	863,514
<b>Finance:</b>				
Salaries and benefits	616,920	607,131	9,789	609,587
Operating	352,430	303,198	49,232	360,876
Capital outlay	800	655	145	115,389
Total	970,150	910,984	59,166	1,085,852
<b>Human Resources:</b>				
Salaries and benefits	262,440	259,919	2,521	256,673
Operating	247,900	243,939	3,961	255,285
Total	510,340	503,858	6,482	511,958
<b>Engineering and Public Facilities:</b>				
Salaries and benefits	554,800	539,084	15,716	529,900
Operating	403,400	352,259	51,141	287,457
Capital outlay	285,883	275,795	10,088	33,817
Less: interdepartmental charges	(323,900)	(323,900)	-	(302,875)
Total	920,183	843,238	76,945	548,299
Indirect costs reimbursement	(1,150,478)	(1,150,462)	(16)	(1,343,050)
Total general government	2,407,734	2,175,965	231,769	1,894,387

**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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Public Safety:</b>				
<b>Police and Fire Administration:</b>				
Salaries and benefits	870,900	841,824	29,076	870,658
Operating	251,339	231,357	19,982	231,692
Capital outlay	4,000	3,705	295	-
Total	1,126,239	1,076,886	49,353	1,102,350
<b>Police:</b>				
Salaries and benefits	4,225,549	4,182,204	43,345	4,096,248
Operating	886,313	901,402	(15,089)	979,991
Capital outlay	281,500	273,685	7,815	8,387
Total	5,393,362	5,357,291	36,071	5,084,626
<b>Fire:</b>				
Salaries and benefits	2,498,744	2,432,343	66,401	2,402,143
Operating	523,167	503,316	19,851	320,072
Capital outlay	956,200	15,051	941,149	23,581
Total	3,978,111	2,950,710	1,027,401	2,745,796
<b>Inspections and Code Enforcement:</b>				
Salaries and benefits	243,800	235,086	8,714	224,511
Operating	72,800	61,980	10,820	120,159
Total	316,600	297,066	19,534	344,670
Total public safety	10,814,312	9,681,953	1,132,359	9,277,442
<b>Public Services:</b>				
Salaries and benefits	684,900	680,800	4,100	695,724
Operating	1,004,026	952,037	51,989	690,170
Capital outlay	111,000	69,292	41,708	27,993
Total	1,799,926	1,702,129	97,797	1,413,887
<b>Parks and Recreation:</b>				
Salaries and benefits	2,155,550	2,179,403	(23,853)	2,060,051
Operating	1,315,385	1,316,563	(1,178)	1,292,776
Capital outlay	102,500	71,875	30,625	39,792
Total	3,573,435	3,567,841	5,594	3,392,619

**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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Community Development:</b>				
<b>Planning:</b>				
Salaries and benefits	70,400	63,940	6,460	145,322
Operating	36,100	17,724	18,376	56,876
Capital outlay	11,500	11,472	28	-
Total	118,000	93,136	24,864	202,198
<b>Economic Development:</b>				
Operating	594,250	575,729	18,521	575,699
Capital outlay	-	-	-	11,642
Total	594,250	575,729	18,521	587,341
Total community development	712,250	668,865	43,385	789,539
Total expenditures	19,307,657	17,796,753	1,510,904	16,767,874
Revenues over (under) expenditures	(2,244,963)	(805,050)	1,439,913	93,427
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	224,998	-	(224,998)	-
Transfers in	813,983	828,821	14,838	823,078
Transfers out	(154,018)	(154,018)	-	(307,491)
Long-term debt issued	1,360,000	427,885	(932,115)	-
Total other financing sources (uses):	2,244,963	1,102,688	(1,142,275)	515,587
Net change in fund balance	\$ -	297,638	\$ 297,638	609,014
<b>Fund Balance:</b>				
Beginning of year - July 1		4,767,755		4,158,741
End of year - June 30	\$ 5,065,393		\$ 4,767,755	

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## NONMAJOR FUND TYPES

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

**Nonmajor Capital Project Funds** – 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, 2010

	Government Fund Types				<u>Permanent Fund</u>	<u>Temple Israel Perpetual Care Fund</u>	<u>Total</u>
	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>					
<b>Assets:</b>							
Cash and investments	\$ 17,725	\$ 192,721	\$ 83,390	\$ 293,836			
Receivables	<u>167,153</u>	<u>897</u>	<u>-</u>	<u>168,050</u>			
Total assets	<u>\$ 184,878</u>	<u>\$ 193,618</u>	<u>\$ 83,390</u>	<u>\$ 461,886</u>			
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 9,997	\$ 15	\$ -	\$ 10,012			
Due to other funds	<u>110,575</u>	<u>234,574</u>	<u>-</u>	<u>345,149</u>			
Total liabilities	<u>120,572</u>	<u>234,589</u>	<u>-</u>	<u>355,161</u>			
<b>Fund Balances:</b>							
Reserved by State statute	41,572	-	-	41,572			
Unreserved fund balance:							
Undesignated	<u>22,734</u>	<u>(40,971)</u>	<u>83,390</u>	<u>65,153</u>			
Total fund balances	<u>64,306</u>	<u>(40,971)</u>	<u>83,390</u>	<u>106,725</u>			
Total liabilities and fund balances	<u>\$ 184,878</u>	<u>\$ 193,618</u>	<u>\$ 83,390</u>	<u>\$ 461,886</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, 2010**

	Government Fund Types			
	<u>Permanent Fund</u>			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Temple Israel Perpetual Care Fund	Total
<b>Revenues:</b>				
Intergovernmental revenue	\$ 413,742	\$ 39,407	\$ -	\$ 453,149
Miscellaneous income	6,962	-	-	6,962
Interest	4	11	122	137
Total revenues	<u>420,708</u>	<u>39,418</u>	<u>122</u>	<u>460,248</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	441,987	71,571	-	513,558
Community development	21,183	75,055	-	96,238
Parks and recreation	-	15,274	-	15,274
Total expenditures	<u>463,170</u>	<u>161,900</u>	<u>-</u>	<u>625,070</u>
Revenues over (under) expenditures	<u>(42,462)</u>	<u>(122,482)</u>	<u>122</u>	<u>(164,822)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	60,120	70,000	-	130,120
Transfers out	(1,146)	(21,686)	-	(22,832)
Total other financing sources (uses)	<u>58,974</u>	<u>48,314</u>	<u>-</u>	<u>107,288</u>
Net change in fund balances	16,512	(74,168)	122	(57,534)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>47,794</u>	<u>33,197</u>	<u>83,268</u>	<u>164,259</u>
End of year - June 30	<u>\$ 64,306</u>	<u>\$ (40,971)</u>	<u>\$ 83,390</u>	<u>\$ 106,725</u>

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

**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 further 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 further 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 Division.

**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 supplies for the Law Enforcement Division.

**2008 Justice Assistance Grant** - This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance for the purchase of supplies for the Law Enforcement Division.

**2009 Governor's Crime Commission Equipment Grant** – This fund accounts for the purchase of additional uniforms and equipment for the Law Enforcement Division.

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

**2009 JAG Recovery Act Relief Project** – This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance, for the purchase of Law Enforcement supplies that will enhance the ability to better serve the citizens and protect officers. The City of Kinston and the Lenoir County Sheriff's Department share in the grant funding. The City administers the spending of funds.

**2009 Edward Byrne Memorial JAG Grant** – This fund accounts for monies from the U.S. Department of Justice Office of Justice Programs for the purchase of equipment and technology that will improve the safety and security of Law Enforcement officers and citizens.

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

**2009 Bulletproof Vest Partnership Grant (BVP)** – This fund accounts for monies from the U.S. Department of Justice Bureau of Justice Assistance towards the purchase of nineteen (19) ballistic vests.

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**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2009**

	<b>Community Development Administration</b>	<b>Gang GATE Phase II</b>	<b>2009 Governor's Crime Commission Equipment Grant</b>	<b>2009 Governor's Crime Commission Grant</b>
<b>Assets:</b>				
Cash and investments	\$ 6,863	\$ -	\$ -	\$ 10,862
Accounts receivable	<u>41,572</u>	<u>19,006</u>	<u>8,623</u>	<u>14,042</u>
Total assets	<u><u>\$ 48,435</u></u>	<u><u>\$ 19,006</u></u>	<u><u>\$ 8,623</u></u>	<u><u>\$ 24,904</u></u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 16,786	\$ 8,840	\$ -
Accounts payable and accrued liabilities	<u>-</u>	<u>3,773</u>	<u>-</u>	<u>1,884</u>
Total liabilities	<u><u>-</u></u>	<u><u>20,559</u></u>	<u><u>8,840</u></u>	<u><u>1,884</u></u>
<b>Fund Balances:</b>				
Reserved by State statute	41,572	-	-	-
Unreserved fund balance:				
Undesignated	<u>6,863</u>	<u>(1,553)</u>	<u>(217)</u>	<u>23,020</u>
Total fund balances (deficit)	<u><u>48,435</u></u>	<u><u>(1,553)</u></u>	<u><u>(217)</u></u>	<u><u>23,020</u></u>
Total liabilities and fund balances	<u><u>\$ 48,435</u></u>	<u><u>\$ 19,006</u></u>	<u><u>\$ 8,623</u></u>	<u><u>\$ 24,904</u></u>

**Schedule 5**

<b>2009 JAG Recovery Act Relief Project</b>	<b>2009 Edward-Byrne Memorial JAG Grant</b>	<b>2009 Cops Hiring Recovery Program Grant (ARRA)</b>	<b>2009 Bulletproof Vest Partnership Grant (BVP)</b>	<b>Total</b>	<b>2009</b>
\$ - 40,074	\$ - 3,608	\$ - 39,507	\$ - 721	\$ 17,725 167,153	\$ 1,215 63,824
<u>\$ 40,074</u>	<u>\$ 3,608</u>	<u>\$ 39,507</u>	<u>\$ 721</u>	<u>\$ 184,878</u>	<u>\$ 65,039</u>
\$ 40,147 -	\$ 3,463 -	\$ 37,985 3,589	\$ 3,354 751	\$ 110,575 9,997	\$ 13,247 3,998
<u>\$ 40,147</u>	<u>\$ 3,463</u>	<u>\$ 41,574</u>	<u>\$ 4,105</u>	<u>\$ 120,572</u>	<u>\$ 17,245</u>
-	-	-	-	41,572	42,112
<u>(73)</u>	<u>145</u>	<u>(2,067)</u>	<u>(3,384)</u>	<u>22,734</u>	<u>5,682</u>
<u>(73)</u>	<u>145</u>	<u>(2,067)</u>	<u>(3,384)</u>	<u>64,306</u>	<u>47,794</u>
<u>\$ 40,074</u>	<u>\$ 3,608</u>	<u>\$ 39,507</u>	<u>\$ 721</u>	<u>\$ 184,878</u>	<u>\$ 65,039</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, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Community Development Administration</b>	<b>Operation Video Impact</b>	<b>Gang Awareness, Training, and Education</b>	<b>Gang GATE Phase II</b>	<b>2009 Bulletproof Vest</b>	<b>Flood Closeout</b>	<b>2008 Justice Assistance</b>
<b>Revenues:</b>							
Restricted:							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 56,908	\$ -	\$ -	\$ -
Other:							
Miscellaneous revenue	6,962	-	-	-	-	-	-
Investment earnings	4	-	-	-	-	-	-
Total revenues	<u>6,966</u>	<u>-</u>	<u>-</u>	<u>56,908</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>							
Planning and community development:							
Administration	-	-	-	-	-	-	-
Other services	-	19	436	84,485	(267)	-	(283)
Total expenditures	<u>-</u>	<u>19</u>	<u>436</u>	<u>84,485</u>	<u>(267)</u>	<u>-</u>	<u>(283)</u>
<b>Revenues over (under) expenditures</b>	<b>6,966</b>	<b>(19)</b>	<b>(436)</b>	<b>(27,577)</b>	<b>267</b>	<b>-</b>	<b>283</b>
<b>Other Financing Sources (Uses):</b>							
Transfers in	-	-	-	20,750	-	-	-
Transfers out	-	-	-	-	-	(1,146)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,750</u>	<u>-</u>	<u>(1,146)</u>	<u>-</u>
<b>Change in fund balances</b>	<b>6,966</b>	<b>(19)</b>	<b>(436)</b>	<b>(6,827)</b>	<b>267</b>	<b>(1,146)</b>	<b>283</b>
<b>Fund Balances:</b>							
Beginning of year - July 1	<u>41,469</u>	<u>19</u>	<u>436</u>	<u>5,274</u>	<u>(267)</u>	<u>1,146</u>	<u>(283)</u>
End of year - June 30	<u>\$ 48,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,553)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2009 Governor's Crime Commission Equipment Grant		2009 Governor's Crime Commission Grant		2009 JAG Recovery Act Relief Project		2009 Edward Byrne Memorial JAG Grant		2009 Cops Hiring Recovery Program Grant (ARRA)		2009 Bulletproof Vest Partnership Grant (BVP)		Total		2009	
2008 JAG Grant															
\$ 5,721	\$ 8,000	\$ 53,169	\$ 196,567	\$ 53,870	\$ 39,507	\$ -	\$ 413,742	\$ 114,929							
-	-	-	-	-	-	-	-	-	-	-	-	6,962	10,289		
-	-	-	-	-	-	-	-	-	-	-	-	4	(128)		
<u>5,721</u>	<u>8,000</u>	<u>53,169</u>	<u>196,567</u>	<u>53,870</u>	<u>39,507</u>							<u>420,708</u>	<u>125,090</u>		
5,721	-	7,219	-	8,243	-	-	-	-	-	-	-	21,183	25,196		
-	8,217	56,386	196,640	45,482	41,574	9,298	441,987	124,069							
<u>5,721</u>	<u>8,217</u>	<u>63,605</u>	<u>196,640</u>	<u>53,725</u>	<u>41,574</u>	<u>9,298</u>	<u>463,170</u>	<u>149,265</u>							
-	(217)	(10,436)	(73)	145	(2,067)	(9,298)	(42,462)	(24,175)							
-	-	33,456	-	-	-	-	5,914	60,120	600						
-	-	-	-	-	-	-	-	(1,146)	(11,078)						
-	-	33,456	-	-	-	-	5,914	58,974	(10,478)						
-	(217)	23,020	(73)	145	(2,067)	(3,384)	16,512	(34,653)							
-	-	-	-	-	-	-	-	-	-	-	-	47,794	82,447		
\$ -	\$ (217)	\$ 23,020	\$ (73)	\$ 145	\$ (2,067)	\$ (3,384)	\$ 64,306	\$ 47,794							

