

**CITY OF KINSTON
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2012

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Prepared by City of Kinston Finance Department

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INTRODUCTORY SECTION

Letter of Transmittal

List of Principal Officials

Organizational Chart

GFOA Certificate of Achievement for Excellence in Financial Reporting

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City of Kinston

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B. J. MURPHY
Mayor

TONY SEARS
City Manager

JAMES P. CAULEY III
City Attorney

CHRISTINA ALPHIN
City Clerk

September 24, 2012

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, 2012, 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 Highways 70 and 258, and NC Highways 11, 55 and 58. The community currently has a 10.6 percent unemployment rate compared to a statewide rate of 9.4 percent and a national average of 8.3 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 \$12.6 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 center fuselage panels and designs and builds the spar and fixed leading edge for the Airbus A350 commercial aircraft at the N.C. Global Transpark (GTP) in Kinston. On October 21, 2011 the company shipped its first production of the composite center fuselage panels to its facility in France where final assembly will take place. Earlier this year the company announced it secured the contract to manufacture components for the Gulfstream G280 business jet. The company's officials state that they expect to have 274 full-time employees by the end of the year at the Kinston plant with approximately 40% of the Kinston workforce being from Lenoir County.

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 has increased their employment to 1,426 in the processing division and 136 for the production division with an annual payroll of over \$38 million.

On November 10, 2011 Smithfield Packing Company announced an \$85.5 million expansion of its \$100 million facility located on Highway 70. The expansion is expected to create 330 new jobs in Lenoir County. The construction is expected to be complete in fiscal year 2012-2013.

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.

The new Veterans home on Hull Road in Kinston began advertising to hire approximately 150 employees for the Kinston facility, including nurses, certified nursing assistants, housekeeping workers, administrative staff, laundry workers, dieticians, dietary aides and more. This is a 100 bed \$12-\$18 million facility that will provide much needed service to the 110,000 veterans living within a 50-mile radius of Lenoir County.

MAJOR INITIATIVES

FOR THE YEAR

Fiscal Year 2011-2012 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, (\$169,120 cash and \$56,400 of in-kind service). Stearns & Wheeler is the engineering firm for the project. The City received a settlement from the surety for Sappah Brothers, Inc. in October, 2010 of \$574,000. The Project was rebid and awarded to Lanier Construction in January, 2011 in an amount of \$1,142,492. Work was completed in December, 2011, however, final payment has not been approved as of August 31, 2012. Final anticipated project cost is \$1,573,964, which is \$71,235 under budget.

Adkin Branch Stream Restoration Project

The North Carolina Ecosystem Enhancement Program (NCEEP) has substantially completed construction of Phase I of the Adkin Branch Stream Restoration Project. This project consists of cleaning debris from the degraded stream and surrounding riparian area and widening the stream to restore it to its natural stable condition. Phase I was from Lincoln Street to Washington Avenue. Phase II will be from Washington Avenue to Highway 11. The City of Kinston is participating in this project to the extent of assisting with obtaining easements where needed. All engineering and construction costs are being funded by the NCEEP. The City incurred damages to the Lincoln Street bridge, Davis Street landfill, and some miscellaneous sidewalk and street locations by the contractor working for NCEEP. Total damages were estimated at \$1 million. All damages have been repaired by NCEEP and their contractor at no cost to the City.

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. The City received credit for \$384,673 in City expenses and for a \$22,157 billing adjustment, resulting in an unpaid balance of \$767,947. Balance was to be paid to the NC Department of Transportation (NCDOT) in three equal annual payments of \$255,982 and the final payment was made in October, 2011.

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 are \$195,000. Work was completed at a cost of \$199,284 and the overage was covered by other funds available in the Streets section of the General Fund's operating budget.

2011-12 Street Resurfacing Project

Project involves the resurfacing of City streets, including all or portions of Hodges Road, Clover Lane, Briarfield Road, McAdoo Street and Wilson Avenue. Total budgeted funds for this work are \$120,000, which included \$100,000 in the original adopted budget and the use of \$20,000 budgeted in the Streets section operating budget. Work began in June 2011 and was completed in July 2011 at a final cost of \$108,799.

2011-12 Street Resurfacing Project Alternate

The City of Kinston budgeted funds to repave Becton Farm Road, which is a private road that serves as the sole access to the Kinston Regional Water Reclamation Facility. The Wastewater Fund budgeted \$65,000 for this work. The work was included in the 2011-12 Street Resurfacing Project bid as separate pay items and the work was completed in July 2011 at a final cost of \$61,617.

Railroad Realignment Project

The North Carolina Railroad (NCRR) is performing work to realign the existing track through downtown Kinston from Herritage Street to McLewean 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. Within this funding, \$15,000 was to be used to cover the City's cost share for railroad crossing protection improvements at the Lincoln Street crossing. However, the City has received written notice that this work has been cancelled by the railroad. These funds have been used to repair severe asphalt conditions near the Blount Street railroad crossing that were due to the decay of old railroad tracks under the road. Final project costs will be \$315,000.

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, which would be repaid to NCDOT over three years. Two payments of \$35,530 have been made. NCDOT has indicated total actual expenses were \$67,975. The City is expecting a reimbursement of \$3,085 by the end of 2012.

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

A rail spur is being constructed by the NCDOT Railway Division to provide rail service to the new Spirit Aerosystems facility. NCDOT is to resolve any utility conflicts along the project. Conflicts in NCDOT street rights-of-way will be handled at City expense. Conflicts at other locations will be corrected at NCDOT expense. NCDOT has informed the City the estimated City expense is \$490,000, to be repaid to NCDOT over 5 years, beginning in July 2011. No invoice has been received for the first payment as of August 31, 2012. Project was recently completed.

Chestnut Street/Martin Luther King Jr. Boulevard Drainage Project

Phase I of this project was completed in May 2012. Kinston has entered into an agreement with NCDOT for construction of Phase III, which will include all work along this system from Orion Street through Dr. Martin Luther King Jr. Boulevard. The estimated cost for Phase III is \$400,000. NCDOT has agreed to provide up to \$250,000 toward this project. Remaining funds would be provided from the Stormwater Fund.

Pollock Street Lift Station Forcemain 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. Pipe replacement work was completed by STEP Construction Company in September 2011. All work with the project was finished in March 2012 and the total cost for the project was \$604,247.

Highway 70 Industrial Park Phase II Sewer Project

This project consists of building a new regional lift station and forcemain for the Highway 70 Industrial Park, and eliminating a small station serving the Smithfield Packing Company. Total estimated cost for this project is \$4.3 million. The Wooten Company was awarded an engineering contract for the project and has nearly completed the design and permitting for the project. A procurement bid to purchase pump equipment has also been awarded to Clearwater, Inc. in the amount of \$107,059. The construction bid is expected to be awarded in October 2012, with completion of the project in April 2013.

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. Work was completed by the Wooten Company in June 2012 and the total cost was \$50,000.

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 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. The City of Kinston Electric division is installing the streetlights and the total in-kind services from the City is \$115,718. 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 increased the projected energy and dollars savings. Installation of the new LED streetlights began in June 2011 and the grant was officially approved for close out on December 16, 2011, by the State Energy Office.

Highway 70 West Industrial Park Substation

The City will complete construction of a new substation in the Highway 70 West Industrial Park. The City borrowed funds to finance this project. Assembly of the substation began in June 2009. Total budget is \$3,343,000 and total spent to date is \$3,168,046. The substation is on-line, however, communication equipment is not expected to be installed until year-end.

Spirit Aerospace Rail Spur Phase II

The NCDOT is constructing a Rail Spur to benefit Spirit AeroSystems at the Global TransPark and has requested assistance from the City to relocate electric utility lines in conflict with this

initiative. This project has been completed at a cost of \$264,925 which is fully reimbursable by NCDOT.

Highway 58 South Line Relocation

NCDOT has provided a turn lane into Lenoir Community College which prompted the relocation of electric utilities. The City completed relocating eight utility poles and a conductor at a cost of \$103,458 for this project.

CDBG Catalyst Application

Planning submitted an application to the NC Department of Commerce CDBG program for clearance activities along the Dr. Martin Luther King, Jr. (MLK) Corridor. Based on the ongoing efforts with UNC and the Housing Authority, staff agreed the first step towards revitalizing this corridor is through the removal of the existing slum and blight conditions. With over 200 homes city-wide identified as condemnable and needing to be torn down, City Council provided \$25,000 in matching funds for this \$100,000 grant request.

Talent Enhancement and Capacity Building (TECB)

Planning received a \$50,000 Talent Enhancement and Capacity Building from the NC Department of Commerce's Rural Development Division. This CDBG grant afforded the Planning Director and the Community Development Planner the opportunity to attend a yearlong TECB course at East Carolina University. In turn, the Planning Department will share the knowledge gained with other local non-profits and result in increased partnerships and improved rates of grant success for a long-term goal of eliminating sub-standard housing in Kinston.

Planning/Community Development-Abby Gardens

Construction is near completion at the end of fiscal year 2012 on this 48 unit senior affordable housing units off Mount Vernon Drive. 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. Total project costs will exceed \$5.7 million dollars acquired through the developer through tax-credits and low-interest loans.

Choice Neighborhoods

Planning submitted a Choice Neighborhoods application to the Department of Housing and Urban Development applying for \$250,000 in grant funds. The City partnered with the Housing Authority to apply for said grant funds to create a transformational neighborhood plan for Southeast Kinston. The plan would be a holistic approach focusing on all community assets to help transform neighborhoods of distress into revitalized mixed-income neighborhoods. Once a plan is created, the City would be positioned to apply for implementation funds of up to 35 million. This application was unsuccessful, but efforts will continue to increase as we work towards bettering our most distressed area of town.

Public Safety- Fire Stations Two and Three

Fire Station Two is located at Carey and Rouse Road intersection. The 5,973 s.f. facility replaces a 30-year old facility located at 2207 Plaza Boulevard. Fire Station Three is located on Hill Farm Road. The 5,973 s.f. facility replaces a 12-year old facility located at 202 Hull Road. These new facilities have two apparatus bays, sleeping quarters, kitchen, day room, and administrative offices. The new stations improve response times and service delivery to the fire districts they serve. The cost to construct the new fire stations was \$2.75 Million; most of the funding was obtained through a U.S. Department of Agriculture Rural Development (USDA-RD) loan and grant monies. The new stations are currently operational.

Recreation – Woodmen Community Center

The new Woodmen Community Center opened in July, 2012. The 57,000 s.f. facility includes a fitness center with state of the art fitness equipment, family locker rooms, an elevated walking track, a smoothie/snack bar, a banquet room which seats 300 people, a warming kitchen, a double gymnasium that can also be used as a banquet facility for up to 600 people, an aerobics room, a conference room, a game room and a child care room. The Kinston/Lenoir County Parks & Recreation Administrative offices are also located upstairs at the Woodmen Community Center and the Woodmen of the World local and state offices are located on the first floor of the community center. In the fall of 2012, an outdoor competitive pool with a bubble dome and a therapy pool will be opening for year round enjoyment.

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

The Rotary Dog Park

Located on Highway 11/55 across from the Neuseway Nature Park, the Rotary Dog Park includes a walking track, ponds for dog retrieving exercises, fenced areas with agility equipment for small and large dogs, water fountains, a small gazebo and outdoor restrooms. The newest addition to the dog park is the pet memorial garden which features an arbor, an iron gazebo and a 19th century fountain centered in the middle of the garden. This garden was made possible through the generous donation of the Randall Family and is a special place to honor or remember a cherished pet. Outside lighting for night use has also been installed.

Southeast Park: New lighting, basketball goals and backboards were installed at the basketball courts at Southeast and landscaping which includes an iron decorative fence and arbor was installed at the park.

Fairfield Gym: The gym floor at Fairfield was completely re-sanded, re-finished and re-painted with an All-American logo and script in the center of the court.

Holloway Gym: A new interior beam in the gym was replaced due to age. The gym floor was also completely re-sanded, re-finished and re-painted with the “Robert Murphy” Court script in the center of the court.

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. A test study is being performed by the City’s retired wastewater treatment plant superintendent to determine potential blends of biosolids and organic debris that could be used. A full scale compost operation would likely cost \$4-\$5 million. A feasibility study would need to be completed before any commitment to that scale of operation.

Water Reuse Study

The City has budgeted \$40,000 for a Water Reuse Feasibility Study in the Fiscal Year 2012-13 budget. The purpose of the study would be to determine potential markets and construction costs for a public reuse water system. Particular attention would be directed at heavy industrial,

agricultural, or recreational areas, such as the Global Transpark, Cunningham Road Research Station, or golf courses. Study should be completed by June 2013.

Falling Creek Water Supply

Growing demand in both residential and industrial areas on the western side of the City's water system has raised concerns with having sufficient water supply and pressure for customers. A preliminary study needs to be performed in the immediate future to determine what improvements are needed to meet the future water demand for this area. Costs for the improvements could vary greatly depending on the projected demands and improvements needed.

531 Circuit Upgrade

Identified in the Electric Transmission and Distribution Long Range Plan, the City will upgrade one of the distribution circuits. The 531 Circuit which originates at the Industrial Park - West Substation has reached approximately 84% of its capacity. Bids were received on August 30, 2012, with the lowest bid at \$415,909. Additional funding will be requested from the Electric Capital Reserve fund to move forward with the project. Time is of the essence for this project as it must be completed in advance of NCDOT's scheduled replacement of the Queen Street bridges. This circuit will be used to carry the additional load as the river crossing will be closed for an extended period during bridge construction.

Planning – Choice Neighborhoods

The City will continue to partner with the Housing Authority to apply and seek out Choice Neighborhoods funding as described above. City-wide participation will need to occur to become a successful Choice Neighborhood recipient.

Unified Development Ordinance Update

With the emerging notion of an arts and cultural district and urban redevelopment area, Planning will endeavor to update the outdated and hard to understand Unified Development Ordinance.

Disc Golf Course: An additional disc golf course is being developed on Tyndall Park Road (behind the old Sportlane Bowling Alley). The Disc Golf Club will be handling the routine maintenance of the course.

Lenoir County Soccer Complex: The county division plans to proceed with Phase I of the soccer complex which will include moving dirt and preparing the site for future development.

African-American Music Trail: The Parks & Recreation Department will assist in the development of the African – American Music Trail located on South Queen Street. This park will honor the famous African-American musicians from Lenoir County. It is being funded through an NCDOT Grant and a National Endowment of the Arts Grant. The funds are being administered by the Community Council of the Arts.

Lions Water Adventure: The Lions Water Adventure, a state of the art water park will be opening in the summer of 2013 and will include three water slides, a lazy river, a zero entry pool with swimming features for children, Foss Survivor Island, concession areas, outdoor locker rooms, restrooms and picnic areas. The water park will be located at the Woodmen Community Center.

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, 2011. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

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

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

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

Respectfully submitted,



Catherine F. Gwynn, CPA
Finance Director



Tony Sears,
City Manager

CITY OF KINSTON, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS JUNE 30, 2012

CITY COUNCIL

B. J. MURPHY
Mayor

JOSEPH M. TYSON
Mayor Pro Tem

ROBERT A. SWINSON, IV

KELLY JARMAN

BOBBY MERRITT

SAMMY C. AIKEN

CITY ADMINISTRATION

TONY SEARS
City Manager

CATHERINE F. GWYNN
Finance Director

CHRISTINA ALPHIN
City Clerk

GLORIA BLAKE
Director of Human Resources

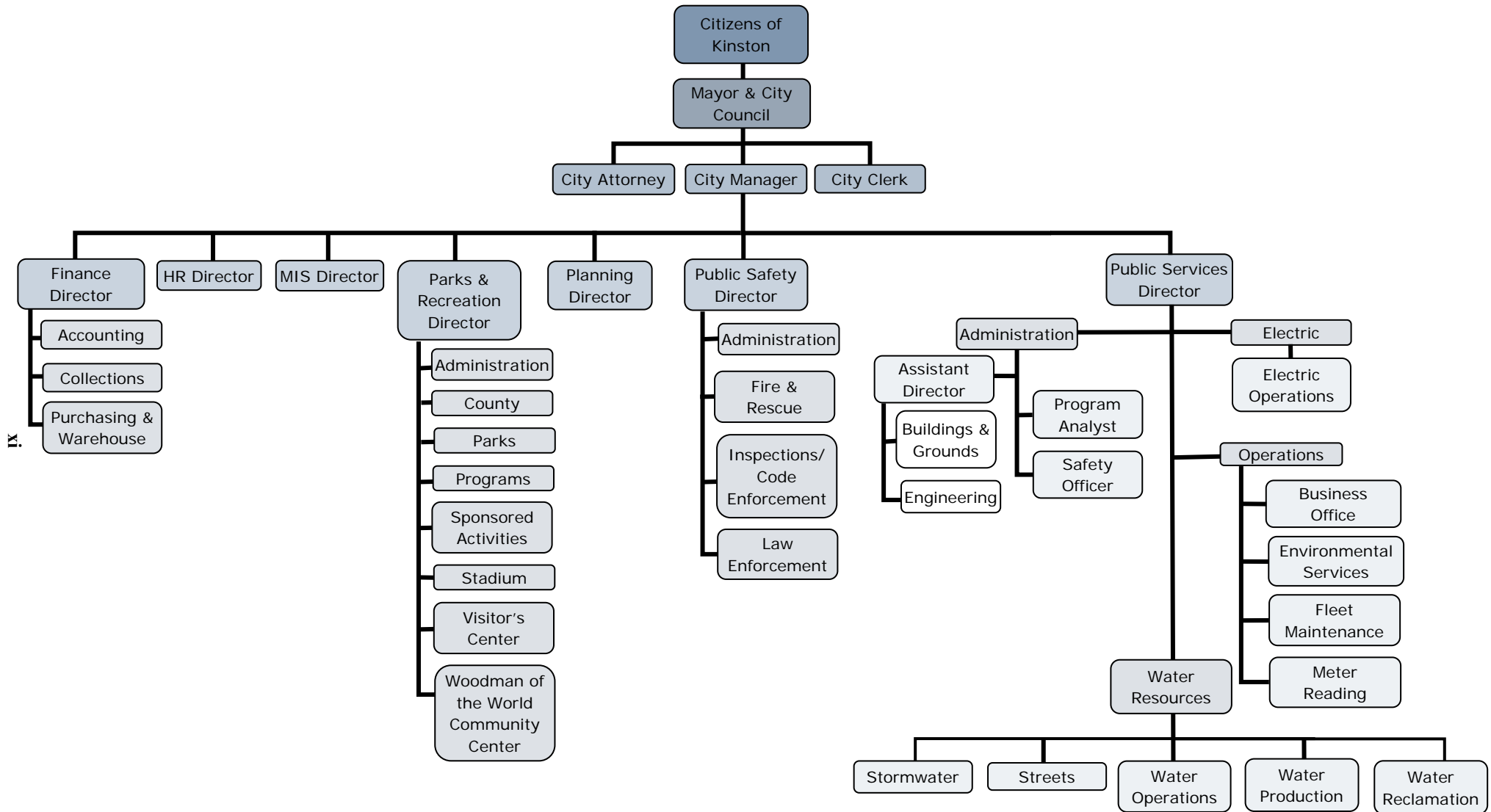
RHONDA F. BARWICK
Director of Public Services

BILL JOHNSON
Director of Public Safety
Inspections & Code Enf.

AMANDA ENGESETH
Director of Planning,

BILL ELLIS
Director of Parks and
Recreation

City of Kinston
Organizational Structure
FY 2011-2012



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, 2011

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.



Linda C. Danison

President

Jeffrey R. Enen

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

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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These 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, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the City of Kinston, North Carolina, as of June 30, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012 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, the Law Enforcement Officers' Special Separation Allowance and the Separation Allowance Plan, 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 combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional 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.
September 24, 2012

City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2012

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, 2012. 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.

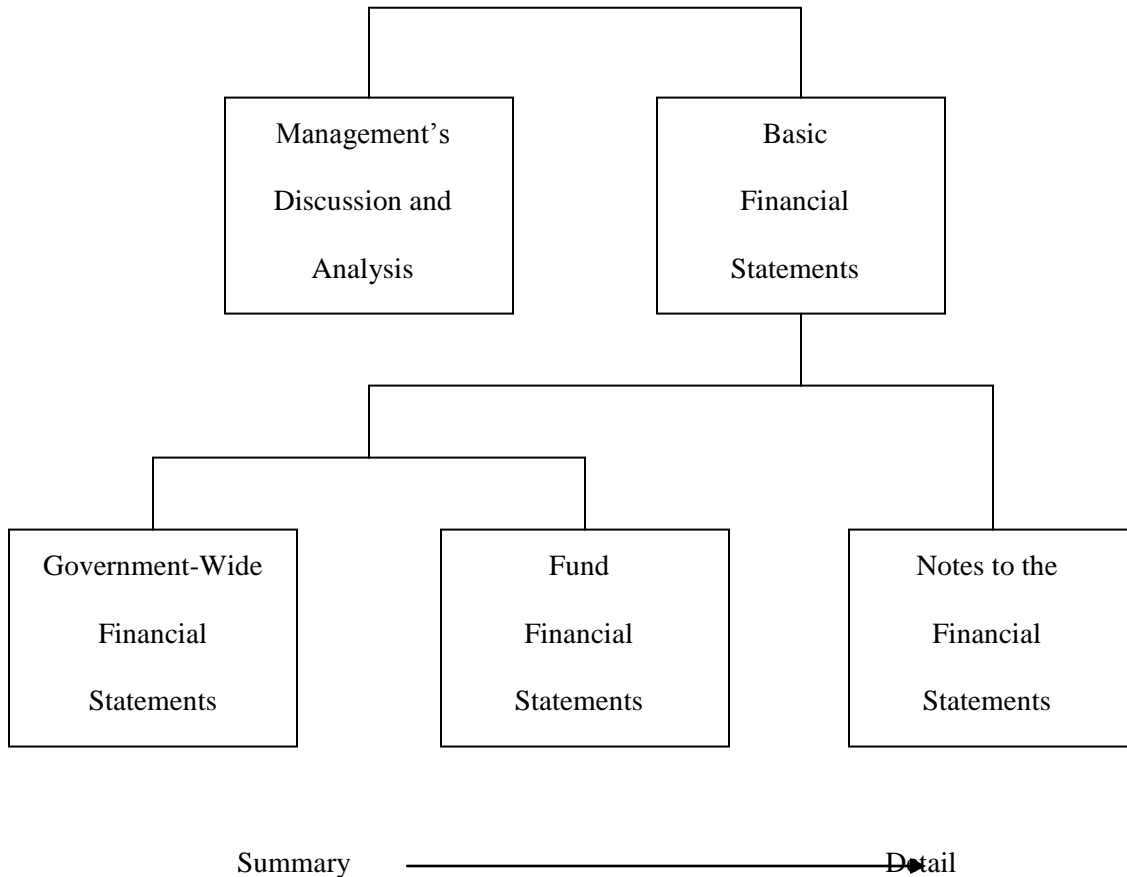
Financial Highlights

- The overall financial position of the City increased in 2012 as evidenced by an increase in total net assets of \$3.5 million. This was from business-type activities which increased \$1.9 million while governmental activities increased \$1.6 million.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$112 million (net assets). Of this amount, \$16.8 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 \$6.2 million, a decrease of \$1.5 million due to spending related to a capital project for construction of fire stations where the proceeds from borrowing was recognized in the prior fiscal year and a small increase in General Fund balance of \$0.5 million. Approximately 30% or \$1.87 million of this total is non-spendable or restricted. Approximately 68% of this total amount, or \$4.3 million, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.6 million, or 26% of total General Fund expenditures.
- On August 20, 2011 Hurricane Irene caused widespread damage to the City's municipal electric system and City properties, as well as extensive emergency response costs during the storm and in its aftermath. The County was declared a federal disaster area, and FEMA in cooperation with the North Carolina Department of Emergency Management state agency stepped in to assist the City with emergency response costs, debris cleanup and permanent repairs to City facilities and infrastructure.
- The City's total long-term liabilities decreased by \$2.9 million during the current fiscal year. This was primarily from repayment of principal. No new debt was issued in the fiscal year.

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 62 of this report.

