

**CITY OF KINSTON
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2011**

This page left blank intentionally.

CITY OF KINSTON

NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2011

Prepared by City of Kinston Finance Department

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Table of Contents

<u>Exhibit</u>		<u>Page</u>
Introductory Section		
	Letter of Transmittal	i-ix
	List of Principal Officials	x
	Organizational Chart	xi
	Certificate of Achievement for Excellence in Financial Reporting	xii
Financial Section		
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-12
Basic Financial Statements		
A	Statement of Net Assets	13
B	Statement of Activities	14-15
C	Balance Sheet - Governmental Funds	16
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
F	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
G	Statement of Net Assets - Proprietary Funds	20
H	Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	21
I	Statement of Cash Flows - Proprietary Funds	22
	Notes to the Financial Statements	23-59

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Table of Contents

<u>Schedule</u>		<u>Page</u>
Supplementary Information		
A-1	Required Supplementary Information - Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	60
A-2	Required Supplementary Information - Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	61
A-3	Required Supplementary Information - Separation Allowance Plan	62
A-4	Required Supplementary Information - Other Post-Employment Benefits - Retiree Health Plan	63
General Fund		
1	General Fund - Balance Sheet	64
2	General Fund - Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	65-68
3	Nonmajor Governmental Funds - Combining Balance Sheet	69
4	Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	70
Special Revenue Funds		
5	Nonmajor Special Revenue Funds - Combining Balance Sheet	71-72
6	Nonmajor Special Revenue Funds- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	73-74
7	Community Development Administration - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	75
8	Gang Gate Phase II - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76
9	2009 Governor's Crime Commission Equipment Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
10	2009 Governor's Crime Commission Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Table of Contents

<u>Schedule</u>		<u>Page</u>
11	2009 JAG Recovery Act Relief Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
12	2009 Edward -Byrne Memorial JAG Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	80
13	2009 Cops Hiring Recovery Program Grant (AARA) - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	81
14	2009 Bulletproof Vest Partnership Grant (BVP) -Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	82
15	2010 Bulletproof Vest -Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	83
16	2010 JAG Recovery Act Relief Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	84
Nonmajor Capital Project Funds		
17	Combining Balance Sheet	85-86
18	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	87-88
19	Retro-Green Capital Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	89
20	CWMTF Flood Buy-Out Capital Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	90
21	New Fire Station #2 - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	91
22	Contentnea Savannah Ballfields Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
23	Train Depot Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
24	Battlefield Parkway/Soccer Complex - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	94

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Table of Contents

<u>Schedule</u>		<u>Page</u>
25	Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	95
26	New Fire Station #3 - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	96
27	Martin Luther King Jr. Blvd Enhancement Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	97
28	Heritage Street Improvements -Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	98
29	Fire Trucks and Equipment - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	99
30	CWMTF Flood Buy-Out II Capital Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	100
31	Energy Efficiency Building Improvements - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	101
32	Abby Gardens Funding Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	102
Permanent Fund		
33	Temple Israel Perpetual Care Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	103
Enterprise Fund		
34	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	104-105
35	Electric Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	106
36	Electric Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	107
37	Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	108-109

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Table of Contents

<u>Schedule</u>		<u>Page</u>
38	Water Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	110
39	Wastewater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	111-112
40	Wastewater Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	113
41	Wastewater Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	114
Nonmajor Enterprise Funds		
42	Combining Statement of Net Assets	115
43	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	116
44	Combining Statement of Cash Flows	117-118
45	Environmental Services - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	119-120
46	Stormwater - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	121-122
Internal Service Funds		
47	Combining Balance Sheet	123
48	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	124
49	Combining Statement of Cash Flows	125
50	Employee Health - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	126
51	Fleet Maintenance - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	127
52	Warehouse - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	128

CITY OF KINSTON, NORTH CAROLINA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Table of Contents

<u>Schedule</u>		<u>Page</u>
53	Public Services - Schedule of Revenues and Expenditures - Financial Plan and Actual (Non-GAAP)	129-130
54	Schedule of Ad Valorem Taxes Receivable	131
55	Analysis of Current Tax Levy - City-Wide Levy	132

Table
Statistical Section (unaudited)

1	Net Assets by Component	133
2	Changes in Net Assets	134-135
3	Program Revenues by Function/Program	136
4	Fund Balances, Governmental Funds	137
5	Changes in Fund Balance, Governmental Funds	138
6	The Electric System	139
7	Electric Rates	140
8	Principal Taxpayers	141
9	Ratio of Net General Bonded Debt Outstanding by Type	142
10	Direct and Overlapping Governmental Activities Debt	143
11	Legal Debt Margin Information	144
12	Pledged-Revenue Coverage	145
13	Demographic and Economic Statistics	146
14	Principal Employers	147
15	Full-Time Equivalent City Government Employees by Functions/Programs	148
16	Operating Indicators by Function/Program	149
17	Capital Asset Statistics by Function/Program	150

INTRODUCTORY SECTION

Letter of Transmittal

List of Principal Officials

Organizational Chart

GFOA Certificate of Achievement for Excellence in Financial Reporting

This page left blank intentionally.



City of Kinston

Post Office Box 339

Kinston, North Carolina 28502

Phone: (252) 939-3147 Fax: (252) 939-1679

Finance Office

B. J. MURPHY
Mayor

BILL ELLIS
Interim City Manager

JAMES P. CAULEY III
City Attorney

CHRISTINA ALPHIN
City Clerk

October 19, 2011

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, 2011, 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 11.2 percent unemployment rate compared to a statewide rate of 10.3 percent and a national average of 9.1 percent. The 2010 census population for the City report population as 21,677.

The City is governed by the Council-Manager form of government and has been since the early 1950s. The City Council consists of a mayor and five council members. The mayor and council members are elected-at-large for four year staggered terms. The Mayor and Council make appointments to various boards and commissions. The Council appoints the City Manager, City Attorney and City Clerk. The City Manager serves as Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, planning and budgetary management.

Overall, the value of new construction and renovation was \$15.6 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

The City is poised for further economic growth as both Spirit AeroSystems and Sanderson Farms ramp up production. Spirit is a \$ 4 billion manufacturer and the world's largest independent supplier of commercial airplane assemblies and components. Spirit's new Kinston facility produced its first shipment in the fourth quarter of 2010. The Kinston plant produces a major composite fuselage and leading edge wing spars for the Airbus A350 commercial aircraft at the N.C. Global Transpark (GTP) in Kinston. In July 2011 Spirit AeroSystems announced that it will add 150 to 200 employees in Kinston over the next five years as a new product line is added to its GTP plant. The new \$ 25 million expansion will add metallic structures, as well as a general aviation component to Spirit AeroSystems' 500,000 square-foot plant it opened in Kinston last year.

State officials want the GTP's anchor tenant, Spirit AeroSystems, to serve as the nucleus for an aerospace manufacturing cluster in Kinston.

Sanderson Farms is the fourth-largest poultry firm in the U.S. Sanderson's new processing plant in Kinston is currently running about 25% of capacity and is expected to reach full capacity by December 2011 and 1.25 million chickens per week. About 1,290 people work in the plant, and a little more than 100 work in the feed mill and hatchery at present. The full Kinston operation is expected to employ about 1,600 people by December 2011.

With the arrival of both Spirit AeroSystems and Sanderson Farms we are expecting a “domino effect” of new business, as suppliers set up shop, new homes are built and retailers expand their inventories.

DuPont announced plans for a \$ 5.4 million investment to upgrade its manufacturing plant as it continues to produce its trademark Sorona bio-based polymer in Kinston. DuPont has had a 60-year relationship with Kinston and Lenoir County and currently produces a bio-tech polymer for carpets, clothing and automobiles.

MAJOR INITIATIVES

FOR THE YEAR

Fiscal Year 2010-2011 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

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. Work is scheduled for completion in August, 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.

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 \$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 was completed in September, 2010.

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 \$621,341.79.

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.

2010-11 Street Resurfacing Project

Project involves the resurfacing of city streets, including all or portions of Emerson Road, Rhem Street, Peyton Avenue, Grainger Avenue and Gordon Street. Funds were also approved for the reconstruction of portions of Autumn Drive and Briarwood Drive. Total budgeted funds for this work is \$195,000. Work is substantially complete and will reach final completion in August, 2011.

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 parking, fencing, and sidewalk improvements near the Arts Council have been completed. Lighting and landscaping should be complete by October, 2011.

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 included 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 was required to provide a \$10,000 in-kind contribution to the project, but later added \$25,000 to extend the scope of the project. Work was completed by Lanier Construction in September, 2010, and included improvements along Herritage Street, Gordon Street, and North Street. Final Cost of the project was \$235,000.

Harvey Parkway Extension (formerly 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.

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 has been completed. Materials have been ordered for Phase II, which is expected to be constructed in the Fall, 2011. City is in discussions with NCDOT regarding funding for all work from Adkin Branch to Dr. Martin Luther King Jr. Boulevard. Total costs to date have been \$105,018.49. Cost for remaining phases is estimated at \$400,000 and will take three more years to complete. Funds for this project will come from Kinston's stormwater utility fee and potentially from NCDOT.

Pollock Street Lift Station Force main Project

The City has been awarded a \$500,000 grant from the North Carolina Rural Center and has provided a \$125,000 cash match for this project, for a total budget of \$625,000. Work has been awarded to STEP Construction in the amount of \$601,334.76. Work should be completed in September, 2011.

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. City Council has approved funding of \$40,000 to complete preliminary engineering to determine capacities and routing for the proposed improvements and entered into a professional services agreement with the Wooten Company for this work. Work is expected to be complete by January, 2012.

Neuse Outfall SSEs

The City of Kinston has received a grant of \$50,000 from NCDENR Construction Grants and Loans to perform a sanitary sewer evaluation study on the Upper Neuse Outfall and determine sources of inflow and infiltration. No city match is required for this grant. The city has entered into a professional services agreement with the Wooten Company to perform this work. The study is expected to be complete by May, 2012.

LED Streetlight Grant

In October 2010 the City of Kinston Department of Public Services was awarded a grant from the State Energy Office for \$499,500.00 to replace 740 high pressure sodium and mercury streetlights with 740 LED streetlights. By changing 740 of the City's current 2,074 streetlights the projected kWh savings is 888,888 kWh saved, the projected annual energy dollars saved is \$204,445.00. The City of Kinston Electric division is installing the streetlights and the total in-kind services from the City is \$115,718.72. The bid was awarded to Stuart C. Irby, Co. of Rocky Mount, NC. Irby's bid came in under budget allowing the City of Kinston to purchase an additional 65 LED streetlights, bringing the total replaced to 805. The additional 65 lights will increase the projected energy and dollars savings. Installation of the new LED streetlights began in June 2011 and the project is to be completed by December 2011.

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. Completed June 24, 2010.

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. Phase I completed August 16, 2011.

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. Substantially completed in October of 2010. Project currently in final stages of completion.

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 31, 2011.

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 included construction of roundabout circle which is now complete. Additionally, the project will provide sidewalk improvements along the corridor in collaboration with NCDOT, landscaping, streetscape, crosswalks and improved lighting. The funding is 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. The project should be completed by December 2011.

Management Information Systems

The move from Novell Netware to Novell SUSE Linux 10 OES will be completed before the end of August 2011. MIS will focus on the replacement of the 10 year old ES45 running OpenVMS to new hardware running Linux/Unix. This is required by the next upgrade of Banner Finance/Human Resources software. Implementation will occur prior to December 2011 as W2, 1099 and 941 changes will only be distributed on Version 8 of the software. The City is currently on version 7. The ES45 will continue to be in use until the Customer Information System software upgrade is budgeted for next year.

Planning/Community Development Abby Gardens

The City obtained a Community Development Block Grant for Housing Development in the amount of \$250,000 to pay for the infrastructure costs and grant administration to build 48 senior affordable rental units off Mount Vernon Drive. Total project costs will exceed 5.7 million dollars acquired through the developer through tax-credits and low-interest loans.

Increased capacity and Main Street Solutions Fund

Planning increased its capacity by hiring a Community Development Planner effective October, 2010. Since then we have acquired 200,000 from the Department of Commerce Main Street Solutions fund to assist in creating jobs in our Main Street Communities. Hill Realty in partnership with the city and Pride plans to inject downtown with eight (8) new full-time jobs and a 1.2 million dollar investment into the old Miller Furniture Building to create a new restaurant, retail, and office space(s).

Call Kinston Home

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.

Public Safety- Fire Stations # Two and # Three

Fire Station Two is located at Carey and Rouse Rd. intersection. The 5,973 sq. ft. facility is currently under construction and will replace a 30-year old facility located at 2207 Plaza Blvd. Fire Station Three is located on Hill Farm Rd. The 5,973 sq. ft. facility is also under construction and 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. The current projected completion date for both facilities is April/May 2012.

Public Safety- Fire/Rescue Equipment

The Department is seeking to replace outdated resources which include portable radios and supplied air respirators. The current radios utilized by the Department are no longer serviceable by the manufacturer and require replacement. Portable radios are required use by the Department in communicating during emergency scene operations. National Fire Protection Association Standards relating to supplied air respirators has changed which necessitates the replacement of current units. These units are utilized in special rescue operations such as Confine Space and Trench Rescue situations.

Recreation – Woodmen of the World Community Center

Woodmen of the World Community Center is providing \$7 million of private funds for the construction of the new 57,000 -square foot community center, water park and pool. The City of Kinston and Lenoir County are providing \$500,000 each towards the project, the Golden Leaf Foundation awarded \$350,000, a PARTF grant was awarded for \$500,000, Parrott Academy, \$325,000, and local unanimous donors are donating 2.5 million dollars for a total project cost of approximately 12 million dollars. The plans for the facility include an outdoor pool with a bubble, a state of the art water park, two indoor basketball courts, an elevated walking track, a fitness room, locker rooms, a large banquet room, administrative offices for the Woodmen and the Parks and Recreation Department and a conference room. The center will be located at the former Smithfield Packaging Plant site on Vernon Avenue which has now been demolished. Construction on the center should begin in September, 2011 and the estimated opening date for the water park is scheduled for June, 2012. The Facility will be owned by the Woodmen of the World and operated by the Kinston Lenoir Co Parks and Recreation Department.

Recreation – The Rotary Dog Park, Fairfield, Holloway and Southeast Park

The Dog park is now 90% complete with the restrooms and a walking track installed in the Rotary Dog Park, located on Hwy. 11/55 (the old Webb's Salvage Yard).

Lighting of the parking lots in Fairfield Park and at the entranceway to the center have been installed. Also, wrought iron railings with local art work at the entranceway have been custom built. The old ceramics room at Fairfield Center has been renovated into a meeting room that is now used for RADD classes and rented for public use and for spray park parties. The kitchens at Fairfield and Holloway Center have been renovated for public use.

A new playground was installed at Southeast Park. New lighting at the basketball courts will be completed in FY 11/12.

Two sections at Grainger Stadium were sandblasted, primed and sealed.

Community Centers were painted at Fairfield, Holloway and Martin C. Freeman.

IN THE FUTURE

Composting Pilot Project

The project would involve constructing a location to create blends of biosolids, leaves and woody debris and determine the commercial viability of such an operation. Total cost of the pilot project is estimated at \$670,000. The city has applied for a Clean Water Management Trust Fund Grant of \$600,000 for the project. Awards will be announced in the Fall, 2011.

Queen Street Sanitary Sewer Project

This project involves the replacement or rehabilitation of a sanitary sewer main in Queen Street from Vernon Avenue to Springhill Street. Total project costs are estimated at \$2,500,000. The city has applied for a grant of \$2,000,000 from the Clean Water Management Trust Fund and a grant of \$450,000 from the Rural Center, with a \$50,000 cash match by the city. This project will be delayed or reduced depending on the award of grant funds. Awards are to be announced in the Fall, 2011.

Spirit Aerospace Rail Spur Phase II

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 phase II project is \$132,755 and is fully reimbursable by NCDOT.

531 Circuit Upgrade

As identified in our Electric Transmission and Distribution Long Range Plan we will upgrade Industrial Circuit 531 to 795 ACSR as projected loads reach 84% of the conductor's thermal capacity. Rebuild 2.0 miles of 3 phase conductor at an estimated cost of \$340,000.

Hwy 58 south Line Relocation

NCDOT will be providing a turn lane into Lenoir Community College. As a result the City will have to relocate 8 utility poles and conductor at an estimated cost of \$137,900 and is fully reimbursable by NCDOT.

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.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

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

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

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

Respectfully submitted,



Catherine F. Gwynn, CPA
Interim Finance Director



Bill Ellis,
Interim City Manager

CITY OF KINSTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS
JUNE 30, 2011

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

CHRISTINA ALPHIN
City Clerk

GLORIA BLAKE
Director of Human Resources

RHONDA F. BARWICK
Director of Public Services

BILL JOHNSON
Director of Public Safety
Inspections & Code Enf.

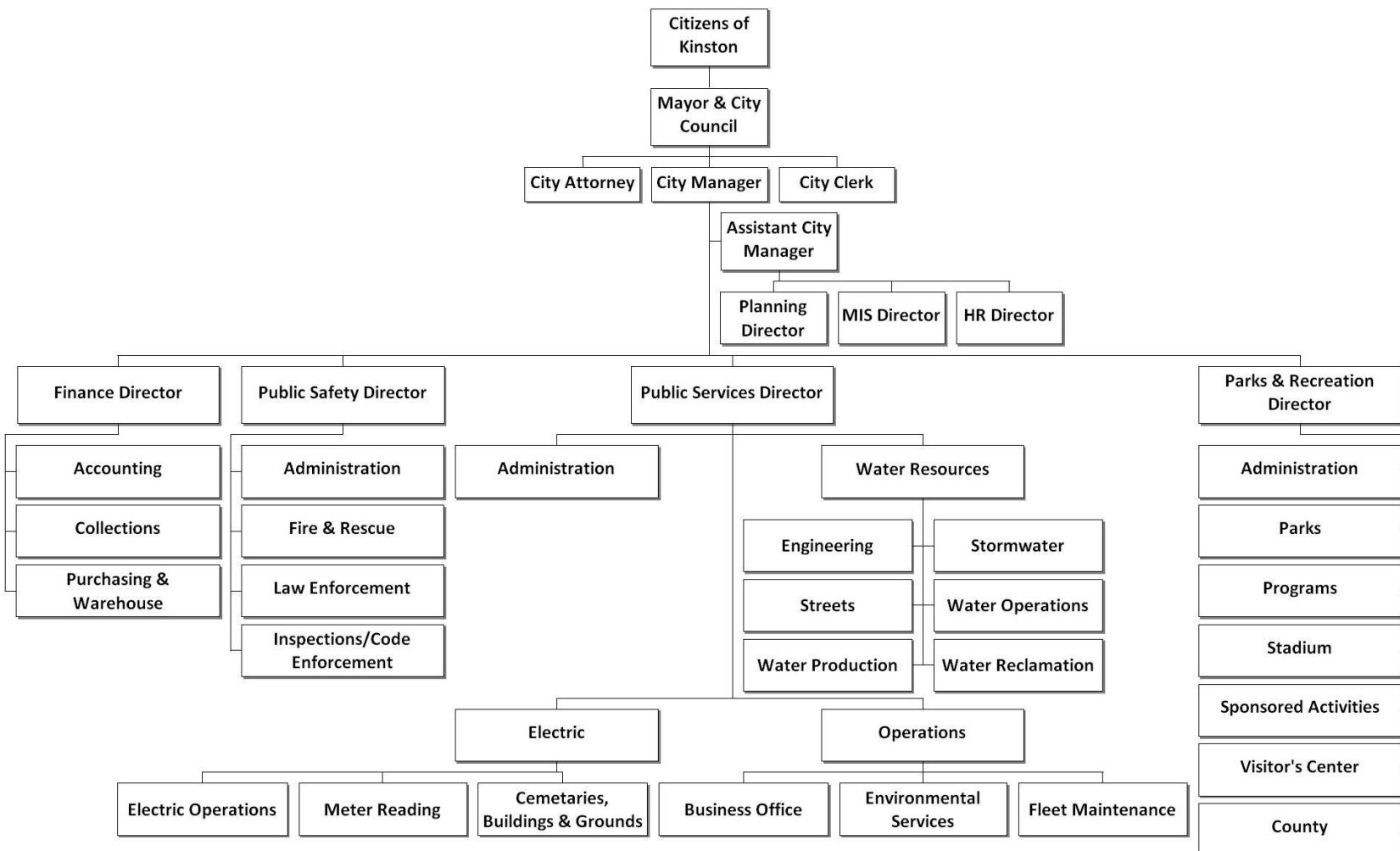
AMANDA ENGESETHER
Director of Planning

BILL ELLIS
Director of Parks and
Recreation

CITY OF KINSTON

Organizational Structure

FY 2010-2011



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, 2010

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

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplemental Financial Data

Combining, Individual Fund Statements, and Schedules

This page left blank intentionally.

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, North Carolina, as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011 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.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the City of Kinston, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 19, 2011

City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

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, 2011. 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.

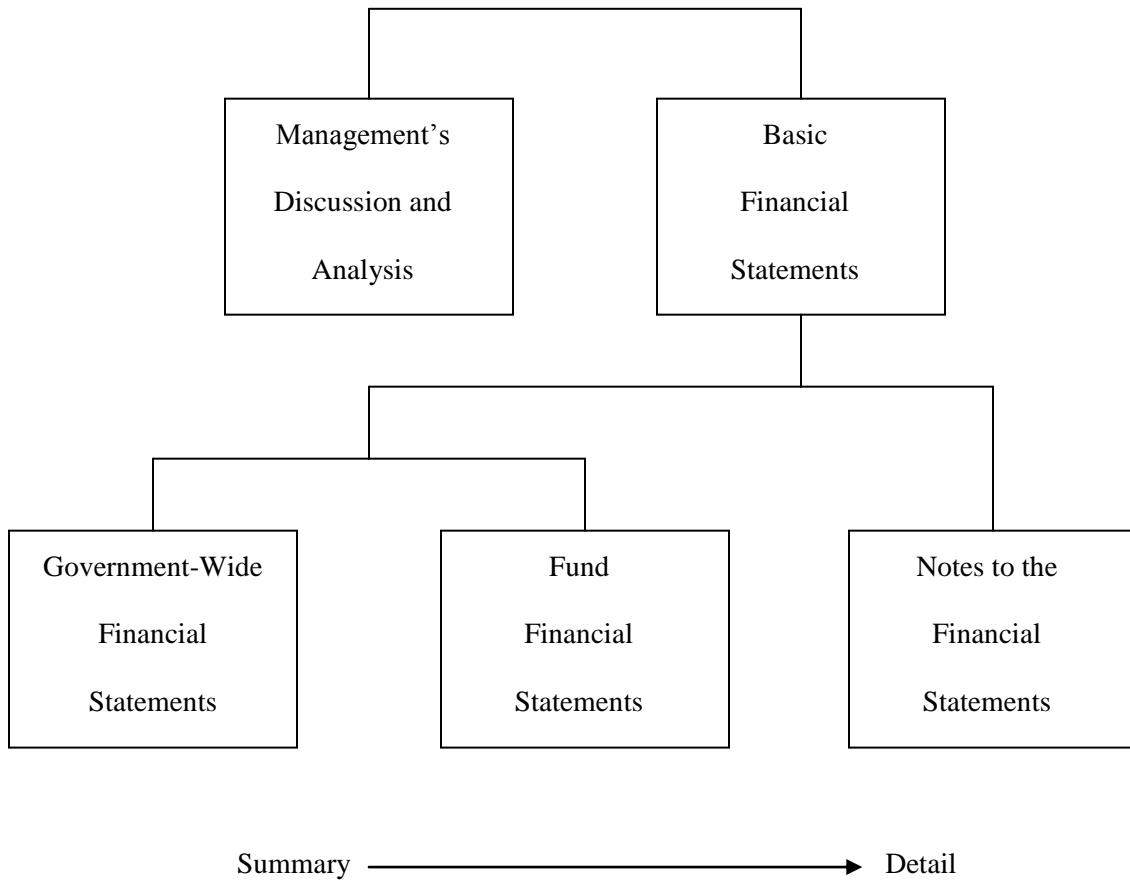
Financial Highlights

- The overall financial position of the City increased in 2011 as evidenced by an increase in total net assets of \$1.3 million. This was from business-type activities which increased \$0.6 million while governmental activities increased \$0.8 million.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$108 million (net assets). Of this amount, \$14.1 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7.7 million, an increase of \$2.5 million in comparison with the prior year and is primarily due to an increase in long term debt issued and an increase in general fund balance. Approximately 52 percent of this total amount, or \$4 million, is available for spending at the government's discretion (available fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4 million, or 23.48 percent of total General Fund expenditures.
- The City's total long-term liabilities increased by \$0.2 million during the current fiscal year. This was from increase in debt by 3.2 million 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 and decrease in debt from payment of \$2.97 million in principal payments on existing debt.