## 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, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<b>2010</b>			<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>		<b>Actual</b>
<b>Revenues:</b>					
Rent and program income	\$ 6,762	\$ 6,762	\$ -	\$ 10,289	
Other revenue	-	200	200	-	
Investment earnings	-	4	4	(128)	
Total revenues	<u>6,762</u>	<u>6,966</u>	<u>204</u>	<u>10,161</u>	
<b>Expenditures:</b>					
Contract services	<u>6,762</u>	<u>-</u>	<u>6,762</u>	<u>-</u>	
Total expenditures	<u>6,762</u>	<u>-</u>	<u>6,762</u>	<u>-</u>	
Revenues over (under) expenditures	\$ <u>-</u>	\$ 6,966	\$ <u>6,966</u>		10,161
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>41,469</u>		<u>31,308</u>
End of year - June 30			<u>\$ 48,435</u>		<u>\$ 41,469</u>

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - OPERATION VIDEO IMPACT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

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

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - GANG AWARENESS, TRAINING, AND EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
<b>Expenditures:</b>					
Personnel costs	-	1,606	-	1,606	(1,606)
Administration	141,266	59,158	436	59,594	81,672
Capital outlay	-	80,066	-	80,066	(80,066)
Total expenditures	<u>141,266</u>	<u>140,830</u>	<u>436</u>	<u>141,266</u>	<u>-</u>
Revenues over (under) expenditures	<u>(41,266)</u>	<u>(40,830)</u>	<u>(436)</u>	<u>(41,266)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	<u>41,266</u>	<u>41,266</u>	<u>-</u>	<u>41,266</u>	<u>-</u>
Total other financing sources (uses)	<u>41,266</u>	<u>41,266</u>	<u>-</u>	<u>41,266</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 436</u>	<u>(436)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				436	
End of year - June 30				<u>\$ -</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - GANG GATE PHASE II**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE- BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 168,668	\$ 94,984	\$ 56,908	\$ 151,892	\$ (16,776)
Total revenues	<u>168,668</u>	<u>94,984</u>	<u>56,908</u>	<u>151,892</u>	<u>(16,776)</u>
<b>Expenditures:</b>					
Administration	221,513	96,840	83,831	180,671	40,842
Capital outlay	3,379	28,343	654	28,997	(25,618)
Total expenditures	<u>224,892</u>	<u>125,183</u>	<u>84,485</u>	<u>209,668</u>	<u>15,224</u>
Revenues over (under) expenditures	<u>(56,224)</u>	<u>(30,199)</u>	<u>(27,577)</u>	<u>(57,776)</u>	<u>(1,552)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	56,224	35,473	20,750	56,223	(1)
Total other financing sources (uses)	<u>56,224</u>	<u>35,473</u>	<u>20,750</u>	<u>56,223</u>	<u>(1)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,274</u>	<u>(6,827)</u>	<u>\$ (1,553)</u>	<u>\$ (1,553)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			5,274		
End of year - June 30			<u>\$ (1,553)</u>		

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2007 BULLET PROOF VEST**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grante	\$ 4,966	\$ 4,966	\$ -	\$ 4,966	\$ -
Total revenues	<u>4,966</u>	<u>4,966</u>	<u>-</u>	<u>4,966</u>	<u>-</u>
<b>Expenditures:</b>					
Capital outlay	9,933	10,200	(267)	9,933	-
Total expenditures	<u>9,933</u>	<u>10,200</u>	<u>(267)</u>	<u>9,933</u>	<u>-</u>
Revenues over (under) expenditures	<u>(4,967)</u>	<u>(5,234)</u>	<u>267</u>	<u>(4,967)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	4,967	4,967	-	4,967	-
Total other financing sources (uses)	<u>4,967</u>	<u>4,967</u>	<u>-</u>	<u>4,967</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (267)</u>	<u>267</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(267)</u>	
End of year - June 30				<u>\$ -</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - FLOOD CLOSEOUT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Actual</u> <u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
federal grants	\$ -	\$ 277,084	\$ -	\$ 277,084	\$ 277,084
Miscellaneous revenue	<u>-</u>	<u>7,425</u>	<u>-</u>	<u>7,425</u>	<u>7,425</u>
Total revenues	<u>-</u>	<u>284,509</u>	<u>-</u>	<u>284,509</u>	<u>284,509</u>
<b>Expenditures:</b>					
Acquisition, relocation, demolition of private properties	<u>-</u>	<u>2,831</u>	<u>-</u>	<u>2,831</u>	<u>(2,831)</u>
Total expenditures	<u>-</u>	<u>2,831</u>	<u>-</u>	<u>2,831</u>	<u>(2,831)</u>
Revenues over (under) expenditures	<u>-</u>	<u>281,678</u>	<u>-</u>	<u>281,678</u>	<u>281,678</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	557,348	702,523	-	702,523	145,175
Transfers out	<u>(557,348)</u>	<u>(683,055)</u>	<u>(1,146)</u>	<u>(684,201)</u>	<u>(126,853)</u>
Total other financing sources (uses)	<u>-</u>	<u>19,468</u>	<u>(1,146)</u>	<u>18,322</u>	<u>18,322</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 301,146</u>	<u>(1,146)</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>1,146</u>	
End of year - June 30			<u>\$ -</u>		

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2007 JUSTICE ASSISTANCE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 46,932	\$ -	\$ -	\$ -	\$ (46,932)
Total revenues	<u>46,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,932)</u>
<b>Expenditures:</b>					
Capital outlay	47,966	283	(283)	-	47,966
Total expenditures	<u>47,966</u>	<u>283</u>	<u>(283)</u>	<u>-</u>	<u>47,966</u>
Revenues over (under) expenditures	<u>(1,034)</u>	<u>(283)</u>	<u>283</u>	<u>-</u>	<u>1,034</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	1,034	-	-	-	(1,034)
Total other financing sources (uses)	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,034)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (283)</u>	<u>283</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				(283)	
End of year - June 30				<u>\$ -</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2008 JAG GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 10,792	\$ 5,071	\$ 5,721	\$ 10,792	\$ -
Total revenues	<u>10,792</u>	<u>5,071</u>	<u>5,721</u>	<u>10,792</u>	<u>-</u>
<b>Expenditures:</b>					
Personnel costs	11,392	5,671	5,721	11,392	-
Total expenditures	<u>11,392</u>	<u>5,671</u>	<u>5,721</u>	<u>11,392</u>	<u>-</u>
Revenues over (under) expenditures	(600)	(600)	-	(600)	-
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	600	600	-	600	-
Total other financing sources (uses)	<u>600</u>	<u>600</u>	<u>-</u>	<u>600</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1					-
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 GOVERNOR'S CRIME COMMISSION EQUIPMENT GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 8,000	\$ -	\$ 8,000	\$ 8,000	\$ -
Total revenues	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
<b>Expenditures:</b>					
Capital outlay	8,000	-	8,217	8,217	(217)
Total expenditures	<u>8,000</u>	<u>-</u>	<u>8,217</u>	<u>8,217</u>	<u>(217)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(217)</u>	<u>\$ (217)</u>	<u>\$ (217)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1					
End of year - June 30			\$ (217)		

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 GOVERNOR'S CRIME COMMISSION GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 100,381	\$ -	\$ 53,169	\$ 53,169	\$ (47,212)
Total revenues	<u>100,381</u>	<u>-</u>	<u>53,169</u>	<u>53,169</u>	<u>(47,212)</u>
<b>Expenditures:</b>					
Personnel costs	107,017	-	56,386	56,386	50,631
Administration	<u>26,824</u>	<u>-</u>	<u>7,219</u>	<u>7,219</u>	<u>19,605</u>
Total expenditures	<u>133,841</u>	<u>-</u>	<u>63,605</u>	<u>63,605</u>	<u>70,236</u>
Revenues over (under) expenditures	<u>(33,460)</u>	<u>-</u>	<u>(10,436)</u>	<u>(10,436)</u>	<u>23,024</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	33,460	-	33,456	33,456	(4)
Total other financing sources (uses)	<u>33,460</u>	<u>-</u>	<u>33,456</u>	<u>33,456</u>	<u>(4)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>23,020</u>	<u>\$ 23,020</u>	<u>\$ 23,020</u>
<b>Fund Balance:</b>					
Beginning of year - July 1					<u>-</u>
End of year - June 30				<u>\$ 23,020</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 JAG RECOVERY ACT RELIEF PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 221,662	\$ -	\$ 196,567	\$ 196,567	\$ (25,095)
Total revenues	<u>221,662</u>	<u>-</u>	<u>196,567</u>	<u>196,567</u>	<u>(25,095)</u>
<b>Expenditures:</b>					
Capital outlay	221,662	-	196,640	196,640	25,022
Total expenditures	<u>221,662</u>	<u>-</u>	<u>196,640</u>	<u>196,640</u>	<u>25,022</u>
Revenues over (under) expenditures	\$ -	\$ -	(73)	\$ (73)	\$ (73)
<b>Fund Balance:</b>					
Beginning of year - July 1					
End of year - June 30			\$ (73)		

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 EDWARD-BYRNE MEMORIAL JAG GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>					
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
Restricted intergovernmental revenue,						
State Grant	\$ 53,870	\$ -	\$ 53,870	\$ 53,870	\$ -	
Total revenues	<u>53,870</u>	<u>-</u>	<u>53,870</u>	<u>53,870</u>	<u>-</u>	
<b>Expenditures:</b>						
Administration	8,978	-	8,243	8,243	735	
Capital outlay	<u>44,892</u>	<u>-</u>	<u>45,482</u>	<u>45,482</u>	<u>(590)</u>	
Total expenditures	<u>53,870</u>	<u>-</u>	<u>53,725</u>	<u>53,725</u>	<u>145</u>	
Revenues over (under) expenditures	\$ -	\$ -	145	\$ 145	\$ 145	
<b>Fund Balance:</b>						
Beginning of year - July 1						
End of year - June 30				\$ <u>145</u>		

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 COPS HIRING RECOVERY PROGRAM GRANT (AARA)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>					
<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>		
<b>Revenues:</b>						
Restricted intergovernmental revenue,						
State Grant	\$ 252,588	\$ -	\$ 39,507	\$ 39,507	\$ (213,081)	
Total revenues	<u>252,588</u>	<u>-</u>	<u>39,507</u>	<u>39,507</u>	<u>(213,081)</u>	
<b>Expenditures:</b>						
Personnel costs	252,588	-	41,574	41,574	211,014	
Total expenditures	<u>252,588</u>	<u>-</u>	<u>41,574</u>	<u>41,574</u>	<u>211,014</u>	
Revenues over (under) expenditures	\$ -	\$ -	(2,067)	\$ (2,067)	\$ (2,067)	
<b>Fund Balance:</b>						
Beginning of year - July 1						
End of year - June 30				\$ (2,067)		

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2009 BULLETPROOF VEST PARTNERSHIP GRANT (BVP)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
State Grant	\$ 5,915	\$ -	\$ -	\$ -	\$ (5,915)
Total revenues	<u>5,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,915)</u>
<b>Expenditures:</b>					
Capital outlay	11,829	-	9,298	9,298	2,531
Total expenditures	<u>11,829</u>	<u>-</u>	<u>9,298</u>	<u>9,298</u>	<u>2,531</u>
Revenues over (under) expenditures	<u>(5,914)</u>	<u>-</u>	<u>(9,298)</u>	<u>(9,298)</u>	<u>(3,384)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	5,914	-	5,914	5,914	-
Total other financing sources (uses)	<u>5,914</u>	<u>-</u>	<u>5,914</u>	<u>5,914</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,384)</u>	<u>\$ (3,384)</u>	<u>\$ (3,384)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1					
End of year - June 30				\$ (3,384)	

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## **NONMAJOR CAPTIAL PROJECT FUNDS**

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

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

**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.

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

**Fire Trucks & Equipment Fund** - This fund accounts for the purchase of two new fire trucks and related public safety equipment.

