



CITY OF KINSTON

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015

**PICTURED ON THE COVER OF THE COMPREHENSIVE ANNUAL FINANCIAL
REPORT FOR THE CITY OF KINSTON**

Historic Grainger Stadium Kinston, North Carolina

Located on East Grainger Avenue, the Historic Grainger Stadium is host to the Freedom Classic, which features the United States Naval Academy and the United States Air Force Academy in a three game baseball series. Pre-game ceremonies honor veterans and active duty military. The event attracts thousands from across the United States and is Kinston's way of saying "thank you" for keeping our country safe.

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**CITY OF KINSTON
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

Prepared by City of Kinston Finance Department

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List of Principal Officials

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GFOA Certificate of Achievement for Excellence in Financial Reporting

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B. J. MURPHY
Mayor

TONY SEARS
City Manager

JAMES P. CAULEY III
City Attorney

MONIQUE HICKS
City Clerk

February 2, 2016

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, 2015, 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 unmodified 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.

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, contracts and grant agreements, is included in a separate reporting package.

PROFILE OF THE GOVERNMENT

The City of Kinston, incorporated in 1762, is 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 empowered to levy a property tax on real property located within its boundaries. 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, appointment of department heads, delivery of services, planning and budgetary management.

The City provides a full range of services including police and fire protection; construction and maintenance of streets and other infrastructure; traffic control; planning and zoning services; building inspections; licenses and permits; and parks and recreational services. In addition to general governmental activities, the City owns and operates electric, water, wastewater, stormwater utilities, sanitation services and a community center; therefore, these activities are included in the reporting entity. The Kinston-Lenoir County Library, the Lenoir County Economic Development Commission, the Lenoir County Tourism Development Authority and the Kinston Housing Authority do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The Council is required to adopt an initial budget for the fiscal year no later than July 1. This annual budget serves as the foundation for the City of Kinston's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

LOCAL ECONOMIC CONDITION AND OUTLOOK

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. Major industries located within the governments boundaries or in close proximity include hospitals and healthcare facilities, agriculture, manufacturers of aerospace, pharmaceutical, textile, food products, housewares, machining, durable goods, chemicals and consumables, and retail stores. The community currently has a 6.1 percent unemployment rate compared to a statewide rate of 5.7 percent and a national average of 5.0 percent. Overall, the value of new construction and renovation was \$100.1 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 industrial leaders such as Sanderson Farms, Smithfield, Pactiv, and DuPont continue adding jobs and investment in property, plant, and equipment. Strata Solar Farms continues to have a presence in Lenoir County with an investment of over \$20 million and ColorCoat, Inc. expanded its current operations in California to North Carolina in 2015, announcing 45 new jobs and \$300,000 in investments. Construction on the Queen Street bridges has started and should be completed within two years. Queen Street will be redesigned in conjunction with the replacement of the bridges and should give downtown Kinston a new look and help with its future growth. Entrepreneur Stephen Hill, owner of Mother

Earth Brewing, has remodeled a row of historic houses near the Mitchelltown Historic District for a planned artisan village, where artists can create, display, and sell their own work. Hometowne Exchange, a local corporation, purchased the old “Miller Furniture” building, added a capital investment over \$500,000, and currently has The Beauty Box Hair Studio & Day Spa, Leon Thomas Treasures @ The Beauty Box, The Exchange, and Potter Photography operating within the 10,000 square foot building.

With an approximate 15-20% increase in health care cost each year, the City is currently studying the possibility of joining the State health care plan and concurrently researching alternative health care plans for retirees.

The impending retirement of the baby boomers is expected to have a major impact on workforce capacity across the nation. There are 30 employees (approximately 8% of the City’s full time workforce) with 25 or more years of service in mid to upper level management that may retire within the next 5 years. To ensure the City is prepared with a plan to support service continuity, the City is in the process of developing a succession plan to help address the changes that will occur with these eventual retirements.

MAJOR INITIATIVES

Fiscal Year 2014-2015 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

Land Use Plan

The Planning Department was funded to develop a land use plan for the City of Kinston. That plan has since been adopted, and prepared for implementation. This document will be critical in the department’s budget development in the coming years.

Urban Redevelopment Area

The Planning Department will also continue implementing items from the Urban Redevelopment Area plan, which is intended to help redevelop Mitchelltown and the Arts and Cultural District. The department continues to review and weigh options for using the URA designation along the Dr. Martin Luther King, Jr. Corridor as well. It is expected that the pilot rehabilitation programs in the Mitchelltown and downtown areas will start soon as part of this implementation strategy.

Grants

The Planning Department continues to implement the EPA Brownfields Grant with the hope that redevelopment will be sparked following the investment in environmental studies to help remove barriers to development.

Public Safety - Fire & Rescue

The Fire and Rescue Division has started the implementation of the Community Fire Station Program. The Program is designed to promote ownership of the fire and emergency protection districts among both fire and emergency personnel and the citizenry. Increased community involvement in the areas of public education, citizen assistance, and future initiatives are all part of the program.

The Division has started responding to Emergency Medical emergencies occurring within the City. This service delivery extension provides quicker response to the injuries and other medical emergencies suffered by our citizenry. The Division is working on a Master Plan to incorporate Medic Engines over the next five years. This will aid in higher level of care provided to our community.

Public Safety – Law Enforcement

The FY 2013 JAG Grant was used to purchase four additional in-car video camera systems. These cameras provide audio and video recording capabilities in-car and out of the car events during citizen interactions which establishes truth and reduces the number of officer complaints (Award amount: \$13,181.00)

The FY 2014 JAG Grant was used to purchase 15 additional Tasers. These weapons will improve officer safety and provide an additional less lethal use of force option and also reduce officer and civilian injury. (Award amount: \$17,729.50)

The FY 2015 JAG Grant was awarded on September 3, 2015 for the purchase of two Covert Camera Systems. These cameras will enhance officer abilities to monitor and record potential areas of increased crime and respond with immediate law enforcement approach. (Award Amount: \$11,952.00)

FY 2014 Governors Crime Commission Grant: “Operation NO Boundaries”

The Kinston Department of Public Safety’s overarching operational strategy is to expand violent crime reduction efforts by joining anti-gang resources from federal, state and local partners. Kinston Public Safety plans to execute this strategy by utilizing each agency’s expertise to remove violent gangs, gang members and the tools of their trade (weapons, drugs and money) from the streets. Operation No Boundaries will employ a systematic and sustained approach specifically focused to reduce violent gang crime. Kinston Public Safety will work closely with partner agencies to identify the most violent areas of the city and target the most violent gang members responsible for the violent crime. The goal of this operation is not focused on arresting anyone who associates with gang activity. The main focus, however, will be to target violent gang members who have escaped significant jail time and to charge them federally while substantially increasing police presence in the affected communities. Fighting crime is a process, and Operation No Boundaries promises to be a successful operation which will move us one step closer to ridding the Kinston community of these aggressive gang members who terrorize our community. Kinston Public Safety’s operational model will follow the three key PSN principles for successful gun crime reduction: Comprehensive approach by combining enforcement with prevention and deterrence efforts; Coordinated program between the enforcement, deterrence, and prevention efforts; Community-based in nature allowing for flexibility to implement best practices for the local area and citizenry concerns. (Award amount: \$25,000.00 – overtime pay)

Patrol Operations completed final transition of newly installed digital radios for all departmental fleet vehicles. The installation of radios was scheduled to be completed in FY 2014, but was delayed by the mobile radio company. The air card technology project for all Mobile Data Terminals (MDT’s) just completed a full year into service. This project has been extremely successful allowing officers on patrol to complete field reporting within all areas of our City.

2014-15 Street Resurfacing

Project involves annual resurfacing of City streets. This fiscal year the streets include all or portions of Pollock Street, Davis Street, Summit Avenue, Lenoir Avenue, Pinehurst Drive, Westbrook Drive, Tiffany Street and Blount Street. Funds available for the project included \$200,000 appropriated in the Street division budget and \$41,600 from the College Street Railroad Crossing Mitigation Project. Work was awarded to the S.T. Wooten Corporation. Final cost of the project was \$220,639.47.

Blount St. / Davis St, Drainage Improvements

Project involves replacement of the storm drain pipe on portions of Blount Street and Davis Street. This project will complete the final phase of the Chestnut Street drainage projects. Total budgeted funds for this project were \$165,000. This Contract was awarded to Charles Hughes Construction with a bid amount of \$186,443.94. On May 19, 2014 City Council approved the use of \$22,000 from Stormwater fund balance to cover the additional cost above the budgeted amount. Project was completed in June, 2015 with a final cost of \$156,834.78.

GTP Rail Spur Water and Sewer Utility Relocations (performed by NC Department of Transportation)

A rail spur has been constructed by the NC Department of Transportation (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. It can be repaid over 3 years without interest or over five years with interest charged during the last two years. The City is budgeting to pay this in three years. First payment was made in FY12/13 for \$166,632.24, second payment of \$162,632.24 was made in FY13/14, and the final Payment of \$162,632.25 was made in FY14/15.

Highway 70 Industrial Park Phase II Sewer Project

This project consists of building a new regional lift station and force main for the Highway 70 Industrial Park, and eliminating a small station serving the Smithfield Packing Company. Kinston has received a \$1 million grant from the North Carolina Rural Center and a \$1.25 million grant from the Golden Leaf Foundation. Lenoir County and the City of Kinston have contributed \$775,000 each, for a total project budget of \$3.8 million. Project bids were received on April 3, 2014. Bid was awarded to Park Construction in the amount of \$2,259,451.13. Additional work to install a bar screen was added to the contract. Final project costs will be within budget. Work is complete, project is expected to be closed out January, 2016. First loan repayment will be in May 2016.

Falling Creek Water Supply

Growing demand in both residential and industrial areas on the western side of the City's water system has created challenges with meeting customer needs for water volume and pressure. The City of Kinston entered into a contract with the Wooten Company to prepare a water model and evaluate potential improvements to address these concerns. The water model and evaluation were complete in June of 2013. Several potential solutions were evaluated. A recommendation was made to increase the size and pressure gradient at the connection with Neuse Regional Water and Sewer Authority at Tomlyn Drive. Pearson Pump completed this work in March 2014 at a cost of \$30,948.93. The Neuse Regional Water and Sewer Authority have reimbursed the city for \$29,150.68 of the costs since the PRV site is actually owned by NRWASA. The Wooten Company also recommended that the City isolate the residential area in Falling Creek from the industrial area to increase pressure. City forces installed a valve and bypass along Banks School Road to separate these areas. Cost for the bypass was \$3,256.00. The final recommendation was to return Well #18 to service to supplement the water demand. This work was awarded to Pearson Pump Sales and Service and was completed in April 2015 with a final cost of \$63,416.

Falling Creek Substation Transformer

Significant industrial growth in the Highway 70 Industrial Park in recent years has used much of the capacity at the Falling Creek Substation. To accommodate future growth, there is a need to install an additional transformer at the station. The proposed 20/37 MVA transformer will provide the needed capacity to serve the existing industries in and around the industrial park and help attract new industries. The estimated cost of the project is \$1,418,750. This will be one of the first projects funded with funds secured through the City's recent adoption of reduced electric rates with rate stabilization through 2020. A Request for Proposal for this project will be issued in FY 15/16. Work would be completed in FY16/17.

Albermarle Solar Center on Cunningham Road

Heelstone Energy contracted to construct a 5 MW solar farm near the City owned Cunningham Road Substation. Power Services estimated the cost to construct the interconnection distribution feeder to be approximately \$196,516. The City will be reimbursed for all expenses related to the construction of this feeder. This project was completed in December 2014 with a final cost of \$102,184.25.

Queen Street Sewer Rehabilitation

In preparation for NCDOT's resurfacing of Queen Street scheduled in 2017, the City plans to rehabilitate all sewer lines under the pavement. This will include approximately 26,000 linear feet of pipe. The work may involve pipe bursting, pipe lining and open cut pipe replacement. On June 9, 2014, Kinston was approved for \$3.31 million from the Clean Water State Revolving Fund for this project; \$1 million will be principal forgiveness. The remaining \$2.21 million will be a 0% interest loan with a 20 year term. Highfill Infrastructure Engineering was awarded the engineering contract on August 18, 2014. Their assessment of the existing pipe condition and other factors lead to increase in the estimated cost to \$7 million for the full project. The City applied for and received an additional \$1.16 million under the original loan and received a \$2.5 million loan with \$500,000 in principal forgiveness and 0% interest, 20-year loan term for Phase II of the project. Design and permitting is expected to be complete by January 2016. Construction should begin in June 2016 and be complete by June 2017.

Biosolids Disposal Project

Kinston currently creates a Class B biosolid, which must be land applied to agricultural fields under a state permit at a cost of \$160,000 - \$200,000 per year. Based on the results of a biosolids study completed by Chuck Cauley, former Wastewater Treatment Plant Superintendent, the City saw potential in installing a biosolids dryer, which would create a pelletized, Class A product, which can be sold commercially to any customer, either by contract or walk-up sales. Estimated cost of the project is \$1.62 - \$3 million. In June, 2014, Kinston was awarded a \$1.6 million loan from the Clean Water State Revolving Fund for this project. The loan will be at 0% with a 20 year term. CWSRF has approved the bidding of this project as a design-build project. The Request for Proposals was issued in September 2015. Construction should begin in June 2016 and be complete by May 2017.

College Street Railroad Crossing Project

The City of Kinston has entered into an agreement with Norfolk Southern Corporation, North Carolina Railroad, and the North Carolina Department of Transportation to close the College Street Railroad crossing and it was closed in October 2013. In return for agreeing to close the crossing, Kinston has received \$250,000 in funds from these organizations to perform mitigation for the impacts of the closed crossing on the surrounding neighborhoods and properties. The mitigation activities include widening Herritage Street between Capitola Avenue and Lenoir Avenue, resurfacing of streets near the crossing and other related projects. The Public Services

staff also received \$102,500 in appropriations to replace all underground utilities in Heritage Street prior to widening the street, bringing the total project funds to \$352,500. The Heritage Street widening and street resurfacing projects are complete. The City has also paved a portion of Perry Street that was previously unpaved. Costs to date are \$293,025.53. The only remaining mitigation work are sidewalk improvements between Atlantic Avenue and Blount Street, west of Heritage Street. This work should be complete by June 2016.

Two-way Radios

Lenoir County is in the process of updating their two-way radio transmitter from analog to digital, to improve coverage and reliability. As a result, Kinston's Department of Public Services purchased 103 new radios and will upgrade 10 current radios to operate on the new digital system. Public Services, in conjunction with Public Safety secured a five year lease with a total cost of \$240,000. The project is scheduled to be complete by December 31, 2015, with the first payment in the summer of 2016.

Westview Cemetery Paving

Some sections of the Westview cemetery where lots are being sold are currently unpaved. Project would pave all roads surrounding sold lots and the access road to areas currently for sale. Estimated cost is \$30,000 and was budgeted in FY13/14. Contract has been awarded to S.T. Wooten as part of the annual resurfacing contract. Work was completed in September 2014. Final cost was \$29,484.00.

Independence Street Payment Kiosk

Using city-owned property across from City Hall on Independence Street, this project would install a payment kiosk that would be available to city utility customers 24/7. It would provide our staff with the ability to verify after hours payments, allow for all forms of payment, and would eliminate the existing drop box, where payments are not secured and cannot be verified until the next business day. The FY15/16 budget includes \$54,800 for the project, which would include the purchase and installation of the kiosk, an asphalt access driveway, plus lighting and video monitoring.

Software Technology Upgrades

Customer Service Software – Public Services and Management Information Services

MIS and the Public Services' Operations Division are working with Hansen Technologies (formerly Ventyx) to complete an upgrade to the customer service software to 4.4 from our current version of 3.1, which is more than 8 years old. This upgrade will streamline many processes for customer service staff, give customers the option to view their account details online and receive e-bills, and in the future, tie in our GIS database so that it may be used for service and outage information. The upgrade was completed in December of 2014. Final project cost was \$219,577.69.

The Management Information Systems (MIS) department implemented multiple server upgrade(s) for Public Safety, Public Services, and Recreation. Future plans include Customer Information System, which will be adding additional application server(s) for performance and redundancy work with Nextgrid and Hansen to implement smart meter technology. MIS will also be performing a City wide phone system upgrade.

The Finance and Management Information Systems (MIS) departments collaborated on several projects to design, plan and implement software technology upgrades in various finance and accounting areas in FY14-15. This fiscal year saw the implementation of the second phase of

laser generated payroll checks which improved the safety and security of check stock, cut down on printer hardware malfunctions, increased speed, efficiency and accuracy of accounting staff.

The Finance department has a goal of working towards a paperless environment, and to this end the Management Information Systems department has continued to work on an upgrade to the City's Enterprise Resource Management System (ERP) which will allow for the electronic integration of scanned accounting documents. The project is in testing phase as of the end of the fiscal year and is expected to be implemented during fiscal year 2016.

During Fiscal Year 2014, the Finance department was charged with renovating the City's fuel management system. The project included new dispensers, card reader and an online cloud based fuel management system. The new system is capable of monitoring fuel tank and inventory management as well as onsite City fuel island and offsite commercial fuel station driver and vehicle fueling information. The project was completed and the system fully operational in the summer of fiscal year 2015.

Fiscal year 2014 saw the implementation of an online, cloud based purchasing card system. The system provides a means for cardholders to obtain low value items in a fiscally controlled environment. Cardholders and their Manager's use the online system to apply accounting and purchase related information to each transaction and to monitor spending. Receipts are digitally linked to these transactions as supporting documentation. The system helps to promote the Finance Department's goal of a paperless environment.

Over the past 3 years the Finance Department has worked closely with Public Services on internal accounting issues within the Fleet Maintenance software. Fy15-16 the Council appropriated funds for the upgrade of the Fleet Maintenance software and hardware after an extensive search for a product that would provide the relevant fleet data maintenance and crucial back-end accounting interface to the City's ERP system. Testing and implementation is expected to occur during FY15-16 with full implementation in Fy16-17.

Recreation – Woodmen Community Center/Lions Water Adventure

The Woodmen Community Center opened in July 2012. The 57,000 square foot 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. An indoor/outdoor 8 lane 25 meter competitive swimming pool and a heated therapy pool, which is covered by an insulated bubble during fall and winter months makes the pools usable year round. The Woodmen Community Center continued to maintain its 2,350 memberships and 8,000 members during the 2013/14 year. The water park saw a 20% reduction in use, which is typical of a sophomore season of a new facility.

The Lions Water Adventure opened in May 2013 and is designed for visually impaired people to utilize the park alongside sighted individuals. Currently, it is the only visually impaired water park in the state. The park features three water slides, a zero entry pool with swimming features for children, a lazy river, outdoor lockers, a snack bar, gift shop and picnic huts, a 600 square foot birthday party room and North Carolina's first two story Bojangles' Birthday Pavilion. The park is accessible to anyone who is sight impaired by combining a number of techniques throughout the park, including bright lions paws on pavement leading visitors to pools, roaring sounds from lions alerting the swimmers they are getting ready to have water dumped and chirping monkeys before buckets of water are poured onto the heads of swimmers in the lazy river.

During the third year of operation of the Lions Water Adventure, a tiki hut concession stand was added at the pool area of the park. Eight shade tiki hut umbrellas were added and two mega shades (60'x40') were installed at the park. Several initiatives were implemented, which included personalized instruction for new members and additional lifeguards and waterpark attendants were stationed throughout the water park.

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.

The community center and the water park was funded by 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 dollars. The Facility is owned by Woodmen of the World and operated by the Kinston Lenoir County Parks and Recreation Department.

Martin C. Freeman Gym

The gym, lobby and restrooms were painted. New fiberglass backboards were installed. Also, Wi-Fi flat screen televisions and office furniture was purchased for the center. This was partially funded through a donation from the Quinton Coples Foundation.

Holloway Recreation Center

An outdoor concession stand with restrooms was funded and is being constructed by the Parks & Recreation staff and will be completed the end of March 2016. Also, a new playground was installed by the Parks & Recreation staff at Holloway Park.

Lenoir County Skeet Range and Hunter Education Park

The department will work with NC Department of Resources and the Skeet Range Association to develop a state of the art regional skeet range on the old Davis Street Landfill site. The project will be funded with private donations and the State of North Carolina. The Parks & Recreation Department will manage and operate the facility once it is developed by the State Wildlife Association.

Long-term financial planning and major initiatives

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 37 percent of total general fund revenues. This amount is approximately 17 percent above the informal guidelines by the Council for budgetary and planning purposes.

The Council periodically reviews its goals during the year and concentrates efforts during budget season. The Council has set a benchmark of approximately 20 percent fund balance, and each year establishes a list of priorities it wishes to focus on in current and upcoming budget years. It has deemed street construction and reconstruction, replacement of water, sewer and electric infrastructure, staffing and succession planning, and redevelopment of downtown Kinston as its top priorities. During the budgetary process, staff endeavors to address these goals with the revenues allocated. In terms of long-term planning, staff prepares and updates a Street Condition Survey report that details each City owned street, its condition and where it falls in the replacement schedule. Staff also prepares a Sidewalk Condition Survey that details City owned sidewalks, condition and ranking in the replacement schedule. The staff updates approximately

every two years and the last was completed in 2012. In addition to the goals mentioned, the Council has also expressed its desire to see specific projects such as housing rehabilitation, demolition, design and construction of a Riverwalk and renovations to outdated City facilities.

With regards to the City's enterprise funds, staff maintains a ten-year Capital Improvement Plan (CIP) and delivers periodic updates to Council to assist Council in making good planning decisions with regards to its facilities, equipment and infrastructure. The City's ten year CIP plan is maintained for Electric, Water, Wastewater and Stormwater and are updated approximately every other year.

Staff also maintains a similar planning tool called a Vehicle Replacement Schedule which identifies capital needs for various machinery, equipment and rolling stock. Due to fiscal constraints, machinery, equipment and vehicles will be funded for essential replacements only. Purchase of items postponed due to budget constraints will be addressed as funding becomes available.

To further address long range planning by the City, the following narratives of upcoming projects are provided to assist the reader.

Public Safety

The traffic signal pre-emption project at Highway 70 and Hill Farm Road is functional. The project was necessary due to the scheduled replacement of the South Queen Street Bridge. The system will allow emergency responders to control traffic signals within the City and the Hwy 70 corridor in order to obtain optimum response times during use of alternate response routes.

The Public Safety Department is in need of replacement of an Aerial Fire Apparatus, an 1897 E-One 110' Quint. This unit is 27 years old and is currently in "reserve" status. Replacement is being sought per National Fire Protection Association Standard 1911 which recommends replacement of fire service apparatus with an age exceeding 25 years. The Standard further recommends fire service apparatus with an age of 15 years be placed in "reserve" capacity not to exceed the 25 year replacement recommendation of NFPA 1911. The projected cost of replacement is \$1.1 million.

Lawrence Heights Waterline Replacement

The project will involve the replacement of 8,800 linear feet of old cast iron and galvanized waterlines. We currently experience numerous leaks and color/taste/odor complaints from residents in the neighborhood. A request of \$165,000 will be included in the FY15/16 budget for materials for this project. Installation will be performed by City staff.

West Road Drainage Project

Project will replace 500 feet of storm drain pipe along West Road near the intersection of Cameron Drive. Project was awarded to Layne Inliner in June of 2015 and was completed in July of 2015 with a total cost of \$79,000. The budget for this project was \$85,000.

Queen Street Waterline Replacement

The City plans to replace all existing waterlines in the Queen Street corridor prior to NCDOT resurfacing in 2017. A request of \$370,000 has been approved in the FY14/15 budget for the first phase of this work. The funds will be used for the purchase of materials and making pavement repairs. Installation of the pipe will be performed by city staff. Work began in March of 2015, and is expected to be complete by March of 2016. A request of \$236,000 has been approved for Phase II in the FY15/16 budget.

Briery Run Sewer Rehabilitation – Phase IV

Staff intends to apply to the Clean Water State Revolving Fund for \$3.7 million in September 2015 for this project, which includes raising all manholes between Airport Road and Wallace Family Road above the 100-year flood elevation and lining approximately 3,600 linear feet of 30” pipe. The project has an estimated cost of \$2,054,696. It is a candidate for principal forgiveness of up to \$500,000 under this program, with the remaining funding being a 0% interest loan. If awarded, construction would begin in the spring of 2017 and be completed by December 2017. Loan payments would begin in November 2018.

Smartgrid Meter System

Kinston Public Services is currently conducting a pilot project involving advanced electric and water meters. These meters and management system are capable of providing continuous usage data to both the city and the customer and offer many advantages to our current metering, billing and utility systems. Potential advantages include remote meter reading, leak detection, tamper detection, remote connect/disconnect of electric meters, electric load data for transformers/circuits/substations, system-wide Wi-Fi communications for work orders, and more. Remaining features to be tested in the pilot project is successful billing from meters and a pre-pay solution. Estimated cost for a full-scale project is \$6.5 million. Full deployment is estimated to save the City at least \$700,000 per year in operating expenses. Pilot project is expected to continue until around May 2016, with potential full-scale deployment beginning in June 2016 and taking approximately 12 months to complete. Funding would be provided from the Electric Fund Capital Reserve, with repayment from the Water Fund to the Electric Fund for the water system improvement costs.

Replacement of Airport Rd. Regulators

The need for replacement of the regulator in Airport Road substations was identified in the Electric utility’s Long Range Plan. This substation supplies electricity to Lenoir Memorial Hospital, the Global Trans Park and other customers in the City’s service area. Funds were appropriated in the FY 14/15 (\$135,000) budget to purchase these regulators. These units normally have a long delivery lead time. This project should be completed by December 2015.

Relocation of Both Electric Transmission and Distribution Facilities on Queen Street

NCDOT is replacing the Queen Street Bridge and will necessitate the relocation of all electrical facilities. NCDOT agreed to pay for all relocations north of the Neuse River and the City of Kinston was to pay for everything south of the Neuse River. This includes a section of 115 kV transmission line crossing Queen Street, and distribution lines running along Queen Street. The estimated cost of the project is \$540,000. NCDOT is expected to cover approximately 75% of the project cost. The transmission line relocation and distribution line demolition have been completed. The re-installation of the distribution line will not be completed until the fall of 2017, after the new bridges are in place. Costs to date have totaled \$457,246.94.

Rebuild of Circuit 510

Substation reports for this circuit indicate that the conductor is near capacity and needs to be upgraded. A request of \$465,000 was approved in the 2014-15 Budget to increase the conductor size from 336 ACSR to 795 ACSR and replace all poles and related hardware. This area feeds a predominately-residential load and experienced major neutral relay operations due to load imbalance in January 2014. The project was designed by Booth & Associates for \$53,200 and construction was awarded to T&D Solutions for \$386,053.80 in April of 2015. Construction is expected to be complete by November 2015.

Cunningham Road Substation Regulator Replacement

The Long Range Plan identified the need for regulator replacements in the Cunningham Substation. Funds were appropriated in the FY 14/15 Budget to purchase these regulators, but the units planned for this substation had to be diverted to the Falling Creek Substation to address a regulator overload affecting Smithfield Foods. The FY 2015-16 Budget contained \$135,000 in funds to again purchase and install new regulators for Cunningham. This project should be completed by March 2016.

Replacement of existing substation breaker relays with Schweitzer SEL 351R

The existing Basler substation relays are very outdated and only rudimentary information is available from them. The SEL 351R is more functional and offers features such as wave form capture, fault current levels, event tracking, and data downloads. The 2014-15 Budget had \$143,000 approved for these new relays. Schweitzer relays have been purchased for \$61,417.56 and are being installed by City staff. Project should be complete in January 2016.

Underground Electric Distribution Line Replacement

Funds were approved in the FY 2015-16 Budget in the amount of \$295,834 to replace the underground 15 KV high voltage cable on Doctors Drive, St. Johns Village, and Truman Court. The project is currently in the preliminary bidding stages but the project should be completed by May 2016.

Underground Electric Primary Line Replacements

Some of the City's underground electric lines are experiencing problems due to their age and/or condition. To address this issue, Council appropriated \$295,834 to replace lines at Doctor's Drive, St. John Village, Haskett Court, Truman Court, and the Cunningham Road Substation.

Riverwalk Project

The Recreation Department is working with the NC Department of Transportation to construct a river walk from Pearson Park to the Richard Caswell State Historic Site to the west and to the African-American Music Park to the east. Segment 1 has been funded through an NC Department of Transportation grant and the engineering and design of segment 2 and 3 have been funded. This project will allow the citizens of Kinston and Lenoir County to have a greenway for biking and walking along the Neuse River.

Pearson Park

The Parks and Recreation department received donations to fund the construction of the Dragon Park, a themed playground located within Pearson Park. The project will be funded with charitable contributions received within the community, with no out-of-pocket expense to the City.

Joel Smith Disc Golf Course

Work will start on this disc golf course, which is located on Tyndall Park Road (behind the old Sportlane Bowling Alley) in December 2015. This course is being named the "Joel Smith Disc Golf Course" in memory of Joel Smith, who passed away this year. Mr. Smith was a past Parks & Recreation Commission member and Chairman and very instrumental in the construction of the Barnet Park Disc Golf Course. He was also on the Executive Committee for the Woodmen Community Center and Lions Water Adventure project. This course is being built on flood buy-out land and has been approved by FEMA to start the building of the course. The course will be

developed by using volunteer labor and the Kinston/Lenoir County Disc Golf Association and the Parks & Recreation staff.

African-American Music Trail

Located on South Queen Street, this park will honor the famous African-American musicians from Lenoir County. It was funded through an NC DOT Grant and a National Endowment of the Arts Grant. The funds were administered by the Community Council of the Arts, the City of Kinston and Lenoir County. The music park is complete, with landscaping, lighting and signage. A stage with a shade canopy was constructed for concerts and/or weddings.

Woodmen Community Center

The Kinston-Lenoir County Parks and Recreation department continues to manage and expand the Lions Water Adventure due to the volume of people utilizing the facility. This facility has become the hub for recreation in Kinston and Lenoir County. The water park continues to attract visitors from all over eastern North Carolina.

Well #14 Study/Rehabilitation

Well #14 is currently out of service and not available for use. It is located in the critical area of the Highway 70 Industrial Park and could be substantial resource for meeting peak demands in that area. The Council appropriated \$90,000 in the FY15/16 budget to evaluate the well and make improvements to make it operational. The evaluation will be done by February 2016, with construction to immediately follow.

George Street Stormwater Improvement Project

This project involves the replacement or rehabilitation of approximately 500 feet of 30" pipe located from George Street to Nobles Lane. The pipe has experienced cave-ins in recent years and runs very close to several homes. An appropriation of \$110,000 has been made for this project. Work should be complete by May 2016.

McDaniel Street Stormwater Improvement Project

In the FY15-16 budget process, the Board approved \$30,000 to replace 575 feet of 18" pipe along McDaniel Street between King Street and Caswell Street. The funds are for materials only and City crews will complete the work. Work should be complete by June 2016.

FY 15-16 Street Resurfacing Project

The FY15-16 budget includes \$200,000 for street resurfacing. Candidates for the project will be presented to City Council by February, 2016 for bidding the following month.

Voltage Regulator Replacements

The Electric Division has received \$275,000 in the FY15-16 budget to replace voltage regulators at several substations as identified in the new Long Range Plan. The substations and completion dates are Cunningham (March, 2016) and Industrial (June, 2016).

Electric POD #2

The City of Kinston is currently in the very vulnerable position of having only one point of delivery with Duke Energy for our power supply. Should there be an interruption to power at this connection, all of the City's electric system would be without power until repairs were made. This could take days or weeks depending on the failure. A second point of delivery would

provide redundancy in the event of a failure. The planned location for the second POD, near the western edge of our system, will also eliminate another significant risk, which is having a single-source feed to the Falling Creek Substation. All of Kinston's other substations are connected in a loop and can be fed from two directions. Cost for this project is estimated at \$3.6 million. This project will be expedited and funded through revenues from the rate stabilization adopted by City Council. Initial engineering and property acquisition work will begin in FY15-16. Full construction is estimated to take 2-3 years.

Electric Long Range Plan

The Electric Division recently revised its Long Range Plan with the assistance of Power Services, Inc. The new plan outlines capital improvement needs for the next 10 years due to existing and forecasted load changes on our system. It includes projects such as replacing regulators, reconductoring circuits, installing capacitor banks, etc. The total estimated cost for the Long Range Plan is \$8.2 million. As with the Falling Creek Transformer and Electric POD #2 projects, funds for all of these projects will now be available due to revenues generated under the rate stabilization structure adopted by City Council in September 2015.

Herritage Street Streetscape Extension

In 2010, the City of Kinston made street improvements along Heritage Street from Gordon Street to Blount Street, including parts of Gordon Street and North Street. The improvements included brick lined sidewalks and new curbing. Funding for the project was through the Golden Leaf Community Initiative. Lenoir County is once again eligible for funds from this program. The County can obtain up to \$1.5 million for economic stimulus projects. One project the City of Kinston wishes to pursue is a second phase of improvements in the Heritage Street business district. Work proposed would include blocks either north or south of the original project and would involve utility replacements, street paving and sidewalk improvements. The deadline for submission from Lenoir County to Golden Leaf was November 6, 2015.

Bulk Leaf Single Unit Equipment

The City of Kinston currently provides bulk leaf pick-up to our customers between November and January each year. The operation involves hiring temporary staff and using three box trucks pulling leaf vacuum machines. Our equipment is old and unreliable and can be difficult to maneuver on our narrow streets. The Council approved \$50,000 in funds in the FY14-15 budget and rolled to the FY15-16 budget to purchase a single piece machine. This could cut the amount of equipment needed for this service in half, and it could easily be used year round to help keep storm drains clean. Purchase of the equipment should be complete by December 2015 so it can be used in the FY15-16 leaf season.