Government-Wide Financial Analysis

Net Assets: For the City, assets exceeded liabilities by \$112 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2012 and 2011 is presented below:

City of Kinston's Net Assets

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,667,602	\$ 11,189,210	\$ 18,827,653	\$ 18,898,954	\$ 28,495,255	\$ 30,088,164
Capital assets	20,321,373	17,748,947	102,570,512	103,664,389	122,891,885	121,413,336
Total assets	29,988,975	28,938,157	121,398,165	122,563,343	151,387,140	151,501,500
Long-term liabilities						
outstanding	11,117,983	10,900,968	20,929,839	20,883,755	32,047,822	31,784,723
Other liabilities	1,396,963	2,144,155	6,157,683	9,276,796	7,554,646	11,420,951
Total liabilities	12,514,946	13,045,123	27,087,522	30,160,551	39,602,468	43,205,674
Net assets:						
Invested in capital assets, net of related debt	11,213,831	10,135,164	81,954,723	80,602,330	93,168,554	90,737,494
Restricted	1,787,355	3,456,960	-	-	1,787,355	3,456,960
Unrestricted	4,472,843	2,300,910	12,355,920	11,800,462	16,828,763	14,101,372
Total net assets	\$ 17,474,029	\$ 15,893,034	\$ 94,310,643	\$ 92,402,792	\$ 111,784,672	\$ 108,295,826

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 \$3.5 million for the fiscal year ended June 30, 2012. However, the largest portion (83.35%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (1.60%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16.8 million (15.05%) is unrestricted.

Net assets of the governmental activities increased \$1.6 million, or 9.9%, to \$17.5 million. However, \$13 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). The remaining balance of \$4.5 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 \$1.9 million, or 2.06%, to \$94.3 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, 2012 and 2011:

City of Kinston's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,434,490	\$ 2,368,872	\$ 68,431,602	\$ 70,389,645	\$ 70,866,092	\$ 72,758,517
Operating grants/contributions	2,453,140	1,142,377	-	-	2,453,140	1,142,377
Capital grants/contributions	1,392,125	476,000	2,748,400	1,580,910	4,140,525	2,056,910
General revenues:					-	-
Property taxes	9,623,407	8,947,351	-	-	9,623,407	8,947,351
Other taxes	5,526,328	5,246,119	-	-	5,526,328	5,246,119
Grants/contributions not restricted to specific programs	360,261	349,123	-	-	360,261	349,123
Other	202,968	243,558	41,388	43,004	244,356	286,562
Total revenues	<u>21,992,719</u>	<u>18,773,400</u>	<u>71,221,390</u>	<u>72,013,559</u>	<u>93,214,109</u>	<u>90,786,959</u>
Expenses:						
General government	3,299,355	3,128,980	-	-	3,299,355	3,128,980
Public safety	9,685,081	9,328,164	-	-	9,685,081	9,328,164
Highways and streets	1,736,651	1,629,722	-	-	1,736,651	1,629,722
Economic and physical development	2,524,198	821,061	-	-	2,524,198	821,061
Culture and recreation	3,686,137	3,754,041	-	-	3,686,137	3,754,041
Interest on long-term debt	322,222	350,729	-	-	322,222	350,729
Electric	-	-	52,094,660	53,797,494	52,094,660	53,797,494
Water	-	-	6,983,435	7,355,873	6,983,435	7,355,873
Wastewater	-	-	5,671,974	5,886,216	5,671,974	5,886,216
Non-major fund	-	-	3,721,550	3,395,373	3,721,550	3,395,373
Total expenses	<u>21,253,644</u>	<u>19,012,697</u>	<u>68,471,619</u>	<u>70,434,956</u>	<u>89,725,263</u>	<u>89,447,653</u>
Increase in net assets before transfers	739,075	(239,297)	2,749,771	1,578,603	3,488,846	1,339,306
Transfers	<u>841,920</u>	<u>1,011,000</u>	<u>(841,920)</u>	<u>(1,011,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,580,995	771,703	1,907,851	567,603	3,488,846	1,339,306
Net assets, July 1	<u>15,893,034</u>	<u>15,121,331</u>	<u>92,402,792</u>	<u>91,835,189</u>	<u>108,295,826</u>	<u>106,956,520</u>
Net assets, June 30	<u>\$ 17,474,029</u>	<u>\$ 15,893,034</u>	<u>\$ 94,310,643</u>	<u>\$ 92,402,792</u>	<u>\$ 111,784,672</u>	<u>\$ 108,295,826</u>

Total government-wide revenues of \$93.2 million were primarily derived from charges for services (76.0%), property taxes (10.3%) and other taxes (5.9%). The total expenses of all programs were \$89.7 million. The

expenses cover a range of services with the two largest being electric services (58.1%) and public safety (fire/EMS, police and inspections/code enforcement) (10.8%).

Governmental Activities

Governmental activities increased the City's net assets by \$1.6 million. Key elements of this increase are as follows:

- Increase in government's revenues of \$3.22 million with the increase primarily generated by operating grants, capital grants and property taxes.

Business-Type Activities

Business-type activities increased the City's net assets by \$1.9 million. Key elements of this increase are as follows:

- Decrease in business expenses of \$2.0 million with the decrease generated by electric of \$1.70 million, water \$0.4 million, and wastewater \$0.21 million. The decreases were primarily due to less demand for electric, and postponement of expenditures.

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, fund balance available for appropriation 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 \$4.6 million, while total fund balance was \$6.2 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 26% of total General Fund expenditures of \$17.9 million while total fund balance represents 35% of that same amount.

At June 30, 2012, the governmental funds of City of Kinston reported a combined fund balance of \$6.2 million, 19.7% decrease from last year. The General Fund reported an increase in fund balance of \$591,129, primarily due to increased property tax revenues recognized in fiscal year 2012, while the nonmajor governmental funds reported a combined decrease in fund balance of \$2,115,256.

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 sales and services categories by \$0.66 million. The variances were mainly attributable to an increase in sales and services and the other taxes and licenses categories. Expenditures were managed as well, and the City was able to comply with its budgetary requirements.

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 \$5.9 million in the Electric Fund, \$1.3 million in the Water Fund, \$2.7 million in the Wastewater Fund and \$1.2 million in the Nonmajor funds. The Electric, Water, Wastewater, and Nonmajor funds experienced growth in net assets of \$0.58 million, \$0.24 million, \$0.70 million and \$0.18 million respectively.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2012, the City had \$122.9 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net increase of \$1.5 million, or 1.1%, over last year. The summary of capital assets at June 30, 2012 and 2011 is presented below:

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,482,916	\$ 3,482,916	\$ 1,222,643	\$ 1,222,643	\$ 4,705,559	\$ 4,705,559
Infrastructure	1,309,098	1,486,870	16,324	103,035	1,325,422	1,589,905
Buildings & improvements	9,564,787	9,897,850	36,187,123	37,285,837	45,751,910	47,183,687
Equipment & vehicles	1,240,992	1,650,049	989,704	1,030,066	2,230,696	2,680,115
Operating plant	-	-	53,852,031	55,704,014	53,852,031	55,704,014
Construction in progress	4,723,580	1,231,262	10,302,687	8,318,794	15,026,267	9,550,056
PP adjustment	-	-	-	-	-	-
Total	<u>\$ 20,321,373</u>	<u>\$ 17,748,947</u>	<u>\$ 102,570,512</u>	<u>\$ 103,664,389</u>	<u>\$ 122,891,885</u>	<u>\$ 121,413,336</u>

This year's major capital asset additions included:

- Vehicle Replacements – Street sweeper and electric line truck - \$377 thousand
- Completed Sewer Projects – \$108 thousand
- Construction in process – New Fire Station No. 2 and 3 - \$2.19 million
- Construction in process – Various water and sewer projects - \$1.36 million
- Construction in process – Various electric projects - \$1.48 million

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

Long-Term Debt. At June 30, 2012, the City had \$29.7 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Installment contracts	\$ 9,107,542	\$9,633,281	\$ 1,402,214	\$ 2,048,949	\$10,509,756	\$11,682,230
Revenue bonds	-	-	12,336,227	13,353,873	12,336,227	13,353,873
Notes payable	-	-	6,877,348	7,659,236	6,877,348	7,659,236
Total	<u>\$ 9,107,542</u>	<u>\$9,633,281</u>	<u>\$20,615,789</u>	<u>\$23,062,058</u>	<u>\$29,723,331</u>	<u>\$32,695,339</u>

The City's total outstanding debt decreased by \$2.97 million (9%) during the fiscal year, due to \$2.97 million in principal payments made against existing debt. No new debt was issued in the fiscal year. 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 \$96,121,881.

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 2012, 19 residential and 17 non-residential units were constructed with a value of \$12.6 million.
- Retail sales for Lenoir County during 2012 were \$493 million.
- The current unemployment rate was 10.6 percent compared to 9.4 percent for the State and 8.3 percent for the nation.

The following are highlights for the 2013 budgets for the governmental activities:

The most significant factors negatively impacting the 2013 budget is the lack of growth within the City and surrounding area, the escalating costs of doing business and the overall weaknesses in the national, State and local economies. However, locally all indications are that economic growth will accelerate as a major employer expands. As current and new employers expand, the City expects this to create a "domino effect" of other new businesses, as suppliers set-up, new homes are built, and retailers expand inventories. Other details on this appear in the introductory section letter of transmittal category of the comprehensive annual financial report.

General Fund revenues are estimated to remain flat while operating costs to maintain the same service levels have increased. To offset some of these increases, the City continues to defer capital outlay spending where possible. The City focused on street repaving and approved an additional \$100 thousand for street resurfacing in 2013 for a total of \$200 thousand.

The City did not approve any cost of living increases for employees or merit raises in order to hold the line on expenditures. There were no increases in the cost of employee health insurance as well. Two full-time employees were added city-wide.

The General Fund initial budget for 2012-2013 increased 2.8% from \$20.9 million (2012 adjusted adopted budget) to \$21.5 million. The increase in the new budget is attributable to projected increases in sales and use tax distributions and other state shared revenues, an increase in borrowing to cover the cost of capital assets being purchased. The property tax rate remains unchanged from the prior year.

The following are highlights for the 2013 budgets for the business-type activities:

- Water rates: increased 7% for base and variable customers except large inside industrial customers – effective July 1, 2012.
- Wastewater rates: increased 5% for all rate classes and steps, and sewer tap fees adjusted to cover the cost of services – effective July 1, 2012.
- Environmental Services rates: remained the same with the exception of a fee for collection of improper refuse based on load size– effective July 1, 2012.
- The City added a new enterprise fund with the adoption of the 2013 budget to account for the operations of the Woodmen Community Center and Waterpark as per the January 2011 agreement between the Woodmen Foundation and the City and County which stipulates that the Facility would be run by the Kinston/Lenoir County Parks and Recreation Commission.

Contacting the City's Financial Management

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

BASIC FINANCIAL STATEMENTS

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

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CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 6,842,502	\$ 6,211,073	\$ 13,053,575
Receivables:			
Due from governmental agencies	867,180	-	867,180
Accounts receivables	1,753,011	696,275	2,449,286
Taxes receivable	847,601	-	847,601
Customer receivables, net	-	7,922,575	7,922,575
Internal balance	(1,016,884)	1,016,884	-
Inventories	339,657	1,273,072	1,612,729
Restricted cash and investments	34,535	1,707,774	1,742,309
Capital assets:			
Land and construction in process	8,206,496	11,525,330	19,731,826
Other capital assets, net of depreciation	12,114,877	91,045,182	103,160,059
Total assets	<u>29,988,975</u>	<u>121,398,165</u>	<u>151,387,140</u>
Liabilities:			
Accounts payable and accrued expenses	1,194,537	4,309,873	5,504,410
Accrued interest payable	123,011	127,128	250,139
Unearned revenue	79,415	12,908	92,323
Customer deposits	-	1,707,774	1,707,774
Long-term liabilities:			
Due within one year	2,832,116	2,043,403	4,875,519
Due in more than one year	8,285,867	18,886,436	27,172,303
Total liabilities	<u>12,514,946</u>	<u>27,087,522</u>	<u>39,602,468</u>
Net Assets:			
Invested in capital assets, net of related debt	11,213,831	81,954,723	93,168,554
Restricted for:			
Stabilization by State statute	1,669,058	-	1,669,058
Community development	34,535	-	34,535
Temporarily restricted for cemetery perpetual maintenance	83,762	-	83,762
Unrestricted	4,472,843	12,355,920	16,828,763
Total net assets	<u>\$ 17,474,029</u>	<u>\$ 94,310,643</u>	<u>\$ 111,784,672</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, 2012

		Program Revenues		
		Charges	Operating	Capital
	Expenses	for Services	Grants and Contributions	Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 3,299,355	\$ 372,215	\$ 12,538	\$ -
Public safety	9,685,081	19,821	213,028	139,303
Public services	1,736,651	-	732,702	856,601
Community development	2,524,198	283,327	1,494,872	288,664
Cultural and recreation	3,686,137	1,759,127	-	107,557
Interest on long-term debt	322,222	-	-	-
Total governmental activities	<u>21,253,644</u>	<u>2,434,490</u>	<u>2,453,140</u>	<u>1,392,125</u>
Business-Type Activities:				
Electric	52,094,660	52,266,966	-	1,253,693
Water	6,983,435	6,984,404	-	86,060
Wastewater	5,671,974	5,042,059	-	1,408,647
Nonmajor funds:				
Environmental services	2,925,866	3,213,768	-	-
Stormwater	795,684	924,405	-	-
Total business-type activities	<u>68,471,619</u>	<u>68,431,602</u>	<u>-</u>	<u>2,748,400</u>
Total primary government	<u>\$ 89,725,263</u>	<u>\$ 70,866,092</u>	<u>\$ 2,453,140</u>	<u>\$ 4,140,525</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
\$ (2,914,602)	\$ -	\$ (2,914,602)
(9,312,929)	-	(9,312,929)
(147,348)	-	(147,348)
(457,335)	-	(457,335)
(1,819,453)	-	(1,819,453)
(322,222)	-	(322,222)
<u>(14,973,889)</u>	<u>-</u>	<u>(14,973,889)</u>
-	1,425,999	1,425,999
-	87,029	87,029
-	778,732	778,732
-	287,902	287,902
<u>-</u>	<u>128,721</u>	<u>128,721</u>
<u>-</u>	<u>2,708,383</u>	<u>2,708,383</u>
<u>(14,973,889)</u>	<u>2,708,383</u>	<u>(12,265,506)</u>
9,623,407	-	9,623,407
3,270,969	-	3,270,969
1,838,155	-	1,838,155
417,204	-	417,204
360,261	-	360,261
20,202	41,388	61,590
182,766	-	182,766
<u>15,712,964</u>	<u>41,388</u>	<u>15,754,352</u>
<u>841,920</u>	<u>(841,920)</u>	<u>-</u>
<u>16,554,884</u>	<u>(800,532)</u>	<u>15,754,352</u>
1,580,995	1,907,851	3,488,846
<u>15,893,034</u>	<u>92,402,792</u>	<u>108,295,826</u>
<u>\$ 17,474,029</u>	<u>\$ 94,310,643</u>	<u>\$ 111,784,672</u>

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Other Governmental Funds	Total
Assets:			
Cash and investments	\$ 5,668,245	\$ 166,187	\$ 5,834,432
Receivables:			
Due from government agencies	867,180	-	867,180
Accounts receivable	1,491,887	170,830	1,662,717
Taxes receivable	847,601	-	847,601
Inventories	87,020	-	87,020
Restricted cash and investments	-	34,535	34,535
Total assets	<u>\$ 8,961,933</u>	<u>\$ 371,552</u>	<u>\$ 9,333,485</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 699,008	\$ 98,741	\$ 797,749
Due to other funds	-	282,685	282,685
Deferred revenue	1,965,567	-	1,965,567
Unearned revenue	79,415	-	79,415
Total liabilities	<u>2,743,990</u>	<u>381,426</u>	<u>3,125,416</u>
Fund Balances:			
Non-spendable, not in spendable form:			
Inventories	87,020	-	87,020
Perpetual maintenance	-	75,000	75,000
Restricted:			
Stabilization by State statute	1,498,228	170,830	1,669,058
Restricted, all other	-	43,297	43,297
Committed	-	73,038	73,038
Assigned	-	8,877	8,877
Unassigned	4,632,695	(380,916)	4,251,779
Total fund balances	<u>6,217,943</u>	<u>(9,874)</u>	<u>6,208,069</u>
Total liabilities and fund balances	<u>\$ 8,961,933</u>	<u>\$ 371,552</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,310,668
The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	190,119
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred in the funds.	1,965,567
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,200,394)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ 17,474,029</u>

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

CITY OF KINSTON, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	\$ 9,607,610	\$ -	\$ 9,607,610
Sales and services	1,738,320	-	1,738,320
Other taxes	5,526,328	-	5,526,328
Unrestricted intergovernmental	360,261	-	360,261
Restricted intergovernmental	839,841	2,148,823	2,988,664
Investment earnings	16,767	859	17,626
Other	180,783	900	181,683
Total revenues	<u>18,269,910</u>	<u>2,150,582</u>	<u>20,420,492</u>
Expenditures:			
Current:			
General government	2,210,601	-	2,210,601
Public safety	9,056,930	2,359,876	11,416,806
Public services	1,492,119	-	1,492,119
Parks and recreation	3,450,591	106,890	3,557,481
Community development	804,389	2,041,058	2,845,447
Debt service:			
Principal	525,739	-	525,739
Interest	327,446	-	327,446
Total expenditures	<u>17,867,815</u>	<u>4,507,824</u>	<u>22,375,639</u>
Revenues over (under) expenditures	<u>402,095</u>	<u>(2,357,242)</u>	<u>(1,955,147)</u>
Other Financing Sources (Uses):			
Transfers in	800,800	241,986	1,042,786
Transfers out	(611,766)	-	(611,766)
Total other financing sources (uses)	<u>189,034</u>	<u>241,986</u>	<u>431,020</u>
Net change in fund balances	591,129	(2,115,256)	(1,524,127)
Fund Balances:			
Beginning of year - July 1	<u>5,626,814</u>	<u>2,105,382</u>	<u>7,732,196</u>
End of year - June 30	<u>\$ 6,217,943</u>	<u>\$ (9,874)</u>	<u>\$ 6,208,069</u>

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

CITY OF KINSTON, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

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

Net change in fund balances - governmental funds (Exhibit D)	\$ (1,524,127)
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.	2,860,808
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,139,164)
Donated capital assets are not reported as an increase in financial resources in the governmental funds.	856,601
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.	144,439
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.	(38,922)
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 proceeds of long-term debt exceeded principal repayments in the governmental funds in the current period.	530,963
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>(109,603)</u>
Total changes in net assets of governmental activities	<u>\$ 1,580,995</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, 2012

	Budgeted Amounts			Variance From
	Original	Final	Actual	Final Budget Over/Under
Revenues:				
Ad valorem taxes	\$ 9,556,700	\$ 9,561,100	\$ 9,607,610	\$ 46,510
Sales and services	1,450,250	1,553,150	1,738,320	185,170
Other taxes and licenses	4,975,600	5,032,400	5,526,328	493,928
Unrestricted intergovernmental	350,050	350,050	360,261	10,211
Restricted intergovernmental	838,300	851,135	839,841	(11,294)
Investment earnings	14,700	14,700	16,767	2,067
Other	220,400	244,380	180,783	(63,597)
Total revenues	<u>17,406,000</u>	<u>17,606,915</u>	<u>18,269,910</u>	<u>662,995</u>
Expenditures:				
Current:				
General government	2,542,600	2,656,920	2,215,806	441,114
Public safety	9,983,700	10,129,654	9,622,478	507,176
Public services	1,684,300	1,929,008	1,582,928	346,080
Parks and recreation	3,588,500	3,695,727	3,642,214	53,513
Community development	750,700	801,200	804,389	(3,189)
Contingency	20,800	800	-	800
Total expenditures	<u>18,570,600</u>	<u>19,213,309</u>	<u>17,867,815</u>	<u>1,345,494</u>
Revenues over (under) expenditures	<u>(1,164,600)</u>	<u>(1,606,394)</u>	<u>402,095</u>	<u>2,008,489</u>
Other Financing Sources (Uses):				
Transfers in	800,000	800,800	800,800	-
Transfers (out)	(205,300)	(611,873)	(611,766)	107
Long-term debt issued	399,800	399,800	-	(399,800)
Appropriated fund balance	170,100	1,017,667	-	(1,017,667)
Total other financing sources	<u>1,164,600</u>	<u>1,606,394</u>	<u>189,034</u>	<u>(1,417,360)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	591,129	<u>\$ 591,129</u>
Fund Balance:				
Beginning of year - July 1			<u>5,626,814</u>	
End of year - June 30			<u>\$ 6,217,943</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, 2012

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
Assets:						
Current assets:						
Cash and investments	\$ 1,616,417	\$ 138,828	\$ 2,248,482	\$ 960,963	\$ 4,964,690	\$ 2,254,453
Due from other funds	1,027,808	-	-	-	1,027,808	-
Accounts receivable	208,648	58,704	6,825	419,792	693,969	92,600
Customer receivables, net	6,364,861	950,840	606,874	-	7,922,575	-
Inventories	934,383	338,689	-	-	1,273,072	252,633
Restricted cash and equivalents	1,707,774	-	-	-	1,707,774	-
Total current assets	<u>11,859,891</u>	<u>1,487,061</u>	<u>2,862,181</u>	<u>1,380,755</u>	<u>17,589,888</u>	<u>2,599,686</u>
Non-current assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	577,040	41,276,198	-	45,525,128	19,468
Distribution system	32,423,693	14,468,783	48,231,276	-	95,123,752	-
Equipment	1,974,514	2,263,279	2,110,282	3,479,366	9,827,441	331,934
Accumulated depreciation	(21,821,469)	(11,313,760)	(23,268,425)	(3,053,392)	(59,457,046)	(314,790)
Construction in progress	6,288,277	705,811	3,308,599	-	10,302,687	-
Total capital assets, net	<u>22,739,285</u>	<u>6,767,758</u>	<u>72,611,588</u>	<u>425,974</u>	<u>102,544,605</u>	<u>36,612</u>
Total assets	<u>34,599,176</u>	<u>8,254,819</u>	<u>75,473,769</u>	<u>1,806,729</u>	<u>120,134,493</u>	<u>2,636,298</u>
Liabilities and Net Assets:						
Current liabilities:						
Accounts payable and accrued liabilities	4,150,830	81,229	76,867	99,243	4,408,169	425,620
Due to other funds	-	-	-	-	-	745,123
Unearned revenue	-	12,908	-	-	12,908	-
Current portion of compensated absences	16,373	15,645	10,960	16,412	59,390	-
Current portion of long-term debt	802,859	192,463	950,773	37,918	1,984,013	-
Total current liabilities	<u>4,970,062</u>	<u>302,245</u>	<u>1,038,600</u>	<u>153,573</u>	<u>6,464,480</u>	<u>1,170,743</u>
Non-current liabilities:						
Customer deposits	1,707,774	-	-	-	1,707,774	-
Accrued compensated absences	49,118	46,936	32,880	49,237	178,171	117,089
Long-term debt	6,192,906	1,567,003	10,850,687	21,180	18,631,776	-
Total non-current liabilities	<u>7,949,798</u>	<u>1,613,939</u>	<u>10,883,567</u>	<u>70,417</u>	<u>20,517,721</u>	<u>117,089</u>
Total liabilities	<u>12,919,860</u>	<u>1,916,184</u>	<u>11,922,167</u>	<u>223,990</u>	<u>26,982,201</u>	<u>1,287,832</u>
Net Assets:						
Invested in capital assets, net of related debt	15,743,520	5,008,292	60,810,128	366,876	81,928,816	36,612
Unrestricted	<u>5,935,796</u>	<u>1,330,343</u>	<u>2,741,474</u>	<u>1,215,863</u>	<u>11,223,476</u>	<u>1,311,854</u>
Total net assets	<u>\$ 21,679,316</u>	<u>\$ 6,338,635</u>	<u>\$ 63,551,602</u>	<u>\$ 1,582,739</u>	<u>93,152,292</u>	<u>\$ 1,348,466</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>1,158,351</u>	
Total					<u>\$ 94,310,643</u>	

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
Operating Revenues:						
Charges for services	\$ 51,673,626	\$ 6,769,975	\$ 4,997,607	\$ 4,059,961	\$ 67,501,169	\$ 3,216,228
Other	534,742	175,829	8,505	42,318	761,394	1,121
Total operating revenues	52,208,368	6,945,804	5,006,112	4,102,279	68,262,563	3,217,349
Operating Expenses:						
Administration	-	-	-	-	-	1,415,615
Public service operations	-	-	-	-	-	1,031,588
Warehouse operations	-	-	-	-	-	599,752
Electrical operations	49,910,149	-	-	-	49,910,149	-
Environmental services	-	-	-	2,839,890	2,839,890	-
Stormwater services	-	-	-	697,627	697,627	-
Water production	-	828,412	-	-	828,412	-
Depreciation	914,113	467,760	2,256,019	196,535	3,834,427	17,631
Water operations	-	5,502,798	-	-	5,502,798	-
Wastewater plant operations	-	-	2,999,421	-	2,999,421	-
Claims reimbursement	-	-	-	-	-	405,985
Total operating expenses	50,824,262	6,798,970	5,255,440	3,734,052	66,612,724	3,470,571
Operating income (loss)	1,384,106	146,834	(249,328)	368,227	1,649,839	(253,222)
Non-Operating Revenues (Expenses):						
Interest earned on investments	15,782	2,289	17,869	2,893	38,833	5,131
Loss on disposal of assets	(856,601)	-	-	-	(856,601)	-
Interest on long-term debt	(296,563)	(77,571)	(398,626)	(4,520)	(777,280)	-
Economic development reimbursements	(95,000)	(71,980)	(95,000)	-	(261,980)	-
Total non-operating revenues (expenses)	(1,232,382)	(147,262)	(475,757)	(1,627)	(1,857,028)	5,131
Income (loss) before capital contributions and transfers	151,724	(428)	(725,085)	366,600	(207,189)	(248,091)
Capital Contributions and Transfers:						
Capital contributions	1,253,693	86,060	1,408,647	6,825	2,755,225	-
Transfers in	-	234,310	35,051	-	269,361	411,700
Transfers out	(823,400)	(81,351)	(13,930)	(188,500)	(1,107,181)	(4,900)
Total contributions and transfers	430,293	239,019	1,429,768	(181,675)	1,917,405	406,800
Change in net assets	582,017	238,591	704,683	184,925	1,710,216	158,709
Net Assets:						
Beginning of year - July 1	21,097,299	6,100,044	62,846,919	1,397,814		1,189,757
End of year - June 30	\$ 21,679,316	\$ 6,338,635	\$ 63,551,602	\$ 1,582,739		\$ 1,348,466
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					197,635	
Total					\$ 1,907,851	

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, 2012

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
Cash Flows from Operating Activities:						
Cash received from customers	\$ 52,239,779	\$ 6,826,054	\$ 5,236,644	\$ 4,143,627	\$ 68,446,104	\$ 3,225,701
Cash paid to suppliers for goods and services	(49,227,488)	(5,114,886)	(2,572,036)	(2,290,065)	(59,204,475)	(1,570,286)
Cash paid to employees	(1,026,901)	(1,306,122)	(764,519)	(1,254,965)	(4,352,507)	(1,871,062)
Customer deposits	123,847	-	-	-	123,847	-
Net cash provided (used) by operating activities	<u>2,109,237</u>	<u>405,046</u>	<u>1,900,089</u>	<u>598,597</u>	<u>5,012,969</u>	<u>(215,647)</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers from other funds	-	228,580	35,051	-	263,631	411,700
Transfers to other funds	(823,400)	(81,351)	(8,200)	(188,500)	(1,101,451)	(4,900)
Advances from other funds	-	(18,153)	-	-	(18,153)	(67,977)
Advances to other funds	(108,446)	-	-	-	(108,446)	-
Net cash provided (used) by non-capital financing activities	<u>(931,846)</u>	<u>129,076</u>	<u>26,851</u>	<u>(188,500)</u>	<u>(964,419)</u>	<u>338,823</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(1,775,437)	(92,172)	(1,385,718)	(342,249)	(3,595,576)	(13,391)
Other non-operating expenses	(95,000)	(71,980)	(95,000)	-	(261,980)	-
Principal paid on general obligation bond maturities and equipment contracts	(795,649)	(241,920)	(1,226,200)	(182,500)	(2,446,269)	-
Interest paid on bonded indebtedness and equipment contracts	(296,563)	(77,571)	(398,626)	(4,520)	(777,280)	-
Contributed capital	<u>1,253,693</u>	<u>86,060</u>	<u>1,408,647</u>	<u>6,825</u>	<u>2,755,225</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,708,956)</u>	<u>(397,583)</u>	<u>(1,696,897)</u>	<u>(522,444)</u>	<u>(4,325,880)</u>	<u>(13,391)</u>
Cash Flows from Investing Activities:						
Interest on investments	<u>15,782</u>	<u>2,289</u>	<u>17,869</u>	<u>2,893</u>	<u>38,833</u>	<u>5,131</u>
Net cash provided (used) by investing activities	<u>15,782</u>	<u>2,289</u>	<u>17,869</u>	<u>2,893</u>	<u>38,833</u>	<u>5,131</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(515,783)</u>	<u>138,828</u>	<u>247,912</u>	<u>(109,454)</u>	<u>(238,497)</u>	<u>114,916</u>
Cash and Cash Equivalents/Investments:						
Beginning of year - July 1	<u>3,839,974</u>	<u>-</u>	<u>2,000,570</u>	<u>1,070,417</u>	<u>6,910,961</u>	<u>2,139,537</u>
End of year - June 30	<u>\$ 3,324,191</u>	<u>\$ 138,828</u>	<u>\$ 2,248,482</u>	<u>\$ 960,963</u>	<u>\$ 6,672,464</u>	<u>\$ 2,254,453</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,384,106	\$ 146,834	\$ (249,328)	\$ 368,227	\$ 1,649,839	\$ (253,222)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	914,113	467,760	2,256,019	196,535	3,834,427	17,631
Change in Assets and Liabilities:						
(Increase) decrease in accounts receivable	31,411	(119,750)	230,532	41,348	183,541	8,352
Increase (decrease) in customer deposits	123,847	-	-	-	123,847	-
(Increase) decrease in inventories	8,278	(34,271)	-	-	(25,993)	(3,120)
Increase (decrease) accounts payable	(343,766)	(46,529)	(338,919)	(4,318)	(733,532)	11,988
Increase (decrease) in compensated absences payable	<u>(8,752)</u>	<u>(8,998)</u>	<u>1,785</u>	<u>(3,195)</u>	<u>(19,160)</u>	<u>2,724</u>
Net cash provided (used) by operating activities	<u>\$ 2,109,237</u>	<u>\$ 405,046</u>	<u>\$ 1,900,089</u>	<u>\$ 598,597</u>	<u>\$ 5,012,969</u>	<u>\$ (215,647)</u>
Non-Cash Investing, Capital, and Financing Activities:						
Transfer-in of assets	\$ -	\$ 5,730	\$ -	\$ -	\$ 5,730	\$ -
Transfer-out of assets	<u>(856,601)</u>	<u>-</u>	<u>(5,730)</u>	<u>-</u>	<u>(862,331)</u>	<u>-</u>
Total non-cash investing, capital, and financing activities:	<u>\$ (856,601)</u>	<u>\$ 5,730</u>	<u>\$ (5,730)</u>	<u>\$ -</u>	<u>\$ (856,601)</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.

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CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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*, has been considered, and the City has one blended component unit, which is described below. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus data from these units are combined with the data of the primary government.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 11 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 12 capital project funds, the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

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

Proprietary Funds include the following major funds:

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lenoir County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Administration Fund, the Capital Reserve Fund, the Temple Israel Perpetual Care Fund, and all proprietary operating funds. All annual appropriations lapse at fiscal year-end. Project length budgets are adopted for all other special revenue funds and all capital project funds, and appropriations therein lapse at the completion of the project.

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level in the General Fund and/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 the City Council. The City Council has the authority to amend the budget as they deem appropriate during the year to reflect the economic circumstances of the City.

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

After 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 securities are valued at fair value.

Cash and Cash Equivalents

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

Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Unspent grant proceeds are classified as restricted cash because the use is restricted for community development in various special revenue and capital project funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. 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. Inventories of enterprise funds are reported at the lower of cost using the FIFO method or market. The inventories consist of various items used in the maintenance of existing utility systems and expansion of new systems. Depending on the eventual use of these inventories, these items may be expensed in the future as maintenance of existing systems or capitalized as a part of the development of new systems.

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g. roads, bridges, traffic signals, and other similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 for equipment, vehicles, buildings, and other improvements, and \$100,000 for infrastructure and an estimated useful life in excess of one year. All purchased capital assets are valued at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value on the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of road networks that were acquired or received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives, are not capitalized. Costs associated with construction in progress are recorded in their respective capital asset category upon approval by the City Council, which approximates the completion date.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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:

Asset	Estimated Useful Lives
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. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements. The City has assumed a first-in/first-out method of using accumulated compensated time. The portion of the accumulated vacation pay that is estimated to be used within the next fiscal year has been designated as a current liability in the government-wide financial statements.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 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)].

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

Restricted for Community Development – portion of fund balance that is restricted by unspent grant proceeds solely for the Train Depot Capital Project Fund, the Talent Enhancement and Capacity Building Grant Special Revenue Fund, and the 2009 PSN GCC Project 61 Special Revenue Fund.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Restricted fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
Restricted, All Other:	
Community development	\$ 34,535
Perpetual care	8,762
Total	<u>\$ 43,297</u>

Committed Fund Balance

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

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

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

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

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

Committed fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
General government	\$ 6,831
Public safety	19,483
Community development	38,474
Cultural and recreation	8,250
Total	<u>\$ 73,038</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Assigned fund balance at June 30, 2012 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
Community development	\$ 8,877
Total	<u>\$ 8,877</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, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 6,217,943
Less:	
Inventories	87,020
Stabilization by State statute	<u>1,498,228</u>
Total available fund balance	<u><u>\$ 4,632,695</u></u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

	General Fund	Other Governmental Funds
Encumbrances	\$ 257,127	\$ -

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

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

The City has fund balance deficits in individual funds at June 30, 2012 as follows:

Nonmajor Special Revenue Funds:

2009 Cops Hiring Recovery Grant (ARRA)	\$ 36,108
2010 Bulletproof Vest Partnership Grant (BVP)	1,225
2010 JAG Recovery Act Relief Project	20,029
2011 Edward Byrne Memorial JAG Grant	115
2011 PSN GCC Crossing Boundaries Project	1,416
Hurricane Irene - FEMA - 4019-DR-NC	202,033

Nonmajor Capital Project Funds:

Battlefield Parkway/Soccer Complex	\$ 3,093
CWMTF Flood Buy-Out II	18,959
Energy Efficiency Building Improvements	688

Internal Service Funds:

Warehouse	\$ 439,528
Fleet Maintenance	73,297

These deficits in the internal service funds are expected to be funded by future analysis of internal fees. The deficits in the nonmajor special revenue funds and capital project funds are a result of revenue timing and will be funding by future grant revenues.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

3. Detail Notes On All Funds

A. Assets

Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the City's deposits had a carrying amount of \$14,162,703 and a bank balance of \$14,167,743. Of the bank balance, \$250,200 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2012, the City's petty cash fund totaled \$3,197.

Investments

At June 30, 2012, the City had \$629,984 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Receivables - Allowances for Doubtful Accounts

The receivables shown in the Balance Sheet and the Statement of Net Assets at June 30, 2012 are net of the following allowances for doubtful accounts:

Fund	
General Fund:	
Taxes receivable	\$ 141,840
Enterprise Funds:	
Electric Fund	1,229,995
Water Fund	227,736
Wastewater Fund	177,189
Nonmajor enterprise funds	176,822
Total enterprise funds	1,811,742
Total allowances for doubtful accounts	\$ 1,953,582

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, 2012

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2012 was as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Capital Assets Not Being Depreciated:				
Land	\$ 3,482,916	\$ -	\$ -	\$ 3,482,916
Construction in progress	1,231,262	3,506,318	(14,000)	4,723,580
Total capital assets not being depreciated	<u>4,714,178</u>	<u>3,506,318</u>	<u>(14,000)</u>	<u>8,206,496</u>
Capital Assets Being Depreciated:				
Buildings and improvements	14,667,953	-	-	14,667,953
Equipment	4,310,774	91,640	(8,500)	4,393,914
Vehicles	7,352,183	127,632	(133,125)	7,346,690
Infrastructure	5,325,064	-	-	5,325,064
Total capital assets being depreciated	<u>31,655,974</u>	<u>219,272</u>	<u>(141,625)</u>	<u>31,733,621</u>
Less Accumulated Depreciation:				
Buildings and improvements	(4,770,103)	(333,063)	-	(5,103,166)
Equipment	(3,841,389)	(222,589)	8,500	(4,055,478)
Vehicles	(6,171,519)	(405,740)	133,125	(6,444,134)
Infrastructure	(3,838,194)	(177,772)	-	(4,015,966)
Total accumulated depreciation	<u>(18,621,205)</u>	<u>\$ (1,139,164)</u>	<u>\$ 141,625</u>	<u>(19,618,744)</u>
Total capital assets being depreciated, net	<u>13,034,769</u>			<u>12,114,877</u>
Total	<u>\$ 17,748,947</u>			<u>\$ 20,321,373</u>

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

General government	\$ 97,482
Public safety	498,816
Public works	244,532
Parks and recreation	256,680
Community development	35,839
Internal service funds	5,815
Total	<u>\$ 1,139,164</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Business-Type Activities:	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Electric Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	5,663,742	1,481,136	(856,601)	6,288,277
Total capital assets not being depreciated	5,866,122	1,481,136	(856,601)	6,490,657
Capital Assets Being Depreciated:				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	691,041	-	-	691,041
Vehicles	1,199,278	189,316	(105,121)	1,283,473
Distribution system	32,318,708	104,985	-	32,423,693
Total capital assets being depreciated	37,880,917	294,301	(105,121)	38,070,097
Less Accumulated Depreciation:				
Buildings and improvements	(2,567,883)	(76,374)	-	(2,644,257)
Equipment	(597,297)	(44,729)	-	(642,026)
Vehicles	(898,460)	(143,217)	105,121	(936,556)
Distribution system	(16,948,837)	(649,793)	-	(17,598,630)
Total accumulated depreciation	(21,012,477)	(914,113)	105,121	(21,821,469)
Total capital assets being depreciated, net	16,868,440			16,248,628
Electric Fund capital assets, net	22,734,562			22,739,285
Water Fund:				
Capital Assets Not Being Depreciated:				
Land	66,605	-	-	66,605
Construction in progress	700,081	5,730	-	705,811
Total capital assets not being depreciated	766,686	5,730	-	772,416
Capital Assets Being Depreciated:				
Buildings and improvements	577,040	-	-	577,040
Equipment	856,171	84,035	-	940,206
Vehicles	1,304,934	8,137	(13,318)	1,299,753
Infrastructure	23,320	-	-	23,320
Distribution system	14,468,783	-	-	14,468,783
Total capital assets being depreciated	17,230,248	92,172	(13,318)	17,309,102

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Less Accumulated Depreciation:				
Buildings and improvements	(577,040)	-	-	(577,040)
Equipment	(703,417)	(65,940)	-	(769,357)
Vehicles	(1,191,633)	(75,479)	13,318	(1,253,794)
Infrastructure	(5,830)	(1,166)	-	(6,996)
Distribution system	(8,381,398)	(325,175)	-	(8,706,573)
Total accumulated depreciation	<u>(10,859,318)</u>	<u>(467,760)</u>	<u>13,318</u>	<u>(11,313,760)</u>
Total capital assets being depreciated, net	<u>6,370,930</u>			<u>5,995,342</u>
Water Fund capital assets, net	<u>7,137,616</u>			<u>6,767,758</u>
 Wastewater Fund:				
Capital Assets Not Being Depreciated:				
Land	953,658	-	-	953,658
Construction in progress	1,954,971	1,359,358	(5,730)	3,308,599
Total capital assets not being depreciated	<u>2,908,629</u>	<u>1,359,358</u>	<u>(5,730)</u>	<u>4,262,257</u>
Capital Assets Being Depreciated:				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,748,450	26,360	-	1,774,810
Vehicles	221,412	-	-	221,412
Distribution system	48,345,336	-	-	48,345,336
Total capital assets being depreciated	<u>91,591,396</u>	<u>26,360</u>	<u>-</u>	<u>91,617,756</u>
Less Accumulated Depreciation:				
Buildings and improvements	(5,094,368)	(1,022,340)	-	(6,116,708)
Equipment	(1,625,100)	(66,948)	-	(1,692,048)
Vehicles	(221,412)	-	-	(221,412)
Distribution system	(14,071,526)	(1,166,731)	-	(15,238,257)
Total accumulated depreciation	<u>(21,012,406)</u>	<u>(2,256,019)</u>	<u>-</u>	<u>(23,268,425)</u>
Total capital assets being depreciated, net	<u>70,578,990</u>			<u>68,349,331</u>
Wastewater Fund capital assets, net	<u>73,487,619</u>			<u>72,611,588</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>
Environmental Services Fund:				
Capital Assets Being Depreciated:				
Equipment	446,542	36,480	-	483,022
Vehicles	<u>2,408,495</u>	<u>-</u>	<u>-</u>	<u>2,408,495</u>
Total capital assets being depreciated	<u>2,855,037</u>	<u>36,480</u>	<u>-</u>	<u>2,891,517</u>
Less Accumulated Depreciation:				
Equipment	(446,543)	(7,296)	-	(453,839)
Vehicles	<u>(2,279,523)</u>	<u>(90,414)</u>	<u>-</u>	<u>(2,369,937)</u>
Total accumulated depreciation	<u>(2,726,066)</u>	<u>(97,710)</u>	<u>-</u>	<u>(2,823,776)</u>
Total capital assets being depreciated, net	<u>128,971</u>			<u>67,741</u>
Environmental services fund capital assets, net	<u>128,971</u>			<u>67,741</u>
 Stormwater Fund:				
Capital Assets Being Depreciated:				
Equipment	52,950	9,450	-	62,400
Vehicles	167,558	188,672	-	356,230
Distribution system	<u>61,572</u>	<u>107,647</u>	<u>-</u>	<u>169,219</u>
Total capital assets being depreciated	<u>282,080</u>	<u>305,769</u>	<u>-</u>	<u>587,849</u>
Less Accumulated Depreciation:				
Equipment	(21,180)	(12,480)	-	(33,660)
Vehicles	(106,532)	(77,884)	-	(184,416)
Distribution system	<u>(3,079)</u>	<u>(8,461)</u>	<u>-</u>	<u>(11,540)</u>
Total accumulated depreciation	<u>(130,791)</u>	<u>(98,825)</u>	<u>-</u>	<u>(229,616)</u>
Total capital assets being depreciated, net	<u>151,289</u>			<u>358,233</u>
Environmental services fund capital assets, net	<u>151,289</u>			<u>358,233</u>
 Public Services Internal Service Fund:				
Capital Assets Being Depreciated:				
Equipment	44,346	-	-	44,346
Vehicles	<u>77,449</u>	<u>13,391</u>	<u>-</u>	<u>90,840</u>
Total capital assets being depreciated	<u>121,795</u>	<u>13,391</u>	<u>-</u>	<u>135,186</u>
Less Accumulated Depreciation:				
Equipment	(22,088)	(7,064)	-	(29,152)
Vehicles	<u>(75,375)</u>	<u>(4,752)</u>	<u>-</u>	<u>(80,127)</u>
Total accumulated depreciation	<u>(97,463)</u>	<u>\$ (11,816)</u>	<u>\$ -</u>	<u>(109,279)</u>
Total capital assets being depreciated, net	<u>24,332</u>			<u>25,907</u>
Public services fund capital assets, net	<u>24,332</u>			<u>25,907</u>
 Business-type activities capital assets, net	<u>\$ 103,664,389</u>			<u>\$ 102,570,512</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

B. Liabilities

Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2012 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts and vouchers	\$ 678,664	\$ 2,503,270	\$ 3,181,934
Accrued payroll and related liabilities	211,873	98,829	310,702
Customer deposits	-	1,707,774	1,707,774
Employee health unpaid claims	304,000	-	304,000
Accrued interest payable	123,011	127,128	250,139
	<u>1,317,548</u>	<u>4,437,001</u>	<u>5,754,549</u>
Total accounts payable and accrued liabilities	\$ 1,317,548	\$ 4,437,001	\$ 5,754,549

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 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, 2012, 2011, and 2010 were \$967,629, \$914,597, and \$684,977, 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, 2012

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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>77</u>
Total	<u><u>84</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, 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 increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The amortization period at December 31, 2010 was 20 years.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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	\$	185,449
Interest on net pension obligation		53,302
Adjustment to annual required contribution		(63,595)
Annual pension cost		175,156
Contributions made		110,936
Increase in net pension obligation		64,220
Net pension obligation:		
Beginning of year - July 1		1,066,038
End of year - June 30	\$	1,130,258

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 177,944	32.44%	\$ 954,636
2011	197,087	43.48%	1,066,038
2012	175,156	63.34%	1,130,258

Funded Status and Funding Progress

As December 31, 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 \$1,996,069. The covered payroll (annual payroll of active employees covered by the plan) was \$3,646,237, and the ratio of the UAAL to the covered payroll was 54.74%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 were \$224,914, which consisted of \$179,594 from the City and \$45,320 from the law enforcement officers.

Separation Allowance Plan

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

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

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

At June 30, 2012, the Separation Allowance - Employees' membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>11</u>
Total	<u><u>13</u></u>

A separate financial report was not issued for the plan.

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

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

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

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.25% to 8.55% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized on a level dollar open basis. The amortization period at July 1, 2011 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	\$ 9,617
Interest on net pension obligation	3,217
Adjustment to annual required contribution	<u>(12,073)</u>
Annual pension cost	761
Contributions made	<u>13,997</u>
Increase (decrease) in net pension obligation	(13,236)
Net pension obligation:	
Beginning of year - July 1	<u>64,344</u>
End of year - June 30	<u><u>\$ 51,108</u></u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 10,102	186.02%	\$ 80,191
2011	23	69000.00%	64,344
2012	761	1839.30%	51,108

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 \$31,542. The covered payroll (annual payroll of active employees covered by the plan) was \$498,551, and the ratio of the UAAL to the covered payroll was 6.3 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, 2012 were \$344,743, which consisted of \$153,896 from the City and \$190,847 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Membership of the Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	54
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>213</u>
Total	<u><u>267</u></u>

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 2.77% of annual covered payroll. For the current year, the City contributed \$203,494, or 2.17%, 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 2.77% and 2.77% 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 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	\$ 259,761
Interest on net OPEB obligation	2,065
Adjustments to annual required contribution	<u>(1,781)</u>
Annual OPEB cost (expense)	260,045
Contributions made	<u>(203,494)</u>
Increase (decrease) in net OPEB obligation	56,551
Net OPEB obligation:	
Beginning of year - July 1	<u>51,633</u>
End of year - June 30	<u><u>\$ 108,184</u></u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 234,694	93.85%	\$ 41,502
2011	234,922	95.69%	51,633
2012	260,045	78.25%	108,184

Fund Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,032,160. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,399,146, and the ratio of the UAAL to the covered payroll was 32.3 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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2011 was 25 years.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

As of June 30, 2012, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Governmental Employee's Retirement System (Death Trust Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during 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, 2012, the City made contributions to the State for death benefits of \$15,188. The City's required contributions to the Death Trust Plan for employees not engaged in law enforcement and for law enforcement officers represented .10 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.

The City has also elected to provide additional group term life insurance benefits up to 1.5 times the employee's base salary not to exceed \$200,000. This coverage is provided at no extra cost to the employee. If the combined life insurance coverage exceeds the \$50,000 limit, the excess amount is multiplied by a premium cost factor per \$1,000 based on the employee's age at December 31 provided by the IRS. This amount is then added to the employee's taxable wages on a calendar year basis. For the fiscal year ended June 30, 2012, the City made contributions of \$49,630 for this additional group term life insurance.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Deferred Revenues/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 Revenues</u>	<u>Unearned Revenues</u>
General Fund		
Prepaid property taxes not yet earned	\$ -	\$ 58,986
Grant receivable	-	20,429
Privilege licenses receivable	1,019,315	-
Property taxes receivable	727,360	-
Property taxes receivable, automobiles	120,241	-
GTP Fire taxes receivable	29	-
Paving assessments receivable	98,622	-
Total	<u>\$ 1,965,567</u>	<u>\$ 79,415</u>
Proprietary Fund - Water Fund		
Repayment agreements	<u>\$ -</u>	<u>\$ 12,908</u>

Risk Management

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

The City's Employee Health Internal Service Fund was established to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that 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 \$405,985 in claims was incurred for benefits during fiscal year 2012.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Claims Liability

	Year Ended June 30	
	2012	2011
Unpaid claims, beginning of fiscal year	\$ 263,000	\$ 263,000
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	405,985	88,863
Payments and reduction in claims estimates	(364,985)	(88,863)
Unpaid claims, end of fiscal year	<u>\$ 304,000</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. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

Purchase Commitments

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Long-Term Obligations

Installment Contracts

<u>Year of</u> <u>Loan</u>	<u>Purpose and Collateral</u>	<u>Interest</u> <u>Rates</u>	*** <u>Effective</u> <u>Interest</u> <u>Rates</u>	<u>Maturity</u>	<u>Balance</u> <u>June 30,2012</u>
<u>Governmental Activities:</u>					
2002	Grainger Stadium Renovations	5.65%		2017	\$ 758,621
2008	Various Vehicles and Equipment	2.59%		2013	65,701
2009	New Main Fire Station	4.75%		2049	3,075,304
2009	City Hall Renovations	4.38%		2039	1,783,737
2010	Various Vehicles and Equipment	3.38%	2.20%	2015	256,731
2011	Fire Stations	4.00%		2013	2,337,500
2011	Fire Trucks				<u>829,948</u>
Total Governmental Activities					<u>\$ 9,107,542</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Year of Loan	Purpose and Collateral	Interest Rates	*** Effective		Maturity	Balance June 30,2012
			Interest Rates			
<u>Business-Type Activities:</u>						
Water						
2008	Various Vehicles and Equipment	2.59%			2013	\$ 14,039
2010	Various Vehicles and Equipment	3.38%	2.20%		2015	<u>112,200</u>
						<u>126,239</u>
Wastewater						
2010	Expansion of Sanitary Sewer System	5.07%	3.30%		2020	653,356
Electric						
2006	Improvements to Distribution System	4.05%			2013	274,295
2008	Supervisory Control & Data Acquisition System	2.59%			2013	8,129
2010	Various Vehicles and Equipment	3.38%	2.20%		2015	<u>281,097</u>
						<u>563,521</u>
Environmental Services						
2008	Various Vehicles and Equipment	2.59%			2013	<u>27,328</u>
						<u>27,328</u>
Stormwater						
2010	Equipment	3.38%	2.20%		2015	<u>31,770</u>
						<u>31,770</u>
Total Business-Type Activities						\$ 1,402,214

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Installment Contracts		Installment Contracts			
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,723,982	\$ 323,768	\$ 440,302	\$ 55,632	\$ 3,164,284	\$ 379,400
2014	325,109	291,831	306,549	39,046	631,658	330,877
2015	329,632	276,506	216,953	28,500	546,585	305,006
2016	248,779	261,935	79,129	21,237	327,908	283,172
2017	839,712	1,155,119	83,191	17,174	922,903	1,172,293
2018-2022	786,880	989,365	87,463	12,903	874,343	1,002,268
2023-2027	978,562	797,683	91,953	8,412	1,070,515	806,095
2028-2032	866,188	593,617	96,674	3,691	962,862	597,308
2033-2037	848,746	382,361	-	-	848,746	382,361
2038-2042	675,629	214,711	-	-	675,629	214,711
2043-2047	484,323	46,841	-	-	484,323	46,841
Total	\$ 9,107,542	\$ 5,333,737	\$ 1,402,214	\$ 186,595	\$ 10,509,756	\$ 5,520,332

Installment contracts of the government activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$653,356 will be repaid from the Wastewater Fund, \$563,521 from the Electric Fund, \$126,239 from the Water Fund, \$27,328 from the Environmental Services Fund, and \$31,770 from the Storm Water Fund.

Notes Payable

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

Business-Type Activities:

<u>Year of Loan</u>	<u>Purpose and Collateral</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance June 30, 2012</u>
2003	Expansion to Sanitary Sewer System	2.66%	2023	\$ 901,764
2003	Expansion to Sanitary Sewer System	2.66%	2024	459,000
2007	Expansion to Sanitary Sewer System	2.27%	2027	<u>5,516,584</u>
Total business-type activities				<u>\$ 6,877,348</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Year Ending June 30	Principal	Interest	Total
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	488,001	115,034	603,035
2018-2022	2,440,004	402,251	2,842,255
2023-2027	1,997,339	130,184	2,127,523
Total	<u>\$ 6,877,348</u>	<u>\$ 1,222,889</u>	<u>\$ 8,100,237</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Revenue Bonds

Revenue bonds outstanding at June 30, 2012 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%	\$ 1,351,179
 \$1,211,360 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	 <u>282,048</u>
Total	<u>1,633,227</u>

Wastewater Fund:

\$882,612 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	856,630
 \$767,987 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	 178,815
 \$2,536,000 - Combined Enterprise System Revenue Bonds, 2004 Series, due in semi-annual installments through June 15, 2019; interest at 4.25%	 1,382,434
 \$2,350,000 - Combined Enterprise System Revenue Bonds, 2008 Series, due in semi-annual installments through October 15, 2023; interest at 3.72%	 <u>1,852,877</u>
Total	<u>4,270,756</u>

Electric Fund:

\$3,500,227 - Combined Enterprise System Revenue Bonds, Series 2004, due in semi-annual installments through April 1, 2021; interest at 4.25%	3,397,191
 \$3,045,653 - Combined Enterprise Revenue Refunding Bonds, Series 2005, due in semi-annual installments through April 1, 2014; interest at 3.39%	 709,137
 \$2,950,000 - Combined Enterprise System Revenue Bonds, Series 2008, due in semi-annual installments through October 15, 2023; interest at 3.72%	 <u>2,325,916</u>
Total	<u>6,432,244</u>
 Total Revenue Bonds	 <u>\$ 12,336,227</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,055,710	\$ 487,319	\$ 1,543,029
2014	1,094,321	449,003	1,543,324
2015	1,133,672	409,058	1,542,730
2016	1,268,704	363,199	1,631,903
2017	1,324,704	309,865	1,634,569
2018-2022	5,808,553	720,834	6,529,387
2023-2027	650,563	24,381	674,944
Total	<u>\$ 12,336,227</u>	<u>\$ 2,763,659</u>	<u>\$ 15,099,886</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 ended June 30, 2012 were \$1,017,646 and \$525,709, respectively. Total customer revenue for the City's enterprise funds totaled \$64,196,224 for the year ended June 30, 2012.

The debt service coverage ratio calculation for the year ended June 30, 2012 is as follows:

Operating revenues	\$ 64,196,224
Operating expenses*	<u>59,240,780</u>
Income available for debt service	<u>4,955,444</u>
 Debt service, principal and interest	
interest paid (parity debt)	<u>\$ 2,005,557</u>
 Debt service coverage ratio for parity debt	<u>2.47%</u>

*Per rate covenants; this does not include the depreciation expense of \$3,637,892.

At June 30, 2012, 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, 2012

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, 2012, the legal debt limit for the City was \$113,508,985 providing a legal debt margin of \$17,387,104.

At June 30, 2012, the City has no authorized bonds remaining to be issued.

Changes in Long-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2012 is as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>	<u>Current Portion of Balance</u>
Accrued compensated absences	\$ 717,171	\$ 374,607	\$ 370,887	\$ 720,891	\$ 108,134
Police separation allowance	1,066,038	64,220	-	1,130,258	-
Separation allowance plan	64,344	-	13,236	51,108	-
Installment contracts	9,633,281	-	525,739	9,107,542	2,723,982
OPEB liability	51,633	56,551	-	108,184	-
Total	<u>\$ 11,532,467</u>	<u>\$ 495,378</u>	<u>\$ 909,862</u>	<u>\$ 11,117,983</u>	<u>\$ 2,832,116</u>

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, 2012 is as follows:

	<u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2012</u>	<u>Current Portion of Balance</u>
Accrued compensated absences	\$ 332,146	\$ 71,259	\$ 89,355	\$ 314,050	\$ 59,390
Notes payable	7,659,236	-	781,888	6,877,348	488,001
Installment contracts	2,048,949	-	646,735	1,402,214	440,302
Revenue bonds	13,353,873	-	1,017,646	12,336,227	1,055,710
Total	<u>\$ 23,394,204</u>	<u>\$ 71,259</u>	<u>\$ 2,535,624</u>	<u>\$ 20,929,839</u>	<u>\$ 2,043,403</u>

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances as of June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Total</u>
	<u>Nonmajor Governmental</u>	<u>Internal Service Fund</u>	
Electric Fund	\$ 282,685	\$ 745,123	\$ 1,027,808

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, 2012:

<u>Transfers In</u>	<u>Transfers Out</u>							<u>Total</u>
	<u>Major General Fund</u>	<u>Major Electric Fund</u>	<u>Major Water Fund</u>	<u>Major Wastewater Fund</u>	<u>Nonmajor Enterprise Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Internal Service Fund</u>	
Major General Fund	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ -	\$ 800	\$ 800,800
Major Electric Fund	-	-	-	-	-	-	-	-
Major Water Fund	200,080	-	-	5,730	28,500	-	-	234,310
Major Wastewater Fund	-	-	35,051	-	-	-	-	35,051
Nonmajor governmental funds	241,986	-	-	-	-	-	-	241,986
Internal service funds	169,700	23,400	46,300	8,200	160,000	-	4,100	411,700
Total	\$ 611,766	\$ 823,400	\$ 81,351	\$ 13,930	\$ 188,500	\$ -	\$ 4,900	\$ 1,723,847

Transfers out from the General Fund to the nonmajor governmental funds were to repay an interfund loan from the Water Capital Reserve Fund from 2007, Bullet-Proof Vest Partnership and City's matching funds for the USDA loan for the construction of Fire Station #3. 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. Transfer from the Wastewater Fund to the Water Fund represents project assets that have been allocated to service the Water Fund. Transfer from the Wastewater Fund to the 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, 2012

Claims and Judgments

At June 30, 2012, 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, 2012 were \$44,507,262.

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.

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, 2012.

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, 2012

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 \$224,327 of funding for the Authority for the year ended June 30, 2012.

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, 2012. During the year ended June 30, 2012, the City provided \$190,000 to the Library. Separate financial statements of the Library are available at the Library address of 510 North Queen Street, Kinston, North Carolina 28501.

City of Kinston Housing Authority

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

5. Federal and State-Assisted Programs

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

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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%
2011	-	1,996,069	1,996,069	0.00%	3,646,237	54.74%

CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2012**

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
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%
2012	185,449	59.82%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	20 years
Asset valuation method	Market value

Actuarial Assumptions:

Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost of living adjustments	None

* Includes inflation at 3.00%

CITY OF KINSTON, NORTH CAROLINA

SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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%
2012	-	31,542	31,542	0.00%	498,551	6.3%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2009	\$ 28,990	\$ 36,536	126.03%
2010	21,179	18,792	88.73%
2011	11,060	15,870	143.49%
2012	9,617	13,997	145.54%

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	7/1/2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar open
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial Assumptions:	
Investment rate of return*	5.00%
Medical cost trend rate	4.25% to 8.55%
Year of ultimate trend rate	N/A

* Includes inflation at 3.00%

CITY OF KINSTON, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS -
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ -	\$ 2,839,772	\$ 2,839,772	0.00%	\$ 10,327,213	27.5%
12/31/2008	-	2,673,181	2,673,181	0.00%	10,058,691	26.6%
12/31/2009	-	2,721,329	2,721,329	0.00%	10,433,324	26.1%
12/31/2011	-	3,032,160	3,032,160	0.00%	9,399,146	32.3%

Schedule of Employer Contributions

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

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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	25 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	N/A
Ultimate trend rate	N/A
Year of ultimate trend rate	N/A

* Includes inflation at 3.00%

MAJOR FUNDS

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

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GENERAL FUND

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

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CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
BALANCE SHEET

JUNE 30, 2012

WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and investments	\$ 5,668,245	\$ 5,104,526
Receivables:		
Due from governmental agencies	867,180	1,029,655
Accounts receivable	1,491,887	1,179,719
Taxes receivable	847,601	831,016
Inventories	<u>87,020</u>	<u>89,373</u>
 Total assets	 <u>\$ 8,961,933</u>	 <u>\$ 8,234,289</u>
 Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 699,008	\$ 739,655
Unearned revenue	79,415	47,480
Deferred revenue	<u>1,965,567</u>	<u>1,820,340</u>
Total liabilities	<u>2,743,990</u>	<u>2,607,475</u>
 Fund Balances:		
Non-spendable, not in spendable form:		
Inventories	87,020	89,373
Restricted:		
Stabilization by State statute	1,498,228	1,503,278
Unassigned	<u>4,632,695</u>	<u>4,034,163</u>
Total fund balances	<u>6,217,943</u>	<u>5,626,814</u>
 Total liabilities and fund balances	 <u>\$ 8,961,933</u>	 <u>\$ 8,234,289</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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 9,481,100	\$ 9,516,019	\$ 34,919	\$ 8,843,512
Penalties and interest	80,000	91,591	11,591	89,380
Total	9,561,100	9,607,610	46,510	8,932,892
Sales and Services:				
Rents, concessions, and fees	272,950	237,787	(35,163)	347,472
Inspection fees	83,000	283,327	200,327	116,422
Cemetery fees	185,000	187,115	2,115	212,335
Cable franchise	160,000	180,266	20,266	177,795
Lenoir County Participation: Recreation	821,200	820,100	(1,100)	759,160
Woodmen Foundation Reimbursement:				
Recreation	31,000	29,725	(1,275)	-
Total	1,553,150	1,738,320	185,170	1,613,184
Other Taxes and Licenses:				
Local government sales tax	2,826,400	3,270,969	444,569	3,026,606
Franchise tax	1,790,000	1,838,155	48,155	1,868,681
Occupancy tax	218,800	224,309	5,509	212,327
Gross receipts tax	39,600	45,379	5,779	36,937
Licenses and permits	85,800	75,564	(10,236)	101,568
GTP fire protection taxes	71,800	71,952	152	4,508
Total	5,032,400	5,526,328	493,928	5,250,627
Unrestricted Intergovernmental:				
Payment in lieu of taxes	254,200	264,724	10,524	249,749
Beer and wine tax	95,250	93,916	(1,334)	99,069
ABC revenue	600	1,621	1,021	305
Total	350,050	360,261	10,211	349,123
Restricted Intergovernmental:				
Powell Bill allocations	600,000	614,365	14,365	616,703
School resource officer	77,100	78,937	1,837	77,060
N.C. Department of Transportation	161,200	118,337	(42,863)	88,914
State grants, miscellaneous	12,835	12,538	(297)	-
Court allocation	-	210	210	22,504
Forfeited drug proceeds	-	15,454	15,454	6,150
Total	851,135	839,841	(11,294)	811,331

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Other Revenue:				
Investment income	14,700	16,767	2,067	17,167
Sales of surplus materials and assets	80,000	27,935	(52,065)	52,604
Miscellaneous	164,380	152,848	(11,532)	134,750
Total	259,080	197,550	(61,530)	204,521
 Total revenues	 17,606,915	 18,269,910	 662,995	 17,161,678
Expenditures:				
General Government:				
Governing Body:				
Salaries and benefits	115,400	113,622	1,778	102,783
Operating	154,100	139,652	14,448	71,694
Total	269,500	253,274	16,226	174,477
 Executive:				
Salaries and benefits	617,125	580,095	37,030	725,523
Operating	428,379	425,736	2,643	308,602
Capital outlay	175,800	99,506	76,294	29,892
Total	1,221,304	1,105,337	115,967	1,064,017
 Finance:				
Salaries and benefits	663,875	629,254	34,621	599,444
Operating	373,341	354,864	18,477	301,940
Capital outlay	800	749	51	-
Total	1,038,016	984,867	53,149	901,384
 Human Resources:				
Salaries and benefits	225,300	197,086	28,214	164,687
Operating	338,700	219,964	118,736	243,249
Total	564,000	417,050	146,950	407,936
 Engineering and Public Facilities:				
Salaries and benefits	625,200	607,618	17,582	576,499
Operating	426,000	351,120	74,880	342,181
Capital outlay	268,800	267,009	1,791	283,996
Less: interdepartmental charges	(314,600)	(314,700)	100	(332,400)
Total	1,005,400	911,047	94,353	870,276

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Indirect costs reimbursement	(1,441,300)	(1,455,769)	14,469	(1,242,400)
Total general government	2,656,920	2,215,806	441,114	2,175,690
Public Safety:				
Police and Fire Administration:				
Salaries and benefits	712,600	700,771	11,829	714,373
Operating	253,800	237,461	16,339	232,878
Capital outlay	-	-	-	1,957
Total	966,400	938,232	28,168	949,208
Police:				
Salaries and benefits	4,496,000	4,245,235	250,765	4,100,609
Operating	873,331	885,412	(12,081)	869,292
Capital outlay	225,092	183,269	41,823	69,798
Total	5,594,423	5,313,916	280,507	5,039,699
Fire:				
Salaries and benefits	2,610,140	2,574,053	36,087	2,449,252
Operating	546,491	465,943	80,548	403,657
Capital outlay	68,800	65,407	3,393	32,068
Total	3,225,431	3,105,403	120,028	2,884,977
Inspections and Code Enforcement:				
Salaries and benefits	215,300	175,159	40,141	171,045
Operating	125,700	87,516	38,184	54,185
Capital outlay	2,400	2,252	148	-
Total	343,400	264,927	78,473	225,230
Total public safety	10,129,654	9,622,478	507,176	9,099,114
Public Services:				
Salaries and benefits	679,200	632,562	46,638	640,877
Operating	1,242,808	950,366	292,442	794,250
Capital outlay	7,000	-	7,000	8,691
Total	1,929,008	1,582,928	346,080	1,443,818

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Parks and Recreation:				
Salaries and benefits	2,275,300	2,334,987	(59,687)	2,211,716
Operating	1,276,367	1,229,199	47,168	1,263,768
Capital outlay	144,060	78,028	66,032	129,779
Total	<u>3,695,727</u>	<u>3,642,214</u>	<u>53,513</u>	<u>3,605,263</u>
Community Development:				
Planning:				
Salaries and benefits	119,600	127,120	(7,520)	102,847
Operating	35,700	28,891	6,809	14,530
Capital outlay	-	-	-	1,974
Total	<u>155,300</u>	<u>156,011</u>	<u>(711)</u>	<u>119,351</u>
Economic Development:				
Operating	645,900	648,378	(2,478)	597,802
Total	<u>645,900</u>	<u>648,378</u>	<u>(2,478)</u>	<u>597,802</u>
Total community development	<u>801,200</u>	<u>804,389</u>	<u>(3,189)</u>	<u>717,153</u>
Contingency	<u>800</u>	<u>-</u>	<u>(800)</u>	<u>-</u>
Total expenditures	<u>19,213,309</u>	<u>17,867,815</u>	<u>1,344,694</u>	<u>17,041,038</u>
Revenues over (under) expenditures	<u>(1,606,394)</u>	<u>402,095</u>	<u>2,008,489</u>	<u>120,640</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,017,667	-	(1,017,667)	-
Transfers in	800,800	800,800	-	800,000
Transfers out	(611,873)	(611,766)	107	(359,219)
Long-term debt issued	399,800	-	(399,800)	-
Total other financing sources (uses):	<u>1,606,394</u>	<u>189,034</u>	<u>(1,417,360)</u>	<u>440,781</u>
Net change in fund balance	<u>\$ -</u>	<u>591,129</u>	<u>\$ 591,129</u>	<u>561,421</u>
Fund Balance:				
Beginning of year - July 1		<u>5,626,814</u>		<u>5,065,393</u>
End of year - June 30		<u>\$ 6,217,943</u>		<u>\$ 5,626,814</u>

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NONMAJOR FUND TYPES

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2012

	Governmental Fund Types			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
			Temple Israel Perpetual Care Fund	
Assets:				
Cash and investments	\$ 28,468	\$ 53,957	\$ 83,762	\$ 166,187
Receivables	80,702	90,128	-	170,830
Restricted cash and investments	19,542	14,993	-	34,535
Total assets	<u>\$ 128,712</u>	<u>\$ 159,078</u>	<u>\$ 83,762</u>	<u>\$ 371,552</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 79,203	\$ 19,538	\$ -	\$ 98,741
Due to other funds	225,443	57,242	-	282,685
Total liabilities	<u>304,646</u>	<u>76,780</u>	<u>-</u>	<u>381,426</u>
Fund Balances:				
Non-spendable, not in spendable form:				
Perpetual maintenance	-	-	75,000	75,000
Restricted:				
Stabilization by State statute	80,702	90,128	-	170,830
Restricted, all other	19,542	14,993	8,762	43,297
Committed	19,483	53,555	-	73,038
Assigned	8,877	-	-	8,877
Unassigned	(304,538)	(76,378)	-	(380,916)
Total fund balances	<u>(175,934)</u>	<u>82,298</u>	<u>83,762</u>	<u>(9,874)</u>
Total liabilities and fund balances	<u>\$ 128,712</u>	<u>\$ 159,078</u>	<u>\$ 83,762</u>	<u>\$ 371,552</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types			
	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Permanent Fund	Total
			Temple Israel Perpetual Care Fund	
Revenues:				
Intergovernmental revenue	\$ 1,613,299	\$ 535,524	\$ -	\$ 2,148,823
Miscellaneous income	900	-	-	900
Interest	19	651	189	859
Total revenues	<u>1,614,218</u>	<u>536,175</u>	<u>189</u>	<u>2,150,582</u>
Expenditures:				
Current:				
Public safety	174,137	2,185,739	-	2,359,876
Community development	1,683,970	357,088	-	2,041,058
Parks and recreation	-	106,890	-	106,890
Total expenditures	<u>1,858,107</u>	<u>2,649,717</u>	<u>-</u>	<u>4,507,824</u>
Revenues over (under) expenditures	<u>(243,889)</u>	<u>(2,113,542)</u>	<u>189</u>	<u>(2,357,242)</u>
Other Financing Sources (Uses):				
Transfers in	10,668	231,318	-	241,986
Total other financing sources (uses)	<u>10,668</u>	<u>231,318</u>	<u>-</u>	<u>241,986</u>
Net change in fund balances	(233,221)	(1,882,224)	189	(2,115,256)
Fund Balances:				
Beginning of year - July 1	<u>57,287</u>	<u>1,964,522</u>	<u>83,573</u>	<u>2,105,382</u>
End of year - June 30	<u>\$ (175,934)</u>	<u>\$ 82,298</u>	<u>\$ 83,762</u>	<u>\$ (9,874)</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.

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

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

2010 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.

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

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

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

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

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

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

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>Community Development Administration</u>	<u>2009 Governor's Crime Commission Grant</u>	<u>2009 Cops Hiring Recovery Program Grant (ARRA)</u>	<u>2010 Bulletproof Vest Partnership Grant (BVP)</u>	<u>2010 JAG Recover Act Relief Project</u>
Assets:					
Cash and investments	\$ 8,877	\$ 8,815	\$ -	\$ -	\$ 108
Accounts receivable	40,537	-	13,819	7,503	659
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 49,414</u>	<u>\$ 8,815</u>	<u>\$ 13,819</u>	<u>\$ 7,503</u>	<u>\$ 767</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 49,927	\$ 7,986	\$ -
Accounts payable and accrued liabilities	-	-	-	742	20,796
Total liabilities	-	-	49,927	8,728	20,796
Fund Balances:					
Restricted:					
Stabilization by State Statute	40,537	-	13,819	7,503	659
Restricted, all other	-	-	-	-	-
Committed	-	8,815	-	-	-
Assigned	8,877	-	-	-	-
Unassigned	-	-	(49,927)	(8,728)	(20,688)
Total fund balances (deficit)	<u>49,414</u>	<u>8,815</u>	<u>(36,108)</u>	<u>(1,225)</u>	<u>(20,029)</u>
Total liabilities and fund balances	<u>\$ 49,414</u>	<u>\$ 8,815</u>	<u>\$ 13,819</u>	<u>\$ 7,503</u>	<u>\$ 767</u>

2011 Edward Byrne Memorial JAG Grant	2011 PSN GCC Crossing Boundaries Project	2009 PSN GCC Project 61	2011 Bulletproof Vest Partnership Grant (BVP)	Talent Enhancement & Capacity Building Grant	Hurricane Irene - FEMA - 4019-DR-NC	Total	2011
\$ -	\$ -	\$ -	10,668	\$ -	\$ -	\$ 28,468	\$ 46,715
13,738	844	-	-	324	3,278	80,702	58,106
-	-	15,460	-	4,082	-	19,542	-
<u>\$ 13,738</u>	<u>\$ 844</u>	<u>\$ 15,460</u>	<u>\$ 10,668</u>	<u>\$ 4,406</u>	<u>\$ 3,278</u>	<u>\$ 128,712</u>	<u>\$ 104,821</u>
\$ 13,853	\$ 2,260	\$ -	\$ -	\$ -	\$ 151,417	\$ 225,443	\$ 21,036
-	-	-	-	3,771	53,894	79,203	26,498
<u>13,853</u>	<u>2,260</u>	<u>-</u>	<u>-</u>	<u>3,771</u>	<u>205,311</u>	<u>304,646</u>	<u>47,534</u>
13,738	844	-	-	324	3,278	80,702	58,106
-	-	15,460	-	4,082	-	19,542	-
-	-	-	10,668	-	-	19,483	13,992
-	-	-	-	-	-	8,877	7,418
(13,853)	(2,260)	-	-	(3,771)	(205,311)	(304,538)	(22,229)
<u>(115)</u>	<u>(1,416)</u>	<u>15,460</u>	<u>10,668</u>	<u>635</u>	<u>(202,033)</u>	<u>(175,934)</u>	<u>57,287</u>
<u>\$ 13,738</u>	<u>\$ 844</u>	<u>\$ 15,460</u>	<u>\$ 10,668</u>	<u>\$ 4,406</u>	<u>\$ 3,278</u>	<u>\$ 128,712</u>	<u>\$ 104,821</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	Community Development Administration	2009 Governor's Crime Commission Grant	2009 Cops Hiring Recovery Program Grant (ARRA)	2010 Bulletproof Vest Partnership Grant (BVP)	2010 JAG Recovery Act Relief Project
Revenues:					
Restricted:					
Intergovernmental revenue	\$ -	\$ -	\$ 62,100	\$ 9,077	\$ 773
Other:					
Miscellaneous revenue	900	-	-	-	-
Investment earnings	19	-	-	-	-
Total revenues	<u>919</u>	<u>-</u>	<u>62,100</u>	<u>9,077</u>	<u>773</u>
Expenditures:					
Community development	-	1,744	-	-	-
Public Safety	-	135	91,994	14,454	20,962
Total expenditures	<u>-</u>	<u>1,879</u>	<u>91,994</u>	<u>14,454</u>	<u>20,962</u>
Revenues over (under) expenditures	<u>919</u>	<u>(1,879)</u>	<u>(29,894)</u>	<u>(5,377)</u>	<u>(20,189)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	919	(1,879)	(29,894)	(5,377)	(20,189)
Fund Balances:					
Beginning of year - July 1	<u>48,495</u>	<u>10,694</u>	<u>(6,214)</u>	<u>4,152</u>	<u>160</u>
End of year - June 30	<u>\$ 49,414</u>	<u>\$ 8,815</u>	<u>\$ (36,108)</u>	<u>\$ (1,225)</u>	<u>\$ (20,029)</u>

2011 Edward Byrne Memorial JAG Grant	2011 PSN GCC Crossing Boundaries Project	2009 PSN GCC Project 61	2011 Bulletproof Vest Partnership Grant (BVP)	Talent Enhancement & Capacity Building Grant	Hurricane Irene - FEMA - 4019-DR-NC	Total	2011
\$ 46,477	\$ 732	\$ 15,460	\$ -	\$ 30,561	\$ 1,448,119	\$ 1,613,299	\$ 149,065
-	-	-	-	-	-	900	45
-	-	-	-	-	-	19	15
<u>46,477</u>	<u>732</u>	<u>15,460</u>	<u>-</u>	<u>30,561</u>	<u>1,448,119</u>	<u>1,614,218</u>	<u>149,125</u>
-	2,148	-	-	29,926	1,650,152	1,683,970	5,493
<u>46,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,137</u>	<u>165,583</u>
<u>46,592</u>	<u>2,148</u>	<u>-</u>	<u>-</u>	<u>29,926</u>	<u>1,650,152</u>	<u>1,858,107</u>	<u>171,076</u>
<u>(115)</u>	<u>(1,416)</u>	<u>15,460</u>	<u>-</u>	<u>635</u>	<u>(202,033)</u>	<u>(243,889)</u>	<u>(21,951)</u>
-	-	-	10,668	-	-	10,668	14,932
-	-	-	10,668	-	-	10,668	14,932
(115)	(1,416)	15,460	10,668	635	(202,033)	(233,221)	(7,019)
-	-	-	-	-	-	57,287	64,306
<u>\$ (115)</u>	<u>\$ (1,416)</u>	<u>\$ 15,460</u>	<u>\$ 10,668</u>	<u>\$ 635</u>	<u>\$ (202,033)</u>	<u>\$ (175,934)</u>	<u>\$ 57,287</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Other revenue	\$ -	\$ 900	\$ 900	\$ 45
Investment earnings	-	19	19	15
Total revenues	-	919	919	60
Net change in fund balance	<u>\$ -</u>	<u>919</u>	<u>\$ 919</u>	60
Fund Balance:				
Beginning of year - July 1		<u>48,495</u>		<u>48,435</u>
End of year - June 30		<u>\$ 49,414</u>		<u>\$ 48,495</u>

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2009 GOVERNOR'S CRIME COMMISSION GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State Grant	\$ 100,381	\$ 92,546	\$ -	\$ 92,546	\$ (7,835)
Total revenues	<u>100,381</u>	<u>92,546</u>	<u>-</u>	<u>92,546</u>	<u>(7,835)</u>
Expenditures:					
Public Safety:					
Personnel costs	107,017	102,741	135	102,876	4,141
Administration	<u>26,824</u>	<u>12,567</u>	<u>1,744</u>	<u>14,311</u>	<u>12,513</u>
Total expenditures	<u>133,841</u>	<u>115,308</u>	<u>1,879</u>	<u>117,187</u>	<u>16,654</u>
Revenues over (under) expenditures	<u>(33,460)</u>	<u>(22,762)</u>	<u>(1,879)</u>	<u>(24,641)</u>	<u>8,819</u>
Other Financing Sources (Uses):					
Transfers in (out)	<u>33,460</u>	<u>33,456</u>	<u>-</u>	<u>33,456</u>	<u>(4)</u>
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>\$ 10,694</u>	<u>(1,879)</u>	<u>\$ 8,815</u>	<u>\$ 8,815</u>
Fund Balance:					
Beginning of year - July 1			<u>10,694</u>		
End of year - June 30			<u>\$ 8,815</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2009 COPS HIRING RECOVERY PROGRAM GRANT (ARRA)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		<u>Actual</u>			
	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State Grant	\$ 252,588	\$ 90,830	\$ 62,100	\$ 152,930	\$ (99,658)
Total revenues	<u>252,588</u>	<u>90,830</u>	<u>62,100</u>	<u>152,930</u>	<u>(99,658)</u>
Expenditures:					
Public Safety:					
Personnel costs	252,588	97,044	91,994	189,038	63,550
Total expenditures	<u>252,588</u>	<u>97,044</u>	<u>91,994</u>	<u>189,038</u>	<u>63,550</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (6,214)</u>	(29,894)	<u>\$ (36,108)</u>	<u>\$ (36,108)</u>
Fund Balance:					
Beginning of year - July 1			<u>(6,214)</u>		
End of year - June 30			<u>\$ (36,108)</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2010 BULLET PROOF VEST PARTNERSHIP GRANT (BVP)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 11,878	\$ -	\$ 9,077	\$ 9,077	\$ (2,801)
Total revenues	11,878	-	9,077	9,077	(2,801)
Expenditures:					
Public Safety:					
Law enforcement supplies	23,756	7,726	14,454	22,180	1,576
Total expenditures	23,756	7,726	14,454	22,180	1,576
Revenues over (under) expenditures	(11,878)	(7,726)	(5,377)	(13,103)	(1,225)
Other Financing Sources (Uses):					
Transfers in (out)	11,878	11,878	-	11,878	-
Total other financing sources (uses)	11,878	11,878	-	11,878	-
Net change in fund balance	\$ -	\$ 4,152	(5,377)	\$ (1,225)	\$ (1,225)
Fund Balance:					
Beginning of year - July 1			4,152		
End of year - June 30			\$ (1,225)		

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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State Grant	\$ 51,973	\$ 27,661	\$ 773	\$ 28,434	\$ (23,539)
Total revenues	<u>51,973</u>	<u>27,661</u>	<u>773</u>	<u>28,434</u>	<u>(23,539)</u>
Expenditures:					
Public Safety:					
Law enforcement supplies	<u>51,973</u>	<u>27,501</u>	<u>20,962</u>	<u>48,463</u>	<u>3,510</u>
Total expenditures	<u>51,973</u>	<u>27,501</u>	<u>20,962</u>	<u>48,463</u>	<u>3,510</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 160</u>	<u>(20,189)</u>	<u>\$ (20,029)</u>	<u>\$ (20,029)</u>
Fund Balance:					
Beginning of year - July 1			<u>160</u>		
End of year - June 30			<u>\$ (20,029)</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2011 EDWARD-BYRNE MEMORIAL JAG GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

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

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2011 PSN GCC CROSSING BOUNDARIES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 10,000	\$ -	\$ 732	\$ 732	\$ (9,268)
Total revenues	<u>10,000</u>	<u>-</u>	<u>732</u>	<u>732</u>	<u>(9,268)</u>
Expenditures:					
Community Development					
Grant expenses	10,000	-	2,148	2,148	7,852
Total expenditures	<u>10,000</u>	<u>-</u>	<u>2,148</u>	<u>2,148</u>	<u>7,852</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(1,416)	<u>\$ (1,416)</u>	<u>\$ (1,416)</u>
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			<u>\$ (1,416)</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS -2009 PSN GCC PROJECT 61
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 28,100	\$ -	\$ 15,460	\$ 15,460	\$ (12,640)
Total revenues	<u>28,100</u>	<u>-</u>	<u>15,460</u>	<u>15,460</u>	<u>(12,640)</u>
Expenditures:					
Community Development:					
Grant expenses	<u>28,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,100</u>
Total expenditures	<u>28,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,100</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	15,460	<u>\$ 15,460</u>	<u>\$ 15,460</u>
Fund Balance:					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 15,460</u>		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2011 BULLET PROOF VEST GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 10,667	\$ -	\$ -	\$ -	\$ (10,667)
Total revenues	10,667	-	-	-	(10,667)
Expenditures:					
Public Safety:					
Law enforcement supplies	21,334	-	-	-	21,334
Total expenditures	21,334	-	-	-	21,334
Revenues over (under) expenditures	(10,667)	-	-	-	10,667
Other Financing Sources (Uses):					
Transfers in (out)	10,667	-	10,668	10,668	1
Total other financing sources (uses)	10,667	-	10,668	10,668	1
Net change in fund balance	\$ -	\$ -	10,668	\$ 10,668	\$ 10,668
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ 10,668		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - TALENT ENHANCEMENT AND CAPACITY BUILDING GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Restricted intergovernmental revenue, CDBG Grant	\$ 50,000	\$ -	\$ 30,561	\$ 30,561	\$ (19,439)
Total revenues	50,000	-	30,561	30,561	(19,439)
Expenditures:					
Community Development:					
Reimbursement to General Fund:					
Administration	10,000	-	2,902	2,902	7,098
Personnel	20,000	-	20,000	20,000	-
Meeting and travel	5,000	-	3,495	3,495	1,505
Tuition and education reimbursement	15,000	-	3,529	3,529	11,471
Total expenditures	50,000	-	29,926	29,926	20,074
Net change in fund balance	\$ -	\$ -	635	\$ 635	\$ 635
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			\$ 635		

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - HURRICANE IRENE - FEMA-4019-DR-NC
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

			Actual		
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted intergovernmental revenue,					
FEMA Grant	\$ 1,931,793	\$ -	\$ 1,448,119	\$ 1,448,119	\$ (483,674)
Total revenues	1,931,793	-	1,448,119	1,448,119	(483,674)
Expenditures:					
Community Development:					
City-wide emergency protective measures	57,021	-	47,128	47,128	9,893
Traffic signals	1,420	-	15	15	1,405
Sidewalks, curbs, and gutters	35,553	-	31,208	31,208	4,345
Pistol range facilities	1,388	-	1,388	1,388	-
Barnett Park buildings and lighting	5,691	-	5,429	5,429	262
Water production sites	36,346	-	3,227	3,227	33,119
Lovitt Hines Center	1,611	-	1,461	1,461	150
Garbage and recycle carts	1,200	-	60	60	1,140
Grainger Stadium	3,615	-	3,525	3,525	90
Bill Fay Park Facilities	13,446	-	13,001	13,001	445
Harvey Gardens gazebo and lights	3,850	-	3,675	3,675	175
Kinston Regional Water Reclamation Facility	29,143	-	22,604	22,604	6,539
Fairfield Center Facilities	3,346	-	3,346	3,346	-
Mock Gym, Freeman Center, and Parks Admin Building	1,996	-	1,996	1,996	-
Georgia Battle Center and Emma Webb Park	1,580	-	1,580	1,580	-
Holloway Gym and Shelter	3,129	-	301	301	2,828
Emergency protective measures	137,297	-	136,046	136,046	1,251
Street signs	2,316	-	894	894	1,422
Power system	1,072,231	-	1,038,914	1,038,914	33,317
Hillcrest Subdivision sewage systems	1,221	-	1,155	1,155	66
Fire Station #3, quarters and engine bay	11,900	-	11,900	11,900	-
Public safety building, City Hall	1,342	-	713	713	629
Water operations	6,504	-	4,160	4,160	2,344
Maplewood Cemetery	2,482	-	2,482	2,482	-
Southeast Elementary School	8,056	-	7,656	7,656	400
Drainage ditch - flood control works:					
Adkins Branch Blue Line - PW 1655	21,000	-	-	-	21,000
Adkins Branch Blue Line - PW 1656	4,500	-	-	-	4,500
Adkins Branch Blue Line - PW 1661	6,500	-	-	-	6,500
Adkins Branch Blue Line - PW 1662	16,000	-	-	-	16,000
Adkins Branch Blue Line - PW 1663	6,000	-	-	-	6,000
Adkins Branch Blue Line - PW 1664	28,000	-	-	-	28,000
Adkins Branch Blue Line - PW 1665	12,465	-	-	-	12,465
City-wide debris removal	393,644	-	306,288	306,288	87,356
Total expenditures	1,931,793	-	1,650,152	1,650,152	281,641
Net change in fund balance	\$ -	\$ -	(202,033)	\$ (202,033)	\$ (202,033)
Fund Balance:					
Beginning of year - July 1			\$ -		
End of year - June 30			\$ (202,033)		

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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

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

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

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

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

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

CWMTF Flood Buy-Out 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.

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

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	<u>Retro- Green</u>	<u>New Fire Station #2</u>	<u>Train Depot</u>	<u>Battlefield Parkway/ Soccer Complex</u>	<u>Capital Reserve Fund</u>
Assets:					
Cash and investments	\$ 8,250	\$ -	\$ 312	\$ -	\$ 6,831
Accounts receivable	-	44,891	465	-	-
Restricted cash and investments	-	-	14,993	-	-
Total assets	<u>\$ 8,250</u>	<u>\$ 44,891</u>	<u>\$ 15,770</u>	<u>\$ -</u>	<u>\$ 6,831</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds	\$ -	\$ 19,515	\$ -	\$ 3,093	\$ -
Accounts payable	-	7,561	312	-	-
Total liabilities	<u>-</u>	<u>27,076</u>	<u>312</u>	<u>3,093</u>	<u>-</u>
Fund Balance:					
Restricted:					
Stabilization by State statute	-	44,891	465	-	-
Restricted, all other	-	-	14,993	-	-
Committed	8,250	-	-	-	6,831
Unassigned	-	(27,076)	-	(3,093)	-
Total fund balances	<u>8,250</u>	<u>17,815</u>	<u>15,458</u>	<u>(3,093)</u>	<u>6,831</u>
Total liabilities and fund balances	<u>\$ 8,250</u>	<u>\$ 44,891</u>	<u>\$ 15,770</u>	<u>\$ -</u>	<u>\$ 6,831</u>

New Fire Station #3	Martin Luther King Jr. Blvd. Enhancement	Heritage St. Improvements	CWMTF Flood Buy-Out II	Energy Efficiency Building Improvements	CDBG Abby Gardens Funding Project	Total	2011
-	\$ 27,352	\$ 11,122	\$ 90	\$ -	\$ -	\$ 53,957	\$ 161,360
38,291	-	-	-	1,165	5,316	90,128	36,496
-	-	-	-	-	-	14,993	2,019,498
<u>\$ 38,291</u>	<u>\$ 27,352</u>	<u>\$ 11,122</u>	<u>\$ 90</u>	<u>\$ 1,165</u>	<u>\$ 5,316</u>	<u>\$ 159,078</u>	<u>\$ 2,217,354</u>
\$ 13,483	\$ -	\$ -	\$ 13,982	\$ 1,853	\$ 5,316	\$ 57,242	\$ 67,073
6,598	-	-	5,067	-	-	19,538	185,759
<u>20,081</u>	<u>-</u>	<u>-</u>	<u>19,049</u>	<u>1,853</u>	<u>5,316</u>	<u>76,780</u>	<u>252,832</u>
38,291	-	-	-	1,165	5,316	90,128	36,496
-	-	-	-	-	-	14,993	1,925,190
-	27,352	11,122	-	-	-	53,555	85,066
<u>(20,081)</u>	<u>-</u>	<u>-</u>	<u>(18,959)</u>	<u>(1,853)</u>	<u>(5,316)</u>	<u>(76,378)</u>	<u>(82,230)</u>
<u>18,210</u>	<u>27,352</u>	<u>11,122</u>	<u>(18,959)</u>	<u>(688)</u>	<u>-</u>	<u>82,298</u>	<u>1,964,522</u>
<u>\$ 38,291</u>	<u>\$ 27,352</u>	<u>\$ 11,122</u>	<u>\$ 90</u>	<u>\$ 1,165</u>	<u>\$ 5,316</u>	<u>\$ 159,078</u>	<u>\$ 2,217,354</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Retro- Green</u>	<u>New Fire Station #2</u>	<u>Train Depot</u>	<u>Battlefield Parkway/ Soccer Complex</u>	<u>Capital Reserve Fund</u>
Revenues:					
Interest income	\$ -	\$ 326	\$ -	\$ -	\$ 15
Federal and state grants	-	72,398	-	85,294	-
Other income	-	-	-	-	-
Total revenues	-	72,724	-	85,294	15
Expenditures:					
Parks and recreation	-	-	-	73,923	-
Public safety	-	1,086,498	-	-	-
Community development	-	-	16,568	-	-
Total expenditures	-	1,086,498	16,568	73,923	-
Revenues over (under) expenditures	-	(1,013,774)	(16,568)	11,371	15
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	(1,013,774)	(16,568)	11,371	15
Fund Balances:					
Beginning of year - July 1	8,250	1,031,589	32,026	(14,464)	6,816
End of year - June 30	\$ 8,250	\$ 17,815	\$ 15,458	\$ (3,093)	\$ 6,831

New Fire Station #3	Martin Luther King Jr. Blvd. Enhancement	Heritage St. Improvements	CWMTF Flood Buy-Out II	Energy Efficiency Building Improvements	CDBG Abby Gardens Funding Project	Total	2011
\$ 310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 651	\$ 488
66,905	-	37,079	22,263	58,568	193,017	535,524	657,981
-	-	-	-	-	-	-	25,886
<u>67,215</u>	<u>-</u>	<u>37,079</u>	<u>22,263</u>	<u>58,568</u>	<u>193,017</u>	<u>536,175</u>	<u>684,355</u>
-	-	-	32,967	-	-	106,890	15,639
1,099,241	-	-	-	-	-	2,185,739	1,411,071
-	89,004	-	-	58,499	193,017	357,088	604,739
<u>1,099,241</u>	<u>89,004</u>	<u>-</u>	<u>32,967</u>	<u>58,499</u>	<u>193,017</u>	<u>2,649,717</u>	<u>2,031,449</u>
<u>(1,032,026)</u>	<u>(89,004)</u>	<u>37,079</u>	<u>(10,704)</u>	<u>69</u>	<u>-</u>	<u>(2,113,542)</u>	<u>(1,347,094)</u>
231,318	-	-	-	-	-	231,318	161,516
-	-	-	-	-	-	-	(6,429)
-	-	-	-	-	-	-	3,197,500
<u>231,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,318</u>	<u>3,352,587</u>
(800,708)	(89,004)	37,079	(10,704)	69	-	(1,882,224)	2,005,493
<u>818,918</u>	<u>116,356</u>	<u>(25,957)</u>	<u>(8,255)</u>	<u>(757)</u>	<u>-</u>	<u>1,964,522</u>	<u>(40,971)</u>
<u>\$ 18,210</u>	<u>\$ 27,352</u>	<u>\$ 11,122</u>	<u>\$ (18,959)</u>	<u>\$ (688)</u>	<u>\$ -</u>	<u>\$ 82,298</u>	<u>\$ 1,964,522</u>

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - RETRO-GREEN CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	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	45,000	8,450	-	8,450	(36,550)
Expenditures:					
Parks and Recreation:					
Capital outlay	45,000	200	-	200	44,800
Total expenditures	45,000	200	-	200	44,800
Net change in fund balance	\$ -	\$ 8,250	-	\$ 8,250	\$ 8,250
Fund Balance:					
Beginning of year - July 1			8,250		
End of year - June 30			\$ 8,250		

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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 225,000	\$ -	\$ 72,398	\$ 72,398	\$ (152,602)
Investment earnings	550	260	326	586	36
Total revenues	<u>225,550</u>	<u>260</u>	<u>72,724</u>	<u>72,984</u>	<u>(152,566)</u>
Expenditures:					
Public Safety:					
Capital outlay	<u>2,775,550</u>	<u>243,671</u>	<u>1,086,498</u>	<u>1,330,169</u>	<u>1,445,381</u>
Total expenditures	<u>2,775,550</u>	<u>243,671</u>	<u>1,086,498</u>	<u>1,330,169</u>	<u>1,445,381</u>
Revenues over (under) expenditures	<u>(2,550,000)</u>	<u>(243,411)</u>	<u>(1,013,774)</u>	<u>(1,257,185)</u>	<u>1,292,815</u>
Other Financing Sources (Uses):					
Debt issued	<u>2,550,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>(1,275,000)</u>
Total other financing sources (uses)	<u>2,550,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,275,000</u>	<u>(1,275,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,031,589</u>	<u>(1,013,774)</u>	<u>\$ 17,815</u>	<u>\$ 17,815</u>
Fund Balance:					
Beginning of year - July 1			<u>1,031,589</u>		
End of year - June 30			<u>\$ 17,815</u>		

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
State grants	\$ 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>282,974</u>	<u>16,568</u>	<u>299,542</u>	<u>15,458</u>
Total expenditures	<u>315,000</u>	<u>282,974</u>	<u>16,568</u>	<u>299,542</u>	<u>15,458</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 32,026</u>	<u>(16,568)</u>	<u>\$ 15,458</u>	<u>\$ 15,458</u>
Fund Balance:					
Beginning of year - July 1			<u>32,026</u>		
End of year - June 30			<u>\$ 15,458</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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 143,000	\$ 39,407	\$ 85,294	\$ 124,701	\$ (18,299)
Miscellaneous revenue	7,000	-	-	-	(7,000)
Total revenues	150,000	39,407	85,294	124,701	(25,299)
Expenditures:					
Parks and Recreation:					
Capital outlay	150,000	60,300	73,923	134,223	15,777
Total expenditures	150,000	60,300	73,923	134,223	15,777
Revenues over (under) expenditures	-	(20,893)	11,371	(9,522)	(9,522)
Other Financing Sources (Uses):					
Transfers in	-	6,429	-	6,429	6,429
Total other financing sources (uses)	-	6,429	-	6,429	6,429
Net change in fund balance	\$ -	\$ (14,464)	11,371	\$ (3,093)	\$ (3,093)
Fund Balance:					
Beginning of year - July 1			(14,464)		
End of year - June 30			\$ (3,093)		

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 15	\$ 15
Total revenues	-	15	15
Net change in fund balance	<u>\$ -</u>	15	<u>\$ 15</u>
Fund Balance:			
Beginning of year - July 1		<u>6,816</u>	
End of year - June 30		<u>\$ 6,831</u>	

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEW FIRE STATION #3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 187,500	\$ -	\$ 66,905	\$ 66,905	\$ (120,595)
Investment earnings	600	213	310	523	(77)
Total revenues	<u>188,100</u>	<u>213</u>	<u>67,215</u>	<u>67,428</u>	<u>(120,672)</u>
Expenditures:					
Public Safety:					
Construction costs	<u>2,544,418</u>	<u>243,795</u>	<u>1,099,241</u>	<u>1,343,036</u>	<u>1,201,382</u>
Total expenditures	<u>2,544,418</u>	<u>243,795</u>	<u>1,099,241</u>	<u>1,343,036</u>	<u>1,201,382</u>
Revenues over (under) expenditures	<u>(2,356,318)</u>	<u>(243,582)</u>	<u>(1,032,026)</u>	<u>(1,275,608)</u>	<u>1,080,710</u>
Other Financing Sources (Uses):					
Debt issued	2,125,000	1,062,500	-	1,062,500	(1,062,500)
Transfer from General Fund	<u>231,318</u>	<u>-</u>	<u>231,318</u>	<u>231,318</u>	<u>-</u>
Total other financing sources (uses)	<u>2,356,318</u>	<u>1,062,500</u>	<u>231,318</u>	<u>1,293,818</u>	<u>(1,062,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 818,918</u>	<u>(800,708)</u>	<u>\$ 18,210</u>	<u>\$ 18,210</u>
Fund Balance:					
Beginning of year - July 1			<u>818,918</u>		
End of year - June 30			<u>\$ 18,210</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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 475,000	\$ 338,000	\$ -	\$ 338,000	\$ (137,000)
Total revenues	<u>475,000</u>	<u>338,000</u>	<u>-</u>	<u>338,000</u>	<u>(137,000)</u>
Expenditures:					
Community Development:					
Construction costs	<u>545,000</u>	<u>291,644</u>	<u>89,004</u>	<u>380,648</u>	<u>164,352</u>
Total expenditures	<u>545,000</u>	<u>291,644</u>	<u>89,004</u>	<u>380,648</u>	<u>164,352</u>
Revenues over (under) expenditures	<u>(70,000)</u>	<u>46,356</u>	<u>(89,004)</u>	<u>(42,648)</u>	<u>27,352</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>\$ 116,356</u>	<u>(89,004)</u>	<u>\$ 27,352</u>	<u>\$ 27,352</u>
Fund Balance:					
Beginning of year - July 1			<u>116,356</u>		
End of year - June 30			<u>\$ 27,352</u>		

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - HERITAGE STREET IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 200,000	\$ 160,000	\$ 37,079	\$ 197,079	\$ (2,921)
Miscellaneous revenue	500	-	-	-	(500)
Total revenues	<u>200,500</u>	<u>160,000</u>	<u>37,079</u>	<u>197,079</u>	<u>(3,421)</u>
Expenditures:					
Community Development:					
Construction costs	<u>235,500</u>	<u>220,957</u>	<u>-</u>	<u>220,957</u>	<u>14,543</u>
Total expenditures	<u>235,500</u>	<u>220,957</u>	<u>-</u>	<u>220,957</u>	<u>14,543</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>(60,957)</u>	<u>37,079</u>	<u>(23,878)</u>	<u>11,122</u>
Other Financing Sources (Uses):					
Transfer from General Fund	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (25,957)</u>	<u>37,079</u>	<u>\$ 11,122</u>	<u>\$ 11,122</u>
Fund Balance:					
Beginning of year - July 1			<u>(25,957)</u>		
End of year - June 30			<u>\$ 11,122</u>		

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CWMTF FLOOD BUY-OUT II CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 125,343	\$ -	\$ 22,263	\$ 22,263	\$ (103,080)
Total revenues	125,343	-	22,263	22,263	(103,080)
Expenditures:					
Parks and Recreation:					
Professional services	186,434	34,673	32,967	67,640	118,794
Total expenditures	186,434	34,673	32,967	67,640	118,794
Revenues over (under) expenditures	(61,091)	(34,673)	(10,704)	(45,377)	15,714
Other Financing Sources (Uses):					
Transfers in	61,091	26,418	-	26,418	(34,673)
Total other financing sources (uses)	61,091	26,418	-	26,418	(34,673)
Net change in fund balance	\$ -	\$ (8,255)	(10,704)	\$ (18,959)	\$ (18,959)
Fund Balance:					
Beginning of year - July 1			(8,255)		
End of year - June 30			\$ (18,959)		

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, 2012

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
State grants	\$ 88,626	\$ 7,981	\$ 58,568	\$ 66,549	\$ (22,077)
Total revenues	<u>88,626</u>	<u>7,981</u>	<u>58,568</u>	<u>66,549</u>	<u>(22,077)</u>
Expenditures:					
Community Development:					
Construction - building improvements	<u>88,626</u>	<u>8,738</u>	<u>58,499</u>	<u>67,237</u>	<u>21,389</u>
Total expenditures	<u>88,626</u>	<u>8,738</u>	<u>58,499</u>	<u>67,237</u>	<u>21,389</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>(757)</u>	69	\$ <u>(688)</u>	\$ <u>(688)</u>
Fund Balance:					
Beginning of year - July 1			<u>(757)</u>		
End of year - June 30			<u>\$ (688)</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, 2012

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
Revenues:					
Federal grants	\$ 250,000	\$ 14,000	\$ 193,017	\$ 207,017	\$ (42,983)
Total revenues	<u>250,000</u>	<u>14,000</u>	<u>193,017</u>	<u>207,017</u>	<u>(42,983)</u>
Expenditures:					
Community Development:					
Administration	25,000	14,000	7,400	21,400	3,600
Capital outlay- water and sewer lines	<u>225,000</u>	<u>-</u>	<u>185,617</u>	<u>185,617</u>	<u>39,383</u>
Total expenditures	<u>250,000</u>	<u>14,000</u>	<u>193,017</u>	<u>207,017</u>	<u>42,983</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:					
Beginning of year - July 1			-		
End of year - June 30			<u>\$ -</u>		

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - MAIN STREET SOLUTIONS GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

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

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PERMANENT FUND

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

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CITY OF KINSTON, NORTH CAROLINA

PERMANENT FUND - TEMPLE ISRAEL PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ -	\$ 189	\$ 189
Contributions	<u>75,000</u>	<u>-</u>	<u>(75,000)</u>
Total revenues	<u>75,000</u>	<u>189</u>	<u>(74,811)</u>
 Revenues over (under) expenditures	 <u>75,000</u>	 <u>189</u>	 <u>74,811</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></u>	 <u>189</u>	 <u><u>\$ 189</u></u>
Fund Balance:			
Beginning of year - July 1		<u>83,573</u>	
End of year - June 30		<u><u>\$ 83,762</u></u>	

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ELECTRIC FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services, electricity sales	\$ 55,875,900	\$ 51,680,867	\$ (4,195,033)	\$ 54,677,596
Other	485,100	534,742	49,642	625,376
Total operating revenues	56,361,000	52,215,609	(4,145,391)	55,302,972
Non-Operating Revenues:				
Interest earned on investments	5,000	12,968	7,968	12,561
Total non-operating revenues	5,000	12,968	7,968	12,561
Total revenues	56,366,000	52,228,577	(4,137,423)	55,315,533
Expenditures:				
Electric Operations:				
Salaries and benefits	1,360,300	1,018,149	342,151	1,246,622
Operating	2,159,114	1,770,396	388,718	1,456,818
Purchased power	48,843,200	45,570,221	3,272,979	48,023,076
Indirect costs	1,495,600	1,495,600	-	1,342,500
Capital outlay	325,706	315,431	10,275	281,664
Total	54,183,920	50,169,797	4,014,123	52,350,680
Debt Service:				
Principal retirement	795,700	795,649	51	773,953
Interest and other charges	307,800	303,818	3,982	329,842
Total debt service	1,103,500	1,099,467	4,033	1,103,795
Contingency	14,852	-	14,852	-
Non-Operating Expenditure:				
Economic development reimbursements	95,000	95,000	-	293,079
Total expenditures	55,397,272	51,364,264	4,033,008	53,747,554
Revenues over (under) expenditures	968,728	864,313	(104,415)	1,567,979

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Appropriated fund balance	321,072	-	(321,072)	-
Transfers in	120,000	120,000	-	44,575
Transfers out - Capital Reserve Fund	(556,000)	(556,000)	-	(556,000)
Transfers out	(853,800)	(823,400)	30,400	(825,100)
Total other financing sources (uses)	(968,728)	(1,259,400)	(290,672)	(1,336,525)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (395,087)	\$ (395,087)	\$ 231,454
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (395,087)		\$ 231,454
Transfers out - Capital Reserve Fund		(120,000)		(41,575)
Transfers in - Capital Reserve Fund		556,000		556,000
Capital outlay		294,301		150,571
Payment of debt principal		795,649		773,953
Depreciation		(914,113)		(893,199)
Non-capitalized expenditures from capital project funds		(43,403)		(97,610)
Bad debt expense		(7,241)		(121,540)
Capital contributions		1,253,693		150,000
Investment earnings from capital project funds		2,814		2,904
Change in accrued compensated absences		8,750		(4,710)
Loss on the disposal of capital asset		(856,601)		(80,605)
Change in accrued interest payable		7,255		6,991
Change in net assets		\$ 582,017		\$ 632,634

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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 5,410,162	\$ 3,263,857	\$ 999,081	\$ 4,262,938	\$ (1,147,224)
Dopaco project contribution	500,000	150,000	186,246	336,246	(163,754)
Interest earned on investments	14,500	18,767	-	18,767	4,267
Miscellaneous revenue	-	-	68,366	68,366	68,366
Total revenues	<u>5,924,662</u>	<u>3,432,624</u>	<u>1,253,693</u>	<u>4,686,317</u>	<u>(1,238,345)</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	2,647,628	19,518	2,667,146	677,889
Lenox China generator Project	466,500	405,397	-	405,397	61,103
Felix Harvey Parkway Extension Project	205,800	80,605	-	80,605	125,195
Spirit Aerosystem Rail Spur Project	379,163	97,609	43,404	141,013	238,150
EEBGP Transportation Grant	499,500	4,003	499,081	503,084	(3,584)
Dopaco Inc. Generator Project	1,000,000	-	856,601	856,601	143,399
West Pharmaceutical Generator Project	962,500	-	-	-	962,500
Highway 58 Widening Project	168,130	-	103,459	103,459	64,671
531 Circuit Rebuild	<u>340,000</u>	<u>-</u>	<u>2,476</u>	<u>2,476</u>	<u>337,524</u>
Total	<u>12,625,723</u>	<u>6,092,676</u>	<u>1,524,539</u>	<u>7,617,215</u>	<u>5,008,508</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	13,126,723	6,593,576	1,524,539	8,118,115	5,008,608
Revenue over (under) expenditures	<u>(7,202,061)</u>	<u>(3,160,952)</u>	<u>(270,846)</u>	<u>(3,431,798)</u>	<u>3,770,263</u>
Other Financing Sources (Uses):					
Debt issued	5,480,526	2,950,000	-	2,950,000	(2,530,526)
Transfers in	<u>1,721,535</u>	<u>969,035</u>	<u>752,500</u>	<u>1,721,535</u>	<u>-</u>
Total other financing sources (uses)	<u>7,202,061</u>	<u>3,919,035</u>	<u>752,500</u>	<u>4,671,535</u>	<u>(2,530,526)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 758,083</u>	<u>\$ 481,654</u>	<u>\$ 1,239,737</u>	<u>\$ 1,239,737</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, 2012

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
Revenues:					
Interest earned on investments	\$ 5,822	\$ 718	\$ 2,814	\$ 3,532	\$ (2,290)
Total revenues	<u>5,822</u>	<u>718</u>	<u>2,814</u>	<u>3,532</u>	<u>(2,290)</u>
Other Financing Sources (Uses):					
Transfers in	2,958,303	2,498,303	556,000	3,054,303	96,000
Transfers out	<u>(2,964,125)</u>	<u>(1,010,610)</u>	<u>(872,500)</u>	<u>(1,883,110)</u>	<u>1,081,015</u>
Total other financing sources (uses)	<u>(5,822)</u>	<u>1,487,693</u>	<u>(316,500)</u>	<u>1,171,193</u>	<u>1,177,015</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,488,411</u>	<u>\$ (313,686)</u>	<u>\$ 1,174,725</u>	<u>\$ 1,174,725</u>

WATER FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Water sales	\$ 7,109,100	\$ 6,769,975	\$ (339,125)	\$ 6,042,082
Other	193,000	175,829	(17,171)	188,419
Total operating revenues	7,302,100	6,945,804	(356,296)	6,230,501
Non-Operating Revenues:				
Interest earned on investments	2,000	2,080	80	3,689
Total non-operating revenues	2,000	2,080	80	3,689
Total revenues	7,304,100	6,947,884	(356,216)	6,234,190
Expenditures:				
Water Production:				
Salaries and benefits	347,500	330,036	17,464	345,411
Operating	363,050	373,250	(10,200)	310,696
Repairs and maintenance	70,000	65,403	4,597	46,531
Capital outlay	-	-	-	33,331
Indirect costs	122,150	122,150	-	133,700
Total water production	902,700	890,839	11,861	869,669
Water Operations:				
Salaries and benefits	1,047,649	967,088	80,561	1,057,267
Operating	587,700	462,842	124,858	571,150
Repairs and maintenance	75,000	110,338	(35,338)	41,859
Capital outlay	342,500	96,980	245,520	181,986
Indirect costs	122,150	122,150	-	133,700
Total water operations	2,174,999	1,759,398	415,601	1,985,962
Water Operations:				
Purchased water	3,743,600	3,743,400	200	3,743,400
Debt Service:				
Principal retirement	262,100	241,920	20,180	238,304
Interest and other charges	84,300	79,488	4,812	87,307
Total debt service	346,400	321,408	24,992	325,611
Contingency	13,534	-	13,534	-

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Non-Operating Expenditures:				
DOT Municipal Participation Reimbursement	-	-	-	35,530
Economic development reimbursements	95,000	71,980	23,020	293,079
Total non-operating expenditure	95,000	71,980	23,020	328,609
 Total expenditures	 7,276,233	 6,787,025	 489,208	 7,253,251
 Revenues over (under) expenditures	 27,867	 160,859	 132,992	 (1,019,061)
Other Financing Sources (Uses):				
Long-term debt issued	103,500	-	(103,500)	-
Appropriated fund balance	3,584	-	(3,584)	-
Transfers from:				
Other funds	28,500	28,500	-	28,500
Transfers to:				
Other funds	(163,451)	(81,351)	82,100	(44,300)
Total other financing sources (uses)	(27,867)	(52,851)	(24,984)	(15,800)
 Revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 108,008	 \$ 108,008	 \$ (1,034,861)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 108,008		\$ (1,034,861)
Transfers - Capital Reserve Fund		200,080		-
Transfer in		5,730		700,081
Capital outlay		92,172		190,091
Capital contributions		15,000		15,029
Interest from Capital Project Fund		209		-
Payment of debt principal		241,920		238,304
Depreciation		(467,760)		(494,731)
Bad debt expense		(38,744)		(40,922)
Change in accrued compensated		8,999		(2,279)
Change in accrued interest payable		1,917		1,886
Change in long-term payable - DOT reimbursement		71,060		35,530
 Change in net assets		 \$ 238,591		 \$ (391,872)

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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Other:					
Contribution from Lenoir County	\$ 75,000	\$ 61,054	\$ 15,000	\$ 76,054	\$ 1,054
Investment earnings	1,100	-	209	209	(891)
Total revenues	<u>\$ 76,100</u>	<u>\$ 61,054</u>	<u>\$ 15,209</u>	<u>\$ 76,263</u>	<u>\$ 163</u>
Expenditures:					
Stormwater Construction	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Revenue over (under) expenditures	<u>(923,900)</u>	<u>(938,946)</u>	<u>15,209</u>	<u>(923,737)</u>	<u>163</u>
Other Financing Sources (Uses):					
Transfers in	4,058,130	4,565,134	200,080	4,765,214	707,084
Transfers out	<u>(3,134,230)</u>	<u>(3,611,179)</u>	<u>-</u>	<u>(3,611,179)</u>	<u>(476,949)</u>
Total other financing sources (uses)	<u>923,900</u>	<u>953,955</u>	<u>200,080</u>	<u>1,154,035</u>	<u>230,135</u>
Revenues and other financing sources over (under) expenditures and other financing uses					
	<u>\$ -</u>	<u>\$ 15,009</u>	<u>\$ 215,289</u>	<u>\$ 230,298</u>	<u>\$ 230,298</u>

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WASTEWATER FUND

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

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CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services:				
Sewer sales	\$ 5,321,000	\$ 4,997,607	\$ (323,393)	\$ 4,857,470
Other	33,500	8,505	(24,995)	2,507
Total operating revenues	5,354,500	5,006,112	(348,388)	4,859,977
Non-Operating Revenues:				
Interest earned on investments	3,000	17,662	14,662	19,073
Other non-operating revenue	500,000	500,000	-	-
Total non-operating revenues	503,000	517,662	14,662	19,073
Total revenues	5,857,500	5,523,774	(333,726)	4,879,050
Expenditures:				
Wastewater Plant Operations:				
Salaries and benefits	829,351	766,304	63,047	746,925
Operating	704,500	532,480	172,020	579,481
Repairs and maintenance	47,500	5,576	41,924	32,789
Indirect costs	1,667,900	1,667,900	-	1,530,600
Capital outlay	95,200	28,335	66,865	-
Total wastewater plant operations	3,344,451	3,000,595	343,856	2,889,795
Debt Service:				
Principal retirement	1,226,300	1,226,200	100	1,209,469
Interest and other charges	404,850	404,126	724	443,865
Total debt service	1,631,150	1,630,326	824	1,653,334
Non-Operating Expenditures:				
Economic development reimbursements	95,000	95,000	-	293,079
Total expenditures	5,070,601	4,725,921	344,680	4,836,208
Revenues over (under) expenditures	786,899	797,853	(678,406)	42,842
Other Financing Sources (Uses):				
Appropriated fund balance	37,800	-	-	-
Long-term debt issued	25,000	-	-	-
Transfers out - capital projects	(420,750)	(420,750)	-	-
Transfers in - other funds	35,051	35,051	-	54,113
Transfers out - other funds	(464,000)	(8,200)	455,800	(7,800)
Total other financing sources (uses)	(786,899)	(393,899)	455,800	46,313

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 403,954	\$ 403,954	\$ 89,155
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 403,954		\$ 89,155
Capital outlay		26,360		-
Payment of debt principal		1,226,200		1,209,469
Depreciation		(2,256,019)		(2,252,046)
Capital contributions		908,647		1,415,881
Transfer to/from projects		420,750		(54,113)
Interest from Capital Project Fund		207		-
Transfer-out of capital asset		(5,730)		(700,081)
Non-capitalizable expense from Capital Project Fund		-		(2,229)
Change in accrued compensated absences		(1,785)		(3,836)
Change in accrued interest payable		5,500		5,386
Bad debt expense		(23,401)		(33,582)
Change in net assets		\$ 704,683		\$ (325,996)

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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Restricted Intergovernmental:					
Federal and State grants	\$ 6,738,628	\$ 1,832,310	\$ 905,847	\$ 2,738,157	\$ (4,000,471)
Local funds	-	32,462	-	32,462	32,462
Investment earnings	-	131,308	-	131,308	131,308
Other revenue	574,000	574,000	2,800	576,800	2,800
Total revenues	7,312,628	2,570,080	908,647	3,478,727	(3,833,901)
Expenditures:					
Spirit Aero Utilities Project	736,568	683,830	-	683,830	52,738
Sanderson Farms Utilities Project	1,094,150	1,057,133	5,730	1,062,863	31,287
College Street Sewer Rehabilitation Project	1,645,200	600,407	897,743	1,498,150	147,050
Highway 70 Industrial Park Sewer Project	40,000	-	40,000	40,000	-
Pollock Street Sewer Rehabilitation Project	625,000	315,912	288,335	604,247	20,753
Neuse Outfall Sewer Evaluation	50,750	-	50,750	50,750	-
Smithfield Plant Expansion Project	4,317,000	-	76,800	76,800	4,240,200
Total expenditures	8,508,668	2,657,282	1,359,358	4,016,640	4,492,028
Revenue over (under) expenditures	(1,196,040)	(87,202)	(450,711)	(537,913)	658,127
Other Financing Sources (Uses):					
Debt issued	980,028	205,028	-	205,028	(775,000)
Transfers in	421,040	537,589	165,750	703,339	282,299
Transfers out	(205,028)	(205,028)	-	(205,028)	-
Total other financing sources (uses)	1,196,040	537,589	165,750	703,339	(492,701)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ 450,387	\$ (284,961)	\$ 165,426	\$ 165,426

As of June 30, 2012, \$705,811 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, 2012

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Investment earnings	\$ -	\$ -	\$ 207	\$ 207	\$ 207
Total revenues	-	-	207	207	207
Revenue over (under) expenditures	-	-	207	207	207
Other Financing Sources (Uses):					
Transfers in	87,825	87,825	255,000	342,825	255,000
Transfers out	(87,825)	(87,825)	-	(87,825)	-
Total other financing sources (uses)	-	-	255,000	255,000	255,000
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ -	\$ 255,207	\$ 255,207	\$ 255,207

NONMAJOR ENTERPRISE FUNDS

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	Environmental Services Fund	Stormwater Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 544,520	\$ 416,443	\$ 960,963
Accounts receivable	302,024	117,768	419,792
Total current assets	<u>846,544</u>	<u>534,211</u>	<u>1,380,755</u>
Non-current assets:			
Capital assets:			
Equipment	2,891,517	587,849	3,479,366
Accumulated depreciation	<u>(2,823,776)</u>	<u>(229,616)</u>	<u>(3,053,392)</u>
Total non-current assets	<u>67,741</u>	<u>358,233</u>	<u>425,974</u>
Total assets	<u>914,285</u>	<u>892,444</u>	<u>1,806,729</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	94,874	4,369	99,243
Current portion of installment notes	27,328	10,590	37,918
Current portion of compensated absences	<u>13,317</u>	<u>3,095</u>	<u>16,412</u>
Total current liabilities	<u>135,519</u>	<u>18,054</u>	<u>153,573</u>
Non-current liabilities:			
Non-current portion of installment notes	-	21,180	21,180
Non-current portion of compensated absences	<u>39,952</u>	<u>9,285</u>	<u>49,237</u>
Total non-current liabilities	<u>39,952</u>	<u>30,465</u>	<u>70,417</u>
Total liabilities	<u>175,471</u>	<u>48,519</u>	<u>223,990</u>
Net Assets:			
Invested in capital assets, net of related debt	40,413	326,463	366,876
Unrestricted (deficit)	<u>698,401</u>	<u>517,462</u>	<u>1,215,863</u>
Total net assets	<u>\$ 738,814</u>	<u>\$ 843,925</u>	<u>\$ 1,582,739</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, 2012

	Environmental Services Fund	Stormwater Fund	Total
Operating Revenues:			
Charges for services	\$ 3,156,291	\$ 903,670	\$ 4,059,961
Other operating income	27,041	15,277	42,318
Total operating revenues	<u>3,183,332</u>	<u>918,947</u>	<u>4,102,279</u>
Operating Expenses:			
Operations	2,839,890	697,627	3,537,517
Depreciation	97,710	98,825	196,535
Total operating expenses	<u>2,937,600</u>	<u>796,452</u>	<u>3,734,052</u>
Operating income (loss)	<u>245,732</u>	<u>122,495</u>	<u>368,227</u>
Non-Operating Revenues (Expenses):			
Interest earned on investments	1,121	1,772	2,893
Interest on long-term debt	(2,700)	(1,820)	(4,520)
Total non-operating revenues (expenses)	<u>(1,579)</u>	<u>(48)</u>	<u>(1,627)</u>
Income (loss) before capital contributions and transfers	244,153	122,447	366,600
Capital Contributions and Transfers:			
Capital contributions	6,825	-	6,825
Transfers out	(139,500)	(49,000)	(188,500)
Total other financing sources (uses)	<u>(132,675)</u>	<u>(49,000)</u>	<u>(181,675)</u>
Change in net assets	111,478	73,447	184,925
Net Assets:			
Beginning of year - July 1	<u>627,336</u>	<u>770,478</u>	<u>1,397,814</u>
End of year - June 30	<u>\$ 738,814</u>	<u>\$ 843,925</u>	<u>\$ 1,582,739</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

	Environmental Services Fund	Stormwater Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 3,232,577	\$ 911,050	\$ 4,143,627
Cash paid to suppliers for goods and services	(1,866,602)	(423,463)	(2,290,065)
Cash paid to or on behalf of employees for services	(978,820)	(276,145)	(1,254,965)
Net cash provided (used) by operating activities	<u>387,155</u>	<u>211,442</u>	<u>598,597</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers to other funds	(139,500)	(49,000)	(188,500)
Net cash provided (used) by non-capital financing activities	<u>(139,500)</u>	<u>(49,000)</u>	<u>(188,500)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(36,480)	(305,769)	(342,249)
Principal paid on general obligation bond maturities and equipment contracts	(138,690)	(43,810)	(182,500)
Interest paid on bonded indebtedness and equipment contracts	(2,700)	(1,820)	(4,520)
Contributed capital	6,825	-	6,825
Net cash provided (used) by capital and related financing activities	<u>(171,045)</u>	<u>(351,399)</u>	<u>(522,444)</u>
Cash Flows from Investing Activities:			
Interest on investments	1,121	1,772	2,893
Net cash provided (used) in investing activities	<u>1,121</u>	<u>1,772</u>	<u>2,893</u>
Net increase (decrease) in cash and cash equivalents/investments	77,731	(187,185)	(109,454)
Cash and Cash Equivalents/Investments:			
Beginning of year - July 1	<u>466,789</u>	<u>603,628</u>	<u>1,070,417</u>
End of year - June 30	<u>\$ 544,520</u>	<u>\$ 416,443</u>	<u>\$ 960,963</u>

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Environmental Services Fund	Stormwater Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 245,732	\$ 122,495	\$ 368,227
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	97,710	98,825	196,535
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	49,245	(7,897)	41,348
Increase (decrease) in accounts payable	(1,949)	(2,369)	(4,318)
Increase (decrease) in compensated absences	(3,583)	388	(3,195)
Total adjustments	<u>141,423</u>	<u>88,947</u>	<u>230,370</u>
Net cash provided (used) by operating activities	<u>\$ 387,155</u>	<u>\$ 211,442</u>	<u>\$ 598,597</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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 3,193,000	\$ 3,156,291	\$ (36,709)	\$ 3,036,767
Other	20,700	27,041	6,341	21,091
Total operating revenues	3,213,700	3,183,332	(30,368)	3,057,858
Non-Operating Revenues:				
State Grant	-	6,825	6,825	-
Interest earned on investments	400	1,121	721	897
Total non-operating revenues	400	7,946	7,546	897
Total revenues	3,214,100	3,191,278	(22,822)	3,058,755
Expenditures:				
Bulk Leaf Collection:				
Salaries and benefits	12,426	13,128	(702)	4,562
Operating	21,074	17,931	3,143	20,513
Capital outlay	40,000	36,480	3,520	-
Total leaf collection	73,500	67,539	5,961	25,075
Vector Control:				
Salaries and benefits	23,400	21,671	1,729	21,536
Operating	16,900	11,354	5,546	11,622
Capital outlay	-	-	-	919
Total vector control	40,300	33,025	7,275	34,077
Commercial Solid Waste:				
Salaries and benefits	254,300	243,403	10,897	237,481
Operating	546,830	524,341	22,489	502,739
Indirect costs	256,650	256,650	-	237,450
Total commercial solid waste	1,057,780	1,024,394	33,386	977,670
Residential Solid Waste:				
Salaries and benefits	702,600	681,685	20,915	689,017
Operating	723,500	681,597	41,903	625,447
Indirect costs	256,650	256,650	-	237,450
Total residential solid waste	1,682,750	1,619,932	62,818	1,551,914
Recycling:				
Salaries and benefits	38,200	37,021	1,179	37,136
Operating	18,700	17,248	1,452	6,863
Total recycling	56,900	54,269	2,631	43,999

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Debt Service:				
Principal retirement	170,700	138,690	32,010	171,990
Interest and other charges	9,900	3,801	6,099	9,043
Total debt service	180,600	142,491	38,109	181,033
Contingency	3,078	-	3,078	-
Total expenditures	3,094,908	2,941,650	153,258	2,813,768
Revenues over (under) expenditures	119,192	249,628	130,436	244,987
Other Financing Sources (Uses):				
Appropriated fund balance	3,208	-	(3,208)	-
Transfers out	(162,400)	(139,500)	22,900	(110,400)
Long-term debt issued	40,000	-	(40,000)	-
Total other financing sources (uses)	(119,192)	(139,500)	(20,308)	(110,400)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 110,128	\$ 110,128	\$ 134,587
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 110,128		\$ 134,587
Capital outlay		36,480		-
Payment of debt principal		138,690		171,990
Depreciation		(97,710)		(115,920)
Change in accrued compensated absences		3,583		(6,571)
Change in accrued interest payable		1,101		1,406
Bad debt expense		(80,794)		(6,192)
Change in net assets		\$ 111,478		\$ 179,300

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 897,600	\$ 903,670	\$ 6,070	\$ 898,697
Other	16,300	15,277	(1,023)	15,864
Total operating revenues	913,900	918,947	5,047	914,561
Non-Operating Revenues:				
Interest earned on investments	500	1,772	1,272	1,761
Total non-operating revenues	500	1,772	1,272	1,761
Total revenues	914,400	920,719	6,319	916,322
Expenditures:				
Stormwater Operations:				
Salaries and benefits	294,700	276,533	18,167	277,999
Operating	152,400	223,866	(71,466)	107,663
Capital outlay	373,599	314,108	59,491	102,121
Indirect costs	188,500	188,500	-	178,000
Total stormwater operations	1,009,199	1,003,007	6,192	665,783
Debt Service:				
Principal retirement	43,900	43,810	90	43,810
Interest and other charges	2,200	2,173	27	3,737
Total debt service	46,100	45,983	117	47,547
Contingency	7,298	-	7,298	-
Total expenditures	1,062,597	1,048,990	13,607	713,330
Revenues over (under) expenditures	(148,197)	(128,271)	19,926	202,992
Other Financing Sources (Uses):				
Appropriated fund balance	19,997	-	(19,997)	-
Transfers out	(81,800)	(49,000)	32,800	(48,000)
Long-term debt issued	210,000	-	(210,000)	-
Total other financing sources (uses)	148,197	(49,000)	(197,197)	(48,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (177,271)	\$ (177,271)	\$ 154,992

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (177,271)		\$ 154,992
Payment of debt principal		43,810		43,810
Depreciation		(98,825)		(53,819)
Change in accrued compensated absences		(389)		2,021
Decrease in accrued interest payable		353		353
Capital outlay		<u>305,769</u>		<u>96,365</u>
Change in net assets		<u>\$ 73,447</u>		<u>\$ 243,722</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

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CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Assets:					
Cash and investments	\$ 1,008,070	\$ -	\$ -	\$ 1,246,383	\$ 2,254,453
Accounts receivable	1,859	626	87,809	2,306	92,600
Inventory	-	252,633	-	-	252,633
Capital assets:					
Buildings	19,468	-	-	-	19,468
Equipment	-	196,748	-	135,186	331,934
Accumulated depreciation	(8,763)	(196,748)	-	(109,279)	(314,790)
Total assets	<u>1,020,634</u>	<u>253,259</u>	<u>87,809</u>	<u>1,274,596</u>	<u>2,636,298</u>
Liabilities:					
Due to other funds	-	295,243	449,880	-	745,123
Accounts payable and accrued liabilities	312,669	6,662	77,457	28,832	425,620
Accrued compensated absences	15,949	24,651	-	76,489	117,089
Total liabilities	<u>328,618</u>	<u>326,556</u>	<u>527,337</u>	<u>105,321</u>	<u>1,287,832</u>
Net Assets:					
Invested in capital assets	10,705	-	-	25,907	36,612
Unrestricted (deficit)	<u>681,311</u>	<u>(73,297)</u>	<u>(439,528)</u>	<u>1,143,368</u>	<u>1,311,854</u>
Total net assets	<u>\$ 692,016</u>	<u>\$ (73,297)</u>	<u>\$ (439,528)</u>	<u>\$ 1,169,275</u>	<u>\$ 1,348,466</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, 2012

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Operating Revenues:					
Contributions from various funds	\$ 503,700	\$ 20,912	\$ 599,716	\$ 2,091,900	\$ 3,216,228
Other income	32	666	385	38	1,121
Total operating revenues	<u>503,732</u>	<u>21,578</u>	<u>600,101</u>	<u>2,091,938</u>	<u>3,217,349</u>
Operating Expenses:					
Administration	249,930	354,521	-	811,164	1,415,615
Operations	-	-	599,752	1,031,588	1,631,340
Depreciation	486	5,329	-	11,816	17,631
Claims reimbursement	<u>405,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,985</u>
Total operating expenses	<u>656,401</u>	<u>359,850</u>	<u>599,752</u>	<u>1,854,568</u>	<u>3,470,571</u>
Operating income (loss)	<u>(152,669)</u>	<u>(338,272)</u>	<u>349</u>	<u>237,370</u>	<u>(253,222)</u>
Non-Operating Revenues (Expenses):					
Interest earned on investments	<u>2,576</u>	<u>-</u>	<u>-</u>	<u>2,555</u>	<u>5,131</u>
Total non-operating revenues (expenses)	<u>2,576</u>	<u>-</u>	<u>-</u>	<u>2,555</u>	<u>5,131</u>
Income (loss) before transfers	(150,093)	(338,272)	349	239,925	(248,091)
Other Financing Sources (Uses):					
Transfers in	-	411,700	-	-	411,700
Transfers out	<u>-</u>	<u>(800)</u>	<u>-</u>	<u>(4,100)</u>	<u>(4,900)</u>
Total other financing sources (uses)	<u>-</u>	<u>410,900</u>	<u>-</u>	<u>(4,100)</u>	<u>406,800</u>
Change in net assets	(150,093)	72,628	349	235,825	158,709
Net Assets:					
Beginning of year - July 1	<u>842,109</u>	<u>(145,925)</u>	<u>(439,877)</u>	<u>933,450</u>	<u>1,189,757</u>
End of year - June 30	<u>\$ 692,016</u>	<u>\$ (73,297)</u>	<u>\$ (439,528)</u>	<u>\$ 1,169,275</u>	<u>\$ 1,348,466</u>

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Cash Flows from Operating Activities:					
Cash received from customers	\$ 503,527	\$ 21,692	\$ 606,587	\$ 2,093,895	\$ 3,225,701
Cash paid to suppliers for goods and services	(481,302)	(33,755)	(616,092)	(439,137)	(1,570,286)
Cash paid to or on behalf of employees for services	(148,177)	(321,355)	-	(1,401,530)	(1,871,062)
Net cash provided (used) by operating activities	(125,952)	(333,418)	(9,505)	253,228	(215,647)
Cash Flows from Non-Capital Financing Activities:					
Transfers from other funds	-	411,700	-	-	411,700
Transfers to other funds	-	(800)	-	(4,100)	(4,900)
Advances from other funds	-	(77,482)	9,505	-	(67,977)
Net cash provided (used) by non-capital financing activities	-	333,418	9,505	(4,100)	338,823
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	-	-	-	(13,391)	(13,391)
Net cash provided (used) by capital and related financing activities	-	-	-	(13,391)	(13,391)
Cash Flows from Investing Activities:					
Interest on investments	2,576	-	-	2,555	5,131
Net cash provided (used) by investing activities	2,576	-	-	2,555	5,131
Net increase (decrease) in cash and cash equivalents/investments	(123,376)	-	-	238,292	114,916
Cash and Cash Equivalents/Investments:					
Beginning of year - July 1	1,131,446	-	-	1,008,091	2,139,537
End of year - June 30	\$ 1,008,070	\$ -	\$ -	\$ 1,246,383	\$ 2,254,453
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (152,669)	\$ (338,272)	\$ 349	\$ 237,370	\$ (253,222)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	486	5,329	-	11,816	17,631
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(205)	114	6,486	1,957	8,352
(Increase) decrease in inventories	-	(3,120)	-	-	(3,120)
Increase (decrease) in accounts payable	26,445	860	(16,340)	1,023	11,988
Increase (decrease) in accrued compensated absences	(9)	1,671	-	1,062	2,724
Total adjustments	26,717	4,854	(9,854)	15,858	37,575
Net cash provided (used) by operating activities	\$ (125,952)	\$ (333,418)	\$ (9,505)	\$ 253,228	\$ (215,647)

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 503,700	\$ 503,700	\$ -	\$ 495,100
Insurance proceeds	-	32	32	-
Total operating revenues	503,700	503,732	32	495,100
Operating Expenditures:				
Administration:				
Salaries and benefits	145,800	148,168	(2,368)	121,743
Operating	125,588	101,771	23,817	100,129
Claims reimbursements, operating	385,000	405,985	(20,985)	88,863
Total operating expenditures	656,388	655,924	464	310,735
Operating income (loss)	(152,688)	(152,192)	496	184,365
Non-Operating Revenues (Expenditures):				
Investment earnings	-	2,576	2,576	2,254
Contingency	(342)	-	342	-
Total non-operating revenues (expenditures)	(342)	2,576	2,918	2,254
Revenues over (under) expenditures	(153,030)	(149,616)	3,414	186,619
Other Financing Sources (Uses):				
Appropriated fund balance	153,030	-	153,030	-
Total other financing sources (uses)	153,030	-	153,030	-
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(149,616)	\$ (149,616)	186,619
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Change in accrued vacation pay		9		(2,020)
Depreciation		(486)		(487)
Change in net assets		\$ (150,093)		\$ 184,112

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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Financial Plan	Actual	Variance Over/Under	Actual
Revenues:				
Contributions	\$ 47,513	\$ 20,912	\$ (26,601)	\$ 11,018
Other	-	666	666	10,166
Total revenues	<u>47,513</u>	<u>21,578</u>	<u>(25,935)</u>	<u>21,184</u>
Expenditures:				
Administration:				
Salaries and benefits	420,013	323,026	96,987	329,326
Operating	36,921	29,221	7,700	23,934
Capital outlay	800	603	197	5,119
Contingency	<u>1,840</u>	<u>-</u>	<u>1,840</u>	<u>-</u>
Total expenditures	<u>459,574</u>	<u>352,850</u>	<u>106,724</u>	<u>358,379</u>
Revenues over (under) expenditures	<u>(412,061)</u>	<u>(331,272)</u>	<u>80,789</u>	<u>(337,195)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	1,161	-	(1,161)	-
Transfers in	411,700	411,700	-	400,200
Transfers out	<u>(800)</u>	<u>(800)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>412,061</u>	<u>410,900</u>	<u>(1,161)</u>	<u>400,200</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>79,628</u>	<u>\$ 79,628</u>	<u>63,005</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Change in accrued vacation pay		(1,671)		(280)
Depreciation		<u>(5,329)</u>		<u>(5,329)</u>
Change in net assets		<u>\$ 72,628</u>		<u>\$ 57,396</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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Financial Plan	Actual	Variance Over/Under	Actual
Revenues:				
Contributions from other funds	\$ 850,000	\$ 599,716	\$ (250,284)	\$ 648,345
Other	425,000	385	(424,615)	-
Total revenues	<u>1,275,000</u>	<u>600,101</u>	<u>(674,899)</u>	<u>648,345</u>
Expenditures:				
Fuel purchased	850,000	599,716	250,284	647,254
Fleet maintenance inventory	425,036	36	425,000	16,273
Total expenditures	<u>1,275,036</u>	<u>599,752</u>	<u>675,284</u>	<u>663,527</u>
Change in net assets	<u>(36)</u>	<u>349</u>	<u>385</u>	<u>(15,182)</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>36</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
Total other financing sources (uses)	<u>36</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
Revenue and other financing sources over (under) expenses and other financing uses	<u>\$ -</u>	<u>349</u>	<u>\$ 349</u>	<u>(15,182)</u>
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Change in net assets		<u>\$ 349</u>		<u>\$ (15,182)</u>

CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - PUBLIC SERVICES ADMINISTRATION
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 2,080,300	\$ 2,091,900	\$ 11,600	\$ 1,940,099
Other	-	38	38	217
Total operating revenues	<u>2,080,300</u>	<u>2,091,938</u>	<u>11,638</u>	<u>1,940,316</u>
Operating Expenditures:				
Administration:				
Salaries and benefits	680,500	519,293	161,207	564,032
Operating	90,589	48,809	41,780	57,475
Capital outlay	-	-	-	721
Indirect charges	<u>242,000</u>	<u>242,000</u>	<u>-</u>	<u>216,600</u>
Total administration	<u>1,013,089</u>	<u>810,102</u>	<u>202,987</u>	<u>838,828</u>
Operations:				
Salaries and benefits	889,400	883,299	6,101	825,786
Operating	178,132	138,480	39,652	136,242
Capital outlay	<u>23,300</u>	<u>23,200</u>	<u>100</u>	<u>20,321</u>
Total operations	<u>1,090,832</u>	<u>1,044,979</u>	<u>45,853</u>	<u>982,349</u>
Contingency	<u>7,834</u>	<u>-</u>	<u>7,834</u>	<u>-</u>
Total operating expenditures	<u>2,111,755</u>	<u>1,855,081</u>	<u>256,674</u>	<u>1,821,177</u>
Operating income (loss)	<u>(31,455)</u>	<u>236,857</u>	<u>268,312</u>	<u>119,139</u>
Non-Operating Revenues (Expenditures):				
Investment earnings	<u>-</u>	<u>2,555</u>	<u>2,555</u>	<u>2,119</u>
Total non-operating revenues (expenditures)	<u>-</u>	<u>2,555</u>	<u>2,555</u>	<u>2,119</u>
Revenues over (under) expenditures	<u>(31,455)</u>	<u>239,412</u>	<u>270,867</u>	<u>121,258</u>

CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - PUBLIC SERVICES ADMINISTRATION
SCHEDULE OF REVENUES AND EXPENDITURES -
FINANCIAL PLAN AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Financial Plan	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Long-term debt issued	11,600	-	(11,600)	-
Appropriated fund balance	23,955	-	(23,955)	-
Transfers out	(4,100)	(4,100)	-	(6,900)
Total other financing sources (uses)	<u>31,455</u>	<u>(4,100)</u>	<u>(35,555)</u>	<u>(6,900)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	235,312	<u>\$ 235,312</u>	114,358
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Change in accrued vacation pay		(1,062)		(2,405)
Capital outlay		13,391		20,321
Depreciation		<u>(11,816)</u>		<u>(13,871)</u>
Change in net assets		<u>\$ 235,825</u>		<u>\$ 118,403</u>

OTHER FINANCIAL INFORMATION

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

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CITY OF KINSTON, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ -	\$ 9,429,115	\$ 8,983,220	\$ 445,895
2010-2011	400,888	-	281,790	119,098
2009-2010	155,390	-	74,112	81,278
2008-2009	94,136	-	25,530	68,606
2007-2008	40,192	-	8,656	31,536
2006-2007	37,700	-	5,232	32,468
2005-2006	26,176	-	2,723	23,453
2004-2005	26,982	-	3,153	23,829
2003-2004	25,012	-	1,465	23,547
2002-2003	20,628	-	1,138	19,490
2001-2002	<u>21,270</u>	<u>-</u>	<u>21,270</u>	<u>-</u>
Total	<u>\$ 848,374</u>	<u>\$ 9,429,115</u>	<u>\$ 9,408,289</u>	869,200
Motor vehicle tags receivable				120,241
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(141,840)</u>
Ad valorem taxes receivable, net				
General Fund				<u>\$ 847,601</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund				\$ 9,516,019
Less auto fee				(145,338)
Penalties and interest collected				91,591
Add credits and adjustments				<u>(53,983)</u>
Total collections and credits				<u>\$ 9,408,289</u>

CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 1,393,126,667	\$ 0.66	\$ 9,194,636	\$ 8,420,021	\$ 774,615
Penalties	-		7,421	7,421	-
Total	<u>1,393,126,667</u>		<u>9,202,057</u>	<u>8,427,442</u>	<u>774,615</u>
Municipal Service:					
District			<u>57,202</u>	<u>57,202</u>	<u>-</u>
Discoveries	<u>32,859,941</u>	0.66	<u>216,876</u>	<u>216,876</u>	<u>-</u>
Abatements	<u>(7,124,291)</u>		<u>(47,020)</u>	<u>(46,779)</u>	<u>(241)</u>
Total property valuation	<u>\$ 1,418,862,317</u>				
Net Levy			9,429,115	8,654,741	774,374
Uncollected taxes at June 30, 2012			<u>445,895</u>	<u>274,658</u>	<u>171,237</u>
Current Year's Taxes Collected			<u>\$ 8,983,220</u>	<u>\$ 8,380,083</u>	<u>\$ 603,137</u>
Current Levy Collection Percentage			<u>95.27%</u>	<u>96.83%</u>	<u>77.89%</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.	144
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.	148
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.	152
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.	154

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 11,213,831
Restricted	289,314	440,884	590,711	619,832	696,026	524,143	501,969	83,390	3,456,960	1,787,355
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	4,472,843
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	17,474,029
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	81,954,723
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	12,355,920
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	94,310,643
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	93,168,554
Restricted	289,314	440,884	590,711	619,832	696,026	524,143	501,969	83,390	3,456,960	1,787,355
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	16,828,763
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	\$ 111,784,672

GASB Statement No. 34 Implemented in Fiscal Year 2003

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 3,299,355
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	9,685,081
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	1,736,651
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	2,524,198
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	3,686,137
Interest on long-term debt	183,755	185,904	168,857	177,873	226,828	319,271	119,472	315,202	350,729	322,222
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	21,253,644
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	52,094,660
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	6,983,435
Wastewater	comb w/water	4,391,983	4,536,399	4,654,361	4,271,411	5,295,824	5,296,885	5,296,980	5,886,216	5,671,974
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	3,395,374	3,721,550
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	68,471,619
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	89,725,263
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	372,215
Public safety	N/A	N/A	24,472	20,186	42,046	54,916	24,170	14,147	2,352	19,821
Public services	2,321,232	115,606	15,272	15,277	15,277	15,277	-	-	-	-
Culture and recreation	844,992	287,007	775,499	258,442	111,400	145,400	1,388,400	1,497,694	1,851,955	1,759,127
Community development	109,257	100,804	104,942	997,313	866,211	946,615	79,757	228,591	116,422	283,327
Operating grants and contributions:										
General government	N/A	N/A	N/A	4,320	N/A	114,215	14,202	-	-	12,538
Public safety	206,557	810,392	154,281	167,583	358,551	213,950	187,368	512,067	254,779	213,028
Public services	732,964	659,146	756,882	735,128	703,967	839,612	801,860	764,370	705,617	732,702
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	1,494,872
Capital grants and contributions, Community development										
Public safety	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	476,000	139,303
Public services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	856,601
Culture and recreation	N/A	N/A	N/A	N/A	450,960	99,827	462,297	39,407	-	107,557
Community development	693,944	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	288,664
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	6,279,755

(Continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	52,266,966
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	6,984,404
Wastewater	comb w/water	4,189,404	4,705,513	4,622,074	4,618,345	4,349,850	4,133,136	4,518,939	4,891,058	5,042,059
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	4,138,173
Capital grants and contributions:										
Electric	482	N/A	N/A	N/A	N/A	616,961	1,305,801	1,311,358	150,000	1,253,693
Water	929,775	N/A	8,400	300,000	29,738	15,000	15,000	16,025	15,029	86,060
Wastewater	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	1,408,647
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	71,180,002
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	77,459,757
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)	(14,973,889)
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	2,708,383
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)	(12,265,506)

(Continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	9,623,407
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	3,270,969
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	2,255,359
Unrestricted intergovernmental	344,373	159,286	426,652	360,586	341,662	341,054	357,346	281,404	349,123	360,261
Investment earnings	41,581	26,576	63,365	94,385	200,033	288,941	88,357	8,370	20,107	20,202
Miscellaneous	349,200	93,195	63,353	26,264	146,222	286,867	279,008	174,443	223,451	182,766
Transfers	955,000	779,964	992,290	990,552	1,329,736	1,509,863	1,024,672	961,627	1,011,000	841,920
Capital contributions	75,234	N/A	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	15,797,151	16,554,884
Business-type activities:										
Investment earnings	28,716	16,415	77,742	280,566	496,310	270,067	125,330	11,292	43,004	41,388
Transfers	(955,000)	(779,964)	(992,290)	(990,552)	(1,329,736)	(1,509,863)	(1,024,672)	(961,627)	(1,011,000)	(841,920)
Total business-type activities	(926,284)	(763,549)	(914,548)	(709,986)	(833,426)	(1,239,796)	(899,342)	(950,335)	(967,996)	(800,532)
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	14,829,155	15,754,352
Changes in net assets:										
Governmental activities	51,443	(1,884,069)	(362,670)	749,655	(130,387)	(463,079)	1,098,631	(432,921)	771,703	1,580,995
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	1,907,851
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	\$ 1,339,305	\$ 3,488,846

City of Kinston, North Carolina

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

Function / Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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) \$	(2,914,602)
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)	(9,312,929)
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)	(147,348)
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)	(1,819,453)
Community development	(378,160)	(1,328,521)	(961,976)	(1,609,014)	(1,534,208)	(1,224,372)	(631,452)	(552,227)	(522,658)	(457,335)
Interest on long-term debt	(183,755)	(185,904)	(168,857)	(177,873)	(226,828)	(319,271)	(119,472)	(315,202)	(350,729)	(322,222)
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)	(14,973,889)
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	1,425,999
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)	87,029
Wastewater	Comb w/water	3,752,224	13,615,189	19,091,216	4,584,408	(792,321)	136,090	1,945,893	420,724	778,732
Nonmajor funds	N/A	7,845	(64,757)	(75,084)	(142,894)	(809,732)	651,726	691,059	607,230	416,623
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	2,708,383
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) \$	(12,265,506)

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 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:	2,562,359	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	87,020
Restricted	-	-	-	-	-	-	-	-	1,503,278	1,498,228
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	4,034,163	4,632,695
Total General Fund	\$ 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	\$ 6,217,943
All Other Governmental Funds:										
Reserved	\$ 3,548,911	\$ 244,764	\$ 182,905	\$ 313,363	\$ 4,168,822	\$ 42,652	\$ 42,112	\$ 41,572	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	(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	(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	75,000
Restricted in capital project	-	-	-	-	-	-	-	-	2,028,365	214,127
Committed in capital project	-	-	-	-	-	-	-	-	99,058	73,038
Assigned in special revenue fund	-	-	-	-	-	-	-	-	7,418	8,877
Unassigned in capital project	-	-	-	-	-	-	-	-	(104,459)	(380,916)
Total all other government funds	\$ 770,199	\$ 765,473	\$ 493,298	\$ 131,469	\$ 3,686,659	\$ 1,166,780	\$ 164,259	\$ 106,725	\$ 2,105,382	\$ (9,874)

City of Kinston, North Carolina

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 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	\$ 9,607,610
Other taxes	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	5,526,328
Intergovernmental	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	3,348,925
Charges for services	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	1,738,320
Other	431,429	205,906	179,280	434,937	546,582	532,669	349,453	178,769	231,138	199,309
Total revenues	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	20,420,492
Expenditures:										
General government	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	2,210,601
Public safety	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	11,416,806
Public services	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	1,492,119
Culture and recreation	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	3,557,481
Community development	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	2,845,447
Capital outlay	1,302,947	890,775	600	72,114						
Debt service:										
Principal	854,814	550,208	565,844	775,232	870,910	848,396	5,869,365	704,045	529,865	525,739
Interest	117,630	230,348	171,995	177,916	158,906	324,931	126,173	321,661	312,867	327,446
Total expenditures	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	22,375,639
Excess of revenues (under) expenditures	(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)	(1,955,147)
Other financing sources (uses):										
Transfers in	1,126,767	988,796	1,196,251	1,284,760	1,307,879	1,536,332	1,026,781	958,941	976,448	1,042,786
Transfers out	(171,767)	(529,147)	(547,705)	(524,658)	(197,576)	(249,187)	(318,569)	(176,850)	(365,648)	(611,766)
Issuance of long-term debt	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	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	431,020
Net changes in fund balance	\$ 1,516,762	\$ (581,848)	\$ 596,220	\$ (807,642)	\$ 3,288,000	\$ (2,532,210)	\$ (393,507)	\$ 240,104	\$ 2,560,078	\$ (1,524,127)
Debt service as a percentage of non-capital expenditures	3.6%	4.2%	4.3%	5.2%	5.2%	5.6%	27.6%	5.7%	4.9%	4.2%

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)
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
2012	438,140,246	120,692,572	276,287,764	23,680,224	420,660,560	17,479,686	4%	0.1020

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	10.8	10.8	11.0	12.0	12.7	12.7	14.1	14.6	14.7	14.9
Small General Service	9.4	9.4	9.3	10.1	12.5	12.4	14.1	14.6	14.6	14.7
Medium General Service	0.0	0.0	0.0	10.3	10.4	10.3	11.8	12.2	12.3	12.3
Public Housing	9.3	9.4	9.4	10.1	11.7	12.6	13.9	14.4	14.3	14.4
Church and School	13.1	13.1	13.2	14.2	14.9	14.9	16.3	16.9	17.1	17.1
Municipal Service	6.0	6.0	6.0	6.7	4.0	4	5.1	6	6	6
Masterbrand	5.3	5.3	5.3	5.3	5.3	5.3*	0	0	0	0
Large General Service	7.5	7.2	7.2	7.9	8.6	8.7	10.7	11	10.8	10.8
CDC Rate	4.9	5.0	5.0	5.5	5.9	6	7	7.6	8.2	8.2
Area Lights	20.6	20.7	20.9	22.2	21.5	22	22	22.8	23.4	23.5

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

Notes: *Masterbrand rate was retired on 10/01/2007.

City of Kinston, North Carolina

Property Tax Rates

Direct and Overlapping Governments

Last Ten Fiscal years

Fiscal Year	Lenoir County	City of Kinston	Municipal Service District	Total Tax
2003	\$ 0.75	\$ 0.58	\$ 0.27	\$ 1.60
2004	0.78	0.60	0.27	1.65
2005	0.78	0.60	0.27	1.65
2006	0.79	0.60	0.27	1.66
2007	0.84	0.60	0.27	1.71
2008	0.84	0.60	0.27	1.71
2009	0.84	0.66	0.27	1.77
2010	0.80	0.66	0.27	1.73
2011	0.80	0.66	0.27	1.73
2012	0.80	0.66	0.27	1.73

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

City of Kinston, North Carolina
Principal Taxpayers
Current Year and Nine Years Ago
As of 6/30/2012

Name of Taxpayer	Nature of Property	2012			Percentage of Total Assessed Value
		Assessed Value	Rank		
Sanderson Farms, Inc.	Poultry Processor	\$ 119,972,286	1		8.47%
Smithfield Packing	Meat Processor	72,452,521	2		5.12%
Masterbrand Cabinets, Inc.	Manufacturer	27,539,214	3		1.95%
Poole Walter Realty Inc.	Real Estate	20,846,685	4		1.47%
Sanderson Farms, Inc.	Poultry Processor	16,805,409	5		1.19%
Centro NP Holdings SPE LLC	Shopping Mall	12,571,268	6		0.89%
Piedmont Natural Gas	Natural Gas	11,819,319	7		0.83%
Lowes Home Centers Inc.	Shopping	10,110,278	8		0.71%
Perrys Inc.	Real Estate	8,055,298	9		0.57%
Vernon Park Mall Holding Group	Shopping Mall	8,010,557	10		0.57%
Total Assessed Valuation of Top Ten Taxpayers		<u>\$ 308,182,835</u>			21.77%
Balance of Assessed Valuation		<u>1,107,461,047</u>			78.23%
Total Assessed Valuation		<u>\$ 1,415,643,882</u>			100.00%

Name of Taxpayer	Nature of Property	2003			Percentage of Total Assessed Value
		Assessed Value	Rank		
Carolina Telephone	Utility	\$ 23,442,567	1		2.00%
Masterbrand Cabinets, Inc.	Manufacturer	19,177,740	2		1.70%
Poole Walter Realty	Real Estate	16,005,611	3		1.40%
Smithfield Packing	Meat Processor	15,398,484	4		1.30%
Excel Realty Trust NC	Shopping Mall	10,730,931	5		0.90%
Dwight C. and Patricia Howard	Manufacturer	8,714,722	6		0.80%
Barnet Southern Corp	Manufacturer	8,698,224	7		0.80%
VPM Inc.	Shopping Mall	8,566,852	8		0.70%
NC Natural Gas	Utility	7,015,089	9		0.60%
Beuhler Products, Inc.	Manufacturer	6,991,908	10		0.60%
Total Assessed Valuation of Top Ten Taxpayers		<u>\$ 124,742,128</u>			10.80%
Balance of Assessed Valuation		<u>1,033,471,870</u>			89.20%
Total Assessed Valuation		<u>\$ 1,158,213,998</u>			100.00%

Source: Lenoir County Tax Office

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

Fiscal Year Ended June 30	Tax Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2002	\$ 6,716,562	\$ 6,332,715	0.9429	\$ 364,357	\$ 6,697,072	0.9971
2004	2003	6,980,033	6,586,934	0.9437	369,552	6,956,486	0.9966
2005	2004	7,088,728	6,677,323	0.9420	387,576	7,064,899	0.9966
2006	2005	7,180,425	6,783,645	0.9447	364,312	7,147,957	0.9955
2007	2006	7,268,251	6,889,924	0.9479	345,859	7,235,783	0.9955
2008	2007	7,701,960	7,334,167	0.9522	336,257	7,670,424	0.9959
2009	2008	8,480,980	8,029,872	0.9468	382,502	8,412,374	0.9919
2010	2009	8,888,479	8,473,336	0.9533	333,865	8,807,201	0.9909
2011	2010	8,764,337	8,363,449	0.9543	281,790	8,645,239	0.9864
2012	2011	9,429,114	8,983,219	0.9527	85,424	9,068,643	0.9618

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2002-2011

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

A tax levy provides taxes remitted in the following year:

For tax year 2011, collections are as of 9/20/2012.

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									
2003	\$	-	\$	-	\$	-	\$	3,986,674	\$	5,877,997	\$	-	\$	11,846,000	\$	21,710,671	\$	917
2004		-		-		-		3,857,418		6,714,017		-		13,466,000		24,037,435		1,034
2005		-		-		-		4,306,574		6,445,581		-		16,367,067		27,119,222		1,183
2006		-		-		-		3,846,072		5,721,263		-		15,777,811		25,345,146		1,109
2007		-		-		-		8,643,047		12,503,265		-		15,168,004		36,314,316		1,581
2008		-		-		-		8,258,051		12,668,221		-		19,832,648		40,758,920		1,775
2009		-		-		-		7,241,806		11,113,257		-		15,293,513		33,648,576		1,465
2010		-		-		-		6,965,646		11,160,112		-		14,339,473		32,465,231		1,472
2011		-		-		-		9,633,282		9,708,187		-		13,353,874		32,695,343		1,508
2012		-		-		-		9,107,542		8,279,562		-		12,336,227		29,723,331		1,375

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, 2012
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	<u>\$ 79,625,100</u>	35.89%	<u>\$ 28,573,922</u>
Subtotal, overlapping debt	79,625,100		28,573,922
City Direct Debt	<u>-</u>		<u>-</u>
Total direct and overlapping debt	<u><u>\$ 79,625,100</u></u>		<u><u>\$ 28,573,922</u></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 (\$3,943,739,632).
(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)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 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	\$ 113,508,985
Total net debt applicable to limit	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	17,387,104
Legal debt margin	\$ 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	\$ 96,121,881
Total net debt applicable to the limit as a percentage of debt limit	4.50%	4.36%	4.82%	4.22%	9.88%	25.83%	19.82%	20.40%	22.44%	18.09%

Legal Debt Margin Calculation for Fiscal Year 2012:

Assessed valuation	\$ 1,418,862,317
8%	113,508,985
Less applicable debt	<u>17,387,104</u> A
Debt margin	<u>\$ 130,896,089</u>

A= Total government-wide debt	\$ 32,047,822
Less revenue bonds	(12,336,227)
Less compensated absences	(1,034,941)
Less law enforcement separation allowance	(1,130,258)
Less separation allowance	(51,108)
Less other post-employment benefits	<u>(108,184)</u>
	<u>\$ 17,387,104</u>

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		Coverage	Special Assessment Collections	Debt Service		Coverage	Sales Tax Increment	Debt Service		Coverage	
				Principal	Interest			Principal	Interest			Principal	Interest		
2003	\$ 46,207,290	\$ 42,135,152	\$ 4,072,138	\$ 885,000	\$ 700,816	2.57	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
2004	49,470,309	45,850,694	3,619,615	353,933	1,217,633	2.30	-	-	-	-	-	-	-		
2005	51,199,729	47,457,736	3,741,993	589,256	585,435	3.19	-	-	-	-	-	-	-		
2006	56,838,017	54,526,650	2,311,367	589,256	501,167	2.12	-	-	-	-	-	-	-		
2007	56,909,055	51,857,666	5,051,381	1,192,410	704,022	2.66	-	-	-	-	-	-	-		
2008	57,592,808	52,842,641	4,750,167	1,217,959	699,457	2.48	-	-	-	-	-	-	-		
2009	62,189,411	59,945,018	2,244,393	1,363,251	754,475	1.06	-	-	-	-	-	-	-		
2010	64,894,490	61,103,976	3,790,514	1,368,156	667,936	1.86	-	-	-	-	-	-	-		
2011	66,310,137	61,739,024	4,571,113	1,399,715	621,036	2.26	-	-	-	-	-	-	-		
2012	64,196,224	59,240,780	4,955,444	1,431,762	573,795	2.47	-	-	-	-	-	-	-		

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)
2003	23,688	\$ 17,779	11,347	7.1%
2004	23,238	(5)	10,099	6.1%
2005	22,917	(5)	9,876	6.7%
2006	22,851	(5)	9,797	5.7%
2007	22,962	\$ 16,526	9,549	4.9%
2008	22,649	(5)	9,546	7.2%
2009	22,056	\$ 14,476	9,258	12.4%
2010	21,677	(5)	9,039	10.6%
2011	21,642	(5)	9,075	11.2%
2012	21,622	(5)	9,097	10.7%

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)

2012				2003			
Employer	Employees	Rank	Percentage of Total County Employment	Employer	Employees	Rank	Percentage of Total County Employment
Sanderson Farms	1,562	1	6.51%	Caswell Center	1,730	1	6.99%
Caswell Center	1,425	2	5.94%	Lenoir County Public Schools	1,365	2	5.51%
Lenoir County Public Schools	1,325	3	5.52%	Lenoir Memorial Hospital	1,120	3	4.52%
Lenoir Memorial Hospital	1,050	4	4.38%	Electrolux Home Products (Frigidaire Co	650	4	2.63%
Electrolux Home Products	793	5	3.31%	DuPont	625	5	2.52%
Associated Materials, Inc.	636	6	2.65%	Smithfield Packing Co.	600	6	2.42%
Lenoir Community College	480	7	2.00%	Lenoir Community College	480	7	1.94%
Masterbrand	475	8	1.98%	Lenoir County	470	8	1.90%
Lenoir County	455	9	1.90%	City of Kinston	382	9	1.54%
City of Kinston	364	10	1.52%	Masterbrand	365	10	1.47%
	<u>8,565</u>		33.68%		<u>7,787</u>		31.29%

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	3	3	3	2	3	3	3	4	2
City Clerk	1	1	1	1	1	1	1	-	1	1
Personnel	4	4	4	4	3.5	3.5	3.5	1.5	2.5	2.5
Finance	13	12	11	11	11	12	12	11	12	12
Computer Services	3	3	3	3	3	3	3	4	3	3
Legal	3	2	2							
Building Safety	2	2	2	2	2	2	2	2	2	2
Planning	3	3	3	3	3	3	3	1	2	2
Facility Mgmt.	5	5	5	5	5	5	5	4	4	4
Community Development										
Parks and Recreation:										
General & Administrative	7	6	6	6	6	6	6	5	5	4
SOAR										
Recreation	24	24	25	28	28	26	25	24	25	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	74	74	74	75	75	77	73	73	73
Civilians (a)	10	10	10	10	10	9	9	8	8	8
Fire:										
Firefighters and Officers	57	56	56	55	55	54	54	50	49	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	17	16	17	18	15	16	12	12	12	12
Street Sweeping	1	1	1	1	1	1	1	1	1	1
Refuse Collection	28	30	31	30	26	26	26	25.5	26.5	26.5
Weed Control	2	1	1	1	1	1	1	0.5	0.5	0.5
Central Garage	11	10	11	10	10	9	10	9	10	10
Street Lighting	1	1	1	1	1	1	1	1	1	1
Traffic Control	2	2	2	2	2	2	2	2	2	2
Electric:										
Distribution	21	23	23	20	21	21	23	23	23	23
Billing and Administration	19	21	21	19	20	23	23	22	22	22
Meter Reading	8	8	8	7	6	6	6	7	7	7
Water:										
Administration	3	3	3	3	3	3	3	3	3	3
Transmission	18	18	18	20	24	25	25	25	25	25
Purification	3	2	2	2	3	3	3	3	3	3
Lake Bloomington Park										
Sewer Maintenance	15	15	15	13	14	13	13	13	13	13
Stormwater						1	6	6	6	7
Other Programs/Functions:										
Engineering	10	9	9	10	10	8	7	7	7	7
Risk Management	3	3	3	3	2.5	2.5	2.5	2.5	2.5	2.5
Parking										
Cultural District										
Total	382	378	381	375	375	375	379	360	366	364

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

Note:

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Calls for service	29,598	29,803	30,610	31,192	35,156	32,213	32,686	33,101	29,767	30,753
Adult arrest	3,039	3,169	2,847	2,945	4,910	3,008	2,755	3,553	2,896	3,240
Juvenile arrest	167	186	146	172	171	161	122	89	97	117
Speeding citations only	1,000	600	1,240	656	863	1,280	392	837	771	572
Traffic citations	2,870	2,782	3,453	2,506	5,823	5,677	3,567	4,374	3,584	4,081
Fire:										
Total fire runs	998	826	704	664	216	870	843	185	764	908
Total rescue runs	691	699	410	143	145	121	151	117	82	80
Property loss	\$ 737,261	\$ 773,719	\$ 433,537	\$ 380,311	\$ 761,793	\$ 642,430	\$ 791,822	\$ 472,680	\$ 2,124,175	\$ 1,194,425
Building safety:										
Total building permits	147	135	122	121	124	115	98	83	102	104
Total value all permits	\$ 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	\$ 15,065,906
Library, volumes in collection	114,729	113,465	115,695	116,474	14,026	99,905	235,108	233,466	245,837	237,195
Public service:										
Garbage collected (ton)	22,989	22,816	22,977	22,685	20,521	19,937	21,254	19,108	17,272	16,744
Recycle collected (ton)	765	730	695	632	574	836.48	563.21	637.56	655.1	657.53
Parks and Recreation:										
Recreation program attendance:										
Athletics	156,000	155,000	160,000	158,500	163,000	172,000	175,000	202,000	204,500	208,300
Centers & Parks	418,000	421,000	419,000	419,500	421,500	520,000	518,000	520,000	522,000	552,000
Other Programs	106,000	108,000	111,000	114,000	113,000	116,000	122,000	118,000	116,300	118,000
Golf Rounds Played	7,500	7,500	7,500	7,800	7,950	8,200	9,300	9,100	9,000	8,000

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	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	6	4	4	4	4	3	3	3	5	2
Fire and Rescue										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse Collection:										
Collection Trucks	25	25	25	25	25	25	25	25	25	25
Other Public Works										
Streets (Miles)	114.6	114.7	115.4	113.9	114.91	114.91	114.91	114.91	114.91	114.83
Streets Lights	2061	2062	2064	2064	2123	2106	2106	2106	2106	2106
Traffic Signals	N/A	N/A	N/A	15	15	15	15	15	15	15
Parks and Recreation:										
Acreage	245	245	245	245	300	300	300	300	332	349
Parks	14	14	14	14	15	15	15	15	15	15
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	16	16	17	17	17	26	26	26	26	26
Soccer/Football Fields	2	2	2	2	2	13	13	13	13	13
Basketball Courts	8	6	6	6	6	4	4	4	4	6
Tennis Courts	15	14	16	16	16	17	17	17	17	17
Swimming Pools	3	3	2	2	2	2	2	2	2	3
Parks with Playground Equipment	7	8	8	8	8	8	8	8	8	8
Picnic Shelters	5	5	6	8	8	8	8	8	8	8
Community Centers	5	5	5	5	5	5	5	5	6	7
Museums	2	2	2	2	2	2	2	2	2	2
Stadium	4200 seat	4200 seat	4200 seat	4200 Seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat
Airport Theater	-	-	-	-	-	-	-	-	-	-
Indoor Batting Facility	1	1	1	1	1	1	1	1	1	1
Natural Sites	4	4	4	4	4	5	5	5	5	5
Gymnasium	3	4	4	4	4	4	4	4	5	6
Spray Ground	-	-	-	-	1	1	1	1	1	1
Dog Park	-	-	-	-	-	1	1	1	1	1
Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	114,729	113,465	115,695	116,474	14,026	99,905	235,108	233,466	245,837	237,195
Water:										
Storage Capacity (MGPD)	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25 MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD
Average Daily Consumption (MGPD)	4.09 MGD	3.49 MGD	3.71 MGD	3.80 MGD	3.63 MGD	3.49MGD	2.94MGD	2.85MGD	3.41MGD	4.14MGD
Peak Consumption (MGPD)	6.14 MGD	5.24 MGD	5.57 MGD	5.70 MGD	5.45 MGD	5.24MGD	5.12MGD	5.07MGD	5.11MGD	8.19MGD
Miles of Water Mains	208.2	211.7	212.3	212.7	214	214.4	214.7	214.7	216.76	216.76
Wastewater:										
Sanitary Sewers (miles)	206.2	208.3	209.2	209.4	211.2	211.4	211.4	211.4	212.98	213.24
Storm Sewers (miles)	N/A	N/A	N/A	62.3	62.3	62.4	62.4	62.4	55.39	55.39
Average Daily Flow	4.09 MGD	3.5 MGD	5.24 MGD	5.12 MGD	5.29 MGD	4.64MGD	429MGD	5.09MGD	5.14MGD	4.24MGD
Electric:										
Average Daily Usage	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	1,152,495 KWH
Mile of Distribution Lines	375	425	425	430	430	430	430	430	430	430

Source: Various City records

Note:

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