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**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2009**

	<b>Retro- Green</b>	<b>CWMTF Flood Buy-Out</b>	<b>New Fire Station #2</b>	<b>Contentnea Savannah Ballfields</b>	<b>Train Depot</b>
<b>Assets:</b>					
Cash and investments	\$ 8,250	\$ -	\$ -	\$ 6,429	\$ 121,349
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total assets	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,429</u>	<u>\$ 121,549</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Due to other funds	\$ -	\$ 154,228	\$ 65,294	\$ -	\$ -
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>154,228</u>	<u>65,294</u>	<u>-</u>	<u>-</u>
<b>Fund Balance:</b>					
Unreserved:					
Undesignated	<u>8,250</u>	<u>(154,228)</u>	<u>(65,294)</u>	<u>6,429</u>	<u>121,549</u>
Total fund balances	<u>8,250</u>	<u>(154,228)</u>	<u>(65,294)</u>	<u>6,429</u>	<u>121,549</u>
Total liabilities and fund balances	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,429</u>	<u>\$ 121,549</u>

## Schedule 21

**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, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Fire Station Public Safety Complex</b>	<b>Retro- Green</b>	<b>CWMTF Flood Buy-Out</b>	<b>New Fire Station #2</b>	<b>Contentnea Savannah Ballfields</b>
<b>Revenues:</b>					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	_____	_____	_____	_____	_____
Total revenues	_____	_____	_____	_____	_____
<b>Expenditures:</b>					
Parks and recreation	-	-	15,274	-	-
Public safety	-	-	-	62,470	-
Community development	-	-	-	-	-
Debt service	_____	_____	_____	_____	_____
Total expenditures	_____	_____	15,274	62,470	_____
Revenues over (under) expenditures	_____	_____	(15,274)	(62,470)	_____
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	(21,686)	-	-	-	-
Long-term debt issued	_____	_____	_____	_____	_____
Total other financing sources (uses)	(21,686)	_____	_____	_____	_____
Net change in fund balances	(21,686)	-	(15,274)	(62,470)	-
<b>Fund Balances:</b>					
Beginning of year - July 1	21,686	8,250	(138,954)	(2,824)	6,429
End of year - June 30	\$ -	\$ 8,250	\$ (154,228)	\$ (65,294)	\$ 6,429

## Schedule 22

## 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 YEAR ENDED JUNE 30, 2010**

			<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Years</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Investment earnings	\$ 160,353	\$ 160,353	\$ _____ -	\$ 160,353	\$ _____ -
Total revenues	<u>160,353</u>	<u>160,353</u>	<u>_____ -</u>	<u>160,353</u>	<u>_____ -</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Loan closing costs	-	13,926	-	13,926	(13,926)
Debt service	4,986,000	4,986,000	-	4,986,000	-
Capital outlay:					
Construction costs	<u>5,341,767</u>	<u>5,327,844</u>	<u>_____ -</u>	<u>5,327,844</u>	<u>13,923</u>
Total expenditures	<u>10,327,767</u>	<u>10,327,770</u>	<u>_____ -</u>	<u>10,327,770</u>	<u>(3)</u>
Revenues over (under) expenditures	<u>(10,167,414)</u>	<u>(10,167,417)</u>	<u>_____ -</u>	<u>(10,167,417)</u>	<u>3</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	217,103	217,103	-	217,103	-
Transfer to General Fund	(21,689)	-	(21,686)	(21,686)	(3)
Debt issued - short term financing	<u>9,972,000</u>	<u>9,972,000</u>	<u>_____ -</u>	<u>9,972,000</u>	<u>-</u>
Total other financing sources (uses)	<u>10,167,414</u>	<u>10,189,103</u>	<u>(21,686)</u>	<u>10,167,417</u>	<u>(3)</u>
Net change in fund balance	<u>\$ _____ -</u>	<u>\$ 21,686</u>	<u>(21,686)</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>21,686</u>	
End of year - June 30				<u>\$ _____ -</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - RETRO-GREEN CAPITAL PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

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

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - CWMTF FLOOD BUY-OUT CAPITAL PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Actual</u>			
		<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
State grants	\$ 1,181,000	\$ 545,796	\$ -	\$ 545,796	\$ (635,204)
Miscellaneous revenue	26,000	-	-	-	(26,000)
Total revenues	<u>1,207,000</u>	<u>545,796</u>	<u>-</u>	<u>545,796</u>	<u>(661,204)</u>
<b>Expenditures:</b>					
<b>Parks and Recreation:</b>					
Salaries and benefits	-	9,400	3,752	13,152	(13,152)
Capital outlay	<u>1,242,000</u>	<u>710,350</u>	<u>11,522</u>	<u>721,872</u>	<u>520,128</u>
Total expenditures	<u>1,242,000</u>	<u>719,750</u>	<u>15,274</u>	<u>735,024</u>	<u>506,976</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>(173,954)</u>	<u>(15,274)</u>	<u>(189,228)</u>	<u>(154,228)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (138,954)</u>	<u>(15,274)</u>	<u>\$ (154,228)</u>	<u>\$ (154,228)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(138,954)</u>	
End of year - June 30				<u>\$ (154,228)</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - NEW FIRE STATION #2**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Years</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Capital outlay	\$ 176,674	\$ 2,824	\$ 62,470	\$ 65,294	\$ 111,380
Total expenditures	<u>176,674</u>	<u>2,824</u>	<u>62,470</u>	<u>65,294</u>	<u>111,380</u>
Revenues over (under) expenditures	<u>(176,674)</u>	<u>(2,824)</u>	<u>(62,470)</u>	<u>(65,294)</u>	<u>111,380</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	<u>176,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,674)</u>
Total other financing sources (uses)	<u>176,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,674)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,824)</u>	<u>(62,470)</u>	<u>\$ (65,294)</u>	<u>\$ (65,294)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(2,824)</u>	
End of year - June 30				<u>\$ (65,294)</u>	

## 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 YEAR ENDED JUNE 30, 2010**

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

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Years</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 315,000	\$ 315,000	\$ _____ -	\$ 315,000	\$ _____ -
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>_____ -</u>	<u>315,000</u>	<u>_____ -</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Capital outlay	<u>315,000</u>	<u>138,519</u>	<u>54,932</u>	<u>193,451</u>	<u>121,549</u>
Total expenditures	<u>315,000</u>	<u>138,519</u>	<u>54,932</u>	<u>193,451</u>	<u>121,549</u>
Revenues over (under) expenditures	\$ _____ -	\$ <u>176,481</u>	(54,932)	\$ <u>121,549</u>	\$ <u>121,549</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>176,481</u>	
End of year - June 30				<u>\$ 121,549</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - BATTLEFIELD PARKWAY/SOCCER COMPLEX**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Years</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 143,000	\$ -	\$ 39,407	\$ 39,407	\$ (103,593)
Miscellaneous revenue	7,000	-	-	-	(7,000)
Total revenues	<u>150,000</u>	<u>-</u>	<u>39,407</u>	<u>39,407</u>	<u>(110,593)</u>
<b>Expenditures:</b>					
<b>Parks and Recreation:</b>					
Capital outlay	150,000	44,661	-	44,661	105,339
Total expenditures	<u>150,000</u>	<u>44,661</u>	<u>-</u>	<u>44,661</u>	<u>105,339</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (44,661)</u>	<u>39,407</u>	<u>\$ (5,254)</u>	<u>\$ (5,254)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			(44,661)		
End of year - June 30				<u>\$ (5,254)</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 11	\$ 11
Contributions	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total revenues	<u>75,000</u>	<u>11</u>	<u>(74,989)</u>
Revenues over (under) expenditures	<u>\$ 75,000</u>	<u>11</u>	<u>\$ 74,989</u>
<b>Fund Balance:</b>			
Beginning of year - July 1			<u>6,790</u>
End of year - June 30		<u>\$ 6,801</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - MARTIN LUTHER KING JR. BLVD ENHANCEMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Years</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
State grants	\$ 475,000	\$ -	\$ -	\$ -	\$ (475,000)	
Total revenues	<u>475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(475,000)</u>	
<b>Expenditures:</b>						
<b>Community Development:</b>						
Construction costs	545,000	-	20,123	20,123	524,877	
Total expenditures	<u>545,000</u>	<u>-</u>	<u>20,123</u>	<u>20,123</u>	<u>524,877</u>	
Revenues over (under) expenditures	<u>(70,000)</u>	<u>-</u>	<u>(20,123)</u>	<u>(20,123)</u>	<u>49,877</u>	
<b>Other Financing Sources (Uses):</b>						
Transfer from General Fund	20,000	-	20,000	20,000	-	
Transfer from Electric Fund	50,000	-	50,000	50,000	-	
Total other financing sources (uses)	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>49,877</u>	<u>\$ 49,877</u>	<u>\$ 49,877</u>	
<b>Fund Balance:</b>						
Beginning of year - July 1					<u>-</u>	
End of year - June 30				<u>\$ 49,877</u>		

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - FIRE TRUCKS AND EQUIPMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

			<b>Actual</b>		
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Years</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 138,000	\$ -	\$ -	\$ -	\$ (138,000)
Total revenues	<u>138,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138,000)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Vehicles and equipment	998,000	-	9,101	9,101	988,899
Total expenditures	<u>998,000</u>	<u>-</u>	<u>9,101</u>	<u>9,101</u>	<u>988,899</u>
Revenues over (under) expenditures	<u>(860,000)</u>	<u>-</u>	<u>(9,101)</u>	<u>(9,101)</u>	<u>850,899</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	860,000	-	-	-	(860,000)
Total other financing sources (uses)	<u>860,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(860,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(9,101)</u>	<u>\$ (9,101)</u>	<u>\$ (9,101)</u>
<b>Fund Balance:</b>					
Beginning of year - July 1					<u>-</u>
End of year - June 30				<u>\$ (9,101)</u>	

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## **PERMANENT FUND**

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

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## CITY OF KINSTON, NORTH CAROLINA

**PERMANENT FUND - TEMPLE ISRAEL PERPETUAL CARE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ -	\$ 122	\$ 122
Contributions	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total revenues	<u>75,000</u>	<u>122</u>	<u>(74,878)</u>
Revenues over (under) expenditures	<u>75,000</u>	<u>122</u>	<u>74,878</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(75,000)</u>	<u>-</u>	<u>75,000</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>-</u>	<u>75,000</u>
Net change in fund balance	<u>\$ -</u>	<u>122</u>	<u>\$ 122</u>
<b>Fund Balance:</b>			
Beginning of year - July 1			<u>83,268</u>
End of year - June 30			<u>\$ 83,390</u>

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## **ELECTRIC FUND**

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

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>Variance Over/Under</b>	<b>2009</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services, electricity sales	\$ 54,744,753	\$ 54,882,744	\$ 137,991	\$ 53,014,110
Other	592,200	477,546	(114,654)	434,168
Total operating revenues	<u>55,336,953</u>	<u>55,360,290</u>	<u>23,337</u>	<u>53,448,278</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	17,000	4,319	(12,681)	24,164
Total non-operating revenues	<u>17,000</u>	<u>4,319</u>	<u>(12,681)</u>	<u>24,164</u>
Total revenues	<u>55,353,953</u>	<u>55,364,609</u>	<u>10,656</u>	<u>53,472,442</u>
<b>Expenditures:</b>				
<b>Electric Operations:</b>				
Salaries and benefits	1,279,200	1,207,127	72,073	1,135,182
Operating	1,826,598	1,554,147	272,451	1,271,732
Purchased power	48,817,331	47,448,281	1,369,050	46,510,311
Indirect costs	1,282,453	1,282,453	-	1,366,014
Capital outlay	400,106	319,515	80,591	179,379
Total	<u>53,605,688</u>	<u>51,811,523</u>	<u>1,794,165</u>	<u>50,462,618</u>
<b>Debt Service:</b>				
Principal retirement	511,050	510,914	136	592,233
Interest and other charges	242,844	238,612	4,232	253,960
Total debt service	<u>753,894</u>	<u>749,526</u>	<u>4,368</u>	<u>846,193</u>
Total expenditures	<u>54,359,582</u>	<u>52,561,049</u>	<u>1,798,533</u>	<u>51,308,811</u>
Revenues over (under) expenditures	<u>994,371</u>	<u>2,803,560</u>	<u>1,809,189</u>	<u>2,163,631</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	242,108	-	(242,108)	-
Debt issued	185,000	468,495	283,495	-
Transfers in	3,000	3,000	-	3,000
Transfers out - Capital Reserve Fund	(556,000)	(556,000)	-	(556,000)
Transfers out	(868,479)	(868,479)	-	(831,368)
Total other financing sources (uses)	<u>(994,371)</u>	<u>(952,984)</u>	<u>41,387</u>	<u>(1,384,368)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,850,576	\$ 1,850,576	\$ 779,263

**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, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,850,576	\$ 779,263	
Transfers in - project	21,000	878,035	
Transfers out - capital reserve	(21,000)	(878,035)	
Transfers in - capital reserve	556,000	556,000	
Capital outlay	301,225	168,239	
Debt issued	(468,495)	-	
Payment of debt principal	510,914	592,233	
Depreciation	(884,152)	(847,575)	
Non-capitalized expenditures from capital project funds	(250,458)	-	
Interest expense - project	(102,322)	(87,627)	
Bad debt expense	(379,765)	(319,373)	
Capital contributions	1,311,358	1,305,801	
Investment earnings from capital project funds	1,883	14,698	
Change in accrued compensated absences	4,408	(156)	
Decrease in accrued interest payable	3,641	2,292	
Change in net assets	<u>\$ 2,454,813</u>	<u>\$ 2,163,795</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, 2010**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal and State grants	\$ 3,313,369	\$ 1,952,499	\$ 1,311,358	\$ 3,263,857	\$ (49,512)
Interest earned on investments	14,500	14,698	1,165	15,863	1,363
Total revenues	3,327,869	1,967,197	1,312,523	3,279,720	(48,149)
<b>Expenditures:</b>					
Caswell Center upgrades	5,259,095	1,926,758	930,676	2,857,434	2,401,661
West Industrial Park Substation Project	3,345,035	1,486,972	1,022,640	2,509,612	835,423
Lenox China generator Project	466,500	212,135	192,471	404,606	61,894
Felix Harvey Parkway Extension Project	205,800	-	80,605	80,605	125,195
Total	9,276,430	3,625,865	2,226,392	5,852,257	3,424,173
<b>Debt Service:</b>					
Principal retirement	311,000	162,831	148,120	310,951	49
Interest and other charges	190,000	87,627	102,322	189,949	51
Total debt service	501,000	250,458	250,442	500,900	100
Total expenditures	9,777,430	3,876,323	2,476,834	6,353,157	3,424,273
Revenue over (under) expenditures	(6,449,561)	(1,909,126)	(1,164,311)	(3,073,437)	3,376,124
<b>Other Financing Sources (Uses):</b>					
Debt issued	5,480,526	2,950,000	-	2,950,000	(2,530,526)
Transfers in	969,035	948,035	21,000	969,035	-
Total other financing sources (uses)	6,449,561	3,898,035	21,000	3,919,035	(2,530,526)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,988,909	\$ (1,143,311)	\$ 845,598	\$ 845,598