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 – 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 23 of this report.

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 60 of this report.

Government-Wide Financial Analysis

Net Assets: For the City, assets exceeded liabilities by \$108 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2011 and 2010 is presented below:

City of Kinston's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 11,189,210	\$ 8,250,910	\$ 18,898,954	\$ 18,778,686	\$ 30,088,164	\$ 27,029,596
Capital assets	<u>17,748,947</u>	<u>17,026,160</u>	<u>103,664,389</u>	<u>105,751,425</u>	<u>121,413,336</u>	<u>122,777,585</u>
Total assets	<u>28,938,157</u>	<u>25,277,070</u>	<u>122,563,343</u>	<u>124,530,111</u>	<u>151,501,500</u>	<u>149,807,181</u>
Long-term liabilities						
outstanding	10,900,968	8,756,657	20,883,755	25,885,012	31,784,723	34,641,669
Other liabilities	<u>2,144,155</u>	<u>1,399,082</u>	<u>9,276,796</u>	<u>6,809,910</u>	<u>11,420,951</u>	<u>8,208,992</u>
Total liabilities	<u>13,045,123</u>	<u>10,155,739</u>	<u>30,160,551</u>	<u>32,694,922</u>	<u>43,205,674</u>	<u>42,850,661</u>
Net assets:						
Invested in capital assets, net of related debt	10,135,164	10,172,960	80,602,330	81,162,571	90,737,494	91,335,531
Restricted	<u>3,456,960</u>	<u>83,390</u>	<u>-</u>	<u>-</u>	<u>3,456,960</u>	<u>83,390</u>
Unrestricted	<u>2,300,910</u>	<u>4,864,981</u>	<u>11,800,462</u>	<u>10,672,618</u>	<u>14,101,372</u>	<u>15,537,599</u>
Total net assets	<u><u>\$ 15,893,034</u></u>	<u><u>\$ 15,121,331</u></u>	<u><u>\$ 92,402,792</u></u>	<u><u>\$ 91,835,189</u></u>	<u><u>\$ 108,295,826</u></u>	<u><u>\$ 106,956,520</u></u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The City's net assets increased \$1.3 million for the fiscal year ended June 30, 2011. However, the largest portion (83%) 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 (3.19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14.1 million is unrestricted.

Net assets of the governmental activities increased \$0.8 million, or 5.1 percent, to \$15.9 million. However, \$13.6 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 \$2.3 million is unrestricted. The unrestricted net assets are available primarily to support operations and to provide for payment of long-term debt.

The net assets of the business-type activities increased by \$0.6 million, or 6.2 percent, to \$92.4 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, 2011 and 2010:

City of Kinston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,368,872	\$ 2,132,624	\$ 70,389,645	\$ 69,110,128	\$ 72,758,517	\$ 71,242,752
Operating grants/contributions	1,142,377	1,276,437	-	-	1,142,377	1,276,437
Capital grants/contributions	476,000	39,407	1,580,910	4,051,316	2,056,910	4,090,723
General revenues:						
Property taxes	13,842,638	9,093,393	-	-	13,842,638	9,093,393
Other taxes	350,832	4,903,299	-	-	350,832	4,903,299
Grants/contributions not restricted to specific programs	349,123	281,404	-	-	349,123	281,404
Other	243,558	182,813	43,004	11,292	286,562	194,105
Total revenues	18,773,400	17,909,377	72,013,559	73,172,736	90,786,959	91,082,113
Expenses:						
General government	3,128,980	2,873,676	-	-	3,128,980	2,873,676
Public safety	9,328,164	9,864,668	-	-	9,328,164	9,864,668
Highways and streets	1,629,722	1,936,357	-	-	1,629,722	1,936,357
Economic & physical development	821,061	780,818	-	-	821,061	780,818
Culture and recreation	3,754,041	3,533,204	-	-	3,754,041	3,533,204
Interest on long-term debt	350,729	315,202	-	-	350,729	315,202
Electric	-	-	53,797,494	53,041,348	53,797,494	53,041,348
Water	-	-	7,355,873	7,378,161	7,355,873	7,378,161
Wastewater	-	-	5,886,216	5,296,980	5,886,216	5,296,980
Non-major fund	-	-	3,395,373	3,417,407	3,395,373	3,417,407
Total expenses	19,012,697	19,303,925	70,434,956	69,133,896	89,447,653	88,437,821
Increase in net assets before transfers	(239,297)	(1,394,548)	1,578,603	4,038,840	1,339,306	2,644,292
Transfers	1,011,000	961,627	(1,011,000)	(961,627)	-	-
Increase (decrease) in net assets	771,703	(432,921)	567,603	3,077,213	1,339,306	2,644,292
Net assets, July 1	15,121,331	15,554,252	91,835,189	88,757,976	106,956,520	104,312,228
Prior period adjustment	-	-	-	-	-	-
Net assets, July 1 as restated	15,121,331	15,554,252	91,835,189	88,757,976	106,956,520	104,312,228
Net assets, June 30	\$ 15,893,034	\$ 15,121,331	\$ 92,402,792	\$ 91,835,189	\$ 108,295,826	\$ 106,956,520

Total government-wide revenues of \$90.8 million were primarily derived from charges for services (80.15%), property taxes (15.25%) and other taxes (0.39%). The total expenses of all programs were \$89.4 million. The expenses cover a range of services with the two largest being electric services (60.15%) and public safety (fire/EMS, police and inspections/code enforcement) (10.43%).

Governmental Activities

Governmental activities increased the City's net assets by \$0.8 million. Key elements of this increase are as follows:

- Decrease in government's expenses of \$0.3 million with the decrease generated by highways and streets of \$0.3 million, public safety \$0.5 million and increase by general government of \$0.3 million. 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 \$0.6 million. Key elements of this increase are as follows:

- Charges for services increased by approximately \$1.5 million, or 1.7% 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 \$0.6 million in additional purchased power costs over the prior year.
- Revenues from capital grants decreased \$2.4 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, available fund balance of the General Fund was \$4.03 million, while total fund balance was \$5.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 23.71% of total General Fund expenditures of \$17 million while total fund balance represents 33% of that same amount.

At June 30, 2011, the governmental funds of City of Kinston reported a combined fund balance of \$7.7 million, a 48% 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.

Overall revenues exceeded budgeted amounts in the other taxes and licenses category and investment earning category by \$0.3 million. The variances were mainly attributable to local option sales tax and additional investment earnings as a result of the federal subsidy for Build America Bonds.

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 salaries and benefits not expended for funded but unfilled positions and reduced expenditures.

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 \$6.2 million in the Electric Fund, \$1 million in the Water Fund, \$2.4 million in the Wastewater Fund and \$1.4 million in the nonmajor funds. The electric, wastewater, and nonmajor funds experienced growth in net assets of \$1.4 million, \$0.2 million, and \$0.3 million respectively. These were more than offset by the \$0.9 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, 2011, the City had \$121.4 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net decrease of \$1.4 million, or 1.1%, under last year. The summary of capital assets at June 30, 2011 and 2010 is presented below:

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

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,482,916	\$ 3,482,916	\$ 1,222,643	\$ 1,222,643	\$ 4,705,559	\$ 4,705,559
Infrastructure	1,486,870	1,668,762	103,035	18,656	1,589,905	1,687,418
Buildings & improvements	9,897,850	9,530,561	37,285,837	38,384,552	47,183,687	47,915,113
Equipment & vehicles	1,650,049	1,234,696	1,030,066	1,211,987	2,680,115	2,446,683
Operating plant	-	-	55,704,014	55,097,319	55,704,014	55,097,319
Construction in progress	1,231,262	1,109,225	8,318,794	9,816,268	9,550,056	10,925,493
Total	<u>\$ 17,748,947</u>	<u>\$ 17,026,160</u>	<u>\$ 103,664,389</u>	<u>\$ 105,751,425</u>	<u>\$ 121,413,336</u>	<u>\$ 122,777,585</u>

This year's major capital asset additions included:

- Vehicle Replacements – Two new fire trucks – \$1.4 million
- Completed Sewer Projects – \$2.8 million
- Construction in process – New Fire Station No. 2 and 3 - \$0.4 million
- Construction in process – Various water and sewer projects - \$1.6 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, 2011, the City had \$32.7 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	
	2011	2010	2011	2010	2011	2010
Installment contracts	\$ 9,633,281	\$ 6,965,646	\$ 2,048,951	\$ 2,718,988	\$ 11,682,232	\$ 9,684,634
Revenue bonds	-	-	13,353,873	14,339,473	13,353,873	14,339,473
Notes payable	-	-	7,659,236	8,441,124	7,659,236	8,441,124
Total	<u>\$ 9,633,281</u>	<u>\$ 6,965,646</u>	<u>\$ 23,062,060</u>	<u>\$ 25,499,585</u>	<u>\$ 32,695,341</u>	<u>\$ 32,465,231</u>

The City's total long-term liabilities increased by \$0.2 million (1%) during the fiscal year, primarily due to \$3 million in principal payments made against existing debt which was partially offset by \$3.2 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 \$86,182,496.

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 2011, 1 residential and 20 non-residential units were constructed with a value of \$12 million.
- Retail sales for Lenoir County during 2011 were \$462 million.
- The June 2010 unemployment rate was 11.2 percent compared to 10.3 percent for the State and 9.1 percent for the nation.

The following are highlights for the 2012 budgets for the governmental activities:

The most significant factors negatively impacting the 2012 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.

The General Fund initial budget for 2011-2012 decreased 1.8% from \$21.3 million (2010 adjusted adopted budget) to \$20.9 million. The decrease in the new budget is attributable to deferring capital outlay spending.

The following are highlights for the 2012 budgets for the business-type activities:

- Water rates: increased 7% for base and variable customers except large inside industrial customers – effective July 1, 2011.
- Wastewater rates: increased 5% for wholesale and industrial customers – effective July 1, 2011.
- Environmental Services rates: increased 2.3% for all customers – effective July 1, 2011.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 6,527,620	\$ 6,335,125	\$ 12,862,745
Receivables:			
Due from governmental agencies	1,037,636	168,686	1,206,322
Accounts receivables	1,363,029	923,284	2,286,313
Taxes receivable	831,016	-	831,016
Customer receivables, net	-	7,712,378	7,712,378
Internal balance	(928,475)	928,475	-
Inventories	338,886	1,247,079	1,585,965
Restricted cash and investments	2,019,498	1,583,927	3,603,425
Capital assets:			
Land and construction in process	4,714,178	9,541,437	14,255,615
Other capital assets, net of depreciation	13,034,769	94,122,952	107,157,721
Total assets	<u>28,938,157</u>	<u>122,563,343</u>	<u>151,501,500</u>
Liabilities:			
Accounts payable and accrued expenses	1,337,729	5,026,256	6,363,985
Accrued interest payable	128,235	143,254	271,489
Unearned revenue	46,692	12,908	59,600
Customer deposits	-	1,583,927	1,583,927
Long-term liabilities:			
Due within one year	631,499	2,510,451	3,141,950
Due in more than one year	10,900,968	20,883,755	31,784,723
Total liabilities	<u>13,045,123</u>	<u>30,160,551</u>	<u>43,205,674</u>
Net Assets:			
Invested in capital assets, net of related debt	10,135,164	80,602,330	90,737,494
Restricted for:			
Stabilization by State Statute	1,597,880	-	1,597,880
Public safety	1,850,507	-	1,850,507
Cemetery perpetual maintenance	8,573	-	8,573
Unrestricted	2,300,910	11,800,462	14,101,372
Total net assets	<u>\$ 15,893,034</u>	<u>\$ 92,402,792</u>	<u>\$ 108,295,826</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, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,128,980	\$ 398,143	\$ -	\$ -
Public safety	9,328,164	2,352	254,779	476,000
Public services	1,629,722	-	705,617	-
Community development	821,061	116,422	181,981	-
Cultural and recreation	3,754,041	1,851,955	-	-
Interest on long-term debt	350,729	-	-	-
Total governmental activities	<u>19,012,697</u>	<u>2,368,872</u>	<u>1,142,377</u>	<u>476,000</u>

Business-Type Activities:				
Electric	53,797,494	55,232,090	-	150,000
Water	7,355,873	6,263,894	-	15,029
Wastewater	5,886,216	4,891,058	-	1,415,881
Nonmajor funds:				
Environmental Services	2,770,506	3,083,337	-	-
Stormwater	624,868	919,266	-	-
Total business-type activities	<u>70,434,956</u>	<u>70,389,645</u>	<u>-</u>	<u>1,580,910</u>
Total primary government	<u>\$ 89,447,653</u>	<u>\$ 72,758,517</u>	<u>\$ 1,142,377</u>	<u>\$ 2,056,910</u>

General Revenues:

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

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:
 Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$ (2,730,837)	\$ -	\$ (2,730,837)	
(8,595,033)	- (8,595,033)		
(924,105)	- (924,105)		
(522,658)	- (522,658)		
(1,902,086)	- (1,902,086)		
(350,729)	- (350,729)		
<u>(15,025,448)</u>	<u>-</u>	<u>(15,025,448)</u>	
- 1,584,596	1,584,596	1,584,596	
- (1,076,950)	(1,076,950)	(1,076,950)	
- 420,724	420,724	420,724	
<u>-</u>	<u>312,832</u>	<u>312,832</u>	
<u>-</u>	<u>294,398</u>	<u>294,398</u>	
<u>-</u>	<u>1,535,599</u>	<u>1,535,599</u>	
<u>(15,025,448)</u>	<u>1,535,599</u>	<u>(13,489,849)</u>	
8,947,351	- 8,947,351		
3,026,606	- 3,026,606		
1,868,681	- 1,868,681		
350,832	- 350,832		
349,123	- 349,123		
20,107	43,004	63,111	
223,451	- 223,451		
<u>14,786,151</u>	<u>43,004</u>	<u>14,829,155</u>	
<u>1,011,000</u>	<u>(1,011,000)</u>	<u>-</u>	
<u>15,797,151</u>	<u>(967,996)</u>	<u>14,829,155</u>	
771,703	567,603	1,339,306	
<u>15,121,331</u>	<u>91,835,189</u>	<u>106,956,520</u>	
<u>\$ 15,893,034</u>	<u>\$ 92,402,792</u>	<u>\$ 108,295,826</u>	

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Other Governmental Funds	Total
Assets:			
Cash and investments	\$ 5,104,526	\$ 291,648	\$ 5,396,174
Receivables:			
Due from government agencies	1,029,655	7,981	1,037,636
Accounts receivable	1,179,719	86,621	1,266,340
Taxes receivable	831,016	-	831,016
Inventories	89,373	-	89,373
Restricted cash and investments	-	2,019,498	2,019,498
Total assets	<u>\$ 8,234,289</u>	<u>\$ 2,405,748</u>	<u>\$ 10,640,037</u>

Liabilities and Fund Balances:**Liabilities:**

Accounts payable and accrued liabilities	\$ 739,655	\$ 212,257	\$ 951,912
Due to other funds	-	88,109	88,109
Deferred revenue	1,821,128	-	1,821,128
Unearned revenue	46,692	-	46,692
Total liabilities	<u>2,607,475</u>	<u>300,366</u>	<u>2,907,841</u>

Fund Balances:

Non-spendable, not in spendable form:

Inventories	89,373	-	89,373
Perpetual maintenance	-	75,000	75,000
Restricted:			
Stabilization by State Statute	1,503,278	94,602	1,597,880
Restricted, all other	-	1,933,763	1,933,763
Committed	-	99,058	99,058
Assigned	-	7,418	7,418
Unassigned	4,034,163	(104,459)	3,929,704
Total fund balances	<u>5,626,814</u>	<u>2,105,382</u>	<u>7,732,196</u>

Total liabilities and fund balances

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. 17,732,423

The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 229,051

Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds. 1,821,128

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. (11,621,764)

Net assets of governmental activities, per Exhibit A \$ 15,893,034

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, 2011

	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 8,937,400	\$ -	\$ 8,937,400
Sales and services	1,613,184	-	1,613,184
Other taxes	5,246,119	-	5,246,119
Unrestricted intergovernmental	349,123	-	349,123
Restricted intergovernmental	811,331	807,046	1,618,377
Investment earnings	17,167	686	17,853
Other	187,354	25,931	213,285
Total revenues	17,161,678	833,663	17,995,341
Expenditures:			
General government	2,170,354	-	2,170,354
Public safety	8,554,727	1,576,654	10,131,381
Public services	1,350,374	-	1,350,374
Parks and recreation	3,405,698	15,639	3,421,337
Community development	717,153	610,232	1,327,385
Debt service:			
Principal	529,865	-	529,865
Interest	312,867	-	312,867
Total expenditures	17,041,038	2,202,525	19,243,563
Revenues over (under) expenditures	120,640	(1,368,862)	(1,248,222)
Other Financing Sources (Uses):			
Transfers in	800,000	176,448	976,448
Transfers (out)	(359,219)	(6,429)	(365,648)
Long-term debt issued	-	3,197,500	3,197,500
Total other financing sources (uses)	440,781	3,367,519	3,808,300
Net change in fund balances	561,421	1,998,657	2,560,078
Fund Balances:			
Beginning of year - July 1	5,065,393	106,725	5,172,118
End of year - June 30	\$ 5,626,814	\$ 2,105,382	\$ 7,732,196

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, 2011

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

Net change in fund balances - governmental funds (Exhibit D)	\$ 2,560,078
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.	2,015,953
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,312,596)
In the Statement of Activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	25,246
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.	179,476
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.	114,918
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.	(2,705,497)
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>(105,875)</u>
Total changes in net assets of governmental activities	<u>\$ 771,703</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, 2011

	Budgeted Amounts			Variance From Final Budget Over/Under	
	Original	Final	Actual		
Revenues:					
Ad valorem taxes	\$ 9,007,000	\$ 9,012,000	\$ 8,937,400	\$ (74,600)	
Sales and services	1,635,700	1,638,485	1,613,184	(25,301)	
Other taxes and licenses	4,884,800	4,932,800	5,246,119	313,319	
Unrestricted intergovernmental	365,600	365,600	349,123	(16,477)	
Restricted intergovernmental	833,000	833,000	811,331	(21,669)	
Investment earnings	8,000	8,000	17,167	9,167	
Other	212,900	212,900	187,354	(25,546)	
Total revenues	<u>16,947,000</u>	<u>17,002,785</u>	<u>17,161,678</u>	<u>158,893</u>	
Expenditures:					
Current:					
General government	2,158,110	2,245,158	2,175,690	69,468	
Public safety	9,531,800	9,434,678	9,099,114	335,564	
Public services	1,636,000	1,704,100	1,443,818	260,282	
Parks and recreation	3,564,310	3,672,885	3,605,263	67,622	
Community development	722,050	776,753	717,153	59,600	
Contingency	68,300	10,600	-	10,600	
Total expenditures	<u>17,680,570</u>	<u>17,844,174</u>	<u>17,041,038</u>	<u>803,136</u>	
Revenues over (under) expenditures	<u>(733,570)</u>	<u>(841,389)</u>	<u>120,640</u>	<u>962,029</u>	
Other Financing Sources (Uses):					
Transfers in	808,000	808,000	800,000	(8,000)	
Transfers (out)	(239,430)	(488,825)	(359,219)	129,606	
Long-term debt issued	165,000	165,000	-	(165,000)	
Appropriated fund balance	-	357,214	-	(357,214)	
Total other financing sources	<u>733,570</u>	<u>841,389</u>	<u>440,781</u>	<u>(400,608)</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>561,421</u>	<u>\$ 561,421</u>	
Fund Balance:					
Beginning of year - July 1				<u>5,065,393</u>	
End of year - June 30				<u>\$ 5,626,814</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, 2011

	Major Enterprise Funds			Nonmajor Enterprise Funds		Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund		Total	
Assets:						
Current assets:						
Cash and investments	\$ 2,256,046	\$ -	\$ 2,000,571	\$ 1,070,417	\$ 5,327,034	\$ 2,139,537
Due from other funds	919,362	-	-	-	919,362	-
Due from government agencies	-	-	168,686	-	168,686	-
Accounts receivable	317,156	67,479	73,246	461,140	919,021	100,952
Customer receivables, net	6,287,764	822,315	602,299	-	7,712,378	-
Inventories	942,661	304,418	-	-	1,247,079	249,513
Restricted cash and equivalents	1,583,927	-	-	-	1,583,927	-
Total current assets	12,306,916	1,194,212	2,844,802	1,531,557	17,877,487	2,490,002
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	48,231,276	-	95,018,767	-
Equipment	1,890,319	2,184,425	2,083,922	3,137,117	9,295,783	318,543
Accumulated depreciation	(21,012,477)	(10,859,318)	(21,012,406)	(2,856,857)	(55,741,058)	(297,159)
Construction in progress	5,663,742	700,081	1,954,971	-	8,318,794	-
Total capital assets, net	22,734,562	7,137,616	73,487,619	280,260	103,640,057	40,852
Total assets	35,041,478	8,331,828	76,332,421	1,811,817	121,517,544	2,530,854
Liabilities and Net Assets:						
Current liabilities:						
Accounts payable and accrued liabilities	4,494,596	127,758	415,786	103,561	5,141,701	413,632
Due to other funds	-	18,153	-	-	18,153	813,100
Unearned revenue	-	12,908	-	-	12,908	-
Current portion of compensated absences	18,561	17,895	10,514	17,211	64,180	-
Current portion of long-term debt	795,649	241,920	1,226,201	182,501	2,446,271	-
Total current liabilities	5,308,806	418,634	1,652,501	303,273	7,683,213	1,226,732
Non-current liabilities:						
Customer deposits	1,583,927	-	-	-	1,583,927	-
Accrued compensated absences	55,682	53,684	31,541	51,633	192,540	114,365
Long-term debt	6,995,765	1,759,466	11,801,460	59,097	20,615,788	-
Total non-current liabilities	8,635,374	1,813,150	11,833,001	110,730	22,392,255	114,365
Total liabilities	13,944,179	2,231,784	13,485,502	414,003	30,075,468	1,341,097
Net Assets:						
Invested in capital assets, net of related debt	14,943,148	5,136,230	60,459,958	38,662	80,577,998	40,852
Unrestricted	6,154,151	963,814	2,386,961	1,359,152	10,864,078	1,148,905
Total net assets	\$ 21,097,299	\$ 6,100,044	\$ 62,846,919	\$ 1,397,814	91,442,076	\$ 1,189,757
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					960,716	
Total					\$ 92,402,792	

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, 2011**

	Major Enterprise Funds			Nonmajor Enterprise Funds		Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund		Total	
Operating Revenues:						
Charges for services	\$ 54,556,056	\$ 6,042,082	\$ 4,857,470	\$ 3,935,464	\$ 69,391,072	\$ 3,094,562
Other	625,376	188,419	2,507	36,955	853,257	10,383
Total operating revenues	<u>55,181,432</u>	<u>6,230,501</u>	<u>4,859,977</u>	<u>3,972,419</u>	<u>70,244,329</u>	<u>3,104,945</u>
Operating Expenses:						
Administration	-	-	-	-	-	1,423,784
Public service operations	-	-	-	-	-	962,028
Warehouse operations	-	-	-	-	-	663,527
Electrical operations	52,302,429	-	-	-	52,302,429	-
Environmental services	-	-	-	2,645,498	2,645,498	-
Stormwater services	-	-	-	567,397	567,397	-
Water production	-	722,779	-	-	722,779	-
Depreciation	893,199	494,731	2,252,046	169,739	3,809,715	19,687
Water operations	-	5,729,362	-	-	5,729,362	-
Wastewater plant operations	-	-	2,927,213	-	2,927,213	-
Claims reimbursement	-	-	-	-	-	88,863
Total operating expenses	<u>53,195,628</u>	<u>6,946,872</u>	<u>5,179,259</u>	<u>3,382,634</u>	<u>68,704,393</u>	<u>3,157,889</u>
Operating income (loss)	<u>1,985,804</u>	<u>(716,371)</u>	<u>(319,282)</u>	<u>589,785</u>	<u>1,539,936</u>	<u>(52,944)</u>
Non-Operating Revenues (Expenses):						
Interest earned on investments	15,465	3,689	19,073	2,658	40,885	4,373
Loss on disposal of assets	(80,605)	-	-	-	(80,605)	-
Interest on long-term debt	(322,851)	(85,421)	(438,479)	(11,021)	(857,772)	-
Sanderson Farms gas pipeline reimbursement	(293,079)	(293,079)	(293,079)	-	(879,237)	-
Miscellaneous expense	-	-	(2,229)	-	(2,229)	-
Total non-operating revenues (expenses)	<u>(681,070)</u>	<u>(374,811)</u>	<u>(714,714)</u>	<u>(8,363)</u>	<u>(1,778,958)</u>	<u>4,373</u>
Income (loss) before capital contributions and transfers	<u>1,304,734</u>	<u>(1,091,182)</u>	<u>(1,033,996)</u>	<u>581,422</u>	<u>(239,022)</u>	<u>(48,571)</u>
Capital Contributions and Transfers:						
Capital contributions	150,000	15,029	1,415,881	-	1,580,910	-
Transfers in	3,000	728,581	-	-	731,581	400,200
Transfers (out)	(825,100)	(44,300)	(707,881)	(158,400)	(1,735,681)	(6,900)
Total contributions and transfers	<u>(672,100)</u>	<u>699,310</u>	<u>708,000</u>	<u>(158,400)</u>	<u>576,810</u>	<u>393,300</u>
Change in net assets	632,634	(391,872)	(325,996)	423,022	337,788	344,729
Net Assets:						
Beginning of year - July 1	<u>20,464,665</u>	<u>6,491,916</u>	<u>63,172,915</u>	<u>974,792</u>		<u>845,028</u>
End of year - June 30	<u>\$ 21,097,299</u>	<u>\$ 6,100,044</u>	<u>\$ 62,846,919</u>	<u>\$ 1,397,814</u>		<u>\$ 1,189,757</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds						<u>229,815</u>
Total						<u>\$ 567,603</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, 2011