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, 2014. 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

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City of Kinston

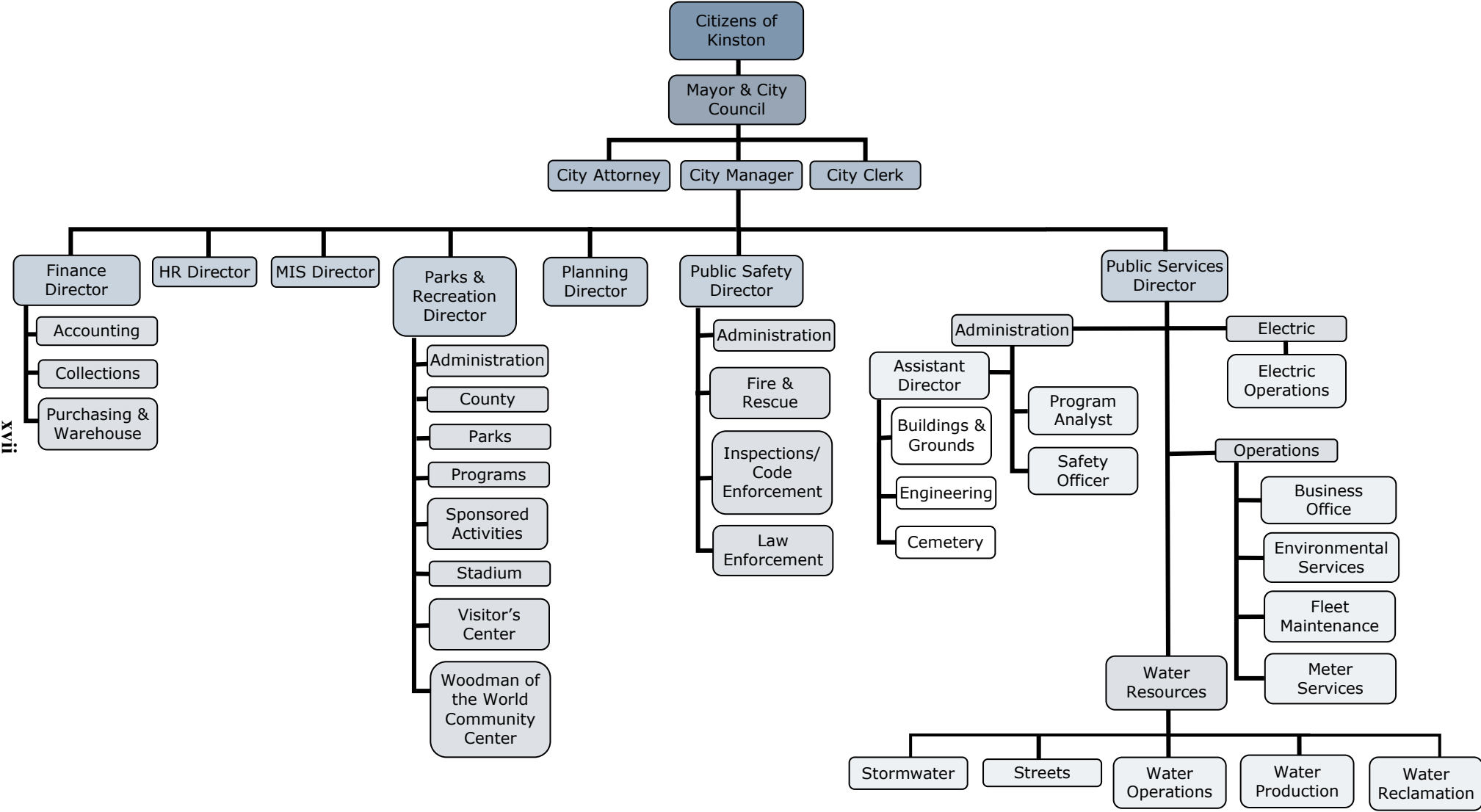
City Council

**For the Year Ended
06/30/2015**

**B.J. Murphy, Mayor
Joseph M. Tyson, Mayor Pro-Tem
Kelly Jarman
Sammy C. Aiken
Wynn Whittington
Robert A. Swinson, IV**

**Tony Sears, City Manager
Monique Hicks, City Clerk
James P. Cauley, III, City Attorney**

City of Kinston
Organizational Structure
FY 2014-2015





Government Finance Officers Association

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Achievement
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Presented to

**City of Kinston
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplemental Financial Data

Combining, Individual Fund Statements, and Schedules

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, North Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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, economical, 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 any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements. The introductory information, combining and individual fund statements, budgetary schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, on our consideration of the City of Kinston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kinston's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
February 2, 2016

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City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

As management of the City of Kinston, we offer readers of the City of Kinston's financial statements this narrative overview and analysis of the financial activities of the City of Kinston for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

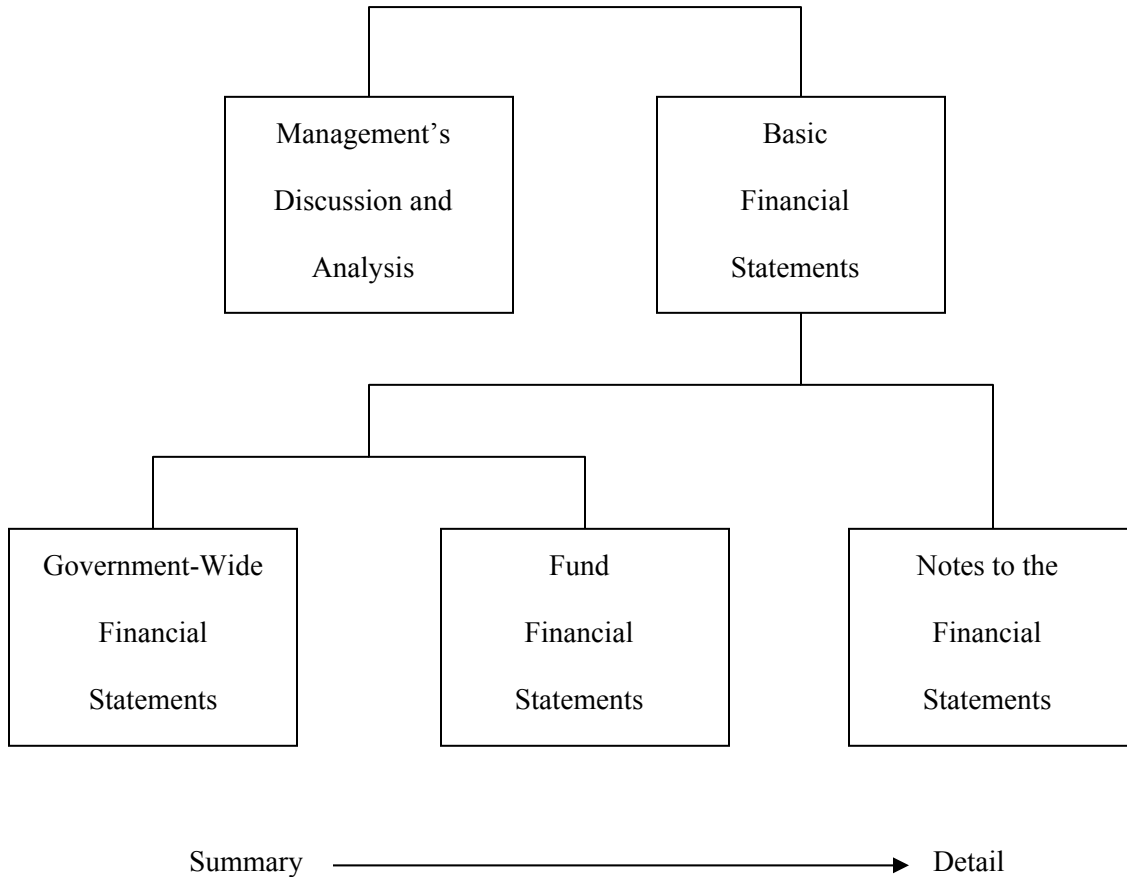
Financial Highlights

- The assets and deferred outflows of the City of Kinston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$120,526,933 (*net position*).
- The government's total net position increased by \$6,003,598, which consists of an increase in the governmental-type activities net position and business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9.1 million, with a net change of \$346,300 in fund balance. Approximately 20 percent of this total amount, or \$1.8 million, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7.3 million, or 36 percent, of total General Fund expenditures.
- The City's total debt decreased by \$1.1 million during the current fiscal year. This was primarily from repayment of principal and refunding of revenue bonds.

Overview of the Financial Statements

This discussion and analysis is 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 (see Figure 1). 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
Figure 1**



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 to the Financial Statements**. The notes 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.

Following the notes is the required supplemental information. This section contains funding information about the City's pension plans.

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 position and how it has changed. Net position is the difference between the City's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services, such as public safety, parks and recreation, and general administration. Property taxes, other taxes, and federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the City's electric, water, wastewater, sanitation, community center, and stormwater systems.

The government-wide financial statements are Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide more detailed information about the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Kinston, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 governmental activities (reported in the Statement of Net Position 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** – The City of Kinston has two different kinds of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Kinston uses enterprise funds to account for its water and sewer activity, stormwater, environmental services, community center services, and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Kinston. The City uses internal service funds to account for four activities – its central garage, workers’ compensation insurance coverage and risk management, fuel, and management of utility and engineering services. 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 18-25 of this report.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kinston’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 76 of this report.

Interdependence with Other Entities

The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

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 76 of this report.

Government-Wide Financial Analysis

**City of Kinston's Net Position
Figure 2**

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 13,203,246 | \$ 11,716,908 | \$ 27,338,002 | \$ 24,163,356 | \$ 40,541,248 | \$ 35,880,264 |
| Capital assets | 19,646,823 | 19,610,123 | 99,339,087 | 98,274,138 | 118,985,910 | 117,884,261 |
| Total assets | <u>32,850,069</u> | <u>31,327,031</u> | <u>126,677,089</u> | <u>122,437,494</u> | <u>159,527,158</u> | <u>153,764,525</u> |
| Deferred Outflows of Resources: | <u>631,635</u> | <u>-</u> | <u>355,295</u> | <u>-</u> | <u>986,930</u> | <u>-</u> |
| Liabilities and Deferred Inflows of Resources: | | | | | | |
| Long-term liabilities outstanding | 11,085,257 | 11,139,087 | 16,593,040 | 17,499,447 | 27,678,297 | 28,638,534 |
| Other liabilities | 1,820,491 | 1,727,600 | 7,015,836 | 7,070,141 | 8,836,327 | 8,797,741 |
| Deferred inflows of resources | <u>2,228,987</u> | <u>30,041</u> | <u>1,243,544</u> | <u>-</u> | <u>3,472,531</u> | <u>30,041</u> |
| Total liabilities and deferred inflows of resources | <u>15,134,735</u> | <u>12,896,728</u> | <u>24,852,420</u> | <u>24,569,588</u> | <u>39,987,155</u> | <u>37,466,316</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 10,865,691 | 10,623,321 | 83,079,029 | 81,092,577 | 93,944,720 | 91,715,898 |
| Restricted | 1,477,150 | 1,610,885 | - | - | 1,477,150 | 1,610,885 |
| Unrestricted | <u>6,004,128</u> | <u>6,196,097</u> | <u>19,100,935</u> | <u>16,775,329</u> | <u>25,105,063</u> | <u>22,971,426</u> |
| Total net position | <u>\$ 18,346,969</u> | <u>\$ 18,430,303</u> | <u>\$ 102,179,964</u> | <u>\$ 97,867,906</u> | <u>\$ 120,526,933</u> | <u>\$ 116,298,209</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Kinston exceeded liabilities and deferred inflows by \$120.5 million as of June 30, 2015. The City's net position increased \$6 million for the fiscal year ended June 30, 2015. However, the largest portion (78 percent) reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net 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 position (1.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$25.1 million, or 21 percent, is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.09 percent, which is comparable to the State-wide average of 97.52 percent.
- Changes in state legislation regarding utility franchise taxes at the beginning of the fiscal year resulted in a significant increase in revenues in the governmental type funds.

- Increases in charges for services in the major business-type funds contributed to the increase in net position.
- Reductions in spending across all governmental and business-type funds.

City of Kinston's Changes in Net Position
Figure 3

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,207,220 | \$ 2,965,978 | \$ 76,999,971 | \$ 75,643,628 | \$ 79,207,191 | \$ 78,609,606 |
| Operating grants/contributions | 982,995 | 1,030,180 | - | - | 982,995 | 1,030,180 |
| Capital grants/contributions | 322,655 | 416,577 | 3,177,337 | 518,754 | 3,499,992 | 935,331 |
| General revenues: | | | | | | - |
| Property taxes | 10,542,483 | 10,695,873 | - | - | 10,542,483 | 10,695,873 |
| Other taxes | 6,298,452 | 5,951,786 | - | - | 6,298,452 | 5,951,786 |
| Other | 214,784 | 276,812 | 27,188 | 32,704 | 241,972 | 309,516 |
| Total revenues | <u>20,568,589</u> | <u>21,337,206</u> | <u>80,204,496</u> | <u>76,195,086</u> | <u>100,773,085</u> | <u>97,532,292</u> |
| Expenses: | | | | | | |
| General government | 3,476,650 | 3,285,740 | - | - | 3,476,650 | 3,285,740 |
| Public safety | 9,374,900 | 9,251,041 | - | - | 9,374,900 | 9,251,041 |
| Public services | 2,109,344 | 1,634,990 | - | - | 2,109,344 | 1,634,990 |
| Community development | 1,862,929 | 1,327,105 | - | - | 1,862,929 | 1,327,105 |
| Culture and recreation | 3,855,523 | 3,949,692 | - | - | 3,855,523 | 3,949,692 |
| Interest on long-term debt | 372,159 | 390,855 | - | - | 372,159 | 390,855 |
| Electric | - | - | 53,345,934 | 53,878,327 | 53,345,934 | 53,878,327 |
| Water | - | - | 7,809,304 | 7,157,044 | 7,809,304 | 7,157,044 |
| Wastewater | - | - | 6,340,320 | 6,263,399 | 6,340,320 | 6,263,399 |
| Nonmajor fund | - | - | 6,222,424 | 5,719,665 | 6,222,424 | 5,719,665 |
| Total expenses | <u>21,051,505</u> | <u>19,839,423</u> | <u>73,717,982</u> | <u>73,018,435</u> | <u>94,769,487</u> | <u>92,857,858</u> |
| Increase in net position before transfers | <u>(482,916)</u> | <u>1,497,783</u> | <u>6,486,514</u> | <u>3,176,651</u> | <u>6,003,598</u> | <u>4,674,434</u> |
| Transfers | <u>1,454,570</u> | <u>772,160</u> | <u>(1,454,570)</u> | <u>(772,160)</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net position | <u>971,654</u> | <u>2,269,943</u> | <u>5,031,944</u> | <u>2,404,491</u> | <u>6,003,598</u> | <u>4,674,434</u> |
| Net position, July 1 | 18,430,303 | 16,160,360 | 97,867,906 | 95,463,415 | 116,298,209 | 111,623,775 |
| Prior period adjustment | <u>(1,054,988)</u> | <u>-</u> | <u>(719,886)</u> | <u>-</u> | <u>(1,774,874)</u> | <u>-</u> |
| Net position, July 1 as restated | <u>17,375,315</u> | <u>16,160,360</u> | <u>97,148,020</u> | <u>95,463,415</u> | <u>114,523,335</u> | <u>111,623,775</u> |
| Net position, June 30 | <u>\$ 18,346,969</u> | <u>\$ 18,430,303</u> | <u>\$ 102,179,964</u> | <u>\$ 97,867,906</u> | <u>\$ 120,526,933</u> | <u>\$ 116,298,209</u> |

Total government-wide revenues of \$100.8 million were primarily derived from charges for services (79 percent) and property taxes and other taxes (17 percent). The total expenses of all programs were \$94.8 million. The expenses cover a range of services with the two largest being electric services (58 percent), and public safety (fire/EMS, police, and inspections/code enforcement) (10 percent).

Governmental Activities

Governmental activities increased the City's net position by \$971,654, thereby accounting for 16 percent of the total growth in the net position of the City of Kinston. Although growth has been flat, net position has been increased as a result of a concerted effort to control costs and manage expenditures to conserve resources. City management reduced non-essential programs to a minimum and implemented cost-saving strategies across City departments. Certain non-recurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the City will result in additional revenues, and encourage investment within the City by bolstering the confidence of potential investors. Contributing to a favorable net position are continued diligent efforts maximize tax collections. Due to the conservative nature of the budgeting process, tax revenues did not appreciably decline in the current year. City management acknowledges that 2015 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health. As part of the long-term strategy, two items in particular stand out for management that will need to be addressed in the upcoming budgets that being 1) the upcoming tax revaluation to be effective in fiscal year 2017-2018 and 2) the imminent increase in health insurance costs for the City and its employees.

Key elements of this increase are as follows:

- Sales tax revenues increased \$140 thousand.
- Long-term debt proceeds in the current period increased net position by \$280 thousand.
- Repayment of the prior year interfund loan to the Electric Fund of \$300 thousand.
- Reduction of the construction contribution to the Woodmen Foundation of \$100 thousand completed in the prior year representing the final payment towards office construction.
- Reduction in fuel expense costs partly due to overall drop in crude oil prices across the country resulted in a savings of approximately \$60 thousand.

Business-Type Activities

Business-type activities increased the City's net position by \$5 million, thereby accounting for 84 percent of the total growth in the net position of the City of Kinston.

Key elements of this increase are as follows:

- Increase in business revenues of \$1.4 million primarily due to increases in charges for services.
- Increase in capital grants/contributions of \$2.7 million.
- Savings in daily operations of the business type activities.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrates 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.

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 \$7.5 million, while total fund balance was \$8.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 37 percent of total General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 41 percent of the same amount.

At June 30, 2015, the governmental funds of the City of Kinston reported a combined fund balance of \$9 million, a 3.5 percent increase from last year. The General Fund reported an increase in fund balance of \$292,000, primarily due to the issuance of installment debt for equipment, increased property and sales tax collections, and repayment of an interfund loan to the Electric Fund,, while the nonmajor governmental funds reported a combined increase in fund balance of \$55,000.

Also, the City of Kinston implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,999,682. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Kinston's management.

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.

There were several reasons the City revised its budget throughout the year. The City received additional local option sales tax and occupancy tax compared to original budget. Although expenditures were held in check overall to comply with its budgetary requirements, the City did amend the budget in the General Fund in parks and recreation to account for equipment purchased with installment debt proceeds.

Proprietary Funds. Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$6.9 million in the Electric Fund, \$4.3 million in the Water Fund, \$4.6 million in the Wastewater Fund, and \$1.6 million in the nonmajor enterprise funds. The Electric Fund, Water Fund, and Wastewater Fund experienced growth in net position of \$1.2 million, \$1.3 million, and \$2.6 million, respectively. The combined nonmajor enterprise funds declined \$307,451.

Capital Asset and Debt Administration

Capital Assets. At June 30, 2015, the City had \$119 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net decrease of \$3.1 million, or (2.5 percent), over last year.

The summary of capital assets at June 30, 2015 and 2014 is presented below:

**City of Kinston's Capital Assets
(net of depreciation)**

Figure 4

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 3,482,916 | \$ 3,482,916 | \$ 1,222,643 | \$ 1,222,643 | \$ 4,705,559 | \$ 4,705,559 |
| Infrastructure | 1,547,926 | 1,661,397 | 30,437 | 30,437 | 1,578,363 | 1,691,834 |
| Buildings and improvements | 9,156,032 | 9,027,910 | 32,862,170 | 33,996,335 | 42,018,202 | 43,024,245 |
| Equipment and vehicles | 1,371,683 | 1,322,137 | 1,400,236 | 1,315,273 | 2,771,919 | 2,637,410 |
| Distribution system | - | - | 58,125,481 | 59,837,230 | 58,125,481 | 59,837,230 |
| Construction in progress | 4,088,266 | 4,115,763 | 5,698,120 | 1,872,220 | 9,786,386 | 5,987,983 |
| Total | <u>\$ 19,646,823</u> | <u>\$ 19,610,123</u> | <u>\$ 99,339,087</u> | <u>\$ 98,274,138</u> | <u>\$ 118,985,910</u> | <u>\$ 117,884,261</u> |

This year's major capital asset additions included:

- Replacement of the chiller and boiler and replacement of HVAC controls at City Hall at a cost of \$325 thousand
- Vehicle replacements –14 vehicles consisting of new police cars (7) and a pothole patching truck (1), other work trucks (6) at a cost \$465 thousand
- Motorola digital radio upgrade across multiple funds and departments at a cost of \$499 thousand
- New hardware and software for the cemetery operations at a cost of \$31 thousand
- Safety and accessibility improvements of the Customer Service and Finance areas at a cost of \$56 thousand
- Installation of new pumps and software upgrades to manage the antiquated fuel system at a cost of \$65 thousand
- Install new roof at the Gate for a cost of \$31 thousand
- Interior renovations to wash stations and bathroom, installation of the Galaxy access security system and roof project at the Public Service Complex at a cost of \$94 thousand
- Various wastewater infrastructure improvements at a cost of \$284 thousand
- Various water infrastructure improvements at a cost of \$63 thousand
- Various electric infrastructure improvements at a cost of \$319 thousand
- Construction in process – various general fund projects – \$112 thousand

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, 2015, the City had \$25 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
Figure 5

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|-----------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Installment contracts | \$ 8,781,132 | \$ 8,986,802 | \$ 963,577 | \$ 1,094,021 | \$ 9,744,709 | \$ 10,080,823 |
| Revenue bonds | - | - | 9,147,000 | 10,186,195 | 9,147,000 | 10,186,195 |
| Notes payable | - | - | 6,149,481 | 5,901,347 | 6,149,481 | 5,901,347 |
| Total | <u>\$ 8,781,132</u> | <u>\$ 8,986,802</u> | <u>\$ 16,260,058</u> | <u>\$ 17,181,563</u> | <u>\$ 25,041,190</u> | <u>\$ 26,168,365</u> |

City of Kinston's Outstanding Debt. The City's total outstanding debt decreased by \$1.1 million (4 percent) during the fiscal year, due to \$2.5 million in principal payments made against existing debt. All revenue bonds were refunded and the amount of the new issuance was \$9.1 million. New installment contract debt was issued in the fiscal year for \$498 thousand. 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 the City of Kinston is \$108,681,325.

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 2015, seven residential and four non-residential units were constructed with a value of \$3.2 million.
- Retail sales for Lenoir County during 2015 were \$482 million.
- The current unemployment rate was 8.6 percent, compared to 6.7 percent for the State and 5.8 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2016

The following are highlights for the 2016 budgets for the governmental activities:

The most significant factors negatively impacting the 2016 budget is the flat growth within the City and surrounding area, the escalating costs of doing business, and the slow economic recovery in the national, State, and local economies. However, locally all indications are that economic growth will accelerate as North Carolina continues to expand and force growth toward Eastern North Carolina in the form of expansion of large employers in the area, traffic and tourism, and as confidence grows in the US Economy the reemergence of the small business entrepreneur. 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 \$200 thousand for street resurfacing in 2016, bringing the total spent in the last five years on street repaving to \$850 thousand (from fiscal year 2012 through fiscal year 2016).

The City Council approved a 3% raise for full-time City employees earning less than \$40 thousand and a \$1,700 bonus to all other full-time employees. One new position was created in the General Fund and the full-time positions now total 376 FTE's. There was a 10.6 percent decrease in the cost of the City's portion of employee health insurance. The General Fund initial budget for 2015-2016 increased 3.4 percent from \$22.7 million to \$23.7 million. The increase in the new budget is attributable to increases in economic development reimbursements entered into by the City and City/County combined endeavors, funding of previously unfunded and vacant Law Enforcement positions, funding of previously partially funded engineering position in Public Services, various capital outlay requests and various operational increases.. The property tax rate remains unchanged from the prior year.

The following are highlights for the 2016 budgets for the business-type activities:

- Environmental Service fees increased \$1.00 per month for Residential fees and 2% for Commercial fees.
- As a result of the completion of the sale of assets between North Carolina Eastern Municipal Power Agency (NCEMPA) and Duke Energy on July 31, 2015, the City subsequently studied the rate reduction received and the impact on the City's customers and moved to reduce the electric rate charges to customers by 10 percent effective October 1, 2015.

Contacting the City's Financial Management and Requests for Information

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.

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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 POSITION
JUNE 30, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and cash equivalents | \$ 10,155,471 | \$ 13,637,785 | \$ 23,793,256 |
| Receivables: | | | |
| Due from governmental agencies | 610,883 | 792,185 | 1,403,068 |
| Accounts receivables | 388,650 | 1,175,481 | 1,564,131 |
| Taxes receivable | 737,466 | - | 737,466 |
| Customer receivables, net | - | 7,928,527 | 7,928,527 |
| Notes receivable | 217,086 | - | 217,086 |
| Internal balance | (435,811) | 435,811 | - |
| Inventories | 361,230 | 1,220,882 | 1,582,112 |
| Restricted cash and investments | 280,916 | 1,648,193 | 1,929,109 |
| Capital assets: | | | |
| Land and construction in process | 7,571,182 | 6,920,763 | 14,491,945 |
| Other capital assets, net of depreciation | 12,075,641 | 92,418,324 | 104,493,965 |
| Net pension asset | 887,355 | 499,138 | 1,386,493 |
| Total assets | <u>32,850,069</u> | <u>126,677,089</u> | <u>159,527,158</u> |
| Deferred Outflows of Resources: | | | |
| Contributions to pension plan in current fiscal year | 631,635 | 355,295 | 986,930 |
| Total deferred outflows of resources | <u>631,635</u> | <u>355,295</u> | <u>986,930</u> |
| Liabilities: | | | |
| Accounts payable and accrued expenses | 1,442,692 | 5,243,098 | 6,685,790 |
| Accrued interest payable | 168,341 | 124,545 | 292,886 |
| Advances from grantors | 173,988 | - | 173,988 |
| Prepaid fees | 35,470 | - | 35,470 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits | - | 1,648,193 | 1,648,193 |
| Long-term liabilities: | | | |
| Due within one year | 630,656 | 2,216,825 | 2,847,481 |
| Due in more than one year | 10,454,601 | 14,376,215 | 24,830,816 |
| Total liabilities | <u>12,905,748</u> | <u>23,608,876</u> | <u>36,514,624</u> |
| Deferred Inflows of Resources: | | | |
| Prepaid property taxes | 18,243 | - | 18,243 |
| Pension deferrals | 2,210,744 | 1,243,544 | 3,454,288 |
| Total deferred inflows of resources: | <u>2,228,987</u> | <u>1,243,544</u> | <u>3,472,531</u> |
| Net Position: | | | |
| Net investment in capital assets | 10,865,691 | 83,079,029 | 93,944,720 |
| Restricted for: | | | |
| Stabilization by State statute | 1,120,935 | - | 1,120,935 |
| Public safety | 252,765 | - | 252,765 |
| Community development | 28,151 | - | 28,151 |
| Permanently restricted for cemetery perpetual maintenance | 75,000 | - | 75,000 |
| Temporarily restricted for cemetery perpetual maintenance | 299 | - | 299 |
| Unrestricted | 6,004,128 | 19,100,935 | 25,105,063 |
| Total net position | <u>\$ 18,346,969</u> | <u>\$ 102,179,964</u> | <u>\$ 120,526,933</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, 2015

| Functions/Programs | Expenses | Program Revenues | | |
|----------------------------------|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 3,476,650 | \$ 540,842 | \$ - | \$ - |
| Public safety | 9,374,900 | 134,763 | 142,343 | - |
| Public services | 2,109,344 | - | 764,273 | - |
| Community development | 1,862,929 | 266,498 | 76,379 | 322,655 |
| Cultural and recreation | 3,855,523 | 1,265,117 | - | - |
| Interest on long-term debt | 372,159 | - | - | - |
| Total governmental activities | <u>21,051,505</u> | <u>2,207,220</u> | <u>982,995</u> | <u>322,655</u> |
| Business-Type Activities: | | | | |
| Electric | 53,345,934 | 55,560,799 | - | 610,152 |
| Water | 7,809,304 | 8,952,764 | - | - |
| Wastewater | 6,340,320 | 6,361,226 | - | 2,567,185 |
| Nonmajor funds: | | | | |
| Environmental services | 3,204,210 | 3,158,051 | - | - |
| Stormwater | 755,721 | 1,022,631 | - | - |
| Community Center services | 2,262,493 | 1,944,500 | - | - |
| Total business-type activities | <u>73,717,982</u> | <u>76,999,971</u> | <u>-</u> | <u>3,177,337</u> |
| Total primary government | <u>\$ 94,769,487</u> | <u>\$ 79,207,191</u> | <u>\$ 982,995</u> | <u>\$ 3,499,992</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, 2015

| Functions/Programs | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|---|--------------------------|-----------------------|
| | Primary Government | | |
| | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | |
| Governmental Activities: | | | |
| General government | \$ (2,935,808) | \$ - | \$ (2,935,808) |
| Public safety | (9,097,794) | - | (9,097,794) |
| Public services | (1,345,071) | - | (1,345,071) |
| Community development | (1,197,397) | - | (1,197,397) |
| Cultural and recreation | (2,590,406) | - | (2,590,406) |
| Interest on long-term debt | (372,159) | - | (372,159) |
| Total governmental activities | <u>(17,538,635)</u> | <u>-</u> | <u>(17,538,635)</u> |
| Business-Type Activities: | | | |
| Electric | - | 2,825,017 | 2,825,017 |
| Water | - | 1,143,460 | 1,143,460 |
| Wastewater | - | 2,588,091 | 2,588,091 |
| Nonmajor funds: | | | |
| Environmental services | - | (46,159) | (46,159) |
| Stormwater | - | 266,910 | 266,910 |
| Community center services | - | (317,993) | (317,993) |
| Total business-type activities | <u>-</u> | <u>6,459,326</u> | <u>6,459,326</u> |
| Total primary government | <u>(17,538,635)</u> | <u>6,459,326</u> | <u>(11,079,309)</u> |
| General Revenues: | | | |
| Taxes: | | | |
| Ad valorem | 10,542,483 | - | 10,542,483 |
| Local option sales tax | 3,415,939 | - | 3,415,939 |
| Franchise tax | 2,134,132 | - | 2,134,132 |
| Other taxes | 376,400 | - | 376,400 |
| Unrestricted intergovernmental | 371,981 | - | 371,981 |
| Investment earnings, unrestricted | 12,435 | 27,188 | 39,623 |
| Miscellaneous, unrestricted | 202,349 | - | 202,349 |
| Total general revenues | <u>17,055,719</u> | <u>27,188</u> | <u>17,082,907</u> |
| Transfers | <u>1,454,570</u> | <u>(1,454,570)</u> | <u>-</u> |
| Total general revenues and transfers | <u>18,510,289</u> | <u>(1,427,382)</u> | <u>17,082,907</u> |
| Change in net position | <u>971,654</u> | <u>5,031,944</u> | <u>6,003,598</u> |
| Net Position: | | | |
| Beginning of year - July 1 | 18,430,303 | 97,867,906 | 116,298,209 |
| Prior period adjustment | (1,054,988) | (719,886) | (1,774,874) |
| Beginning of year, as restated | <u>17,375,315</u> | <u>97,148,020</u> | <u>114,523,335</u> |
| End of year - June 30 | <u>\$ 18,346,969</u> | <u>\$ 102,179,964</u> | <u>\$ 120,526,933</u> |

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General Fund | Other Governmental Funds | Total |
|---|-------------------------|---|----------------------|
| Assets: | | | |
| Cash and investments | \$ 8,766,740 | \$ 181,329 | \$ 8,948,069 |
| Receivables: | | | |
| Due from government agencies | 610,883 | - | 610,883 |
| Accounts receivable | 292,600 | 50,414 | 343,014 |
| Taxes receivable | 737,466 | - | 737,466 |
| Notes receivable | - | 217,086 | 217,086 |
| Inventories | 78,720 | - | 78,720 |
| Restricted cash and investments | 173,988 | 106,928 | 280,916 |
| Total assets | <u>\$ 10,660,397</u> | <u>\$ 555,757</u> | <u>\$ 11,216,154</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 988,415 | \$ 6,589 | \$ 995,004 |
| Due to other funds | - | 83,696 | 83,696 |
| Advances from grantors | 173,988 | - | 173,988 |
| Prepaid privilege licenses | 35,470 | - | 35,470 |
| Total liabilities | <u>1,197,873</u> | <u>90,285</u> | <u>1,288,158</u> |
| Deferred Inflows of Resources: | | | |
| Property taxes receivable | 737,466 | - | 737,466 |
| Prepaid property taxes | 18,243 | - | 18,243 |
| Pavement assessment receivables | 94,556 | - | 94,556 |
| GTP fire taxes receivable | 67 | - | 67 |
| Total deferred inflows of resources: | <u>850,332</u> | <u>-</u> | <u>850,332</u> |
| Fund Balances: | | | |
| Non-spendable, not in spendable form: | | | |
| Inventories | 78,720 | - | 78,720 |
| Notes receivable | - | 217,086 | 217,086 |
| Perpetual maintenance | - | 75,000 | 75,000 |
| Restricted: | | | |
| Stabilization by State statute | 1,070,521 | 50,414 | 1,120,935 |
| Restricted, all other | 173,988 | 107,227 | 281,215 |
| Committed | - | 76,272 | 76,272 |
| Assigned | - | 29,758 | 29,758 |
| Unassigned | 7,288,963 | (90,285) | 7,198,678 |
| Total fund balances | <u>8,612,192</u> | <u>465,472</u> | <u>9,077,664</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,660,397</u> | <u>\$ 555,757</u> | <u>\$ 11,216,154</u> |

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

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS **JUNE 30, 2015**

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

| | |
|--|-----------------------------|
| Total fund balance, governmental funds | \$ 9,077,664 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 19,646,823 |
| A portion of the assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. | 735,745 |
| Net pension asset | 887,355 |
| Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position. | 631,635 |
| Pension related deferrals | (2,210,744) |
| Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds. | 832,089 |
| Some liabilities, including installment contracts payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(11,253,598)</u> |
| Net position of governmental activities, per Exhibit A | <u><u>\$ 18,346,969</u></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, 2015

| | General Fund | Other Governmental Funds | Total |
|---|---------------------|--------------------------------|---------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 10,633,642 | \$ - | \$ 10,633,642 |
| Sales and services | 1,717,067 | - | 1,717,067 |
| Other taxes | 5,926,471 | - | 5,926,471 |
| Unrestricted intergovernmental | 371,981 | - | 371,981 |
| Restricted intergovernmental | 865,307 | 440,343 | 1,305,650 |
| Investment earnings | 11,110 | 131 | 11,241 |
| Other | 100,149 | 5,800 | 105,949 |
| Total revenues | <u>19,625,727</u> | <u>446,274</u> | <u>20,072,001</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,660,498 | - | 2,660,498 |
| Public safety | 9,482,744 | 50,250 | 9,532,994 |
| Public services | 1,790,674 | - | 1,790,674 |
| Parks and recreation | 3,876,024 | 32,505 | 3,908,529 |
| Community development | 1,851,477 | 392,810 | 2,244,287 |
| Debt service: | | | |
| Principal | 492,474 | - | 492,474 |
| Interest | 369,378 | - | 369,378 |
| Total expenditures | <u>20,523,269</u> | <u>475,565</u> | <u>20,998,834</u> |
| Revenues over (under) expenditures | <u>(897,542)</u> | <u>(29,291)</u> | <u>(926,833)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 1,100,085 | 83,904 | 1,183,989 |
| Transfers out | (186,951) | (85) | (187,036) |
| Long-term debt issued | 276,180 | - | 276,180 |
| Total other financing sources (uses) | <u>1,189,314</u> | <u>83,819</u> | <u>1,273,133</u> |
| Net change in fund balances | <u>291,772</u> | <u>54,528</u> | <u>346,300</u> |
| Fund Balances: | | | |
| Beginning of year - July 1 | 8,320,420 | 186,136 | 8,506,556 |
| Restatement | - | 224,808 | 224,808 |
| Beginning of year - July 1, as restated | <u>8,320,420</u> | <u>410,944</u> | <u>8,731,364</u> |
| End of year - June 30 | <u>\$ 8,612,192</u> | <u>\$ 465,472</u> | <u>\$ 9,077,664</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, 2015**

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) | \$ 346,300 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets. | 1,261,303 |
| Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds. | (1,224,603) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities. | 631,635 |
| Expenses related to pensions that do not require current financial resources are not reported as expenditures in the governmental funds statement. | (43,593) |
| 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. | (309,800) |
| 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. | 376,956 |
| 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 position. This is the amount by which proceeds of long-term debt exceeded principal repayments in the governmental funds in the current period. | 216,294 |
| Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. | (132,489) |
| 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>(150,349)</u> |
| Total changes in net position of governmental activities | <u>\$ 971,654</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, 2015

| | Budgeted Amounts | | | Variance From |
|--|-------------------------|--------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| | | | | Over/Under |
| Revenues: | | | | |
| Ad valorem taxes | \$ 10,386,318 | \$ 10,411,318 | \$ 10,633,642 | \$ 222,324 |
| Sales and services | 1,698,018 | 1,764,068 | 1,717,067 | (47,001) |
| Other taxes and licenses | 5,348,083 | 5,377,083 | 5,926,471 | 549,388 |
| Unrestricted intergovernmental | 395,406 | 395,406 | 371,981 | (23,425) |
| Restricted intergovernmental | 875,786 | 875,980 | 865,307 | (10,673) |
| Investment earnings | 11,719 | 11,719 | 11,110 | (609) |
| Other | 181,973 | 196,173 | 100,149 | (96,024) |
| Total revenues | <u>18,897,303</u> | <u>19,031,747</u> | <u>19,625,727</u> | <u>593,980</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,509,641 | 2,661,535 | 2,666,305 | (4,770) |
| Public safety | 10,340,560 | 10,615,160 | 10,038,704 | 576,456 |
| Public services | 2,038,043 | 2,247,028 | 1,893,308 | 353,720 |
| Parks and recreation | 4,024,833 | 4,209,894 | 4,073,475 | 136,419 |
| Community development | 1,726,579 | 1,904,162 | 1,851,477 | 52,685 |
| Total expenditures | <u>20,639,656</u> | <u>21,637,779</u> | <u>20,523,269</u> | <u>1,114,510</u> |
| Revenues over (under) expenditures | <u>(1,742,353)</u> | <u>(2,606,032)</u> | <u>(897,542)</u> | <u>1,708,490</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 1,100,245 | 1,100,245 | 1,100,085 | (160) |
| Transfers (out) | (186,622) | (186,816) | (186,951) | (135) |
| Long-term debt issued | 418,080 | 694,324 | 276,180 | (418,144) |
| Appropriated fund balance | 410,650 | 998,279 | - | (998,279) |
| Total other financing sources (uses) | <u>1,742,353</u> | <u>2,606,032</u> | <u>1,189,314</u> | <u>(1,416,718)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 291,772 | <u>\$ 291,772</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | | <u>8,320,420</u> | |
| End of year - June 30 | | | <u>\$ 8,612,192</u> | |