## 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, 2010**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Interest earned on investments	\$ -	\$ -	\$ 718	\$ 718	\$ 718
Total revenues	<u>                  </u>	<u>                  </u>	<u>718</u>	<u>718</u>	<u>718</u>
<b>Other Financing Sources (Uses):</b>					
Appropriated fund balance	322,035	-	-	-	(322,035)
Transfers in	1,386,303	1,386,303	556,000	1,942,303	556,000
Transfers out	(1,708,338)	(948,035)	(21,000)	(969,035)	739,303
Total other financing sources (uses)	<u>                  </u>	<u>438,268</u>	<u>535,000</u>	<u>973,268</u>	<u>973,268</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>                  </u>	<u>438,268</u>	<u>535,718</u>	<u>973,986</u>	<u>973,986</u>

## **WATER FUND**

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

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services:				
Water sales	\$ 5,746,304	\$ 5,261,469	\$ (484,835)	\$ 4,646,838
Other	129,933	155,861	25,928	192,352
Total operating revenues	<u>5,876,237</u>	<u>5,417,330</u>	<u>(458,907)</u>	<u>4,839,190</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	53,670	1,804	(51,866)	28,706
Total non-operating revenues	<u>53,670</u>	<u>1,804</u>	<u>(51,866)</u>	<u>28,706</u>
Total revenues	<u>5,929,907</u>	<u>5,419,134</u>	<u>(510,773)</u>	<u>4,867,896</u>
<b>Expenditures:</b>				
<b>Water Production:</b>				
Salaries and benefits	333,800	324,124	9,676	319,716
Operating	518,520	437,349	81,171	510,550
Capital outlay	21,500	1,369	20,131	14,801
Indirect costs	170,803	170,803	-	254,949
Total water production	<u>1,044,623</u>	<u>933,645</u>	<u>110,978</u>	<u>1,100,016</u>
<b>Water Operations:</b>				
Salaries and benefits	1,028,900	1,016,728	12,172	995,138
Operating	693,761	642,951	50,810	529,480
Capital outlay	164,500	73,375	91,125	8,605
Indirect costs	170,804	170,804	-	254,949
Total water operations	<u>2,057,965</u>	<u>1,903,858</u>	<u>154,107</u>	<u>1,788,172</u>
<b>Water Operations:</b>				
Purchased water	<u>3,743,400</u>	<u>3,743,400</u>	<u>-</u>	<u>3,119,511</u>
<b>Debt Service:</b>				
Principal retirement	197,400	197,288	112	221,972
Interest and other charges	88,786	88,058	728	93,778
Total debt service	<u>286,186</u>	<u>285,346</u>	<u>840</u>	<u>315,750</u>
<b>Non-Operating Expenditure:</b>				
DOT Municipal Participation Reimbursement	35,530	35,530	-	-
Total non-operating expenditure	<u>35,530</u>	<u>35,530</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,167,704</u>	<u>6,901,779</u>	<u>265,925</u>	<u>6,323,448</u>

**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Revenues over (under) expenditures	<u>(1,237,797)</u>	<u>(1,482,645)</u>	<u>(244,848)</u>	<u>(1,455,552)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	353,000	187,000	(166,000)	-
Appropriated fund balance	89,548	-	(89,548)	-
Transfers from:				
Other funds	28,500	233,528	205,028	18,922
Capital reserve	828,790	828,824	34	1,492,689
Transfers to:				
Other funds	<u>(62,041)</u>	<u>(62,041)</u>	-	<u>(56,001)</u>
Total other financing sources (uses)	<u>1,237,797</u>	<u>1,187,311</u>	<u>(50,486)</u>	<u>1,455,610</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (295,334)</u>	<u>\$ (295,334)</u>	<u>\$ 58</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (295,334)</u>	<u>\$ 58</u>	
Transfers - Capital Reserve Fund		(828,824)		(1,492,689)
Transfers - Capital Project Fund		-		(18,922)
Capital outlay		72,004		14,801
Capital contributions		16,025		15,000
Payment of debt principal		197,288		221,972
Debt issued		(187,000)		-
Depreciation		(478,667)		(483,720)
Repairs and maintenance expense from capital project fund		(100,000)		(900,000)
Bad debt expense		(35,398)		(16,048)
Change in accrued compensated		(3,608)		(7,392)
Change in accrued interest payable		591		1,876
Change in long-term payable - DOT reimbursement		<u>(71,060)</u>		<u>-</u>
Change in net assets	<u>\$ -</u>	<u>\$ (1,713,983)</u>	<u>\$ 2,665,064</u>	

## CITY OF KINSTON, NORTH CAROLINA

**WATER CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
<b>Other:</b>					
Contribution from Lenoir County	\$ 75,000	\$ 30,000	\$ 16,025	\$ 46,025	\$ (28,975)
<b>Expenditures:</b>					
Stormwater Construction	1,000,000	900,000	100,000	1,000,000	-
Revenue over (under) expenditures	(925,000)	(870,000)	(83,975)	(953,975)	(28,975)
<b>Other Financing Sources (Uses):</b>					
Transfers in	3,918,130	4,565,134	-	4,565,134	647,004
Transfers out	(2,993,130)	(2,782,355)	(828,824)	(3,611,179)	(618,049)
Total other financing sources (uses)	925,000	1,782,779	(828,824)	953,955	28,955
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 912,779	\$ (912,799)	\$ (20)	\$ (20)

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## **WASTEWATER FUND**

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

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WASTEWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services:				
Sewer sales	\$ 4,705,619	\$ 4,466,760	\$ (238,859)	\$ 4,039,725
Other	21,500	20,381	(1,119)	56,261
Total operating revenues	<u>4,727,119</u>	<u>4,487,141</u>	<u>(239,978)</u>	<u>4,095,986</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	100,000	1,488	(98,512)	57,762
Total non-operating revenues	<u>100,000</u>	<u>1,488</u>	<u>(98,512)</u>	<u>57,762</u>
Total revenues	<u>4,827,119</u>	<u>4,488,629</u>	<u>(338,490)</u>	<u>4,153,748</u>
<b>Expenditures:</b>				
<b>Wastewater Plant Operations:</b>				
Salaries and benefits	674,800	636,719	38,081	618,823
Operating	767,900	601,731	166,169	501,637
Indirect costs	1,431,343	1,431,343	-	1,597,760
Capital outlay	1,000	900	100	-
Total wastewater plant operations	<u>2,875,043</u>	<u>2,670,693</u>	<u>204,350</u>	<u>2,718,220</u>
<b>Debt Service:</b>				
Principal retirements	1,310,750	1,310,486	264	1,323,872
Interest and other charges	448,640	453,746	(5,106)	468,578
Total debt service	<u>1,759,390</u>	<u>1,764,232</u>	<u>(4,842)</u>	<u>1,792,450</u>
Total expenditures	<u>4,634,433</u>	<u>4,434,925</u>	<u>199,508</u>	<u>4,510,670</u>
Revenues over (under) expenditures	<u>192,686</u>	<u>53,704</u>	<u>(537,998)</u>	<u>(356,922)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	38,000	-	-	-
Long-term debt issued	-	7,500	-	-
Transfers out - capital projects	-	-	-	(33,750)
Transfers in - other funds	-	76,387	76,387	808,963
Transfers out	(230,686)	(3,559)	227,127	(5,489)
Total other financing sources (uses)	<u>(192,686)</u>	<u>80,328</u>	<u>303,514</u>	<u>769,724</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 134,032	\$ 134,032	\$ 412,802

**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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 134,032		\$ 412,802
Transfers out - capital projects	(205,028)		33,750
Debt issued	(7,500)		-
Payment of debt principal	1,310,486		1,323,872
Depreciation	(2,197,884)		(2,202,645)
Capital contributions	2,723,933		1,299,839
Transfers in - capital projects	43,104		(721,138)
Transfer to/from project	(76,387)		(60,839)
Change in accrued compensated absences	(1,858)		3,928
Change in accrued interest payable	9,655		28,943
Bad debt expense	(27,172)		(19,854)
Change in net assets	<u>\$ 1,705,381</u>		<u>\$ 98,658</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, 2010**

	<b>Actual</b>				
<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal and State grants	\$ 4,953,628	\$ 530,086	\$ 2,723,933	\$ 3,254,019	\$ (1,699,609)
Local funds	-	32,462	-	32,462	32,462
Investment earnings	-	131,308	-	131,308	131,308
Total revenues	<u>4,953,628</u>	<u>693,856</u>	<u>2,723,933</u>	<u>3,417,789</u>	<u>(1,535,839)</u>
<b>Expenditures:</b>					
Water Reuse Capital Project	1,557,200	1,113,538	376,484	1,490,022	67,178
East Vernon Ave Sewer Rehab Project	675,000	226,555	438,815	665,370	9,630
Briery Run Phase III Sewer Project	625,000	69	549,303	549,372	75,628
Spirit Aero Utilities Project	736,568	194,476	307,760	502,236	234,332
Sanderson Farms Utilities Project	1,094,150	-	740,102	740,102	354,048
College Street Sewer Rehabilitation Project	1,071,200	90,900	176,732	267,632	803,568
Total	<u>5,759,118</u>	<u>1,625,538</u>	<u>2,589,196</u>	<u>4,214,734</u>	<u>1,544,384</u>
Total expenditures	<u>5,759,118</u>	<u>1,625,538</u>	<u>2,589,196</u>	<u>4,214,734</u>	<u>1,544,384</u>
Revenue over (under) expenditures	<u>(805,490)</u>	<u>(931,682)</u>	<u>134,737</u>	<u>(796,945)</u>	<u>8,545</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	772,228	-	772,228	772,228	-
Transfers in	314,677	570,872	43,104	613,976	299,299
Transfers out	(281,415)	-	(281,415)	(281,415)	-
Total other financing sources (uses)	<u>805,490</u>	<u>570,872</u>	<u>533,917</u>	<u>1,104,789</u>	<u>299,299</u>
Revenues and other financing sources over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ (360,810)</u>	<u>\$ 668,654</u>	<u>\$ 307,844</u>	<u>\$ 307,844</u>

As of June 30, 2010, \$415,329 project activity has been consolidated into the Water Fund.  
The remaining project activity has been consolidated into the Wastewater Fund.

## 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, 2010**

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

## NONMAJOR ENTERPRISE FUND

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

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

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

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## CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 316,877	\$ 449,321	\$ 766,198
Accounts receivable	379,456	115,145	494,601
Capital assets:			
Equipment	2,855,037	185,715	3,040,752
Accumulated depreciation	(2,610,146)	(76,972)	(2,687,118)
Total assets	<u>941,224</u>	<u>673,209</u>	<u>1,614,433</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	104,899	13,050	117,949
Current portion of installment notes	171,990	43,810	215,800
Current portion of compensated absences	12,570	3,503	16,074
Total current liabilities	<u>289,459</u>	<u>60,363</u>	<u>349,823</u>
Non-current liabilities:			
Non-current portion of installment notes	166,018	75,580	241,598
Non-current portion of compensated absences	37,711	10,510	48,221
Total non-current liabilities	<u>203,729</u>	<u>86,090</u>	<u>289,819</u>
Total liabilities	<u>493,188</u>	<u>146,453</u>	<u>639,641</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	(93,117)	(10,647)	(103,764)
Unrestricted (deficit)	<u>541,153</u>	<u>537,403</u>	<u>1,078,556</u>
Total net assets	<u>\$ 448,036</u>	<u>\$ 526,756</u>	<u>\$ 974,792</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, 2010**

	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 3,117,263	\$ 910,614	\$ 4,027,877
Other operating income	32,655	17,407	50,062
Total operating revenues	<u>3,149,918</u>	<u>928,021</u>	<u>4,077,939</u>
<b>Operating Expenses:</b>			
Operations	2,586,001	581,521	3,167,522
Depreciation	183,199	43,781	226,980
Total operating expenses	<u>2,769,200</u>	<u>625,302</u>	<u>3,394,502</u>
Operating income (loss)	<u>380,718</u>	<u>302,719</u>	<u>683,437</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest earned on investments	171	391	562
Interest on long-term debt	(13,901)	(3,230)	(17,131)
Total non-operating revenues (expenses)	<u>(13,730)</u>	<u>(2,839)</u>	<u>(16,569)</u>
Income (loss) before capital contributions and transfers	366,988	299,880	666,868
<b>Capital Contributions and Transfers:</b>			
Transfers out	(51,854)	(37,397)	(89,251)
Total other financing sources (uses)	<u>(51,854)</u>	<u>(37,397)</u>	<u>(89,251)</u>
Change in net assets	315,134	262,483	577,617
<b>Net Assets:</b>			
Beginning of year - July 1	<u>132,902</u>	<u>264,273</u>	<u>397,175</u>
End of year - June 30	<u>\$ 448,036</u>	<u>\$ 526,756</u>	<u>\$ 974,792</u>

## CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 3,125,719	\$ 924,774	\$ 4,050,493
Cash paid to suppliers for goods and services	(1,668,291)	(285,583)	(1,953,874)
Cash paid to or on behalf of employees for services	(922,092)	(287,913)	(1,210,005)
Net cash provided (used) by operating activities	<u>535,336</u>	<u>351,278</u>	<u>886,614</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers to other funds	<u>(51,854)</u>	<u>(37,397)</u>	<u>(89,251)</u>
Net cash provided (used) by non-capital financing activities	<u>(51,854)</u>	<u>(37,397)</u>	<u>(89,251)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(52,950)	(52,950)
Proceeds from long-term debt	-	52,950	52,950
Principal paid on general obligation bond maturities and equipment contracts	(195,331)	(33,220)	(228,551)
Interest paid on bonded indebtedness and equipment contracts	<u>(13,901)</u>	<u>(3,230)</u>	<u>(17,131)</u>
Net cash provided (used) by capital and related financing activities	<u>(209,232)</u>	<u>(36,450)</u>	<u>(245,682)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>171</u>	<u>391</u>	<u>562</u>
Net cash provided (used) in investing activities	<u>171</u>	<u>391</u>	<u>562</u>
Net increase (decrease) in cash and cash equivalents/investments	274,421	277,822	552,243
<b>Cash and Cash Equivalents/Investments:</b>			
Beginning of year - July 1	<u>42,456</u>	<u>171,499</u>	<u>213,955</u>
End of year - June 30	<u>\$ 316,877</u>	<u>\$ 449,321</u>	<u>\$ 766,198</u>

## CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss)</b>			
<b>to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 380,718	\$ 302,719	\$ 683,437
Adjustments to reconcile operating income (loss)			
to net cash provided (used) by operating activities:			
Depreciation	183,199	43,781	226,980
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(24,199)	(3,247)	(27,446)
Increase (decrease) in accounts payable	(9,462)	6,430	(3,032)
Increase (decrease) in compensated absences	5,080	1,595	6,675
Total adjustments	<u>154,618</u>	<u>48,559</u>	<u>203,177</u>
Net cash provided (used) by operating activities	<u><u>\$ 535,336</u></u>	<u><u>\$ 351,278</u></u>	<u><u>\$ 886,614</u></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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 3,157,000	\$ 3,117,263	\$ (39,737)	\$ 3,133,030
Other	18,391	32,655	14,264	10,745
Total operating revenues	<u>3,175,391</u>	<u>3,149,918</u>	<u>(25,473)</u>	<u>3,143,775</u>
<b>Non-Operating Revenues:</b>				
State Grant	2,600	-	(2,600)	-
Interest earned on investments	-	171	171	-
Total non-operating revenues	<u>2,600</u>	<u>171</u>	<u>(2,429)</u>	<u>-</u>
Total revenues	<u>3,177,991</u>	<u>3,150,089</u>	<u>(27,902)</u>	<u>3,143,775</u>
<b>Expenditures:</b>				
<b>Bulk Leaf Collection:</b>				
Salaries and benefits	8,400	7,182	1,218	4,064
Operating	42,800	16,364	26,436	41,528
Capital Outlay	15,000	-	15,000	-
Total leaf collection	<u>66,200</u>	<u>23,546</u>	<u>42,654</u>	<u>45,592</u>
<b>Vector Control:</b>				
Salaries and benefits	44,700	26,818	17,882	43,806
Operating	15,500	7,278	8,222	10,047
Total vector control	<u>60,200</u>	<u>34,096</u>	<u>26,104</u>	<u>53,853</u>
<b>Commercial Solid Waste:</b>				
Salaries and benefits	264,400	233,008	31,392	258,050
Operating	520,800	462,612	58,188	488,600
Indirect costs	<u>240,833</u>	<u>240,832</u>	<u>1</u>	<u>198,384</u>
Total commercial solid waste	<u>1,026,033</u>	<u>936,452</u>	<u>89,581</u>	<u>945,034</u>
<b>Residential Solid Waste:</b>				
Salaries and benefits	711,000	652,349	58,651	641,214
Operating	714,191	600,783	113,408	671,411
Capital outlay	-	-	-	228,693
Indirect costs	<u>240,833</u>	<u>240,833</u>	<u>-</u>	<u>198,383</u>
Total residential solid waste	<u>1,666,024</u>	<u>1,493,965</u>	<u>172,059</u>	<u>1,739,701</u>
<b>Recycling:</b>				
Salaries and benefits	36,200	34,633	1,567	35,260
Operating	49,100	44,983	4,117	15,673
Total recycling	<u>85,300</u>	<u>79,616</u>	<u>5,684</u>	<u>50,933</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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Debt Service:</b>				
Principal retirement	195,350	195,331	19	302,849
Interest and other charges	15,550	15,520	30	24,063
Total debt service	210,900	210,851	49	326,912
 Total expenditures	 3,114,657	 2,778,526	 336,131	 3,162,025
 Revenues over (under) expenditures	 63,334	 371,563	 308,229	 (18,250)
 <b>Other Financing Sources (Uses):</b>				
Transfers out	(63,334)	(51,854)	11,480	-
Total other financing sources (uses)	(63,334)	(51,854)	11,480	-
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 319,709	 \$ 319,709	 \$ (18,250)
 <b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 319,709		\$ (18,250)	
Capital outlay		-	192,803	
Payment of debt principal	195,331		302,849	
Depreciation	(183,199)		(229,426)	
Change in accrued compensated absences	(5,080)		2,109	
Change in accrued interest payable	1,619		2,885	
Bad debt expense	(13,246)		(19,909)	
 Change in net assets	 \$ 315,134		 \$ 233,061	

**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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
			<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 895,280	\$ 910,614	\$ 15,334	\$ 702,707
Other	16,300	17,407	1,107	17,653
Total operating revenues	<u>911,580</u>	<u>928,021</u>	<u>16,441</u>	<u>720,360</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	500	391	(109)	-
Total non-operating revenues	<u>500</u>	<u>391</u>	<u>(109)</u>	<u>-</u>
Total revenues	<u>912,080</u>	<u>928,412</u>	<u>16,332</u>	<u>720,360</u>
<b>Expenditures:</b>				
<b>Stormwater Operations:</b>				
Salaries and benefits	292,100	289,508	2,592	252,514
Operating	124,700	93,186	31,514	111,710
Capital outlay	154,500	83,636	70,864	12,523
Indirect costs	<u>166,546</u>	<u>166,546</u>	-	<u>37,000</u>
Total stormwater operations	<u>737,846</u>	<u>632,876</u>	<u>104,970</u>	<u>413,747</u>
<b>Debt Service:</b>				
Principal retirement	33,250	33,220	30	33,220
Interest and other charges	<u>3,250</u>	<u>3,225</u>	<u>25</u>	<u>4,397</u>
Total debt service	<u>36,500</u>	<u>36,445</u>	<u>55</u>	<u>37,617</u>
Total expenditures	<u>774,346</u>	<u>669,321</u>	<u>105,025</u>	<u>451,364</u>
Revenues over (under) expenditures	<u>137,734</u>	<u>259,091</u>	<u>121,357</u>	<u>268,996</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(190,734)	(37,397)	153,337	(11,763)
Long-term debt issued	<u>53,000</u>	<u>52,950</u>	<u>(50)</u>	<u>-</u>
Total other financing sources (uses)	<u>(137,734)</u>	<u>15,553</u>	<u>153,287</u>	<u>(11,763)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 274,644</u>	<u>\$ 274,644</u>	<u>\$ 257,233</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS -STORMWATER  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Over/Under</b>	<b>Actual</b>
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>					
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 274,644			\$ 257,233
Transfer of capital assets		-			132,765
Transfer of long-term debt		-			(132,880)
Debt issued	(52,950)				-
Payment of debt principal		33,220			33,220
Depreciation	(43,781)				(33,191)
Decrease in accrued compensated absences		(1,595)			(12,418)
Increase in accrued interest payable		(5)			(880)
Capital outlay		<u>52,950</u>			<u>-</u>
Change in net assets		<u>\$ 262,483</u>			<u>\$ 243,849</u>

## **INTERNAL SERVICE FUNDS**

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

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

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

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

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

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## CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
<b>Assets:</b>					
Cash and investments	\$ 928,186	\$ -	\$ -	\$ 943,673	\$ 1,871,859
Accounts receivable	2,042	602	84,828	4,675	92,147
Inventory	-	240,920	-	-	240,920
Capital assets:					
Buildings	19,468	-	-	-	19,468
Equipment	-	210,134	-	101,474	311,608
Accumulated depreciation	(7,790)	(199,476)	-	(83,592)	(290,858)
Total assets	<u>941,906</u>	<u>252,180</u>	<u>84,828</u>	<u>966,230</u>	<u>2,245,144</u>
<b>Liabilities:</b>					
Due to other funds	-	416,654	464,229	-	880,883
Accounts payable and accrued liabilities	269,971	16,147	45,294	78,160	409,572
Accrued compensated absences	13,938	22,700	-	73,023	109,661
Total liabilities	<u>283,909</u>	<u>455,501</u>	<u>509,523</u>	<u>151,183</u>	<u>1,400,116</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	11,678	10,658	-	17,882	40,218
Unrestricted (deficit)	<u>646,319</u>	<u>(213,979)</u>	<u>(424,695)</u>	<u>797,165</u>	<u>804,810</u>
Total net assets	<u>\$ 657,997</u>	<u>\$ (203,321)</u>	<u>\$ (424,695)</u>	<u>\$ 815,047</u>	<u>\$ 845,028</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, 2010**

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Administration Services Fund	Total
<b>Operating Revenues:</b>					
Contributions from various funds	\$ 532,700	\$ 40,662	\$ 445,916	\$ 1,909,307	\$ 2,928,585
Other income	680	2,166	-	2,835	5,681
Total operating revenues	<u>533,380</u>	<u>42,828</u>	<u>445,916</u>	<u>1,912,142</u>	<u>2,934,266</u>
<b>Operating Expenses:</b>					
Administration	248,152	375,119	-	815,203	1,438,474
Operations	-	-	446,064	977,051	1,423,115
Depreciation	487	5,329	-	9,806	15,622
Claims reimbursement	<u>208,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,035</u>
Total operating expenses	<u>456,674</u>	<u>380,448</u>	<u>446,064</u>	<u>1,802,060</u>	<u>3,085,246</u>
Operating income (loss)	<u>76,706</u>	<u>(337,620)</u>	<u>(148)</u>	<u>110,082</u>	<u>(150,980)</u>
<b>Non-Operating Revenues (Expenses):</b>					
Interest earned on investments	<u>1,198</u>	<u>-</u>	<u>-</u>	<u>1,236</u>	<u>2,434</u>
Total non-operating revenues (expenses)	<u>1,198</u>	<u>-</u>	<u>-</u>	<u>1,236</u>	<u>2,434</u>
Income (loss) before transfers	<u>77,904</u>	<u>(337,620)</u>	<u>(148)</u>	<u>111,318</u>	<u>(148,546)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	179,536	-	-	179,536
Transfers out	-	-	-	(12,901)	(12,901)
Total other financing sources (uses)	<u>-</u>	<u>179,536</u>	<u>-</u>	<u>(12,901)</u>	<u>166,635</u>
Change in net assets	<u>77,904</u>	<u>(158,084)</u>	<u>(148)</u>	<u>98,417</u>	<u>18,089</u>
<b>Net Assets:</b>					
Beginning of year - July 1	<u>580,093</u>	<u>(45,237)</u>	<u>(424,547)</u>	<u>716,630</u>	<u>826,939</u>
End of year - June 30	<u>\$ 657,997</u>	<u>\$ (203,321)</u>	<u>\$ (424,695)</u>	<u>\$ 815,047</u>	<u>\$ 845,028</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Administration Services Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers	\$ 532,285	\$ 42,905	\$ 533,383	\$ 1,910,497	\$ 3,019,070
Cash paid to suppliers for goods and services	(332,727)	(51,824)	(420,607)	(430,022)	(1,235,180)
Cash paid to or on-behalf-of employees for services	(128,082)	(352,591)	-	(1,336,530)	(1,817,203)
Net cash provided (used) for operating activities	<u>71,476</u>	<u>(361,510)</u>	<u>112,776</u>	<u>143,945</u>	<u>(33,313)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers from other funds	-	177,270	-	-	177,270
Transfers to other funds	-	-	-	(10,635)	(10,635)
Advances from other funds	-	184,240	(112,776)	-	71,464
Net cash provided (used) by non-capital financing activities	-	<u>361,510</u>	<u>(112,776)</u>	<u>(10,635)</u>	<u>238,099</u>
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	<u>1,198</u>	<u>-</u>	<u>-</u>	<u>1,236</u>	<u>2,434</u>
Net cash provided (used) in investing activities	<u>1,198</u>	<u>-</u>	<u>-</u>	<u>1,236</u>	<u>2,434</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>72,674</u>	<u>(0)</u>	<u>-</u>	<u>134,546</u>	<u>207,220</u>
<b>Cash and Cash Equivalents/Investments:</b>					
Beginning of year - July 1	<u>855,512</u>	<u>-</u>	<u>-</u>	<u>809,127</u>	<u>1,664,639</u>
End of year - June 30	<u>\$ 928,186</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 943,673</u>	<u>\$ 1,871,859</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 76,706	\$ (337,620)	\$ (148)	\$ 110,082	\$ (150,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487	5,329	-	9,806	15,622
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,095)	77	87,467	(1,645)	84,804
(Increase) decrease in inventories	-	(23,135)	-	-	(23,135)
Increase (decrease) in accounts payable	(8,488)	(586)	25,457	20,899	37,282
Increase (decrease) in accrued compensated absences	3,866	(5,575)	-	4,803	3,094
Total adjustments	<u>(5,230)</u>	<u>(23,890)</u>	<u>112,924</u>	<u>33,863</u>	<u>117,667</u>
Net cash provided (used) by operating activities	<u>\$ 71,476</u>	<u>\$ (361,510)</u>	<u>\$ 112,776</u>	<u>\$ 143,945</u>	<u>\$ (33,313)</u>
<b>Non-Cash:</b>					
Transfer-in of assets	\$ -	\$ 8,122	\$ -	\$ 5,856	\$ 13,978
Transfer-out of assets	-	(5,856)	-	(8,122)	(13,978)
Total non-cash investing, capital, and financing activities:	<u>\$ -</u>	<u>\$ 2,266</u>	<u>\$ -</u>	<u>\$ (2,266)</u>	<u>\$ -</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - EMPLOYEE HEALTH  
SCHEDULE OF REVENUES AND EXPENDITURES -  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Contributions	\$ 532,700	\$ 532,700	\$ -	\$ 505,100
Insurance proceeds	<u>-</u>	680	<u>680</u>	<u>-</u>
Total operating revenues	<u>532,700</u>	<u>533,380</u>	<u>680</u>	<u>505,100</u>
<b>Operating Expenditures:</b>				
Administration:				
Salaries and benefits	133,900	131,948	1,952	128,845
Operating	115,600	112,338	3,262	90,903
Claims reimbursements, operating	<u>283,200</u>	<u>208,035</u>	<u>75,165</u>	<u>334,030</u>
Total operating expenditures	<u>532,700</u>	<u>452,321</u>	<u>80,379</u>	<u>553,778</u>
Operating income (loss)	<u>-</u>	<u>81,059</u>	<u>81,059</u>	<u>(48,678)</u>
<b>Non-Operating Revenues (Expenditures):</b>				
Investment earnings	<u>-</u>	<u>1,198</u>	<u>1,198</u>	<u>16,757</u>
Total non-operating revenues (expenditures)	<u>-</u>	<u>1,198</u>	<u>1,198</u>	<u>16,757</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>82,257</u>	<u>\$ 82,257</u>	<u>(31,921)</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
<b>Reconciling Items:</b>				
Change in accrued vacation pay		(3,866)		(1,706)
Depreciation		<u>(487)</u>		<u>(486)</u>
Change in net assets	<u>\$ 77,904</u>		<u>\$ (34,113)</u>	