	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from customers	\$ 56,393,551	\$ 6,170,140	\$ 5,272,977	\$ 4,005,880	\$ 71,842,548	\$ 3,096,141
Cash paid to suppliers for goods and services	(51,222,624)	(5,176,285)	(2,094,459)	(1,981,088)	(60,474,456)	(1,301,848)
Cash paid to employees	(1,241,912)	(1,400,399)	(743,089)	(1,241,645)	(4,627,045)	(1,836,182)
Customer deposits	103,814	-	-	-	103,814	-
Net cash provided (used) by operating activities	<u>4,032,829</u>	<u>(406,544)</u>	<u>2,435,429</u>	<u>783,147</u>	<u>6,844,861</u>	<u>(41,889)</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers from other funds	3,000	28,500	-	-	31,500	400,200
Transfers to other funds	(825,100)	(44,300)	(7,800)	(158,400)	(1,035,600)	(6,900)
Advances from other funds	-	18,153	-	-	18,153	(67,783)
Advances to other funds	306,670	-	-	-	306,670	-
Net cash provided (used) by non-capital financing activities	<u>(515,430)</u>	<u>2,353</u>	<u>(7,800)</u>	<u>(158,400)</u>	<u>(679,277)</u>	<u>325,517</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(293,380)	(190,091)	(1,216,996)	(96,365)	(1,796,832)	(20,321)
Other non-operating expenses	(293,080)	(293,079)	(295,309)	-	(881,468)	-
Principal paid on general obligation bond maturities and equipment contracts	(773,953)	(238,304)	(1,209,469)	(215,800)	(2,437,526)	-
Interest paid on bonded indebtedness and equipment contracts	(322,851)	(85,421)	(438,479)	(11,021)	(857,772)	-
Contributed capital	150,000	15,029	1,415,881	-	1,580,910	-
Net cash provided (used) by capital and related financing activities	<u>(1,533,264)</u>	<u>(791,866)</u>	<u>(1,744,372)</u>	<u>(323,186)</u>	<u>(4,392,688)</u>	<u>(20,321)</u>
Cash Flows from Investing Activities:						
Interest on investments	15,465	3,690	19,073	2,658	40,886	4,371
Net cash provided (used) by investing activities	<u>15,465</u>	<u>3,690</u>	<u>19,073</u>	<u>2,658</u>	<u>40,886</u>	<u>4,371</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>1,999,600</u>	<u>(1,192,367)</u>	<u>702,330</u>	<u>304,219</u>	<u>1,813,782</u>	<u>267,678</u>
Cash and Cash Equivalents/Investments:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 3,839,973</u>	<u>\$ -</u>	<u>\$ 2,000,571</u>	<u>\$ 1,070,417</u>	<u>\$ 6,910,961</u>	<u>\$ 2,139,537</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,985,804	\$ (716,371)	\$ (319,282)	\$ 589,785	\$ 1,539,936	\$ (52,944)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	893,199	494,731	2,252,046	169,739	3,809,715	19,687
Change in Assets and Liabilities:						
(Increase) decrease in accounts receivable	1,212,119	(60,361)	413,000	33,461	1,598,219	(8,804)
Increase (decrease) in customer deposits	103,814	-	-	-	103,814	-
Increase (decrease) in inventories	8,676	(62,786)	-	-	(54,110)	(8,593)
Increase (decrease) accounts payable	(175,493)	(64,036)	85,829	(14,388)	(168,088)	4,060
Increase (decrease) in compensated absences payable	4,710	2,279	3,836	4,550	15,375	4,705
Net cash provided (used) by operating activities	<u>\$ 4,032,829</u>	<u>\$ (406,544)</u>	<u>\$ 2,435,429</u>	<u>\$ 783,147</u>	<u>\$ 6,844,861</u>	<u>\$ (41,889)</u>
Non-						
Transfer-in of assets	\$ -	\$ 700,081	\$ -	\$ -	\$ 700,081	\$ -
Transfer-out of assets	<u>\$ -</u>	<u>\$ (700,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (700,081)</u>	<u>\$ -</u>
Total non-cash investing, capital, and financing activities:	<u>\$ -</u>	<u>\$ 700,081</u>	<u>\$ (700,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

The City reports the following major governmental fund:

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds - The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City has 10 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 14 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, 2011

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

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

The City reports the following nonmajor enterprise funds:

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

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

Additionally, the government reports the following fund types:

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. The City of Kinston has four internal service funds, the Employee Health Fund, the Fleet Maintenance Fund, the Warehouse 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, 2011

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 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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lenoir County from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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, 2011

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.

During the year, several amendments to the original General Fund budget were necessary, the effects of which were not material.

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

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

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

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

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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Restricted Assets

The unexpended debt proceeds issued by the City are classified as restricted assets for the Capital Project Funds because their use is completely restricted to the purpose of constructing Fire Station #1 and Fire Station #2. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2010. 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.

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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted Fund Balance

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

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

Restricted for Public Safety – portion of fund balance that is restricted by unspent debt proceeds solely for constructing Fire Station #1 and Fire Station #2.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Restricted fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Other Governmental Funds
Restricted, all other:		
Public Safety	\$ -	\$ 1,850,507
Community development	- -	74,683
Perpetual care	- -	8,573
Total	<u><u>\$ -</u></u>	<u><u>\$ 1,933,763</u></u>

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Capital Outlays – represents the portion of fund balance committed by the governing body for future capital related purposes.

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

Committed fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Other Governmental Funds
General Government	\$ -	\$ 6,816
Public Safety	- -	13,992
Public services	- -	-
Community development	- -	70,000
Cultural and Recreational	- -	8,250
Total	<u><u>\$ -</u></u>	<u><u>\$ 99,058</u></u>

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the City intends to use for specific purposes.

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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Assigned fund balance at June 30, 2011 is as follows:

Purpose	General Fund	Other Governmental Fund
Community development	\$ -	\$ 7,418
Total	<u>\$ -</u>	<u>\$ 7,418</u>

Unassigned Fund Balance

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

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 5,626,814
Less:	
Inventories	89,373
Stabilization by State Statute	<u>1,503,278</u>
Total available fund balance	<u>\$ 4,034,163</u>

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

Encumbrances	General Fund	Other Governmental Funds
	\$ 284,016	\$ -

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, 2011

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, 2011 and are as follows:

Internal Service Fund:

Warehouse	439,877
Fleet Maintenance	145,925

These deficits are expected to be funded by future analysis of internal fees.

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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

At June 30, 2011, the City's deposits had a carrying amount of \$14,367,788 and a bank balance of \$14,551,720. Of the bank balance, \$1,078,869 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2011, the City's petty cash fund totaled \$4,150.

Investments

At June 30, 2011, the City had \$2,094,232 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no formal policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The receivables shown in the Balance Sheet and the Statement of Net Assets at June 30, 2011 are net of the following allowances for doubtful accounts:

Fund	2011
General Fund:	
Taxes receivable	<u>\$ 141,840</u>
Enterprise Funds:	
Electric Fund	1,226,753
Water Fund	188,992
Wastewater Fund	153,788
Nonmajor enterprise funds	<u>96,028</u>
Total enterprise funds	<u>1,665,561</u>
Total allowances for doubtful accounts	<u>\$ 1,807,401</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, 2011

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital Assets Not Being Depreciated:				
Land	\$ 3,482,916	\$ -	\$ -	\$ 3,482,916
Construction in progress	1,109,225	1,014,646	(892,609)	1,231,262
Total capital assets not being depreciated	<u>4,592,141</u>	<u>1,014,646</u>	<u>(892,609)</u>	<u>4,714,178</u>
Capital Assets Being Depreciated:				
Buildings and improvements	13,967,603	700,350	-	14,667,953
Equipment	4,281,715	64,451	(35,392)	4,310,774
Vehicles	6,368,759	1,173,791	(190,367)	7,352,183
Infrastructure	5,325,064	-	-	5,325,064
Total capital assets being depreciated	<u>29,943,141</u>	<u>1,938,592</u>	<u>(225,759)</u>	<u>31,655,974</u>
Less Accumulated Depreciation:				
Buildings and improvements	(4,437,042)	(333,061)	-	(4,770,103)
Equipment	(3,543,321)	(318,518)	20,450	(3,841,389)
Vehicles	(5,872,457)	(479,125)	180,063	(6,171,519)
Infrastructure	(3,656,302)	(181,892)	-	(3,838,194)
Total accumulated depreciation	<u>(17,509,122)</u>	<u>\$ (1,312,596)</u>	<u>\$ 200,513</u>	<u>(18,621,205)</u>
Total capital assets being depreciated, net	<u>12,434,019</u>			<u>13,034,769</u>
Total	<u><u>\$ 17,026,160</u></u>			<u><u>\$ 17,748,947</u></u>

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

General government	\$ 99,714
Public safety	578,205
Public works	279,348
Parks and recreation	313,674
Community development	35,839
Internal service funds	5,816
Total	<u>\$ 1,312,596</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Business-Type Activities:				
Electric Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	5,601,538	142,809	(80,605)	5,663,742
Total capital assets not being depreciated	<u>5,803,918</u>	<u>142,809</u>	<u>(80,605)</u>	<u>5,866,122</u>
Capital Assets Being Depreciated:				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	691,041	-	-	691,041
Vehicles	1,257,922	150,572	(209,216)	1,199,278
Distribution system	32,318,708	-	-	32,318,708
Total capital assets being depreciated	<u>37,939,561</u>	<u>150,572</u>	<u>(209,216)</u>	<u>37,880,917</u>
Less Accumulated Depreciation:				
Buildings and improvements	(2,491,509)	(76,374)	-	(2,567,883)
Equipment	(541,508)	(55,789)	-	(597,297)
Vehicles	(994,125)	(113,551)	209,216	(898,460)
Distribution system	(16,301,352)	(647,485)	-	(16,948,837)
Total accumulated depreciation	<u>(20,328,494)</u>	<u>(893,199)</u>	<u>209,216</u>	<u>(21,012,477)</u>
Total capital assets being depreciated, net	<u>17,611,067</u>			<u>16,868,440</u>
Electric Fund capital assets, net	<u>23,414,985</u>			<u>22,734,562</u>
Water Fund:				
Capital Assets Not Being Depreciated:				
Land	66,605	-	-	66,605
Construction in progress	-	700,081	-	700,081
Total capital assets not being depreciated	<u>66,605</u>	<u>700,081</u>	<u>-</u>	<u>766,686</u>
Capital Assets Being Depreciated:				
Buildings and improvements	577,040	-	-	577,040
Equipment	742,746	159,434	(46,009)	856,171
Vehicles	1,319,739	30,657	(45,463)	1,304,933
Infrastructure	23,320	-	-	23,320
Distribution system	14,468,783	-	-	14,468,783
Total capital assets being depreciated	<u>17,131,628</u>	<u>190,091</u>	<u>(91,472)</u>	<u>17,230,247</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Less Accumulated Depreciation:				
Buildings and improvements	(577,040)	-	-	(577,040)
Equipment	(677,552)	(71,873)	46,009	(703,416)
Vehicles	(1,142,823)	(94,273)	45,463	(1,191,633)
Infrastructure	(4,664)	(1,166)	-	(5,830)
Distribution system	(8,053,979)	(327,419)	-	(8,381,398)
Total accumulated depreciation	<u>(10,456,058)</u>	<u>(494,731)</u>	<u>91,472</u>	<u>(10,859,317)</u>
Total capital assets being depreciated, net	6,675,570			6,370,930
Water Fund capital assets, net	<u>6,742,175</u>			<u>7,137,616</u>
 Wastewater Fund:				
Capital Assets Not Being Depreciated:				
Land	953,658	-	-	953,658
Construction in progress	4,214,731	860,331	(3,120,091)	1,954,971
Total capital assets not being depreciated	<u>5,168,389</u>	<u>860,331</u>	<u>(3,120,091)</u>	<u>2,908,629</u>
Capital Assets Being Depreciated:				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,748,450	-	-	1,748,450
Vehicles	251,580	-	(30,168)	221,412
Distribution system	45,568,661	2,776,675	-	48,345,336
Total capital assets being depreciated	<u>88,844,889</u>	<u>2,776,675</u>	<u>(30,168)</u>	<u>91,591,396</u>
Less Accumulated Depreciation:				
Buildings and improvements	(4,072,028)	(1,022,340)	-	(5,094,368)
Equipment	(1,563,424)	(61,676)	-	(1,625,100)
Vehicles	(251,580)	-	30,168	(221,412)
Distribution system	(12,903,497)	(1,168,029)	-	(14,071,526)
Total accumulated depreciation	<u>(18,790,529)</u>	<u>(2,252,045)</u>	<u>30,168</u>	<u>(21,012,406)</u>
Total capital assets being depreciated, net	70,054,360			70,578,990
Wastewater Fund capital assets, net	<u>75,222,749</u>			<u>73,487,619</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Environmental Services Fund:				
Capital Assets Being Depreciated:				
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>
Less Accumulated Depreciation:				
Equipment	(446,543)	-	-	(446,543)
Vehicles	(2,163,603)	(115,920)	-	(2,279,523)
Total accumulated depreciation	<u>(2,610,146)</u>	<u>(115,920)</u>	<u>-</u>	<u>(2,726,066)</u>
Total capital assets being depreciated, net	<u>244,891</u>			<u>128,971</u>
Environmental services fund capital assets, net	<u>244,891</u>			<u>128,971</u>
 Stormwater Fund:				
Capital Assets Being Depreciated:				
Equipment	52,950	-	-	52,950
Vehicles	132,765	34,793	-	167,558
Distribution system	-	61,572	-	61,572
Total capital assets being depreciated	<u>185,715</u>	<u>96,365</u>	<u>-</u>	<u>282,080</u>
Less Accumulated Depreciation:				
Equipment	(10,590)	(10,590)	-	(21,180)
Vehicles	(66,382)	(40,150)	-	(106,532)
Distribution system	-	(3,079)	-	(3,079)
Total accumulated depreciation	<u>(76,972)</u>	<u>(53,819)</u>	<u>-</u>	<u>(130,791)</u>
Total capital assets being depreciated, net	<u>108,743</u>			<u>151,289</u>
Environmental services fund capital assets, net	<u>108,743</u>			<u>151,289</u>
 Public Services Internal Service Fund:				
Capital Assets Being Depreciated:				
Equipment	24,025	20,321	-	44,346
Vehicles	77,449	-	-	77,449
Total capital assets being depreciated	<u>101,474</u>	<u>20,321</u>	<u>-</u>	<u>121,795</u>
Less Accumulated Depreciation:				
Equipment	(13,219)	(8,869)	-	(22,088)
Vehicles	(70,373)	(5,002)	-	(75,375)
Total accumulated depreciation	<u>(83,592)</u>	<u>\$ (13,871)</u>	<u>\$ -</u>	<u>(97,463)</u>
Total capital assets being depreciated, net	<u>17,882</u>			<u>24,332</u>
Public services fund capital assets, net	<u>17,882</u>			<u>24,332</u>
Business-type activities capital assets, net	<u>\$ 105,751,425</u>			<u>\$ 103,664,389</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

B. Liabilities

Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2011 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts and vouchers	\$ 908,961	\$ 4,942,403	\$ 5,851,364
Accrued payroll and related liabilities	165,768	83,853	249,621
Customer deposits	-	1,583,927	1,583,927
Employee health unpaid claims	263,000	-	263,000
Accrued interest payable	<u>128,235</u>	<u>143,254</u>	<u>271,489</u>
 Total accounts payable and accrued liabilities	 <u>\$ 1,465,964</u>	 <u>\$ 6,753,437</u>	 <u>\$ 8,219,401</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, 2011, 2010, and 2009 were \$914,597, \$684,977, and \$674,399, 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, 2011

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	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>77</u>
Total	<u><u>83</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, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5 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, 2009 was 21 years.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 200,463
Interest on net pension obligation	47,732
Adjustment to annual required contribution	<u>(51,108)</u>
Annual pension cost	197,087
Contributions made	<u>85,685</u>
Increase in net pension obligation	111,402
Net pension obligation beginning of year - July 1	<u>954,636</u>
Net pension obligation end of year - June 30	<u><u>\$ 1,066,038</u></u>

Three-Year Trend Information				
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2009	\$ 155,141	36.38%	\$ 834,414	
2010	177,944	32.44%	954,636	
2011	197,087	43.48%	1,066,038	

Funded Status and Funding Progress

As December 31, 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 \$1,754,219. The covered payroll (annual payroll of active employees covered by the plan) was \$3,472,141, and the ratio of the UAAL to the covered payroll was 50.52%.

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, 2011

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, 2011 were \$230,069, which consisted of \$172,854 from the City and \$57,215 from the law enforcement officers.

Separation Allowance Plan

Plan Description. The City of Kinston administers a public employees' retirement system (the "Separation Allowance - Employees"), a single-employer closed defined benefit pension plan that provides retirement benefits to the City employees hired before May 21, 1984. The monthly plan benefits are a percentage (from the table below) of pay at retirement less the sum of monthly benefits received from Social Security, the North Carolina Local Governmental Employees' Retirement System, and the North Carolina Law Enforcement Officers' Separation Allowance Plan.

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

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

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

At June 30, 2011, the Separation Allowance - Employees' membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>11</u>
Total	<u>14</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, 2011

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, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.50% 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, 2010 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	\$ 11,060
Interest on net pension obligation	4,010
Adjustment to annual required contribution	<u>(15,047)</u>
Annual pension cost	23
Contributions made	<u>15,870</u>
Increase (decrease) in net pension obligation	(15,847)
Net pension obligation, beginning of year - July 1	<u>80,191</u>
Net pension obligation, end of year - June 30	<u>\$ 64,344</u>

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 15,261	239.40%	\$ 88,881
2010	10,102	186.02%	80,191
2011	23	69000.00%	64,344

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Funded Status and Funding Progress. As of July 1, 2011, 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 \$48,450. The covered payroll (annual payroll of active employees covered by the plan) was \$514,985, and the ratio of the UAAL to the covered payroll was 9.4 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, 2011 were \$348,251 which consisted of \$155,544 from the City and \$192,707 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 single-employer defined benefit plan, and have at least twenty (20) years of creditable service under the NCLGERS, provided that the last ten years of continuous service were with the City. Each retired participant receives an annual retirement medical allowance, until he reaches age sixty-five (65), of \$12.37 per year of creditable service, not to exceed thirty (30) years, for each month of the medical plan year. The City obtains healthcare coverage through private insurers. A separate report was not issued for the Plan.

Membership of the Plan consisted of the following at December 31, 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, 2011

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 \$224,791, or 2.23%, 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	1,660
Adjustments to annual required contribution	<u>(1,432)</u>
Annual OPEB cost (expense)	234,922
Contributions made	<u>(224,791)</u>
Increase (decrease) in net OPEB obligation	10,131
Net OPEB obligation, beginning of year - July 1	<u>41,502</u>
Net OPEB obligation, end of year - June 30	<u>\$ 51,633</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 245,575	88.97%	\$ 27,081
2010	234,694	93.85%	41,502
2011	234,922	95.69%	51,633

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, 2011, 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.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 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, 2011, the City made contributions to the State for death benefits of \$15,647. 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	\$ -	\$ 29,075
Grant receivable	- -	17,617
Privilege licenses receivable	890,132	-
Property taxes receivable	390,822	-
Property taxes receivable, automobiles	440,194	-
Paving assessments receivable	99,980	-
Total	<u>\$ 1,821,128</u>	<u>\$ 46,692</u>
Proprietary Fund - Water Fund		
Repayment agreements	\$ - -	\$ 12,908

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 \$88,863 in claims was incurred for benefits during fiscal year 2011.

Claims Liability

	Year Ended June 30	
	2011	2010
Unpaid claims, beginning of fiscal year	\$ 263,000	\$ 263,000
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	88,863	191,996
Payments and reduction in claims estimates	(88,863)	(191,996)
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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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, 2011

Long-Term Obligations

Installment Contracts

Year of Loan	Purpose and Collateral	Interest Rates	*** Effective Interest Rates	Maturity	Balance June 30,2011
<u>Governmental Activities:</u>					
2002	Grainger Stadium Renovations	5.65%		2017	\$ 896,552
2007	Various Vehicles and Equipment	3.53%		2012	103,157
2008	Various Vehicles and Equipment	2.59%		2013	169,832
2009	New Main Fire Station	4.75%		2049	3,105,845
2009	City Hall Renovations	4.38%		2039	1,818,088
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	342,307
2011	Fire Stations	4.00%		2013	2,337,500
2011	Fire Trucks				860,000
Total Governmental Activities					<u>\$ 9,633,281</u>
<u>Business-Type Activities:</u>					
Water					
2007	Vehicle and Equipment	3.53%		2012	\$ 43,792
2008	Various Vehicles and Equipment	2.59%		2013	38,565
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	149,600
					<u>231,957</u>
Wastewater					
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	718,123
Electric					
2006	Improvements to Distribution System	4.05%		2013	448,206
2008	Supervisory Control & Data Acquisition System	2.59%		2013	34,271
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	374,796
					<u>857,273</u>
Environmental Services					
2007	Various Vehicles and Equipment	3.53%		2012	93,488
2008	Various Vehicles and Equipment	2.59%		2013	72,530
					<u>166,018</u>
Stormwater					
2007	Various Vehicles and Equipment	3.53%		2012	33,220
2010	Equipment	3.38%	2.20%	2015	42,360
					<u>75,580</u>
Total Business-Type Activities					<u>\$ 2,048,951</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

*** 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
2012	\$ 523,923	\$ 359,706	\$ 646,737	\$ 77,932	\$ 1,170,660	\$ 437,638
2013	2,723,983	323,768	440,302	55,632	3,164,285	379,400
2014	325,108	291,381	306,548	39,046	631,656	330,427
2015	329,632	276,507	216,953	28,500	546,585	305,007
2016	248,779	261,936	438,411	63,418	687,190	325,354
2017-2021	1,134,054	1,086,811	-	-	1,134,054	1,086,811
2022-2026	858,568	917,678	-	-	858,568	917,678
2027-2031	936,035	713,636	-	-	936,035	713,636
2032-2036	946,969	512,837	-	-	946,969	512,837
2037-2041	696,068	307,253	-	-	696,068	307,253
2042-2046	741,338	149,002	-	-	741,338	149,002
2047-2051	168,824	8,019	-	-	168,824	8,019
Total	<u>\$ 9,633,281</u>	<u>\$ 5,208,534</u>	<u>\$ 2,048,951</u>	<u>\$ 264,528</u>	<u>\$ 11,682,232</u>	<u>\$ 5,473,062</u>

Installment contracts of the government activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$718,123 will be repaid from the Wastewater Fund, \$857,273 from the Electric Fund, \$231,957 from the Water Fund, \$166,018 from the Environmental Services Fund, and \$75,580 from the Storm Water Fund.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Notes Payable

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

Business-Type Activities:

Year of Loan	Purpose and Collateral	Interest Rates	Balance	
			Maturity	June 30,2011
1996	Expansion to Sanitary Sewer System	3.04%	2012	\$ 293,887
2003	Expansion to Sanitary Sewer System	2.66%	2023	983,743
2003	Expansion to Sanitary Sewer System	2.66%	2024	497,250
2007	Expansion to Sanitary Sewer System	2.27%	2027	<u>5,884,356</u>
Total Business-Type Activities				<u>\$ 7,659,236</u>

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

Year Ending				
	June 30	Principal	Interest	Total
	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	488,001	126,563	614,564
	2017-2021	2,440,005	459,891	2,899,896
	2022-2026	2,117,568	179,247	2,296,815
	2027-2031	367,771	8,330	376,101
	Total	<u>\$ 7,659,236</u>	<u>\$ 1,404,483</u>	<u>\$ 9,063,719</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Revenue Bonds

Revenue bonds outstanding at June 30, 2011 are as follows:

Water Fund:

\$1,392,161 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	\$ 1,353,590
\$1,211,360 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	415,840
Total	1,769,430

Wastewater Fund:

\$882,612 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	858,158
\$767,987 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	263,637
\$2,536,000 - Combined Enterprise System Revenue Bonds, 2004 Series, due in semi-annual installments through June 15, 2019; interest at 4.25%	1,548,606
\$2,350,000 - Combined Enterprise System Revenue Bonds, 2008 Series, due in semi-annual installments through October 15, 2023; interest at 3.72%	1,979,900
Total	4,650,301

Electric Fund:

\$3,500,227 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	3,403,252
\$3,045,653 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	1,045,523
\$2,950,000 - Combined Enterprise System Revenue Bonds, Series 2008, due in semi-annual installments through October 15, 2023; interest at 3.72%	2,485,367
Total	6,934,142
Total Revenue Bonds	\$ 13,353,873

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

Year Ending	June 30	Principal	Interest	Total
	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	1,133,672	409,050	1,542,722
	2016	1,268,704	363,199	1,631,903
	2017-2021	6,719,106	994,897	7,714,003
	2022-2026	1,064,714	60,173	1,124,887
	Total	<u>\$ 13,353,873</u>	<u>\$ 3,289,320</u>	<u>\$ 16,643,193</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, 2011 were \$985,600 and \$560,605, respectively. Total customer revenue for the City's enterprise funds totaled \$66,310,137 for the year ending June 30, 2011.