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

| | Major Enterprise Funds | | | Nonmajor | | Internal |
|--|------------------------|--------------|---------------|--------------|----------------|--------------|
| | Electric | Water | Wastewater | Enterprise | Total | Service |
| | Fund | Fund | Fund | Funds | | Funds |
| Assets: | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 3,660,792 | \$ 3,205,628 | \$ 3,616,032 | \$ 1,472,205 | \$ 11,954,657 | \$ 2,890,530 |
| Due from other funds | 221,402 | - | - | - | 221,402 | - |
| Due from government agencies | - | - | 792,185 | - | 792,185 | - |
| Accounts receivable | 515,779 | 29,308 | 106,797 | 519,580 | 1,171,464 | 49,653 |
| Customer receivables, net | 6,144,958 | 1,056,042 | 727,527 | - | 7,928,527 | - |
| Inventories | 946,570 | 274,312 | - | - | 1,220,882 | 282,510 |
| Restricted cash and equivalents | 1,648,193 | - | - | - | 1,648,193 | - |
| Total current assets | 13,137,694 | 4,565,290 | 5,242,541 | 1,991,785 | 24,937,310 | 3,222,693 |
| Non-current assets: | | | | | | |
| Net pension asset | 138,649 | 138,649 | 97,055 | 124,785 | 499,138 | - |
| 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 | 39,282,166 | 15,380,989 | 52,016,772 | - | 106,679,927 | - |
| Equipment | 2,048,370 | 2,505,236 | 2,211,845 | 4,285,349 | 11,050,800 | 453,686 |
| Accumulated depreciation | (24,846,681) | (12,370,053) | (30,181,202) | (3,534,375) | (70,932,311) | (354,254) |
| Construction in progress | 1,386,009 | 33,001 | 3,495,804 | 503,038 | 5,417,852 | 280,268 |
| Total capital assets, net | 21,744,134 | 6,192,818 | 69,773,075 | 1,254,012 | 98,964,039 | 399,168 |
| Total non-current assets | 21,882,783 | 6,331,467 | 69,870,130 | 1,378,797 | 99,463,177 | 399,168 |
| Total assets | 35,020,477 | 10,896,757 | 75,112,671 | 3,370,582 | 124,400,487 | 3,621,861 |
| Deferred Outflows of Resources: | | | | | | |
| Contributions to pension plan in current fiscal year | 98,693 | 98,693 | 69,085 | 88,824 | 355,295 | - |
| Liabilities: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued liabilities | 4,403,648 | 123,952 | 538,546 | 250,746 | 5,316,892 | 498,439 |
| Due to other funds | - | - | - | - | - | 137,706 |
| Liabilities payable from restricted assets: | | | | | | |
| Customer deposits | 1,648,193 | - | - | - | 1,648,193 | - |
| Current portion of compensated absences | 19,449 | 14,022 | 8,211 | 18,967 | 60,649 | 26,954 |
| Current portion of long-term debt | 729,083 | 219,090 | 1,066,964 | 112,499 | 2,127,636 | 8,067 |
| Total current liabilities | 6,800,373 | 357,064 | 1,613,721 | 382,212 | 9,153,370 | 671,166 |
| Non-current liabilities: | | | | | | |
| Accrued compensated absences | 58,348 | 42,064 | 24,632 | 56,899 | 181,943 | 89,331 |
| Long-term debt | 4,160,242 | 1,162,417 | 8,578,638 | 201,414 | 14,102,711 | 32,268 |
| Total non-current liabilities | 4,218,590 | 1,204,481 | 8,603,270 | 258,313 | 14,284,654 | 121,599 |
| Total liabilities | 11,018,963 | 1,561,545 | 10,216,991 | 640,525 | 23,438,024 | 792,765 |
| Deferred Inflows of Resources: | | | | | | |
| Pension deferrals | 345,429 | 345,429 | 241,800 | 310,886 | 1,243,544 | - |
| Net Position: | | | | | | |
| Net investment in capital assets | 16,854,809 | 4,811,311 | 60,127,473 | 940,099 | 82,733,692 | 358,833 |
| Unrestricted | 6,899,969 | 4,277,165 | 4,595,492 | 1,567,896 | 17,340,522 | 2,470,263 |
| Total net position | \$ 23,754,778 | \$ 9,088,476 | \$ 64,722,965 | \$ 2,507,995 | 100,074,214 | \$ 2,829,096 |
| Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds | | | | | 2,105,750 | |
| Total | | | | | \$ 102,179,964 | |

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 POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

| | Major Enterprise Funds | | | Nonmajor Enterprise Funds | Total | Internal Service Funds |
|--|------------------------|---------------|--------------------|---------------------------------|---------------|------------------------------|
| | Electric Fund | Water Fund | Wastewater Fund | | | |
| Operating Revenues: | | | | | | |
| Charges for services | \$ 54,347,537 | \$ 8,771,842 | \$ 6,314,234 | \$ 6,085,501 | \$ 75,519,114 | \$ 3,100,696 |
| Other | 558,888 | 171,453 | 43,097 | 35,145 | 808,583 | 97,129 |
| Total operating revenues | 54,906,425 | 8,943,295 | 6,357,331 | 6,120,646 | 76,327,697 | 3,197,825 |
| Operating Expenses: | | | | | | |
| Administration | - | - | - | - | - | 1,440,309 |
| Public service operations | - | - | - | - | - | 1,101,922 |
| Warehouse operations | - | - | - | - | - | 48,394 |
| Electrical operations | 52,042,455 | - | - | - | 52,042,455 | - |
| Environmental services | - | - | - | 3,017,919 | 3,017,919 | - |
| Stormwater services | - | - | - | 693,091 | 693,091 | - |
| Community center services | - | - | - | 2,266,152 | 2,266,152 | - |
| Water production | - | 485,427 | - | - | 485,427 | - |
| Depreciation | 974,823 | 480,871 | 2,255,027 | 245,800 | 3,956,521 | 38,235 |
| Water operations | - | 6,547,381 | - | - | 6,547,381 | - |
| Wastewater plant operations | - | - | 3,696,345 | - | 3,696,345 | - |
| Claims reimbursement | - | - | - | - | - | 455,793 |
| Total operating expenses | 53,017,278 | 7,513,679 | 5,951,372 | 6,222,962 | 72,705,291 | 3,084,653 |
| Operating income (loss) | 1,889,147 | 1,429,616 | 405,959 | (102,316) | 3,622,406 | 113,172 |
| Non-Operating Revenues (Expenses): | | | | | | |
| Interest earned on investments | 7,617 | 3,247 | 12,857 | 1,660 | 25,381 | 3,001 |
| Interest on long-term debt | (233,913) | (62,605) | (315,210) | (4,401) | (616,129) | - |
| Economic development reimbursements | - | (38,724) | (8,298) | - | (47,022) | - |
| Miscellaneous expense | - | - | (2,001) | - | (2,001) | - |
| Total non-operating revenues (expenses) | (226,296) | (98,082) | (312,652) | (2,741) | (639,771) | 3,001 |
| Income (loss) before capital contributions and transfers | 1,662,851 | 1,331,534 | 93,307 | (105,057) | 2,982,635 | 116,173 |
| Capital Contributions and Transfers: | | | | | | |
| Capital contributions | 610,152 | - | 2,567,185 | - | 3,177,337 | - |
| Transfers in | - | 28,500 | - | - | 28,500 | 457,617 |
| Transfers (out) | (1,122,881) | (64,066) | (93,729) | (202,394) | (1,483,070) | - |
| Total contributions and transfers | (512,729) | (35,566) | 2,473,456 | (202,394) | 1,722,767 | 457,617 |
| Change in net position | 1,150,122 | 1,295,968 | 2,566,763 | (307,451) | 4,705,402 | 573,790 |
| Net Position: | | | | | | |
| Beginning of year - July 1 | 22,804,624 | 7,992,476 | 62,296,180 | 2,995,418 | | 2,255,306 |
| Restatement | (199,968) | (199,968) | (139,978) | (179,972) | | - |
| Beginning of year - July 1, as restated | 22,604,656 | 7,792,508 | 62,156,202 | 2,815,446 | | 2,255,306 |
| End of year - June 30 | \$ 23,754,778 | \$ 9,088,476 | \$ 64,722,965 | \$ 2,507,995 | | \$ 2,829,096 |
| Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds | | | | | 326,542 | |
| Total | | | | | \$ 5,031,944 | |

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, 2015

| | 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 | \$ 54,852,163 | \$ 8,907,838 | \$ 5,325,956 | \$ 6,390,770 | \$ 75,476,727 | \$ 3,231,242 |
| Cash paid to suppliers for goods and services | (50,817,241) | (5,848,556) | (2,701,402) | (4,078,359) | (63,445,558) | (1,192,813) |
| Cash paid to employees | (1,312,714) | (1,357,061) | (772,312) | (2,135,448) | (5,577,535) | (2,053,671) |
| Customer deposits | (90,580) | - | - | - | (90,580) | - |
| Net cash provided (used) by operating activities | <u>2,631,628</u> | <u>1,702,221</u> | <u>1,852,242</u> | <u>176,963</u> | <u>6,363,054</u> | <u>(15,242)</u> |
| Cash Flows from Non-Capital Financing Activities: | | | | | | |
| Transfers from other funds | - | 28,500 | - | - | 28,500 | 457,617 |
| Transfers to other funds | (1,122,881) | (64,066) | (93,729) | (202,394) | (1,483,070) | - |
| Advances to/from other funds | <u>548,762</u> | <u>-</u> | <u>149,513</u> | <u>-</u> | <u>698,275</u> | <u>(290,664)</u> |
| Net cash provided (used) by non-capital financing activities | <u>(574,119)</u> | <u>(35,566)</u> | <u>55,784</u> | <u>(202,394)</u> | <u>(756,295)</u> | <u>166,953</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Acquisition and construction of capital assets | (827,632) | (333,279) | (3,428,252) | (278,426) | (4,867,589) | (198,003) |
| Proceeds from long-term debt | 4,889,325 | 1,338,985 | 3,771,623 | 65,331 | 10,065,264 | 40,335 |
| Principal paid on general obligation bond maturities and equipment contracts | (5,467,596) | (1,400,767) | (4,038,094) | (110,023) | (11,016,480) | - |
| Interest paid on bonded indebtedness and equipment contracts | (233,913) | (62,605) | (315,210) | (4,401) | (616,129) | - |
| Contributed capital | <u>610,152</u> | <u>-</u> | <u>2,567,185</u> | <u>-</u> | <u>3,177,337</u> | <u>-</u> |
| Net cash provided (used) by capital and related financing activities | <u>(1,029,664)</u> | <u>(457,666)</u> | <u>(1,442,748)</u> | <u>(327,519)</u> | <u>(3,257,597)</u> | <u>(157,668)</u> |
| Cash Flows from Investing Activities: | | | | | | |
| Interest on investments | <u>7,617</u> | <u>3,247</u> | <u>12,857</u> | <u>1,660</u> | <u>25,381</u> | <u>3,001</u> |
| Net cash provided (used) by investing activities | <u>7,617</u> | <u>3,247</u> | <u>12,857</u> | <u>1,660</u> | <u>25,381</u> | <u>3,001</u> |
| Net increase (decrease) in cash and cash equivalents/investments | 1,035,462 | 1,212,236 | 478,135 | (351,290) | 2,374,543 | (2,956) |
| Cash and Cash Equivalents/Investments: | | | | | | |
| Beginning of year - July 1 | <u>4,273,523</u> | <u>1,993,392</u> | <u>3,137,897</u> | <u>1,823,495</u> | <u>11,228,307</u> | <u>2,893,486</u> |
| End of year - June 30 | <u>\$ 5,308,985</u> | <u>\$ 3,205,628</u> | <u>\$ 3,616,032</u> | <u>\$ 1,472,205</u> | <u>\$ 13,602,850</u> | <u>\$ 2,890,530</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Operating income (loss) | \$ 1,889,147 | \$ 1,429,616 | \$ 405,959 | \$ (102,316) | \$ 3,622,406 | \$ 113,172 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation | 974,823 | 480,871 | 2,255,027 | 245,800 | 3,956,521 | 38,235 |
| Pension expense | 6,811 | 6,811 | 4,768 | 6,130 | 24,520 | - |
| Non-operating revenues (expenses) | - | (38,724) | (10,299) | - | (49,023) | - |
| Change in Assets and Liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | (54,259) | (35,457) | (891,396) | 270,128 | (710,984) | 33,417 |
| Increase (decrease) in customer deposits | (90,580) | - | - | - | (90,580) | - |
| (Increase) decrease in inventories | 20,946 | (4,146) | - | - | 16,800 | (37,790) |
| Increase (decrease) in accounts payable | (25,976) | (34,847) | 161,380 | (161,190) | (60,633) | (169,540) |
| (Increase) decrease in deferred outflows of resources for pensions | (98,693) | (98,693) | (69,085) | (88,824) | (355,295) | - |
| Increase (decrease) in compensated absences payable | <u>9,409</u> | <u>(3,210)</u> | <u>(4,112)</u> | <u>7,235</u> | <u>9,322</u> | <u>7,264</u> |
| Net cash provided (used) by operating activities | <u>\$ 2,631,628</u> | <u>\$ 1,702,221</u> | <u>\$ 1,852,242</u> | <u>\$ 176,963</u> | <u>\$ 6,363,054</u> | <u>\$ (15,242)</u> |

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

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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, 2015

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.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

Government-Wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government. 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, 2015

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 and investment earnings, result from non-exchange transactions or ancillary activities.

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 16 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, 2015

Water Enterprise Fund. The Water Enterprise Fund accounts for the water activities of the City. The primary revenue consists of user charges for services. The primary expenses are for pumping and distribution of water to the City's customers. The Water Capital Project Fund and 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.

Woodmen of the World Community Center Fund. The Woodmen of the Word Community Center Fund accounts for activities associated with managing the Woodmen Community Center and Lions Water Adventure Park.

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 Fund, and the Public Services Administration 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 Fund is used to account for the purchases of fuel and fleet maintenance inventory. The Public Services Administration 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 Fund, the Fleet Maintenance Fund, and the Warehouse Fund 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 Administration Fund is accounted for in the business-type activities in the government-wide financial statements, and the individual fund data is provided in the Internal Service Fund section of the report.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

C. Measurement Focus and Basis of Accounting

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

Government-Wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and 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. 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 property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 government are recognized as revenue. Sales taxes are considered a shared revenue for the City of Kinston because the tax is levied by Lenoir County and then remitted to and distributed by the State. Intergovernmental revenues, sales and services, and fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Licenses, fines, permits, and other revenue are not susceptible to accrual because they are generally not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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 is both restricted and unrestricted net position 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.

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 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 the 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, 2015

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, Deferred Outflows/Inflows of Resources, 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. Certain unexpended grant revenues are classified as restricted assets since their use is restricted for the purpose of the grant.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Restricted cash at June 30, 2015, consists of the following:

Governmental Activities:

General Fund:

| | |
|---------------------------|------------|
| Unexpended grant revenues | \$ 173,988 |
|---------------------------|------------|

Special Revenue Funds:

| | |
|--|--------|
| 2010 JAG Recover Act Relief Project - unexpended grant revenues | 767 |
| 2012 Edward Byrne Memorial JAG Grant - unexpended grant revenues | 909 |
| 2001 PSN GCC Project 61 - unexpended grant revenues | 28,100 |
| Hurricane Irene - FEMA - 4019-DR-NC - unexpended grant revenues | 77,003 |
| GCC Body Camera Project Fund - unexpended grant revenues | 98 |

Capital Project Funds:

| | |
|--|----|
| Train Depot Fund - unexpended grant revenues | 51 |
|--|----|

| | |
|-------------------------------|-------------------|
| Total Governmental Activities | <u>\$ 280,916</u> |
|-------------------------------|-------------------|

Business-Type Activities:

| | |
|-----------------------------------|---------------------|
| Electric Fund - customer deposits | <u>\$ 1,648,193</u> |
|-----------------------------------|---------------------|

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, 2014.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

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

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

It is the City's policy to take full-year depreciation in the first year of service, but not to provide for depreciation in the year of disposal. Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset.

The following estimated useful lives are used to compute depreciation:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has five items that meet the criterion for this category - prepaid taxes, property taxes receivable, GTP fire taxes receivable, pavement assessment receivables, and deferrals of pension expense that result from the implementation of GASB Statement 68.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 Position. Bond premiums and discounts, as well as 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 premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is 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.

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 Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through State statute.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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.

Notes Receivable – portion of fund balance that is not an available resource because it represents the year-end balance of notes receivable, which are not spendable resources.

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.

Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures in the General Fund, the 2010 JAG Recover Act Relief Project Fund, the 2012 Edward Byrne Memorial JAG Grant Fund, the Hurricane Irene-FEMA-4019-DR-NC Fund, and the GCC Body Camera Project Fund.

Community Development – portion of fund balance that is restricted by unspent grant proceeds solely for the Train Depot Capital Project 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, 2015

Restricted fund balance and net position at June 30, 2015 is as follows:

| <u>Purpose</u> | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Governmental Activities</u> |
|-------------------------------|-------------------------|---|------------------------------------|
| Restricted, All Other: | | | |
| Community development | \$ - | \$ 28,151 | \$ 28,151 |
| Perpetual care | - | 299 | 75,299 |
| Public safety | 173,988 | 78,777 | 252,765 |
| Total | <u>\$ 173,988</u> | <u>\$ 107,227</u> | <u>\$ 356,215</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, 2015 is as follows:

| <u>Purpose</u> | <u>Other Governmental Funds</u> |
|-------------------------|---|
| General government | \$ 6,825 |
| Public safety | 13,546 |
| Community development | 42,951 |
| Cultural and recreation | 12,950 |
| Total | <u>\$ 76,272</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that the City of Kinston intends to use for specific purposes. The City's governing body approves the appropriation; however, the budget ordinance authorizes the Manager and the Finance Officer to transfer appropriations from one line item within a departmental budget so long as the total departmental appropriations including capital outlay shall not be increased. However, no funds may be transferred from the salary and benefits accounts within a department without prior approval of the City Council. Funds cannot be transferred from one department to another without prior approval of the City Council. 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.

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

Assigned fund balance at June 30, 2015 is as follows:

| <u>Purpose</u> | <u>Other Governmental Funds</u> |
|-----------------------|---|
| Community development | \$ 29,758 |
| Total | <u>\$ 29,758</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 General Fund is the only fund that reports a positive unassigned fund balance amount.

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 | \$ 8,612,192 |
| Less: | |
| Inventories | 78,720 |
| Stabilization by State statute | <u>1,070,521</u> |
| Total available fund balance | <u>\$ 7,462,951</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

| | General Fund |
|--------------|-------------------------|
| Encumbrances | <u>\$ 261,661</u> |

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.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Kinston's employer contributions are recognized when due, and the City of Kinston has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

2. Stewardship, Compliance, and Accountability

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

The City has fund balance deficits in individual funds at June 30, 2015 as follows:

Nonmajor Special Revenue Funds:

| | |
|--|--------|
| 2011 Edward Byrne Memorial JAG Grant | \$ 115 |
| 2011 PSN GCC Crossing Boundaries Project | 343 |
| Brownfields EPA Grant | 15,224 |

Nonmajor Capital Project Funds:

| | |
|--|----------|
| Battlefield Parkway/Soccer Complex | \$ 3,488 |
| New Fire Station #3 | 19 |
| CWMTF Flood Buy-Out II | 20,680 |
| NEA Our Town Fund | 32,505 |
| College Street Railroad Crossing Project | 7,222 |

The deficits in the nonmajor special revenue funds and capital project funds are the result of revenue timing and will be funded by future grant revenues.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the City's deposits had a carrying amount of \$20,329,397 and a bank balance of \$20,780,514. Of the bank balance, \$500,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2015, the City's petty cash fund totaled \$17,550.

Investments

At June 30, 2015, the City had \$5,375,418 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.

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the revisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Receivables – Allowances for Doubtful Accounts

The receivables shown in the Balance Sheet and the Statement of Net Position at June 30, 2015 are net of the following allowances for doubtful accounts:

| Fund | |
|--|--------------|
| General Fund: | |
| Taxes receivable | \$ 141,840 |
| Enterprise Funds: | |
| Electric Fund | 1,581,823 |
| Water Fund | 378,480 |
| Wastewater Fund | 275,682 |
| Nonmajor enterprise funds | 133,463 |
| Total enterprise funds | 2,369,448 |
| Total allowances for doubtful accounts | \$ 2,511,288 |

Due from other governments that is owed to the City consists of the following:

| | Governmental Activities | Business-Type Activities |
|---|------------------------------------|-------------------------------------|
| Due from other governments: | | |
| Local option sales tax and other state shared revenues | \$ 522,169 | \$ 792,185 |
| State and local sales tax | 88,714 | - |
| Total | \$ 610,883 | \$ 792,185 |

Long-Term Loan Receivables

The City issued a note receivable on February 27, 2014 in the amount of \$225,000 from Abby Gardens, LLC in the Community Development Administration Fund for various water and sewer improvements to the Abby Gardens 48 unit apartment complex for seniors of low to middle income payable over 20 years. Interest is calculated at 0%. Principal is due annually through April 2034. The amount outstanding at June 30, 2015 is \$217,086.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2015, was as follows:

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|--|------------------------|-----------------------|------------------|------------------------|
| Governmental Funds: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 3,482,916 | \$ - | \$ - | \$ 3,482,916 |
| Construction in progress | <u>4,115,763</u> | <u>229,222</u> | <u>(256,719)</u> | <u>4,088,266</u> |
| Total capital assets not being depreciated | <u>7,598,679</u> | <u>229,222</u> | <u>(256,719)</u> | <u>7,571,182</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and improvements | 14,790,863 | 476,295 | - | 15,267,158 |
| Equipment | 4,922,217 | 355,173 | - | 5,277,390 |
| Vehicles | 7,094,817 | 390,227 | (11,429) | 7,473,615 |
| Infrastructure | <u>6,048,581</u> | <u>56,481</u> | <u>-</u> | <u>6,105,062</u> |
| Total capital assets being depreciated | <u>32,856,478</u> | <u>1,278,176</u> | <u>(11,429)</u> | <u>34,123,225</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (5,772,687) | (347,686) | - | (6,120,373) |
| Equipment | (4,133,637) | (269,637) | - | (4,403,274) |
| Vehicles | (6,569,759) | (432,591) | 11,429 | (6,990,921) |
| Infrastructure | <u>(4,387,184)</u> | <u>(169,952)</u> | <u>-</u> | <u>(4,557,136)</u> |
| Total accumulated depreciation | <u>\$ (20,863,267)</u> | <u>\$ (1,219,866)</u> | <u>\$ 11,429</u> | <u>\$ (22,071,704)</u> |
| Total capital assets being depreciated, net | <u>11,993,211</u> | | | <u>12,051,521</u> |
| Total | <u>\$ 19,591,890</u> | | | <u>\$ 19,622,703</u> |
| Employee Health and Insurance | | | | |
| Internal Service Fund: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Buildings and improvements | \$ 19,468 | \$ - | \$ - | \$ 19,468 |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | <u>(9,734)</u> | <u>(487)</u> | <u>-</u> | <u>(10,221)</u> |
| Total accumulated depreciation | <u>(9,734)</u> | <u>\$ (487)</u> | <u>\$ -</u> | <u>(10,221)</u> |
| Total capital assets being depreciated, net | <u>9,734</u> | | | <u>9,247</u> |
| Total Employee Health and Insurance | | | | |
| Fund capital assets, net | <u>\$ 9,734</u> | | | <u>\$ 9,247</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|---|----------------------|-----------------------|------------------|----------------------|
| Fleet Maintenance Fund: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Equipment | \$ 118,497 | \$ 10,624 | \$ - | \$ 129,121 |
| Vehicles | 66,879 | - | - | 66,879 |
| Total capital assets being depreciated | <u>185,376</u> | <u>10,624</u> | <u>-</u> | <u>196,000</u> |
| Less Accumulated Depreciation: | | | | |
| Equipment | (109,998) | (4,250) | - | (114,248) |
| Vehicles | (66,879) | - | - | (66,879) |
| Total accumulated depreciation | <u>(176,877)</u> | <u>\$ (4,250)</u> | <u>\$ -</u> | <u>(181,127)</u> |
| Total capital assets being depreciated, net | <u>8,499</u> | | | <u>14,873</u> |
| Fleet Maintenance Fund capital assets, net | <u>\$ 8,499</u> | | | <u>\$ 14,873</u> |
| Total Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 3,482,916 | \$ - | \$ - | \$ 3,482,916 |
| Construction in progress | <u>4,115,763</u> | <u>229,222</u> | <u>(256,719)</u> | <u>4,088,266</u> |
| Total capital assets not being depreciated | <u>7,598,679</u> | <u>229,222</u> | <u>(256,719)</u> | <u>7,571,182</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and improvements | 14,810,331 | 476,295 | - | 15,286,626 |
| Equipment | 5,040,714 | 365,797 | - | 5,406,511 |
| Vehicles | 7,161,696 | 390,227 | (11,429) | 7,540,494 |
| Infrastructure | <u>6,048,581</u> | <u>56,481</u> | <u>-</u> | <u>6,105,062</u> |
| Total capital assets being depreciated | <u>33,061,322</u> | <u>1,288,800</u> | <u>(11,429)</u> | <u>34,338,693</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (5,782,421) | (348,173) | - | (6,130,594) |
| Equipment | (4,243,635) | (273,887) | - | (4,517,522) |
| Vehicles | (6,636,638) | (432,591) | 11,429 | (7,057,800) |
| Infrastructure | <u>(4,387,184)</u> | <u>(169,952)</u> | <u>-</u> | <u>(4,557,136)</u> |
| Total accumulated depreciation | <u>(21,049,878)</u> | <u>\$ (1,224,603)</u> | <u>\$ 11,429</u> | <u>(22,263,052)</u> |
| Total capital assets being depreciated, net | <u>12,011,444</u> | | | <u>12,075,641</u> |
| Total governmental activities capital assets, net | <u>\$ 19,610,123</u> | | | <u>\$ 19,646,823</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

| | |
|------------------------|---------------------|
| General government | \$ 250,040 |
| Public safety | 426,477 |
| Public works | 353,963 |
| Parks and recreation | 30,727 |
| Community development | 158,659 |
| Internal service funds | 4,737 |
| Total | <u>\$ 1,224,603</u> |

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|--|----------------------|---------------------|------------------|----------------------|
| Business-Type Activities: | | | | |
| Electric Fund: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 202,380 | \$ - | \$ - | \$ 202,380 |
| Construction in progress | 919,173 | 466,836 | - | 1,386,009 |
| Total capital assets not being depreciated | <u>1,121,553</u> | <u>466,836</u> | <u>-</u> | <u>1,588,389</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and improvements | 3,671,890 | - | - | 3,671,890 |
| Equipment | 732,459 | 41,415 | - | 773,874 |
| Vehicles | 1,274,496 | - | - | 1,274,496 |
| Distribution system | 38,962,785 | 319,381 | - | 39,282,166 |
| Total capital assets being depreciated | <u>44,641,630</u> | <u>360,796</u> | <u>-</u> | <u>45,002,426</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (2,790,365) | (73,053) | - | (2,863,418) |
| Equipment | (699,327) | (16,566) | - | (715,893) |
| Vehicles | (1,168,655) | (67,978) | - | (1,236,633) |
| Distribution system | (19,213,511) | (817,226) | - | (20,030,737) |
| Total accumulated depreciation | <u>(23,871,858)</u> | <u>\$ (974,823)</u> | <u>\$ -</u> | <u>(24,846,681)</u> |
| Total capital assets being depreciated, net | <u>20,769,772</u> | | | <u>20,155,745</u> |
| Electric Fund capital assets, net | <u>\$ 21,891,325</u> | | | <u>\$ 21,744,134</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|--|---------------------|---------------------|------------------|----------------------|
| Water Fund: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 66,605 | \$ - | \$ - | \$ 66,605 |
| Construction in progress | - | 33,001 | - | 33,001 |
| Total capital assets not being depreciated | <u>66,605</u> | <u>33,001</u> | <u>-</u> | <u>99,606</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and improvements | 577,040 | - | - | 577,040 |
| Equipment | 890,536 | 118,133 | - | 1,008,669 |
| Vehicles | 1,446,852 | 118,729 | (69,014) | 1,496,567 |
| Infrastructure | 41,195 | - | - | 41,195 |
| Distribution system | <u>15,276,378</u> | <u>63,416</u> | <u>-</u> | <u>15,339,794</u> |
| Total capital assets being depreciated | <u>18,232,001</u> | <u>300,278</u> | <u>(69,014)</u> | <u>18,463,265</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (577,040) | - | - | (577,040) |
| Equipment | (735,738) | (90,906) | - | (826,644) |
| Vehicles | (1,277,780) | (74,883) | 69,014 | (1,283,649) |
| Infrastructure | (10,758) | (1,881) | - | (12,639) |
| Distribution system | <u>(9,356,880)</u> | <u>(313,201)</u> | <u>-</u> | <u>(9,670,081)</u> |
| Total accumulated depreciation | <u>(11,958,196)</u> | <u>\$ (480,871)</u> | <u>\$ 69,014</u> | <u>(12,370,053)</u> |
| Total capital assets being depreciated, net | <u>6,273,805</u> | | | <u>6,093,212</u> |
| Water Fund capital assets, net | <u>\$ 6,340,410</u> | | | <u>\$ 6,192,818</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|--|----------------------|-----------------------|------------------|----------------------|
| Wastewater Fund: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 953,658 | \$ - | \$ - | \$ 953,658 |
| Construction in progress | 440,310 | 3,055,494 | - | 3,495,804 |
| Total capital assets not being depreciated | <u>1,393,968</u> | <u>3,055,494</u> | <u>-</u> | <u>4,449,462</u> |
| Capital Assets Being Depreciated: | | | | |
| Buildings and improvements | 41,276,198 | - | - | 41,276,198 |
| Equipment | 1,807,520 | 39,616 | - | 1,847,136 |
| Vehicles | 315,204 | 49,505 | - | 364,709 |
| Distribution system | 51,733,135 | 283,637 | - | 52,016,772 |
| Total capital assets being depreciated | <u>95,132,057</u> | <u>372,758</u> | <u>-</u> | <u>95,504,815</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and improvements | (8,161,388) | (978,323) | - | (9,139,711) |
| Equipment | (1,772,198) | (19,737) | - | (1,791,935) |
| Vehicles | (287,155) | (17,672) | - | (304,827) |
| Distribution system | (17,705,434) | (1,239,295) | - | (18,944,729) |
| Total accumulated depreciation | <u>(27,926,175)</u> | <u>\$ (2,255,027)</u> | <u>\$ -</u> | <u>(30,181,202)</u> |
| Total capital assets being depreciated, net | <u>67,205,882</u> | | | <u>65,323,613</u> |
| Wastewater Fund capital assets, net | <u>\$ 68,599,850</u> | | | <u>\$ 69,773,075</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|---|--------------------------|---------------------|------------------|--------------------------|
| Environmental Services Fund: | | | | |
| Capital Assets Being Depreciated: | | | | |
| Equipment | \$ 530,113 | \$ 49,395 | \$ - | \$ 579,508 |
| Vehicles | 3,029,138 | 19,374 | - | 3,048,512 |
| Total capital assets being depreciated | <u>3,559,251</u> | <u>68,769</u> | <u>-</u> | <u>3,628,020</u> |
| Less Accumulated Depreciation: | | | | |
| Equipment | (470,552) | (26,593) | | (497,145) |
| Vehicles | (2,453,538) | (150,267) | - | (2,603,805) |
| Total accumulated depreciation | <u>(2,924,090)</u> | <u>\$ (176,860)</u> | <u>\$ -</u> | <u>(3,100,950)</u> |
| Total capital assets being depreciated, net | <u>635,161</u> | | | <u>527,070</u> |
| Environmental Services Fund capital assets, net | <u><u>\$ 635,161</u></u> | | | <u><u>\$ 527,070</u></u> |
| Stormwater Fund: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Construction in progress | \$ 344,861 | \$ 158,177 | \$ - | \$ 503,038 |
| Capital Assets Being Depreciated: | | | | |
| Equipment | 80,400 | 15,936 | - | 96,336 |
| Vehicles | 356,230 | 35,544 | - | 391,774 |
| Distribution system | 169,219 | - | - | 169,219 |
| Total capital assets being depreciated | <u>605,849</u> | <u>51,480</u> | <u>-</u> | <u>657,329</u> |
| Less Accumulated Depreciation: | | | | |
| Equipment | (62,221) | (8,677) | - | (70,898) |
| Vehicles | (273,802) | (51,802) | - | (325,604) |
| Distribution system | (28,462) | (8,461) | - | (36,923) |
| Total accumulated depreciation | <u>(364,485)</u> | <u>\$ (68,940)</u> | <u>\$ -</u> | <u>(433,425)</u> |
| Total capital assets being depreciated, net | <u>241,364</u> | | | <u>223,904</u> |
| Stormwater Fund capital assets, net | <u><u>\$ 586,225</u></u> | | | <u><u>\$ 726,942</u></u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> |
|--|---------------------|------------------|------------------|----------------------|
| Public Services Internal Service Fund: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Construction in progress | \$ 167,876 | \$ 112,392 | \$ - | \$ 280,268 |
| Capital Assets Being Depreciated: | | | | |
| Equipment | 103,138 | 58,251 | - | 161,389 |
| Vehicles | 90,840 | 16,736 | (11,279) | 96,297 |
| Total capital assets being depreciated | 193,978 | 74,987 | (11,279) | 257,686 |
| Less Accumulated Depreciation: | | | | |
| Equipment | (55,204) | (27,473) | - | (82,677) |
| Vehicles | (85,483) | (6,025) | 11,279 | (80,229) |
| Total accumulated depreciation | (140,687) | \$ (33,498) | \$ 11,279 | (162,906) |
| Total capital assets being depreciated, net | 53,291 | | | 94,780 |
| Public Services Fund capital assets, net | 221,167 | | | 375,048 |
| Business-type activities capital assets, net | \$ 98,274,138 | | | \$ 99,339,087 |

B. Liabilities

Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2015 were as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|--------------|
| Accounts and vouchers | \$ 845,129 | \$ 5,123,659 | \$ 5,968,788 |
| Accrued payroll and related liabilities | 217,563 | 119,439 | 337,002 |
| Employee health unpaid claims | 380,000 | - | 380,000 |
| Total accounts payable and accrued liabilities | \$ 1,442,692 | \$ 5,243,098 | \$ 6,685,790 |

Pension Plan Obligations

Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60.

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Kinston employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2015, was 7.39% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$986,930 for the year ended June 30, 2015.

Refunds of Contributions – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$1,386,493 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.235%, which was a decrease of 0.01150% from its proportion measure as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$68,112. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Differences between expected and actual experience | \$ - | \$ 151,498 |
| Net difference between projected and actual earnings on pension plan investments | - | 3,227,726 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 75,064 |
| City contributions subsequent to the measurement date | <u>986,930</u> | <u>-</u> |
| Total | <u><u>\$ 986,930</u></u> | <u><u>\$ 3,454,288</u></u> |

\$986,930 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|---------------------------------------|------------------------------|
| 2016 | \$ (863,714) |
| 2017 | (863,714) |
| 2018 | (863,714) |
| 2019 | <u>(863,146)</u> |
| Total | <u><u>\$ (3,454,288)</u></u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increase | 4.25 to 8.55 percent, including inflation and productivity factor |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period ended January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|------------------------------|---|
| Fixed Income | 36.0% | 2.5% |
| Global Equity | 40.5% | 6.1% |
| Real Estate | 8.0% | 5.7% |
| Alternatives | 6.5% | 10.5% |
| Credit | 4.5% | 6.8% |
| Inflation Protection | 4.5% | 3.7% |
| Total | 100.0% | |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: fixed income 2.2%, global equity 5.8%, real estate 5.2%, alternatives 9.8%, credit 6.8%, and inflation protection 3.4%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | 1% Rate (7.25%) | 1% Increase (8.25%) |
|--|---------------------------|-----------------------|---------------------------|
| City's proportionate share of the net pension liability (asset) | <u>\$4,706,358</u> | <u>\$(1,386,493)</u> | <u>\$(6,516,478)</u> |

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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% 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

| | |
|---|-----------|
| Retirees receiving benefits | 11 |
| Terminated plan members entitled to, but not yet receiving, benefits | - |
| Active plan members | <u>66</u> |
| Total | <u>77</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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 for the year ended June 30, 2015.

The annual required contribution for the current year was determined as part of the December 31, 2013 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, 2013 was 17 years.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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 | \$ 249,539 |
| Interest on net pension obligation | 59,991 |
| Adjustment to annual required contribution | <u>(101,355)</u> |
| Annual pension cost | 208,175 |
| Contributions made | <u>165,988</u> |
| Increase in net pension obligation | 42,187 |
| Net pension obligation: | |
| Beginning of year - July 1 | <u>1,199,823</u> |
| End of year - June 30 | <u><u>\$ 1,242,010</u></u> |

| Three-Year Trend Information | | | |
|-------------------------------------|--|--|---------------------------------------|
| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 2013 | \$ 193,690 | 65.90% | \$ 1,196,311 |
| 2014 | 166,689 | 124.89% | 1,199,823 |
| 2015 | 208,175 | 79.73% | 1,242,010 |

Funded Status and Funding Progress

As December 31, 2014, 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 \$2,081,644. The covered payroll (annual payroll of active employees covered by the plan) was \$3,240,527, and the ratio of the UAAL to the covered payroll was 64.24%.