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - FLEET MAINTENANCE**  
**SCHEDULE OF REVENUES AND EXPENDITURES-**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Contributions	\$ 124,974	\$ 40,662	\$ (84,312)	30,015
Other	<u>-</u>	<u>2,166</u>	<u>2,166</u>	<u>1,155</u>
Total revenues	<u>124,974</u>	<u>42,828</u>	<u>(82,146)</u>	<u>31,170</u>
<b>Expenditures:</b>				
Administration:				
Salaries and benefits	254,944	347,016	(92,072)	344,471
Operating	43,455	29,149	14,306	35,141
Capital outlay	<u>7,500</u>	<u>4,529</u>	<u>2,971</u>	<u>-</u>
Total expenditures	<u>305,899</u>	<u>380,694</u>	<u>(74,795)</u>	<u>379,612</u>
Revenues over (under) expenditures	<u>(180,925)</u>	<u>(337,866)</u>	<u>(156,941)</u>	<u>(348,442)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	3,655	<u>-</u>	(3,655)	<u>-</u>
Transfers in	<u>177,270</u>	<u>177,270</u>	<u>-</u>	<u>183,580</u>
Total other financing sources (uses)	<u>180,925</u>	<u>177,270</u>	<u>(3,655)</u>	<u>183,580</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(160,596)</u>	<u>\$ (160,596)</u>	<u>(164,862)</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
<b>Reconciling Items:</b>				
Transfer-in of capital assets		2,266		<u>-</u>
Change in accrued vacation pay		5,575		(4,439)
Depreciation	<u>(5,329)</u>			<u>(6,790)</u>
Change in net assets	<u>\$ (158,084)</u>			<u>\$ (176,091)</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - WAREHOUSE**  
**SCHEDULE OF REVENUES AND EXPENDITURES-**  
**FINANCIAL PLAN AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>			<b>2009</b>
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Contributions from other funds	\$ 850,000	\$ 445,916	\$ (404,084)	\$ 248,066
Other	<u>425,000</u>	<u>-</u>	<u>(425,000)</u>	<u>-</u>
Total revenues	<u>1,275,000</u>	<u>445,916</u>	<u>(829,084)</u>	<u>248,066</u>
<b>Expenditures:</b>				
Fuel purchased	850,000	440,052	409,948	248,063
Fleet maintenance inventory	<u>425,000</u>	<u>6,012</u>	<u>418,988</u>	<u>437</u>
Total expenditures	<u>1,275,000</u>	<u>446,064</u>	<u>828,936</u>	<u>248,500</u>
Change in net assets	<u>\$ -</u>	<u>\$ (148)</u>	<u>\$ (148)</u>	<u>\$ (434)</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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	<b>2010</b>		<b>2009</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Contributions	\$ 1,909,307	\$ 1,909,307	\$ -	\$ 2,000,234
Other	-	2,835	2,835	-
Total operating revenues	<u>1,909,307</u>	<u>1,912,142</u>	<u>2,835</u>	<u>2,000,234</u>
<b>Operating Expenditures:</b>				
Administration:				
Salaries and benefits	553,900	532,091	21,809	514,451
Operating	94,117	63,745	30,372	61,684
Capital outlay	2,000	1,809	191	-
Indirect charges	212,755	212,755	-	225,916
Total administration	<u>862,772</u>	<u>810,400</u>	<u>52,372</u>	<u>802,051</u>
Operations:				
Salaries and benefits	840,300	809,242	31,058	810,300
Operating	164,100	143,454	20,646	142,930
Capital outlay	32,700	24,355	8,345	15,869
Total operations	<u>1,037,100</u>	<u>977,051</u>	<u>60,049</u>	<u>969,099</u>
Total operating expenditures	<u>1,899,872</u>	<u>1,787,451</u>	<u>112,421</u>	<u>1,771,150</u>
Operating income (loss)	<u>9,435</u>	<u>124,691</u>	<u>115,256</u>	<u>229,084</u>
<b>Non-Operating Revenues (Expenditures):</b>				
Investment earnings	-	1,236	1,236	-
Total non-operating revenues (expenditures)	<u>-</u>	<u>1,236</u>	<u>1,236</u>	<u>-</u>
Revenues over (under) expenditures	<u>9,435</u>	<u>125,927</u>	<u>116,492</u>	<u>229,084</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	1,200	-	(1,200)	-
Transfers out	(10,635)	(10,635)	-	(17,157)
Total other financing sources (uses)	<u>(9,435)</u>	<u>(10,635)</u>	<u>(1,200)</u>	<u>(17,157)</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, 2010  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009**

	2010		2009	
	Financial Plan	Actual	Variance Over/Under	Actual
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	115,292	\$ <u>115,292</u>	211,927
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
<b>Reconciling Items:</b>				
Transfer-out of capital assets		(2,266)		-
Change in accrued vacation pay		(4,803)		(3,610)
Capital outlay		-		15,000
Depreciation		<u>(9,806)</u>		<u>(9,586)</u>
Change in net assets	\$ <u>98,417</u>		\$ <u>213,731</u>	

## **OTHER FINANCIAL INFORMATION**

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

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## CITY OF KINSTON, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2010**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2009</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2010</b>
2009-2010	\$ -	\$ 8,888,479	\$ 8,473,336	\$ 415,143
2008-2009	451,108	943	301,756	150,295
2007-2008	104,510	857	46,459	58,908
2006-2007	59,335	857	14,551	45,641
2005-2006	38,901	-	8,114	30,787
2004-2005	35,705	-	5,533	30,172
2003-2004	32,574	-	5,113	27,461
2002-2003	27,066	-	3,761	23,305
2001-2002	27,404	-	3,251	24,153
2000-2001	25,135	-	3,020	22,115
1999-2000	<u>19,661</u>	<u>-</u>	<u>19,661</u>	<u>-</u>
Total	<u>\$ 821,399</u>	<u>\$ 8,891,136</u>	<u>\$ 8,884,555</u>	827,980
Motor vehicle tags receivable				135,735
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(141,840)</u>
Ad valorem taxes receivable, net				
General Fund				<u>\$ 821,875</u>
<b>Reconcilement With Revenues:</b>				
Ad valorem taxes - General Fund				\$ 9,000,403
Less auto fee				(152,103)
Penalties and interest collected				94,515
Add credits and adjustments				<u>(58,260)</u>
Total collections and credits				<u>\$ 8,884,555</u>

**CITY OF KINSTON, NORTH CAROLINA****ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Total Levy</b>				
	<b>City-Wide</b>		<b>Property Excluding Registered Motor Vehicles</b>	<b>Registered Motor Vehicles</b>	<b>Total Levy</b>
	<b>Property Valuation</b>	<b>Rate</b>			
<b>Original Levy:</b>					
Property taxed at current rate	\$ 1,263,351,277	0.66	\$ 8,338,118	\$ 7,607,604	\$ 730,514
Penalties	-		7,484	7,484	-
<b>Total</b>	<b><u>1,263,351,277</u></b>		<b><u>8,345,602</u></b>	<b><u>7,615,088</u></b>	<b><u>730,514</u></b>
<b>Municipal Service:</b>					
District			54,927	54,927	-
<b>Discoveries</b>	<b><u>83,422,438</u></b>	<b>0.66</b>	<b><u>550,588</u></b>	<b><u>550,588</u></b>	<b>-</b>
<b>Abatements</b>	<b><u>(9,490,644)</u></b>		<b><u>(62,638)</u></b>	<b><u>(76,809)</u></b>	<b><u>14,171</u></b>
Total property valuation	<b><u>\$ 1,337,283,071</u></b>				
<b>Net Levy</b>			8,888,479	8,143,794	744,685
Uncollected taxes at June 30, 2010			415,143	276,204	138,939
<b>Current Year's Taxes Collected</b>	<b><u>\$ 8,473,336</u></b>		<b><u>\$ 7,867,590</u></b>	<b><u>\$ 605,746</u></b>	
<b>Current Levy Collection Percentage</b>			<b><u>95.33%</u></b>	<b><u>96.61%</u></b>	<b><u>81.34%</u></b>

## **STATISTICAL SECTION (Unaudited)**

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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	134
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	141
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.	144
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.	148
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.	150

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**City of Kinston, North Carolina**

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Governmental activities:</b>						
Invested in capital assets, net of related debt:						
Restricted	\$ 8,194,255	\$ 7,642,027	\$ 6,747,204	\$ 8,022,946	\$ 10,469,056	\$ 8,832,457
Unrestricted	289,314	440,884	590,711	619,832	696,026	524,143
<b>Total governmental activities</b>	<b>5,618,353</b>	<b>4,134,942</b>	<b>4,517,268</b>	<b>3,962,060</b>	<b>3,310,120</b>	<b>4,655,523</b>
<b>net assets</b>	<b>14,101,922</b>	<b>12,217,853</b>	<b>11,855,183</b>	<b>12,604,838</b>	<b>14,475,202</b>	<b>14,012,123</b>
<b>15,121,331</b>						
<b>Business-type activities:</b>						
Invested in capital assets, net of related debt:						
Restricted	43,152,193	45,059,829	53,715,106	73,141,568	76,322,354	71,514,802
Unrestricted	3,595,708	5,824,985	9,857,561	10,637,908	12,109,100	17,249,298
<b>Total business-type activities</b>	<b>46,747,901</b>	<b>50,884,814</b>	<b>63,572,667</b>	<b>83,779,476</b>	<b>88,431,454</b>	<b>88,764,100</b>
<b>net assets</b>	<b>91,835,189</b>					
<b>Primary government:</b>						
Invested in capital assets, net of related debt:						
Restricted	51,346,448	52,701,856	60,462,310	81,164,514	86,791,410	80,347,259
Unrestricted	289,314	440,884	590,711	619,832	696,026	524,143
<b>Total primary government</b>	<b>9,214,061</b>	<b>9,959,927</b>	<b>14,374,829</b>	<b>14,599,968</b>	<b>15,419,220</b>	<b>21,904,821</b>
<b>net assets</b>	<b>\$ 60,849,823</b>	<b>\$ 63,102,667</b>	<b>\$ 75,427,850</b>	<b>\$ 96,384,314</b>	<b>\$ 102,906,656</b>	<b>\$ 102,776,223</b>
<b>106,956,520</b>						

GASB Statement No. 34 Implemented in Fiscal Year 2003

## City of Kinston, North Carolina

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>								
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	\$ 2,873,676
Public safety	8,070,686	8,890,704	8,675,761	8,607,793	8,887,330	9,160,026	9,218,831	9,864,668
Sanitation (Public Services)	4,684,903	1,858,283	1,847,141	1,880,438	2,365,762	1,740,530	1,606,515	1,936,357
Culture and recreation	2,362,355	2,594,715	2,551,858	2,012,994	1,342,519	1,369,772	730,734	780,818
Community development	9,685,039	2,890,594	2,256,483	2,665,090	2,851,379	3,628,908	3,552,374	3,533,204
Interest on long-term debt	183,755	185,904	168,857	177,873	226,828	319,271	119,472	315,202
<b>Total governmental activities expenses</b>	<b>26,530,642</b>	<b>18,337,528</b>	<b>17,851,352</b>	<b>16,746,753</b>	<b>17,657,555</b>	<b>19,198,596</b>	<b>17,822,055</b>	<b>19,303,925</b>
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	53,041,348
Water	6,879,646	3,206,893	3,771,820	3,671,141	3,350,291	3,199,827	7,516,489	7,378,161
Sewer	comb w/water	4,391,983	4,536,399	4,654,361	4,271,411	5,295,824	5,296,885	5,296,980
Nonmajor Funds	N/A	2,576,785	2,673,660	2,664,596	2,836,185	4,083,288	3,362,902	3,417,407
<b>Total business-type activities expenses</b>	<b>45,236,254</b>	<b>48,514,588</b>	<b>50,998,765</b>	<b>55,064,159</b>	<b>57,887,846</b>	<b>59,809,469</b>	<b>67,778,973</b>	<b>69,133,896</b>
<b>Total primary government expenses</b>	<b>71,766,896</b>	<b>66,852,116</b>	<b>68,850,117</b>	<b>71,810,912</b>	<b>75,545,441</b>	<b>79,008,065</b>	<b>85,601,028</b>	<b>88,437,821</b>
Program revenue:								
Governmental activities:								
Charges for services:								
General government	669,842	245,335	354,781	442,506	409,650	791,491	521,641	392,192
Public safety	N/A	N/A	24,472	20,186	42,046	54,916	24,170	14,147
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	1,497,694
Community Development	109,257	100,804	104,942	997,313	866,211	946,615	79,757	228,591
Operating grants and contributions:								
General government	N/A	N/A	N/A	4,320	N	114,215	14,202	-
Public safety	206,557	810,392	154,281	167,583	358,551	213,950	187,368	512,067
Public Services	732,964	659,146	756,882	735,128	703,967	839,612	801,860	764,370
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	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	39,407
Community development	693,944	N/A	N/A	N/A	N/A	N/A		
<b>Total governmental activities program revenue</b>	<b>14,082,466</b>	<b>4,177,629</b>	<b>3,375,694</b>	<b>3,867,000</b>	<b>2,968,336</b>	<b>3,250,386</b>	<b>3,499,220</b>	<b>3,448,468</b>