The debt service coverage ratio calculation for the year ended June 30, 2011, is as follows:

Operating revenues	\$ 66,310,137
Operating expenses*	<u>61,739,024</u>
Income available for debt service	<u>4,571,113</u>
Debt service, principal and interest paid (Revenue bond only)	\$ 2,020,752
Debt service coverage ratio for parity debt	2.26

*Per rate covenants, this does not include the depreciation expense of \$3,809,715

At June 30, 2011, 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, 2011

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, 2011, the legal debt limit for the City was \$105,523,964 providing a legal debt margin of \$86,182,496.

At June 30, 2011, the City has no authorized bonds remaining to be issued.

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 2010 and ending fiscal year 2012, for relocation of municipally-owned water lines. The current portion due of \$35,530 is reported in current accounts payable.

Changes in Long-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2011 is as follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2011</u>	Current Portion of Balance
Accrued compensated absences	\$ 714,682	\$ 389,348	\$ 386,859	\$ -	\$ 717,171	\$ 107,576
Police separation allowance	954,636	111,402	-	-	1,066,038	-
Separation allowance plan	80,191	-	15,847	-	64,344	-
Installment contracts	6,965,646	3,197,500	529,865	-	9,633,281	523,923
OPEB liability	41,502	10,131	-	-	51,633	-
Total	\$ 8,756,657	\$ 3,708,381	\$ 932,571	\$ -	\$ 11,532,467	\$ 631,499

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

Long-term liability activity for business-type activities for the year ended June 30, 2011 is as follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2011</u>	Current Portion of Balance
Accrued compensated absences	\$ 314,367	\$ 74,063	\$ 56,284	\$ -	\$ 332,146	\$ 64,180
Notes payable	8,441,124	-	781,888	-	7,659,236	781,888
Installment contracts	2,718,988	-	670,037	-	2,048,951	646,737
Revenue bonds	14,339,473	-	985,600	-	13,353,873	1,017,646
Total	\$ 25,813,952	\$ 74,063	\$ 2,493,809	\$ -	\$ 23,394,206	\$ 2,510,451

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances as of June 30, 2011 are as follows:

Receivable Fund	Payable Fund					
	Nonmajor		Water		Internal	
	Governmental	Fund	Fund	Service	Fund	
Electric Fund	\$ 88,109	\$ 18,153	\$ 813,100	\$ 919,362		

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, 2011:

Transfers In	Transfers Out							
	Major	Major	Major	Major	Nonmajor	Nonmajor	Internal	
	General	Electric	Water	Wastewater	Enterprise	Governmental	Service	
Major General Fund	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,000
Major Electric Fund	-	-	-	-	-	-	-	3,000
Major Water Fund	-	-	-	700,081	28,500	-	-	728,581
Nonmajor Governmental Funds	170,019	-	-	-	-	6,429	-	176,448
Internal Service Funds	189,200	25,100	44,300	7,800	129,900	-	3,900	400,200
Total	<u>\$ 359,219</u>	<u>\$ 825,100</u>	<u>\$ 44,300</u>	<u>\$ 707,881</u>	<u>\$ 158,400</u>	<u>\$ 6,429</u>	<u>\$ 6,900</u>	<u>\$ 2,108,229</u>

Transfers out from the General Fund to the nonmajor governmental funds were to partially fund the CWMTF flood buy-out I & II, Heritage St. improvements, Bullet proof vest partnership and facilities and grounds. 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. 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 nonmajor governmental fund was to transfer excess funds from Contentnea/Savannah Ballfield Project to Battlefield Parkway Project and facilities and grounds to Gate II project. Transfer from Wastewater to Water Fund represents project assets that have been allocated to service the Water Fund.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Claims and Judgments

At June 30, 2011, 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, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for fiscal year ended June 30, 2011 were \$46,920,700.

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 \$8,004 to the Council during the fiscal year ended June 30, 2011.

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, 2011.

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, 2011

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 \$188,906 of funding for the Authority for the year ended June 30, 2011.

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, 2011. During the year ended June 30, 2011, the City provided \$190,000 to the Library. Separate financial statements of the Library are available at the Library address of 510 North Queen Street, Kinston, North Carolina 28501.

City of Kinston Housing Authority

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

5. Federal and State-Assisted Programs

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

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

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)					
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%
2010	-	1,754,219		1,754,219	0.00%	3,472,141	50.52%

CITY OF KINSTON, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2011

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2006	\$ 124,414	18.00%
2007	120,066	27.64%
2008	141,308	34.05%
2009	155,141	36.38%
2010	170,012	33.95%
2011	200,463	42.74%

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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	21 years
Asset valuation method	Market value

Actuarial Assumptions:

Investment rate of return*	5.00%
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, 2011

Actuarial Valuation Date	Actuarial						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)		
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%
2011	-	48,450	48,450	0.00%	514,985		9.4%

Schedule of Employer Contributions

Year Ended June 30	Annual		
	Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 28,990	\$ 36,536	126.03%
2010	21,179	18,792	88.73%
2011	11,060	15,870	143.49%

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	7/1/2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Medical cost trend rate	4.5% 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, 2011**

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)					
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	\$ 218,494	88.97%
2010	234,694	220,273	93.86%
2011	234,694	224,791	95.78%

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
Actuarial Assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	N/A
Ultimate trend rate	N/A
Year of ultimate trend rate	N/A

* Includes inflation at 3.75%

MAJOR FUNDS

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

This page left blank intentionally.

GENERAL FUND

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
BALANCE SHEET
JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	2011	2010
Assets:		
Cash and investments	\$ 5,104,526	\$ 4,577,417
Receivables:		
Due from governmental agencies	1,029,655	1,191,086
Accounts receivable	1,179,719	889,331
Taxes receivable	831,016	821,875
Inventories	89,373	82,175
Restricted cash and investments	-	112,446
Total assets	<u><u>\$ 8,234,289</u></u>	<u><u>\$ 7,674,330</u></u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 739,655	\$ 923,846
Unearned revenue	46,692	43,439
Deferred revenue	1,821,128	1,641,652
Total liabilities	<u><u>2,607,475</u></u>	<u><u>2,608,937</u></u>
Fund Balances:		
Non-spendable, not in spendable form:		
Inventories	89,373	82,175
Restricted:		
Stabilization by State Statute	1,503,278	1,267,052
Unassigned	4,034,163	3,716,166
Total fund balances	<u><u>5,626,814</u></u>	<u><u>5,065,393</u></u>
Total liabilities and fund balances	<u><u>\$ 8,234,289</u></u>	<u><u>\$ 7,674,330</u></u>

The prior year has been restated for GASB 54 to ensure comparability.

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 8,931,800	\$ 8,848,020	\$ (83,780)	\$ 9,000,403
Penalties and Interest	80,200	89,380	9,180	94,515
Total	<u>9,012,000</u>	<u>8,937,400</u>	<u>(74,600)</u>	<u>9,094,918</u>
Sales and Services:				
Rents, concessions, and fees	358,200	347,472	(10,728)	360,557
Inspection fees	100,000	116,422	16,422	228,591
Cemetery fees	185,000	212,335	27,335	188,265
Cable franchise	205,000	177,795	(27,205)	179,804
Lenoir County Participation:				
Recreation	<u>790,285</u>	<u>759,160</u>	<u>(31,125)</u>	<u>720,500</u>
Total	<u>1,638,485</u>	<u>1,613,184</u>	<u>(25,301)</u>	<u>1,677,717</u>
Other Taxes and Licenses:				
Local government sales tax	2,769,500	3,026,606	257,106	2,920,585
Franchise tax	1,852,600	1,868,681	16,081	1,704,144
Occupancy tax	218,000	212,327	(5,673)	183,610
Gross receipts tax	23,700	36,937	13,237	26,367
Licenses and permits	69,000	101,568	32,568	68,593
Total	<u>4,932,800</u>	<u>5,246,119</u>	<u>313,319</u>	<u>4,903,299</u>
Unrestricted Intergovernmental:				
Payment in lieu of taxes	261,300	249,749	(11,551)	248,513
Beer and wine tax	103,200	99,069	(4,131)	32,340
ABC revenue	<u>1,100</u>	<u>305</u>	<u>(795)</u>	<u>551</u>
Total	<u>365,600</u>	<u>349,123</u>	<u>(16,477)</u>	<u>281,404</u>
Restricted Intergovernmental:				
Powell Bill allocations	600,000	616,703	16,703	618,548
School resource officer	75,000	77,060	2,060	75,211
N.C. Department of Transportation	158,000	88,914	(69,086)	145,822
Court allocation	-	22,504	22,504	434
Forfeited drug proceeds	-	6,150	6,150	22,680
Total	<u>833,000</u>	<u>811,331</u>	<u>(21,669)</u>	<u>862,695</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Other Revenue:				
Investment income	8,000	17,167	9,167	7,035
Sales of surplus materials and assets	50,000	52,604	2,604	11,354
Miscellaneous	162,900	134,750	(28,150)	153,281
Total	220,900	204,521	(16,379)	171,670
Total revenues	17,002,785	17,161,678	158,893	16,991,703
Expenditures:				
General Government:				
Governing Body:				
Salaries and benefits	115,295	102,783	12,512	117,604
Operating	81,100	71,694	9,406	79,512
Total	196,395	174,477	21,918	197,116
Executive:				
Salaries and benefits	735,681	725,523	10,158	550,144
Operating	344,726	308,602	36,124	321,087
Capital outlay	30,000	29,892	108	-
Total	1,110,407	1,064,017	46,390	871,231
Finance:				
Salaries and benefits	620,685	599,444	21,241	607,131
Operating	301,975	301,940	35	303,198
Capital outlay	-	-	-	655
Total	922,660	901,384	21,276	910,984
Human Resources:				
Salaries and benefits	205,500	164,687	40,813	259,919
Operating	323,650	243,249	80,401	243,939
Total	529,150	407,936	121,214	503,858
Engineering and Public Facilities:				
Salaries and benefits	584,500	576,499	8,001	539,084
Operating	395,146	342,181	52,965	352,259
Capital outlay	299,300	283,996	15,304	275,795
Less: interdepartmental charges	(332,400)	(332,400)	-	(323,900)
Total	946,546	870,276	76,270	843,238
Indirect costs reimbursement	(1,460,000)	(1,242,400)	(217,600)	(1,150,462)
Total general government	2,245,158	2,175,690	69,468	2,175,965

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Public Safety:				
Police and Fire Administration:				
Salaries and benefits	787,365	714,373	72,992	841,824
Operating	261,500	232,878	28,622	231,357
Capital outlay	2,000	1,957	43	3,705
Total	<u>1,050,865</u>	<u>949,208</u>	<u>101,657</u>	<u>1,076,886</u>
Police:				
Salaries and benefits	4,221,300	4,100,609	120,691	4,182,204
Operating	881,113	869,292	11,821	901,402
Capital outlay	87,200	69,798	17,402	273,685
Total	<u>5,189,613</u>	<u>5,039,699</u>	<u>149,914</u>	<u>5,357,291</u>
Fire:				
Salaries and benefits	2,499,600	2,449,252	50,348	2,432,343
Operating	419,000	403,657	15,343	503,316
Capital outlay	32,600	32,068	532	15,051
Total	<u>2,951,200</u>	<u>2,884,977</u>	<u>66,223</u>	<u>2,950,710</u>
Inspections and Code Enforcement:				
Salaries and benefits	171,500	171,045	455	235,086
Operating	71,500	54,185	17,315	61,980
Total	<u>243,000</u>	<u>225,230</u>	<u>17,770</u>	<u>297,066</u>
Total public safety	<u>9,434,678</u>	<u>9,099,114</u>	<u>335,564</u>	<u>9,681,953</u>
Public Services:				
Salaries and benefits	646,000	640,877	5,123	680,800
Operating	1,048,100	794,250	253,850	952,037
Capital outlay	10,000	8,691	1,309	69,292
Total	<u>1,704,100</u>	<u>1,443,818</u>	<u>260,282</u>	<u>1,702,129</u>
Parks and Recreation:				
Salaries and benefits	2,223,200	2,211,716	11,484	2,179,403
Operating	1,279,113	1,263,768	15,345	1,316,563
Capital outlay	170,572	129,779	40,793	71,875
Total	<u>3,672,885</u>	<u>3,605,263</u>	<u>67,622</u>	<u>3,567,841</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Over/Under	2010				
	Budget	Actual						
Community Development:								
Planning:								
Salaries and benefits	112,500	102,847	9,653	63,940				
Operating	25,200	14,530	10,670	17,724				
Capital outlay	2,000	1,974	26	11,472				
Total	139,700	119,351	20,349	93,136				
Economic Development:								
Operating	637,053	597,802	39,251	575,729				
Total	637,053	597,802	39,251	575,729				
Total community development	776,753	717,153	59,600	668,865				
Contingency:								
	10,600	-	(10,600)	-				
Total expenditures	17,844,174	17,041,038	792,536	17,796,753				
Revenues over (under) expenditures	(841,389)	120,640	962,029	(805,050)				
Other Financing Sources (Uses):								
Appropriated fund balance	357,214	-	(357,214)	-				
Transfers in	808,000	800,000	(8,000)	828,821				
Transfers out	(488,825)	(359,219)	129,606	(154,018)				
Long-term debt issued	165,000	-	(165,000)	427,885				
Total other financing sources (uses):	841,389	440,781	(400,608)	1,102,688				
Net change in fund balance	\$ <u> </u> -	561,421	\$ <u> </u> <u>561,421</u>	297,638				
Fund Balance:								
Beginning of year - July 1		5,065,393		4,767,755				
End of year - June 30	\$ <u> </u> <u>5,626,814</u>		\$ <u> </u> <u>5,065,393</u>					

This page left blank intentionally.

NONMAJOR FUND TYPES

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

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

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Government Fund Types				
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Temple Israel Perpetual Care Fund	Permanent Fund	Total
Assets:					
Cash and investments	\$ 46,715	\$ 161,360	\$ 83,573	\$	291,648
Receivables	58,106	28,515	-		86,621
Due from governmental agencies	-	7,981	-		7,981
Restricted cash and investments	-	2,019,498	-		2,019,498
 Total assets	 \$ 104,821	 \$ 2,217,354	 \$ 83,573	 \$	 2,405,748
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 26,498	\$ 185,759	\$ -	\$	212,257
Due to other funds	21,036	67,073	-		88,109
Total liabilities	47,534	252,832	-		300,366
 Fund Balances:					
Non-spendable, not in spendable form:					
Perpetual maintenance	-	-	75,000		75,000
Restricted:					
Stabilization by State Statute	58,106	36,496	-		94,602
Restricted, all other	-	1,925,190	8,573		1,933,763
Committed	13,992	85,066	-		99,058
Assigned	7,418	-	-		7,418
Unassigned	(22,229)	(82,230)	-		(104,459)
Total fund balances	57,287	1,964,522	83,573		2,105,382
 Total liabilities and fund balances	 \$ 104,821	 \$ 2,217,354	 \$ 83,573	 \$	 2,405,748

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Government Fund Types			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
Revenues:				
Intergovernmental revenue	\$ 149,065	\$ 657,981	\$ -	\$ 807,046
Miscellaneous income	45	25,886	-	25,931
Interest	15	488	183	686
Total revenues	<u>149,125</u>	<u>684,355</u>	<u>183</u>	<u>833,663</u>
Expenditures:				
Current:				
Public safety	165,583	1,411,071	-	1,576,654
Community development	5,493	604,739	-	610,232
Parks and recreation	-	15,639	-	15,639
Total expenditures	<u>171,076</u>	<u>2,031,449</u>	<u>-</u>	<u>2,202,525</u>
Revenues over (under) expenditures	<u>(21,951)</u>	<u>(1,347,094)</u>	<u>183</u>	<u>(1,368,862)</u>
Other Financing Sources (Uses):				
Transfers in	14,932	161,516	-	176,448
Transfers out	-	(6,429)	-	(6,429)
Long-term debt issued	-	3,197,500	-	3,197,500
Total other financing sources (uses)	<u>14,932</u>	<u>3,352,587</u>	<u>-</u>	<u>3,367,519</u>
Net change in fund balances	<u>(7,019)</u>	<u>2,005,493</u>	<u>183</u>	<u>1,998,657</u>
Fund Balances:				
Beginning of year - July 1	<u>64,306</u>	<u>(40,971)</u>	<u>83,390</u>	<u>106,725</u>
End of year - June 30	<u>\$ 57,287</u>	<u>\$ 1,964,522</u>	<u>\$ 83,573</u>	<u>\$ 2,105,382</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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.

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.

2010 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 law enforcement equipment and vests.

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

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	<u>Community Development Administration</u>	<u>2009 Governor's Crime Commission Grant</u>	<u>2009 JAG Recovery Act Relief Project</u>	<u>2009 Cops Hiring Recovery Program Grant (ARRA)</u>
Assets:				
Cash and investments	\$ 7,418	\$ 11,021	\$ 24,717	\$ -
Accounts receivable	<u>41,077</u>	<u>261</u>	<u>73</u>	<u>13,550</u>
Total assets	<u>\$ 48,495</u>	<u>\$ 11,282</u>	<u>\$ 24,790</u>	<u>\$ 13,550</u>
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ 18,644
Accounts payable and accrued liabilities	<u>-</u>	<u>588</u>	<u>24,790</u>	<u>1,120</u>
Total liabilities	<u>-</u>	<u>588</u>	<u>24,790</u>	<u>19,764</u>
Fund Balances:				
Restricted:				
Stabilization by State Statute	41,077	261	73	13,550
Committed	-	10,433	-	-
Assigned	7,418	-	-	-
Unassigned	-	-	(73)	(19,764)
Total fund balances (deficit)	<u>48,495</u>	<u>10,694</u>	<u>-</u>	<u>(6,214)</u>
Total liabilities and fund balances	<u>\$ 48,495</u>	<u>\$ 11,282</u>	<u>\$ 24,790</u>	<u>\$ 13,550</u>

Schedule 5

2009 Bulletproof Vest Partnership Grant (BVP)	2010 Bulletproof Vest Partnership Grant (BVP)	2010 JAG Recover Act Relief Project	Total	2010
\$ -	\$ 3,559	\$ -	\$ 46,715	\$ 17,725
<u>1,863</u>	<u>593</u>	<u>689</u>	<u>58,106</u>	<u>167,153</u>
\$ 1,863	\$ 4,152	\$ 689	\$ 104,821	\$ 184,878
\$ 1,863	\$ -	\$ 529	\$ 21,036	\$ 110,575
<u>-</u>	<u>-</u>	<u>-</u>	<u>26,498</u>	<u>9,997</u>
<u>1,863</u>	<u>-</u>	<u>529</u>	<u>47,534</u>	<u>120,572</u>
1,863	593	689	58,106	167,153
-	3,559	-	13,992	5,515
-	-	-	7,418	6,863
<u>(1,863)</u>	<u>-</u>	<u>(529)</u>	<u>(22,229)</u>	<u>(115,225)</u>
<u>-</u>	<u>4,152</u>	<u>160</u>	<u>57,287</u>	<u>64,306</u>
\$ 1,863	\$ 4,152	\$ 689	\$ 104,821	\$ 184,878

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	Community Development Administration	Gang GATE Phase II	2009 Governor's Crime Commission Equipment Grant	2009 Governor's Crime Commission Grant	2009 JAG Recovery Act Relief Project
Revenues:					
Restricted:					
Intergovernmental revenue	\$ -	\$ -	\$ (127)	\$ 39,377	\$ 24,863
Other:					
Miscellaneous revenue	45	-	-	-	-
Investment earnings	15	-	-	-	-
Total revenues	<u>60</u>	<u>-</u>	<u>(127)</u>	<u>39,377</u>	<u>24,863</u>
Expenditures:					
Community development:					
Administration	-	-	-	5,348	-
Public Safety	-	1,501	(344)	46,355	24,790
Total expenditures	<u>-</u>	<u>1,501</u>	<u>(344)</u>	<u>51,703</u>	<u>24,790</u>
Revenues over (under) expenditures	<u>60</u>	<u>(1,501)</u>	<u>217</u>	<u>(12,326)</u>	<u>73</u>
Other Financing Sources (Uses):					
Transfers in	-	3,054	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,054</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	<u>60</u>	<u>1,553</u>	<u>217</u>	<u>(12,326)</u>	<u>73</u>
Fund Balances:					
Beginning of year - July 1	<u>48,435</u>	<u>(1,553)</u>	<u>(217)</u>	<u>23,020</u>	<u>(73)</u>
End of year - June 30	<u>\$ 48,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,694</u>	<u>\$ -</u>

Schedule 6

2009 Edward Byrne Memorial JAG Grant	2009 Cops Hiring Recovery Program Grant (ARRA)	2009 Bulletproof Vest Partnership Grant (BVP)	2010 Bulletproof Vest Partnership Grant (BVP)	2010 JAG Recovery Act Relief Project	Total	2010
\$ -	\$ 51,323	\$ 5,968	\$ -	\$ 27,661	\$ 149,065	\$ 413,742
-	-	-	-	-	45	6,962
-	-	-	-	-	15	4
<u>-</u>	<u>51,323</u>	<u>5,968</u>	<u>-</u>	<u>27,661</u>	<u>149,125</u>	<u>420,708</u>
 145	 55,470	 2,584	 7,726	 27,501	 165,583	 441,987
<u>145</u>	<u>55,470</u>	<u>2,584</u>	<u>7,726</u>	<u>27,501</u>	<u>171,076</u>	<u>463,170</u>
 (145)	 (4,147)	 3,384	 (7,726)	 160	 (21,951)	 (42,462)
 -	 -	 -	 11,878	 -	 14,932	 60,120
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,878</u>	<u>-</u>	<u>-</u>	<u>(1,146)</u>
 -	 -	 -	 -	 -	 14,932	 58,974
 (145)	 (4,147)	 3,384	 4,152	 160	 (7,019)	 16,512
 145	 (2,067)	 (3,384)	 -	 -	 64,306	 47,794
<u>\$ -</u>	<u>\$ (6,214)</u>	<u>\$ -</u>	<u>\$ 4,152</u>	<u>\$ 160</u>	<u>\$ 57,287</u>	<u>\$ 64,306</u>