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, 2015

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 5% 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, 2015 were \$100,533, which consisted of \$65,258 from the City and \$35,275 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, 2015

At June 30, 2015, the Separation Allowance – Employees’ membership consisted of:

| | |
|---|-----------------|
| Retirees receiving benefits | 1 |
| Terminated plan members entitled to, but not yet receiving, benefits | - |
| Active plan members | <u>4</u> |
| Total | <u><u>5</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, 2014 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, 2014 was six 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 | \$ 1,638 |
| Interest on net pension obligation | 1,522 |
| Adjustment to annual required contribution | <u>(5,712)</u> |
| Annual pension cost | (2,552) |
| Contributions made | <u>1,996</u> |
| Increase (decrease) in net pension obligation | (4,548) |
| Net pension obligation: | |
| Beginning of year - July 1 | <u>30,442</u> |
| End of year - June 30 | <u><u>\$ 25,894</u></u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| Three-Year Trend Information | | | |
|------------------------------|---------------------------------|-------------------------------------|------------------------------|
| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 2013 | \$ (885) | -1240.45% | \$ 39,245 |
| 2014 | (5,712) | 44.68% | 30,442 |
| 2015 | (2,552) | -78.21% | 25,894 |

Funded Status and Funding Progress. As of July 1, 2014, 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 \$7,169. The covered payroll (annual payroll of active employees covered by the plan) was \$177,542, and the ratio of the UAAL to the covered payroll was 4%. 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% of the employees' compensation and all contributions and investment earnings are 100% 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, 2015 were \$340,386, which consisted of \$156,062 from the City and \$184,324 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, 2015

Membership of the Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

| | |
|--|------------|
| Retirees and dependents receiving benefits | 59 |
| Terminated plan members entitled to, but not yet receiving, benefits | - |
| Active plan members | 187 |
| Total | <u>246</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 3.37% of annual covered payroll. For the current year, the City contributed \$204,164, or 2.45%, 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 3.37% and 3.37% 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. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

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 30 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 | \$ 280,559 |
| Interest on net OPEB obligation | 9,413 |
| Adjustments to annual required contribution | <u>(10,347)</u> |
| Annual OPEB cost (expense) | 279,625 |
| Contributions made | <u>(204,164)</u> |
| Increase (decrease) in net OPEB obligation | 75,461 |
| Net OPEB obligation: | |
| Beginning of year - July 1 | <u>227,629</u> |
| End of year - June 30 | <u>\$ 303,090</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 were as follows:

| Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------------|-----------------------------|---|------------------------------------|
| 2013 | \$ 260,355 | 78.28% | \$ 164,735 |
| 2014 | 260,355 | 77.54% | 227,629 |
| 2015 | 279,625 | 73.01% | 303,090 |

Fund Status and Funding Progress

As of December 31, 2013, 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 \$3,138,266. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,328,243, and the ratio of the UAAL to the covered payroll was 37.7%. 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 value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability 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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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% 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 pay on a closed basis. The remaining amortization period at December 31, 2013 was 25 years.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

As of June 30, 2015, 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 Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit 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. Because, all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

| <u>No. Years Contributing</u> | <u>Years Relief</u> | <u>FY Contributions Resume</u> |
|-------------------------------|---------------------|--------------------------------|
| Less than 10 | 1 | 2014 |
| 10 - 20 | 2 | 2015 |
| 20 or more | 3 | 2016 |

The period of reprieve is determined separately for law enforcement officers. The City of Kinston will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

The contributions to the Death Benefit 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

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the City made contributions of \$42,843 for this additional group term life insurance.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

| | <u>Amount</u> |
|--|----------------------|
| Contributions to pension plan in current fiscal year | <u>\$ 986,930</u> |

Deferred inflows of resources at year-end are comprised of the following:

| | |
|---------------------------------|---------------------|
| Property taxes receivable | \$ 737,466 |
| Prepaid property taxes | 18,243 |
| Pavement assessment receivables | 94,556 |
| GTP fire taxes receivable | 67 |
| Pension deferrals | <u>3,454,288</u> |
| Total | <u>\$ 4,304,620</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 participates in the Inter-Local Risk Financing Fund (IRFFNC) for its general liability, property and auto liability coverage. This is one of three self-funded risk-financing pools administered by the North Carolina League of Municipalities. The City obtains general liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy and auto coverage up to \$1 million per occurrence. Additionally, through IRFFNC, the City obtains a \$5 million umbrella general liability policy for the Woodmen of the World Community Center. All other risks are covered through the purchase of commercial coverage at \$3 million per occurrence for Law Enforcement Liability, Public Officials Liability and Employment Practices Liability. The City is self-insured to a deductible of \$400,000 for workers' compensation. Safety National is the excess provider of workers' compensation coverage for claims resulting in excess of the City's retention. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

A total of \$455,793 in claims was incurred for benefits during fiscal year 2015.

Claims Liability

| | Year Ended June 30 | |
|--|-------------------------------|--------------------------|
| | 2015 | 2014 |
| Unpaid claims, beginning of fiscal year | \$ 380,000 | \$ 369,800 |
| Incurred claims (including claims incurred, but not reported as of fiscal year-end) | 455,793 | 278,367 |
| Payments and reduction in claims estimates | <u>(455,793)</u> | <u>(268,167)</u> |
| Unpaid claims, end of fiscal year | <u><u>\$ 380,000</u></u> | <u><u>\$ 380,000</u></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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Claims, Judgments, and Contingent Liabilities

At June 30, 2015, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Purchase Commitments

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligations

Installment Contracts

| <u>Year of Loan</u> | <u>Purpose and Collateral</u> | <u>Interest Rates</u> | <u>Maturity</u> | <u>Balance June 30, 2015</u> |
|---|--------------------------------|---------------------------|-----------------|----------------------------------|
| Governmental Activities: | | | | |
| General Fund: | | | | |
| 2002 | Grainger Stadium Renovations | 5.65% | 2017 | \$ 344,828 |
| 2009 | New Main Fire Station | 4.75% | 2049 | 2,974,700 |
| 2009 | City Hall Renovations | 4.38% | 2039 | 1,671,399 |
| 2011 | Fire Trucks | 4.00% | 2030 | 736,019 |
| 2012 | Various Vehicles and Equipment | 1.39% | 2018 | 345,021 |
| 2012 | Fire Station | 3.50% | 2043 | 2,337,500 |
| 2013 | Recreation Mowers | 5.65% | 2020 | 84,861 |
| 2015 | Radios and Equipment | 1.39% | 2019 | <u>276,180</u> |
| | | | | <u>8,770,508</u> |
| Fleet Maintenance Internal Service Fund: | | | | |
| 2015 | Radios and Equipment | 1.39% | 2019 | <u>10,624</u> |
| Total Governmental Activities | | | | <u><u>\$ 8,781,132</u></u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| Year of Loan | Purpose and Collateral | *** Effective Interest Rates | Interest Rates | Maturity | Balance June 30, 2015 |
|--|------------------------------------|------------------------------------|-------------------|----------|--------------------------|
| Business-Type Activities: | | | | | |
| Enterprise Funds: | | | | | |
| Water Fund | | | | | |
| 2012 | Various eehcles and equipment | 1.39% | | 2018 | \$ 42,522 |
| 2015 | Radios and Equipment | 1.39% | | 2019 | 58,405 |
| | | | | | <u>100,927</u> |
| Wastewater Fund | | | | | |
| 2010 | Expansion of Sanitary Sewer System | 5.07% | 3.30% | 2020 | 438,410 |
| 2012 | Various vehicles and equipment | 1.39% | | 2018 | 22,223 |
| 2015 | Radios and Equipment | 1.39% | | 2019 | 16,978 |
| | | | | | <u>477,611</u> |
| Electric Fund | | | | | |
| 2015 | Radios and Equipment | 1.39% | | 2019 | 41,415 |
| | | | | | <u>41,415</u> |
| Environmental Services Fund | | | | | |
| 2012 | Various vehicles and equipment | 1.39% | | 2018 | 144,323 |
| 2015 | Radios and Equipment | 1.39% | | 2019 | 49,395 |
| | | | | | <u>193,718</u> |
| Stormwater Fund | | | | | |
| 2012 | Various vehicles and equipment | 1.39% | | 2018 | 104,259 |
| 2015 | Radios and Equipment | 1.39% | | 2019 | 15,936 |
| | | | | | <u>120,195</u> |
| Total Enterprise Funds: | | | | | <u>933,866</u> |
| Public Services Internal Service Fund: | | | | | |
| 2015 | Radios and Equipment | 1.39% | | 2019 | 29,711 |
| Total business-type activities | | | | | \$ 963,577 |

***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, 2015

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

| Year Ending | Governmental Activities | | Business-Type Activities | | Total | |
|-------------|-------------------------|--------------|--------------------------|-----------|--------------|--------------|
| | Installment Contracts | | Installment Contracts | | | |
| | June 30 | Principal | Interest | Principal | Interest | Principal |
| 2016 | \$ 520,215 | \$ 351,697 | \$ 246,827 | \$ 25,157 | \$ 767,042 | \$ 376,854 |
| 2017 | 528,049 | 334,151 | 250,889 | 19,352 | 778,938 | 353,503 |
| 2018 | 398,699 | 315,820 | 192,495 | 13,338 | 591,194 | 329,158 |
| 2019 | 244,694 | 305,107 | 134,321 | 8,412 | 379,015 | 313,519 |
| 2020 | 247,407 | 297,529 | 139,045 | 3,691 | 386,452 | 301,220 |
| 2021-2025 | 1,074,558 | 1,363,312 | - | - | 1,074,558 | 1,363,312 |
| 2026-2030 | 1,316,935 | 1,120,945 | - | - | 1,316,935 | 1,120,945 |
| 2031-2035 | 1,340,803 | 841,493 | - | - | 1,340,803 | 841,493 |
| 2036-2040 | 1,459,124 | 547,511 | - | - | 1,459,124 | 547,511 |
| 2041-2045 | 1,016,563 | 245,348 | - | - | 1,016,563 | 245,348 |
| 2046-2049 | 634,085 | 76,960 | - | - | 634,085 | 76,960 |
| Total | \$ 8,781,132 | \$ 5,799,873 | \$ 963,577 | \$ 69,950 | \$ 9,744,709 | \$ 5,869,823 |

\$518,090 of the governmental activities current portion will be repaid from the General Fund and \$2,125 will be paid from the Fleet Maintenance Internal Service Fund. Of the business-type activities current portion, \$91,413 will be paid from the Wastewater Fund, \$8,283 from the Electric Fund, \$28,690 from the Water Fund, \$67,608 from the Environmental Services Fund, \$44,891 from the StormWater Fund, and \$5,942 from the Public Services Internal Service Fund.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Notes Payable

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

Business-Type Activities:

| Year of Loan | Purpose and Collateral | Interest Rates | Maturity | Balance June 30, 2015 |
|--------------------------------|------------------------------------|---------------------------|-----------------|----------------------------------|
| 2003 | Expansion to Sanitary Sewer System | 2.66% | 2023 | \$ 655,829 |
| 2003 | Expansion to Sanitary Sewer System | 2.66% | 2024 | 344,250 |
| 2007 | Expansion to Sanitary Sewer System | 2.27% | 2027 | 4,413,267 |
| 2015 | Expansion to Sanitary Sewer System | 2.00% | 2035 | 736,135 |
| Total business-type activities | | | | <u>\$ 6,149,481</u> |

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 526,751 | \$ 140,576 | \$ 667,327 |
| 2017 | 526,751 | 129,759 | 656,510 |
| 2018 | 526,751 | 117,456 | 644,207 |
| 2019 | 526,751 | 105,153 | 631,904 |
| 2020 | 526,751 | 92,850 | 619,601 |
| 2021-2025 | 2,431,547 | 281,884 | 2,713,431 |
| 2026-2030 | 929,295 | 55,990 | 985,285 |
| 2031-2035 | 154,884 | 11,625 | 166,509 |
| Total | <u>\$ 6,149,481</u> | <u>\$ 935,293</u> | <u>\$ 7,084,774</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Revenue Bonds

Current Refunding:

On March 12, 2015, the City issued Combined Enterprise Systems Refunding bonds, Series 2015 in the amount of \$9,147,000 as a current refunding of the Combined Enterprise System revenue bonds, Series 2004, the Combined Enterprise System Refunding revenue bonds, Series 2004, and the Combined Enterprise System revenue bonds, 2008 Series. The refunding reduced future debt service payments and achieved total savings of \$656,065.

Revenue bonds outstanding at June 30, 2015 are as follows:

Water Fund:

| | |
|--|--------------|
| \$1,280,580 - Combined Enterprise System Refunding revenue bonds, Series 2015, due in semi-annual installments through October 1, 2023; interest at 1.75% | \$ 1,280,580 |
|--|--------------|

Wastewater Fund:

| | |
|--|-----------|
| \$3,018,510 - Combined Enterprise System Refunding revenue bonds, Series 2015, due in semi-annual installments through October 1, 2023; interest at 1.75% | 3,018,510 |
|--|-----------|

Electric Fund:

| | |
|--|------------------|
| \$4,847,910 - Combined Enterprise System Refunding revenue bonds, Series 2015, due in semi-annual installments through October 1, 2023; interest at 1.75% | <u>4,847,910</u> |
|--|------------------|

| | |
|---------------------|----------------------------|
| Total revenue bonds | <u><u>\$ 9,147,000</u></u> |
|---------------------|----------------------------|

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 1,360,000 | \$ 162,580 | \$ 1,522,580 |
| 2017 | 1,397,000 | 130,147 | 1,527,147 |
| 2018 | 1,422,000 | 105,595 | 1,527,595 |
| 2019 | 1,443,000 | 80,623 | 1,523,623 |
| 2020 | 1,249,000 | 56,219 | 1,305,219 |
| 2021-2024 | 2,276,000 | 60,620 | 2,336,620 |
| Total | <u>\$ 9,147,000</u> | <u>\$ 595,784</u> | <u>\$ 9,742,784</u> |

\$190,400 of the current portion will be paid from the Water Fund, \$448,800 from the Wastewater Fund, and \$720,800 from the Electric Fund.

Revenue Bond Covenants

The Series 2015 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, 2015 were \$1,696,937 and \$572,242, respectively. Total customer revenue for the City's enterprise funds totaled \$70,230,772 for the year ended June 30, 2015.

The debt service coverage ratio calculation for the year ended June 30, 2015 is as follows:

| | |
|---|---------------------|
| Operating revenues | \$ 70,230,772 |
| Operating expenses* | <u>62,771,608</u> |
| Income available for debt service | <u>7,459,164</u> |
| Debt service, principal and interest interest paid (parity debt) | <u>\$ 2,269,178</u> |
| Debt service coverage ratio for parity debt | <u>3.29</u> |

*Per rate covenants; this does not include the depreciation expense of \$3,710,721.

At June 30, 2015, 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, 2015

Other Long-Term Debt Disclosures

North Carolina General Statutes limit certain indebtedness of the City to an amount not greater than 8% of the appraised value of property subject to taxation by the City. At June 30, 2015, the legal debt limit for the City was \$124,575,515, providing a legal debt margin of \$108,681,325.

At June 30, 2015, 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, 2015 is as follows:

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> | <u>Current Portion of Balance</u> |
|--|----------------------|---------------------|---------------------|----------------------|---|
| Governmental Funds: | | | | | |
| Accrued compensated absences | \$ 669,987 | \$ 420,971 | \$ 383,722 | \$ 707,236 | \$ 106,085 |
| Police separation allowance | 1,199,823 | 208,175 | 165,988 | 1,242,010 | - |
| Separation allowance plan | 30,442 | - | 4,548 | 25,894 | - |
| Installment contracts | 8,986,802 | 276,180 | 492,474 | 8,770,508 | 518,090 |
| OPEB liability | 227,629 | 279,625 | 204,164 | 303,090 | - |
| Net pension liability (LGERS) | 1,902,385 | - | 1,902,385 | - | - |
| Total | <u>\$ 13,017,068</u> | <u>\$ 1,184,951</u> | <u>\$ 3,153,281</u> | <u>\$ 11,048,738</u> | <u>\$ 624,175</u> |
| Employee Health and Insurance Fund: | | | | | |
| Accrued compensated absences | \$ - | \$ 6,856 | \$ 2,136 | \$ 4,720 | \$ 1,180 |
| Total | <u>\$ -</u> | <u>\$ 6,856</u> | <u>\$ 2,136</u> | <u>\$ 4,720</u> | <u>\$ 1,180</u> |
| Fleet Maintenance Fund: | | | | | |
| Accrued compensated absences | \$ 24,404 | \$ 432 | \$ 3,661 | \$ 21,175 | \$ 3,176 |
| Installment contracts | - | 10,624 | - | 10,624 | 2,125 |
| Total | <u>\$ 24,404</u> | <u>\$ 11,056</u> | <u>\$ 3,661</u> | <u>\$ 31,799</u> | <u>\$ 5,301</u> |
| Governmental Activities: | | | | | |
| Accrued compensated absences | \$ 694,391 | \$ 428,259 | \$ 389,519 | \$ 733,131 | \$ 110,441 |
| Police separation allowance | 1,199,823 | 208,175 | 165,988 | 1,242,010 | - |
| Separation allowance plan | 30,442 | - | 4,548 | 25,894 | - |
| Installment contracts | 8,986,802 | 286,804 | 492,474 | 8,781,132 | 520,215 |
| OPEB liability | 227,629 | 279,625 | 204,164 | 303,090 | - |
| Net pension liability (LGERS) | 1,902,385 | - | 1,902,385 | - | - |
| Total governmental activities | <u>\$ 13,041,472</u> | <u>\$ 1,202,863</u> | <u>\$ 3,159,078</u> | <u>\$ 11,085,257</u> | <u>\$ 630,656</u> |

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

The LGERS plan had a net pension asset as of June 30, 2015. However, the plan had a net pension liability at the beginning of the fiscal year.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Long-term liability activity for business-type activities for the year ended June 30, 2015 is as follows:

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> | <u>Current Portion of Balance</u> |
|-------------------------------------|----------------------|---------------------|---------------------|----------------------|---|
| Major Enterprise Funds: | | | | | |
| Water Fund: | | | | | |
| Accrued compensated absences | \$ 59,296 | \$ 11,614 | \$ 14,824 | \$ 56,086 | \$ 14,022 |
| Installment contracts | 96,931 | 58,405 | 54,409 | 100,927 | 28,690 |
| Revenue bonds | 1,346,358 | 1,280,580 | 1,346,358 | 1,280,580 | 190,400 |
| Net pension liability (LGERS) | <u>297,248</u> | <u>-</u> | <u>297,248</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 1,799,833</u> | <u>\$ 1,350,599</u> | <u>\$ 1,712,839</u> | <u>\$ 1,437,593</u> | <u>\$ 233,112</u> |
| Wastewater Fund: | | | | | |
| Accrued compensated absences | \$ 36,955 | \$ 5,126 | \$ 9,238 | \$ 32,843 | \$ 8,211 |
| Notes payable | 5,901,347 | 736,135 | 488,001 | 6,149,481 | 526,751 |
| Installment contracts | 544,786 | 16,978 | 84,153 | 477,611 | 91,413 |
| Revenue bonds | 3,465,940 | 3,018,510 | 3,465,940 | 3,018,510 | 448,800 |
| Net pension liability (LGERS) | <u>208,074</u> | <u>-</u> | <u>208,074</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 10,157,102</u> | <u>\$ 3,776,749</u> | <u>\$ 4,255,406</u> | <u>\$ 9,678,445</u> | <u>\$ 1,075,175</u> |
| Electric Fund: | | | | | |
| Accrued compensated absences | \$ 68,388 | \$ 26,506 | \$ 17,097 | \$ 77,797 | \$ 19,449 |
| Installment contracts | 93,699 | 41,415 | 93,699 | 41,415 | 8,283 |
| Revenue bonds | 5,373,897 | 4,847,910 | 5,373,897 | 4,847,910 | 720,800 |
| Net pension liability (LGERS) | <u>297,248</u> | <u>-</u> | <u>297,248</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 5,833,232</u> | <u>\$ 4,915,831</u> | <u>\$ 5,781,941</u> | <u>\$ 4,967,122</u> | <u>\$ 748,532</u> |
| Nonmajor Enterprise Funds: | | | | | |
| Environmental Services Fund: | | | | | |
| Accrued compensated absences | \$ 48,833 | \$ 18,005 | \$ 12,208 | \$ 54,630 | \$ 13,658 |
| Installment contracts | 202,052 | 49,395 | 57,729 | 193,718 | 67,608 |
| Net pension liability (LGERS) | <u>208,074</u> | <u>-</u> | <u>208,074</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 458,959</u> | <u>\$ 67,400</u> | <u>\$ 278,011</u> | <u>\$ 248,348</u> | <u>\$ 81,266</u> |
| Stormwater Fund: | | | | | |
| Accrued compensated absences | \$ 14,712 | \$ 3,049 | \$ 3,678 | \$ 14,083 | \$ 3,521 |
| Installment contracts | 156,553 | 15,936 | 52,294 | 120,195 | 44,891 |
| Net pension liability (LGERS) | <u>59,448</u> | <u>-</u> | <u>59,448</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 230,713</u> | <u>\$ 18,985</u> | <u>\$ 115,420</u> | <u>\$ 134,278</u> | <u>\$ 48,412</u> |

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>July 1, 2014</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2015</u> | <u>Current Portion of Balance</u> |
|---|----------------------|----------------------|----------------------|----------------------|---|
| Woodmen of the World Community | | | | | |
| Center Fund: | | | | | |
| Accrued compensated absences | \$ 5,086 | \$ 3,339 | \$ 1,272 | \$ 7,153 | \$ 1,788 |
| Total | <u>\$ 5,086</u> | <u>\$ 3,339</u> | <u>\$ 1,272</u> | <u>\$ 7,153</u> | <u>\$ 1,788</u> |
| Public Services Internal Service Fund: | | | | | |
| Accrued compensated absences | \$ 84,617 | \$ 26,927 | \$ 21,154 | \$ 90,390 | \$ 22,598 |
| Installment contracts | - | 29,711 | - | 29,711 | 5,942 |
| Total | <u>\$ 84,617</u> | <u>\$ 56,638</u> | <u>\$ 21,154</u> | <u>\$ 120,101</u> | <u>\$ 28,540</u> |
| Total Business-Type Activities: | | | | | |
| Accrued compensated absences | \$ 317,887 | \$ 94,566 | \$ 79,471 | \$ 332,982 | \$ 83,247 |
| Notes payable | 5,901,347 | 736,135 | 488,001 | 6,149,481 | 526,751 |
| Installment contracts | 1,094,021 | 211,840 | 342,284 | 963,577 | 246,827 |
| Revenue bonds | 10,186,195 | 9,147,000 | 10,186,195 | 9,147,000 | 1,360,000 |
| Net pension liability (LGRS) | <u>1,070,092</u> | <u>-</u> | <u>1,070,092</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 18,569,542</u> | <u>\$ 10,189,541</u> | <u>\$ 12,166,043</u> | <u>\$ 16,593,040</u> | <u>\$ 2,216,825</u> |

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2015 is computed as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|----------------------------------|------------------------------------|-------------------------------------|
| Capital assets | \$ 19,646,823 | \$ 99,339,087 |
| Long-term debt | <u>8,781,132</u> | <u>16,260,058</u> |
| Net investment in capital assets | <u>\$ 10,865,691</u> | <u>\$ 83,079,029</u> |

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Interfund Balances and Activity

Due To/From Other Funds

The composition of interfund balances as of June 30, 2015 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 | \$ 83,696 | \$ 137,706 | \$ 221,402 |

Amounts due to the 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, 2015:

| | <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> | |
| Transfers In | | | | | | | |
| Major General Fund | \$ - | \$ 1,100,000 | \$ - | \$ - | \$ - | \$ 85 | \$ 1,100,085 |
| Major Electric Fund | - | - | - | - | - | - | - |
| Major Water Fund | - | - | - | - | 28,500 | - | 28,500 |
| Major Wastewater Fund | | - | - | - | - | - | - |
| Nonmajor governmental funds | 3,904 | - | - | 80,000 | - | - | 83,904 |
| Internal service funds | 183,047 | 22,881 | 64,066 | 13,729 | 173,894 | - | 457,617 |
| Total | \$ 186,951 | \$ 1,122,881 | \$ 64,066 | \$ 93,729 | \$ 202,394 | \$ 85 | \$ 1,670,106 |

Transfers out from the General Fund to the nonmajor governmental funds were to fund the match portion of the 2012 Federal Bullet-Proof Vest Partnership. Transfer from Wastewater Fund to a nonmajor governmental fund was to provide a match for grant work on infrastructure benefitting the Wastewater Fund. Transfers from all funds to the internal service funds were for shortfalls in Internal Service Fund charges for services. Transfers out from the Electric 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 and an additional \$300,000 to repay a short term interfund loan to the General Fund. Transfer from the Stormwater Fund to Water Fund was to reimburse the Water Fund for use of pipe cleaning and pipeline televising services.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4. Jointly Governed Organizations

North Carolina Eastern Municipal Power Agency

The City, in conjunction with 31 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 32 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, 2015 were \$44,824,658.

Eastern Carolina Council of Governments

The City, in conjunction with seven counties and 28 other municipalities, established the Eastern Carolina Council of Governments (the "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 5 members of the 14-member Board of Directors. The City provided no funding to the Commission during the year ended June 30, 2015.

Neuse Regional Water and Sewer Authority

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

Lenoir County Tourism Development Authority

The City, in conjunction with Lenoir County, established the Lenoir County Tourism Development Authority. The participating governments established the Authority to promote tourism in the County area. The City appoints three members of the seven-member Board of Directors. The City provided \$188,187 of funding for the Authority for the year ended June 30, 2015.

CITY OF KINSTON, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. During the year ended June 30, 2015, the City provided \$194,760 to the Library. Separate financial statements of the Library are available at the Library address of 510 North Queen Street, Kinston, North Carolina 28501.

City of Kinston Housing Authority

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

5. Federal and State-Assisted Programs

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

6. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,279,796 and \$719,886, respectively.

The Community Development Administration Special Revenue Fund balance and net position for governmental activities was restated in the current year by \$224,808 due to notes receivable being classified as deferred inflows of resources in the prior year.

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
 - Proportionate Share of Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System (LGERS)
 - Contributions for the Local Governmental Employees' Retirement System (LGERS)
-

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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, 2015

| 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) |
|---|--|--|--|-----------------------------------|------------------------------------|---|
| 12/31/2009 | \$ - | \$ 1,828,803 | \$ 1,828,803 | 0.00% | \$ 3,799,983 | 48.13% |
| 12/31/2010 | - | 1,754,219 | 1,754,219 | 0.00% | 3,472,141 | 50.52% |
| 12/31/2011 | - | 1,996,069 | 1,996,069 | 0.00% | 3,646,237 | 54.74% |
| 12/31/2012 | - | 1,935,700 | 1,935,700 | 0.00% | 3,452,899 | 56.06% |
| 12/31/2013 | - | 2,074,364 | 2,074,364 | 0.00% | 3,299,649 | 62.87% |
| 12/31/2014 | - | 2,081,644 | 2,081,644 | 0.00% | 3,240,527 | 64.24% |

CITY OF KINSTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2015**

| Year Ended June 30 | Annual Required Contribution (ARC) | Percentage of ARC Contributed |
|-------------------------------|---|--|
| 2010 | \$ 170,012 | 33.95% |
| 2011 | 200,463 | 42.74% |
| 2012 | 185,449 | 59.82% |
| 2013 | 207,514 | 79.99% |
| 2014 | 204,340 | 79.86% |
| 2015 | 249,539 | 66.52% |

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 | 12/31/2014 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay, closed |
| Remaining amortization period | 16 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, 2015

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 7/01/2010 | \$ - | \$ 57,206 | \$ 57,206 | 0.00% | \$ 708,111 | 8.08% |
| 7/01/2011 | - | 48,450 | 48,450 | 0.00% | 514,985 | 9.41% |
| 7/01/2012 | - | 31,542 | 31,542 | 0.00% | 498,551 | 6.33% |
| 7/01/2013 | - | 10,652 | 10,652 | 0.00% | 243,696 | 4.37% |
| 7/01/2014 | - | 8,732 | 8,732 | 0.00% | 242,652 | 3.60% |
| 7/01/2015 | - | 7,169 | 7,169 | 0.00% | 177,542 | 4.04% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution (ARC) | Amount Contributed By Employer | Percentage of ARC Contributed |
|-----------------------|---|--------------------------------------|-------------------------------------|
| 2010 | \$ 21,179 | \$ 18,792 | 88.73% |
| 2011 | 11,060 | 15,870 | 143.49% |
| 2012 | 9,617 | 13,997 | 145.54% |
| 2013 | 6,150 | 10,978 | 178.50% |
| 2014 | 2,006 | 5,407 | 269.54% |
| 2015 | 1,638 | 1,996 | 121.86% |

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 | 7/1/2014 |
| 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 7.75% |
| 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, 2015**

| 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 | 27.50% |
| 12/31/2008 | - | 2,673,181 | 2,673,181 | 0.00% | 10,058,691 | 26.58% |
| 12/31/2009 | - | 2,721,329 | 2,721,329 | 0.00% | 10,433,324 | 26.08% |
| 12/31/2011 | - | 3,032,160 | 3,032,160 | 0.00% | 9,399,146 | 32.26% |
| 12/31/2013 | - | 3,138,266 | 3,138,266 | 0.00% | 8,328,243 | 37.68% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution (ARC) | Amount Contributed By Employer | Percentage of ARC Contributed |
|-------------------------------|---|---|--|
| 2010 | \$ 234,694 | \$ 220,273 | 93.86% |
| 2011 | 234,694 | 224,791 | 95.78% |
| 2012 | 259,761 | 203,494 | 78.34% |
| 2013 | 280,559 | 203,494 | 72.53% |
| 2014 | 280,559 | 217,075 | 77.37% |
| 2015 | 280,559 | 204,164 | 72.77% |

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 | 12/31/2013 |
| 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%

CITY OF KINSTON, NORTH CAROLINA**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS ***

| Local Governmental Employees' Retirement System | | |
|---|----------------|---------------|
| | 2015 | 2014 |
| City's proportion of the net pension liability (asset) (%) | 0.23510% | 0.24660% |
| City's proportion of the net pension liability (asset) (\$) | \$ (1,386,493) | \$ 2,972,477 |
| City's covered-employee payroll | \$ 13,662,808 | \$ 12,873,209 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | (10.15%) | 23.09% |
| Plan fiduciary net position as a percentage of the total pension liability** | 102.64% | 94.35% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF KINSTON, NORTH CAROLINA**CITY OF KINSTON'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS****Local Governmental Employees' Retirement System**

| | 2015 | 2014 |
|--|----------------|----------------|
| Contractually required contribution | \$ 986,930 | \$ 972,795 |
| Contributions in relation to the contractually required contribution | <u>986,930</u> | <u>972,795</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| City of Kinston's covered-employee payroll | \$ 13,800,783 | \$ 13,662,808 |
| Contributions as a percentage of covered-employee payroll | 7.15% | 7.12% |

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, 2015

WITH COMPARATIVE TOTALS FOR JUNE 30, 2014

| | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|
| Assets: | | |
| Cash and investments | \$ 8,766,740 | \$ 8,424,698 |
| Receivables: | | |
| Due from governmental agencies | 610,883 | 556,710 |
| Accounts receivable | 292,600 | 370,773 |
| Taxes receivable | 737,466 | 828,625 |
| Inventories | 78,720 | 85,125 |
| Restricted cash and investments | 173,988 | - |
| Total assets | <u>\$ 10,660,397</u> | <u>\$ 10,265,931</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance: | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 988,415 | \$ 879,896 |
| Advances from grantors | 173,988 | 7,946 |
| Prepaid privilege licenses | 35,470 | 102,825 |
| Total liabilities | <u>1,197,873</u> | <u>990,667</u> |
| Deferred Inflows of Resources: | | |
| Property taxes receivable | 737,466 | 828,625 |
| Prepaid property taxes | 18,243 | 30,041 |
| Pavement assessment receivables | 94,556 | 96,114 |
| GTP fire taxes receivable | 67 | 64 |
| Total deferred inflows of resources: | <u>850,332</u> | <u>954,844</u> |
| Fund Balance: | | |
| Non-spendable, not in spendable form: | | |
| Inventories | 78,720 | 85,125 |
| Restricted: | | |
| Stabilization by State statute | 1,070,521 | 1,193,123 |
| Restricted, all other | 173,988 | - |
| Unassigned | 7,288,963 | 7,042,172 |
| Total fund balance | <u>8,612,192</u> | <u>8,320,420</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,660,397</u> | <u>\$ 10,265,931</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

| | 2015 | | | 2014 |
|---|---------------|---------------|--------------------------------|---------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Ad Valorem Taxes: | | | | |
| Taxes | \$ 10,319,318 | \$ 10,545,633 | \$ 226,315 | \$ 10,665,557 |
| Penalties and interest | 92,000 | 88,009 | (3,991) | 139,917 |
| Total | 10,411,318 | 10,633,642 | 222,324 | 10,805,474 |
| Sales and Services: | | | | |
| Rents, concessions, and fees | 351,582 | 314,273 | (37,309) | 305,921 |
| Inspection fees | 180,000 | 143,960 | (36,040) | 126,446 |
| Cemetery fees | 186,000 | 184,903 | (1,097) | 172,655 |
| Cable franchise | 141,486 | 168,401 | 26,915 | 171,752 |
| Lenoir County Participation: Recreation | 885,000 | 885,530 | 530 | 829,000 |
| Woodmen Foundation Reimbursement - Recreation | 20,000 | 20,000 | - | - |
| Total | 1,764,068 | 1,717,067 | (47,001) | 1,605,774 |
| Other Taxes and Licenses: | | | | |
| Local government sales tax | 3,381,645 | 3,415,939 | 34,294 | 3,243,976 |
| Franchise tax | 1,622,738 | 2,134,132 | 511,394 | 1,884,314 |
| Occupancy tax | 209,000 | 198,092 | (10,908) | 207,838 |
| Gross receipts tax | 32,500 | 50,261 | 17,761 | 43,146 |
| Licenses and permits | 64,300 | 61,424 | (2,876) | 78,717 |
| GTP fire protection taxes | 66,900 | 66,623 | (277) | 78,823 |
| Total | 5,377,083 | 5,926,471 | 549,388 | 5,536,814 |
| Unrestricted Intergovernmental: | | | | |
| Payment in lieu of taxes | 260,500 | 258,076 | (2,424) | 259,298 |
| Beer and wine tax | 90,591 | 101,912 | 11,321 | 93,921 |
| ABC revenue | 44,315 | 11,993 | (32,322) | 49,239 |
| Total | 395,406 | 371,981 | (23,425) | 402,458 |
| Restricted Intergovernmental: | | | | |
| Powell Bill allocations | 633,314 | 628,336 | (4,978) | 630,620 |
| School resource officer | 86,100 | 87,426 | 1,326 | 84,789 |
| NC Department of Transportation | 146,372 | 135,937 | (10,435) | 120,586 |
| Federal drug forfeiture | - | 735 | 735 | 2,002 |
| Court allocation | - | 282 | 282 | 66 |
| Forfeited drug proceeds | 10,194 | 12,591 | 2,397 | 10,341 |
| Total | 875,980 | 865,307 | (10,673) | 848,404 |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--|--------------------|---------------------|------------------------|---------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Other Revenue: | | | | |
| Investment income | 11,719 | 11,110 | (609) | 10,953 |
| Sales of surplus materials and assets | 31,000 | 20,492 | (10,508) | 38,172 |
| Miscellaneous | 165,173 | 79,657 | (85,516) | 226,889 |
| Total | <u>207,892</u> | <u>111,259</u> | <u>(96,633)</u> | <u>276,014</u> |
| Total revenues | <u>19,031,747</u> | <u>19,625,727</u> | <u>593,980</u> | <u>19,474,938</u> |
| Expenditures: | | | | |
| General government | 2,661,535 | 2,666,305 | (4,770) | 1,945,307 |
| Public safety | 10,615,160 | 10,038,704 | 576,456 | 9,635,448 |
| Public services | 2,247,028 | 1,893,308 | 353,720 | 1,437,104 |
| Parks and recreation | 4,209,894 | 4,073,475 | 136,419 | 4,091,888 |
| Community development | 1,904,162 | 1,851,477 | 52,685 | 1,422,543 |
| Total expenditures | <u>21,637,779</u> | <u>20,523,269</u> | <u>1,114,510</u> | <u>18,532,290</u> |
| Revenues over (under) expenditures | <u>(2,606,032)</u> | <u>(897,542)</u> | <u>1,708,490</u> | <u>942,648</u> |
| Other Financing Sources (Uses): | | | | |
| Appropriated fund balance | 998,279 | - | (998,279) | - |
| Transfers in | 1,100,245 | 1,100,085 | (160) | 809,334 |
| Transfers out | (186,816) | (186,951) | (135) | (496,846) |
| Long-term debt issued | 694,324 | 276,180 | (418,144) | 125,972 |
| Total other financing sources (uses): | <u>2,606,032</u> | <u>1,189,314</u> | <u>(1,416,718)</u> | <u>438,460</u> |
| Net change in fund balance | <u>\$ -</u> | <u>291,772</u> | <u>\$ 291,772</u> | <u>1,381,108</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | <u>8,320,420</u> | | <u>6,939,312</u> |
| End of year - June 30 | | <u>\$ 8,612,192</u> | | <u>\$ 8,320,420</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, 2015

| | Governmental Fund Types | | | |
|--|--------------------------------------|--------------------------------------|---|-------------------|
| | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Permanent Fund Temple Israel Perpetual Care Fund | Total |
| Assets: | | | | |
| Cash and investments | \$ 43,304 | \$ 62,726 | \$ 75,299 | \$ 181,329 |
| Receivables | 45,969 | 4,445 | - | 50,414 |
| Restricted cash and investments | 106,877 | 51 | - | 106,928 |
| Notes receivable | 217,086 | - | - | 217,086 |
| Total assets | <u>\$ 413,236</u> | <u>\$ 67,222</u> | <u>\$ 75,299</u> | <u>\$ 555,757</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 6,589 | \$ - | \$ - | \$ 6,589 |
| Due to other funds | 15,371 | 68,325 | - | 83,696 |
| Total liabilities | <u>21,960</u> | <u>68,325</u> | <u>-</u> | <u>90,285</u> |
| Fund Balances: | | | | |
| Non-spendable, not in spendable form: | | | | |
| Notes receivable | 217,086 | - | - | 217,086 |
| Perpetual maintenance | - | - | 75,000 | 75,000 |
| Restricted: | | | | |
| Stabilization by State statute | 45,969 | 4,445 | - | 50,414 |
| Restricted, all other | 106,877 | 51 | 299 | 107,227 |
| Committed | 13,546 | 62,726 | - | 76,272 |
| Assigned | 29,758 | - | - | 29,758 |
| Unassigned | (21,960) | (68,325) | - | (90,285) |
| Total fund balances | <u>391,276</u> | <u>(1,103)</u> | <u>75,299</u> | <u>465,472</u> |
| Total liabilities and fund balances | <u>\$ 413,236</u> | <u>\$ 67,222</u> | <u>\$ 75,299</u> | <u>\$ 555,757</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, 2015**

| | Governmental Fund Types | | | |
|---|---|---|---|-------------------|
| | Nonmajor Special Revenue Funds | Nonmajor Capital Project Funds | Permanent Fund Temple Israel Perpetual Care Fund | Total |
| Revenues: | | | | |
| Intergovernmental revenue | \$ 440,343 | \$ - | \$ - | \$ 440,343 |
| Miscellaneous income | 1,100 | 4,700 | - | 5,800 |
| Interest | 38 | 8 | 85 | 131 |
| Total revenues | <u>441,481</u> | <u>4,708</u> | <u>85</u> | <u>446,274</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 50,250 | - | - | 50,250 |
| Community development | 163,588 | 229,222 | - | 392,810 |
| Cultural and recreation | - | 32,505 | - | 32,505 |
| Total expenditures | <u>213,838</u> | <u>261,727</u> | <u>-</u> | <u>475,565</u> |
| Revenues over (under) expenditures | <u>227,643</u> | <u>(257,019)</u> | <u>85</u> | <u>(29,291)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 3,904 | 80,000 | - | 83,904 |
| Transfers (out) | - | - | (85) | (85) |
| Total other financing sources (uses) | <u>3,904</u> | <u>80,000</u> | <u>(85)</u> | <u>83,819</u> |
| Net change in fund balances | <u>231,547</u> | <u>(177,019)</u> | <u>-</u> | <u>54,528</u> |
| Fund Balances: | | | | |
| Beginning of year - July 1 | (65,079) | 175,916 | 75,299 | 186,136 |
| Restatement | <u>224,808</u> | <u>-</u> | <u>-</u> | <u>224,808</u> |
| Beginning of year - July 1, as restated | <u>159,729</u> | <u>175,916</u> | <u>75,299</u> | <u>410,944</u> |
| End of year - June 30 | <u>\$ 391,276</u> | <u>\$ (1,103)</u> | <u>\$ 75,299</u> | <u>\$ 465,472</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 account 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.

2010 Bullet Proof 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.

2012 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 GCC 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.

Bullet Proof Vest Partnership 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.

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.

CDBG Catalyst Grant - Kinston Slum and Blight Elimination Initiative– This fund accounts for monies used for expenditures relating to demolition of blighted properties along the Martin Luther King, Jr. Corridor.

GCC Body Camera Project – This fund accounts for monies used for expenditures relating to the purchase of body cameras to be utilized by uniformed patrol officers to enhance their ability to document actual scene involvements.

2013 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.

2014 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.

GCC 2015 Operations No Boundaries Grant – This fund accounts for monies used for developing a systematic and sustained approach focused to reduce violent gang crime through comprehensive approach combining enforcement with prevention and deterrence efforts, coordinated program between enforcement, deterrence and prevention efforts and community-based in nature allowing for flexibility to implement best practices for the local area and citizenry concerns..

EPA Brownfields Assessment and Cleanup - This fund accounts for monies used to conduct community-wide assessments at Brownfields sites potentially contaminated with hazardous substances on potential development sites in Kinston with a primary focus on redevelopment along the Dr. Martin Luther King, Jr. Corridor.

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

| | Community Development Administration | 2009 Governor's Crime Commission Grant | 2010 Bulletproof Vest Partnership Grant (BVP) | 2010 JAG Recover Act Relief Project | 2011 Edward Byrne Memorial JAG Grant | 2012 Edward Byrne Memorial JAG Grant | 2011 PSN GCC Crossing Boundaries Project |
|--|--|--|---|--|--|--|--|
| Assets: | | | | | | | |
| Cash and investments | \$ 29,758 | \$ 8,815 | \$ 308 | \$ - | \$ - | \$ - | \$ - |
| Accounts receivable | 38,963 | - | - | - | - | - | - |
| Notes receivable | 217,086 | - | - | - | - | - | - |
| Restricted cash and investments | - | - | - | 767 | - | 909 | - |
| Total assets | <u>\$ 285,807</u> | <u>\$ 8,815</u> | <u>\$ 308</u> | <u>\$ 767</u> | <u>\$ -</u> | <u>\$ 909</u> | <u>\$ -</u> |
| Liabilities and Fund Balances: | | | | | | | |
| Liabilities: | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ 115 | \$ - | \$ 343 |
| Accounts payable and accrued liabilities | - | - | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>115</u> | <u>-</u> | <u>343</u> |
| Fund Balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Notes receivable | 217,086 | - | - | - | - | - | - |
| Restricted: | | | | | | | |
| Stabilization by State statute | 38,963 | - | - | - | - | - | - |
| Restricted, all other | - | - | - | 767 | - | 909 | - |
| Committed | - | 8,815 | 308 | - | - | - | - |
| Assigned | 29,758 | - | - | - | - | - | - |
| Unassigned | - | - | - | - | (115) | - | (343) |
| Total fund balances (deficit) | <u>285,807</u> | <u>8,815</u> | <u>308</u> | <u>767</u> | <u>(115)</u> | <u>909</u> | <u>(343)</u> |
| Total liabilities and fund balances | <u>\$ 285,807</u> | <u>\$ 8,815</u> | <u>\$ 308</u> | <u>\$ 767</u> | <u>\$ -</u> | <u>\$ 909</u> | <u>\$ -</u> |

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

| | 2009 PSN GCC Project 61 | Bulletproof Vest Partnership Grant | Hurricane Irene - FEMA - 4019-DR-NC | GCC Body Camera Project Fund | 2014 Edward Byrne Memorial JAG Grant | GCC 2015 Operation No Boundaries Grant | Brownfields EPA Grant | Total |
|--|----------------------------------|---|---|------------------------------------|--|--|--------------------------|-------------------|
| Assets: | | | | | | | | |
| Cash and investments | \$ - | \$ 4,423 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 43,304 |
| Accounts receivable | - | 728 | - | - | 2,257 | 3,920 | 101 | 45,969 |
| Notes receivable | - | - | - | - | - | - | - | 217,086 |
| Restricted cash and investments | 28,100 | - | 77,003 | 98 | - | - | - | 106,877 |
| Total assets | <u>\$ 28,100</u> | <u>\$ 5,151</u> | <u>\$ 77,003</u> | <u>\$ 98</u> | <u>\$ 2,257</u> | <u>\$ 3,920</u> | <u>\$ 101</u> | <u>\$ 413,236</u> |
| Liabilities and Fund Balances: | | | | | | | | |
| Liabilities: | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ 2,257 | \$ 3,920 | \$ 8,736 | \$ 15,371 |
| Accounts payable and accrued liabilities | - | - | - | - | - | - | 6,589 | 6,589 |
| Total liabilities | - | - | - | - | 2,257 | 3,920 | 15,325 | 21,960 |
| Fund Balances: | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Notes receivable | - | - | - | - | - | - | - | 217,086 |
| Restricted: | | | | | | | | |
| Stabilization by State statute | - | 728 | - | - | 2,257 | 3,920 | 101 | 45,969 |
| Restricted, all other | 28,100 | - | 77,003 | 98 | - | - | - | 106,877 |
| Committed | - | 4,423 | - | - | - | - | - | 13,546 |
| Assigned | - | - | - | - | - | - | - | 29,758 |
| Unassigned | - | - | - | - | (2,257) | (3,920) | (15,325) | (21,960) |
| Total fund balances (deficit) | <u>28,100</u> | <u>5,151</u> | <u>77,003</u> | <u>98</u> | <u>-</u> | <u>-</u> | <u>(15,224)</u> | <u>391,276</u> |
| Total liabilities and fund balances | <u>\$ 28,100</u> | <u>\$ 5,151</u> | <u>\$ 77,003</u> | <u>\$ 98</u> | <u>\$ 2,257</u> | <u>\$ 3,920</u> | <u>\$ 101</u> | <u>\$ 413,236</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, 2015

| | Community Development Administration | 2009 Governor's Crime Commission Grant | 2010 Bulletproof Vest Partnership Grant (BVP) | 2010 JAG Recovery Act Relief Project | 2011 Edward Byrne Memorial JAG Grant | 2012 Edward Byrne Memorial JAG Grant | 2011 PSN GCC Crossing Boundaries Project |
|---|--|--|---|--|--|--|--|
| Revenues: | | | | | | | |
| Restricted: | | | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous revenue | 1,100 | - | - | - | - | - | - |
| Investment earnings | 38 | - | - | - | - | - | - |
| Total revenues | 1,138 | - | - | - | - | - | - |
| Expenditures: | | | | | | | |
| Community development | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | - | - | - |
| Revenues over (under) expenditures | 1,138 | - | - | - | - | - | - |
| Other Financing Sources (Uses): | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - |
| Net change in fund balances | 1,138 | - | - | - | - | - | - |
| Fund Balances: | | | | | | | |
| Beginning of year - July 1 | 59,861 | 8,815 | 308 | 767 | (115) | 909 | (343) |
| Restatement | 224,808 | - | - | - | - | - | - |
| Beginning of year - July 1, as restated | 284,669 | 8,815 | 308 | 767 | (115) | 909 | (343) |
| End of year - June 30 | \$ 285,807 | \$ 8,815 | \$ 308 | \$ 767 | \$ (115) | \$ 909 | \$ (343) |

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, 2015

| | 2009 PSN GCC Project 61 | Bulletproof Vest Partnership Grant | Hurricane Irene - FEMA - 4019-DR-NC | CDBG Catalyst Grant-Kinston Slum and Blight Elimination Initiative Fund | GCC Body Camera Project Fund | 2014 Edward Byrne Memorial JAG Grant | GCC 2015 Operation No Boundaries Grant | Brownfields EPA Grant | Total |
|---|----------------------------------|---|---|---|---------------------------------------|--|--|--------------------------|------------|
| Revenues: | | | | | | | | | |
| Restricted: | | | | | | | | | |
| Intergovernmental revenue | \$ - | \$ 1,930 | \$ 265,016 | \$ 100,000 | \$ - | \$ 35,459 | \$ 3,920 | \$ 34,018 | \$ 440,343 |
| Miscellaneous revenue | - | - | - | - | - | - | - | - | 1,100 |
| Investment earnings | - | - | - | - | - | - | - | - | 38 |
| Total revenues | - | 1,930 | 265,016 | 100,000 | - | 35,459 | 3,920 | 34,018 | 441,481 |
| Expenditures: | | | | | | | | | |
| Community development | - | - | - | 114,346 | - | - | - | 49,242 | 163,588 |
| Public safety | - | 10,871 | - | - | - | 35,459 | 3,920 | - | 50,250 |
| Total expenditures | - | 10,871 | - | 114,346 | - | 35,459 | 3,920 | 49,242 | 213,838 |
| Revenues over (under) expenditures | - | (8,941) | 265,016 | (14,346) | - | - | - | (15,224) | 227,643 |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | - | 3,904 | - | - | - | - | - | - | 3,904 |
| Total other financing sources (uses) | - | 3,904 | - | - | - | - | - | - | 3,904 |
| Net change in fund balances | - | (5,037) | 265,016 | (14,346) | - | - | - | (15,224) | 231,547 |
| Fund Balances: | | | | | | | | | |
| Beginning of year - July 1 | 28,100 | 10,188 | (188,013) | 14,346 | 98 | - | - | - | (65,079) |
| Restatement | - | - | - | - | - | - | - | - | 224,808 |
| Beginning of year - July 1, as restated | 28,100 | 10,188 | (188,013) | 14,346 | 98 | - | - | - | 159,729 |
| End of year - June 30 | \$ 28,100 | \$ 5,151 | \$ 77,003 | \$ - | \$ 98 | \$ - | \$ - | \$ (15,224) | \$ 391,276 |

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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|---|----------------|-------------------|--------------------------------|------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Revenues: | | | | |
| Loan repayments | \$ 7,722 | \$ 7,722 | \$ - | \$ 7,914 |
| Other revenue | 1,000 | 1,100 | 100 | 1,300 |
| Investment earnings | 15 | 38 | 23 | 17 |
| Total revenues | <u>8,737</u> | <u>8,860</u> | <u>123</u> | <u>9,231</u> |
| Revenues over (under) expenditures | <u>8,737</u> | <u>8,860</u> | <u>123</u> | <u>9,231</u> |
| Other Financing Sources (Uses): | | | | |
| Transfer (out) | <u>(8,737)</u> | <u>-</u> | <u>8,737</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(8,737)</u> | <u>-</u> | <u>8,737</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>8,860</u> | <u>\$ 8,860</u> | <u>9,231</u> |
| Reconciliation from Budgetary Basis to Modified Accrual Basis: | | | | |
| Current year loan repayments | | <u>(7,722)</u> | | <u>-</u> |
| Net change in fund balance - modified accrual basis | | <u>1,138</u> | | <u>-</u> |
| Fund Balance: | | | | |
| Beginning of year - July 1 | | 59,861 | | 50,630 |
| Restatement | | <u>224,808</u> | | <u>-</u> |
| Beginning of year - July 1, as restated | | <u>284,669</u> | | <u>50,630</u> |
| End of year - June 30 | | <u>\$ 285,807</u> | | <u>\$ 59,861</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, 2015

| | | 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 | 102,876 | - | 102,876 | 4,141 |
| Administration | 26,824 | 14,311 | - | 14,311 | 12,513 |
| Total expenditures | <u>133,841</u> | <u>117,187</u> | <u>-</u> | <u>117,187</u> | <u>16,654</u> |
| Revenues over (under) expenditures | <u>(33,460)</u> | <u>(24,641)</u> | <u>-</u> | <u>(24,641)</u> | <u>8,819</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in (out) | 33,460 | 33,456 | - | 33,456 | (4) |
| Total other financing sources (uses) | <u>33,460</u> | <u>33,456</u> | <u>-</u> | <u>33,456</u> | <u>(4)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 8,815</u> | <u>-</u> | <u>\$ 8,815</u> | <u>\$ 8,815</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>8,815</u> | | |
| End of year - June 30 | | | <u>\$ 8,815</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, 2015

| | Project Authorization | Actual | | | Variance Over/Under |
|--|--------------------------|----------------|-----------------|------------------|------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Restricted intergovernmental revenue, federal grant | \$ 11,879 | \$ 11,879 | \$ - | \$ 11,879 | \$ - |
| Total revenues | 11,879 | 11,879 | - | 11,879 | - |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | 23,757 | 23,449 | - | 23,449 | 308 |
| Total expenditures | 23,757 | 23,449 | - | 23,449 | 308 |
| Revenues over (under) expenditures | (11,878) | (11,570) | - | (11,570) | 308 |
| 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 | \$ - | \$ 308 | - | \$ 308 | \$ 308 |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | 308 | | |
| End of year - June 30 | | | \$ 308 | | |

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, 2015

| | | <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, federal grant | \$ 51,973 | \$ 49,230 | \$ - | \$ 49,230 | \$ (2,743) |
| Total revenues | <u>51,973</u> | <u>49,230</u> | <u>-</u> | <u>49,230</u> | <u>(2,743)</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | <u>51,973</u> | <u>48,463</u> | <u>-</u> | <u>48,463</u> | <u>3,510</u> |
| Total expenditures | <u>51,973</u> | <u>48,463</u> | <u>-</u> | <u>48,463</u> | <u>3,510</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 767</u> | <u>-</u> | <u>\$ 767</u> | <u>\$ 767</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>767</u> | | |
| End of year - June 30 | | | <u>\$ 767</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, 2015

| | | <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, federal grant | \$ 46,478 | \$ 46,477 | \$ - | \$ 46,477 | \$ (1) |
| Total revenues | <u>46,478</u> | <u>46,477</u> | <u>-</u> | <u>46,477</u> | <u>(1)</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | <u>46,478</u> | <u>46,592</u> | <u>-</u> | <u>46,592</u> | <u>(114)</u> |
| Total expenditures | <u>46,478</u> | <u>46,592</u> | <u>-</u> | <u>46,592</u> | <u>(114)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (115)</u> | <u>-</u> | <u>\$ (115)</u> | <u>\$ (115)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>(115)</u> | | |
| End of year - June 30 | | | <u>\$ (115)</u> | | |

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2012 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, 2015

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, federal grant | \$ 35,775 | \$ 35,776 | \$ - | \$ 35,776 | \$ 1 |
| Total revenues | <u>35,775</u> | <u>35,776</u> | <u>-</u> | <u>35,776</u> | <u>1</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | 35,775 | 34,867 | - | 34,867 | 908 |
| Total expenditures | <u>35,775</u> | <u>34,867</u> | <u>-</u> | <u>34,867</u> | <u>908</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 909</u> | <u>-</u> | <u>\$ 909</u> | <u>\$ 909</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>909</u> | | |
| End of year - June 30 | | | <u><u>\$ 909</u></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, 2015

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, State grants | \$ 10,000 | \$ 3,711 | \$ - | \$ 3,711 | \$ (6,289) |
| Total revenues | <u>10,000</u> | <u>3,711</u> | <u>-</u> | <u>3,711</u> | <u>(6,289)</u> |
| Expenditures: | | | | | |
| Community Development | | | | | |
| Grant expenses | <u>10,000</u> | <u>4,054</u> | <u>-</u> | <u>4,054</u> | <u>5,946</u> |
| Total expenditures | <u>10,000</u> | <u>4,054</u> | <u>-</u> | <u>4,054</u> | <u>5,946</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (343)</u> | <u>-</u> | <u>\$ (343)</u> | <u>\$ (343)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>(343)</u> | | |
| End of year - June 30 | | | <u><u>\$ (343)</u></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, 2015

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

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - BULLET PROOF VEST PARTNERSHIP GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, State grants | \$ 26,857 | \$ 12,695 | \$ 1,930 | \$ 14,625 | \$ (12,232) |
| Total revenues | <u>26,857</u> | <u>12,695</u> | <u>1,930</u> | <u>14,625</u> | <u>(12,232)</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | 53,715 | 25,462 | 10,871 | 36,333 | 17,382 |
| Total expenditures | <u>53,715</u> | <u>25,462</u> | <u>10,871</u> | <u>36,333</u> | <u>17,382</u> |
| Revenues over (under) expenditures | <u>(26,858)</u> | <u>(12,767)</u> | <u>(8,941)</u> | <u>(21,708)</u> | <u>5,150</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 26,858 | 22,955 | 3,904 | 26,859 | 1 |
| Total other financing sources (uses) | <u>26,858</u> | <u>22,955</u> | <u>3,904</u> | <u>26,859</u> | <u>1</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 10,188</u> | <u>(5,037)</u> | <u>\$ 5,151</u> | <u>\$ 5,151</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>10,188</u> | | |
| End of year - June 30 | | | <u>\$ 5,151</u> | | |

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, 2015

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, | | | | | |
| FEMA grant | \$ 1,930,463 | \$ 1,591,462 | \$ 265,016 | \$ 1,856,478 | \$ (73,985) |
| Total revenues | <u>1,930,463</u> | <u>1,591,462</u> | <u>265,016</u> | <u>1,856,478</u> | <u>(73,985)</u> |
| Expenditures: | | | | | |
| Community Development: | | | | | |
| City-wide emergency protective measures | 57,021 | 47,128 | - | 47,128 | 9,893 |
| Traffic signals | 90 | 15 | - | 15 | 75 |
| Sidewalks, curbs, and gutters | 35,553 | 50,144 | - | 50,144 | (14,591) |
| 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 | 25,806 | - | 25,806 | 10,540 |
| Lovitt Hines Center | 1,611 | 1,461 | - | 1,461 | 150 |
| Garbage and recycle carts | 1,200 | 1,200 | - | 1,200 | - |
| 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 | 35,628 | - | 35,628 | (6,485) |
| 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 | 3,129 | - | 3,129 | - |
| Emergency protective measures | 137,297 | 140,447 | - | 140,447 | (3,150) |
| Street signs | 2,316 | 2,725 | - | 2,725 | (409) |
| Power system | 1,072,231 | 1,069,666 | - | 1,069,666 | 2,565 |
| Hillcrest subdivision sewage systems | 1,221 | 1,680 | - | 1,680 | (459) |
| Fire Station #3, quarters and engine bay | 11,900 | 11,900 | - | 11,900 | - |
| Public safety building, city hall | 1,342 | 1,342 | - | 1,342 | - |
| Water operations | 6,504 | 4,160 | - | 4,160 | 2,344 |
| Maplewood cemetery | 2,482 | 2,482 | - | 2,482 | - |
| Southeast Elementary School | 8,056 | 15,253 | - | 15,253 | (7,197) |
| City-wide debris removal | 488,109 | 331,369 | - | 331,369 | 156,740 |
| Total expenditures | <u>1,930,463</u> | <u>1,779,475</u> | <u>-</u> | <u>1,779,475</u> | <u>150,988</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (188,013)</u> | 265,016 | <u>\$ 77,003</u> | <u>\$ 77,003</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | (188,013) | | |
| End of year - June 30 | | | <u>\$ 77,003</u> | | |

CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - CDBG CATALYST GRANT - KINSTON SLUM
AND BLIGHT ELIMINATION INITIATIVE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Federal grants | \$ 100,000 | \$ - | \$ 100,000 | \$ 100,000 | \$ - |
| Total revenues | <u>100,000</u> | <u>-</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Expenditures: | | | | | |
| Community Development: | | | | | |
| Demolition | 112,500 | 10,654 | 101,846 | 112,500 | - |
| Planning | 2,500 | - | 2,500 | 2,500 | - |
| Administration | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| Total expenditures | <u>125,000</u> | <u>10,654</u> | <u>114,346</u> | <u>125,000</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>(25,000)</u> | <u>(10,654)</u> | <u>(14,346)</u> | <u>(25,000)</u> | <u>-</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | <u>25,000</u> | <u>25,000</u> | <u>-</u> | <u>25,000</u> | <u>-</u> |
| Total other financing sources (uses) | <u>25,000</u> | <u>25,000</u> | <u>-</u> | <u>25,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 14,346</u> | <u>(14,346)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>14,346</u> | | |
| End of year - June 30 | | | <u>\$ -</u> | | |

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - GCC BODY CAMERA PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|---|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, State grants | \$ 10,069 | \$ 10,069 | \$ - | \$ 10,069 | \$ - |
| Total revenues | 10,069 | 10,069 | - | 10,069 | - |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | 13,425 | 13,327 | - | 13,327 | 98 |
| Total expenditures | 13,425 | 13,327 | - | 13,327 | 98 |
| Revenues over (under) expenditures | (3,356) | (3,258) | - | (3,258) | 98 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 3,356 | 3,356 | - | 3,356 | - |
| Total other financing sources | 3,356 | 3,356 | - | 3,356 | - |
| Net change in fund balance | \$ - | \$ 98 | - | \$ 98 | \$ 98 |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | 98 | | |
| End of year - June 30 | | | \$ 98 | | |

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2013 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, 2015

| | Project Authorization | Prior Years | Actual Current Year | Total to Date | Variance Over/Under |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, federal grant | \$ 34,181 | \$ 17,091 | \$ - | \$ 17,091 | \$ (17,090) |
| Total revenues | <u>34,181</u> | <u>17,091</u> | <u>-</u> | <u>17,091</u> | <u>(17,090)</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | <u>34,181</u> | <u>17,091</u> | <u>-</u> | <u>17,091</u> | <u>17,090</u> |
| Total expenditures | <u>34,181</u> | <u>17,091</u> | <u>-</u> | <u>17,091</u> | <u>17,090</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>\$ -</u></u> | | |

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - 2014 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, 2015

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Over/Under</u> |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, federal grant | \$ 35,459 | \$ - | \$ 35,459 | \$ 35,459 | \$ - |
| Total revenues | <u>35,459</u> | <u>-</u> | <u>35,459</u> | <u>35,459</u> | <u>-</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Law enforcement supplies | <u>35,459</u> | <u>-</u> | <u>35,459</u> | <u>35,459</u> | <u>-</u> |
| Total expenditures | <u>35,459</u> | <u>-</u> | <u>35,459</u> | <u>35,459</u> | <u>-</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>\$ -</u></u> | | |

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - GCC 2015 OPERATION NO BOUNDARIES GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Actual Current Year</u> | <u>Total to Date</u> | <u>Variance Over/Under</u> |
|--|----------------------------------|------------------------|------------------------------------|--------------------------|--------------------------------|
| Revenues: | | | | | |
| Restricted intergovernmental revenue, federal grant | \$ 25,000 | \$ - | \$ 3,920 | \$ 3,920 | \$ (21,080) |
| Total revenues | <u>25,000</u> | <u>-</u> | <u>3,920</u> | <u>3,920</u> | <u>(21,080)</u> |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Grant expenses | <u>25,000</u> | <u>-</u> | <u>3,920</u> | <u>3,920</u> | <u>21,080</u> |
| Total expenditures | <u>25,000</u> | <u>-</u> | <u>3,920</u> | <u>3,920</u> | <u>21,080</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> | | |

CITY OF KINSTON, NORTH CAROLINA

SPECIAL REVENUE FUNDS - BROWNFIELDS EPA GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | Project | Actual | | | Variance |
|-------------------------------|----------------------|---------------|--------------------|--------------------|--------------------|
| | Authorization | Prior | Current | Total to | Over/Under |
| | | Years | Year | Date | |
| Revenues: | | | | | |
| Federal grants | \$ 400,000 | \$ - | \$ 34,018 | \$ 34,018 | \$ (365,982) |
| Total revenues | <u>400,000</u> | <u>-</u> | <u>34,018</u> | <u>34,018</u> | <u>(365,982)</u> |
| Expenditures: | | | | | |
| Community Development: | | | | | |
| Travel | 7,000 | - | 1,896 | 1,896 | 5,104 |
| Supplies | 3,000 | - | 1,596 | 1,596 | 1,404 |
| Contractual - EPA Assessment | 195,000 | - | 31,674 | 31,674 | 163,326 |
| Contractual - EPA Petroleum | <u>195,000</u> | <u>-</u> | <u>14,076</u> | <u>14,076</u> | <u>180,924</u> |
| Total expenditures | <u>400,000</u> | <u>-</u> | <u>49,242</u> | <u>49,242</u> | <u>350,758</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | (15,224) | <u>\$ (15,224)</u> | <u>\$ (15,224)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>-</u> | | |
| End of year - June 30 | | | <u>\$ (15,224)</u> | | |

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NONMAJOR CAPITAL PROJECT FUNDS

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

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 II Capital Project 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.

National Endowment for the Arts (NEA) Our Town Grant – This fund accounts for monies used for expenditures relating to the planning and design for the music park at Sugar Hill, a focal point of the African American Music Trail. The project will help increase connectivity between existing cultural points related to the African American Music Trail and create a link to the SmART District.

College Street Railroad Crossing Project – This fund accounts for funds received from the NC Department of Transportation, NC Railroad Company and Norfolk Southern Railway for various mitigation projects in the College Street and surrounding downtown area due to the closing of the College Street Railroad Crossing.

Riverwalk Phase I – This fund accounts for expenditures relating to the construction costs of a multiuse path along the Neuse River funded by a grant from the Federal Highway Administration through the NC Department of Transportation.

General Fund Small Projects – This fund accounts for various small construction projects in the General Fund that extend beyond a fiscal year to be completed between FY2015 and FY2020. Currently small projects include the Dragon Park at Pearson Park and the Joel Smith Disc Golf Course.

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

| | <u>Retro- Green</u> | <u>Train Depot</u> | <u>Battlefield Parkway/ Soccer Complex</u> | <u>Capital Reserve Fund</u> | <u>New Fire Station #3</u> | <u>Martin Luther King Jr. Blvd. Enhancement</u> |
|---------------------------------------|-------------------------|------------------------|--|-------------------------------------|--------------------------------|---|
| Assets: | | | | | | |
| Cash and investments | \$ 8,250 | \$ - | \$ - | \$ 6,825 | \$ - | \$ 31,829 |
| Accounts receivable | - | - | - | 34 | - | - |
| Restricted cash and investments | - | 51 | - | - | - | - |
| Total assets | <u>\$ 8,250</u> | <u>\$ 51</u> | <u>\$ -</u> | <u>\$ 6,859</u> | <u>\$ -</u> | <u>\$ 31,829</u> |
| Liabilities and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Due to other funds | \$ - | \$ - | \$ 3,488 | \$ - | \$ 19 | \$ - |
| Total liabilities | - | - | 3,488 | - | 19 | - |
| Fund Balance: | | | | | | |
| Restricted: | | | | | | |
| Stabilization by State statute | - | - | - | 34 | - | - |
| Restricted, all other | - | 51 | - | - | - | - |
| Committed | 8,250 | - | - | 6,825 | - | 31,829 |
| Unassigned | - | - | (3,488) | - | (19) | - |
| Total fund balances | <u>8,250</u> | <u>51</u> | <u>(3,488)</u> | <u>6,859</u> | <u>(19)</u> | <u>31,829</u> |
| Total liabilities and fund balances | <u>\$ 8,250</u> | <u>\$ 51</u> | <u>\$ -</u> | <u>\$ 6,859</u> | <u>\$ -</u> | <u>\$ 31,829</u> |

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

| | Heritage St. Improvements | CWMTF Flood Buy-Out II | NEA Our Town Fund | College Street Railroad Crossing Project | General Fund Small Projects | Total |
|---------------------------------------|------------------------------|------------------------------|----------------------|---|--------------------------------------|------------------|
| Assets: | | | | | | |
| Cash and investments | \$ 11,122 | \$ - | \$ - | \$ - | \$ 4,700 | \$ 62,726 |
| Accounts receivable | - | - | - | 4,411 | - | 4,445 |
| Restricted cash and investments | - | - | - | - | - | 51 |
| Total assets | <u>\$ 11,122</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,411</u> | <u>\$ 4,700</u> | <u>\$ 67,222</u> |
| Liabilities and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Due to other funds | \$ - | \$ 20,680 | \$ 32,505 | \$ 11,633 | \$ - | \$ 68,325 |
| Total liabilities | <u>-</u> | <u>20,680</u> | <u>32,505</u> | <u>11,633</u> | <u>-</u> | <u>68,325</u> |
| Fund Balance: | | | | | | |
| Restricted: | | | | | | |
| Stabilization by State statute | - | - | - | 4,411 | - | 4,445 |
| Restricted, all other | - | - | - | - | - | 51 |
| Committed | 11,122 | - | - | - | 4,700 | 62,726 |
| Unassigned | - | (20,680) | (32,505) | (11,633) | - | (68,325) |
| Total fund balances | <u>11,122</u> | <u>(20,680)</u> | <u>(32,505)</u> | <u>(7,222)</u> | <u>4,700</u> | <u>(1,103)</u> |
| Total liabilities and fund balances | <u>\$ 11,122</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,411</u> | <u>\$ 4,700</u> | <u>\$ 67,222</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, 2015**

| | Retro- Green | Train Depot | Battlefield Parkway/ Soccer Complex | Capital Reserve Fund | New Fire Station #3 | Martin Luther King Jr. Blvd. Enhancement |
|--|-------------------------|------------------------|--|-------------------------------------|--------------------------------|---|
| Revenues: | | | | | | |
| Interest income | \$ - | \$ - | \$ - | \$ 8 | \$ - | \$ - |
| Miscellaneous revenues | - | - | - | - | - | - |
| Total revenues | - | - | - | 8 | - | - |
| Expenditures: | | | | | | |
| Cultural and recreation | - | - | - | - | - | - |
| Community development | - | - | - | - | - | - |
| Total expenditures | - | - | - | - | - | - |
| Revenues over (under) expenditures | - | - | - | 8 | - | - |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balances | - | - | - | 8 | - | - |
| Fund Balances: | | | | | | |
| Beginning of year - July 1 | 8,250 | 51 | (3,488) | 6,851 | (19) | 31,829 |
| End of year - June 30 | <u>\$ 8,250</u> | <u>\$ 51</u> | <u>\$ (3,488)</u> | <u>\$ 6,859</u> | <u>\$ (19)</u> | <u>\$ 31,829</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, 2015

| | Heritage St. Improvements | CWMTF Flood Buy-Out II | NEA Our Town Fund | College Street Railroad Crossing Project | General Fund Small Projects | Total |
|--|------------------------------|------------------------------|----------------------|---|--------------------------------------|-------------------|
| Revenues: | | | | | | |
| Interest income | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8 |
| Miscellaneous revenues | - | - | - | - | 4,700 | 4,700 |
| Total revenues | - | - | - | - | 4,700 | 4,708 |
| Expenditures: | | | | | | |
| Cultural and recreation | - | - | 32,505 | - | - | 32,505 |
| Community development | - | - | - | 229,222 | - | 229,222 |
| Total expenditures | - | - | 32,505 | 229,222 | - | 261,727 |
| Revenues over (under) expenditures | - | - | (32,505) | (229,222) | 4,700 | (257,019) |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | - | - | - | 80,000 | - | 80,000 |
| Total other financing sources (uses) | - | - | - | 80,000 | - | 80,000 |
| Net change in fund balances | - | - | (32,505) | (149,222) | 4,700 | (177,019) |
| Fund Balances: | | | | | | |
| Beginning of year - July 1 | 11,122 | (20,680) | - | 142,000 | - | 175,916 |
| End of year - June 30 | <u>\$ 11,122</u> | <u>\$ (20,680)</u> | <u>\$ (32,505)</u> | <u>\$ (7,222)</u> | <u>\$ 4,700</u> | <u>\$ (1,103)</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, 2015

| | | Actual | | | |
|---------------------------------|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| Miscellaneous grants | \$ 25,000 | \$ - | \$ - | \$ - | \$ (25,000) |
| Miscellaneous revenues | 20,000 | 8,450 | - | 8,450 | (11,550) |
| Total revenues | <u>45,000</u> | <u>8,450</u> | <u>-</u> | <u>8,450</u> | <u>(36,550)</u> |
| Expenditures: | | | | | |
| Cultural and Recreation: | | | | | |
| Capital outlay | 45,000 | 200 | - | 200 | 44,800 |
| Total expenditures | <u>45,000</u> | <u>200</u> | <u>-</u> | <u>200</u> | <u>44,800</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 8,250</u> | <u>-</u> | <u>\$ 8,250</u> | <u>\$ 8,250</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>8,250</u> | | |
| End of year - June 30 | | | <u>\$ 8,250</u> | | |

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | <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>314,949</u> | <u>-</u> | <u>314,949</u> | <u>51</u> |
| Total expenditures | <u>315,000</u> | <u>314,949</u> | <u>-</u> | <u>314,949</u> | <u>51</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 51</u> | <u>-</u> | <u>\$ 51</u> | <u>\$ 51</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>51</u> | | |
| End of year - June 30 | | | <u>\$ 51</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, 2015

| | | <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 | \$ 143,000 | \$ 137,696 | \$ - | \$ 137,696 | \$ (5,304) |
| Miscellaneous revenues | <u>571</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(571)</u> |
| Total revenues | <u>143,571</u> | <u>137,696</u> | <u>-</u> | <u>137,696</u> | <u>(5,875)</u> |
| Expenditures: | | | | | |
| Cultural and recreation: | | | | | |
| Capital outlay | <u>150,000</u> | <u>147,613</u> | <u>-</u> | <u>147,613</u> | <u>2,387</u> |
| Total expenditures | <u>150,000</u> | <u>147,613</u> | <u>-</u> | <u>147,613</u> | <u>2,387</u> |
| Revenues over (under) expenditures | <u>(6,429)</u> | <u>(9,917)</u> | <u>-</u> | <u>(9,917)</u> | <u>(3,488)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | <u>6,429</u> | <u>6,429</u> | <u>-</u> | <u>6,429</u> | <u>-</u> |
| Total other financing sources (uses) | <u>6,429</u> | <u>6,429</u> | <u>-</u> | <u>6,429</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (3,488)</u> | <u>-</u> | <u>\$ (3,488)</u> | <u>\$ (3,488)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>(3,488)</u> | | |
| End of year - June 30 | | | <u>\$ (3,488)</u> | | |

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|----------------------------|---------------|-----------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 8 | \$ 8 |
| Total revenues | - | 8 | 8 |
| Net change in fund balance | \$ - | 8 | \$ 8 |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>6,851</u> | |
| End of year - June 30 | | <u>\$ 6,859</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, 2015

| | | Actual | | | |
|--|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| State grants | \$ 187,500 | \$ 187,500 | \$ - | \$ 187,500 | \$ - |
| Investment earnings | 522 | 523 | - | 523 | 1 |
| Total revenues | 188,022 | 188,023 | - | 188,023 | 1 |
| Expenditures: | | | | | |
| Public Safety: | | | | | |
| Construction costs | 1,481,840 | 1,481,860 | - | 1,481,860 | (20) |
| Total expenditures | 1,481,840 | 1,481,860 | - | 1,481,860 | (20) |
| Revenues over (under) expenditures | (1,293,818) | (1,293,837) | - | (1,293,837) | (19) |
| Other Financing Sources (Uses): | | | | | |
| Debt issued | 1,062,500 | 1,062,500 | - | 1,062,500 | - |
| Transfer from General Fund | 231,318 | 231,318 | - | 231,318 | - |
| Total other financing sources (uses) | 1,293,818 | 1,293,818 | - | 1,293,818 | - |
| Net change in fund balance | \$ - | \$ (19) | - | \$ (19) | \$ (19) |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | (19) | | |
| End of year - June 30 | | | \$ (19) | | |

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, 2015

| | | <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 | \$ 475,000 | \$ 464,388 | \$ - | \$ 464,388 | \$ (10,612) |
| Total revenues | <u>475,000</u> | <u>464,388</u> | <u>-</u> | <u>464,388</u> | <u>(10,612)</u> |
| Expenditures: | | | | | |
| Community Development: | | | | | |
| Construction costs | <u>545,000</u> | <u>502,559</u> | <u>-</u> | <u>502,559</u> | <u>42,441</u> |
| Total expenditures | <u>545,000</u> | <u>502,559</u> | <u>-</u> | <u>502,559</u> | <u>42,441</u> |
| Revenues over (under) expenditures | <u>(70,000)</u> | <u>(38,171)</u> | <u>-</u> | <u>(38,171)</u> | <u>31,829</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>\$ 31,829</u> | <u>-</u> | <u>\$ 31,829</u> | <u>\$ 31,829</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>31,829</u> | | |
| End of year - June 30 | | | <u>\$ 31,829</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, 2015

| | | <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 | \$ 200,000 | \$ 197,079 | \$ - | \$ 197,079 | \$ (2,921) |
| Miscellaneous revenues | 500 | - | - | - | (500) |
| Total revenues | <u>200,500</u> | <u>197,079</u> | <u>-</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>(23,878)</u> | <u>-</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>\$ 11,122</u> | <u>-</u> | <u>\$ 11,122</u> | <u>\$ 11,122</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>11,122</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, 2015

| | | Actual | | | |
|--|---|-------------------------------|--------------------------------|---------------------------------|---------------------------------------|
| | <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 | \$ 125,343 | \$ 36,549 | \$ - | \$ 36,549 | \$ (88,794) |
| Total revenues | <u>125,343</u> | <u>36,549</u> | <u>-</u> | <u>36,549</u> | <u>(88,794)</u> |
| Expenditures: | | | | | |
| Cultural and recreation: | | | | | |
| Professional services | 186,434 | 83,647 | - | 83,647 | 102,787 |
| Total expenditures | <u>186,434</u> | <u>83,647</u> | <u>-</u> | <u>83,647</u> | <u>102,787</u> |
| Revenues over (under) expenditures | <u>(61,091)</u> | <u>(47,098)</u> | <u>-</u> | <u>(47,098)</u> | <u>13,993</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 61,091 | 26,418 | - | 26,418 | (34,673) |
| Total other financing sources (uses) | <u>61,091</u> | <u>26,418</u> | <u>-</u> | <u>26,418</u> | <u>(34,673)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (20,680)</u> | <u>-</u> | <u>\$ (20,680)</u> | <u>\$ (20,680)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>(20,680)</u> | | |
| End of year - June 30 | | | <u>\$ (20,680)</u> | | |

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - NEA OUR TOWN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | <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 and State grants | \$ 140,000 | \$ 107,495 | \$ - | \$ 107,495 | \$ (32,505) |
| Total revenues | <u>140,000</u> | <u>107,495</u> | <u>-</u> | <u>107,495</u> | <u>(32,505)</u> |
| Expenditures: | | | | | |
| Cultural and recreation: | | | | | |
| African American Music Trail Project: | | | | | |
| Design and planning | - | - | 20,000 | 20,000 | (20,000) |
| Capital outlay | <u>140,000</u> | <u>107,495</u> | <u>12,505</u> | <u>120,000</u> | <u>20,000</u> |
| Total expenditures | <u>140,000</u> | <u>107,495</u> | <u>32,505</u> | <u>140,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(32,505)</u> | <u>\$ (32,505)</u> | <u>\$ (32,505)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>-</u> | | |
| End of year - June 30 | | | <u>\$ (32,505)</u> | | |

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - COLLEGE STREET RAILROAD CROSSING PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | Actual | | | |
|--|--------------------------|-------------------|-------------------|-------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| NCDOT State grants | \$ 88,000 | \$ - | \$ - | \$ - | \$ (88,000) |
| Contribution from NC Railroad Company | 125,000 | 125,000 | - | 125,000 | - |
| Contribution from Northfolk Southern Corporation | 37,000 | 37,000 | - | 37,000 | - |
| Total revenues | <u>250,000</u> | <u>162,000</u> | <u>-</u> | <u>162,000</u> | <u>(88,000)</u> |
| Expenditures: | | | | | |
| Community Development: | | | | | |
| Herritage Street Widening Project | 190,500 | - | 183,157 | 183,157 | 7,343 |
| Other Mitigation Activities | 139,500 | 20,000 | 46,065 | 66,065 | 73,435 |
| Total expenditures | <u>330,000</u> | <u>20,000</u> | <u>229,222</u> | <u>249,222</u> | <u>80,778</u> |
| Net change in fund balance | <u>(80,000)</u> | <u>142,000</u> | <u>(229,222)</u> | <u>(87,222)</u> | <u>(7,222)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 80,000 | - | 80,000 | 80,000 | - |
| Total other financing sources (uses) | <u>80,000</u> | <u>-</u> | <u>80,000</u> | <u>80,000</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ 142,000</u> | <u>(149,222)</u> | <u>\$ (7,222)</u> | <u>\$ (7,222)</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | <u>142,000</u> | | |
| End of year - June 30 | | | <u>\$ (7,222)</u> | | |

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - RIVERWALK PROJECT PHASE I
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | Actual | | | |
|---|--------------------------|----------------|-----------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| NCDOT Reimbursements | \$ 120,218 | \$ - | \$ - | \$ - | \$ (120,218) |
| Federal Highway Planning and Construction Grant | 480,870 | - | - | - | (480,870) |
| Total revenues | 601,088 | - | - | - | (601,088) |
| Expenditures: | | | | | |
| Cultural and recreation: | | | | | |
| Construction - bike and pedestrian | 300,000 | - | - | - | 300,000 |
| Construction - division enhancement | 301,088 | - | - | - | 301,088 |
| Total expenditures | 601,088 | - | - | - | 601,088 |
| Net change in fund balance | \$ - | \$ - | - | \$ - | \$ - |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | - | | |
| End of year - June 30 | | | \$ - | | |

CITY OF KINSTON, NORTH CAROLINA

CAPITAL PROJECT FUND - GENERAL FUND SMALL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | Actual | | | |
|---------------------------------|---|-------------------------------|--------------------------------|---------------------------------|---------------------------------------|
| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Over/Under</u> |
| Revenues: | | | | | |
| Miscellaneous revenues | \$ 4,600 | \$ - | \$ 4,700 | \$ 4,700 | \$ 100 |
| Total revenues | <u>4,600</u> | <u>-</u> | <u>4,700</u> | <u>4,700</u> | <u>100</u> |
| Expenditures: | | | | | |
| Cultural and recreation: | | | | | |
| Construction - Dragon Park | <u>4,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,600</u> |
| Total expenditures | <u>4,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,600</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 4,700 | <u>\$ 4,700</u> | <u>\$ 4,700</u> |
| Fund Balance: | | | | | |
| Beginning of year - July 1 | | | - | | |
| End of year - June 30 | | | <u>\$ 4,700</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, 2015

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> |
|--|-------------------|----------------------|--------------------------------|
| Revenues: | | | |
| Investment earnings | \$ - | \$ 85 | \$ 85 |
| Contributions | <u>75,000</u> | <u>-</u> | <u>(75,000)</u> |
| Total revenues | <u>75,000</u> | <u>85</u> | <u>(74,915)</u> |
| Revenues over (under) expenditures | <u>75,000</u> | <u>85</u> | <u>74,915</u> |
| Other Financing Sources (Uses): | | | |
| Transfers out | <u>(75,000)</u> | <u>(85)</u> | <u>74,915</u> |
| Total other financing sources (uses) | <u>(75,000)</u> | <u>(85)</u> | <u>74,915</u> |
| Net change in fund balance | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund Balance: | | | |
| Beginning of year - July 1 | | <u>75,299</u> | |
| End of year - June 30 | | <u>\$ 75,299</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | <u>2015</u> | | | <u>2014</u> |
|---|-------------------|-------------------|--------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> | <u>Actual</u> |
| Operating Revenues: | | | | |
| Charges for services, electricity sales | \$ 54,764,700 | \$ 54,411,028 | \$ (353,672) | \$ 54,056,690 |
| Other | 701,800 | 558,888 | (142,912) | 775,218 |
| Total operating revenues | <u>55,466,500</u> | <u>54,969,916</u> | <u>(496,584)</u> | <u>54,831,908</u> |
| Non-Operating Revenues: | | | | |
| Interest earned on investments | <u>8,000</u> | <u>6,042</u> | <u>(1,958)</u> | <u>7,182</u> |
| Total non-operating revenues | <u>8,000</u> | <u>6,042</u> | <u>(1,958)</u> | <u>7,182</u> |
| Total revenues | <u>55,474,500</u> | <u>54,975,958</u> | <u>(498,542)</u> | <u>54,839,090</u> |
| Expenditures: | | | | |
| Electric Operations: | | | | |
| Salaries and benefits | 1,418,791 | 1,230,241 | 188,550 | 1,159,985 |
| Operating | 2,563,619 | 2,130,539 | 433,080 | 1,526,717 |
| Purchased power | 47,668,888 | 47,367,971 | 300,917 | 47,689,305 |
| Indirect costs | 1,293,993 | 1,293,993 | - | 2,142,290 |
| Capital outlay | <u>913,816</u> | <u>413,996</u> | <u>499,820</u> | <u>234,079</u> |
| Total | <u>53,859,107</u> | <u>52,436,740</u> | <u>1,422,367</u> | <u>52,752,376</u> |
| Debt Service: | | | | |
| Principal retirement | 651,616 | 650,606 | 1,010 | 725,310 |
| Interest and other charges | <u>223,014</u> | <u>216,083</u> | <u>6,931</u> | <u>245,344</u> |
| Total debt service | <u>874,630</u> | <u>866,689</u> | <u>7,941</u> | <u>970,654</u> |
| Total expenditures | <u>54,733,737</u> | <u>53,303,429</u> | <u>1,430,308</u> | <u>53,723,030</u> |
| Revenues over (under) expenditures | <u>740,763</u> | <u>1,672,529</u> | <u>931,766</u> | <u>1,116,060</u> |

CITY OF KINSTON, NORTH CAROLINA

ENTERPRISE FUNDS - ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--|-------------|-------------|------------------------|-------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Other Financing Sources (Uses): | | | | |
| Appropriated net position | 61,051 | - | (61,051) | - |
| Debt issued | 62,090 | 41,415 | (20,675) | - |
| Refunding debt issued | 4,847,910 | 4,847,910 | - | - |
| Principal payments - current refunding | (4,816,990) | (4,816,990) | - | - |
| Interest and other charges - current refunding | (48,943) | (48,943) | - | - |
| Transfers in | 833,000 | 833,000 | - | 300,000 |
| Transfers out - Capital Reserve Fund | (556,000) | (556,000) | - | (481,000) |
| Transfers out | (1,122,881) | (1,122,881) | - | (931,683) |
| Total other financing sources (uses) | (740,763) | (822,489) | (81,726) | (1,112,683) |

| | | | | |
|--|------|------------|------------|----------|
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 850,040 | \$ 850,040 | \$ 3,377 |
|--|------|------------|------------|----------|

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual Basis:**

| | | |
|--|--------------|--------------|
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ 850,040 | \$ 3,377 |
| Transfers in - Capital Project Fund | - | 106,800 |
| Transfers out - Capital Reserve Fund | (833,000) | - |
| Transfers in - Capital Reserve Fund | 556,000 | 481,000 |
| Capital outlay | 360,796 | 274,059 |
| Debt issued | (4,889,325) | - |
| Payment of debt principal | 5,467,596 | 725,310 |
| Depreciation | (974,823) | (1,019,631) |
| Non-capitalized expenditures from capital project funds | (48,984) | 4,003 |
| Bad debt expense | (63,491) | (78,576) |
| Capital contributions | 610,152 | 518,754 |
| Investment earnings from capital project funds | 1,575 | 1,736 |
| Change in accrued compensated absences | (9,409) | (9,302) |
| Pension expense | (6,811) | - |
| Contributions to pension plan | 98,693 | - |
| Change in accrued interest payable | 31,113 | 6,819 |
| Change in net position | \$ 1,150,122 | \$ 1,014,349 |

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, 2015

| | | Actual | | | |
|---|--------------------------|----------------|-----------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| Restricted Intergovernmental: | | | | | |
| Federal and State grants | \$ 3,156,770 | \$ 2,273,888 | \$ 413,636 | \$ 2,687,524 | \$ (469,246) |
| Dopaco project contribution | 500,000 | 355,000 | - | 355,000 | (145,000) |
| Heelstone Energy contribution - Solar Farm Electric Project | 196,600 | - | 196,516 | 196,516 | (84) |
| Interest earned on investments | 14,500 | 18,767 | - | 18,767 | 4,267 |
| Miscellaneous revenue | - | 68,366 | - | 68,366 | 68,366 |
| Total revenues | 3,867,870 | 2,716,021 | 610,152 | 3,326,173 | (541,697) |
| | | | | | |
| Expenditures: | | | | | |
| West Industrial Park Substation Project | 3,345,035 | 2,667,146 | - | 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 | 199,667 | - | 199,667 | 179,496 |
| EEBGP Transportation Grant | 499,081 | 499,081 | - | 499,081 | - |
| Dopaco Inc. Generator Project | 1,000,000 | 855,001 | - | 855,001 | 144,999 |
| West Pharmaceutical Generator Project | 962,500 | 962,500 | - | 962,500 | - |
| Highway 58 Widening Project | 103,459 | 103,459 | - | 103,459 | - |
| 531 Circuit Rebuild | 511,125 | 506,096 | - | 506,096 | 5,029 |
| Queen Street Bridge Electric Line Relocation Project | 647,067 | 9,280 | 413,636 | 422,916 | 224,151 |
| Solar Farm Electric Improvements Project | 196,600 | - | 102,184 | 102,184 | 94,416 |
| Total | 8,316,330 | 6,288,232 | 515,820 | 6,804,052 | 1,512,278 |
| | | | | | |
| Debt Service: | | | | | |
| Principal retirement | 311,000 | 310,951 | - | 310,951 | 49 |
| Interest and other charges | 190,000 | 189,949 | - | 189,949 | 51 |
| Total debt service | 501,000 | 500,900 | - | 500,900 | 100 |
| | | | | | |
| Total expenditures | 8,817,330 | 6,789,132 | 515,820 | 7,304,952 | 1,512,378 |
| | | | | | |
| Revenue over (under) expenditures | (4,949,460) | (4,073,111) | 94,332 | (3,978,779) | 970,681 |
| | | | | | |
| Other Financing Sources (Uses): | | | | | |
| Debt issued | 2,950,000 | 2,950,000 | - | 2,950,000 | - |
| Transfers in | 1,999,460 | 1,999,460 | - | 1,999,460 | - |
| Total other financing sources (uses) | 4,949,460 | 4,949,460 | - | 4,949,460 | - |
| | | | | | |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 876,349 | \$ 94,332 | \$ 970,681 | \$ 970,681 |

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, 2015

| | | Actual | | | |
|---|---|-------------------------------|--------------------------------|---------------------------------|---------------------------------------|
| | <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: | | | | | |
| Interest earned on investments | \$ 5,822 | \$ 7,000 | \$ 1,575 | \$ 8,575 | \$ 2,753 |
| Total revenues | <u>5,822</u> | <u>7,000</u> | <u>1,575</u> | <u>8,575</u> | <u>2,753</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 3,571,103 | 3,667,103 | 556,000 | 4,223,103 | 652,000 |
| Transfers out | <u>(3,852,225)</u> | <u>(2,148,235)</u> | <u>(833,000)</u> | <u>(2,981,235)</u> | <u>870,990</u> |
| Total other financing sources (uses) | <u>(5,822)</u> | <u>1,518,868</u> | <u>(277,000)</u> | <u>1,241,868</u> | <u>1,247,690</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 1,525,868</u> | <u>\$ (275,425)</u> | <u>\$ 1,250,443</u> | <u>\$ 1,250,443</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--------------------------------|--------------|--------------|------------------------|--------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Charges for services: | | | | |
| Water sales | \$ 8,336,500 | \$ 8,771,842 | \$ 435,342 | \$ 7,649,864 |
| Other | 183,500 | 171,453 | (12,047) | 215,012 |
| Total operating revenues | 8,520,000 | 8,943,295 | 423,295 | 7,864,876 |
| Non-Operating Revenues: | | | | |
| Interest earned on investments | 1,600 | 2,986 | 1,386 | 2,580 |
| Total non-operating revenues | 1,600 | 2,986 | 1,386 | 2,580 |
| Total revenues | 8,521,600 | 8,946,281 | 424,681 | 7,867,456 |
| Expenditures: | | | | |
| Water Production: | | | | |
| Salaries and benefits | 351,281 | 313,226 | 38,055 | 303,201 |
| Operating | 623,400 | 426,116 | 197,284 | 492,514 |
| Repairs and maintenance | 104,000 | 101,549 | 2,451 | 66,998 |
| Capital outlay | 85,381 | 80,940 | 4,441 | 61,192 |
| Indirect costs | (242,754) | (242,754) | - | (307,323) |
| Total water production | 921,308 | 679,077 | 242,231 | 616,582 |
| Water Operations: | | | | |
| Salaries and benefits | 1,114,048 | 948,744 | 165,304 | 1,015,621 |
| Operating | 694,500 | 647,202 | 47,298 | 725,868 |
| Repairs and maintenance | 107,500 | 56,605 | 50,895 | 85,857 |
| Capital outlay | 533,900 | 381,362 | 152,538 | 279,463 |
| Indirect costs | 122,150 | 122,150 | - | 122,150 |
| Total water operations | 2,572,098 | 2,156,063 | 416,035 | 2,228,959 |
| Water Operations: | | | | |
| Purchased water | 4,483,200 | 4,483,200 | - | 3,743,400 |
| Debt Service: | | | | |
| Principal retirement | 205,509 | 205,076 | 433 | 200,254 |
| Interest and other charges | 132,367 | 58,399 | 73,968 | 66,679 |
| Total debt service | 337,876 | 263,475 | 74,401 | 266,933 |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--|-------------|---------------------|------------------------|-------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Non-Operating Expenditures: | | | | |
| Economic development reimbursements | 43,000 | 38,724 | 4,276 | 41,226 |
| Total non-operating expenditure | 43,000 | 38,724 | 4,276 | 41,226 |
| Total expenditures | 8,357,482 | 7,620,539 | 736,943 | 6,897,100 |
| Revenues over (under) expenditures | 164,118 | 1,325,742 | 1,161,624 | 970,356 |
| Other Financing Sources (Uses): | | | | |
| Long-term debt issued | 59,020 | 58,405 | (615) | - |
| Refunding debt issued | 1,280,580 | 1,280,580 | - | - |
| Principal payments - current refunding | (1,195,691) | (1,195,691) | - | - |
| Interest and other charges - current refunding | (12,683) | (12,683) | - | - |
| Appropriated net position | 110,222 | - | (110,222) | - |
| Transfers from: | | | | |
| Transfers from other funds | 28,500 | 28,500 | - | 91,500 |
| Transfer to other funds | (434,066) | (434,066) | - | (66,563) |
| Total other financing sources (uses) | (164,118) | (274,955) | (110,837) | 24,937 |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ 1,050,787</u> | <u>\$ 1,050,787</u> | <u>\$ 995,293</u> |
| Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis: | | | | |
| Revenues and other financing sources over (under) expenditures and other financing uses | | \$ 1,050,787 | | \$ 995,293 |
| Transfers - Capital Project Fund | | 370,000 | | - |
| Capital outlay | | 300,278 | | 201,252 |
| Interest from Capital Reserve Fund | | 261 | | 312 |
| Payment of debt principal | | 1,400,767 | | 200,254 |
| Debt issued | | (1,338,985) | | - |
| Depreciation | | (480,871) | | (450,479) |
| Bad debt expense | | (109,838) | | (28,534) |
| Change in accrued compensated absences | | 3,210 | | 1,187 |
| Pension expense | | (6,811) | | - |
| Contributions to pension plan | | 98,693 | | - |
| Change in accrued interest payable | | 8,477 | | 1,779 |
| Change in net position | | <u>\$ 1,295,968</u> | | <u>\$ 921,064</u> |

CITY OF KINSTON, NORTH CAROLINA

WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | Actual | | | |
|---|----------------------------------|------------------------|-------------------------|--------------------------|--------------------------------|
| | <u>Project Authorization</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Variance Over/Under</u> |
| Expenditures: | | | | | |
| Water line projects | \$ 370,000 | \$ - | \$ 33,001 | \$ 33,001 | \$ 336,999 |
| Total expenditures | <u>370,000</u> | <u>-</u> | <u>33,001</u> | <u>33,001</u> | <u>336,999</u> |
| Revenue over (under) expenditures | <u>(370,000)</u> | <u>-</u> | <u>(33,001)</u> | <u>(33,001)</u> | <u>336,999</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | <u>370,000</u> | <u>-</u> | <u>370,000</u> | <u>370,000</u> | <u>-</u> |
| Total other financing sources (uses) | <u>370,000</u> | <u>-</u> | <u>370,000</u> | <u>370,000</u> | <u>-</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 336,999</u> | <u>\$ 336,999</u> | <u>\$ 336,999</u> |

CITY OF KINSTON, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | Actual | | | |
|---|--------------------------|----------------|-----------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| Other: | | | | | |
| Contribution from Lenoir County | \$ 75,000 | \$ 76,054 | \$ - | \$ 76,054 | \$ 1,054 |
| Investment earnings | 1,100 | 895 | 261 | 1,156 | 56 |
| Total revenues | 76,100 | 76,949 | 261 | 77,210 | 1,110 |
| Revenue over (under) expenditures | 76,100 | 76,949 | 261 | 77,210 | 1,110 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 4,058,130 | 3,817,586 | - | 3,817,586 | (240,544) |
| Transfers out | (4,134,230) | (4,035,229) | - | (4,035,229) | 99,001 |
| Total other financing sources (uses) | (76,100) | (217,643) | - | (217,643) | (141,543) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (140,694) | \$ 261 | \$ (140,433) | \$ (140,433) |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|-------------------------------------|--------------|--------------|------------------------|--------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Charges for services: | | | | |
| Sewer sales | \$ 5,955,500 | \$ 6,314,234 | \$ 358,734 | \$ 5,725,431 |
| Other | 13,000 | 43,097 | 30,097 | 19,900 |
| Total operating revenues | 5,968,500 | 6,357,331 | 388,831 | 5,745,331 |
| Non-Operating Revenues: | | | | |
| Interest earned on investments | 11,885 | 12,639 | 754 | 15,452 |
| Total non-operating revenues | 11,885 | 12,639 | 754 | 15,452 |
| Total revenues | 5,980,385 | 6,369,970 | 389,585 | 5,760,783 |
| Expenditures: | | | | |
| Wastewater Plant Operations: | | | | |
| Salaries and benefits | 852,838 | 694,347 | 158,491 | 712,576 |
| Operating | 786,200 | 754,334 | 31,866 | 601,623 |
| Repairs and maintenance | 124,500 | 112,298 | 12,202 | 36,516 |
| Indirect costs | 2,140,243 | 2,140,243 | - | 2,247,541 |
| Capital outlay | 410,000 | 383,224 | 26,776 | 96,340 |
| Total wastewater plant operations | 4,313,781 | 4,084,446 | 229,335 | 3,694,596 |
| Debt Service: | | | | |
| Principal retirement | 1,037,600 | 996,494 | 41,106 | 978,614 |
| Interest and other charges | 312,708 | 299,411 | 13,297 | 336,027 |
| Total debt service | 1,350,308 | 1,295,905 | 54,403 | 1,314,641 |
| Non-Operating Expenditures: | | | | |
| Economic development reimbursements | 9,300 | 8,298 | 1,002 | 8,834 |
| Total expenditures | 5,673,389 | 5,388,649 | 284,740 | 5,018,071 |
| Revenues over (under) expenditures | 306,996 | 981,321 | 104,845 | 742,712 |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

| | 2015 | | | 2014 |
|--|---------------|---------------|--------------------------------|---------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Other Financing Sources (Uses): | | | | |
| Long-term debt issued | 71,990 | 16,978 | 55,012 | - |
| Refunding debt issued | 3,018,510 | 3,018,510 | - | - |
| Principal payments - current refunding | (3,041,600) | (3,041,600) | - | - |
| Interest and other charges - current refunding | (31,092) | (31,092) | - | - |
| Transfers out - capital projects | (98,200) | (98,200) | - | - |
| Transfers in - capital projects | 98,200 | 98,200 | - | - |
| Transfers out - other funds | (324,804) | (93,729) | 231,075 | (71,709) |
| Total other financing sources (uses) | (306,996) | (130,933) | 286,087 | (71,709) |

Revenues and other financing sources
over (under) expenditures and other
financing uses

| | | | | | | | |
|----|---|----|---------|----|---------|----|---------|
| \$ | - | \$ | 850,388 | \$ | 850,388 | \$ | 671,003 |
|----|---|----|---------|----|---------|----|---------|

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual Basis:**

Revenues and other financing sources over
(under) expenditures and other financing uses

| | | | |
|----|---------|----|---------|
| \$ | 850,388 | \$ | 671,003 |
|----|---------|----|---------|

| | | |
|---|---------------------|---------------------|
| Capital outlay | 372,758 | 141,550 |
| Debt issued | (3,035,488) | - |
| Payment of debt principal | 4,038,094 | 978,614 |
| Depreciation | (2,255,027) | (2,271,626) |
| Capital contributions | 2,567,185 | - |
| Interest from Capital Project Fund | 218 | 346 |
| Non-capitalizable expense from Capital Project Fund | (2,001) | - |
| Change in accrued compensated absences | 4,112 | (874) |
| Change in accrued interest payable | 15,293 | 4,982 |
| Pension expense | (4,768) | - |
| Contributions to pension plan | 69,085 | - |
| Bad debt expense | (53,086) | (35,012) |
| Change in net position | <u>\$ 2,566,763</u> | <u>\$ (511,017)</u> |

CITY OF KINSTON, NORTH CAROLINA

WASTEWATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

| | | Actual | | | |
|---|--------------------------|----------------|-----------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| Restricted Intergovernmental: | | | | | |
| Federal and State grants | \$ 5,461,692 | \$ 2,811,157 | \$ 1,792,185 | \$ 4,603,342 | \$ (858,350) |
| Local funds | 775,000 | 32,462 | 775,000 | 807,462 | 32,462 |
| Investment earnings | - | 131,308 | - | 131,308 | 131,308 |
| Other revenue | 574,000 | 576,800 | - | 1,351,800 | 777,800 |
| Total revenues | 6,810,692 | 3,551,727 | 2,567,185 | 6,893,912 | 83,220 |
| Expenditures: | | | | | |
| Spirit Aero Utilities Project | 736,568 | 683,830 | - | 683,830 | 52,738 |
| Sanderson Farms Utilities Project | 1,094,150 | 1,062,863 | - | 1,062,863 | 31,287 |
| College Street Sewer Rehabilitation Project | 1,645,200 | 1,578,148 | - | 1,578,148 | 67,052 |
| Highway 70 Industrial Park Sewer Project | 40,000 | 40,000 | - | 40,000 | - |
| Pollock Street Sewer Rehabilitation Project | 604,247 | 604,247 | - | 604,247 | - |
| Neuse Outfall Sewer Evaluation | 50,750 | 50,750 | - | 50,750 | - |
| Smithfield Plant Expansion Project | 3,817,000 | 371,160 | 2,682,113 | 3,053,273 | 763,727 |
| Queen Street Sewer Rehabilitation Project | 3,376,200 | - | 375,382 | 375,382 | 3,000,818 |
| KRWRF Biosolids Dryer Project | 1,632,000 | - | - | - | 1,632,000 |
| Total expenditures | 12,996,115 | 4,390,998 | 3,057,495 | 7,448,493 | 5,547,622 |
| Revenue over (under) expenditures | (6,185,423) | (839,271) | (490,310) | (554,581) | 5,630,842 |
| Other Financing Sources (Uses): | | | | | |
| Debt issued | 5,890,028 | 205,028 | 736,135 | 941,163 | (4,948,865) |
| Transfers in | 519,240 | 703,339 | 98,200 | 801,539 | 282,299 |
| Transfers out | (223,845) | (223,845) | - | (223,845) | - |
| Total other financing sources (uses) | 6,185,423 | 684,522 | 834,335 | 1,518,857 | (4,666,566) |
| Revenues and other financing sources over (under) expenditures and other financing uses | | | | | |
| | \$ - | \$ (154,749) | \$ 344,025 | \$ 964,276 | \$ 964,276 |

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, 2015

| | | Actual | | | |
|---|--------------------------|----------------|-----------------|------------------|------------------------|
| | Project Authorization | Prior Years | Current Year | Total to Date | Variance Over/Under |
| Revenues: | | | | | |
| Investment earnings | \$ - | \$ 967 | \$ 218 | \$ 1,185 | \$ 1,185 |
| Revenue over (under) expenditures | - | 967 | 218 | 1,185 | 1,185 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 342,825 | 342,825 | - | 342,825 | - |
| Transfers out | (342,825) | (87,825) | (98,200) | (186,025) | 156,800 |
| Total other financing sources (uses) | - | 255,000 | (98,200) | 156,800 | 156,800 |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 255,967 | \$ (97,982) | \$ 157,985 | \$ 157,985 |

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.

Woodmen of the World Community Center – This fund is used to account for the operation of the Woodmen Community Center and Lions Water Park located on West Vernon Avenue. The facility provides recreational and community activities.

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CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF FUND NET POSITION
JUNE 30, 2015

| | Environmental Services Fund | Stormwater Fund | Woodmen of the World Community Center | Total |
|---|--|----------------------------|--|--------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 305,713 | \$ 921,770 | \$ 244,722 | \$ 1,472,205 |
| Accounts receivable | 380,441 | 124,401 | 14,738 | 519,580 |
| Total current assets | 686,154 | 1,046,171 | 259,460 | 1,991,785 |
| Non-current assets: | | | | |
| Net pension asset | 97,055 | 27,730 | - | 124,785 |
| Capital assets: | | | | |
| Construction in progress | - | 503,038 | - | 503,038 |
| Equipment | 3,628,020 | 657,329 | - | 4,285,349 |
| Accumulated depreciation | (3,100,950) | (433,425) | - | (3,534,375) |
| Total capital assets | 527,070 | 726,942 | - | 1,254,012 |
| Total non-current assets | 624,125 | 754,672 | - | 1,378,797 |
| Total assets | 1,310,279 | 1,800,843 | 259,460 | 3,370,582 |
| Deferred Outflows of Resources: | | | | |
| Contributions to pension plan in current fiscal year | 69,085 | 19,739 | - | 88,824 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 89,195 | 9,248 | 152,303 | 250,746 |
| Current portion of installment notes | 67,608 | 44,891 | - | 112,499 |
| Current portion of compensated absences | 13,658 | 3,521 | 1,788 | 18,967 |
| Total current liabilities | 170,461 | 57,660 | 154,091 | 382,212 |
| Non-current liabilities: | | | | |
| Non-current portion of installment notes | 126,110 | 75,304 | - | 201,414 |
| Non-current portion of compensated absences | 40,972 | 10,562 | 5,365 | 56,899 |
| Total non-current liabilities | 167,082 | 85,866 | 5,365 | 258,313 |
| Total liabilities | 337,543 | 143,526 | 159,456 | 640,525 |
| Deferred Inflows of Resources: | | | | |
| Pension deferrals | 241,800 | 69,086 | - | 310,886 |
| Net Position: | | | | |
| Net investment in capital assets | 333,352 | 606,747 | - | 940,099 |
| Unrestricted | 466,669 | 1,001,223 | 100,004 | 1,567,896 |
| Total net position | \$ 800,021 | \$ 1,607,970 | \$ 100,004 | \$ 2,507,995 |

CITY OF KINSTON, NORTH CAROLINA

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

| | Environmental Services Fund | Stormwater Fund | Woodmen of the World Community Center | Total |
|--|--|----------------------------|--|---------------------|
| Operating Revenues: | | | | |
| Charges for services | \$ 3,134,953 | \$ 1,006,048 | \$ 1,944,500 | \$ 6,085,501 |
| Other operating income | 19,437 | 15,708 | - | 35,145 |
| Total operating revenues | <u>3,154,390</u> | <u>1,021,756</u> | <u>1,944,500</u> | <u>6,120,646</u> |
| Operating Expenses: | | | | |
| Operations | 3,017,919 | 693,091 | 2,266,152 | 5,977,162 |
| Depreciation | 176,860 | 68,940 | - | 245,800 |
| Total operating expenses | <u>3,194,779</u> | <u>762,031</u> | <u>2,266,152</u> | <u>6,222,962</u> |
| Operating income (loss) | <u>(40,389)</u> | <u>259,725</u> | <u>(321,652)</u> | <u>(102,316)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Interest earned on investments | 471 | 908 | 281 | 1,660 |
| Interest on long-term debt | (2,504) | (1,897) | - | (4,401) |
| Total non-operating revenues (expenses) | <u>(2,033)</u> | <u>(989)</u> | <u>281</u> | <u>(2,741)</u> |
| Income (loss) before capital contributions and transfers | <u>(42,422)</u> | <u>258,736</u> | <u>(321,371)</u> | <u>(105,057)</u> |
| Capital Contributions and Transfers: | | | | |
| Transfers (out) | (146,437) | (55,957) | - | (202,394) |
| Total capital contributions and transfers | <u>(146,437)</u> | <u>(55,957)</u> | <u>-</u> | <u>(202,394)</u> |
| Change in net position | <u>(188,859)</u> | <u>202,779</u> | <u>(321,371)</u> | <u>(307,451)</u> |
| Net Position: | | | | |
| Beginning of year - July 1 | 1,128,858 | 1,445,185 | 421,375 | 2,995,418 |
| Restatement | (139,978) | (39,994) | - | (179,972) |
| Beginning of year - July 1, as restated | <u>988,880</u> | <u>1,405,191</u> | <u>421,375</u> | <u>2,815,446</u> |
| End of year - June 30 | <u>\$ 800,021</u> | <u>\$ 1,607,970</u> | <u>\$ 100,004</u> | <u>\$ 2,507,995</u> |

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

| | Environmental Services Fund | Stormwater Fund | Woodmen of the World Community Center | Total |
|---|-----------------------------------|--------------------|--|--------------|
| Cash Flows from Operating Activities: | | | | |
| Cash received from customers | \$ 3,174,914 | \$ 1,268,368 | \$ 1,947,488 | \$ 6,390,770 |
| Cash paid to suppliers for goods and services | (2,196,562) | (344,154) | (1,537,643) | (4,078,359) |
| Cash paid to or on behalf of employees for services | (1,103,810) | (367,226) | (664,412) | (2,135,448) |
| Net cash provided (used) by operating activities | (125,458) | 556,988 | (254,567) | 176,963 |
| Cash Flows from Non-Capital Financing Activities: | | | | |
| Transfers to other funds | (146,437) | (55,957) | - | (202,394) |
| Net cash provided (used) by non-capital financing activities | (146,437) | (55,957) | - | (202,394) |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | (68,769) | (209,657) | - | (278,426) |
| Proceeds from long-term debt | 49,395 | 15,936 | - | 65,331 |
| Principal paid on general obligation bond maturities and equipment contracts | (57,729) | (52,294) | - | (110,023) |
| Interest paid on bonded indebtedness and equipment contracts | (2,504) | (1,897) | - | (4,401) |
| Net cash provided (used) by capital and related financing activities | (79,607) | (247,912) | - | (327,519) |
| Cash Flows from Investing Activities: | | | | |
| Interest on investments | 471 | 908 | 281 | 1,660 |
| Net increase (decrease) in cash and cash equivalents/investments | (351,031) | 254,027 | (254,286) | (351,290) |
| Cash and Cash Equivalents/Investments: | | | | |
| Beginning of year - July 1 | 656,744 | 667,743 | 499,008 | 1,823,495 |
| End of year - June 30 | \$ 305,713 | \$ 921,770 | \$ 244,722 | \$ 1,472,205 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Operating income (loss) | \$ (40,389) | \$ 259,725 | \$ (321,652) | \$ (102,316) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 176,860 | 68,940 | - | 245,800 |
| Pension expense | 4,768 | 1,362 | - | 6,130 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in accounts receivable | 20,528 | 246,612 | 2,988 | 270,128 |
| (Increase) decrease in deferred outflows of resources for pensions | (69,085) | (19,739) | - | (88,824) |
| Increase (decrease) in accounts payable | (223,937) | 717 | 62,030 | (161,190) |
| Increase (decrease) in compensated absences | 5,797 | (629) | 2,067 | 7,235 |
| Total adjustments | (85,069) | 297,263 | 67,085 | 279,279 |
| Net cash provided (used) by operating activities | \$ (125,458) | \$ 556,988 | \$ (254,567) | \$ 176,963 |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|---------------------------------|------------------|------------------|------------------------|------------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Charges for services | \$ 3,230,800 | \$ 3,134,953 | \$ (95,847) | \$ 3,139,918 |
| Other | 83,500 | 19,437 | (64,063) | 20,583 |
| Total operating revenues | <u>3,314,300</u> | <u>3,154,390</u> | <u>(159,910)</u> | <u>3,160,501</u> |
| Non-Operating Revenues: | | | | |
| Interest earned on investments | 1,000 | 471 | (529) | 1,185 |
| Total non-operating revenues | <u>1,000</u> | <u>471</u> | <u>(529)</u> | <u>1,185</u> |
| Total revenues | <u>3,315,300</u> | <u>3,154,861</u> | <u>(160,439)</u> | <u>3,161,686</u> |
| Expenditures: | | | | |
| Bulk Leaf Collection: | | | | |
| Salaries and benefits | 13,127 | 12,428 | 699 | 11,648 |
| Operating | 32,700 | 24,871 | 7,829 | 19,637 |
| Capital outlay | 50,000 | - | 50,000 | - |
| Total leaf collection | <u>95,827</u> | <u>37,299</u> | <u>58,528</u> | <u>31,285</u> |
| Vector Control: | | | | |
| Salaries and benefits | 25,071 | 24,336 | 735 | 28,685 |
| Operating | 17,600 | 14,480 | 3,120 | 12,497 |
| Capital outlay | 24,900 | 24,686 | 214 | - |
| Total vector control | <u>67,571</u> | <u>63,502</u> | <u>4,069</u> | <u>41,182</u> |
| Commercial Solid Waste: | | | | |
| Salaries and benefits | 271,883 | 268,759 | 3,124 | 261,752 |
| Operating | 583,200 | 524,967 | 58,233 | 513,814 |
| Capital outlay | 16,000 | 15,936 | 64 | 234,001 |
| Indirect costs | 356,649 | 356,649 | - | 269,459 |
| Total commercial solid waste | <u>1,227,732</u> | <u>1,166,311</u> | <u>61,421</u> | <u>1,279,026</u> |
| Residential Solid Waste: | | | | |
| Salaries and benefits | 742,598 | 728,409 | 14,189 | 679,727 |
| Operating | 778,600 | 707,455 | 71,145 | 699,171 |
| Capital outlay | 28,200 | 28,163 | 37 | 451,144 |
| Indirect costs | 356,649 | 356,649 | - | 269,459 |
| Total residential solid waste | <u>1,906,047</u> | <u>1,820,676</u> | <u>85,371</u> | <u>2,099,501</u> |
| Recycling: | | | | |
| Salaries and benefits | 37,508 | 35,694 | 1,814 | 30,540 |
| Operating | 20,100 | 9,271 | 10,829 | 8,766 |
| Total recycling | <u>57,608</u> | <u>44,965</u> | <u>12,643</u> | <u>39,306</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--|-----------|--------------|------------------------|--------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Debt Service: | | | | |
| Principal retirement | 57,729 | 57,729 | - | 57,729 |
| Interest and other charges | 2,608 | 2,608 | - | 4,277 |
| Total debt service | 60,337 | 60,337 | - | 62,006 |
| Total expenditures | 3,415,122 | 3,193,090 | 222,032 | 3,552,306 |
| Revenues over (under) expenditures | (99,822) | (38,229) | 61,593 | (390,620) |
| Other Financing Sources (Uses): | | | | |
| Appropriated net position | 127,159 | - | (127,159) | - |
| Transfers out | (146,437) | (146,437) | - | (150,232) |
| Long-term debt issued | 119,100 | 49,395 | (69,705) | - |
| Total other financing sources (uses) | 99,822 | (97,042) | (196,864) | (150,232) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (135,271) | \$ (135,271) | \$ (540,852) |
| Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis: | | | | |
| Revenues and other financing sources over (under) expenditures and other financing uses | | \$ (135,271) | | \$ (540,852) |
| Capital outlay | | 68,769 | | 747,449 |
| Debt issued | | (49,395) | | - |
| Payment of debt principal | | 57,729 | | 57,729 |
| Depreciation | | (176,860) | | (163,107) |
| Change in accrued compensated absences | | (5,797) | | 3,964 |
| Change in accrued interest payable | | 104 | | 1,460 |
| Pension expense | | (4,768) | | - |
| Contributions to pension plan | | 69,085 | | - |
| Bad debt expense | | (12,455) | | (13,841) |
| Change in net position | | \$ (188,859) | | \$ 92,802 |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--|--------------|--------------|------------------------|------------|
| | Budget | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Charges for services | \$ 1,012,500 | \$ 1,006,048 | \$ (6,452) | \$ 904,938 |
| Other | 81,158 | 15,708 | (65,450) | 252,818 |
| Total operating revenues | 1,093,658 | 1,021,756 | (71,902) | 1,157,756 |
| Non-Operating Revenues: | | | | |
| Interest earned on investments | 900 | 908 | 8 | 1,264 |
| Total non-operating revenues | 900 | 908 | 8 | 1,264 |
| Total revenues | 1,094,558 | 1,022,664 | (71,894) | 1,159,020 |
| Expenditures: | | | | |
| Stormwater Operations: | | | | |
| Salaries and benefits | 423,612 | 348,220 | 75,392 | 322,235 |
| Operating | 159,500 | 132,566 | 26,934 | 120,750 |
| Capital outlay | 475,398 | 209,657 | 265,741 | 362,876 |
| Indirect costs | 231,311 | 231,311 | - | 192,851 |
| Total stormwater operations | 1,289,821 | 921,754 | 368,067 | 998,712 |
| Debt Service: | | | | |
| Principal retirement | 52,300 | 52,294 | 6 | 52,294 |
| Interest and other charges | 2,200 | 2,138 | 62 | 3,716 |
| Total debt service | 54,500 | 54,432 | 68 | 56,010 |
| Total expenditures | 1,344,321 | 976,186 | 368,135 | 1,054,722 |
| Revenues over (under) expenditures | (249,763) | 46,478 | 296,241 | 104,298 |
| Other Financing Sources (Uses): | | | | |
| Appropriated net position | 289,720 | - | (289,720) | - |
| Transfers out | (55,957) | (55,957) | - | (50,273) |
| Long-term debt issued | 16,000 | 15,936 | (64) | - |
| Total other financing sources (uses) | 249,763 | (40,021) | (289,784) | (50,273) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 6,457 | \$ 6,457 | \$ 54,025 |

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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

| | <u>2015</u> | | | <u>2014</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 | | \$ 6,457 | | \$ 54,025 |
| Debt issued | | (15,936) | | - |
| Payment of debt principal | | 52,294 | | 52,294 |
| Depreciation | | (68,940) | | (69,235) |
| Change in accrued compensated absences | | 629 | | (3,498) |
| Change in accrued interest payable | | 241 | | 1,115 |
| Pension expense | | (1,362) | | - |
| Contributions to pension plan | | 19,739 | | - |
| Capital outlay | | <u>209,657</u> | | <u>362,861</u> |
| Change in net position | | <u>\$ 202,779</u> | | <u>\$ 397,562</u> |

CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS - WOODMEN OF THE WORLD COMMUNITY CENTER

SCHEDULE OF REVENUES AND EXPENDITURES

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | <u>2015</u> | | | <u>2014</u> |
|--|------------------|---------------------|--------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance Over/Under</u> | <u>Actual</u> |
| Operating Revenues: | | | | |
| Charges for services | \$ 2,245,550 | \$ 1,944,500 | \$ (301,050) | \$ 2,289,877 |
| Non-Operating Revenues: | | | | |
| Interest earned on investments | - | 281 | 281 | 415 |
| Total revenues | <u>2,245,550</u> | <u>1,944,781</u> | <u>(300,769)</u> | <u>2,290,292</u> |
| Expenditures: | | | | |
| Operations: | | | | |
| Salaries and benefits | 642,902 | 666,479 | (23,577) | 567,949 |
| Operating | <u>1,627,798</u> | <u>1,597,606</u> | <u>30,192</u> | <u>1,530,992</u> |
| Total expenditures | <u>2,270,700</u> | <u>2,264,085</u> | <u>6,615</u> | <u>2,098,941</u> |
| Revenues over (under) expenditures | <u>(25,150)</u> | <u>(319,304)</u> | <u>(294,154)</u> | <u>191,351</u> |
| Other Financing Sources (Uses): | | | | |
| Appropriated net position | <u>25,150</u> | - | <u>(25,150)</u> | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>\$ (319,304)</u> | <u>\$ (319,304)</u> | <u>\$ 191,351</u> |
| Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis: | | | | |
| Revenues and other financing sources over (under) expenditures and other financing uses | | \$ (319,304) | | \$ 191,351 |
| Change in accrued compensated absences | | <u>(2,067)</u> | | <u>(4,669)</u> |
| Change in net position | | <u>\$ (321,371)</u> | | <u>\$ 186,682</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 FUND NET POSITION
JUNE 30, 2015

| | Employee Health Fund | Fleet Maintenance Fund | Warehouse Fund | Public Services Administration Fund | Total |
|---|----------------------------|------------------------------|-------------------|--|---------------------|
| Assets: | | | | | |
| Cash and investments | \$ 1,186,913 | \$ - | \$ 20,489 | \$ 1,683,128 | \$ 2,890,530 |
| Accounts receivable | 3,212 | 42,424 | - | 4,017 | 49,653 |
| Inventory | - | 282,510 | - | - | 282,510 |
| Capital assets: | | | | | |
| Construction in progress | - | - | - | 280,268 | 280,268 |
| Buildings | 19,468 | - | - | - | 19,468 |
| Equipment | - | 196,000 | - | 257,686 | 453,686 |
| Accumulated depreciation | (10,221) | (181,127) | - | (162,906) | (354,254) |
| Total assets | <u>1,199,372</u> | <u>339,807</u> | <u>20,489</u> | <u>2,062,193</u> | <u>3,621,861</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Due to other funds | - | 137,706 | - | - | 137,706 |
| Accounts payable and accrued liabilities | 418,613 | 12,952 | 16,123 | 50,751 | 498,439 |
| Current portion of compensated absences | 1,180 | 3,176 | - | 22,598 | 26,954 |
| Current portion of installment notes | - | 2,125 | - | 5,942 | 8,067 |
| Total current liabilities | <u>419,793</u> | <u>155,959</u> | <u>16,123</u> | <u>79,291</u> | <u>671,166</u> |
| Non-current liabilities: | | | | | |
| Non-current portion of compensated absences | 3,540 | 17,999 | - | 67,792 | 89,331 |
| Non-current portion of installment notes | - | 8,499 | - | 23,769 | 32,268 |
| Total non-current liabilities | <u>3,540</u> | <u>26,498</u> | <u>-</u> | <u>91,561</u> | <u>121,599</u> |
| Total liabilities | <u>423,333</u> | <u>182,457</u> | <u>16,123</u> | <u>170,852</u> | <u>792,765</u> |
| Net Position: | | | | | |
| Net investment in capital assets | 9,247 | 4,249 | - | 345,337 | 358,833 |
| Unrestricted | <u>766,792</u> | <u>153,101</u> | <u>4,366</u> | <u>1,546,004</u> | <u>2,470,263</u> |
| Total net position | <u>\$ 776,039</u> | <u>\$ 157,350</u> | <u>\$ 4,366</u> | <u>\$ 1,891,341</u> | <u>\$ 2,829,096</u> |

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

| | Employee Health Fund | Fleet Maintenance Fund | Warehouse Fund | Public Services Administration Fund | Total |
|---|-------------------------------------|---------------------------------------|---------------------------|--|---------------------|
| Operating Revenues: | | | | | |
| Contributions from various funds | \$ 697,413 | \$ 334,827 | \$ 48,394 | \$ 2,020,062 | \$ 3,100,696 |
| Other income | 94,332 | 2,068 | - | 729 | 97,129 |
| Total operating revenues | <u>791,745</u> | <u>336,895</u> | <u>48,394</u> | <u>2,020,791</u> | <u>3,197,825</u> |
| Operating Expenses: | | | | | |
| Administration | 297,878 | 452,087 | - | 690,344 | 1,440,309 |
| Operations | - | - | 48,394 | 1,101,922 | 1,150,316 |
| Depreciation | 487 | 4,250 | - | 33,498 | 38,235 |
| Claims reimbursement | 455,793 | - | - | - | 455,793 |
| Total operating expenses | <u>754,158</u> | <u>456,337</u> | <u>48,394</u> | <u>1,825,764</u> | <u>3,084,653</u> |
| Operating income (loss) | <u>37,587</u> | <u>(119,442)</u> | <u>-</u> | <u>195,027</u> | <u>113,172</u> |
| Non-Operating Revenues (Expenses): | | | | | |
| Interest earned on investments | <u>1,194</u> | <u>-</u> | <u>-</u> | <u>1,807</u> | <u>3,001</u> |
| Income (loss) before transfers | <u>38,781</u> | <u>(119,442)</u> | <u>-</u> | <u>196,834</u> | <u>116,173</u> |
| Capital Contributions and Transfers: | | | | | |
| Transfers in | <u>-</u> | <u>457,617</u> | <u>-</u> | <u>-</u> | <u>457,617</u> |
| Change in net position | 38,781 | 338,175 | - | 196,834 | 573,790 |
| Net Position: | | | | | |
| Beginning of year - July 1 | <u>737,258</u> | <u>(180,825)</u> | <u>4,366</u> | <u>1,694,507</u> | <u>2,255,306</u> |
| End of year - June 30 | <u>\$ 776,039</u> | <u>\$ 157,350</u> | <u>\$ 4,366</u> | <u>\$ 1,891,341</u> | <u>\$ 2,829,096</u> |

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

| | Employee Health Fund | Fleet Maintenance Fund | Warehouse Fund | Public Services Administration Fund | Total |
|---|----------------------------|------------------------------|-------------------|--|--------------|
| Cash Flows from Operating Activities: | | | | | |
| Cash received from customers | \$ 789,102 | \$ 328,193 | \$ 94,264 | \$ 2,019,683 | \$ 3,231,242 |
| Cash paid to suppliers for goods and services | (683,134) | (73,646) | (144,217) | (291,816) | (1,192,813) |
| Cash paid to or on behalf of employees for services | (84,889) | (421,500) | - | (1,547,282) | (2,053,671) |
| Net cash provided (used) by operating activities | 21,079 | (166,953) | (49,953) | 180,585 | (15,242) |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Transfers from other funds | - | 457,617 | - | - | 457,617 |
| Advances to/from other funds | - | (290,664) | - | - | (290,664) |
| Net cash provided (used) by non-capital financing activities | - | 166,953 | - | - | 166,953 |
| Financing Activities: | | | | | |
| Acquisition of capital assets | - | (10,624) | - | (187,379) | (198,003) |
| Proceeds from long-term debt | - | 10,624 | - | 29,711 | 40,335 |
| Net cash provided (used) by capital and related financing activities | - | - | - | (157,668) | (157,668) |
| Cash Flows from Investing Activities: | | | | | |
| Interest on investments | 1,194 | - | - | 1,807 | 3,001 |
| Net increase (decrease) in cash and cash equivalents/investments | 22,273 | - | (49,953) | 24,724 | (2,956) |
| Cash and Cash Equivalents/Investments: | | | | | |
| Beginning of year - July 1 | 1,164,640 | - | 70,442 | 1,658,404 | 2,893,486 |
| End of year - June 30 | \$ 1,186,913 | \$ - | \$ 20,489 | \$ 1,683,128 | \$ 2,890,530 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income (loss) | \$ 37,587 | \$ (119,442) | \$ - | \$ 195,027 | \$ 113,172 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 487 | 4,250 | - | 33,498 | 38,235 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable | (2,643) | (8,702) | 45,870 | (1,108) | 33,417 |
| (Increase) decrease in inventories | - | (37,790) | - | - | (37,790) |
| Increase (decrease) in accounts payable | (19,072) | (2,040) | (95,823) | (52,605) | (169,540) |
| Increase (decrease) in accrued compensated absences | 4,720 | (3,229) | - | 5,773 | 7,264 |
| Total adjustments | (16,508) | (47,511) | (49,953) | (14,442) | (128,414) |
| Net cash provided (used) by operating activities | \$ 21,079 | \$ (166,953) | \$ (49,953) | \$ 180,585 | \$ (15,242) |

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, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|---|---------------------------|------------------|--------------------------------|-------------------|
| | Financial Plan | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Contributions | \$ 697,414 | \$ 697,413 | \$ (1) | \$ 673,596 |
| Other | 78,700 | 94,332 | 15,632 | 204 |
| Total operating revenues | <u>776,114</u> | <u>791,745</u> | <u>15,631</u> | <u>673,800</u> |
| Non-Operating Revenues: | | | | |
| Investment earnings | <u>-</u> | <u>1,194</u> | <u>1,194</u> | <u>1,434</u> |
| Total revenues | <u>776,114</u> | <u>792,939</u> | <u>16,825</u> | <u>675,234</u> |
| Operating Expenditures: | | | | |
| Administration: | | | | |
| Salaries and benefits | 114,654 | 89,609 | 25,045 | 114,448 |
| Operating | 198,760 | 203,549 | (4,789) | 160,333 |
| Claims reimbursements, operating | <u>462,700</u> | <u>455,793</u> | <u>6,907</u> | <u>278,367</u> |
| Total operating expenditures | <u>776,114</u> | <u>748,951</u> | <u>27,163</u> | <u>553,148</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>43,988</u> | <u>\$ 43,988</u> | <u>122,086</u> |
| Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual: | | | | |
| Reconciling items: | | | | |
| Change in accrued vacation pay | | (4,720) | | 10,268 |
| Depreciation | | <u>(487)</u> | | <u>(487)</u> |
| Change in net position | | <u>\$ 38,781</u> | | <u>\$ 131,867</u> |

CITY OF KINSTON, NORTH CAROLINA

INTERNAL SERVICE FUND - FLEET MAINTENANCE

SCHEDULE OF REVENUES AND EXPENDITURES-

FINANCIAL PLAN AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|--|----------------|------------|---------------------|------------|
| | Financial Plan | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Contributions | \$ 282,754 | \$ 334,827 | \$ 52,073 | \$ 311,042 |
| Other | 5,900 | 2,068 | (3,832) | 2,333 |
| Total revenues | 288,654 | 336,895 | 48,241 | 313,375 |
| Operating Expenditures: | | | | |
| Administration: | | | | |
| Salaries and benefits | 486,056 | 418,271 | 67,785 | 424,712 |
| Operating | 39,100 | 37,045 | 2,055 | 34,965 |
| Capital outlay | 10,700 | 10,624 | 76 | - |
| Fleet maintenance inventory | 85,000 | - | 85,000 | 88,124 |
| Total expenditures | 620,856 | 465,940 | 154,916 | 547,801 |
| Revenues over (under) expenditures | (332,202) | (129,045) | 203,157 | (234,426) |
| Other Financing Sources (Uses): | | | | |
| Long-term debt issued | 10,700 | 10,624 | (76) | - |
| Transfers in | 457,617 | 457,617 | - | 460,650 |
| Transfers out | (136,115) | - | 136,115 | - |
| Total other financing sources (uses) | 332,202 | 468,241 | 136,039 | 460,650 |
| Revenue and other financing sources over (under) expenditures and other financing uses | \$ - | 339,196 | \$ 339,196 | 226,224 |
| Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual: | | | | |
| Reconciling items: | | | | |
| Long-term debt issued | | (10,624) | | - |
| Change in accrued vacation pay | | 3,229 | | 2,566 |
| Capital outlay | | 10,624 | | 10,624 |
| Depreciation | | (4,250) | | (2,125) |
| Change in net position | | \$ 338,175 | | \$ 237,289 |

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, 2015
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

| | 2015 | | | 2014 |
|---|-------------------|---------------|------------------------|-----------------|
| | Financial Plan | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Contributions from other funds | \$ 850,000 | \$ 48,394 | \$ (801,606) | \$ 532,823 |
| Total revenues | <u>850,000</u> | <u>48,394</u> | <u>(801,606)</u> | <u>532,823</u> |
| Operating Expenditures: | | | | |
| Fuel purchased | <u>850,000</u> | <u>48,394</u> | <u>801,606</u> | <u>528,457</u> |
| Revenue and other financing sources over (under) expenses and other financing uses | <u>\$ -</u> | - | <u>\$ -</u> | 4,366 |
| Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual: | | | | |
| Change in net position | | <u>\$ -</u> | | <u>\$ 4,366</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

| | 2015 | | | 2014 |
|------------------------------------|---------------------------|------------------|--------------------------------|------------------|
| | Financial Plan | Actual | Variance Over/Under | Actual |
| Operating Revenues: | | | | |
| Contributions | \$ 2,020,602 | \$ 2,020,062 | \$ (540) | \$ 1,984,141 |
| Other | - | 729 | 729 | 410 |
| Total operating revenues | <u>2,020,602</u> | <u>2,020,791</u> | <u>189</u> | <u>1,984,551</u> |
| Non-Operating Revenues: | | | | |
| Investment earnings | - | 1,807 | 1,807 | 2,232 |
| Total revenues | <u>2,020,602</u> | <u>2,022,598</u> | <u>1,996</u> | <u>1,986,783</u> |
| Operating Expenditures: | | | | |
| Administration: | | | | |
| Salaries and benefits | 653,782 | 617,038 | 36,744 | 612,306 |
| Operating | 93,832 | 59,044 | 34,788 | 53,184 |
| Capital outlay | 8,500 | 8,489 | 11 | 4,076 |
| Total administration | <u>756,114</u> | <u>684,571</u> | <u>71,543</u> | <u>669,566</u> |
| Operations: | | | | |
| Salaries and benefits | 1,039,708 | 936,017 | 103,691 | 968,187 |
| Operating | 184,000 | 174,394 | 9,606 | 154,415 |
| Capital outlay | 241,407 | 178,890 | 62,517 | 181,929 |
| Total operations | <u>1,465,115</u> | <u>1,289,301</u> | <u>175,814</u> | <u>1,304,531</u> |
| Total operating expenditures | <u>2,221,229</u> | <u>1,973,872</u> | <u>247,357</u> | <u>1,974,097</u> |
| Revenues over (under) expenditures | <u>(200,627)</u> | <u>48,726</u> | <u>249,353</u> | <u>12,686</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, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

| | 2015 | | | 2014 |
|---|---------------------------|---------------|--------------------------------|---------------|
| | Financial Plan | Actual | Variance Over/Under | Actual |
| Other Financing Sources (Uses): | | | | |
| Long-term debt issued | 29,800 | 29,711 | (89) | - |
| Appropriated net position | 171,367 | - | (171,367) | - |
| Total other financing sources (uses) | 200,627 | 29,711 | (170,916) | - |
| Revenue and other financing sources over (under) expenditures and other financing uses | \$ - | 78,437 | \$ 78,437 | \$ 12,686 |
| Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual: | | | | |
| Reconciling items: | | | | |
| Long-term debt issued | | (29,711) | | - |
| Change in accrued vacation pay | | (5,773) | | 6,487 |
| Capital outlay | | 187,379 | | 210,849 |
| Depreciation | | (33,498) | | (18,501) |
| Change in net position | | \$ 196,834 | | \$ 211,521 |

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, 2015

| Fiscal Year | Uncollected Balance July 1, 2014 | Additions | Collections and Credits | Uncollected Balance June 30, 2015 |
|---|---|----------------------|------------------------------------|--|
| 2014 - 2015 | \$ - | \$ 10,371,023 | \$ 10,019,384 | \$ 351,639 |
| 2013 - 2014 | 407,944 | 541 | 262,528 | 145,957 |
| 2012 - 2013 | 172,355 | 553 | 81,534 | 91,374 |
| 2011 - 2012 | 70,325 | - | 24,132 | 46,193 |
| 2010 - 2011 | 55,929 | - | 10,010 | 45,919 |
| 2009 - 2010 | 43,583 | - | 5,943 | 37,640 |
| 2008 - 2009 | 49,440 | - | 3,666 | 45,774 |
| 2007 - 2008 | 20,601 | - | 1,930 | 18,671 |
| 2006 - 2007 | 25,317 | - | 2,048 | 23,269 |
| 2005 - 2006 | 16,096 | - | 9,764 | 6,332 |
| 2004 - 2005 | 18,916 | - | 18,916 | - |
| Total | \$ 880,506 | \$ 10,372,117 | \$ 10,439,855 | 812,768 |
| Motor vehicle tags receivable | | | | 66,538 |
| Less allowance for uncollectible ad valorem taxes receivable: | | | | |
| General Fund | | | | <u>(141,840)</u> |
| Ad valorem taxes receivable, net | | | | |
| General Fund | | | | <u>\$ 737,466</u> |
| Reconciliation With Revenues: | | | | |
| Ad valorem taxes - General Fund | | | | \$ 10,545,633 |
| Less auto fee | | | | (164,328) |
| Penalties and interest collected | | | | 88,009 |
| Add credits and adjustments | | | | <u>(29,459)</u> |
| Total collections and credits | | | | <u>\$ 10,439,855</u> |

CITY OF KINSTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | City-Wide | | Total Levy | |
|---|-------------------------|------|--|---------------------------------|
| | Property Valuation | Rate | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | |
| Property taxed at current rate | \$ 1,517,650,000 | 0.66 | \$ 10,016,490 | \$ 9,147,279 |
| Penalties | - | | 33,498 | 33,498 |
| Total | <u>1,517,650,000</u> | | <u>10,049,988</u> | <u>9,180,777</u> |
| Municipal Service: | | | | |
| District | | | <u>60,045</u> | <u>53,281</u> |
| | | | | <u>6,764</u> |
| Discoveries | <u>42,857,879</u> | 0.66 | <u>282,862</u> | <u>282,862</u> |
| | | | | <u>-</u> |
| Abatements | <u>(3,313,939)</u> | | <u>(21,872)</u> | <u>(21,872)</u> |
| | | | | <u>-</u> |
| Total property valuation | <u>\$ 1,557,193,940</u> | | | |
| Net Levy | | | 10,371,023 | 9,495,048 |
| | | | | 875,975 |
| Uncollected taxes at June 30, 2015 | | | <u>351,639</u> | <u>343,033</u> |
| | | | | <u>8,606</u> |
| Current Year's Taxes Collected | | | <u>\$ 10,019,384</u> | <u>\$ 9,152,015</u> |
| | | | | <u>\$ 867,369</u> |
| Current Levy Collection Percentage | | | <u>96.61%</u> | <u>96.39%</u> |
| | | | | <u>99.02%</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. | 154 |
| Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges. | 162 |
| 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. | 165 |
| 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. | 169 |
| 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. | 171 |

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City of Kinston, North Carolina

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

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 8,022,946 | \$ 10,469,056 | \$ 8,832,457 | \$ 10,632,852 | \$ 10,172,960 | \$ 10,135,164 | \$ 11,213,831 | \$ 10,389,743 | \$ 10,623,321 | \$ 10,865,691 |
| Restricted | 619,832 | 696,026 | 524,143 | 501,969 | 83,390 | 3,456,960 | 1,787,355 | 1,392,528 | 1,610,885 | 1,477,150 |
| Unrestricted | 3,962,060 | 3,310,120 | 4,655,523 | 4,419,431 | 4,864,981 | 2,300,910 | 4,472,843 | 4,378,089 | 6,196,097 | 6,004,128 |
| Total governmental activities | | | | | | | | | | |
| net position | \$ 12,604,838 | \$ 14,475,202 | \$ 14,012,123 | \$ 15,554,252 | \$ 15,121,331 | \$ 15,893,034 | \$ 17,474,029 | \$ 16,160,360 | \$ 18,430,303 | \$ 18,346,969 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 73,141,568 | \$ 76,322,354 | \$ 71,514,802 | \$ 78,153,107 | \$ 81,162,571 | \$ 80,602,330 | \$ 81,954,723 | \$ 81,307,560 | \$ 81,092,577 | \$ 83,079,029 |
| Unrestricted | 10,637,908 | 12,109,100 | 17,249,298 | 10,604,869 | 10,672,618 | 11,800,462 | 12,355,920 | 14,155,855 | 16,775,329 | 19,100,935 |
| Total business-type activities | | | | | | | | | | |
| net position | \$ 83,779,476 | \$ 88,431,454 | \$ 88,764,100 | \$ 88,757,976 | \$ 91,835,189 | \$ 92,402,792 | \$ 94,310,643 | \$ 95,463,415 | \$ 97,867,906 | \$ 102,179,964 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 81,164,514 | \$ 86,791,410 | \$ 80,347,259 | \$ 88,785,959 | \$ 91,335,531 | \$ 90,737,494 | \$ 93,168,554 | \$ 91,697,303 | \$ 91,715,898 | \$ 93,944,720 |
| Restricted | 619,832 | 696,026 | 524,143 | 501,969 | 83,390 | 3,456,960 | 1,787,355 | 1,392,528 | 1,610,885 | 1,477,150 |
| Unrestricted | 14,599,968 | 15,419,220 | 21,904,821 | 15,024,300 | 15,537,599 | 14,101,372 | 16,828,763 | 18,533,944 | 22,971,426 | 25,105,063 |
| Total primary government | | | | | | | | | | |
| net position | \$ 96,384,314 | \$ 102,906,656 | \$ 102,776,223 | \$ 104,312,228 | \$ 106,956,520 | \$ 108,295,826 | \$ 111,784,672 | \$ 111,623,775 | \$ 116,298,209 | \$ 120,526,933 |

GASB Statement No. 34 Implemented in Fiscal Year 2003

City of Kinston, North Carolina

Changes In Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 1,402,565 | \$ 1,983,777 | \$ 2,980,089 | \$ 2,594,129 | \$ 2,873,676 | \$ 3,128,980 | \$ 3,299,355 | \$ 3,736,119 | \$ 3,285,740 | \$ 3,476,650 |
| Public safety | 8,607,793 | 8,887,330 | 9,160,026 | 9,218,831 | 9,864,668 | 9,328,164 | 9,685,081 | 9,525,247 | 9,251,041 | 9,374,900 |
| Streets, Cemetery, Engineering (Public Services) | 1,880,438 | 2,365,762 | 1,740,530 | 1,606,515 | 1,936,357 | 1,629,722 | 1,736,651 | 2,162,737 | 1,634,990 | 2,109,344 |
| Culture and recreation | 2,012,994 | 1,342,519 | 1,369,772 | 730,734 | 780,818 | 821,061 | 2,524,198 | 4,295,122 | 3,949,692 | 3,855,523 |
| Community development | 2,665,090 | 2,851,379 | 3,628,908 | 3,552,374 | 3,533,204 | 3,754,041 | 3,686,137 | 742,399 | 1,327,105 | 1,862,929 |
| Interest on long-term debt | 177,873 | 226,828 | 319,271 | 119,472 | 315,202 | 350,729 | 322,222 | 358,094 | 390,855 | 372,159 |
| Total governmental activities expenses | 16,746,753 | 17,657,595 | 19,198,596 | 17,822,055 | 19,303,925 | 19,012,697 | 21,253,644 | 20,819,718 | 19,839,423 | 21,051,505 |
| Business-type activities: | | | | | | | | | | |
| Electric | 44,074,061 | 47,429,959 | 47,230,530 | 51,602,697 | 53,041,348 | 53,797,494 | 52,094,660 | 52,616,382 | 53,878,327 | 53,345,934 |
| Water | 3,671,141 | 3,350,291 | 3,199,827 | 7,516,489 | 7,378,161 | 7,355,873 | 6,983,435 | 6,681,717 | 7,157,044 | 7,809,304 |
| Wastewater | 4,654,361 | 4,271,411 | 5,295,824 | 5,296,885 | 5,296,980 | 5,886,216 | 5,671,974 | 6,140,791 | 6,263,399 | 6,340,320 |
| Nonmajor funds | 2,664,596 | 2,836,185 | 4,083,288 | 3,362,902 | 3,417,407 | 3,395,374 | 3,721,550 | 4,428,421 | 5,719,665 | 6,222,424 |
| Total business-type activities expenses | 55,064,159 | 57,887,846 | 59,809,469 | 67,778,973 | 69,133,896 | 70,434,956 | 68,471,618 | 69,867,311 | 73,018,435 | 73,717,982 |
| Total primary government expenses | 71,810,912 | 75,545,441 | 79,008,065 | 85,601,028 | 88,437,821 | 89,447,653 | 89,725,262 | 90,687,029 | 92,857,858 | 94,769,487 |
| Program revenue: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 442,506 | 409,650 | 791,491 | 521,641 | 392,192 | 398,143 | 372,215 | 361,568 | 793,510 | 540,842 |
| Public safety | 20,186 | 42,046 | 54,916 | 24,170 | 14,147 | 2,352 | 19,821 | 30,418 | 343,103 | 134,763 |
| Public services | 15,277 | 15,277 | 15,277 | - | - | - | - | - | - | - |
| Culture and recreation | 258,442 | 111,400 | 145,400 | 1,388,400 | 1,497,694 | 1,851,955 | 1,759,127 | 1,028,551 | 1,384,634 | 1,265,117 |
| Community development | 997,313 | 866,211 | 946,615 | 79,757 | 228,591 | 116,422 | 283,327 | 176,202 | 444,731 | 266,498 |
| Operating grants and contributions: | | | | | | | | | | |
| General government | 4,320 | - | 114,215 | 14,202 | - | - | 12,538 | - | - | - |
| Public safety | 167,583 | 358,551 | 213,950 | 187,368 | 512,067 | 254,779 | 213,028 | 234,333 | 168,119 | 142,343 |
| Public services | 735,128 | 703,967 | 839,612 | 801,860 | 764,370 | 705,617 | 732,702 | 715,925 | 751,206 | 764,273 |
| Culture and recreation | 1,167,482 | 10,274 | 29,083 | - | - | - | - | - | - | - |
| Community development | 58,763 | - | - | 19,525 | - | 181,981 | 1,494,872 | 50,686 | 110,855 | 76,379 |
| Capital grants and contributions: | | | | | | | | | | |
| Public safety | - | - | - | - | - | 476,000 | 139,303 | 115,644 | - | - |
| Public services | - | - | - | - | - | - | 856,601 | - | - | - |
| Culture and recreation | - | 450,960 | 99,827 | 462,297 | 39,407 | - | 107,557 | 76,164 | 54,577 | - |
| Community development | - | - | - | - | - | - | 288,664 | 288,664 | 362,000 | 322,655 |
| Total governmental activities program revenue | 3,867,000 | 2,968,336 | 3,250,386 | 3,499,220 | 3,448,468 | 3,987,249 | 6,279,755 | 3,078,155 | 4,412,735 | 3,512,870 |

City of Kinston, North Carolina

Changes In Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Electric | 44,686,861 | 46,817,025 | 48,105,623 | 53,174,103 | 55,029,445 | 55,232,090 | 52,266,966 | 53,285,229 | 55,407,387 | 55,560,799 |
| Water | 4,659,004 | 4,977,377 | 4,867,268 | 4,880,404 | 5,453,278 | 6,263,894 | 6,984,404 | 7,533,531 | 7,874,345 | 8,952,764 |
| Wastewater | 4,622,074 | 4,618,345 | 4,349,850 | 4,133,136 | 4,518,939 | 4,891,058 | 5,042,058 | 5,409,255 | 5,749,226 | 6,361,226 |
| Nonmajor funds | 2,589,512 | 2,693,291 | 3,273,556 | 3,881,863 | 4,108,466 | 4,002,603 | 4,138,173 | 5,402,616 | 6,612,670 | 6,125,182 |
| Capital grants and contributions: | | | | | | | | | | |
| Electric | - | - | 616,961 | 1,305,801 | 1,311,358 | 150,000 | 1,253,693 | 369,221 | 518,754 | 610,152 |
| Water | 300,000 | 29,738 | 15,000 | 15,000 | 16,025 | 15,029 | 86,060 | - | - | - |
| Wastewater | 19,123,503 | 4,237,474 | 153,653 | 1,299,839 | 2,723,933 | 1,415,881 | 1,408,647 | 86,071 | - | 2,567,185 |
| Nonmajor funds | - | - | - | 132,765 | - | - | - | - | - | - |
| Total business-type activities program revenues | 75,980,954 | 63,373,250 | 61,381,911 | 68,822,911 | 73,161,444 | 71,970,555 | 71,180,001 | 72,085,923 | 76,162,382 | 80,177,308 |
| Total primary government program revenues | 79,847,954 | 66,341,586 | 64,632,297 | 72,322,131 | 76,609,912 | 75,957,804 | 77,459,756 | 75,164,078 | 80,575,117 | 83,690,178 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | (12,879,753) | (14,689,259) | (15,948,210) | (14,322,835) | (15,855,457) | (15,025,448) | (14,973,889) | (17,741,563) | (15,426,688) | (17,538,635) |
| Business-type activities | 20,916,795 | 5,485,404 | 1,572,442 | 1,043,938 | 4,027,548 | 1,535,599 | 2,708,383 | 2,218,612 | 3,143,947 | 6,459,326 |
| Total primary government net expense | 8,037,042 | (9,203,855) | (14,375,768) | (13,278,897) | (11,827,909) | (13,489,850) | (12,265,506) | (15,522,951) | (12,282,741) | (11,079,309) |
| General revenues and other changes in net position: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 7,428,644 | 7,455,353 | 8,213,392 | 8,670,590 | 9,093,393 | 8,947,351 | 9,623,407 | 9,769,405 | 10,695,873 | 10,542,483 |
| Sales taxes | 2,991,928 | 3,169,463 | 2,949,288 | 2,861,603 | 2,920,585 | 3,026,606 | 3,270,969 | 2,925,258 | 3,243,976 | 3,415,939 |
| Other taxes | 1,737,049 | 1,916,403 | 1,895,726 | 2,139,890 | 1,982,714 | 2,219,513 | 2,255,359 | 2,006,708 | 2,292,838 | 2,510,532 |
| Unrestricted intergovernmental | 360,586 | 341,662 | 341,054 | 357,346 | 281,404 | 349,123 | 360,261 | 400,259 | 402,458 | 371,981 |
| Investment earnings | 94,385 | 200,033 | 288,941 | 88,357 | 8,370 | 20,107 | 20,202 | 15,240 | 12,514 | 12,435 |
| Miscellaneous | 26,264 | 146,222 | 286,867 | 279,008 | 174,443 | 223,451 | 182,766 | 210,924 | 276,812 | 202,349 |
| Transfers | 990,552 | 1,329,736 | 1,509,863 | 1,024,672 | 961,627 | 1,011,000 | 841,920 | 1,100,100 | 772,160 | 1,454,570 |
| Capital contributions | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities | 13,629,408 | 14,558,872 | 15,485,131 | 15,421,466 | 15,422,536 | 15,797,151 | 16,554,884 | 16,427,894 | 17,696,631 | 18,510,289 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 280,566 | 496,310 | 270,067 | 125,330 | 11,292 | 43,004 | 41,388 | 34,260 | 32,704 | 27,188 |
| Transfers | (990,552) | (1,329,736) | (1,509,863) | (1,024,672) | (961,627) | (1,011,000) | (841,920) | (1,100,100) | (772,160) | (1,454,570) |
| Total business-type activities | (709,986) | (833,426) | (1,239,796) | (899,342) | (950,335) | (967,996) | (800,532) | (1,065,840) | (739,456) | (1,427,382) |
| Total primary government | 12,919,422 | 13,725,446 | 14,245,335 | 14,522,124 | 14,472,201 | 14,829,155 | 15,754,352 | 15,362,054 | 16,957,175 | 17,082,907 |
| Changes in net position: | | | | | | | | | | |
| Governmental activities | 13,629,408 | 14,558,872 | 15,485,131 | 15,421,466 | 15,422,536 | 15,797,151 | 16,554,884 | 16,427,894 | 17,696,631 | 18,510,289 |
| Business-type activities | (709,986) | (833,426) | (1,239,796) | (899,342) | (950,335) | (967,996) | (800,532) | (1,065,840) | (739,456) | (1,427,382) |
| Total primary government | \$ 12,919,422 | \$ 13,725,446 | \$ 14,245,335 | \$ 14,522,124 | \$ 14,472,201 | \$ 14,829,155 | \$ 15,754,352 | \$ 15,362,054 | \$ 16,957,175 | \$ 17,082,907 |

City of Kinston, North Carolina

Program Revenues by Function/Program

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| Function / Program | Fiscal Year | | | | | | | | | |
|---|---------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental activities: | | | | | | | | | | |
| General government | \$ (955,739) | \$ (1,574,157) | \$ (2,074,383) | \$ (2,058,286) | \$ (2,481,484) | \$ (2,730,837) | \$ (2,914,602) | \$ (3,374,551) | \$ (2,492,230) | \$ (2,935,808) |
| Public safety | (8,420,024) | (8,486,733) | (8,891,160) | (9,007,293) | (9,338,454) | (8,595,033) | (9,312,929) | (9,144,852) | (8,739,819) | (9,097,794) |
| Streets, Cemetery & Engineering (Public services) | (1,130,033) | (1,646,518) | (885,641) | (804,655) | (1,171,987) | (924,105) | (147,348) | (1,446,812) | (883,784) | (1,345,071) |
| Culture and recreation | (587,070) | (1,220,845) | (2,553,383) | (1,701,677) | (1,996,103) | (1,902,086) | (1,819,453) | (3,190,407) | (2,510,481) | (2,590,406) |
| Community development | (1,609,014) | (1,534,208) | (1,224,372) | (631,452) | (552,227) | (522,658) | (457,335) | (226,847) | (409,519) | (1,197,397) |
| Interest on long-term debt | (177,873) | (226,828) | (319,271) | (119,472) | (315,202) | (350,729) | (322,222) | (358,094) | (390,855) | (372,159) |
| Total governmental activities | (12,879,753) | (14,689,289) | (15,948,210) | (14,322,835) | (15,855,457) | (15,025,448) | (14,973,889) | (17,741,563) | (15,426,688) | (17,538,635) |
| Business-type activities: | | | | | | | | | | |
| Electric | 612,800 | (612,934) | 1,492,054 | 2,877,207 | 3,299,456 | 1,584,596 | 1,425,999 | 1,038,068 | 2,047,814 | 2,825,017 |
| Water | 1,287,863 | 1,656,824 | 1,682,441 | (2,621,086) | (1,908,859) | (1,076,950) | 87,030 | 851,814 | 717,301 | 1,143,460 |
| Wastewater | 19,091,216 | 4,584,408 | (792,321) | 136,090 | 1,945,893 | 420,724 | 778,732 | (645,465) | (514,173) | 2,588,091 |
| Nonmajor funds | (75,084) | (142,894) | (809,732) | 651,726 | 691,059 | 607,230 | 416,623 | 974,195 | 893,005 | (97,242) |
| Total business-type activities | 20,916,795 | 5,485,404 | 1,572,442 | 1,043,937 | 4,027,549 | 1,535,600 | 2,708,384 | 2,218,612 | 3,143,947 | 6,459,326 |
| Total government | \$ 8,037,042 | \$ (9,203,885) | \$ (14,375,768) | \$ (13,278,898) | \$ (11,827,908) | \$ (13,489,848) | \$ (12,265,505) | \$ (15,522,951) | \$ (12,282,741) | \$ (11,079,309) |

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 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund: | | | | | | | | | | |
| Reserved | \$ 2,250,430 | \$ 2,595,053 | \$ 2,208,633 | \$ 1,978,932 | \$ 1,461,673 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved: | 2,187,832 | 1,576,019 | 1,950,108 | 2,788,823 | 3,603,720 | - | - | - | - | - |
| Non-spendable | - | - | - | - | - | 89,373 | 87,020 | 89,785 | 85,125 | 78,720 |
| Restricted | - | - | - | - | - | 1,503,278 | 1,498,228 | 1,051,988 | 1,193,123 | 1,244,509 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | 4,034,163 | 4,632,695 | 5,797,539 | 7,042,172 | 7,288,963 |
| Total General Fund | \$ 4,438,262 | \$ 4,171,072 | \$ 4,158,741 | \$ 4,767,755 | \$ 5,065,393 | \$ 5,626,814 | \$ 6,217,943 | \$ 6,939,312 | \$ 8,320,420 | \$ 8,612,192 |
| All Other Governmental Funds: | | | | | | | | | | |
| Reserved | \$ 313,363 | \$ 4,168,822 | \$ 42,652 | \$ 42,112 | \$ 41,572 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | (83,522) | 102,534 | 39,795 | 5,682 | 22,734 | - | - | - | - | - |
| Major capital projects funds | - | - | - | - | - | - | - | - | - | - |
| Capital projects funds | (176,826) | (665,281) | 1,002,639 | 33,197 | (40,971) | - | - | - | - | - |
| Permanent Fund | 78,454 | 80,584 | 81,694 | 83,268 | 83,390 | - | - | - | - | - |
| Non-spendable in Permanent Fund | - | - | - | - | - | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Restricted | - | - | - | - | - | 2,028,365 | 214,127 | 265,540 | 207,636 | 374,727 |
| Restricted in capital project | - | - | - | - | - | 2,028,365 | 214,127 | 265,540 | 29,359 | - |
| Committed in capital project | - | - | - | - | - | 99,058 | 73,038 | 74,760 | 90,576 | 76,272 |
| Assigned in Special Revenue Fund | - | - | - | - | - | 7,418 | 8,877 | 10,633 | 20,359 | 29,758 |
| Unassigned in capital project | - | - | - | - | - | (104,459) | (380,916) | (555,600) | (236,794) | (90,285) |
| Total all other government funds | \$ 131,469 | \$ 3,686,659 | \$ 1,166,780 | \$ 164,259 | \$ 106,725 | \$ 4,133,747 | \$ 204,253 | \$ 135,873 | \$ 186,136 | \$ 465,472 |

City of Kinston, North Carolina

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|-----------------------|---------------------|-------------------|---------------------|-----------------------|-------------------|---------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues: | | | | | | | | | | |
| Taxes | \$ 7,453,311 | \$ 7,479,685 | \$ 7,896,095 | \$ 8,608,531 | \$ 9,094,918 | \$ 8,937,400 | \$ 9,607,610 | \$ 9,678,780 | \$ 10,805,474 | \$ 10,633,642 |
| Other taxes | 4,728,976 | 5,085,866 | 4,845,014 | 5,001,493 | 4,903,299 | 5,246,119 | 5,526,328 | 4,931,966 | 5,536,814 | 5,926,471 |
| Intergovernmental | 2,490,910 | 1,653,077 | 1,858,669 | 1,842,598 | 1,597,248 | 1,967,500 | 3,348,925 | 1,881,675 | 1,849,215 | 1,677,631 |
| Charges for services | 1,458,756 | 1,444,584 | 1,511,054 | 1,652,192 | 1,677,717 | 1,613,184 | 1,738,320 | 1,955,122 | 1,605,774 | 1,717,067 |
| Other | 434,937 | 546,582 | 532,669 | 349,453 | 178,769 | 231,138 | 199,309 | 216,847 | 285,355 | 117,190 |
| Total revenues | 16,566,890 | 16,209,794 | 16,643,501 | 17,454,267 | 17,451,951 | 17,995,341 | 20,420,492 | 18,664,390 | 20,082,632 | 20,072,001 |
| Expenditures: | | | | | | | | | | |
| General government | 1,888,204 | 1,960,260 | 1,649,345 | 1,888,916 | 2,170,499 | 2,170,354 | 2,210,601 | 1,992,856 | 1,939,339 | 2,660,498 |
| Public safety | 8,920,980 | 9,886,828 | 11,511,179 | 9,992,813 | 9,557,209 | 10,131,381 | 11,416,806 | 9,346,240 | 9,114,838 | 9,532,994 |
| Public services | 1,834,359 | 2,134,327 | 1,915,880 | 1,347,391 | 1,636,134 | 1,350,374 | 1,492,119 | 1,898,996 | 1,328,145 | 1,790,674 |
| Culture and recreation | 2,811,762 | 3,425,570 | 3,342,593 | 3,364,074 | 3,267,172 | 3,421,337 | 3,557,481 | 4,272,800 | 3,919,006 | 3,908,529 |
| Community development | 1,968,797 | 1,263,181 | 1,333,933 | 953,254 | 765,103 | 1,327,385 | 2,845,447 | 1,083,839 | 1,653,197 | 2,244,287 |
| Capital outlay | 72,114 | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | 775,232 | 870,910 | 848,396 | 5,869,365 | 704,045 | 529,865 | 525,739 | 387,146 | 480,604 | 492,474 |
| Interest | 177,916 | 158,906 | 324,931 | 126,173 | 321,661 | 312,867 | 327,446 | 306,975 | 388,074 | 369,378 |
| Total expenditures | 18,449,364 | 19,699,982 | 20,926,257 | 23,541,986 | 18,421,823 | 19,243,563 | 22,375,639 | 19,288,852 | 18,823,203 | 20,998,834 |
| Excess of revenues (under) expenditures | (1,882,474) | (3,490,188) | (4,282,756) | (6,087,719) | (969,872) | (1,248,222) | (1,955,147) | (624,462) | 1,259,429 | (926,833) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 1,284,760 | 1,307,879 | 1,536,332 | 1,026,781 | 958,941 | 976,448 | 1,042,786 | 832,287 | 817,690 | 1,183,989 |
| Transfers (out) | (524,658) | (197,576) | (249,187) | (318,569) | (176,850) | (365,648) | (611,766) | (227,287) | (506,180) | (187,036) |
| Issuance of long-term debt | 314,730 | 5,667,885 | 463,401 | 4,986,000 | 427,885 | 3,197,500 | - | 621,038 | 125,972 | 276,180 |
| Total other financing sources | 1,074,832 | 6,778,188 | 1,750,546 | 5,694,212 | 1,209,976 | 3,808,300 | 431,020 | 1,226,038 | 437,482 | 1,273,133 |
| Net changes in fund balance | \$ (807,642) | \$ 3,288,000 | \$ (2,532,210) | \$ (393,507) | \$ 240,104 | \$ 2,560,078 | \$ (1,524,127) | \$ 601,576 | \$ 1,696,911 | \$ 346,300 |
| Debt service as a percentage of noncapital expenditures | 5.2% | 5.2% | 5.6% | 25.5% | 5.6% | 4.4% | 3.8% | 3.6% | 4.6% | 4.1% |

City of Kinston, North Carolina
The Electric System
Electricity Purchased, Consumed And 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) |
|-------------|---------------|-----------------------|---------------------------------|-----------------|-----------------|--------------|----------------|-----------------------------------|
| 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 |
| 2013 | 452,880,005 | 124,767,842 | 291,933,252 | 20,736,647 | 437,437,741 | 15,442,264 | 3% | 0.1039 |
| 2014 | 478,012,491 | 126,777,757 | 306,791,731 | 15,430,733 | 449,000,221 | 29,012,270 | 6% | 0.0978 |
| 2015 | 477,998,261 | 130,748,262 | 308,372,650 | 15,751,618 | 454,872,530 | 23,125,731 | 5% | 0.0985 |

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

Note:

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

| Electric Rates | Cents Per KWH | | | | | | | | | |
|------------------------|---------------|------|------|------|------|------|------|------|------|------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Residential | 12.0 | 12.7 | 12.7 | 14.1 | 14.6 | 14.7 | 14.9 | 14.8 | 14.7 | 14.6 |
| Small General Service | 10.1 | 12.5 | 12.4 | 14.1 | 14.6 | 14.6 | 14.7 | 14.8 | 14.7 | 14.7 |
| Medium General Service | 10.3 | 10.4 | 10.3 | 11.8 | 12.2 | 12.3 | 12.3 | 12.0 | 12.5 | 12.2 |
| Public Housing | 10.1 | 11.7 | 12.6 | 13.9 | 14.4 | 14.3 | 14.4 | 14.6 | 14.8 | 14.6 |
| Church And School | 14.2 | 14.9 | 14.9 | 16.3 | 16.9 | 17.1 | 17.1 | 17.2 | 17.2 | 17.0 |
| Municipal Service | 6.7 | 4.0 | 4 | 5.1 | 6 | 6 | 6 | 6.0 | 6.0 | 7.0 |
| Masterbrand | 5.3 | 5.3 | 5.3* | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| Large General Service | 7.9 | 8.6 | 8.7 | 10.7 | 11 | 10.8 | 10.8 | 10.7 | 10.6 | 10.7 |
| CDC Rate | 5.5 | 5.9 | 6 | 7 | 7.6 | 8.2 | 8.2 | 8.5 | 8.1 | 8.1 |
| Area Lights | 22.2 | 21.5 | 22 | 22 | 22.8 | 23.4 | 23.5 | 23.7 | 23.8 | 23.4 |

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

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

CITY OF KINSTON

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Lenoir County</u> | <u>City of Kinston</u> | <u>Municipal Service District</u> | <u>Total Tax</u> |
|------------------------|--------------------------|----------------------------|---------------------------------------|------------------|
| 2006 | 0.790 | 0.600 | 0.270 | 1.660 |
| 2007 | 0.840 | 0.600 | 0.270 | 1.710 |
| 2008 | 0.840 | 0.600 | 0.270 | 1.710 |
| 2009 | 0.840 | 0.660 | 0.270 | 1.770 |
| 2010 | 0.800 | 0.660 | 0.270 | 1.730 |
| 2011 | 0.800 | 0.660 | 0.270 | 1.730 |
| 2012 | 0.800 | 0.660 | 0.270 | 1.730 |
| 2013 | 0.800 | 0.660 | 0.270 | 1.730 |
| 2014 | 0.835 | 0.660 | 0.270 | 1.765 |
| 2015 | 0.835 | 0.660 | 0.270 | 1.765 |

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 6/30/2015

| Name of Taxpayer | 2015 | | | | Name of Taxpayer | 2006 | | | |
|---|--------------------|------------------------|------|------------------------------------|---|--------------------|------------------------|------|------------------------------------|
| | Nature of Property | Assessed Value | Rank | Percentage of Total Assessed Value | | Nature of Property | Assessed Value | Rank | Percentage of Total Assessed Value |
| Sanderson Farms, Inc. | Poultry Processor | \$112,306,674 | 1 | 7.21% | Masterbrand Cabinets Inc. | Manufacturer | \$31,723,582 | 1 | 2.70% |
| Smithfield Packing | Meat Processor | 99,955,861 | 2 | 6.42% | Carolina Telephone | Utility | 28,713,738 | 2 | 2.40% |
| Carolina Telephone | Utility | 67,216,116 | 3 | 4.32% | Smithfield Packing | Meat Processor | 14,893,619 | 3 | 1.30% |
| Masterbrand Cabinets, Inc. | Manufacturer | 20,643,283 | 4 | 1.33% | Poole Walter Realty, Inc. | Real Estate | 17,968,396 | 4 | 1.50% |
| Poole Walter Realty, Inc. | Real Estate | 16,890,535 | 5 | 1.08% | Excel Realty Trust NC | Shopping Mall | 10,730,931 | 5 | 0.90% |
| BRE Retail Residual NC Owner LP | Shopping Center | 16,180,341 | 6 | 1.04% | Barnet Southern Corp | Manufacturer | 8,681,772 | 6 | 0.70% |
| Piedmont Natural Gas | Utility | 12,571,268 | 7 | 0.81% | Dwight C. and Patricia Howard | Manufacturer | 8,437,227 | 7 | 0.70% |
| Lowes Home Centers | Shopping | 10,780,416 | 8 | 0.69% | NC Natural Gas | Utility | 9,125,767 | 8 | 0.80% |
| Vernon Park Mall Holding Corp. | Shopping Mall | 10,392,130 | 9 | 0.67% | Perry, Inc. | Real Estate | 7,134,398 | 9 | 0.60% |
| Perrys, Inc. | Real Estate | 10,318,063 | 10 | 0.66% | Smith Investment Properties | Shopping Mall | 7,257,221 | 10 | 0.60% |
| Total Assessed Valuation of Top Ten Taxpayers | | <u>\$ 377,254,687</u> | | 24.23% | Total Assessed Valuation of Top Ten Taxpayers | | <u>\$ 144,666,651</u> | | 12.20% |
| Balance of Assessed Valuation | | <u>\$1,179,939,252</u> | | 75.77% | Balance of Assessed Valuation | | <u>\$1,042,847,337</u> | | 87.80% |
| Total Assessed Valuation | | <u>\$1,557,193,939</u> | | 100.00% | Total Assessed Valuation | | <u>\$1,187,513,988</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 |
| 2006 | 2005 | 7,180,425 | 6,783,645 | 0.9447 | 371,045 | 7,154,690 | 0.9955 |
| 2007 | 2006 | 7,268,251 | 6,889,924 | 0.9479 | 352,280 | 7,242,204 | 0.9955 |
| 2008 | 2007 | 7,701,960 | 7,334,167 | 0.9522 | 346,486 | 7,680,653 | 0.9959 |
| 2009 | 2008 | 8,480,980 | 8,029,872 | 0.9468 | 401,069 | 8,430,941 | 0.9919 |
| 2010 | 2009 | 8,888,479 | 8,473,336 | 0.9533 | 371,494 | 8,844,830 | 0.9909 |
| 2011 | 2010 | 8,764,337 | 8,363,449 | 0.9543 | 369,349 | 8,732,798 | 0.9864 |
| 2012 | 2011 | 9,429,114 | 8,983,219 | 0.9527 | 374,970 | 9,358,189 | 0.9618 |
| 2013 | 2012 | 9,533,752 | 9,035,552 | 0.9477 | 358,312 | 9,393,864 | 0.9853 |
| 2014 | 2013 | 10,430,850 | 10,022,906 | 0.9609 | 39,297 | 10,062,203 | 0.9647 |
| 2015 | 2014 | \$ 10,371,023 | \$ 10,019,384 | 0.9661 | \$ 27,923 | \$ 10,047,307 | 0.9688 |

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2005-2015

Notes:

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 2014 collections are as of 08/31/2015.

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 | | |
| | | | | | | | | | | | |
| 2006 | - | - | - | 0 | - | 3,846,072 | 5,721,263 | 0 | 15,777,811 | 25,345,146 | 1,109 |
| 2007 | - | - | - | 0 | - | 8,643,047 | 12,503,265 | 0 | 15,168,004 | 36,314,316 | 1,581 |
| 2008 | - | - | - | 0 | - | 8,258,051 | 12,668,221 | 0 | 19,832,648 | 40,758,920 | 1,775 |
| 2009 | - | - | - | 0 | - | 7,241,806 | 11,113,257 | 0 | 15,293,513 | 33,648,576 | 1,465 |
| 2010 | - | - | - | 0 | - | 6,965,646 | 11,160,112 | 0 | 14,339,473 | 32,465,231 | 1,472 |
| 2011 | - | - | - | 0 | - | 9,633,282 | 9,708,187 | 0 | 13,353,874 | 32,695,343 | 1,508 |
| 2012 | - | - | - | 0 | - | 9,107,542 | 8,279,562 | 0 | 12,336,227 | 29,723,331 | 1,375 |
| 2013 | - | - | - | 0 | - | 9,341,434 | 7,915,246 | 0 | 11,280,517 | 28,537,197 | 1,320 |
| 2014 | - | - | - | 0 | - | 8,986,803 | 6,995,366 | 0 | 10,186,196 | 26,168,365 | 1,209 |
| 2015 | - | - | - | 0 | - | 8,781,132 | 7,113,058 | 0 | 9,147,000 | 25,041,190 | 1,171 |

City of Kinston, North Carolina
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2015
(Unaudited)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|-----------------------------------|----------------------|---------------------------------------|--|
| Lenoir County Debt | \$ 50,385,000 | 37.83% | \$ 19,058,597 |
| Subtotal, overlapping debt | <u>\$ 50,385,000</u> | | <u>\$ 19,058,597</u> |
| City Direct Debt | <u>8,781,132</u> | | <u>8,781,132</u> |
| Total direct and overlapping debt | <u>\$ 59,166,132</u> | | <u>\$ 27,839,729</u> |

Sources:

Assessed value data used to estimate applicable percentages provided by the Lenoir County Tax Collector/Assessor. Debt outstanding data provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Kinston. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore responsible for repaying the debt of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Lenoir County's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable value. The percentage of overlapping debt is based on the June 30, 2015 assessed valuation of \$4,116,736,223 for Lenoir County and \$1,557,193,956 for the City of Kinston.

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

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt limit | \$ 95,001,119 | \$ 96,127,414 | \$ 101,946,732 | \$ 111,203,551 | \$ 106,982,646 | \$ 105,523,959 | \$ 113,508,985 | \$ 114,575,354 | \$ 125,096,448 | \$ 124,575,515 |
| Total net debt applicable to limit | 3,846,072 | 8,643,047 | 20,926,273 | 18,393,410 | 18,125,758 | 19,341,469 | 17,387,104 | 17,256,680 | 15,982,168 | 15,894,190 |
| Legal debt margin | \$ 91,155,047 | \$ 87,484,367 | \$ 81,020,459 | \$ 92,810,141 | \$ 88,856,888 | \$ 86,182,490 | \$ 96,121,881 | \$ 97,318,674 | \$ 109,114,280 | \$ 108,681,325 |
| Total net debt applicable to the limit as a percentage of debt limit | 4.22% | 9.88% | 25.83% | 19.82% | 20.40% | 22.44% | 18.09% | 17.73% | 14.65% | 14.62% |

Legal Debt Margin Calculation for Fiscal Year 2014

| | | | |
|----------------------|-----------------------|---|----------------------|
| Assessed valuation | \$ 1,557,193,940 | Total government wide debt | \$ 27,678,297 |
| 8% | 124,575,515 | Less revenue bonds | (9,147,000) |
| Less applicable debt | <u>(15,894,190)</u> | Less compensated absences | (1,066,113) |
| Debt margin | <u>\$ 108,681,325</u> | Less law enforcement separation allowance | (1,242,010) |
| | | Less separation allowance | (25,894) |
| | | Less other post employment benefits | (303,090) |
| | | | <u>\$ 15,894,190</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 Debt Service | | Coverage | Special Assessment Collections | Debt Service | | Coverage | Sales Tax Increment | Debt Service | | Coverage |
| | | | | Principal | Interest | | | Principal | Interest | | | Principal | Interest | |
| | | | | | | | | | | | | | | |
| 2006 | 56,838,017 | 54,526,650 | 2,311,367 | 589,256 | 501,167 | 2.12 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2007 | 56,909,055 | 51,857,666 | 5,051,389 | 1,192,410 | 704,022 | 2.66 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2008 | 57,592,808 | 52,842,641 | 4,750,167 | 1,217,959 | 699,457 | 2.48 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2009 | 62,189,411 | 59,945,018 | 2,244,393 | 1,363,251 | 754,475 | 1.06 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2010 | 64,894,490 | 61,103,976 | 3,790,514 | 1,368,156 | 667,936 | 1.86 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2011 | 66,310,137 | 61,739,024 | 4,571,113 | 1,399,715 | 621,036 | 2.26 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2012 | 64,196,224 | 59,240,780 | 4,955,444 | 1,431,762 | 573,795 | 2.47 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2013 | 66,105,976 | 60,995,859 | 5,110,117 | 1,792,828 | 690,238 | 2.06 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2014 | 68,391,147 | 62,487,584 | 5,903,563 | 1,747,182 | 629,280 | 2.48 | 0 | 0 | 0 | | 0 | 0 | 0 | |
| 2015 | 70,230,772 | 62,525,807 | 7,704,965 | 1,696,937 | 572,242 | 3.40 | 0 | 0 | 0 | | 0 | 0 | 0 | |

City of Kinston, North Carolina

Demographic and Economic Statistics

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year Ended June 30 | Population (1) | Per Capita Income (2) | School Enrollment (3) | County Unemployment Rate (4) |
|------------------------------------|----------------|--------------------------|--------------------------|------------------------------------|
| 2006 | 22851 | (5) | 9,797 | 5.7% |
| 2007 | 22962 | 16526 | 9,549 | 4.9% |
| 2008 | 22649 | (5) | 9,546 | 7.2% |
| 2009 | 22056 | 14476 | 9,258 | 12.4% |
| 2010 | 21677 | (5) | 9,039 | 10.6% |
| 2011 | 21642 | (5) | 9,075 | 11.2% |
| 2012 | 21622 | (5) | 9,097 | 10.7% |
| 2013 | 21625 | (5) | 8,994 | 9.9% |
| 2014 | 21641 | (5) | 8,997 | 7.3% |
| 2015 | 21392 | (5) | 8,877 | 6.9% |

Sources:

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

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

City of Kinston, North Carolina

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

| Employer | 2015 | | | Employer | 2006 | | |
|------------------------------|-----------|------|---------------------------------------|------------------------------|-----------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | | Employees | Rank | Percentage of Total County Employment |
| Lenoir County Public Schools | 1,553 | 1 | 5.86% | Caswell Center | 1,675 | 1 | 6.36% |
| Sanderson Farms | 1,540 | 2 | 5.81% | Lenoir County Public Schools | 1,410 | 2 | 5.35% |
| Lenoir Memorial Hospital | 1,047 | 3 | 3.95% | Lenoir Memorial Hospital | 1,100 | 3 | 4.18% |
| Smithfield Foods Inc. | 730 | 4 | 2.75% | Masterbrand | 900 | 4 | 3.42% |
| Aristocraft/Decora/Schrock | 550 | 5 | 2.07% | Electrolux Home Products | 870 | 5 | 3.30% |
| Electrolux Home Products | 539 | 6 | 2.03% | Associated Materials, Inc. | 712 | 6 | 2.70% |
| Spirit Aerosystems | 452 | 7 | 1.70% | Smithfield Packing company | 574 | 7 | 2.18% |
| Lenoir County | 472 | 8 | 1.78% | Lenoir Community College | 520 | 8 | 1.97% |
| City of Kinston | 376 | 9 | 1.42% | Vernon Park Mall | 500 | 9 | 1.90% |
| Lenoir Community College | 250 | 10 | 0.94% | Lexon China | 480 | 10 | 1.82% |
| Total | 7,509 | | 28.32% | Total | 8,741 | | 33.19% |

Sources:

Lenoir County Economic Development
Employment Security Commission
Various HR Managers
Labor & Economic Analysis Division

City of Kinston, North Carolina

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

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Functions/Program | | | | | | | | | | |
| General Government: | | | | | | | | | | |
| Legislative | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| City Management | 3 | 2 | 3 | 3 | 3 | 4 | 2 | 2 | 2 | 2 |
| City Clerk | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Personnel | 4 | 3.5 | 4 | 4 | 2 | 3 | 3 | 3 | 3 | 3 |
| Finance | 11 | 11 | 12 | 12 | 12 | 12 | 12 | 13 | 13 | 13 |
| Computer Services | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| Building Safety | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 4 | 4 |
| Planning | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| Parks and Recreation: | | | | | | | | | | |
| General & Administrative | 6 | 6 | 6 | 6 | 4 | 4 | 4 | 4 | 4 | 5 |
| Recreation | 28 | 29 | 29 | 29 | 26 | 29 | 29 | 26 | 30 | 30 |
| Pool(s) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Golf Course(s) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police: | | | | | | | | | | |
| Officers | 74 | 77 | 77 | 77 | 76 | 76 | 76 | 76 | 76 | 76 |
| Civilians (a) | 10 | 10 | 9 | 9 | 8 | 8 | 8 | 10 | 10 | 10 |
| Fire: | | | | | | | | | | |
| Firefighters and Officers | 55 | 55 | 54 | 54 | 49 | 49 | 49 | 48 | 48 | 48 |
| Civilians | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| Public Services: | | | | | | | | | | |
| Administration | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Billing and Customer Service | 18 | 17 | 18 | 16 | 15 | 15 | 15 | 15 | 15 | 15 |
| Meter Services | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 9 | 9 | 9 |
| Engineering | 9 | 9 | 9 | 11 | 9 | 9 | 9 | 9 | 9 | 9 |
| Street Maintenance | 18 | 15 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Street Sweeping | 1 | 1 | - | - | - | - | - | - | - | - |
| Refuse Collection | 30 | 26 | 26 | 26 | 27 | 27 | 27 | 27 | 27 | 27 |
| Weed Control | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Central Garage | 10 | 10 | 9 | 10 | 9 | 10 | 10 | 10 | 10 | 10 |
| Street Lighting | 1 | - | - | - | - | - | - | - | - | - |
| Traffic Control | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Electric: | | | | | | | | | | |
| Distribution | 21 | 21 | 21 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Water: | | | | | | | | | | |
| Transmission | 20 | 24 | 25 | 25 | 25 | 25 | 25 | 24 | 24 | 24 |
| Purification | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 6 | 6 | 6 |
| Sewer Maintenance | 13 | 14 | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Stormwater | - | 1 | 6 | 7 | 7 | 7 | 7 | 7 | 10 | 10 |
| Other Programs/Functions: | | | | | | | | | | |
| Risk Management | 3 | 2.5 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 |
| Total | 375 | 375 | 375 | 379 | 360 | 366 | 364 | 368 | 375 | 376 |

Source: Prior year CAFR's

Various Human Resources and Adopted Budget Records

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

| Function/Program | Fiscal Year | | | | | | | | | |
|--------------------------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Police: | | | | | | | | | | |
| Calls for service | 31,192 | 35,156 | 32,213 | 32,686 | 33,101 | 29,767 | 30,753 | 28,944 | 26,729 | 26,954 |
| Adult arrest | 2,945 | 4,910 | 3,008 | 2,755 | 3,553 | 2,896 | 3,240 | 2,823 | 2,392 | 2,607 |
| Juvenile arrest | 172 | 171 | 161 | 122 | 89 | 97 | 117 | 130 | 97 | 62 |
| Speeding citations only | 656 | 863 | 1,280 | 392 | 837 | 771 | 572 | 488 | 525 | 464 |
| Traffic citations | 2,506 | 5,823 | 5,677 | 3,567 | 4,374 | 3,584 | 4,081 | 3,870 | 3,916 | 2,222 |
| Fire: | | | | | | | | | | |
| Total fire runs | 664 | 216 | 870 | 843 | 185 | 764 | 908 | 898 | 536 | 963 |
| Total rescue runs | 143 | 145 | 121 | 151 | 117 | 82 | 80 | 96 | 185 | 777 |
| Property loss | \$ 380,311 | \$ 761,793 | \$ 642,430 | \$ 791,822 | \$ 472,680 | \$ 2,124,175 | \$ 1,194,425 | \$ 11,441,115 | \$ 726,548 | \$ 626,006 |
| Building safety: | | | | | | | | | | |
| Total building permits | 121 | 124 | 115 | 98 | 83 | 102 | 104 | 109 | 114 | 93 |
| Total value all permits | \$ 58,292,255 | \$ 35,183,618 | \$ 20,778,089 | \$ 9,735,748 | \$ 59,871,760 | \$ 15,617,899 | \$ 15,065,906 | \$ 13,159,552 | \$ 10,386,075 | \$ 42,725 |
| Library, volumes in collection | 116,474 | 14,026 | 99,905 | 235,108 | 233,466 | 245,837 | 237,195 | 244,343 | 198,083 | 164,554 |
| Public service: | | | | | | | | | | |
| Garbage collected (ton) | 22,685 | 20,521 | 19,937 | 21,254 | 19,108 | 17,272 | 16,744 | 21,017 | 18,214 | 17,972 |
| Recycle collected (ton) | 632 | 574 | 836.48 | 563.21 | 637.56 | 655.1 | 657.53 | 628 | 615 | 617 |
| Parks and Recreation: | | | | | | | | | | |
| Recreation program attendance: | | | | | | | | | | |
| Athletics | 158,500 | 163,000 | 172,000 | 175,000 | 202,000 | 204,500 | 208,300 | 205,100 | 202,100 | 204,150 |
| Centers & Parks | 419,500 | 421,500 | 520,000 | 518,000 | 520,000 | 522,000 | 552,000 | 547,000 | 625,000 | 592,000 |
| Other Programs | 114,000 | 113,000 | 116,000 | 122,000 | 118,000 | 116,300 | 118,000 | 123,000 | 128,000 | 125,000 |
| Golf Rounds Played | 7,800 | 7,950 | 8,200 | 9,300 | 9,100 | 9,000 | 8,000 | 8,650 | 9,200 | 8,300 |

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 | | | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Police: | | | | | | | | | | |
| Stations | 4 | 4 | 3 | 3 | 3 | 5 | 2 | 1 | 2 | 1 |
| Fire & 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) | 113.9 | 114.91 | 114.91 | 114.91 | 114.91 | 114.91 | 114.83 | 117.1 | 115.11 | 115.11 |
| Streets Lights | 2064 | 2123 | 2106 | 2106 | 2106 | 2106 | 2106 | 2065 | 2065 | 2065 |
| Traffic Signals | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Parks & Recreation: | | | | | | | | | | |
| Acreage | 245 | 300 | 300 | 300 | 300 | 332 | 349 | 332 | 332 | 332 |
| Parks | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Golf Course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Baseball/Softball Diamonds | 17 | 17 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Soccer/Football Fields | 2 | 2 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Basketball Courts | 6 | 6 | 4 | 4 | 4 | 4 | 6 | 6 | 6 | 6 |
| Tennis Courts | 16 | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Swimming Pools | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 4 | 4 |
| Parks with Playground Equipment | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Picnic Shelters | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 9 |
| Community Centers | 5 | 5 | 5 | 5 | 5 | 6 | 7 | 7 | 7 | 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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Indoor Batting Facility | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Natural Sites | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Gymnasium | 4 | 4 | 4 | 4 | 4 | 5 | 6 | 6 | 6 | 6 |
| Spray Ground | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Dog Park | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library: | | | | | | | | | | |
| Facilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Volumes | 116,474 | 14,026 | 99,905 | 235,108 | 233,466 | 245,837 | 237,195 | 244,343 | 198,083 | 164,554 |
| Water: | | | | | | | | | | |
| Storage Capacity (MGPD) | 4.25 MGD | 4.25 MGD | 4.25MGD | 4.25MGD | 4.25MGD | 4.25MGD | 4.25MGD | 4.25MGD | 4.25MGD | 4.25MGD |
| Average Daily Consumption (MGPD) | 3.80 MGD | 3.63 MGD | 3.49MGD | 2.94MGD | 2.85MGD | 3.41MGD | 4.14MGD | 4.4MGD | 4.14MGD | 4.58MGD |
| Peak Consumption (MGPD) | 5.70 MGD | 5.45 MGD | 5.24MGD | 5.12MGD | 5.07MGD | 5.11MGD | 8.19MGD | 10.4MGD | 10.4MGD | 9.4MGD |
| Miles of Water Mains | 212.7 | 214 | 214.4 | 214.7 | 214.7 | 216.76 | 216.76 | 216.76 | 216.76 | 216.76 |
| Wastewater: | | | | | | | | | | |
| Sanitary Sewers (miles) | 209.4 | 211.2 | 211.4 | 211.4 | 211.4 | 212.98 | 213.24 | 213.24 | 213.24 | 213.24 |
| Storm Sewers (miles) | 62.3 | 62.3 | 62.4 | 62.4 | 62.4 | 55.39 | 55.39 | 55.39 | 55.39 | 55.39 |
| Average Daily Flow | 5.12 MGD | 5.29 MGD | 4.64MGD | 4.29MGD | 5.09MGD | 5.14MGD | 4.24MGD | 4.69MGD | 6.23MGD | 5.98 MGD |
| Electric: | | | | | | | | | | |
| Average Daily Usage | 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 | 1,198,459KWH | 1,230,138KWH | 1,246,226 KWH |
| Mile of Distribution Lines | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 435 | 435 |

Source: Various City records

Note:

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