## City of Kinston, North Carolina

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Business-type activities:</b>								
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	55,029,445
Water	7,053,960	3,426,666	4,104,468	4,659,004	4,977,377	4,867,268	4,880,404	5,453,278
Sewer	comb w/water	4,189,404	4,705,513	4,622,074	4,618,345	4,349,850	4,133,136	4,518,939
Nonmajor Funds	N/A	2,578,277	2,584,199	2,589,512	2,693,291	3,273,556	3,881,863	4,108,466
Capital grants and contributions:								
Electric	482	N/A	N/A	N/A	N/A	616,961	1,305,801	1,311,353
Water	929,775	N/A	8,400	300,000	29,738	15,000	15,000	16,025
Sewer	N/A	3,954,803	13,446,075	19,123,503	4,237,474	153,653	1,299,839	2,723,933
Nonmajor Funds	N/A	6,353	24,704	N/A	N/A	132,765	·	·
<b>Total business-type activities program revenues</b>	<b>47,108,831</b>	<b>53,415,050</b>	<b>64,601,166</b>	<b>75,980,954</b>	<b>63,373,250</b>	<b>61,381,911</b>	<b>68,822,911</b>	<b>73,161,444</b>
<b>Total primary government program revenues</b>	<b>61,191,297</b>	<b>57,592,679</b>	<b>67,976,860</b>	<b>79,847,954</b>	<b>66,341,586</b>	<b>64,632,297</b>	<b>72,322,131</b>	<b>76,609,912</b>
Net (expense) revenue:								
Governmental activities								
Business-type activities	(12,448,176)	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,259)	(15,948,210)	(14,322,835)	(15,855,457)
<b>Total primary government net expense</b>	<b>1,872,577</b>	<b>4,900,462</b>	<b>13,602,401</b>	<b>20,916,795</b>	<b>5,485,404</b>	<b>1,572,442</b>	<b>1,043,938</b>	<b>4,027,548</b>
	<b>(10,575,599)</b>	<b>(9,259,437)</b>	<b>(873,257)</b>	<b>8,037,042</b>	<b>(9,203,855)</b>	<b>(14,375,768)</b>	<b>(13,278,897)</b>	<b>(11,827,909)</b>

(Continued)

## City of Kinston, North Carolina

## Changes In Net Assets (Continued)

## Last Eight Fiscal Years

(accrual basis of accounting)  
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010								
	Fiscal Year															
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	9,093,393								
Sales taxes	2,309,906	3,033,439	3,042,893	2,991,928	3,169,463	2,949,288	2,861,603	2,920,585								
Other taxes	1,561,712	1,221,479	1,950,381	1,737,049	1,916,403	1,895,726	2,139,890	1,982,714								
Unrestricted intergovernmental	344,373	159,286	426,652	360,586	341,662	341,054	357,346	281,404								
Investment earnings	41,581	26,576	63,365	94,385	200,033	288,941	88,357	8,370								
Miscellaneous	349,200	93,195	63,353	26,264	146,222	286,867	279,008	174,443								
Transfers	955,000	779,964	992,290	990,552	1,329,736	1,509,863	1,024,672	961,627								
Capital contributions	75,234	N/A	N/A	N/A	N/A	N/A	N/A	N/A								
<b>Total governmental activities</b>	<b>12,499,619</b>	<b>12,275,830</b>	<b>14,112,988</b>	<b>13,629,408</b>	<b>14,558,872</b>	<b>15,485,131</b>	<b>15,421,466</b>	<b>15,422,536</b>								
Business-type activities:																
Investment earnings	28,716	16,415	77,742	280,566	496,310	270,067	125,330	11,292								
Transfers	(955,000)	(779,964)	(992,290)	(990,552)	(1,329,736)	(1,509,863)	(1,024,672)	(961,627)								
<b>Total business-type activities</b>	<b>(926,284)</b>	<b>(763,549)</b>	<b>(914,548)</b>	<b>(709,986)</b>	<b>(833,426)</b>	<b>(1,239,796)</b>	<b>(899,342)</b>	<b>(950,335)</b>								
<b>Total primary government</b>	<b>11,573,335</b>	<b>11,512,281</b>	<b>13,198,440</b>	<b>12,919,422</b>	<b>13,725,446</b>	<b>14,245,335</b>	<b>14,522,124</b>	<b>14,472,201</b>								
Changes in net assets:																
Governmental activities	51,443	(1,884,069)	(362,670)	749,655	(130,387)	(463,079)	1,098,631	(432,921)								
Business-type activities	946,293	4,136,913	12,687,853	20,206,809	4,651,978	332,646	144,596	3,077,213								
<b>Total primary government</b>	<b>\$ 997,736</b>	<b>\$ 2,252,844</b>	<b>\$ 12,325,183</b>	<b>\$ 20,956,464</b>	<b>\$ 4,521,591</b>	<b>\$ (130,433)</b>	<b>\$ 1,243,227</b>	<b>\$ 2,644,292</b>								

City of Kinston, North Carolina

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

Function / Program	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>								
General government	\$ (874,062)	\$ (1,671,993)	\$ (1,996,471)	\$ (955,739)	\$ (1,574,157)	\$ (2,074,383)	\$ (2,058,286)	\$ (2,481,484)
Public safety	(7,864,129)	(8,080,312)	(8,497,008)	(8,420,024)	(8,486,733)	(8,891,160)	(9,007,293)	(9,338,454)
Sanitation (Public Services)	(1,630,707)	(1,083,531)	(1,074,987)	(1,130,033)	(1,646,518)	(885,641)	(804,655)	(1,171,987)
Culture and recreation	(1,517,363)	(1,809,638)	(1,776,359)	(587,070)	(1,220,845)	(2,553,383)	(1,701,677)	(1,996,103)
Community development	(378,160)	(1,328,521)	(961,976)	(1,609,014)	(1,534,208)	(1,224,372)	(631,452)	(552,227)
Interest on long-term debt	(183,755)	(185,904)	(168,857)	(177,873)	(226,828)	(319,271)	(119,472)	(315,202)
<b>Total governmental activities</b>	<b>(12,448,176)</b>	<b>(14,159,899)</b>	<b>(14,475,658)</b>	<b>(12,879,753)</b>	<b>(14,689,289)</b>	<b>(15,948,210)</b>	<b>(14,322,835)</b>	<b>(15,855,457)</b>
<b>Business-type activities:</b>								
Electric	768,488	920,620	(289,079)	612,800	(612,934)	1,492,054	2,877,207	3,299,456
Water	1,104,089	219,773	341,048	1,287,863	1,656,824	1,682,441	(2,621,086)	(1,908,859)
Sewer	Comb w/water	3,752,224	13,615,189	19,091,216	4,584,408	(792,321)	136,090	1,945,893
Nonmajor Funds	N/A	7,845	(64,757)	(75,084)	(142,894)	(809,732)	651,726	691,059
<b>Total business-type activities</b>	<b>1,872,577</b>	<b>4,900,462</b>	<b>13,602,401</b>	<b>20,916,795</b>	<b>5,485,404</b>	<b>1,572,442</b>	<b>1,043,937</b>	<b>4,027,549</b>
<b>Total government</b>	<b>\$ (10,575,599)</b>	<b>\$ (9,259,437)</b>	<b>\$ (873,257)</b>	<b>\$ 8,037,042</b>	<b>\$ (9,203,885)</b>	<b>\$ (14,375,768)</b>	<b>\$ (13,278,898)</b>	<b>\$ (11,827,908)</b>

GASB Statement No. 34 Implemented in fiscal year 2003

Source: City records.

City of Kinston, North Carolina

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

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General Fund:						
Reserved	\$ 2,524,259	\$ 2,257,743	\$ 1,957,731	\$ 1,778,943	\$ 2,250,430	\$ 2,595,053
Unreserved:	3,363,408	2,255,854	2,562,359	2,164,023	1,795,829	1,576,019
<b>Total General Fund</b>	<b>\$ 5,887,667</b>	<b>\$ 4,513,597</b>	<b>\$ 4,520,090</b>	<b>\$ 3,942,966</b>	<b>\$ 4,811,961</b>	<b>\$ 4,438,262</b>
All Other Governmental Funds:						
Reserved	\$ 1,104,612	\$ 2,679,480	\$ 3,548,911	\$ 244,764	\$ 182,905	\$ 313,363
Unreserved, reported in:	(633,619)	(1,858,297)	(2,237,726)	520,709	142,252	(83,522)
Special revenue funds						
Major Capital projects funds						
Capital projects funds	(764,546)	(1,561,255)	(34,654)	91,317	(176,826)	(665,281)
Permanent fund				76,824	78,454	80,584
<b>Total all other government funds</b>	<b>\$ (293,553)</b>	<b>\$ (740,072)</b>	<b>\$ 770,199</b>	<b>\$ 765,473</b>	<b>\$ 493,298</b>	<b>\$ 131,469</b>

City of Kinston, North Carolina

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

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Revenues:						2007
Taxes	\$ 6,428,254	\$ 6,963,814	\$ 6,870,946	\$ 7,115,953	\$ 7,295,551	\$ 7,453,311
Other taxes	4,058,658	3,174,637	3,871,618	4,568,842	4,993,274	4,728,976
Intergovernmental	14,619,450	12,149,628	10,516,843	3,109,756	2,520,599	2,490,910
Charges for services	3,870,712	4,035,122	3,937,476	1,547,926	1,274,966	1,458,756
Other	542,322	1,248,001	431,429	205,906	179,280	434,937
<b>Total revenues</b>	<b>29,519,396</b>	<b>27,571,202</b>	<b>25,628,312</b>	<b>16,548,583</b>	<b>16,263,670</b>	<b>16,566,890</b>
Expenditures:						
General government	1,139,790	1,106,747	1,379,073	1,884,437	1,820,443	1,888,204
Public safety	7,557,768	7,705,335	7,547,052	8,190,475	8,331,314	8,920,980
Public services	4,660,841	5,570,632	4,317,306	1,621,290	1,834,359	2,134,327
Culture and recreation	2,263,251	2,315,358	2,164,615	2,340,430	2,425,258	2,811,762
Community development	13,006,858	11,663,199	9,642,912	2,787,031	2,179,013	1,968,797
Capital outlay	1,502,389	2,188,162	1,302,947	890,775	600	72,114
Debt service:						
Principal	741,994	526,608	854,814	550,208	565,844	775,232
Interest	158,231	131,890	117,630	230,348	171,995	177,916
<b>Total expenditures</b>	<b>31,231,122</b>	<b>31,147,931</b>	<b>27,326,349</b>	<b>18,494,994</b>	<b>17,330,996</b>	<b>18,449,364</b>
Excess of revenues (under) expenditures	(1,711,726)	(3,576,729)	(1,698,037)	(1,946,611)	(1,067,326)	(1,882,474)
Other financing sources (uses):						
Transfers in	1,041,317	1,319,735	1,126,767	988,796	1,196,251	1,284,760
Transfers out	(86,717)	(364,735)	(171,767)	(529,147)	(547,705)	(524,658)
Issuance of long-term debt	801,140	2,259,799	905,114	1,015,000	314,730	(197,576)
<b>Total other financing sources</b>	<b>954,600</b>	<b>1,756,140</b>	<b>3,214,799</b>	<b>1,364,763</b>	<b>1,663,546</b>	<b>1,074,832</b>
<b>Net changes in fund balance</b>	<b>\$ (757,126)</b>	<b>\$ (1,820,589)</b>	<b>\$ 1,516,762</b>	<b>\$ (581,848)</b>	<b>\$ 596,220</b>	<b>\$ (807,642)</b>
Debt service as a percentage of noncapital expenditures	2.9%	2.1%	3.6%	4.2%	5.2%	5.6%

City of Kinston, North Carolina

**The Electric System**  
**Electricity Purchased, Consumed & Unbilled**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	KWH Purchased	KWH Residential Usage	KWH Commercial/Industrial Usage	KWH Other Usage	KWH Total Usage	KWH Unbilled	KWH Unbilled %	Purchased Electric Rate (.00/KWH)
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
2010	465,525,523	141,091,458	180,977,669	14,943,169	437,012,296	28,513,227	6%	0.1000

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Residential	9.9	10.3	10.8	10.8	11.0	12.0	12.7	12.7	14.1	14.6
Small General Service	8.7	8.8	9.4	9.4	9.3	10.1	12.5	12.4	14.1	14.6
Medium General Service	0	0.0	0.0	0.0	0.0	10.3	10.4	10.3	11.8	12.2
Public Housing	8.5	8.8	9.3	9.4	9.4	10.1	11.7	12.6	13.9	14.4
Church & School	11.9	12.4	13.1	13.1	13.2	14.2	14.9	14.9	16.3	16.9
Municipal Service	3	5.0	6.0	6.0	6.0	6.7	4.0	4	5.1	6
Masterbrand	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3*	0	0
Large General Service	6.6	7.0	7.5	7.2	7.2	7.9	8.6	8.7	10.7	11
CDC Rate	5	7.9	4.9	5.0	5.0	5.5	5.9	6	7	7.6
Area Lights	18.5	19.6	20.6	20.7	20.9	22.2	21.5	22	22	22.8