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT ADMINISTRATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010	
	Budget	Actual	Variance Over/Under		Actual
Revenues:					
Rent and program income	\$ 6,762	\$ -	\$ (6,762)	\$ 6,762	
Other revenue	-	45	45	200	
Investment earnings	-	15	15	4	
Total revenues	<u>6,762</u>	<u>60</u>	<u>(6,702)</u>	<u>6,966</u>	
Expenditures:					
Community development:					
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>	
Net change in fund balance	<u>\$ -</u>	<u>60</u>	<u>\$ 60</u>	<u>6,966</u>	
Fund Balance:					
Beginning of year - July 1			<u>48,435</u>		<u>41,469</u>
End of year - June 30		<u>\$ 48,495</u>			<u>\$ 48,435</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, 2011

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 151,892	\$ 151,892	\$ -	\$ 151,892	\$ -
Total revenues	<u>151,892</u>	<u>151,892</u>	<u>-</u>	<u>151,892</u>	<u>-</u>
Expenditures:					
Public Safety:					
Administration	207,810	180,671	1,501	182,172	25,638
Capital outlay	<u>3,359</u>	<u>28,997</u>	<u>-</u>	<u>28,997</u>	<u>(25,638)</u>
Total expenditures	<u>211,169</u>	<u>209,668</u>	<u>1,501</u>	<u>211,169</u>	<u>-</u>
Revenues over (under) expenditures	<u>(59,277)</u>	<u>(57,776)</u>	<u>(1,501)</u>	<u>(59,277)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in (out)	<u>59,277</u>	<u>56,223</u>	<u>3,054</u>	<u>59,277</u>	<u>-</u>
Total other financing sources (uses)	<u>59,277</u>	<u>56,223</u>	<u>3,054</u>	<u>59,277</u>	<u>-</u>
Net change in fund balance	\$ -	\$ (1,553)	1,553	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1				<u>(1,553)</u>	
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, 2011

	Actual					
Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under		
Revenues:						
Restricted intergovernmental revenue,						
State Grant	\$ 7,874	\$ 8,000	\$ (127)	\$ 7,873	\$ (1)	
Total revenues	<u>7,874</u>	<u>8,000</u>	<u>(127)</u>	<u>7,873</u>	<u>(1)</u>	
Expenditures:						
Public Safety:						
Uniforms and equipment	7,874	8,217	(344)	7,873	1	
Total expenditures	<u>7,874</u>	<u>8,217</u>	<u>(344)</u>	<u>7,873</u>	<u>1</u>	
Net change in fund balance	\$ -	\$ (217)	217	\$ -	\$ -	
Fund Balance:						
Beginning of year - July 1				(217)		
End of year - June 30			\$ -			

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, 2011

	Actual				
Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 100,381	\$ 53,169	\$ 39,377	\$ 92,546	\$ (7,835)
Total revenues	<u>100,381</u>	<u>53,169</u>	<u>39,377</u>	<u>92,546</u>	<u>(7,835)</u>
Expenditures:					
Public Safety:					
Personnel costs	107,017	56,386	46,355	102,741	4,276
Administration	26,824	7,219	5,348	12,567	14,257
Total expenditures	<u>133,841</u>	<u>63,605</u>	<u>51,703</u>	<u>115,308</u>	<u>18,533</u>
Revenues over (under) expenditures	<u>(33,460)</u>	<u>(10,436)</u>	<u>(12,326)</u>	<u>(22,762)</u>	<u>10,698</u>
Other Financing Sources (Uses):					
Transfers in (out)	33,460	33,456	-	33,456	(4)
Total other financing sources (uses)	<u>33,460</u>	<u>33,456</u>	<u>-</u>	<u>33,456</u>	<u>(4)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 23,020</u>	<u>(12,326)</u>	<u>\$ 10,694</u>	<u>\$ 10,694</u>
Fund Balance:					
Beginning of year - July 1			23,020		
End of year - June 30			<u>\$ 10,694</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, 2011

Project Authorization	Actual				Variance Over/Under
	Prior Years	Current Year	Total to Date		
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 221,662	\$ 196,567	\$ 24,863	\$ 221,430	\$ (232)
Total revenues	<u>221,662</u>	<u>196,567</u>	<u>24,863</u>	<u>221,430</u>	<u>(232)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	221,662	196,640	24,790	221,430	232
Total expenditures	<u>221,662</u>	<u>196,640</u>	<u>24,790</u>	<u>221,430</u>	<u>232</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (73)</u>	<u>73</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1				<u>(73)</u>	
End of year - June 30			<u>\$ -</u>		

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, 2011

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 53,870	\$ 53,870	\$ -	\$ 53,870	\$ -
Total revenues	<u>53,870</u>	<u>53,870</u>	<u>-</u>	<u>53,870</u>	<u>-</u>
Expenditures:					
Public Safety:					
Administration	8,387	8,243	145	8,388	(1)
Grant expenses	<u>45,483</u>	<u>45,482</u>	<u>-</u>	<u>45,482</u>	<u>1</u>
Total expenditures	<u>53,870</u>	<u>53,725</u>	<u>145</u>	<u>53,870</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 145</u>	<u>(145)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1				<u>145</u>	
End of year - June 30			<u>\$ -</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, 2011

Project Authorization	Actual				Variance Over/Under
	Prior Years	Current Year	Total to Date		
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 252,588	\$ 39,507	\$ 51,323	\$ 90,830	\$ (161,758)
Total revenues	<u>252,588</u>	<u>39,507</u>	<u>51,323</u>	<u>90,830</u>	<u>(161,758)</u>
Expenditures:					
Public Safety:					
Personnel costs	252,588	41,574	55,470	97,044	155,544
Total expenditures	<u>252,588</u>	<u>41,574</u>	<u>55,470</u>	<u>97,044</u>	<u>155,544</u>
Net change in fund balance	\$ -	\$ (2,067)	(4,147)	\$ (6,214)	\$ (6,214)
Fund Balance:					
Beginning of year - July 1				(2,067)	
End of year - June 30				<u>(6,214)</u>	

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, 2011

	Actual				
Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 5,914	\$ -	\$ 5,968	\$ 5,968	\$ 54
Total revenues	<u>5,914</u>	<u>-</u>	<u>5,968</u>	<u>5,968</u>	<u>54</u>
Expenditures:					
Public Safety:					
Uniforms and equipment	11,828	9,298	2,584	11,882	(54)
Total expenditures	<u>11,828</u>	<u>9,298</u>	<u>2,584</u>	<u>11,882</u>	<u>(54)</u>
Revenues over (under) expenditures	<u>(5,914)</u>	<u>(9,298)</u>	<u>3,384</u>	<u>(5,914)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in (out)	5,914	5,914	-	5,914	-
Total other financing sources (uses)	<u>5,914</u>	<u>5,914</u>	<u>-</u>	<u>5,914</u>	<u>-</u>
Net change in fund balance	\$ -	\$ (3,384)	3,384	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1			(3,384)		
End of year - June 30			\$ -		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2010 BULLET PROOF VEST
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue,					
State Grants	\$ 11,878	\$ -	\$ -	\$ -	\$ (11,878)
Total revenues	<u>11,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,878)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	23,756	<u>-</u>	7,726	7,726	16,030
Total expenditures	<u>23,756</u>	<u>-</u>	<u>7,726</u>	<u>7,726</u>	<u>16,030</u>
Revenues over (under) expenditures	<u>(11,878)</u>	<u>-</u>	<u>(7,726)</u>	<u>(7,726)</u>	<u>4,152</u>
Other Financing Sources (Uses):					
Transfers in (out)	11,878	<u>-</u>	11,878	11,878	<u>-</u>
Total other financing sources (uses)	<u>11,878</u>	<u>-</u>	<u>11,878</u>	<u>11,878</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	4,152	\$ 4,152	\$ 4,152
Fund Balance:					
Beginning of year - July 1					<u>-</u>
End of year - June 30			\$ 4,152		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2010 JAG RECOVERY ACT RELIEF PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Actual				
Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under	
Revenues:					
Restricted intergovernmental revenue,					
State Grant	\$ 51,973	\$ -	\$ 27,661	\$ 27,661	\$ (24,312)
Total revenues	<u>51,973</u>	<u>-</u>	<u>27,661</u>	<u>27,661</u>	<u>(24,312)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	<u>51,973</u>	<u>-</u>	<u>27,501</u>	<u>27,501</u>	<u>24,472</u>
Total expenditures	<u>51,973</u>	<u>-</u>	<u>27,501</u>	<u>27,501</u>	<u>24,472</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 160</u>	<u>\$ 160</u>
Fund Balance:					
Beginning of year - July 1			\$ -		
End of year - June 30			<u>\$ 160</u>		

This page left blank intentionally.

NONMAJOR CAPTIAL PROJECT FUNDS

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

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.

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

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

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

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

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

Energy Efficiency Building Improvement Fund – This fund accounts for funds to add energy efficient occupancy sensors and LED exit signs at multiple city buildings and upgrade the HVAC at the Public Services Complex.

CDBG Abby Gardens Funding Project Fund – This fund accounts for CDBG funds in which the City will receive and distribute for public water and sewer line improvements and administration and grant planning expenses for the Abby Gardens apartment complex for seniors of low to middle income.

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	Retro- Green	CWMTF Flood Buy-Out	New Fire Station #2	Contentnea Savannah Ballfields	Train Depot	Battlefield Parkway/ Soccer Complex
Assets:						
Cash and investments	\$ 8,250	\$ -	\$ -	\$ -	\$ 30,101	\$ 1,175
Due from government agencies	-	-	-	-	-	-
Accounts receivable	-	-	-	-	2,191	-
Restricted cash and investments	-	-	1,104,769	-	-	-
Total assets	\$ 8,250	\$ -	\$ 1,104,769	\$ -	\$ 32,292	\$ 1,175
Liabilities and Fund Balances:						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	73,180	-	266	15,639
Total liabilities	-	-	73,180	-	266	15,639
Fund Balance:						
Restricted:						
Stabilization by State Statute	-	-	-	-	2,191	-
Restricted, all other	-	-	1,031,589	-	29,835	-
Committed	8,250	-	-	-	-	-
Unassigned	-	-	-	-	-	(14,464)
Total fund balances	8,250	-	1,031,589	-	32,026	(14,464)
Total liabilities and fund balances	\$ 8,250	\$ -	\$ 1,104,769	\$ -	\$ 32,292	\$ 1,175

The prior year has been restated for GASB 54 to ensure comparability.

Capital Reserve Fund	New Fire Station #3	Martin Luther King Jr. Blvd. Enhancement	Heritage St. Improvements	Fire Trucks and Equipment	CWMTF Flood Buy-Out II	Energy Efficiency Building Improvements	Total	2010
\$ 6,816	\$ -	\$ 115,018	\$ -	\$ -	\$ -	\$ -	\$ 161,360	\$ 192,721
-	-	-	-	-	-	7,981	7,981	-
-	-	1,508	3,518	21,298	-	-	28,515	897
-	914,729	-	-	-	-	-	2,019,498	-
\$ 6,816	\$ 914,729	\$ 116,526	\$ 3,518	\$ 21,298	\$ -	\$ 7,981	\$ 2,217,354	\$ 193,618
<hr/>								
\$ -	\$ -	\$ 29,475	\$ 21,298	\$ 8,255	\$ 8,045	\$ 67,073	\$ 234,574	
-	95,811	170	-	-	-	693	185,759	15
-	95,811	170	29,475	21,298	8,255	8,738	252,832	234,589
<hr/>								
-	-	1,508	3,518	21,298	-	7,981	36,496	897
-	818,918	44,848	-	-	-	-	1,925,190	-
6,816	-	70,000	-	-	-	-	85,066	192,706
-	-	-	(29,475)	(21,298)	(8,255)	(8,738)	(82,230)	(234,574)
6,816	818,918	116,356	(25,957)	-	(8,255)	(757)	1,964,522	(40,971)
\$ 6,816	\$ 914,729	\$ 116,526	\$ 3,518	\$ 21,298	\$ -	\$ 7,981	\$ 2,217,354	\$ 193,618

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	Retro- Green	CWMTF Flood Buy-Out	New Fire Station #2	Contentnea Savannah Ballfields	Train Depot	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund
Revenues:							
Interest income	\$ -	\$ -	\$ 260	\$ -	\$ -	\$ -	\$ 15
Federal and state grants	-	-	-	-	-	-	-
Other income	-	25,886	-	-	-	-	-
Total revenues	-	25,886	260	-	-	-	15
Expenditures:							
Parks and recreation	-	(34,673)	-	-	-	15,639	-
Public safety	-	-	178,377	-	-	-	-
Community development	-	-	-	-	89,523	-	-
Total expenditures	-	(34,673)	178,377	-	89,523	15,639	-
Revenues over (under) expenditures	-	60,559	(178,117)	-	(89,523)	(15,639)	15
Other Financing Sources (Uses):							
Transfers in	-	93,669	-	-	-	6,429	-
Transfers (out)	-	-	-	(6,429)	-	-	-
Long-term debt issued	-	-	1,275,000	-	-	-	-
Total other financing sources (uses)	-	93,669	1,275,000	(6,429)	-	6,429	-
Net change in fund balances	-	154,228	1,096,883	(6,429)	(89,523)	(9,210)	15
Fund Balances:							
Beginning of year - July 1	8,250	(154,228)	(65,294)	6,429	121,549	(5,254)	6,801
End of year - June 30	\$ 8,250	\$ -	\$ 1,031,589	\$ -	\$ 32,026	\$ (14,464)	\$ 6,816

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, 2011**

	Actual				
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
Miscellaneous grants	\$ 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>
Expenditures:					
Parks and Recreation:					
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>
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,250</u>	<u>-</u>	<u>\$ 8,250</u>	<u>\$ 8,250</u>
Fund Balance:					
Beginning of year - July 1				<u>8,250</u>	
End of year - June 30				<u>\$ 8,250</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - 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, 2011

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
State grants	\$ 545,795	\$ 545,796	\$ -	\$ 545,796	\$ 1
Miscellaneous revenue	<u>51,886</u>	<u>-</u>	<u>25,886</u>	<u>25,886</u>	<u>(26,000)</u>
Total revenues	<u>597,681</u>	<u>545,796</u>	<u>25,886</u>	<u>571,682</u>	<u>(25,999)</u>
Expenditures:					
Parks and Recreation:					
Salaries and benefits	13,152	13,152	-	13,152	-
Capital outlay	<u>687,198</u>	<u>721,872</u>	<u>(34,673)</u>	<u>687,199</u>	<u>(1)</u>
Total expenditures	<u>700,350</u>	<u>735,024</u>	<u>(34,673)</u>	<u>700,351</u>	<u>(1)</u>
Revenues over (under) expenditures	<u>(102,669)</u>	<u>(189,228)</u>	<u>60,559</u>	<u>(128,669)</u>	<u>(26,000)</u>
Other Financing Sources (Uses):					
Transfers in	<u>102,669</u>	<u>35,000</u>	<u>93,669</u>	<u>128,669</u>	<u>26,000</u>
Total other financing sources (uses)	<u>102,669</u>	<u>35,000</u>	<u>93,669</u>	<u>128,669</u>	<u>26,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (154,228)</u>	<u>154,228</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1				<u>(154,228)</u>	
End of year - June 30				<u>\$ -</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, 2011

	Actual				
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenue:					
Federal grants	\$ 225,000	\$ -	\$ -	\$ -	\$ (225,000)
Investment earnings	-	-	260	260	260
Total revenues	<u>225,000</u>	<u>-</u>	<u>260</u>	<u>260</u>	<u>(224,740)</u>
Expenditures:					
Public Safety:					
Capital outlay	3,000,000	65,294	178,377	243,671	2,756,329
Total expenditures	<u>3,000,000</u>	<u>65,294</u>	<u>178,377</u>	<u>243,671</u>	<u>2,756,329</u>
Revenues over (under) expenditures	<u>(2,775,000)</u>	<u>(65,294)</u>	<u>(178,117)</u>	<u>(243,411)</u>	<u>2,531,589</u>
Other Financing Sources (Uses):					
Debt issued	2,775,000	-	1,275,000	1,275,000	(1,500,000)
Total other financing sources (uses)	<u>2,775,000</u>	<u>-</u>	<u>1,275,000</u>	<u>1,275,000</u>	<u>(1,500,000)</u>
Revenues and other financing sources					
Net change in fund balance	<u>\$ -</u>	<u>\$ (65,294)</u>	<u>1,096,883</u>	<u>\$ 1,031,589</u>	<u>\$ 1,031,589</u>
Fund Balance:					
Beginning of year - July 1			<u>(65,294)</u>		
End of year - June 30			<u>\$ 1,031,589</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, 2011

	Actual				
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
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>
Expenditures:					
Parks and Recreation:					
Capital outlay	127,571	127,571	_____ -	127,571	_____ -
Total expenditures	<u>127,571</u>	<u>127,571</u>	<u>_____ -</u>	<u>127,571</u>	<u>_____ -</u>
Revenues over (under) expenditures	<u>6,429</u>	<u>6,429</u>	<u>_____ -</u>	<u>6,429</u>	<u>_____ -</u>
Other Financing Sources (Uses):					
Transfer to capital project funds	(6,429)	_____ -	(6,429)	(6,429)	_____ -
Total other financing sources (uses)	<u>(6,429)</u>	<u>_____ -</u>	<u>(6,429)</u>	<u>(6,429)</u>	<u>_____ -</u>
Net change in fund balance	\$ _____ -	\$ 6,429	(6,429)	\$ _____ -	\$ _____ -
Fund Balance:					
Beginning of year - July 1			6,429		
End of year - June 30			\$ _____ -		

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, 2011

	<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>
Revenues:					
State grants	\$ 315,000	\$ 315,000	\$ -	\$ 315,000	\$ -
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>-</u>	<u>315,000</u>	<u>-</u>
Expenditures:					
Community Development:					
Capital outlay	<u>315,000</u>	<u>193,451</u>	<u>89,523</u>	<u>282,974</u>	<u>32,026</u>
Total expenditures	<u>315,000</u>	<u>193,451</u>	<u>89,523</u>	<u>282,974</u>	<u>32,026</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 121,549</u>	<u>(89,523)</u>	<u>\$ 32,026</u>	<u>\$ 32,026</u>
Fund Balance:					
Beginning of year - July 1			<u>121,549</u>		
End of year - June 30			<u>\$ 32,026</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, 2011

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Years</u>	<u>Total to Date</u>	
Revenues:					
State grants	\$ 143,000	\$ 39,407	\$ -	\$ 39,407	\$ (103,593)
Miscellaneous revenue	7,000	-	-	-	(7,000)
Total revenues	<u>150,000</u>	<u>39,407</u>	<u>-</u>	<u>39,407</u>	<u>(110,593)</u>
Expenditures:					
Parks and Recreation:					
Capital outlay	<u>150,000</u>	<u>44,661</u>	<u>15,639</u>	<u>60,300</u>	<u>89,700</u>
Total expenditures	<u>150,000</u>	<u>44,661</u>	<u>15,639</u>	<u>60,300</u>	<u>89,700</u>
Revenues over (under) expenditures	<u>-</u>	<u>(5,254)</u>	<u>(15,639)</u>	<u>(20,893)</u>	<u>(20,893)</u>
Other Financing Sources (Uses):					
Transfers in	<u>-</u>	<u>-</u>	<u>6,429</u>	<u>6,429</u>	<u>6,429</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,429</u>	<u>6,429</u>	<u>6,429</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (5,254)</u>	<u>(9,210)</u>	<u>\$ (14,464)</u>	<u>\$ (14,464)</u>
Fund Balance:					
Beginning of year - July 1				<u>(5,254)</u>	
End of year - June 30				<u>\$ (14,464)</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over/Under</u>
Revenues:			
Investment earnings	\$ _____ -	\$ 15	\$ 15
Total revenues	_____ -	15	15
Net change in fund balance	\$ _____ -	15	\$ 15

Fund Balance:

Beginning of year - July 1	_____ 6,801
End of year - June 30	\$ 6,816

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEW FIRE STATION #3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

			Actual		
	Project Authorization	Prior Years	Current Years	Total to Date	
Revenue:					
State grants	\$ 187,500	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	213	213	213
Total revenues	<u>187,500</u>	<u>-</u>	<u>213</u>	<u>213</u>	<u>213</u>
Expenditures:					
Public Safety:					
Construction Costs	2,731,318	-	243,795	243,795	243,795
Total expenditures	<u>2,731,318</u>	<u>-</u>	<u>243,795</u>	<u>243,795</u>	<u>243,795</u>
Revenues over (under) expenditures	<u>(2,543,818)</u>	<u>-</u>	<u>(243,582)</u>	<u>(243,582)</u>	<u>(243,582)</u>
Other Financing Sources (Uses):					
Debt issued	2,312,500	-	1,062,500	1,062,500	1,062,500
Transfer from General Fund	231,318	-	-	-	-
Total other financing sources (uses)	<u>2,543,818</u>	<u>-</u>	<u>1,062,500</u>	<u>1,062,500</u>	<u>1,062,500</u>
Net change in fund balance	\$ -	\$ -	818,918	\$ 818,918	\$ 818,918
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30				\$ <u>818,918</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, 2011

		Actual			
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 475,000	\$ -	\$ 338,000	\$ 338,000	\$ (137,000)
Total revenues	<u>475,000</u>	<u>-</u>	<u>338,000</u>	<u>338,000</u>	<u>(137,000)</u>
Expenditures:					
Community Development:					
Construction costs	<u>545,000</u>	<u>20,123</u>	<u>271,521</u>	<u>291,644</u>	<u>253,356</u>
Total expenditures	<u>545,000</u>	<u>20,123</u>	<u>271,521</u>	<u>291,644</u>	<u>253,356</u>
Revenues over (under) expenditures	<u>(70,000)</u>	<u>(20,123)</u>	<u>66,479</u>	<u>46,356</u>	<u>116,356</u>
Other Financing Sources (Uses):					
Transfer from General Fund	20,000	20,000	-	20,000	-
Transfer from Electric Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 49,877</u>	<u>66,479</u>	<u>\$ 116,356</u>	<u>\$ 116,356</u>
Fund Balance:					
Beginning of year - July 1				<u>49,877</u>	
End of year - June 30				<u>\$ 116,356</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - HERITAGE STREET IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Project Authorization	Prior Years	Current Years	Actual Total to Date
Revenue:				
State grants	\$ 200,000	\$ -	\$ 160,000	\$ 160,000
Miscellaneous revenue	500	-	-	-
Total revenues	<u>200,500</u>	<u>-</u>	<u>160,000</u>	<u>160,000</u>
Expenditures:				
Community Development:				
Construction Costs	235,500	-	220,957	220,957
Total expenditures	<u>235,500</u>	<u>-</u>	<u>220,957</u>	<u>220,957</u>
Revenues over (under) expenditures	(35,000)	-	(60,957)	(60,957)
Other Financing Sources (Uses):				
Transfer from General Fund	35,000	-	35,000	35,000
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Net change in fund balance	\$ -	\$ -	(25,957)	\$ (25,957)
Fund Balance:				
Beginning of year - July 1				<u>-</u>
End of year - June 30				\$ <u>(25,957)</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, 2011

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

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CWMTF FLOOD BUY-OUT II CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

		Actual			
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 125,343	\$ -	\$ -	\$ -	\$ (125,343)
Total revenues	<u>125,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,343)</u>
Expenditures:					
Parks and Recreation:					
Professional Services	186,434	-	34,673	34,673	151,761
Total expenditures	<u>186,434</u>	<u>-</u>	<u>34,673</u>	<u>34,673</u>	<u>151,761</u>
Revenues over (under) expenditures	<u>(61,091)</u>	<u>-</u>	<u>(34,673)</u>	<u>(34,673)</u>	<u>26,418</u>
Other Financing Sources (Uses):					
Transfers in	61,091	-	26,418	26,418	(34,673)
Total other financing sources (uses)	<u>61,091</u>	<u>-</u>	<u>26,418</u>	<u>26,418</u>	<u>(34,673)</u>
Net change in fund balance	\$ -	\$ -	(8,255)	\$ (8,255)	\$ (8,255)
Fund Balance:					
Beginning of year - July 1					-
End of year - June 30				\$ (8,255)	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - ENERGY EFFICIENCY BUILDING IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Actual				
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 88,626	\$ -	\$ 7,981	\$ 7,981	\$ (80,645)
Total revenues	<u>88,626</u>	<u>-</u>	<u>7,981</u>	<u>7,981</u>	<u>(80,645)</u>
Expenditures:					
Community Development:					
Construction - building improvements	<u>88,626</u>	<u>-</u>	<u>8,738</u>	<u>8,738</u>	<u>79,888</u>
Total expenditures	<u>88,626</u>	<u>-</u>	<u>8,738</u>	<u>8,738</u>	<u>79,888</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(757)</u>	<u>\$ (757)</u>	<u>\$ (757)</u>
Fund Balance:					
Beginning of year - July 1					<u>-</u>
End of year - June 30				<u>\$ (757)</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CDBG -ABBY GARDENS FUNDING PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Actual				
	Project Authorization	Prior Years	Current Years	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 250,000	\$ -	\$ 14,000	\$ 14,000	\$ (236,000)
Total revenues	<u>250,000</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>	<u>(236,000)</u>
Expenditures:					
Community Development:					
Administration	25,000	-	14,000	14,000	11,000
Capital outlay- water and sewer lines	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
Total expenditures	<u>250,000</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>	<u>236,000</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund Balance:					
Beginning of year - July 1					
End of year - June 30					

This page left blank intentionally.