**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 6/30/2010**

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	
				2010	2001					2010	2001
Smithfield Packing Co., Inc.	Meat Processor	\$ 83,005,000	1	6.21%	6.21%	VPM, Inc.	Shopping Mall	\$ 13,765,509	1	1.34%	1.34%
Carolina Telephone/Telegraph	Communications	31,892,110	2	2.38%	2.38%	Kinston Ham Products, Inc.	Meat Processor	\$ 12,543,165	2	1.22%	1.22%
Masterbrand cabinets, Inc.	Manufacturer	21,686,146	3	1.62%	1.62%	Carolina Telephone	Utility	\$ 11,618,220	3	1.13%	1.13%
Pooler Walter Realty Inc.	Real Estate	18,848,167	4	1.41%	1.41%	Hampton Industries	Manufacturer	\$ 9,082,582	4	0.88%	0.88%
Centro NP Holdings 9 SPE LLC	Shopping	12,860,368	5	0.96%	0.96%	Barnet Southern Corp.	Manufacturer	\$ 8,272,573	5	0.80%	0.80%
Lowes Home centers Inc.	Shopping	10,731,312	6	0.80%	0.80%	Masterbrand Cabinets Inc	Manufacturer	\$ 7,860,326	6	0.76%	0.76%
Piedmont Natural Gas	Natural Gas	10,582,287	7	0.79%	0.79%	Excel Ralty	Shopping Mall	\$ 6,987,119	7	0.68%	0.68%
Perry's Inc.	Real Estate	8,055,298	8	0.60%	0.60%	AFAC Carolina Inc	Manufacturer	\$ 6,664,939	8	0.65%	0.65%
Vernon Park Mall Holding	Shopping Mall	7,989,097	9	0.60%	0.60%	Beuhler Products	Manufacturer	\$ 6,475,938	9	0.63%	0.63%
S C Heritage Court Associated	Real Estate	7,501,999	10	0.56%	0.56%	Pooler Walter Realty, Inc.	Shopping Mall	\$ 5,711,501	10	0.56%	0.56%
Total Assessed Valuation of Top Ten Taxpayers		\$ 213,151,784		15.94%	15.94%	Total Assessed Valuation of Top Ten Taxpayers		\$ 88,981,872		8.65%	8.65%
Balance of Assessed Valuation		\$1,124,131,287		84.06%	84.06%	Balance of Assessed Valuation		\$ 940,082,910		91.35%	91.35%
Total Assessed Valuation		\$1,337,283,071		100.00%	100.00%	Total Assessed Valuation		\$1,029,064,782		100.00%	100.00%

**Source:** Lenoir County Tax Office

City of Kinston, North Carolina

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

Fiscal Year	Governmental Activities						Business-Type Activities					
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita	Installment Contracts	General Obligation Bonds	Notes and Installments	Revenue Bonds	Total Primary Government	Total Primary Government	Total Debt Per Capita
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	2,381,689	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	
<b>2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,965,646</b>	<b>11,160,112</b>	<b>0</b>	<b>14,339,473</b>	<b>32,465,231</b>	<b>1,472</b>		

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

**City of Kinston, North Carolina**

**Direct and Overlapping Governmental Activities Debt**  
**For the Year Ended June 30, 2010**  
**(Unaudited)**

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Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 67,800,000	41.21%	\$ 27,940,380
<b>Subtotal, overlapping debt</b>	<b><u>67,800,000</u></b>		<b><u>27,940,380</u></b>
City Direct Debt	-	100%	-
<b>Total direct and overlapping debt</b>	<b><u>\$ 67,800,000</u></b>		<b><u>\$ 27,940,380</u></b>

**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 (\$3,569,278,786).
- (3) Amount in debt outstanding column multiplied by percentage applicable.

City of Kinston, North Carolina

**Legal Debt Margin Information  
Last Ten Fiscal Years**  
*(dollars in thousands)*  
**(Unaudited)**

Notes:

Debt includes Installment contracts and Notes payable

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

**City of Kinston, North Carolina**

**Pledged-Revenue Coverage (Parity Debt)**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*  
*(Unaudited)*

Fiscal Year	Combined Enterprise Revenue Bonds					Special Assessment Bonds					Sales Tax Increment Bonds		
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Parity Interest	Debt Service Principal	Assessment Collections	Debt Service Principal	Sales Tax Increment	Coverage	Debt Service Principal	Sales Tax Interest	Coverage	Debt Service Principal
2001	43,477,825	40,341,061	3,136,764	910,000	781,921	1.85	0	0	0	0	0	0	0
2002	42,461,360	39,216,493	3,244,867	835,000	740,061	2.06	0	0	0	0	0	0	0
2003	46,207,290	42,135,152	4,072,138	885,000	700,816	2.57	0	0	0	0	0	0	0
2004	49,470,309	45,850,694	3,619,615	353,333	1,217,633	2.30	0	0	0	0	0	0	0
2005	51,199,729	47,457,736	3,741,993	589,256	585,435	3.19	0	0	0	0	0	0	0
2006	56,838,017	54,526,650	2,311,367	589,256	501,167	2.12	0	0	0	0	0	0	0
2007	56,909,055	51,857,666	5,051,381	1,192,410	704,022	2.66	0	0	0	0	0	0	0
2008	57,592,808	52,842,641	4,750,167	1,217,959	699,457	2.48	0	0	0	0	0	0	0
2009	62,189,411	59,945,018	2,244,393	1,363,251	754,475	1.06	0	0	0	0	0	0	0
<b>2010</b>	<b>64,894,490</b>		<b>3,790,514</b>	<b>1,368,156</b>	<b>667,936</b>	<b>1.86</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

### **Demographic and Economic Statistics**

#### **Last Ten Fiscal Years**

#### **(Unaudited)**

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Fiscal Year Ended June 30	Population (1)	Per Capita Income (2)	School Enrollment (3)	County Unemployment Rate (4)
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	22056	14476	9,258	12.4%
<b>2010</b>	<b>(5)</b>	<b>(5)</b>	<b>9,039</b>	<b>10.6%</b>

#### **Sources:**

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

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

**City of Kinston, North Carolina**

**Principal Employers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Employer	2010			2001			
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	
Caswell Center	1,634	1	6.67%	Caswell Center	1,780	1	6.63%
Lenoir County Public Schools	1,310	2	5.35%	Lenoir County Public Schools	1,325	2	4.94%
Lenoir Memorial Hospital	1,200	3	4.90%	Lenoir Memorial Hospital	1,150	3	4.29%
Electrolux Home Products (Frigidaire Co.)	785	4	3.20%	Electrolux Home Products (Frigidaire Co.)	850	4	3.17%
Associated Materials, Inc (Alside)	531	5	2.17%	Associated Materials, Inc (Alside)	450	5	1.68%
Lenoir Community College	520	6	2.12%	Lenoir Community College	449	6	1.67%
Lenoir County	441	7	1.80%	Lenoir County	483	7	1.80%
Hillco, LTD	412	8	1.68%	Hillco, LTD	371	8	1.38%
Lenox China	400	9	1.63%	Lenox China	320	9	1.19%
Wal-Mart	385	10	1.57%	Wal-Mart	300	10	1.12%
	<u>7,618</u>		31.13%		<u>7,478</u>		29.84%

**Sources:**

Lenoir County Economic Development  
 Employment Security Commission  
 Various HR Managers

City of Kinston, North Carolina

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

Functions/Program	Full-Time Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government:</b>										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	5	3	3	3	3	3	2	3	3	3
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	4	5	4	4	4	4	4	4	3.5	3.5
Finance	13	13	13	12	11	11	11	11	12	11
Computer Services	3	3	3	3	3	3	3	3	3	4
Legal	3	3	3	3	2	2	2	2	2	2
Building Safety	2	2	2	2	2	2	2	2	2	2
Planning	4	3	3	3	3	3	3	3	3	1
Facility Mgmt	5	5	5	5	5	5	5	5	5	4
Community Development										
Parks and Recreation:										
General & Administrative	8	8	7	6	6	6	6	6	6	5
SOAR										
Recreation	26	25	24	24	25	28	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	80	75	75	74	74	74	75	75	77	73
Civilians (a)	12	12	10	10	10	10	10	10	9	8
Fire:										
Firefighters and Officers	65	65	57	56	56	55	55	54	54	50
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	20	19	17	16	17	18	18	15	16	12
Street Sweeping	2	1	1	1	1	1	1	1	1	1
Refuse Collection	35	29	28	30	31	30	26	26	26	25.5
Weed Control	2	2	2	1	1	1	1	1	1	0.5
Central Garage	14	13	11	10	11	10	10	10	9	9
Street Lighting										
Traffic Control	2	2	2	2	2	2	2	2	2	2
Electric:										
Distribution	27	23	21	23	23	20	21	21	23	23
Billing & Administration	21	19	19	21	21	19	20	20	23	22
Meter Reading	8	8	8	8	8	7	6	6	6	7
Water:										
Administration	3	3	3	3	3	3	3	3	3	3
Transmission	27	26	18	18	20	24	25	25	25	25
Purification	3	3	3	2	2	3	3	3	3	3
Lake Bloomington Park										
Sewer Maintenance	19	16	15	15	13	14	14	13	13	13
Stormwater										
Other Programs/Functions:										
Engineering	13	11	10	9	9	10	10	8	7	7
Risk Management	3	3	3	3	3	2.5	2.5	2.5	2.5	2.5
Parking										
Cultural District										
<b>Total</b>	<b>441</b>	<b>412</b>	<b>382</b>	<b>378</b>	<b>381</b>	<b>375</b>	<b>375</b>	<b>375</b>	<b>379</b>	<b>360</b>

Source: Prior year CAFR's  
Various HR & budget records  
Note:

**City of Kinston, North Carolina**

**Operating Indicators By Function/Program  
Last Ten Fiscal Years  
(Unaudited)**

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Calls for service	31,769	31,624	29,598	29,803	30,610	31,192	35,156	32,213	32,686	33,101
3,736	3,269	3,039	3,169	2,847	2,945	4,910	3,008	2,755		3,553
Adult arrest	148	196	167	186	146	172	171	161	122	89
Juvenile arrest	1,031	1,259	1,000	600	1,240	656	863	1,280	392	837
Speeding citations only	3,695	3,821	2,870	2,782	3,453	2,506	5,823	5,677	3,567	4,374
Fire:										
Total fire runs	575	119	998	826	704	664	216	870	843	185
Total rescue runs	294	624	691	699	410	143	145	121	151	117
Property loss	\$ 291,850	\$ 552,773	\$ 737,261	\$ 773,719	\$ 433,537	\$ 380,311	\$ 761,793	\$ 642,430	\$ 791,822	\$ 472,680
Building safety:										
Total building permits	129	100	147	135	122	121	124	115	98	83
Total value all permits	\$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	\$ 59,871,760
Library, volumes in collection	121,066	120,214	114,729	113,465	115,695	116,474	14,026	99,905	235,108	233,466
Public service:										
Garbage collected (ton)	23,248	22,846	22,989	22,816	22,977	22,685	20,521	19,937	21,254	19,108
Recycle collected (ton)	999	820	765	730	695	632	574	836,48	563,21	637,56
Parks and Recreation:										
Recreation program attendance:										
Athletics	142,000	146,000	156,000	155,000	160,000	158,500	163,000	172,000	175,000	202,000
Centers & Parks	408,000	412,000	418,000	421,000	419,000	419,500	421,500	520,000	518,000	520,000
Other Programs	100,000	101,500	106,000	108,000	111,000	114,000	113,000	116,000	122,000	118,000
Golf Rounds Played	7,300	7,500	7,500	7,500	7,500	7,800	7,950	8,200	9,300	9,100

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

**City of Kinston, North Carolina**

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

Function/Program	Fiscal Year						2010
	2001	2002	2003	2004	2005	2006	
Police:							
Stations	6	6	6	4	4	4	3
Fire & Rescue							3
Fire Stations	3	3	3	3	3	3	3
Refuse Collection:							
Collection Trucks	27	26	25	25	25	25	25
Other Public Works							
Streets (Miles)	113.4	113.4	114.6	114.7	115.4	113.9	114.91
Streets Lights	2060	2061	2062	2064	2064	2123	2106
Traffic Signals	N/A	N/A	N/A	N/A	15	15	15
Parks & Recreation:							
Acreage	245	245	245	245	245	300	300
Parks	12	14	14	14	14	15	15
Golf Course	1	1	1	1	1	1	1
Baseball/Softball Diamonds	7	16	16	16	17	17	26
Soccer/Football Fields	2	2	2	2	2	2	13
Basketball Courts	8	8	8	6	6	6	4
Tennis Courts	19	17	15	14	16	16	17
Swimming pools	3	3	3	3	2	2	2
Parks with Playground Equipment	7	7	7	8	8	8	8
Picnic Shelters	5	5	5	5	6	8	8
Community Centers	5	5	5	5	5	5	5
Museums	1	2	2	2	2	2	2
Stadium	4200 seat						
Airport Theater	300 seat	300 seat	0	0	0	0	0
Indoor Batting Facility	1	1	1	1	1	1	1
Natural Sites	4	4	4	4	4	4	5
Gymnasium	3	3	3	4	4	4	4
Spray Ground	0	0	0	0	0	1	1
Dog Park	0	0	0	0	0	0	1
Library:							
Facilities	1	1	1	1	1	1	1
Volumes	121,066	120,214	114,729	113,465	115,695	116,474	14,026
Water:							
Storage Capacity (MGPD)	4.25 MGD						
Average Daily Consumption (MGPD)	4.57 MGD	4.46 MGD	4.09 MGD	3.49 MGD	3.71 MGD	3.80 MGD	3.63 MGD
Peak Consumption (MGPD)	6.86 MGD	6.69 MGD	6.14 MGD	5.24 MGD	5.57 MGD	5.70 MGD	5.45 MGD
Miles of Water Mains	207.5	208.2	208.2	211.7	212.3	212.7	214
Wastewater:							
Sanitary Sewers (miles)	204.8	206.2	206.2	208.3	209.2	209.4	211.2
Storm Sewers (miles)	N/A	N/A	N/A	N/A	62.3	62.3	62.4
Average Daily Flow	5.68 MGD	4.46 MGD	4.09 MGD	3.5 MGD	5.24 MGD	5.12 MGD	4.64 MGD
Electric:							
Average Daily Usage	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
Mile of Distribution Lines	375	375	375	425	425	430	430

Source: Various City records  
Note:

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