PERMANENT FUND

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

This page left blank intentionally.

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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 183	\$ 183
Contributions	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total revenues	<u>75,000</u>	<u>183</u>	<u>(74,817)</u>
Revenues over (under) expenditures	<u>75,000</u>	<u>183</u>	<u>74,817</u>
Other Financing Sources (Uses):			
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>183</u>	<u>\$ 183</u>
Fund Balance:			
Beginning of year - July 1		<u>83,390</u>	
End of year - June 30		<u>\$ 83,573</u>	

This page left blank intentionally.

ELECTRIC FUND

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

This page left blank intentionally.

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010	
	Budget	Actual			Actual
Operating Revenues:					
Charges for services, electricity sales	\$ 54,947,890	\$ 54,677,596	\$ (270,294)	\$ 54,882,744	
Other	670,200	625,376	(44,824)	477,546	
Total operating revenues	<u>55,618,090</u>	<u>55,302,972</u>	<u>(315,118)</u>	<u>55,360,290</u>	
Non-Operating Revenues:					
Interest earned on investments	17,000	12,561	(4,439)	4,319	
Total non-operating revenues	<u>17,000</u>	<u>12,561</u>	<u>(4,439)</u>	<u>4,319</u>	
Total revenues	<u>55,635,090</u>	<u>55,315,533</u>	<u>(319,557)</u>	<u>55,364,609</u>	
Expenditures:					
Electric Operations:					
Salaries and benefits	1,317,000	1,246,622	70,378	1,207,127	
Operating	1,718,151	1,456,818	261,333	1,554,147	
Purchased power	48,544,200	48,023,076	521,124	47,448,281	
Indirect costs	1,355,300	1,342,500	12,800	1,282,453	
Capital outlay	<u>519,667</u>	<u>281,664</u>	<u>238,003</u>	<u>319,515</u>	
Total	<u>53,454,318</u>	<u>52,350,680</u>	<u>1,103,638</u>	<u>51,811,523</u>	
Debt Service:					
Principal retirement	775,500	773,953	1,547	510,915	
Interest and other charges	339,450	329,842	9,608	238,611	
Total debt service	<u>1,114,950</u>	<u>1,103,795</u>	<u>11,155</u>	<u>749,526</u>	
Contingency	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	
Non-Operating Expenditure:					
Sanderson Farms gas pipeline reimbursement	<u>293,078</u>	<u>293,079</u>	<u>(1)</u>	<u>-</u>	
Total expenditures	<u>54,869,346</u>	<u>53,747,554</u>	<u>1,121,792</u>	<u>52,561,049</u>	
Revenues over (under) expenditures	<u>765,744</u>	<u>1,567,979</u>	<u>802,235</u>	<u>2,803,560</u>	
Other Financing Sources (Uses):					
Appropriated fund balance	334,279	-	(334,279)	-	
Debt issued	350,793	-	(350,793)	468,495	
Transfers in	144,575	44,575	(100,000)	3,000	
Transfers out - Capital Reserve Fund	(556,000)	(556,000)	-	(556,000)	
Transfers out	(1,039,391)	(825,100)	214,291	(868,479)	
Total other financing sources (uses)	<u>(765,744)</u>	<u>(1,336,525)</u>	<u>(570,781)</u>	<u>(952,984)</u>	

CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010	
	Budget	Actual		Actual	
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 231,454	\$ 231,454	\$ 1,850,576	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses	\$	231,454		\$	1,850,576
Transfers in - project		-			21,000
Transfers out - capital reserve		(41,575)			(21,000)
Transfers in - capital reserve		556,000			556,000
Capital outlay		150,571			301,225
Debt issued		-			(468,495)
Payment of debt principal		773,953			510,914
Depreciation		(893,199)			(884,152)
Non-capitalized expenditures from capital project funds		(97,610)			(250,458)
Interest expense - project		-			(102,322)
Bad debt expense		(121,540)			(379,765)
Capital contributions		150,000			1,311,358
Investment earnings from capital project funds		2,904			1,883
Change in accrued compensated absences		(4,710)			4,408
Loss on the disposal of capital asset		(80,605)			-
Decrease in accrued interest payable		6,991			3,641
Change in net assets	\$	632,634		\$	2,454,813

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, 2011

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 4,559,277	\$ 3,263,857	\$ -	\$ 3,263,857	\$ (1,295,420)
Dopaco project contribution	500,000	-	150,000	150,000	(350,000)
Interest earned on investments	14,500	15,863	2,904	18,767	4,267
Total revenues	<u>5,073,777</u>	<u>3,279,720</u>	<u>152,904</u>	<u>3,432,624</u>	<u>(1,641,153)</u>
Expenditures:					
Caswell Center upgrades	5,259,095	2,857,434	-	2,857,434	2,401,661
West Industrial Park Substation Project	3,345,035	2,509,612	138,016	2,647,628	697,407
Lenox China generator Project	466,500	404,606	791	405,397	61,103
Felix Harvey Parkway Extension Project	205,800	80,605	-	80,605	125,195
Spirit Aerosystem Rail Spur Project	246,408	-	97,609	97,609	148,799
EEBGP Transportation Grant	499,500	-	4,003	4,003	495,497
Dopaco Inc. Generator Project	1,000,000	-	-	-	1,000,000
Total	<u>11,022,338</u>	<u>5,852,257</u>	<u>240,419</u>	<u>6,092,676</u>	<u>4,929,662</u>
Debt Service:					
Principal retirement	311,000	310,951	-	310,951	49
Interest and other charges	<u>190,000</u>	<u>189,949</u>	<u>-</u>	<u>189,949</u>	<u>51</u>
Total debt service	<u>501,000</u>	<u>500,900</u>	<u>-</u>	<u>500,900</u>	<u>100</u>
Total expenditures	11,523,338	6,353,157	240,419	6,593,576	4,929,762
Revenue over (under) expenditures	<u>(6,449,561)</u>	<u>(3,073,437)</u>	<u>(87,515)</u>	<u>(3,160,952)</u>	<u>3,288,609</u>
Other Financing Sources (Uses):					
Debt issued	5,480,526	2,950,000	-	2,950,000	(2,530,526)
Transfers in	969,035	969,035	-	969,035	-
Total other financing sources (uses)	<u>6,449,561</u>	<u>3,919,035</u>	<u>-</u>	<u>3,919,035</u>	<u>(2,530,526)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 845,598</u>	<u>\$ (87,515)</u>	<u>\$ 758,083</u>	<u>\$ 758,083</u>

CITY OF KINSTON, NORTH CAROLINA

ELECTRIC CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Interest earned on investments	\$ _____ -	\$ 718	\$ _____ -	\$ 718	\$ 718
Total revenues	_____ -	718	_____ -	718	718
Other Financing Sources (Uses):					
Appropriated fund balance	322,035	-	-	-	(322,035)
Transfers in	1,386,303	1,942,303	556,000	2,498,303	1,112,000
Transfers out	(1,708,338)	(969,035)	(41,575)	(1,010,610)	697,728
Total other financing sources (uses)	_____ -	973,268	514,425	1,487,693	1,487,693
Revenues and other financing sources over (under) expenditures and other financing uses	\$ _____ -	\$ 973,986	\$ 514,425	\$ 1,488,411	\$ 1,488,411

WATER FUND

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

This page left blank intentionally.

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Water sales	\$ 6,650,400	\$ 6,042,082	\$ (608,318)	\$ 5,261,469
Other	132,000	188,419	56,419	155,861
Total operating revenues	<u>6,782,400</u>	<u>6,230,501</u>	<u>(551,899)</u>	<u>5,417,330</u>
Non-Operating Revenues:				
Interest earned on investments	7,600	3,689	(3,911)	1,804
Total non-operating revenues	<u>7,600</u>	<u>3,689</u>	<u>(3,911)</u>	<u>1,804</u>
Total revenues	<u>6,790,000</u>	<u>6,234,190</u>	<u>(555,810)</u>	<u>5,419,134</u>
Expenditures:				
Water Production:				
Salaries and benefits	346,800	345,411	1,389	324,124
Operating	381,950	310,696	71,254	406,309
Repairs and maintenance	64,750	46,531	18,219	31,040
Capital outlay	34,354	33,331	1,023	1,369
Indirect costs	172,100	133,700	38,400	170,803
Total water production	<u>999,954</u>	<u>869,669</u>	<u>130,285</u>	<u>933,645</u>
Water Operations:				
Salaries and benefits	1,063,300	1,057,267	6,033	1,016,728
Operating	511,540	571,150	(59,610)	582,944
Repairs and maintenance	65,000	41,859	23,141	60,007
Capital outlay	193,323	181,986	11,337	73,375
Indirect costs	172,100	133,700	38,400	170,804
Total water operations	<u>2,005,263</u>	<u>1,985,962</u>	<u>19,301</u>	<u>1,903,858</u>
Water Operations:				
Purchased water	<u>3,743,400</u>	<u>3,743,400</u>	<u>-</u>	<u>3,743,400</u>
Debt Service:				
Principal retirement	236,650	238,304	(1,654)	197,288
Interest and other charges	89,000	87,307	1,693	88,058
Total debt service	<u>325,650</u>	<u>325,611</u>	<u>39</u>	<u>285,346</u>
Non-Operating Expenditure:				
DOT Municipal Participation Reimbursement	35,530	35,530	-	35,530
Sanderson Farms gas pipeline reimbursement	293,078	293,079	(1)	-
Total non-operating expenditure	<u>328,608</u>	<u>328,609</u>	<u>(1)</u>	<u>35,530</u>
Total expenditures	<u>7,402,875</u>	<u>7,253,251</u>	<u>149,624</u>	<u>6,901,779</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(612,875)	(1,019,061)	(406,186)	(1,482,645)
Other Financing Sources (Uses):				
Long-term debt issued	70,000	-	(70,000)	187,000
Appropriated fund balance	556,757	-	(556,757)	-
Transfers from:				
Other funds	28,500	28,500	-	233,528
Capital reserve	1,918	-	(1,918)	828,824
Transfers to:				
Other funds	(44,300)	(44,300)	-	(62,041)
Total other financing sources (uses)	612,875	(15,800)	(628,675)	1,187,311
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (1,034,861)	\$ (1,034,861)	\$ (295,334)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,034,861)		\$ (295,334)	
Transfers - Capital Reserve Fund		-		(828,824)
Transfer in	700,081			-
Capital outlay	190,091			72,004
Capital contributions	15,029			16,025
Payment of debt principal	238,304			197,288
Debt issued	-			(187,000)
Depreciation	(494,731)			(478,667)
Repairs and maintenance expense from capital project fund	-			(100,000)
Bad debt expense	(40,922)			(35,398)
Change in accrued compensated	(2,279)			(3,608)
Change in accrued interest payable	1,886			591
Change in long-term payable - DOT reimbursement	35,530			(71,060)
Change in net assets	\$ (391,872)		\$ (1,713,983)	

WASTEWATER FUND

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

This page left blank intentionally.

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, 2011

	Project Authorization	Actual			
		Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Other:					
Contribution from Lenoir County					
	\$ 75,000	\$ 46,025	\$ 15,029	\$ 61,054	\$ (13,946)
Expenditures:					
Stormwater Construction	1,000,000	1,000,000	-	1,000,000	-
Revenue over (under) expenditures	(925,000)	(953,975)	15,029	(938,946)	(13,946)
Other Financing Sources (Uses):					
Transfers in	3,918,130	4,565,134	-	4,565,134	647,004
Transfers out	(2,993,130)	(3,611,179)	-	(3,611,179)	(618,049)
Total other financing sources (uses)	925,000	953,955	-	953,955	28,955
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (20)	\$ 15,029	\$ 15,009	\$ 15,009

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Sewer sales	\$ 5,085,700	\$ 4,857,470	\$ (228,230)	\$ 4,466,760
Other	33,200	2,507	(30,693)	20,381
Total operating revenues	<u>5,118,900</u>	<u>4,859,977</u>	<u>(258,923)</u>	<u>4,487,141</u>
Non-Operating Revenues:				
Interest earned on investments	1,500	19,073	17,573	1,488
Total non-operating revenues	<u>1,500</u>	<u>19,073</u>	<u>17,573</u>	<u>1,488</u>
Total revenues	<u>5,120,400</u>	<u>4,879,050</u>	<u>(241,350)</u>	<u>4,488,629</u>
Expenditures:				
Wastewater Plant Operations:				
Salaries and benefits	735,400	746,925	(11,525)	636,719
Operating	659,600	579,481	80,119	556,384
Repairs and maintenance	47,500	32,789	14,711	45,347
Indirect costs	1,633,000	1,530,600	102,400	1,431,343
Capital outlay	-	-	-	900
Total wastewater plant operations	<u>3,075,500</u>	<u>2,889,795</u>	<u>185,705</u>	<u>2,670,693</u>
Debt Service:				
Principal retirements	1,294,700	1,209,469	85,231	1,310,486
Interest and other charges	443,300	443,865	(565)	453,746
Total debt service	<u>1,738,000</u>	<u>1,653,334</u>	<u>84,666</u>	<u>1,764,232</u>
Non-Operating Expenditure:				
Sanderson Farms gas pipeline reimbursement	293,078	293,079	(1)	-
Total expenditures	<u>5,106,578</u>	<u>4,836,208</u>	<u>270,370</u>	<u>4,434,925</u>
Revenues over (under) expenditures	<u>13,822</u>	<u>42,842</u>	<u>(511,720)</u>	<u>53,704</u>
Other Financing Sources (Uses):				
Appropriated fund balance	293,078	-	-	-
Long-term debt issued	30,000	-	-	7,500
Transfers in - other funds	-	54,113	54,113	76,387
Transfers out	(336,900)	(7,800)	329,100	(3,559)
Total other financing sources (uses)	<u>(13,822)</u>	<u>46,313</u>	<u>383,213</u>	<u>80,328</u>

CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010	
	Budget	Actual			Actual
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 89,155	\$ 89,155	\$ 134,032	
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:					
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 89,155		\$ 134,032	
Transfers out - capital projects			-		(205,028)
Debt issued			-		(7,500)
Payment of debt principal		1,209,469			1,310,486
Depreciation		(2,252,046)			(2,197,884)
Capital contributions		1,415,881			2,723,933
Transfers in - capital projects			-		43,104
Transfer to/from project		(54,113)			(76,387)
Transfer-out of capital asset		(700,081)			-
Non-capitalizable expense from capital project fund		(2,229)			-
Change in accrued compensated absences		(3,836)			(1,858)
Change in accrued interest payable		5,386			9,655
Bad debt expense		(33,582)			(27,172)
Change in net assets	\$ (325,996)			\$ 1,705,381	

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, 2011

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 5,427,216	\$ 3,254,019	\$ 841,881	\$ 4,095,900	\$ (1,331,316)
Local funds	-	32,462	-	32,462	32,462
Investment earnings	-	131,308	-	131,308	131,308
Other revenue	<u>574,000</u>	<u>-</u>	<u>574,000</u>	<u>574,000</u>	<u>-</u>
Total revenues	<u>6,001,216</u>	<u>3,417,789</u>	<u>1,415,881</u>	<u>4,833,670</u>	<u>(1,167,546)</u>
Expenditures:					
Water Reuse Capital Project	1,490,021	1,490,022	-	1,490,022	(1)
East Vernon Ave Sewer Rehab Project	665,370	665,370	-	665,370	-
Briery Run Phase III Sewer Project	621,285	549,372	71,913	621,285	-
Spirit Aero Utilities Project	736,568	502,236	181,594	683,830	52,738
Sanderson Farms Utilities Project	1,094,150	740,102	317,031	1,057,133	37,017
College Street Sewer Rehabilitation Project	1,645,200	267,632	332,775	600,407	1,044,793
Pollock Street Sewer Rehabilitation Project	<u>625,000</u>	<u>-</u>	<u>315,912</u>	<u>315,912</u>	<u>309,088</u>
Total expenditures	<u>6,877,594</u>	<u>4,214,734</u>	<u>1,219,225</u>	<u>5,433,959</u>	<u>1,443,635</u>
Revenue over (under) expenditures	<u>(876,378)</u>	<u>(796,945)</u>	<u>196,656</u>	<u>(600,289)</u>	<u>276,089</u>
Other Financing Sources (Uses):					
Debt issued	897,228	772,228	-	772,228	(125,000)
Transfers in	314,678	613,976	-	613,976	299,298
Transfers out	<u>(335,528)</u>	<u>(281,415)</u>	<u>(54,113)</u>	<u>(335,528)</u>	<u>-</u>
Total other financing sources (uses)	<u>876,378</u>	<u>1,104,789</u>	<u>(54,113)</u>	<u>1,050,676</u>	<u>174,298</u>
Revenues and other financing sources over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 307,844</u>	<u>\$ 142,543</u>	<u>\$ 450,387</u>	<u>\$ 450,387</u>

As of June 30, 2011, \$700,081 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, 2011

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

This page left blank intentionally.

NONMAJOR ENTERPRISE FUND

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

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

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Environmental Services Fund	Stormwater Fund	Total
Assets:			
Cash and investments	\$ 466,789	\$ 603,628	\$ 1,070,417
Accounts receivable	351,269	109,871	461,140
Capital assets:			
Equipment	2,855,037	282,080	3,137,117
Accumulated depreciation	(2,726,066)	(130,791)	(2,856,857)
Total assets	<u>947,029</u>	<u>864,788</u>	<u>1,811,817</u>
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	96,823	6,738	103,561
Current portion of installment notes	138,691	43,810	182,501
Current portion of compensated absences	14,213	2,998	17,211
Total current liabilities	<u>249,727</u>	<u>53,546</u>	<u>303,273</u>
Non-current liabilities:			
Non-current portion of installment notes	27,327	31,770	59,097
Non-current portion of compensated absences	42,639	8,994	51,633
Total non-current liabilities	<u>69,966</u>	<u>40,764</u>	<u>110,730</u>
Total liabilities	<u>319,693</u>	<u>94,310</u>	<u>414,003</u>
Net Assets:			
Invested in capital assets, net of related debt	(37,047)	75,709	38,662
Unrestricted (deficit)	<u>664,383</u>	<u>694,769</u>	<u>1,359,152</u>
Total net assets	<u>\$ 627,336</u>	<u>\$ 770,478</u>	<u>\$ 1,397,814</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, 2011

	Environmental Services Fund	Stormwater Fund	Total
Operating Revenues:			
Charges for services	\$ 3,036,767	\$ 898,697	\$ 3,935,464
Other operating income	21,091	15,864	36,955
Total operating revenues	<u>3,057,858</u>	<u>914,561</u>	<u>3,972,419</u>
Operating Expenses:			
Operations	2,645,498	567,397	3,212,895
Depreciation	115,920	53,819	169,739
Total operating expenses	<u>2,761,418</u>	<u>621,216</u>	<u>3,382,634</u>
Operating income (loss)	<u>296,440</u>	<u>293,345</u>	<u>589,785</u>
Non-Operating Revenues (Expenses):			
Interest earned on investments	897	1,761	2,658
Interest on long-term debt	(7,637)	(3,384)	(11,021)
Total non-operating revenues (expenses)	<u>(6,740)</u>	<u>(1,623)</u>	<u>(8,363)</u>
Income (loss) before capital contributions and transfers	289,700	291,722	581,422
Capital Contributions and Transfers:			
Transfers out	(110,400)	(48,000)	(158,400)
Total other financing sources (uses)	<u>(110,400)</u>	<u>(48,000)</u>	<u>(158,400)</u>
Change in net assets	179,300	243,722	423,022
Net Assets:			
Beginning of year - July 1	<u>448,036</u>	<u>526,756</u>	<u>974,792</u>
End of year - June 30	<u>\$ 627,336</u>	<u>\$ 770,478</u>	<u>\$ 1,397,814</u>

CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	Environmental Services Fund	Stormwater Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 3,086,045	\$ 919,835	\$ 4,005,880
Cash paid to suppliers for goods and services	(1,685,378)	(295,710)	(1,981,088)
Cash paid to or on behalf of employees for services	(961,625)	(280,020)	(1,241,645)
Net cash provided (used) by operating activities	<u>439,042</u>	<u>344,105</u>	<u>783,147</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers to other funds	<u>(110,400)</u>	<u>(48,000)</u>	<u>(158,400)</u>
Net cash provided (used) by non-capital financing activities	<u>(110,400)</u>	<u>(48,000)</u>	<u>(158,400)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(96,365)	(96,365)
Principal paid on general obligation bond maturities and equipment contracts	(171,990)	(43,810)	(215,800)
Interest paid on bonded indebtedness and equipment contracts	<u>(7,637)</u>	<u>(3,384)</u>	<u>(11,021)</u>
Net cash provided (used) by capital and related financing activities	<u>(179,627)</u>	<u>(143,559)</u>	<u>(323,186)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>897</u>	<u>1,761</u>	<u>2,658</u>
Net cash provided (used) in investing activities	<u>897</u>	<u>1,761</u>	<u>2,658</u>
Net increase (decrease) in cash and cash equivalents/investments	149,912	154,307	304,219
Cash and Cash Equivalents/Investments:			
Beginning of year - July 1	<u>316,877</u>	<u>449,321</u>	<u>766,198</u>
End of year - June 30	<u>\$ 466,789</u>	<u>\$ 603,628</u>	<u>\$ 1,070,417</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Environmental Services Fund	Stormwater Fund	Total
Reconciliation of Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 296,440	\$ 293,345	\$ 589,785
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	115,920	53,819	169,739
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	28,187	5,274	33,461
Increase (decrease) in accounts payable	(8,076)	(6,312)	(14,388)
Increase (decrease) in compensated absences	6,571	(2,021)	4,550
Total adjustments	142,602	50,760	193,362
Net cash provided (used) by operating activities	<u>\$ 439,042</u>	<u>\$ 344,105</u>	<u>\$ 783,147</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 3,062,700	\$ 3,036,767	\$ (25,933)	\$ 3,117,263
Other	20,500	21,091	591	32,655
Total operating revenues	<u>3,083,200</u>	<u>3,057,858</u>	<u>(25,342)</u>	<u>3,149,918</u>
Non-Operating Revenues:				
State Grant	5,000	-	(5,000)	-
Interest earned on investments	100	897	797	171
Total non-operating revenues	<u>5,100</u>	<u>897</u>	<u>(4,203)</u>	<u>171</u>
Total revenues	<u>3,088,300</u>	<u>3,058,755</u>	<u>(29,545)</u>	<u>3,150,089</u>
Expenditures:				
Bulk Leaf Collection:				
Salaries and benefits	5,300	4,562	738	7,182
Operating	<u>23,416</u>	<u>20,513</u>	<u>2,903</u>	<u>16,364</u>
Total leaf collection	<u>28,716</u>	<u>25,075</u>	<u>3,641</u>	<u>23,546</u>
Vector Control:				
Salaries and benefits	23,500	21,536	1,964	26,818
Operating	14,800	11,622	3,178	7,278
Capital outlay	<u>1,000</u>	<u>919</u>	<u>81</u>	<u>-</u>
Total vector control	<u>39,300</u>	<u>34,077</u>	<u>5,223</u>	<u>34,096</u>
Commercial Solid Waste:				
Salaries and benefits	241,600	237,481	4,119	233,008
Operating	535,500	502,739	32,761	462,612
Indirect costs	<u>237,450</u>	<u>237,450</u>	<u>-</u>	<u>240,832</u>
Total commercial solid waste	<u>1,014,550</u>	<u>977,670</u>	<u>36,880</u>	<u>936,452</u>
Residential Solid Waste:				
Salaries and benefits	695,684	689,017	6,667	652,349
Operating	710,300	625,447	84,853	600,783
Capital outlay	160,000	-	160,000	-
Indirect costs	<u>237,450</u>	<u>237,450</u>	<u>-</u>	<u>240,833</u>
Total residential solid waste	<u>1,803,434</u>	<u>1,551,914</u>	<u>251,520</u>	<u>1,493,965</u>
Recycling:				
Salaries and benefits	38,000	37,136	864	34,633
Operating	<u>18,600</u>	<u>6,863</u>	<u>11,737</u>	<u>44,983</u>
Total recycling	<u>56,600</u>	<u>43,999</u>	<u>12,601</u>	<u>79,616</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	172,000	171,990	10	195,331
Interest and other charges	9,100	9,043	57	15,520
Total debt service	181,100	181,033	67	210,851
Contingency	5,300	-	5,300	-
Total expenditures	3,129,000	2,813,768	315,232	2,778,526
Revenues over (under) expenditures	(40,700)	244,987	285,687	371,563
Other Financing Sources (Uses):				
Transfers out	(119,300)	(110,400)	8,900	(51,854)
Long-term debt issued	160,000	-	(160,000)	-
Total other financing sources (uses)	40,700	(110,400)	(151,100)	(51,854)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 134,587	\$ 134,587	\$ 319,709
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 134,587		\$ 319,709	
Payment of debt principal	171,990		195,331	
Depreciation	(115,920)		(183,199)	
Change in accrued compensated absences	(6,571)		(5,080)	
Change in accrued interest payable	1,406		1,619	
Bad debt expense	(6,192)		(13,246)	
Change in net assets	\$ 179,300		\$ 315,134	

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 895,200	\$ 898,697	\$ 3,497	\$ 910,614
Other	16,000	15,864	(136)	17,407
Total operating revenues	911,200	914,561	3,361	928,021
Non-Operating Revenues:				
Interest earned on investments	500	1,761	1,261	391
Total non-operating revenues	500	1,761	1,261	391
Total revenues	911,700	916,322	4,622	928,412
Expenditures:				
Stormwater Operations:				
Salaries and benefits	292,000	277,999	14,001	289,508
Operating	158,300	107,663	50,637	93,186
Capital outlay	142,354	102,121	40,233	83,636
Indirect costs	203,600	178,000	25,600	166,546
Total stormwater operations	796,254	665,783	130,471	632,876
Debt Service:				
Principal retirement	43,850	43,810	40	33,220
Interest and other charges	4,300	3,737	563	3,225
Total debt service	48,150	47,547	603	36,445
Contingency	1,401	-	1,401	-
Total expenditures	845,805	713,330	132,475	669,321
Revenues over (under) expenditures	65,895	202,992	137,097	259,091
Other Financing Sources (Uses):				
Appropriated fund balance	26,454	-	(26,454)	-
Transfers out	(127,349)	(48,000)	79,349	(37,397)
Long-term debt issued	35,000	-	(35,000)	52,950
Total other financing sources (uses)	(65,895)	(48,000)	17,895	15,553
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 154,992	\$ 154,992	\$ 274,644

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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010
	Budget	Actual	Variance Over/Under
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 154,992	\$ 274,644
Debt issued		-	(52,950)
Payment of debt principal		43,810	33,220
Depreciation		(53,819)	(43,781)
Change in accrued compensated absences		2,021	(1,595)
Decrease in accrued interest payable		353	(5)
Capital outlay	<u>96,365</u>		<u>52,950</u>
Change in net assets	<u>\$ 243,722</u>		<u>\$ 262,483</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Assets:					
Cash and investments	\$ 1,131,446	\$ -	\$ -	\$ 1,008,091	\$ 2,139,537
Accounts receivable	1,654	740	94,295	4,263	100,952
Inventory	-	249,513	-	-	249,513
Capital assets:					
Buildings	19,468	-	-	-	19,468
Equipment	-	196,748	-	121,795	318,543
Accumulated depreciation	(8,277)	(191,419)	-	(97,463)	(297,159)
Total assets	<u>1,144,291</u>	<u>255,582</u>	<u>94,295</u>	<u>1,036,686</u>	<u>2,530,854</u>
Liabilities:					
Due to other funds	-	372,725	440,375	-	813,100
Accounts payable and accrued liabilities	286,224	5,802	93,797	27,809	413,632
Accrued compensated absences	15,958	22,980	-	75,427	114,365
Total liabilities	<u>302,182</u>	<u>401,507</u>	<u>534,172</u>	<u>103,236</u>	<u>1,341,097</u>
Net Assets:					
Invested in capital assets, net of related debt	11,191	5,329	-	24,332	40,852
Unrestricted (deficit)	<u>830,918</u>	<u>(151,254)</u>	<u>(439,877)</u>	<u>909,118</u>	<u>1,148,905</u>
Total net assets	<u>\$ 842,109</u>	<u>\$ (145,925)</u>	<u>\$ (439,877)</u>	<u>\$ 933,450</u>	<u>\$ 1,189,757</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, 2011

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Administration Services Fund	Total
Operating Revenues:					
Contributions from various funds	\$ 495,100	\$ 11,018	\$ 648,345	\$ 1,940,099	\$ 3,094,562
Other income	-	10,166	-	217	10,383
Total operating revenues	<u>495,100</u>	<u>21,184</u>	<u>648,345</u>	<u>1,940,316</u>	<u>3,104,945</u>
Operating Expenses:					
Administration	223,892	358,659	-	841,233	1,423,784
Operations	-	-	663,527	962,028	1,625,555
Depreciation	487	5,329	-	13,871	19,687
Claims reimbursement	88,863	-	-	-	88,863
Total operating expenses	<u>313,242</u>	<u>363,988</u>	<u>663,527</u>	<u>1,817,132</u>	<u>3,157,889</u>
Operating income (loss)	<u>181,858</u>	<u>(342,804)</u>	<u>(15,182)</u>	<u>123,184</u>	<u>(52,944)</u>
Non-Operating Revenues (Expenses):					
Interest earned on investments	2,254	-	-	2,119	4,373
Total non-operating revenues (expenses)	<u>2,254</u>	<u>-</u>	<u>-</u>	<u>2,119</u>	<u>4,373</u>
Income (loss) before transfers	<u>184,112</u>	<u>(342,804)</u>	<u>(15,182)</u>	<u>125,303</u>	<u>(48,571)</u>
Other Financing Sources (Uses):					
Transfers in	-	400,200	-	-	400,200
Transfers out	-	-	-	(6,900)	(6,900)
Total other financing sources (uses)	<u>-</u>	<u>400,200</u>	<u>-</u>	<u>(6,900)</u>	<u>393,300</u>
Change in net assets	<u>184,112</u>	<u>57,396</u>	<u>(15,182)</u>	<u>118,403</u>	<u>344,729</u>
Net Assets:					
Beginning of year - July 1	<u>657,997</u>	<u>(203,321)</u>	<u>(424,695)</u>	<u>815,047</u>	<u>845,028</u>
End of year - June 30	<u>\$ 842,109</u>	<u>\$ (145,925)</u>	<u>\$ (439,877)</u>	<u>\$ 933,450</u>	<u>\$ 1,189,757</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Administration Services Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 495,488	\$ 21,046	\$ 638,878	\$ 1,940,729	\$ 3,096,141
Cash paid to suppliers for goods and services	(174,759)	(48,271)	(615,024)	(463,794)	(1,301,848)
Cash paid to or on-behalf-of employees for services	(119,723)	(329,046)	-	(1,387,413)	(1,836,182)
Net cash provided (used) for operating activities	<u>201,006</u>	<u>(356,271)</u>	<u>23,854</u>	<u>89,522</u>	<u>(41,889)</u>
Cash Flows from Non-Capital Financing Activities:					
Transfers from other funds	-	400,200	-	-	400,200
Transfers to other funds	-	-	-	(6,900)	(6,900)
Advances from other funds	-	(43,929)	(23,854)	-	(67,783)
Net cash provided (used) by non-capital financing activities	-	<u>356,271</u>	<u>(23,854)</u>	<u>(6,900)</u>	<u>325,517</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	-	-	-	(20,321)	(20,321)
Net cash provided (used) by capital and related financing activities	-	-	-	(20,321)	(20,321)
Cash Flows from Investing Activities:					
Interest on investments	<u>2,254</u>	-	-	<u>2,117</u>	<u>4,371</u>
Net cash provided (used) in investing activities	<u>2,254</u>	-	-	<u>2,117</u>	<u>4,371</u>
Net increase (decrease) in cash and cash equivalents/investments	203,260	-	-	64,418	267,678
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	<u>928,186</u>	-	-	<u>943,673</u>	<u>1,871,859</u>
End of year - June 30	<u>\$ 1,131,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,008,091</u>	<u>\$ 2,139,537</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 181,858	\$ (342,804)	\$ (15,182)	\$ 123,184	\$ (52,944)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487	5,329	-	13,871	19,687
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	388	(138)	(9,467)	413	(8,804)
(Increase) decrease in inventories	-	(8,593)	-	-	(8,593)
Increase (decrease) in accounts payable	16,253	(10,345)	48,503	(50,351)	4,060
Increase (decrease) in accrued compensated absences	2,020	280	-	2,405	4,705
Total adjustments	<u>19,148</u>	<u>(13,467)</u>	<u>39,036</u>	<u>(33,662)</u>	<u>11,055</u>
Net cash provided (used) by operating activities	<u>\$ 201,006</u>	<u>\$ (356,271)</u>	<u>\$ 23,854</u>	<u>\$ 89,522</u>	<u>\$ (41,889)</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 495,100	\$ 495,100	\$ -	\$ 532,700
Insurance proceeds	-	-	-	680
Total operating revenues	<u>495,100</u>	<u>495,100</u>	<u>-</u>	<u>533,380</u>
Operating Expenditures:				
Administration:				
Salaries and benefits	138,750	121,743	17,007	131,948
Operating	125,145	100,129	25,016	112,338
Claims reimbursements, operating	<u>230,405</u>	<u>88,863</u>	<u>141,542</u>	<u>208,035</u>
Total operating expenditures	<u>494,300</u>	<u>310,735</u>	<u>183,565</u>	<u>452,321</u>
Operating income (loss)	<u>800</u>	<u>184,365</u>	<u>183,565</u>	<u>81,059</u>
Non-Operating Revenues (Expenditures):				
Investment earnings	-	2,254	2,254	1,198
Contingency	<u>(800)</u>	<u>-</u>	<u>800</u>	<u>-</u>
Total non-operating revenues (expenditures)	<u>(800)</u>	<u>2,254</u>	<u>3,054</u>	<u>1,198</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>186,619</u>	<u>\$ 186,619</u>	<u>82,257</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling Items:				
Change in accrued vacation pay		(2,020)		(3,866)
Depreciation		<u>(487)</u>		<u>(487)</u>
Change in net assets		<u>\$ 184,112</u>		<u>\$ 77,904</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010	
	Financial Plan	Actual	Variance Over/Under	Actual
Revenues:				
Contributions	\$ 48,701	\$ 11,018	\$ (37,683)	40,662
Other	-	10,166	10,166	2,166
Total revenues	<u>48,701</u>	<u>21,184</u>	<u>(27,517)</u>	<u>42,828</u>
Expenditures:				
Administration:				
Salaries and benefits	404,301	329,326	74,975	347,016
Operating	34,700	23,934	10,766	29,149
Capital outlay	7,500	5,119	2,381	4,529
Contingency	2,400	-	2,400	-
Total expenditures	<u>448,901</u>	<u>358,379</u>	<u>90,522</u>	<u>380,694</u>
Revenues over (under) expenditures	<u>(400,200)</u>	<u>(337,195)</u>	<u>63,005</u>	<u>(337,866)</u>
Other Financing Sources (Uses):				
Transfers in	400,200	400,200	-	177,270
Total other financing sources (uses)	<u>400,200</u>	<u>400,200</u>	<u>-</u>	<u>177,270</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>63,005</u>	<u>\$ 63,005</u>	<u>(160,596)</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling Items:				
Transfer-in of capital assets		-		2,266
Change in accrued vacation pay	(280)			5,575
Depreciation	<u>(5,329)</u>			<u>(5,329)</u>
Change in net assets	<u>\$ 57,396</u>			<u>\$ (158,084)</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010	
	Financial Plan	Actual	Variance Over/Under	Actual
Revenues:				
Contributions from other funds	\$ 850,000	\$ 648,345	\$ (201,655)	\$ 445,916
Other	425,000	-	(425,000)	-
Total revenues	<u>1,275,000</u>	<u>648,345</u>	<u>(626,655)</u>	<u>445,916</u>
Expenditures:				
Fuel purchased	850,000	647,254	202,746	440,052
Fleet maintenance inventory	425,000	16,273	408,727	6,012
Total expenditures	<u>1,275,000</u>	<u>663,527</u>	<u>611,473</u>	<u>446,064</u>
Change in net assets	<u>\$ -</u>	<u>\$ (15,182)</u>	<u>\$ (15,182)</u>	<u>\$ (148)</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Change in net assets		<u>\$ (15,182)</u>		<u>\$ (148)</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 1,940,100	\$ 1,940,099	\$ (1)	\$ 1,909,307
Other	-	217	217	2,835
Total operating revenues	<u>1,940,100</u>	<u>1,940,316</u>	<u>216</u>	<u>1,912,142</u>
Operating Expenditures:				
Administration:				
Salaries and benefits	574,000	564,032	9,968	532,091
Operating	85,000	57,475	27,525	63,745
Capital outlay	800	721	79	1,809
Indirect charges	216,600	216,600	-	212,755
Total administration	<u>876,400</u>	<u>838,828</u>	<u>37,572</u>	<u>810,400</u>
Operations:				
Salaries and benefits	868,800	825,786	43,014	809,242
Operating	161,600	136,242	25,358	143,454
Capital outlay	25,000	20,321	4,679	24,355
Total operations	<u>1,055,400</u>	<u>982,349</u>	<u>73,051</u>	<u>977,051</u>
Contingency	4,400	-	4,400	-
Total operating expenditures	<u>1,936,200</u>	<u>1,821,177</u>	<u>115,023</u>	<u>1,787,451</u>
Operating income (loss)	<u>3,900</u>	<u>119,139</u>	<u>115,239</u>	<u>124,691</u>
Non-Operating Revenues (Expenditures):				
Investment earnings	-	2,119	2,119	1,236
Total non-operating revenues (expenditures)	-	2,119	2,119	1,236
Revenues over (under) expenditures	<u>3,900</u>	<u>121,258</u>	<u>117,358</u>	<u>125,927</u>
Other Financing Sources (Uses):				
Transfers out	(3,900)	(6,900)	(3,000)	(10,635)
Total other financing sources (uses)	<u>(3,900)</u>	<u>(6,900)</u>	<u>(3,000)</u>	<u>(10,635)</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, 2011
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		2010	
	Financial Plan	Actual	Variance Over/Under	Actual
Revenue and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	114,358	\$ <u>114,358</u>	115,292
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling Items:				
Transfer-out of capital assets		-		(2,266)
Change in accrued vacation pay		(2,405)		(4,803)
Capital outlay		20,321		-
Depreciation		<u>(13,871)</u>		<u>(9,806)</u>
Change in net assets	\$ <u>118,403</u>		\$ <u>98,417</u>	

OTHER FINANCIAL INFORMATION

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

This page left blank intentionally.

CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 8,764,337	\$ 8,363,449	\$ 400,888
2009-2010	415,143	609	260,362	155,390
2008-2009	150,295	620	56,779	94,136
2007-2008	58,908	271	18,987	40,192
2006-2007	45,641	-	7,941	37,700
2005-2006	30,787	-	4,611	26,176
2004-2005	30,172	-	3,190	26,982
2003-2004	27,461	-	2,449	25,012
2002-2003	23,305	-	2,677	20,628
2001-2002	24,153	-	2,883	21,270
2000-2001	22,115	-	22,115	-
Total	\$ 827,980	\$ 8,765,837	\$ 8,745,443	848,374
Motor vehicle tags receivable				124,482
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(141,840)</u>
Ad valorem taxes receivable, net				
General Fund				<u>\$ 831,016</u>
Reconcilement With Revenues:				
Ad valorem taxes - General Fund				\$ 8,848,020
Less auto fee				(151,690)
Penalties and interest collected				89,380
Add credits and adjustments				<u>(40,267)</u>
Total collections and credits				<u>\$ 8,745,443</u>

CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Total Levy				
	City-Wide		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate			
Original Levy:					
Property taxed at current rate	\$ 1,289,715,758	0.66	\$ 8,512,124	\$ 7,793,520	\$ 718,604
Penalties	-		1,909	1,909	-
Total	<u>1,289,715,758</u>		<u>8,514,033</u>	<u>7,795,429</u>	<u>718,604</u>
Municipal Service:					
District			<u>56,701</u>	<u>56,701</u>	<u>-</u>
Discoveries	<u>33,767,879</u>	0.66	<u>222,868</u>	<u>222,868</u>	<u>-</u>
Abatements	<u>(4,434,091)</u>		<u>(29,265)</u>	<u>(29,003)</u>	<u>(262)</u>
Total property valuation	<u>1,319,049,546</u>				
Net Levy			<u>8,764,337</u>	<u>8,045,995</u>	<u>718,342</u>
Uncollected taxes at June 30, 2011			<u>400,888</u>	<u>255,266</u>	<u>145,622</u>
Current Year's Taxes Collected			<u>\$ 8,363,449</u>	<u>\$ 7,790,729</u>	<u>\$ 572,720</u>
Current Levy Collection Percentage			<u>95.43%</u>	<u>96.83%</u>	<u>79.73%</u>

STATISTICAL SECTION

(Unaudited)

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	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

This page left blank intentionally.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 8,194,255	\$ 7,642,027	\$ 6,747,204	\$ 8,022,946	\$ 10,469,056	\$ 8,832,457	\$ 10,632,852	\$ 10,172,960	\$ 10,135,164
Restricted	289,314	440,884	590,711	619,832	696,026	524,143	501,969	83,390	3,456,960
Unrestricted	5,618,353	4,134,942	4,517,268	3,962,060	3,310,120	4,655,523	4,419,431	4,864,981	2,300,910
Total governmental activities net assets	\$ 14,101,922	\$ 12,217,853	\$ 11,855,183	\$ 12,604,838	\$ 14,475,202	\$ 14,012,123	\$ 15,554,252	\$ 15,121,331	\$ 15,893,034
Business-type activities:									
Invested in capital assets, net of related debt	\$ 43,152,193	\$ 45,059,829	\$ 53,715,106	\$ 73,141,568	\$ 76,322,354	\$ 71,514,802	\$ 78,153,107	\$ 81,162,571	\$ 80,602,330
Unrestricted	3,595,708	5,824,985	9,857,561	10,637,908	12,109,100	17,249,298	10,604,869	10,672,618	11,800,462
Total business-type activities net assets	\$ 46,747,901	\$ 50,884,814	\$ 63,572,667	\$ 83,779,476	\$ 88,431,454	\$ 88,764,100	\$ 88,757,976	\$ 91,835,189	\$ 92,402,792
Primary government:									
Invested in capital assets, net of related debt	\$ 51,346,448	\$ 52,701,856	\$ 60,462,310	\$ 81,164,514	\$ 86,791,410	\$ 80,347,259	\$ 88,785,959	\$ 91,335,531	\$ 90,737,494
Restricted	289,314	440,884	590,711	619,832	696,026	524,143	501,969	83,390	3,456,960
Unrestricted	9,214,061	9,959,927	14,374,829	14,599,968	15,419,220	21,904,821	15,024,300	15,537,599	14,101,372
Total primary government net assets	\$ 60,849,823	\$ 63,102,667	\$ 75,427,850	\$ 96,384,314	\$ 102,906,656	\$ 102,776,223	\$ 104,312,228	\$ 106,956,520	\$ 108,295,826

GASB Statement No. 34 Implemented in Fiscal Year 2003

City of Kinston, North Carolina

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
General government	\$ 1,543,904	\$ 1,917,328	\$ 2,351,252	\$ 1,402,565	\$ 1,983,777	\$ 2,980,089	\$ 2,594,129	\$ 2,873,676	\$ 3,128,980
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	9,328,164
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	1,629,722
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	821,061
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	3,754,041
Interest on long-term debt	183,755	185,904	168,857	177,873	226,828	319,271	119,472	315,202	350,729
Total governmental activities expenses	26,530,642	18,337,528	17,851,352	16,746,753	17,657,595	19,198,596	17,822,055	19,303,925	19,012,697
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	53,797,494
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	7,355,873
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
Total business-type activities expenses	45,236,254	48,514,588	50,998,765	55,064,159	57,887,846	59,809,469	67,778,973	69,133,896	70,434,956
Total primary government expenses	71,766,896	66,852,116	68,850,117	71,810,912	75,545,441	79,008,065	85,601,028	88,437,821	89,447,653
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	398,143
Public safety	N/A	N/A	24,472	20,186	42,046	54,916	24,170	14,147	2,352
Public Services	2,321,232	115,606	15,272	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	1,851,955
Community Development	109,257	100,804	104,942	997,313	866,211	946,615	79,757	228,591	116,422
Operating grants and contributions:									
General government	N/A	N/A	N/A	4,320	N/A	114,215	14,202	-	-
Public safety	206,557	810,392	154,281	167,583	358,551	213,950	187,368	512,067	254,779
Public Services	732,964	659,146	756,882	735,128	703,967	839,612	801,860	764,370	705,617
Culture and recreation	N/A	498,070	N/A	1,167,482	10,274	29,083	-	-	-
Community development	8,503,678	1,461,269	1,189,565	58,763	N/A	-	19,525	-	181,981
Capital grants and contributions, Community Development									
Public Safety		N/A	N/A	N/A	N/A	N/A	N/A	N/A	476,000
Culture and recreation		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	N/A	N/A
Total governmental activities program revenue	14,082,466	4,177,629	3,375,694	3,867,000	2,968,336	3,250,386	3,499,220	3,448,468	3,987,249
Business-type activities:									
Charges for services:									
Electric	39,124,614	39,259,547	39,727,807	44,686,861	46,817,025	48,105,623	53,174,103	55,029,445	55,232,090
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	6,263,894
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	4,002,603
Capital grants and contributions:									
Electric	482	N/A	N/A	N/A	N/A	616,961	1,305,801	1,311,358	150,000
Water	929,775	N/A	8,400	300,000	29,738	15,000	15,000	16,025	15,029
Sewer	N/A	3,954,803	13,446,075	19,123,503	4,237,474	153,653	1,299,839	2,723,933	1,415,881
Nonmajor Funds	N/A	6,353	24,704	N/A	N/A	132,765	-	-	-
Total business-type activities program revenues	47,108,831	53,415,050	64,601,166	75,980,954	63,373,250	61,381,911	68,822,911	73,161,444	71,970,555
Total primary government program revenues	61,191,297	57,592,679	67,976,860	79,847,954	66,341,586	64,632,297	72,322,131	76,609,912	75,957,804
Net (expense) revenue:									
Governmental activities	(12,448,176)	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,259)	(15,948,210)	(14,322,835)	(15,855,457)	(15,025,448)
Business-type activities	1,872,577	4,900,462	13,602,401	20,916,795	5,485,404	1,572,442	1,043,938	4,027,548	1,535,599
Total primary government net expense	(10,575,599)	(9,259,437)	(873,257)	8,037,042	(9,203,855)	(14,375,768)	(13,278,897)	(11,827,909)	(13,489,850)

(Continued)

City of Kinston, North Carolina

Changes In Net Assets (Continued)

Last Nine Fiscal Years

(accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	8,947,351
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	3,026,606
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	2,219,513
Unrestricted intergovernmental	344,373	159,286	426,652	360,586	341,662	341,054	357,346	281,404	349,123
Investment earnings	41,581	26,576	63,365	94,385	200,033	288,941	88,357	8,370	20,107
Miscellaneous	349,200	93,195	63,353	26,264	146,222	286,867	279,008	174,443	223,451
Transfers	955,000	779,964	992,290	990,552	1,329,736	1,509,863	1,024,672	961,627	961,627
Capital contributions	75,234	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total governmental activities	12,499,619	12,275,830	14,112,988	13,629,408	14,558,872	15,485,131	15,421,466	15,422,536	15,747,778
Business-type activities:									
Investment earnings	28,716	16,415	77,742	280,566	496,310	270,067	125,330	11,292	43,004
Transfers	(955,000)	(779,964)	(992,290)	(990,552)	(1,329,736)	(1,509,863)	(1,024,672)	(961,627)	(1,011,000)
Total business-type activities	(926,284)	(763,549)	(914,548)	(709,986)	(833,426)	(1,239,796)	(899,342)	(950,335)	(967,996)
Total primary government	11,573,335	11,512,281	13,198,440	12,919,422	13,725,446	14,245,335	14,522,124	14,472,201	14,779,782
Changes in net assets:									
Governmental activities	51,443	(1,884,069)	(362,670)	749,655	(130,387)	(463,079)	1,098,631	(432,921)	722,330
Business-type activities	946,293	4,136,913	12,687,853	20,206,809	4,651,978	332,646	144,596	3,077,213	567,603
Total primary government	\$ 997,736	\$ 2,252,844	\$ 12,325,183	\$ 20,956,464	\$ 4,521,591	\$ (130,433)	\$ 1,243,227	\$ 2,644,292	\$ 1,289,932

City of Kinston, North Carolina

Program Revenues by Function/Program

Last Nine Fiscal Years*

(*accrual basis of accounting*)

(*Unaudited*)

Function / Program	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
General government	\$ (874,062)	\$ (1,671,993)	\$ (1,996,471)	\$ (955,739)	\$ (1,574,157)	\$ (2,074,383)	\$ (2,058,286)	\$ (2,481,484)	\$ (2,730,837)
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)	(8,595,033)
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)	(924,105)
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)	(1,902,086)
Community development	(378,160)	(1,328,521)	(961,976)	(1,609,014)	(1,534,208)	(1,224,372)	(631,452)	(552,227)	(522,658)
Interest on long-term debt	(183,755)	(185,904)	(168,857)	(177,873)	(226,828)	(319,271)	(119,472)	(315,202)	(350,729)
Total governmental activities	(12,448,176)	(14,159,899)	(14,475,658)	(12,879,753)	(14,689,289)	(15,948,210)	(14,322,835)	(15,855,457)	(15,025,448)
Business-type activities:									
Electric	768,488	920,620	(289,079)	612,800	(612,934)	1,492,054	2,877,207	3,299,456	1,584,596
Water	1,104,089	219,773	341,048	1,287,863	1,656,824	1,682,441	(2,621,086)	(1,908,859)	(1,076,950)
Sewer	Comb w/water	3,752,224	13,615,189	19,091,216	4,584,408	(792,321)	136,090	1,945,893	420,724
Nonmajor Funds	N/A	7,845	(64,757)	(75,084)	(142,894)	(809,732)	651,726	691,059	607,230
Total business-type activities	1,872,577	4,900,462	13,602,401	20,916,795	5,485,404	1,572,442	1,043,937	4,027,549	1,535,600
Total government	\$ (10,575,599)	\$ (9,259,437)	\$ (873,257)	\$ 8,037,042	\$ (9,203,885)	\$ (14,375,768)	\$ (13,278,898)	\$ (11,827,908)	\$ (13,489,848)

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										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
General Fund:											
Reserved	\$ 2,257,743	\$ 1,957,731	\$ 1,778,943	\$ 3,016,132	\$ 2,250,430	\$ 2,595,053	\$ 2,208,633	\$ 1,978,932	\$ 1,461,673	\$ -	
Unreserved:	2,255,854	2,562,359	2,164,023	1,795,829	2,187,832	1,576,019	1,950,108	2,788,823	3,603,720	-	
Non Spendable	-	-	-	-	-	-	-	-	-	89,373	
Restricted	-	-	-	-	-	-	-	-	-	1,503,278	
Committed	-	-	-	-	-	-	-	-	-	-	
Unassigned	-	-	-	-	-	-	-	-	-	4,034,163	
Total General Fund	\$ 4,513,597	\$ 4,520,090	\$ 3,942,966	\$ 4,811,961	\$ 4,438,262	\$ 4,171,072	\$ 4,158,741	\$ 4,767,755	\$ 5,065,393	\$ 5,626,814	
All Other Governmental Funds:											
Reserved	\$ 2,679,480	\$ 3,548,911	\$ 244,764	\$ 182,905	\$ 313,363	\$ 4,168,822	\$ 42,652	\$ 42,112	\$ 41,572	\$ -	
Unreserved, reported in:											
Special revenue funds	(1,858,297)	(2,237,726)	520,709	142,252	(83,522)	102,534	39,795	5,682	22,734	-	
Major Capital projects funds		(506,332)									
Capital projects funds	(1,561,255)	(34,654)		91,317	(176,826)	(665,281)	1,002,639	33,197	(40,971)	-	
Permanent fund	-	-	-	76,824	78,454	80,584	81,694	83,268	83,390	-	
Non Spendable in Permanent Fund	-	-	-	-	-	-	-	-	-	75,000	
Restricted in Capital Project	-	-	-	-	-	-	-	-	-	2,028,365	
Committed in Capital Project	-	-	-	-	-	-	-	-	-	99,058	
Assigned in Special Revenue Fund	-	-	-	-	-	-	-	-	-	7,418	
Unassigned in Capital Project	-	-	-	-	-	-	-	-	-	(104,459)	
Total all other government funds	\$ (740,072)	\$ 770,199	\$ 765,473	\$ 493,298	\$ 131,469	\$ 3,686,659	\$ 1,166,780	\$ 164,259	\$ 106,725	\$ 2,105,382	

City of Kinston, North Carolina

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 6,963,814	\$ 6,870,946	\$ 7,115,953	\$ 7,295,551	\$ 7,453,311	\$ 7,479,685	\$ 7,896,095	\$ 8,608,531	\$ 9,094,918	\$ 8,937,400
Other taxes	3,174,637	3,871,618	4,568,842	4,993,274	4,728,976	5,085,866	4,845,014	5,001,493	4,903,299	5,246,119
Intergovernmental	12,149,628	10,516,843	3,109,756	2,520,599	2,490,910	1,653,077	1,858,669	1,842,598	1,597,248	1,967,500
Charges for services	4,035,122	3,937,476	1,547,926	1,274,966	1,458,756	1,444,584	1,511,054	1,652,192	1,677,717	1,613,184
Other	1,248,001	431,429	205,906	179,280	434,937	546,582	532,669	349,453	178,769	231,138
Total revenues	27,571,202	25,628,312	16,548,383	16,263,670	16,566,890	16,209,794	16,643,501	17,454,267	17,451,951	17,995,341
Expenditures:										
General government	1,106,747	1,379,073	1,884,437	1,820,443	1,888,204	1,960,260	1,649,345	1,888,916	2,170,499	2,170,354
Public safety	7,705,335	7,547,052	8,190,475	8,331,314	8,920,980	9,886,828	11,511,179	9,992,813	9,557,209	10,131,381
Public services	5,570,632	4,317,306	1,621,290	1,836,529	1,834,359	2,134,327	1,915,880	1,347,391	1,636,134	1,350,374
Culture and recreation	2,315,358	2,164,615	2,340,430	2,425,258	2,811,762	3,425,570	3,342,593	3,364,074	3,267,172	3,421,337
Community development	11,603,199	9,642,912	2,787,031	2,179,013	1,968,797	1,263,181	1,333,933	953,254	765,103	1,327,385
Capital outlay	2,188,162	1,302,947	890,775	600	72,114					
Debt service:										
Principal	526,608	854,814	550,208	565,844	775,232	870,910	848,396	5,869,365	704,045	529,865
Interest	131,890	117,630	230,348	171,995	177,916	158,906	324,931	126,173	321,661	312,867
Total expenditures	31,147,931	27,326,349	18,494,994	17,330,996	18,449,364	19,699,982	20,926,257	23,541,986	18,421,823	19,243,563
Excess of revenues (under) expenditures	(3,576,729)	(1,698,037)	(1,946,611)	(1,067,326)	(1,882,474)	(3,490,188)	(4,282,756)	(6,087,719)	(969,872)	(1,248,222)
Other financing sources (uses):										
Transfers in	1,319,735	1,126,767	988,796	1,196,251	1,284,760	1,307,879	1,536,332	1,026,781	958,941	976,448
Transfers out	(364,735)	(171,767)	(529,147)	(547,705)	(524,658)	(197,576)	(249,187)	(318,569)	(176,850)	(365,648)
Issuance of long-term debt	801,140	2,259,799	905,114	1,015,000	314,730	5,667,885	463,401	4,986,000	427,885	3,197,500
Total other financing sources	1,756,140	3,214,799	1,364,763	1,663,546	1,074,832	6,778,188	1,750,546	5,694,212	1,209,976	3,808,300
Net changes in fund balance	\$ (1,820,589)	\$ 1,516,762	\$ (581,848)	\$ 596,220	\$ (807,642)	\$ 3,288,000	\$ (2,532,210)	\$ (393,507)	\$ 240,104	\$ 2,560,078
Debt service as a percentage of noncapital expenditures	2.1%	3.6%	4.2%	4.3%	5.2%	5.2%	5.6%	27.6%	5.7%	4.9%

**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)
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	477,297,804	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	280,977,669	14,943,169	437,012,296	28,513,227	6%	0.1000
2011	472,033,856	137,055,472	287,502,532	25,452,746	450,010,750	22,023,106	5%	0.1000

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Residential	10.3	10.8	10.8	11.0	12.0	12.7	12.7	14.1	14.6	14.7
Small General Service	8.8	9.4	9.4	9.3	10.1	12.5	12.4	14.1	14.6	14.6
Medium General Service	0.0	0.0	0.0	0.0	10.3	10.4	10.3	11.8	12.2	12.3
Public Housing	8.8	9.3	9.4	9.4	10.1	11.7	12.6	13.9	14.4	14.3
Church & School	12.4	13.1	13.1	13.2	14.2	14.9	14.9	16.3	16.9	17.1
Municipal Service	5.0	6.0	6.0	6.0	6.7	4.0	4	5.1	6	6
Masterbrand	5.3	5.3	5.3	5.3	5.3	5.3	5.3*	0	0	0
Large General Service	7.0	7.5	7.2	7.2	7.9	8.6	8.7	10.7	11	10.8
CDC Rate	7.9	4.9	5.0	5.0	5.5	5.9	6	7	7.6	8.2
Area Lights	19.6	20.6	20.7	20.9	22.2	21.5	22	22	22.8	23.4

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 6/30/2011

Name of Taxpayer	Nature of Property	2011			Name of Taxpayer	2002			Percentage of Total Assessed Value
		Assessed Value	Rank	Percentage of Total Assessed Value		Assessed Value	Rank		
The Smithfield Packing Co Inc	Meat Processor	\$78,433,851	1	5.41%	Masterbrand Cabinets Inc.	Manufacturer	\$20,178,221	1	1.74%
Carolina Telephone	Communications	29,592,696	2	2.04%	Kinston Ham Products, Inc	Meat Processor	16,536,793	2	1.42%
Masterbrand Cabinets Inc.	Manufacturer	19,225,098	3	1.33%	Carolina Telephone	Utility	12,203,637	3	1.05%
Poole Walter Realty Inc	Real Estate	16,745,884	4	1.15%	Hampton Industries	Manufacturer	9,279,047	4	0.80%
Sanderson Farms, Inc	Poultry Processor	13,798,357	5	0.95%	VPM, Inc.	Shopping Mall	8,659,303	5	0.75%
Centro NP Holdings SPE LLC	Shopping Mall	12,571,268	6	0.87%	Barnet Southern Corp.	Manufacturer	8,516,277	6	0.73%
Piedmont Natural Gas	Natural Gas	11,818,348	7	0.81%	Excel Realty	Shopping Mall	7,004,207	7	0.60%
Lowes Home Centers Inc	Shopping	10,455,559	8	0.72%	Beuhler Products	Manufacturer	7,000,741	8	0.60%
Perrys Inc	Real Estate	8,055,298	9	0.56%	Perry's Inc.	Real Estate	6,695,657	9	0.58%
Vernon Park Mall Holding Group	Shopping Mall	7,989,097	10	0.55%	Poole Walter Realty	Real Estate	6,107,729	10	0.53%
Total Assessed Valuation of Top Ten Taxpayers		<u>\$208,685,456</u>		14.39%	Total Assessed Valuation of Top Ten Taxpayers		<u>\$102,181,612</u>		8.79%
Balance of Assessed Valuation		<u>\$1,241,865,772</u>		85.61%	Balance of Assessed Valuation		<u>\$1,059,877,364</u>		91.21%
Total Assessed Valuation		<u>\$1,450,551,228</u>		100.00%	Total Assessed Valuation		<u>\$1,162,058,976</u>		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			Total Primary Government	Total Debt Per Capita
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita	Installment Contracts	Notes and Installments	General Obligation Bonds	Revenue Bonds		
2002	0	0	0	0	0	2,581,689	5,251,113	0	12,730,000	20,562,802	868
2003	0	0	0	0	0	3,986,674	5,877,997	0	11,846,000	21,710,671	917
2004	0	0	0	0	0	3,857,418	6,714,017	0	13,466,000	24,037,435	1,034
2005	0	0	0	0	0	4,306,574	6,445,581	0	16,367,067	27,119,222	1,183
2006	0	0	0	0	0	3,846,072	5,721,263	0	15,777,811	25,345,146	1,109
2007	0	0	0	0	0	8,643,047	12,503,265	0	15,168,004	36,314,316	1,581
2008	0	0	0	0	0	8,258,051	12,668,221	0	19,832,648	40,758,920	1,775
2009	0	0	0	0	0	7,241,806	11,113,257	0	15,293,513	33,648,576	1,465
2010	0	0	0	0	0	6,965,646	11,160,112	0	14,339,473	32,465,231	1,472
2011	0	0	0	0	0	9,633,282	9,708,187	0	13,353,874	32,695,343	1,508

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, 2011
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 84,150,100	35.98%	\$ 30,277,206
Subtotal, overlapping debt	\$ 84,150,100		\$ 30,277,206
City Direct Debt	-	100%	-
Total direct and overlapping debt	<u>\$ 84,150,100</u>		<u>\$ 30,277,206</u>

Sources:

Notes:

- (1) Includes general obligation bonds for Enterprise Fund and General Long-Term Debt Account Group.
- (2) Determined by ratio of assessed valuation of property subject to taxation in Lenoir County (\$3,569,278,786).
- (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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 92,964,718	\$ 92,657,120	\$ 92,299,722	\$ 93,609,501	\$ 95,001,119	\$ 96,127,414	\$ 101,946,732	\$ 111,203,551	\$ 106,982,646	105,523,959
Total net debt applicable to limit	<u>2,581,689</u>	3,986,674	3,857,418	4,306,574	3,846,072	8,643,047	20,926,273	18,393,410	18,125,758	19,341,469
Legal debt margin	\$ 90,383,029	\$ 88,670,446	\$ 88,442,304	\$ 89,302,927	\$ 91,155,047	\$ 87,484,367	\$ 81,020,459	\$ 92,810,141	\$ 88,856,888	\$ 86,182,490
Total net debt applicable to the limit as a percentage of debt limit	2.86%	4.50%	4.36%	4.82%	4.22%	9.88%	25.83%	19.82%	20.40%	22.44%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Valuation	1,319,049,489	A= Total Government Wide Debt	34,962,205
8%	105,523,959	Less Revenue Bonds	(13,353,873)
Less applicable debt	<u>(19,341,469)</u> A	Less Comp. Absences	(1,049,318)
Debt margin	86,182,490	Less Law Enforcement Sep.	(1,066,038)
		Less Separation Allowance	(64,344)
		Less Municipal Utility Reimbursement LT Payable	(35,530)
		Less Other Post Employee Benefits	<u>(51,633)</u>
			19,341,469

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 Debt Service		Coverage	Special Assessment Collections	Debt Service		Sales Tax Increment	Debt Service	
				Principal	Interest			Principal	Interest		Principal	Interest
2002	42,461,360	39,216,493	3,244,867	835,000	740,061	2.06	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
2004	49,470,309	45,850,694	3,619,615	353,933	1,217,633	2.30	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
2006	56,838,017	54,526,650	2,311,367	589,256	501,167	2.12	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
2008	57,592,808	52,842,641	4,750,167	1,217,959	699,457	2.48	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
2010	64,894,490	61,103,976	3,790,514	1,368,156	667,936	1.86	0	0	0	0	0	0
2011	66,310,137	61,739,024	4,571,113	1,399,715	621,036	2.26	0	0	0	0	0	0

City of Kinston, North Carolina

Demographic and Economic Statistics

Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30	Population (1)	Per Capita Income (2)	School Enrollment (3)	County Unemployment Rate (4)
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%
2010	21677	(5)	9,039	10.6%
2011	(5)	(5)	9,075	11.2%

Sources:

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

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

City of Kinston, North Carolina

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2011			2002			
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	
Caswell Center	1,450	1	5.93%	Caswell Center	1,750	1	6.98%
Lenoir County Public Schools	1,337	2	5.46%	Lenoir County Public Schools	1,350	2	5.39%
Sanderson Farms	1,300	3	5.31%	Lenoir Memorial Hospital	1,130	3	4.51%
Lenoir Memorial Hospital	1,055	4	4.31%	Dupont	750	4	2.99%
Electrolux Home Products	668	5	2.73%	Electrolux Home Products (Frigidaire Co.)	640	5	2.55%
Masterbrand	600	6	2.45%	Smithfield Packing Co.	527	6	2.10%
Associated Materials, Inc	593	7	2.42%	Lenoir County	490	7	1.96%
Lenoir Community College	500	8	2.04%	Lenoir Community College	470	8	1.88%
Lenoir County	459	9	1.88%	Masterbrand	460	9	1.84%
City of Kinston	366	10	1.50%	City of Kinston	412	10	1.64%
	<u>8,328</u>		<u>34.04%</u>		<u>7,979</u>		<u>31.84%</u>

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										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
General Government:											
Legislative	6	6	6	6	6	6	6	6	6	6	
City Management	3	3	3	3	3	2	3	3	3	4	
City Clerk	1	1	1	1	1	1	1	1	-	1	
Personnel	5	4	4	4	4	3.5	3.5	3.5	1.5	2.5	
Finance	13	13	12	11	11	11	12	12	11	12	
Computer Services	3	3	3	3	3	3	3	3	4	3	
Legal	3	3	2	2							
Building Safety	2	2	2	2	2	2	2	2	2	2	
Planning	3	3	3	3	3	3	3	3	1	2	
Facility Mgmt	5	5	5	5	5	5	5	5	4	4	
Community Development											
Parks and Recreation:											
General & Administrative	8	7	6	6	6	6	6	6	5	5	
SOAR											
Recreation	25	24	24	25	28	28	26	25	24	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	75	75	74	74	74	75	75	77	73	73	
Civilians (a)	12	10	10	10	10	10	9	9	8	8	
Fire:											
Firefighters and Officers	65	57	56	56	55	55	54	54	50	49	
Civilians	2	2	2	2	2	2	2	2	2	2	
Public Works:											
Administration	1	1	1	1	1	1	1	1	1	1	
Street Maintenance	19	17	16	17	18	15	16	12	12	12	
Street Sweeping	1	1	1	1	1	1	1	1	1	1	
Refuse Collection	29	28	30	31	30	26	26	26	25.5	26.5	
Weed Control	2	2	1	1	1	1	1	1	0.5	0.5	
Central Garage	13	11	10	11	10	10	9	10	9	10	
Street Lighting	1	1	1	1	1	1	1	1	1	1	
Traffic Control	2	2	2	2	2	2	2	2	2	2	
Electric:											
Distribution	23	21	23	23	20	21	21	23	23	23	
Billing & Administration	19	19	21	21	19	20	23	23	22	22	
Meter Reading	8	8	8	8	7	6	6	6	7	7	
Water:											
Administration	3	3	3	3	3	3	3	3	3	3	
Transmission	26	18	18	18	20	24	25	25	25	25	
Purification	3	3	2	2	2	3	3	3	3	3	
Lake Bloomington Park											
Sewer Maintenance	16	15	15	15	13	14	13	13	13	13	
Stormwater							1	6	6	6	
Other Programs/Functions:											
Engineering	11	10	9	9	10	10	8	7	7	7	
Risk Management	3	3	3	3	3	2.5	2.5	2.5	2.5	2.5	
Parking											
Cultural District											
Total	412	382	378	381	375	375	375	379	360	366	

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Calls for service	31,624	29,598	29,803	30,610	31,192	35,156	32,213	32,686	33,101	29,767
Adult arrest	3,269	3,039	3,169	2,847	2,945	4,910	3,008	2,755	3,553	2,896
Juvenile arrest	196	167	186	146	172	171	161	122	89	97
Speeding citations only	1,259	1,000	600	1,240	656	863	1,280	392	837	771
Traffic citations	3,821	2,870	2,782	3,453	2,506	5,823	5,677	3,567	4,374	3,584
Fire:										
Total fire runs	119	998	826	704	664	216	870	843	185	764
Total rescue runs	624	691	699	410	143	145	121	151	117	82
Property loss	\$ 552,773	\$ 737,261	\$ 773,719	\$ 433,537	\$ 380,311	\$ 761,793	\$ 642,430	\$ 791,822	\$ 472,680	\$ 2,124,175
Building safety:										
Total building permits	100	147	135	122	121	124	115	98	83	102
Total value all permits	\$ 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	\$ 15,617,899
Library, volumes in collection	120,214	114,729	113,465	115,695	116,474	14,026	99,905	235,108	233,466	245,837
Public service:										
Garbage collected (ton)	22,846	22,989	22,816	22,977	22,685	20,521	19,937	21,254	19,108	17,272
Recycle collected (ton)	820	765	730	695	632	574	836.48	563.21	637.56	655.1
Parks and Recreation:										
Recreation program attendance:										
Athletics	146,000	156,000	155,000	160,000	158,500	163,000	172,000	175,000	202,000	204,500
Centers & Parks	412,000	418,000	421,000	419,000	419,500	421,500	520,000	518,000	520,000	522,000
Other Programs	101,500	106,000	108,000	111,000	114,000	113,000	116,000	122,000	118,000	116,300
Golf Rounds Played	7,500	7,500	7,500	7,500	7,800	7,950	8,200	9,300	9,100	9,000

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	6	6	4	4	4	4	3	3	3	5
Fire & Rescue										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse Collection:										
Collection Trucks	26	25	25	25	25	25	25	25	25	25
Other Public Works										
Streets (Miles)	113.4	114.6	114.7	115.4	113.9	114.91	114.91	114.91	114.91	114.91
Streets Lights	2061	2061	2062	2064	2064	2123	2106	2106	2106	2106
Traffic Signals	N/A	N/A	N/A	N/A	15	15	15	15	15	15
Parks & Recreation:										
Acreage	245	245	245	245	245	300	300	300	300	332
Parks	14	14	14	14	14	15	15	15	15	15
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	16	16	16	17	17	17	26	26	26	26
Soccer/Football Fields	2	2	2	2	2	2	13	13	13	13
Basketball Courts	8	8	6	6	6	6	4	4	4	4
Tennis Courts	17	15	14	16	16	16	17	17	17	17
Swimming pools	3	3	3	2	2	2	2	2	2	2
Parks with Playground Equipment	7	7	8	8	8	8	8	8	8	8
Picnic Shelters	5	5	5	6	8	8	8	8	8	8
Community Centers	5	5	5	5	5	5	5	5	5	6
Museums	2	2	2	2	2	2	2	2	2	2
Stadium	4200 seat									
Airport Theater	300 seat	0	0	0	0	0	0	0	0	0
Indoor Batting Facility	1	1	1	1	1	1	1	1	1	1
Natural Sites	4	4	4	4	4	4	5	5	5	5
Gymnasium	3	3	4	4	4	4	4	4	4	5
Spray Ground	0	0	0	0	0	1	1	1	1	1
Dog Park	0	0	0	0	0	0	1	1	1	1
Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	120,214	114,729	113,465	115,695	116,474	14,026	99,905	235,108	233,466	245,837
Water:										
Storage Capacity (MGPD)	4.25 MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD					
Average Daily Consumption (MGPD)	4.46 MGD	4.09 MGD	3.49 MGD	3.71 MGD	3.80 MGD	3.63 MGD	3.49MGD	2.94MGD	2.85MGD	3.41MGD
Peak Consumption (MGPD)	6.69 MGD	6.14 MGD	5.24 MGD	5.57 MGD	5.70 MGD	5.45 MGD	5.24MGD	5.12MGD	5.07MGD	5.11MGD
Miles of Water Mains	208.2	208.2	211.7	212.3	212.7	214	214.4	214.7	214.7	216.76
Wastewater:										
Sanitary Sewers (miles)	206.2	206.2	208.3	209.2	209.4	211.2	211.4	211.4	211.4	212.98
Storm Sewers (miles)	N/A	N/A	N/A	N/A	62.3	62.3	62.4	62.4	62.4	55.39
Average Daily Flow	4.46 MGD	4.09 MGD	3.5 MGD	5.24 MGD	5.12 MGD	5.29 MGD	4.64MGD	429MGD	5.09MGD	5.14MGD
Electric:										
Average Daily Usage	1,215,678 KWH	1,215,678 KWH	1,226,817 KWH	1,258,457 KWH	1,317,090 KWH	1,373,711 KWH	1,373,015 KWH	1,219,047 KWH	1,197,294 KWH	1,232,906 KWH
Mile of Distribution Lines	375	375	425	425	430	430	430	430	430	430

Source: Various City records

Note: