



# CITY OF KINSTON

## NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017

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

**Tennis Courts at Bill Fay Park Kinston, North Carolina (Upper Left)**

The tennis courts at Bill Fay park were renovated in 2017 through the funding of a US Tennis Association grant, City of Kinston, Lenoir County, Lenoir County School Board, NCUSTA grant, Southern Tennis Association grant and local donations.

**Lovit Hines Recreation Center Kinston, North Carolina  
(Upper Right and Lower Left)**

Lovit Hines Recreation Center and Park, located on King Street was renovated in 2016 and is currently being enjoyed by neighborhood children daily through an after school program and as a summer day camp program. A new playground and a small basketball court was also added at the park.

**Martin C. Freeman Gym Kinston, North Carolina (Lower Right)**

The Brandon Ingram basketball court, located at the Martin C. Freeman Gym was completely renovated with the generous donation from Adidas and funding from the City of Kinston. The gym, bleachers, hallways, lobby, office and game room were painted. New gym flooring was installed in the gym with Adidas/Brandon Ingram lettering and Wall of Fame lettering on the gym walls were installed.

**CITY OF KINSTON  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2017**

**Prepared by City of Kinston Finance Department**

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# **CITY OF KINSTON, NORTH CAROLINA**

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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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**TONY SEARS**  
City Manager

**JAMES P. CAULEY**  
City Attorney

**MONIQUE HICKS**  
City Clerk

# City of Kinston

**Mayor DON HARDY**  
Mayor Pro Tem **FELICIA SOLOMON**

Councilmembers:  
**ROBERT SWINSON**  
**SAMMY AIKEN**  
**JOSEPH M. TYSON**  
**KRISTAL SUGGS**



January 16, 2018

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, 2017, 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 audit requirements of Title 2 U. S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. 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.

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## **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.

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## **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 5.3 percent unemployment rate compared to a statewide rate of 4.5 percent and a national average of 4.2 percent. Overall, the value of new construction, repair and renovation was \$5.3 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

Down East Wood Ducks, Kinston's new minor league baseball team, finished their first season by clinching the Carolina League Southern division on top with 62 wins. DEWDs also set the attendance record at Grainger Stadium with over 147,000 attendees. The previous record was set by the Kinston Indians in 2009.

The rebirth of the Kinston Motor Lodge came to fruition this year, when Steven Hill opened the doors to the Mother Earth Motor Lodge. Originally built in the 1960's, the lodge still embraces the 60's decade but with a west coast Tropicana appearance, inspired by the "Catch Me if You Can" film.

The owners of Sugar Hill Pizzeria have opened Inside Scoop, an ice cream shop serving over 20 flavors of Hershey's ice cream. Lidl, a European grocery store chain, opened their doors in June. Kinston's store was one in five that opened in North Carolina. Finally, Social Beverage Co., based out of Raleigh, revitalized a 100-year-old power plant, where they distill their "farm to flask" vodka called Social House Vodka.

Blue Cross Blue Shield partnered up with Kinston Parks and Recreation department to build a park for over 6000 area children to play. Hurricane Matthew damage shut down multiple county parks and more than 200 volunteers came together to help. The park is accessible for children with disabilities and includes climbing ropes, slides and a 15-foot stone dragon.

After 32 years of public service our Kinston-Lenoir County Parks and Recreation director Bill Ellis has retired. Bill led the way on many projects such as the Neuseway Nature Park and Woodmen Community Center. He also played a role in overseeing the construction of the African American Music trail and Kinston River Walk project.

The City of Kinston has contracted a broker to assist with minimizing the rising cost of health insurance and to explore options available to the City for providing medical coverage at an affordable rate.

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## **MAJOR INITIATIVES**

Fiscal Year 2016-2017 comprised of the planning and implementation phases of several initiatives as well as the continuance or completion of projects begun during the previous year.

### **PLANNING DEPARTMENT**

#### **Land Use Plan**

The planning department continues to facilitate new development, implementing our new land use plan. We have proceeded to update our unified development ordinance to adjust for changing state and federal laws, as well as local development trends. We continue to strive to help our community recover from Hurricane Matthew and the subsequent flood event. We look forward to helping our community move forward and develop within our current limits through continued infill development and historic redevelopment projects.

#### **Choice Neighborhoods Planning program**

The Planning Department has applied five times now in consecutive years to the Choice Neighborhoods Planning Grant program, being denied each time; considering this, the City will continue to do what we can in the absence of that funding. The Planning Department will continue to apply to the grant program, because the potential it holds for our community cannot be understated.

#### **Certified Floodplain Manager (CFM)**

The Planning Director will be working to receive Certified Floodplain Manager (CFM) status. The Director also plans to attend several training meetings to maintain his AICP status in good standing.

### **Community Development Planner**

The department will be adding a new Community Development Planner after January, and it is the expectation that this position will help facilitate the many projects the Planning Department oversees; this will also help expand the abilities of the department as a whole.

The Planning Department is excited to be a part of all that is changing in our community and will strive to do all that it can to help development continue and to engage new, diverse investors in our City.

### **KINSTON POLICE DEPARTMENT**

**FY 2016 Bulletproof Vest Partnership (BVP) Grant:** The BVP Grant Program helps protect the lives of law enforcement officers by assisting local governments to equip their officers with armor vest. The program pays up to 50% of the cost of the vest purchased by jurisdictions with approved applications. Our agency received funding for (12) ballistic vest for the FY 2016-2017. Kinston Police Department was awarded the amount of \$9,351.36. The grant consists of \$4,675.68 in federal funds and \$4,675.68 in local funds.

**FY 2017 Bulletproof Vest Partnership (BVP) Grant:** The 2017 BVP Grant application has been submitted and is under current review by DOJ, awaiting award of funding. KPD has requested funding for the purchase of 16 ballistic vests for the FY 2017-2018. This grant program helps protects the lives of law enforcement officers by assisting local governments to equip their officers with armor vest. The program pays up to 50% of the cost of vest purchased by jurisdictions with approved applications. Our agency requested funding in the amount of \$11,508.49. The grant will consist of \$5,754.25 in federal funds and \$5,754.25 in local funds.

**FY 2016 JAG Grant (DOJ): The 2016 JAG Grant:** was awarded on September 7, 2016 for the purchase of Covert Video Surveillance 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: \$15,125.50). This system has been placed into operation and is currently active in designated locations within the City of Kinston.

**FY 2017 JAG Grant (DOJ): The 2017 JAG Grant:** application has been submitted and is under current review by DOJ, awaiting award of funding. KPD has requested funding for the purchase of riot and crowd control equipment. This equipment will help to resolve and prevent situations from occurring and escalating and will enhance citizen safety by allowing officers to have a prepared and skillful response to incidents. (Award Amount: \$15,173.50).

### **DEPARTMENT OF FIRE & RESCUE**

The Department responded to 3,543 alarms with property values totaling \$51,000,228.00. Property value saved was \$49,709,414.00 or 97.47%. The Department also increased the use iPad Technology with response applications including pre-incident plans. The Department responded to 2,473 medical emergencies relating to life-threatening situations including cardiac arrests and major trauma.

Community Education was an important part in the operation of the Department with personnel conducting numerous home fire safety checks and participating in many community events such as food drives and cleanup programs. School programs relating to fire and life safety education along with station visits were conducted to better educate our community.

The Department also conducted over 781 company level fire inspections and completed 10,613 hours of fire/rescue training during the 2016 - 17 calendar year.

The Department will expand our abilities in providing for the life and safety of the citizenry and firefighting personnel through the implementation of new control, confinement and rescue techniques. The Department will expand the use of social media to increase delivery of Public Fire and Life Safety Education to our citizenry. The Department will enhance interoperability and succession through continuing education in Incident Management, Personnel Management Principles and Loss Control/Prevention. The Department will continue to increase abilities in providing Emergency Medical Care.

## **PUBLIC SERVICES**

### **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. Phase I was bid on January 16, 2016 and awarded to CaJenn Construction in the amount of \$3,516,989. Phase I is expected to be complete October, 2017. Phase II was bid on August 4, 2016, however the bids came in over budget. Engineering plans were reviewed and the project was rebid July, 2017 and the contract was awarded to T.A. Loving in the amount of \$1,945,971.62. Work on Phase II should begin January, 2018 and all work is expected to be complete in Summer, 2018.

### **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 is interested 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. 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 approved the bidding of this project as a design-build project. Proposals

were received on December 1, 2015 and the project was awarded to Utility Service Company. The SRF Loan has been amended to a total loan amount of \$2,590,911.75, based on negotiations with Utility Service Company. Design and permitting work has begun and installation is expected to be complete in the Fall, 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 Herritage Street prior to widening the street, bringing the total project funds to \$352,500. The Herritage Street widening and street resurfacing projects are complete. The City has also paved a portion of Perry Street that was previously unpaved. This project has been completed.

### **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 \$1,291,949. 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. Booth & Associates was selected as the Engineer for the project in January, 2016. Manufacture of the transformer was awarded to Virginia Transformer Corporation in January, 2016 with a cost of \$371,275.43. Installation and site work was awarded to Substation Enterprises, Inc. in March, 2016 for \$164,900. Work was completed February, 2017.

## **PARKS AND RECREATION**

### **Mock Athletic Skills Facility:**

The gym was painted and a new HVAC was installed in the weight room and the gym.

### **Martin C. Freemen Gym:**

The gym, office and game room were painted; a new gym floor was installed through a partnership between the City of Kinston and Adidas (Brandon Ingram).

### **Southeast Park:**

Concrete basketball courts were added in the park.

### **Grainger Stadium:**

Phase I of the stadium renovation included: turf replacement, grandstand improvements, painted the home team locker room, painted the player's lounge, painted the offices, installed new field lighting, installed new fans under the grandstand, added new wrought iron fencing, built a new concession stand, installed new padding on outfield walls and between the two dug outs, installed new netting, erected a batters eye, built a new batting cage (including adding new roofs over the old batting cage), Demolished the old Salt Wood Products building, which added a new parking lot, resurfaced and repaired the old asphalt parking lot. The gift shop was renovated and new Wood Duck logos and signs were installed.

### **Riverwalk Project:**

A new playground, in partnership with KaBoom and Blue Cross and Blue Shield of NC has been installed. The Loch Neuse Dragon slide was installed at the park, along with swings, musical features, slides, tight ropes, a peek a boo wall and new fencing. New concrete sidewalks have been poured and a shade canopy has been installed over the playground. The existing light poles were painted red and new LED light fixtures have been placed on the poles along the sidewalks. Turf grass will be installed at the playground and around the perimeter of the park. Concrete rocks and logs will be installed around the playground as well.

### **Bill Fay Park:**

The tennis courts at Bill Fay were completely reconstructed and a new vinyl coated fence was added around the courts. The tennis shop is currently being renovated with new decking and rails being added.

### **Georgia K. Battle Center:**

New granite countertops and flooring were installed in the center. A gravel walking track is currently being installed at the park.

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## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

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Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 31 percent of total general fund revenues. This amount is approximately 11 percent above the informal guidelines utilized 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.

### **Kinston Police Department**

#### **Youth Diversion Program**

The implementation of youth diversion programs by Chief Alonzo Jaynes. Chief Jaynes will utilize all local community partners to implement programs designed to divert youth from criminal activity and place them into settings of positive environments.

Kinston Police Department will continue to be an active member in organized Regional Task Forces focusing on reducing violent crime in our community.

Kinston Police Department will work towards maintaining an adequate police cruiser fleet for the Support Services and Investigation's Division.

Replacing and upgrading technology equipment, such as; Mobile Data Computers, Surveillance Cameras, Other Recording Devices used for Covert Operations.

#### **Partnership with North Carolina University**

The Police Department has developed a new partnership with North Carolina Central University and accepted a new Intern, Jessica Bryant. Mrs. Bryant comes to us as a local Kinston resident. She is a Master's Degree student in Social Work, a Bachelor in Arts Degree in Psychology, a Bachelor of Science in Criminal Justice and a Master's Degree in Education. Her internship will allow her to work with the Police Department through April 2018 and possibly for an additional year of internship. Mrs. Bryant has experience as a Lead Special Education Teacher and as an Intellectual and Developmental Disability Care Coordinator. As a social work intern, Mrs. Bryant will have a unique and more active role than our interns in the past. She will act as a liaison between the police department and the community as well as state social service agencies. She will be able to assist with referrals to other social and mental health agencies, emergency shelters, financial assistance, and assistance with on-scene

crisis intervention. This partnership is giving us a wonderful opportunity to merge law enforcement and social work in a way to provide enhanced services to our community.

### **Briery Run Sewer Rehabilitation – Phase IV**

The City of Kinston received a Clean Water State Revolving Fund loan in the amount of \$2,054,696 in February, 2016 for this project. The scope of work 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 loan includes principal forgiveness of \$500,000 and zero percent interest on the remainder of the loan. July 2017, the engineering design was submitted to CWSRF for comments. Once approval has been received bids will be let. Loan payments would begin in November, 2018.

### **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. \$90,000 was approved in the FY15/16 budget to evaluation the well and make improvements to make it operational. Evaluation and construction of the well modifications is complete. The well went into service in August 2017. Project is complete.

### **Queen Street Waterline Replacement**

The City plans to replace all existing waterlines in the Queen Street corridor prior to NCDOT resurfacing. Funds have been budgeted for this project in installments over three fiscal years, with the last installment being \$330,000 included in the FY16/17 budget. The total funds budgeted are \$936,000. 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, 2015, and is expected to be complete by December, 2017.

### **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. Continued work is needed to in the pilot project to provide 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 projects were conducted in two separate sections of the City. Full-scale deployment is underway with the purchase of econet communications devices. Once the design phase is complete, it should take 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.

### **Relocation of Both Electric Transmission and Distribution Facilities on Queen Street**

NCDOT is replacing the Queen Street Bridges, which necessitates the relocation of all electrical facilities. DOT 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 \$650,000. The transmission line relocation and distribution line demolition have been completed. NCDOT has reimbursed the city \$543,125.40 for their portion of the work. The final re-installation of the distribution line was delayed until after the bridge work was completed. The contract for the final phase was awarded to Lee Electrical Construction in August, 2017 in the amount of \$135,058. Costs to date have been \$631,904. The City desires to increase the line size and will be responsible for the system betterment work, approximately \$17,000. Work is expected to be complete in 2017.

### **Lift Station By-Pass Taps**

Construction began August, 2017 to install bypass taps at Briery Run Lift Station, Barrus Lift Station, Pollock Street Lift Station and Forrest Street Lift Station. The Sewer Fund FY16/17 budget included \$350,000 for the installation of these by-pass taps. The project is expected to be complete by December, 2017.

### **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 our 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 \$3,644,184. This project will be expedited and funded through revenues from the rate stabilization adopted by City Council. Booth and Associates was selected through an RFQ to be the engineer for the project. Initial engineering and property acquisition work is underway. Booth & Associates was awarded the engineering work in January, 2016 in the amount of \$507,500. Easement and right of way purchases are in process. Construction is expected to begin on the station site in late 2017.

### **FY 2016-2017 Street Resurfacing**

The City appropriated \$200,000 for street resurfacing in FY16/17. The list of streets include: St. George Place, Colonial Circle, York Street, Hayes Road, Miller Street, Cogdell Drive, Fitzgerald Drive, Secrest Street, Lenoir Avenue, Nelson Street and Walston Avenue. The bid was awarded to Barnhill Contracting and the work has been completed. The total cost of the project was \$204,221.91. Additional funds were provided by the Streets operational budget.

### **Doctor's Drive Extension**

The City plans the construction of approximately 2,800 feet of road, drainage and water line improvements from the current end of Doctor's Drive to Airport Road. Project is estimated to cost \$834,000. Engineering and design RFQs have been submitted and property owners have agreed to donate right-of-way for the road. The City was awarded a grant from Golden Leaf in the amount of \$599,720. The remaining funds will be provided by a combination of developer cash contribution and City in-kind services of approximately \$74,000. Project completion date is April, 2018.

### **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. \$110,000 has been appropriated for this project. Bids were received on August 19, 2016. The project was awarded to VacVision in the amount of \$84,999. Work was completed in January, 2017.

### **Bulk Leaf Single Unit Equipment**

The City of Kinston currently provides bulk leave 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. \$50,000 in funds was budgeted in the FY14/15 budget and rolled to the FY15/16 budget to purchase a single piece machine. A 2004 FL70 Freightliner machine was purchased through GovDeals for \$23,433. The truck was put in service in August, 2016.

### **Hurricane Matthew Repairs**

Repairs of damages caused by Hurricane Matthew. Damages to City facilities included downed trees, flooding of City buildings by flash flooding and river flooding, downed power lines, flooded streets, flooded sewer pump stations, water pipes broken by uprooted trees, sewer forecemain damaged by high pressure, signs down, wind damage to buildings, street and ditches washed out by flood waters. FEMA reimbursements have been requested for the work. Total cost estimation for Public Services infrastructure is \$3,000,000. Remaining repairs include the Lincoln Street Bridge which has been closed since October, 2016.

### **Lawrence Heights Water Line 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. The estimated contract cost for the work is \$920,025. The City plans to apply for a Clean Water State Revolving Fund 0% interest loan for the full amount of the project.

### **Lawrence Heights Sewer Line Replacement**

The Lawrence Heights Sewer Line Replacement project is the #5 project on the Wastewater Capital Improvement Plan. It involves the replacement of all gravity sewer lines on the subdivision, located between Old Snow Hill Road and Highland Avenue. The estimated cost of the work is \$3.3 million. In September, 2017, the City will be applying for funding to both the Community Development Block Grant – Infrastructure Program and to the Clean Water State Revolving Fund/Wastewater Reserve Program. Kinston could receive up to \$2.5 million in grant funds from these sources. Any work not covered by grant funds would be eligible for a zero percent interest SRF loan. Awards should be announced in December, 2017.

### **Briery Run Sewer Rehabilitation – Phase V**

Phase V of the work on the Briery Run Sewer Outfall will involve the replacement of all manholes between Wallace Family Road and Highway 11. Much of this project is in low, wet areas adjacent to the Briery Run stream. Staff has discovered significant inflow and infiltration through the manholes. Some of the manholes become completely submerged to heavy rain events and others have severe leaks through joints in the manholes and at the pipe connections in and out of the manholes. Estimated cost of the project is \$1,332,700. The City applied for funding from the Clean Water State Revolving Fund/Wastewater Reserve in September, 2016. The city received a 20-year zero percent interest loan in the amount of \$1,332,700. No principal forgiveness was provided. We are currently submitting engineering reports to CWSRF. It is anticipated that construction contracts would not be executed until February, 2019.

### **Wastewater Asset Management Plan Grant**

In August, 2016, the City of Kinston received a Letter of Intent to Fund a \$150,000 Asset Inventory and Assessment Grant from the Division of Water Infrastructure. The grant will be used to evaluate the condition of components of our wastewater collection system, such as pipes and manholes. To determine the general condition of the sewer system a bid was awarded to Eudy's Pipe Service in the amount of \$100,089 in November, 2016. This work is ongoing and the intent is to use the results to pursue grant funds for capital improvements in Spring 2018.

### **Water Asset Management Plan Grant**

In September 2017, the City passed a Resolution stating our intention to apply for the State funding cycles for a Water Asset Management Plan Grant. Each entity is eligible to receive up to \$150,000 for an asset management grant for water and sewer systems every 3 years. The City has received a grant to complete a wastewater asset assessment and is now pursuing a water asset assessment grant. Through a request for proposal process the City has selected Municipal Engineering Services as the engineering firm to evaluate our system. Funding decisions are expected in January 2018.

### **FY2017-18 Street Resurfacing**

The City has appropriated \$500,000 for street resurfacing in FY17/18. A list of candidate streets will be presented to City Council in fall, 2017. Construction is anticipated to be complete by July, 2018.

### **Oriental Avenue Storm Pipe Replacement**

This project involves the replacement of approximately 705 feet of 36" storm pipe and 407 feet of 30" storm pipe between Vernon Avenue and Temple Avenue. Fiscal Year 2016-2017 included \$130,000 to complete this work using City staff. Staffing levels during the year and Hurricane Matthew prevented the completion of the project during the fiscal year. Work was performed by city staff and was completed August, 2017.

### **Tiffany Street Storm Pipe Replacement**

This project involves the replacement of 560 feet of stormwater pipe on Tiffany Street. A Project Budget was established in September 2017 for the estimated cost of \$60,000. This project is funded from this year's Stormwater operating budget. It is anticipated that City crews would perform the work in Spring, 2018.

### **LED Streetlight Installations**

The Electric Division is planning to complete the conversion of all city street lights to LED fixtures. This will involve the replacement of approximately 1,240 lights, mainly on secondary streets within the city. The work was bid in the Fall, 2016 and all work was completed in April, 2017. The actual cost of the project was \$409,791.11.

### **Underground Electric Primary Line Replacements**

The Electric budget for FY16/17 included \$310,500 for replacement of existing underground electric lines in the area of Herritage Townhomes, Worthington Place and Sutton Drive. Construction began in January, 2017 and was complete by Spring 2017.

### **Electric System Distribution Equipment Replacement**

As a part of the wholesale/retail rate reduction strategy implemented in 2015/16, the Electric Division will be doubling the amount of investment made annually to replace and upgrade small components of the electric distribution system. Staff will be more aggressive in replacing items like transformers, poles, switchgear, wire, etc., which will improve system reliability. This will be an annual program.

### **Vernon Avenue Electric Distribution Replacement**

The Electric budget for FY17/18 includes \$1,548,360 to rebuild 3.4 miles of distribution line along Vernon Avenue. This is not a complete circuit rebuild but portions of several circuits that connect to poles on Vernon. The project is driven by the need for pole replacements. Since we will replace the poles it is efficient to also rebuild the lines at the same time.

### **Electric Vehicle Charging Stations**

The City of Kinston was awarded a \$25,000 grant from Duke Energy to install 5 electric car charging stations. The sites have been determined and site prep has begun. Bids were received for the stations and completion of the sites is expected by December, 2017. Any funds needed above the grant will be provided by the Electric Fund.

### **Queen Street Bridge Lighting**

NCDOT has agreed to provide funding to install lights on the newly constructed Queen Street Bridge. Agreements are being executed but the installation will be delayed until the design team for the bridge has completed their work.

### **Inspection and GPS of all Electric Utility Poles**

FY17/18 includes \$175,000 to inspect and GPS all city owned electric utility poles. This will provide staff with much needed information to prioritize the areas that need attention.

### **Grainger Stadium:**

Phase II construction at the stadium will include a new two story covered hospitality area, the relocation of a new maintenance shop and office expansion for the Down East Wood Ducks.

### **Emma Webb Pool:**

Due to multiple cracks and structural problems, the pool at Emma Webb cannot be repaired. It is recommended that a new pool with a zero entry entrance be constructed at the same site. Also, it is recommended that the existing bathhouse be remodeled.

### **Joel Smith Disc Golf Course:**

Work will continue on the disc golf course, which is located on Tyndall Park Road (behind the old Sportlane Bowling Alley) and will include the installation of concrete tee pads, signage and eight bridges. This will be the second 18 hole disc golf course located in Kinston. This course is named the “Joel Smith Disc Golf Course” in memory of Joel Smith, who passed away in 2015 who was a past Parks & Recreation Commission member and Chairman and also 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 build the course. The course is being developed through volunteer labor, the Kinston/Lenoir County Disc Golf Association and the Parks & Recreation staff.

### **Skateboard/Bicycle Park:**

A skateboard/bicycle park is currently being discussed to be added in one of the parks. The Caswell Ram Neuse Park site, Emma Webb Park or the Rotary Dog Park have been suggested as possible locations for the park.

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## OTHER INFORMATION

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**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

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

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

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

Respectfully submitted,

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Donna H. Goodson, CPA  
Finance Director



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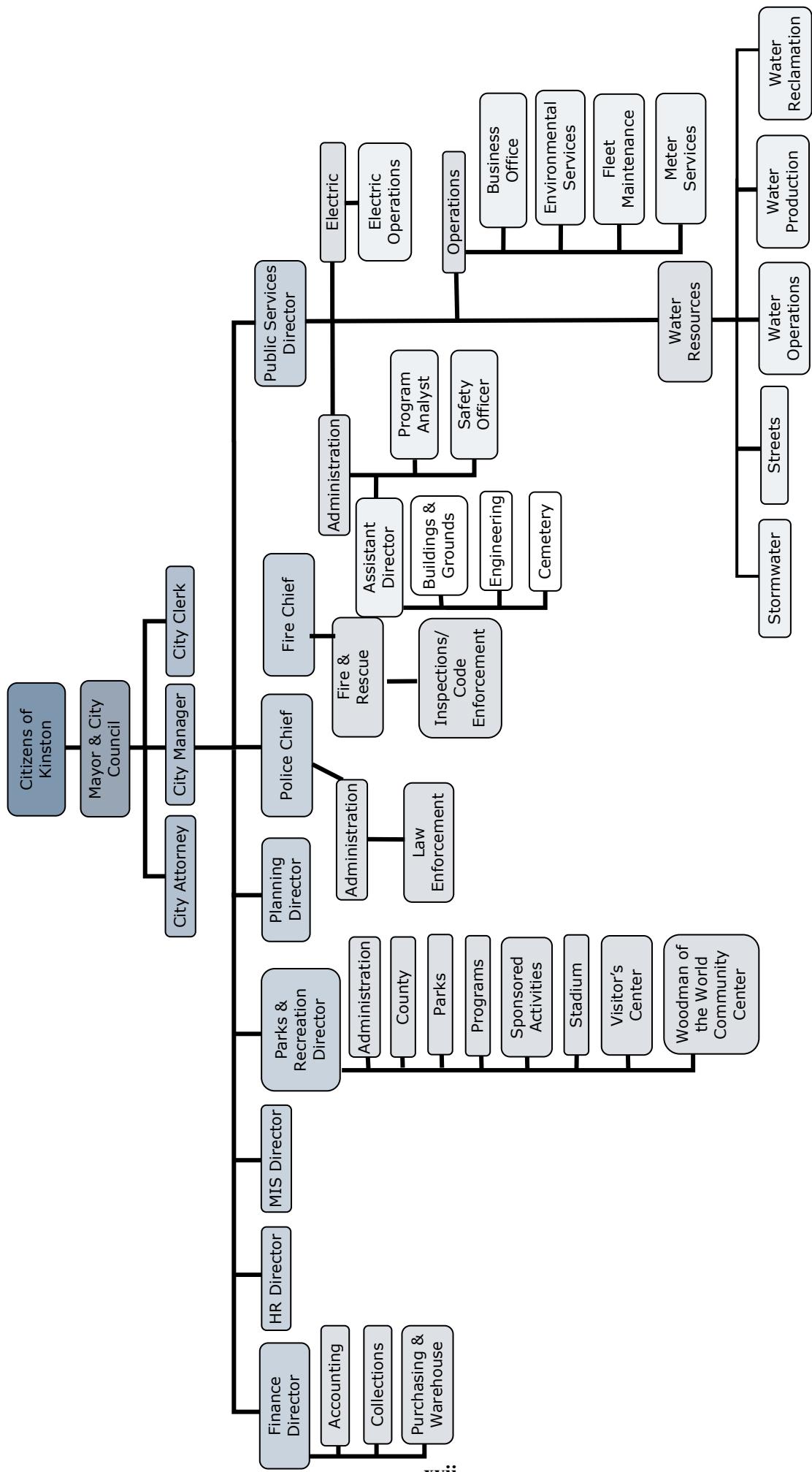
Tony Sears,  
City Manager

**City of Kinston**  
**City Council**  
**For the Year Ended**  
**06/30/2017**

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

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

# City of Kinston Organizational Structure FY 2016-2017





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Kinston  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

*Christopher P. Monell*

Executive Director/CEO

## **FINANCIAL SECTION**

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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

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## & 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, 2017, 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.

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13 South Center Street ♦ Taylorsville, NC 28681 ♦ 828-632-9025 ♦ Fax 828-632-9085

PO Box 5729 ♦ Statesville, NC 28687 ♦ 1710 Wilkesboro Hwy ♦ Statesville, NC 28625 ♦ 704-872-8923 ♦ Fax 704-872-4982

**800-948-0585 ♦ [www.martinstarnes.com](http://www.martinstarnes.com)**

## *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, 2017, 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.

## **Change in Accounting Principle**

As discussed in Note 7 to the financial statements, for fiscal year ended June 30, 2017 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance and Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 January 16, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kinston's 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

January 16, 2018

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

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017**

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, 2017. 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.

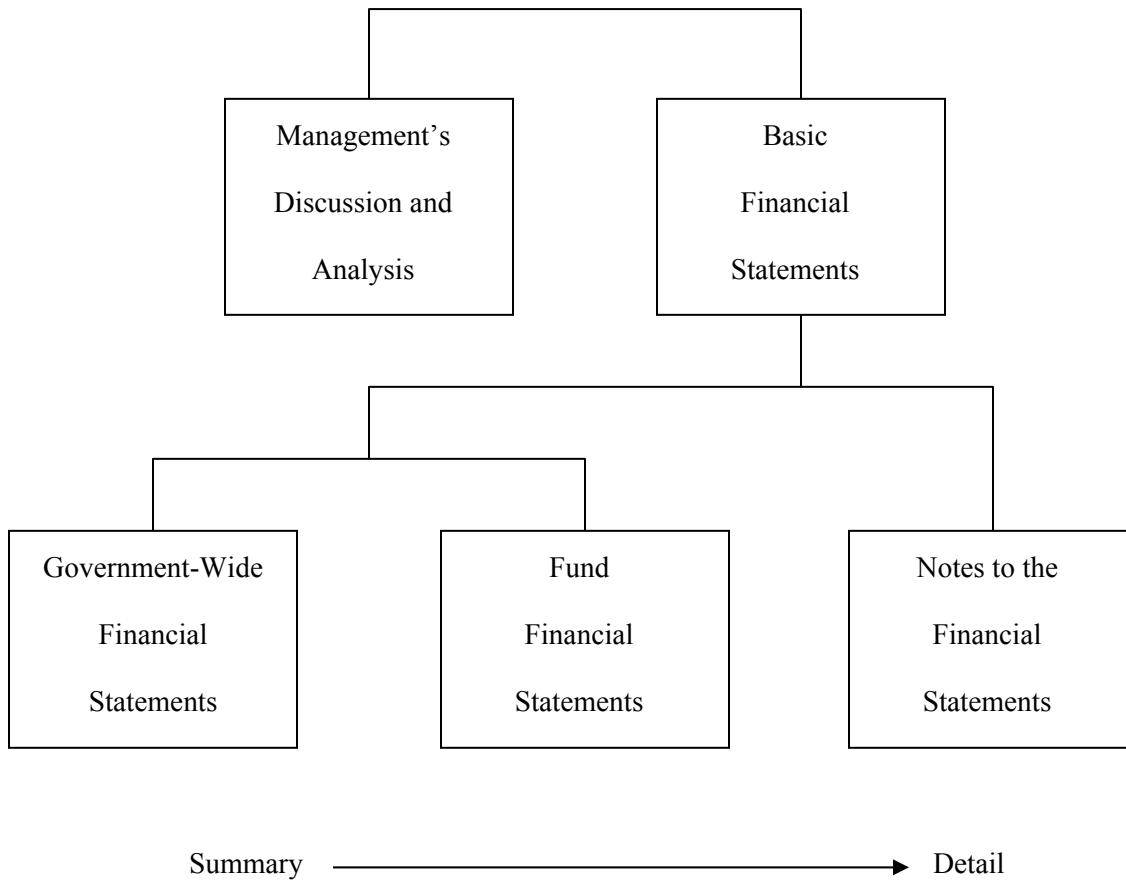
#### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Kinston exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$138,186,150 (*net position*).
- The government's total net position increased by \$7,603,328, 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 \$10,165,128 with an increase of \$49,610 in fund balance. Approximately 45% of this total amount, or \$4,531,434, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,882,365, or 28.2%, of total General Fund expenditures.
- The City's total bond and financing debt decreased by \$861,645 during the current fiscal year.

#### **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, environmental services, 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 Fund, and Warehouse Inventory Fund are included in governmental activities. The Public Services Administration Fund, which functions as a management group for the enterprise funds, is included in the business-type activities.

### **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.

### **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.

### **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.

## Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$ 15,790,679	\$ 13,657,132	\$ 38,348,011	\$ 35,081,791	\$ 54,138,690	\$ 48,738,923
Capital assets	<u>21,368,870</u>	<u>20,715,959</u>	<u>101,408,572</u>	<u>98,555,887</u>	<u>122,777,442</u>	<u>119,271,846</u>
Total assets	<u>37,159,549</u>	<u>34,373,091</u>	<u>139,756,583</u>	<u>133,637,678</u>	<u>176,916,132</u>	<u>168,010,769</u>
<b>Deferred Outflows of Resources:</b>						
Long-term liabilities						
outstanding	16,034,509	11,852,586	14,392,293	13,561,876	30,426,802	25,414,462
Other liabilities	2,870,675	2,687,663	7,865,287	7,865,879	10,735,962	10,553,542
Deferred inflows of resources	<u>1,844,206</u>	<u>384,513</u>	<u>75,784</u>	<u>213,552</u>	<u>1,919,990</u>	<u>598,065</u>
Total liabilities and deferred inflows of resources	<u>20,749,390</u>	<u>14,924,762</u>	<u>22,333,364</u>	<u>21,641,307</u>	<u>43,082,754</u>	<u>36,566,069</u>
<b>Net Position:</b>						
Net investment in capital assets	12,462,790	10,995,400	87,195,214	83,212,363	99,658,004	94,207,763
Restricted	4,110,501	1,275,257	-	-	4,110,501	1,275,257
Unrestricted	<u>2,659,278</u>	<u>7,805,789</u>	<u>31,758,367</u>	<u>29,137,325</u>	<u>34,417,645</u>	<u>36,943,114</u>
Total net position	<u><u>\$ 19,232,569</u></u>	<u><u>\$ 20,076,446</u></u>	<u><u>\$ 118,953,581</u></u>	<u><u>\$ 112,349,688</u></u>	<u><u>\$ 138,186,150</u></u>	<u><u>\$ 132,426,134</u></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 resources of the City of Kinston exceeded liabilities and deferred inflows by \$138,186,150 as of June 30, 2017. The City's net position increased \$7,603,328 for the fiscal year ended June 30, 2017. However, the largest portion (72%) 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$34,417,645, or 25%, 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 96.92 percent, which is comparable to the State-wide average of 98.49 percent.
- Increased local options sales tax and building permits collections as well as increased federal grant funding resulted in the largest portion of the increase in revenues in the governmental type funds.
- Grants from the Clean Water State Revolving Loan program in the major business-type funds contributed to the increase in net position.
- There was a 15% increase in Environmental Service Fees in the major business-type funds and an increase in member fees in the Woodmen Center Fund.
- Actual spending was less than the original appropriated expenditure bearing positive increases to the governmental and business-type funds net position. The largest decrease in actual spending was wholesale electric purchase power.

### City of Kinston's Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,939,256	\$ 2,872,188	\$ 70,984,818	\$ 71,000,892	\$ 73,924,074	\$ 73,873,080
Operating grants/contributions	1,430,494	1,023,886	-	-	1,430,494	1,023,886
Capital grants/contributions	-	117,374	1,347,598	336,221	1,347,598	453,595
General revenues:						
Property taxes	10,320,353	10,392,748	-	-	10,320,353	10,392,748
Other taxes	6,481,330	6,166,910	-	-	6,481,330	6,166,910
Other	665,645	696,384	68,041	49,331	733,686	745,715
Total revenues	<u>21,837,078</u>	<u>21,269,490</u>	<u>72,400,457</u>	<u>71,386,444</u>	<u>94,237,535</u>	<u>92,655,934</u>
<b>Expenses:</b>						
General government	3,682,645	3,385,506	-	-	3,682,645	3,385,506
Public safety	10,832,976	9,636,173	-	-	10,832,976	9,636,173
Public services	1,345,645	2,353,760	-	-	1,345,645	2,353,760
Community development	3,964,073	1,495,920	-	-	3,964,073	1,495,920
Culture and recreation	3,823,362	3,486,339	-	-	3,823,362	3,486,339
Interest on long-term debt	346,373	362,384	-	-	346,373	362,384
Electric	-	-	40,921,590	40,991,709	40,921,590	40,991,709
Water	-	-	8,828,090	7,297,706	8,828,090	7,297,706
Wastewater	-	-	6,823,521	5,994,743	6,823,521	5,994,743
Nonmajor fund	-	-	6,065,931	5,752,493	6,065,931	5,752,493
Total expenses	<u>23,995,074</u>	<u>20,720,082</u>	<u>62,639,133</u>	<u>60,036,651</u>	<u>86,634,207</u>	<u>80,756,733</u>
Change in net position						
before transfers	(2,157,996)	549,408	9,761,324	11,349,793	7,603,328	11,899,201
Transfers	<u>3,157,431</u>	<u>1,180,069</u>	<u>(3,157,431)</u>	<u>(1,180,069)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>999,435</u>	<u>1,729,477</u>	<u>6,603,893</u>	<u>10,169,724</u>	<u>7,603,328</u>	<u>11,899,201</u>
Net position, July 1	20,076,446	18,346,969	112,349,688	102,179,964	132,426,134	120,526,933
Prior period adjustment	(1,843,312)	-	-	-	(1,843,312)	-
Net position, July 1 as restated	<u>18,233,134</u>	<u>18,346,969</u>	<u>112,349,688</u>	<u>102,179,964</u>	<u>130,582,822</u>	<u>120,526,933</u>
Net position, June 30	<u>\$ 19,232,569</u>	<u>\$ 20,076,446</u>	<u>\$ 118,953,581</u>	<u>\$ 112,349,688</u>	<u>\$ 138,186,150</u>	<u>\$ 132,426,134</u>

Total government-wide revenues of \$94.2 million were primarily derived from charges for services (78%) and property taxes and other taxes (18%). The total expenses of all programs were \$86.6 million. The expenses cover a range of services with the two largest being electric services (47%), and public safety (fire/EMS, police, and inspections/code enforcement) (12%).

## **Governmental Activities**

Governmental activities increased the City's net position by \$999,435, thereby accounting for 15% 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 to 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 2017 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 tax revaluation effective in fiscal year 2017-2018 with a corresponding tax rate increase below the revenue neutral rate and 2) the imminent increase in health insurance costs for the City and its employees.

Key elements of this increase are as follows:

- Federal, local and private grants increased \$421 thousand.
- Local Option Sales tax revenues increased \$375 thousand.
- Long-term debt proceeds in the current period increased net position by \$347 thousand.
- Street resurfacing repairs and maintenance decreased \$214 thousand.
- Economic development incentives decreased \$111 thousand.
- Organizational support decreased \$42 thousand.

## **Business-Type Activities**

Business-type activities increased the City's net position by \$6,603,893, thereby accounting for 85% of the total growth in the net position of the City of Kinston.

Key elements of this increase are as follows:

- Loan forgiveness grant from the Clean Water State Revolving Loan Program in the amount of \$1 million.
- Continued streamlining of expenses primarily in the reduction of purchased power costs from amounts originally appropriated.

## 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 \$6.5 million, while total fund balance was \$9.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 31% of total General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 44% of the same amount.

At June 30, 2017, the governmental funds of the City of Kinston reported a combined fund balance of \$10 million, a .5% increase from last year. The General Fund reported a decrease in fund balance of \$323,904, primarily due to additional expenses incurred as a result of Hurricane Matthew that have not been reimbursed by FEMA, while the nonmajor governmental funds reported a combined increase in fund balance of \$373,514.

**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 most significant relates to the annual appropriation to pay for prior year purchases. Another reason relates to the funding of improvements to Granger Stadium funded by a transfer from general fund. An additional reason relates to the initial funding, from general fund, to a special revenue fund for Hurricane Matthew in response to the devastation created by the event. Installation of new tennis courts at Bill Fay funded by Local/Private Grants and County Grants is an additional reason for budget amendments. A final reason relates to the increase in the Organizational Support division funded by higher than anticipated collections in Municipal Service District tax collections and Occupancy tax collections.

**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 \$18.4 million in the Electric Fund, \$7.0 million in the Water Fund, \$2.4 million in the Wastewater Fund, and \$1.2 million in the nonmajor enterprise funds. The Electric Fund, Water Fund and combined nonmajor enterprise funds experienced growth in net position of \$5.9 million, \$1.7 million, and \$350,091, respectively. The Wastewater Fund declined \$1.5 million.

## Capital Asset and Debt Administration

**Capital Assets.** At June 30, 2017, the City had \$122 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net increase of \$3.5 million, or (3%), over last year.

The summary of capital assets at June 30, 2017 and 2016 is presented below:

**City of Kinston's Capital Assets  
(net of depreciation)**  
**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 3,777,211	\$ 3,594,982	\$ 1,222,643	\$ 1,222,643	\$ 4,999,854	\$ 4,817,625
Infrastructure	2,145,774	2,150,691	24,794	26,675	2,170,568	2,177,366
Buildings and improvements	11,276,693	11,605,432	30,871,189	31,910,018	42,147,882	43,515,450
Equipment and vehicles	1,331,470	1,544,434	2,274,024	2,235,355	3,605,494	3,779,789
Distribution system	-	-	54,878,725	56,571,681	54,878,725	56,571,681
Construction in progress	<u>2,837,722</u>	<u>1,820,420</u>	<u>12,137,197</u>	<u>6,589,515</u>	<u>14,974,919</u>	<u>8,409,935</u>
Total	<u><b>\$21,368,870</b></u>	<u><b>\$20,715,959</b></u>	<u><b>\$101,408,572</b></u>	<u><b>\$98,555,887</b></u>	<u><b>\$122,777,442</b></u>	<u><b>\$119,271,846</b></u>

This year's major capital asset additions included:

- Six police and two fire vehicles purchased and equipped at a cost of \$254 thousand.
- Capitalization of Lovitt Hines & Martin C Freeman Recreation Center improvements after closing the capital projects at a cost of \$169 thousand.
- Gift and demolition costs of 514 E. Vernon Avenue Land and Building in the amount of \$165 thousand.
- Bill Faye Tennis Court resurfacing at a cost of \$158 thousand.
- Turf replacement at Grainger Stadium at a cost of \$91 thousand.
- Street construction at a cost of \$88 thousand.
- Construction in progress in the General Fund consists primarily of renovations to Grainger Stadium with a cost to date of \$910 thousand and the continued manufacturing of a fire pumper truck with a cost to date of \$565 thousand.
- Various electric infrastructure improvements at a cost of \$661 thousand
- Construction of a second transformer at the Falling Creek Substation with a cost to date of \$1.2 million.
- Electrical Services fund placed a bucket truck into service at a cost of \$205 thousand.
- Environmental Services fund has three automated side loader garbage trucks being manufactured with a total cost to date of \$715 thousand.
- Wastewater Services fund sewer improvements for Queen Street with a cost to date of \$2.6 million.
- Wastewater Services fund placed a sewer jet truck in service at a cost of \$394 thousand.
- Replacement of water lines on Queen Street with a cost to date of \$330 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, 2017, the City had \$24 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Installment contracts	\$ 9,253,551	\$ 9,720,559	\$ 2,178,465	\$ 1,931,851	\$ 11,432,016	\$ 11,652,410
Revenue bonds	-	-	6,390,000	7,787,000	6,390,000	7,787,000
Notes payable	-	-	6,380,422	5,624,673	6,380,422	5,624,673
Total	<u>\$ 9,253,551</u>	<u>\$ 9,720,559</u>	<u>\$ 14,948,887</u>	<u>\$ 15,343,524</u>	<u>\$ 24,202,438</u>	<u>\$ 25,064,083</u>

**City of Kinston's Outstanding Debt.** The City's total outstanding debt decreased by \$861,645 (3%) during the fiscal year, due to principal payments made against existing debt. New installment contract debt and notes payable were issued in the fiscal year for \$2.3 million. 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% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Kinston is \$104,582,956.

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 2017, three residential and six non-residential units were constructed with a value of \$5.3 million.
- Retail sales for Lenoir County during 2017 were \$724 million.
- The current unemployment rate was 5.3 percent, compared to 4.2 percent for the State and 4.4 percent for the nation.

## **Budget Highlights for the Fiscal Year Ending June 30, 2018**

The following are highlights for the 2018 budgets for the governmental activities:

The most significant factors negatively impacting the 2018 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 \$500 thousand for street resurfacing in 2018, bringing the total spent in the last five years on street repaving to \$1.3 million (from fiscal year 2014 through fiscal year 2018).

No Cost of Living (COLA) or merit increases were implemented for employees for the 2018 fiscal year. Two new positions were created in the General Fund and the full-time positions now total 380 FTE's. There was a 3.0 percent increase in the cost of the City's portion of employee health insurance. The General Fund initial budget for 2017-2018 increased 3.3 percent from \$23.8 million to \$24.6 million. The Increase in the new budget is attributable to a 3% increase in Employer portion of employee health insurance, increase in LGERS Law Enforcement Retirement Contribution from 8% employer contribution to 8.25% and LGERS Local and Firefighters Retirement Contribution from 7.36% employer contribution to an estimated 7.61%. The property tax rate increased from \$0.66 per \$100 to \$0.70 per \$100 based on the Octennial Tax Revaluation effective January 1, 2017. The .04 increase is below the Revenue Neutral calculation of .74 per \$100.

The following are highlights for the 2018 budgets for the business-type activities:

- Electrical Service fees decrease 4.5% in wholesale rates due to a wholesale rate reduction received from North Carolina Eastern Municipal Power Agency.
- No increase in sewer, water, or environmental services rates.

## **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.

## **BASIC FINANCIAL STATEMENTS**

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

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## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 11,423,818	\$ 26,324,946	\$ 37,748,764
Receivables:			
Due from governmental agencies	2,499,649	-	2,499,649
Accounts receivables	531,463	1,073,900	1,605,363
Taxes receivable	692,621	-	692,621
Customer receivables, net	-	6,985,483	6,985,483
Notes receivable	194,567	-	194,567
Internal balance	(286,584)	286,584	-
Inventories	293,334	1,358,827	1,652,161
Restricted cash and investments	441,811	2,318,271	2,760,082
Total current assets	<u>15,790,679</u>	<u>38,348,011</u>	<u>54,138,690</u>
Non-current assets:			
Capital assets:			
Land and construction in process	6,614,933	13,359,840	19,974,773
Other capital assets, net of depreciation	<u>14,753,937</u>	<u>88,048,732</u>	<u>102,802,669</u>
Total non-current assets	<u>21,368,870</u>	<u>101,408,572</u>	<u>122,777,442</u>
Total assets	<u>37,159,549</u>	<u>139,756,583</u>	<u>176,916,132</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	2,035,906	1,145,198	3,181,104
Contributions to pension plan in current fiscal year	<u>786,504</u>	<u>385,164</u>	<u>1,171,668</u>
Total deferred outflows of resources	<u>2,822,410</u>	<u>1,530,362</u>	<u>4,352,772</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	1,705,151	3,559,719	5,264,870
Accrued interest payable	161,389	53,629	215,018
Prepaid fees	33,676	-	33,676
Unavailable revenues	10,000	-	10,000
Liabilities payable from restricted assets:			
Advances from grantors	94,340	-	94,340
Customer deposits	-	1,582,742	1,582,742
Due within one year	<u>866,119</u>	<u>2,669,197</u>	<u>3,535,316</u>
Total current liabilities	<u>2,870,675</u>	<u>7,865,287</u>	<u>10,735,962</u>
Long-term liabilities:			
Net pension liability (LGERS)	3,161,023	1,778,076	4,939,099
Total pension liability (LEOSSA & SSA)	<u>3,303,795</u>	<u>-</u>	<u>3,303,795</u>
Due in more than one year	9,569,691	12,614,217	22,183,908
Total long-term liabilities	<u>16,034,509</u>	<u>14,392,293</u>	<u>30,426,802</u>
Total liabilities	<u>18,905,184</u>	<u>22,257,580</u>	<u>41,162,764</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid property taxes	369	-	369
Grant receivable	1,646,983	-	1,646,983
Pension deferrals	<u>196,854</u>	<u>75,784</u>	<u>272,638</u>
Total deferred inflows of resources	<u>1,844,206</u>	<u>75,784</u>	<u>1,919,990</u>
<b>Net Position:</b>			
Net investment in capital assets	12,462,790	87,195,214	99,658,004
Restricted for:			
Stabilization by State statute	2,937,998	-	2,937,998
Community development	1,097,164	-	1,097,164
Permanently restricted for cemetery perpetual maintenance	75,000	-	75,000
Temporarily restricted for cemetery perpetual maintenance	339	-	339
Unrestricted	<u>2,659,278</u>	<u>31,758,367</u>	<u>34,417,645</u>
Total net position	<u>\$ 19,232,569</u>	<u>\$ 118,953,581</u>	<u>\$ 138,186,150</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, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ 3,682,645	\$ 657,003	\$ 10,000	\$ -	
Public safety	10,832,976	321,671	268,419	-	
Public services	1,345,645	313,238	631,630	-	
Community development	3,964,073	185,264	520,445	-	
Cultural and recreation	3,823,362	1,462,080	-	-	
Interest on long-term debt	346,373	-	-	-	
Total governmental activities	<u>23,995,074</u>	<u>2,939,256</u>	<u>1,430,494</u>	<u>-</u>	
<b>Business-Type Activities:</b>					
Electric	40,921,590	47,920,146	-	5,000	
Water	8,828,090	10,607,776	-	-	
Wastewater	6,823,521	6,006,997	-	1,342,598	
Nonmajor funds:					
Environmental services	3,550,537	3,763,657	-	-	
Stormwater	846,411	1,021,773	-	-	
Community Center services	1,668,984	1,664,469	-	-	
Total business-type activities	<u>62,639,133</u>	<u>70,984,818</u>	<u>-</u>	<u>1,347,598</u>	
Total primary government	<u>\$ 86,634,207</u>	<u>\$ 73,924,074</u>	<u>\$ 1,430,494</u>	<u>\$ 1,347,598</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, 2017**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (3,015,642)	\$ -	\$ (3,015,642)
Public safety	(10,242,886)	-	(10,242,886)
Public services	(400,777)	-	(400,777)
Community development	(3,258,364)	-	(3,258,364)
Cultural and recreation	(2,361,282)	-	(2,361,282)
Interest on long-term debt	(346,373)	-	(346,373)
Total governmental activities	(19,625,324)	-	(19,625,324)
<b>Business-Type Activities:</b>			
Electric	-	7,003,556	7,003,556
Water	-	1,779,686	1,779,686
Wastewater	-	526,074	526,074
Nonmajor funds:			
Environmental services	-	213,120	213,120
Stormwater	-	175,362	175,362
Community center services	-	(4,515)	(4,515)
Total business-type activities	-	9,693,283	9,693,283
Total primary government	(19,625,324)	9,693,283	(9,932,041)
<b>General Revenues:</b>			
Taxes:			
Ad valorem	10,320,353	-	10,320,353
Local option sales tax	3,957,420	-	3,957,420
Franchise tax	2,158,130	-	2,158,130
Other taxes	365,780	-	365,780
Unrestricted intergovernmental	422,430	-	422,430
Investment earnings, unrestricted	24,580	68,041	92,621
Miscellaneous, unrestricted	218,635	-	218,635
Total general revenues	17,467,328	68,041	17,535,369
Transfers	3,157,431	(3,157,431)	-
Total general revenues and transfers	20,624,759	(3,089,390)	17,535,369
Change in net position	999,435	6,603,893	7,603,328
<b>Net Position:</b>			
Beginning of year - July 1	20,076,446	112,349,688	132,426,134
Restatement	(1,843,312)	-	(1,843,312)
Beginning of year, as restated	18,233,134	112,349,688	130,582,822
End of year - June 30	\$ 19,232,569	\$ 118,953,581	\$ 138,186,150

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

**CITY OF KINSTON, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 7,715,287	\$ 1,608,782	\$ 9,324,069
Receivables:			
Due from government agencies	852,666	1,646,983	2,499,649
Accounts receivable	366,470	115,410	481,880
Taxes receivable	692,621	-	692,621
Due from other funds	1,142,369	-	1,142,369
Notes receivable	-	194,567	194,567
Inventories	73,462	-	73,462
Restricted cash and investments	347,471	94,340	441,811
Total assets	<u>\$ 11,190,346</u>	<u>\$ 3,660,082</u>	<u>\$ 14,850,428</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,237,647	\$ 38,626	\$ 1,276,273
Due to other funds	-	921,939	921,939
Unavailable revenues	10,000	-	10,000
Prepaid privilege licenses	33,676	-	33,676
Liabilities payable from restricted assets:			
Advances from grantors	-	94,340	94,340
Total liabilities	<u>1,281,323</u>	<u>1,054,905</u>	<u>2,336,228</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	692,621	-	692,621
Prepaid property taxes	369	-	369
Grant receivable	-	1,646,983	1,646,983
Pavement assessment receivables	9,048	-	9,048
GTP fire taxes receivable	51	-	51
Total deferred inflows of resources	<u>702,089</u>	<u>1,646,983</u>	<u>2,349,072</u>
<b>Fund Balances:</b>			
Non-spendable, not in spendable form:			
Inventories	73,462	-	73,462
Perpetual maintenance	-	75,000	75,000
Restricted:			
Stabilization by State statute	2,628,021	309,977	2,937,998
Restricted, all other	347,471	1,097,503	1,444,974
Committed	-	415,238	415,238
Assigned	275,615	48,096	323,711
Unassigned	5,882,365	(987,620)	4,894,745
Total fund balances	<u>9,206,934</u>	<u>958,194</u>	<u>10,165,128</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,190,346</u>	<u>\$ 3,660,082</u>	<u>\$ 14,850,428</u>

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

**CITY OF KINSTON, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u><b>Total</b></u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance, governmental funds	\$ 10,165,128
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,368,870
A portion of the assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	1,433,312
Net pension liability	(3,161,023)
Total pension liability	(3,303,795)
Pension related deferrals	(196,854)
Deferred outflows of resources related to pensions are not reported in the funds.	2,822,410
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	701,720
Long-term liabilities, compensated absences, and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(10,597,199)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 19,232,569</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, 2017

	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Ad valorem taxes	\$ 10,357,976	\$ -	\$ 10,357,976
Sales and services	1,686,305	-	1,686,305
Other taxes	6,481,330	-	6,481,330
Unrestricted intergovernmental	422,430	-	422,430
Restricted intergovernmental	739,377	691,117	1,430,494
Investment earnings	20,615	586	21,201
Other	187,144	30,144	217,288
Total revenues	<u>19,895,177</u>	<u>721,847</u>	<u>20,617,024</u>
<b>Expenditures:</b>			
Current:			
General government	2,536,238	-	2,536,238
Public safety	10,219,789	121,790	10,341,579
Public services	1,052,312	-	1,052,312
Parks and recreation	4,304,944	910,035	5,214,979
Community development	1,590,439	2,172,296	3,762,735
Debt service:			
Principal	812,354	-	812,354
Interest	352,119	-	352,119
Total expenditures	<u>20,868,195</u>	<u>3,204,121</u>	<u>24,072,316</u>
Revenues over (under) expenditures	<u>(973,018)</u>	<u>(2,482,274)</u>	<u>(3,455,292)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	920,173	2,975,961	3,896,134
Transfers out	(618,530)	(120,173)	(738,703)
Long-term debt issued	347,471	-	347,471
Total other financing sources (uses)	<u>649,114</u>	<u>2,855,788</u>	<u>3,504,902</u>
Net change in fund balances	<u>(323,904)</u>	<u>373,514</u>	<u>49,610</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>9,530,838</u>	<u>584,680</u>	<u>10,115,518</u>
End of year - June 30	<u>\$ 9,206,934</u>	<u>\$ 958,194</u>	<u>\$ 10,165,128</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  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

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)	\$ 49,610
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase to capital assets.	2,021,899
Depreciation is recognized as an expense in the Statement of Activities, however, it is not reported in the governmental funds.	(1,368,988)
Benefit payments and administration costs for LEOSSA and SSA are deferred outflows of resources on the Statement of Net Position.	101,767
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes and assessment fees	(128,250)
Change in deferred outflow - pension	2,092,526
Change in deferred inflows - pension	244,921
Change in net pension liability	(2,499,852)
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.	324,159
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 principal repayments exceeded proceeds of long-term debt in the governmental funds in the current period.	464,883
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.	5,746
Expenses related to compensated absences, OPEB, Law Enforcement Officers' Separation Allowance, and Special Separation Allowance reported 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.	(308,986)
Total changes in net position of governmental activities	\$ <u>999,435</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, 2017

	Budgeted Amounts			Variance From Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,304,709	\$ 10,315,509	\$ 10,357,976	\$ 42,467
Sales and services	1,798,293	1,802,493	1,686,305	(116,188)
Other taxes and licenses	6,543,376	6,597,626	6,481,330	(116,296)
Unrestricted intergovernmental	427,267	427,267	422,430	(4,837)
Restricted intergovernmental	718,408	729,408	739,377	9,969
Investment earnings	20,950	20,950	20,615	(335)
Other	249,500	337,625	187,144	(150,481)
Total revenues	<u>20,062,503</u>	<u>20,230,878</u>	<u>19,895,177</u>	<u>(335,701)</u>
<b>Expenditures:</b>				
Current:				
General government	2,735,220	2,757,684	2,546,898	210,786
Public safety	10,836,025	11,001,190	10,402,092	599,098
Public services	2,076,685	2,107,494	1,836,344	271,150
Parks and recreation	4,427,556	4,783,673	4,492,422	291,251
Community development	<u>1,616,147</u>	<u>1,730,894</u>	<u>1,590,439</u>	<u>140,455</u>
Total expenditures	<u>21,691,633</u>	<u>22,380,935</u>	<u>20,868,195</u>	<u>1,512,740</u>
Revenues over (under) expenditures	<u>(1,629,130)</u>	<u>(2,150,057)</u>	<u>(973,018)</u>	<u>1,177,039</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	800,100	920,107	920,173	66
Transfers (out)	(179,279)	(618,530)	(618,530)	-
Long-term debt issued	375,566	375,566	347,471	(28,095)
Appropriated fund balance	<u>632,743</u>	<u>1,472,914</u>	<u>-</u>	<u>(1,472,914)</u>
Total other financing sources (uses)	<u>1,629,130</u>	<u>2,150,057</u>	<u>649,114</u>	<u>(1,500,943)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(323,904)</u>	<u>\$ (323,904)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>9,530,838</u>	
End of year - June 30			<u>\$ 9,206,934</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, 2017

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
<b>Assets:</b>						
Current assets:						
Cash and investments	\$ 15,187,623	\$ 5,991,287	\$ 1,900,813	\$ 1,130,533	\$ 24,210,256	\$ 4,214,439
Accounts receivable	228,959	78,735	63,127	700,032	1,070,853	52,630
Customer receivables, net	5,233,353	1,052,840	699,290	-	6,985,483	-
Inventories	1,056,909	301,918	-	-	1,358,827	219,872
Restricted cash and equivalents	1,582,742	-	-	735,529	2,318,271	-
Total current assets	<u>23,289,586</u>	<u>7,424,780</u>	<u>2,663,230</u>	<u>2,566,094</u>	<u>35,943,690</u>	<u>4,486,941</u>
Non-current assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	594,340	41,276,198	-	45,542,428	19,468
Distribution system	40,245,182	15,497,066	52,016,772	-	107,759,020	-
Equipment and vehicles	2,417,303	2,524,621	2,590,468	4,781,613	12,314,005	796,006
Accumulated depreciation	(26,743,727)	(12,948,840)	(34,570,763)	(3,563,348)	(77,826,678)	(540,869)
Construction in progress	3,264,895	860,922	7,107,993	881,603	12,115,413	21,784
Total capital assets, net	<u>23,057,923</u>	<u>6,594,714</u>	<u>69,374,326</u>	<u>2,099,868</u>	<u>101,126,831</u>	<u>296,389</u>
Total non-current assets	<u>23,057,923</u>	<u>6,594,714</u>	<u>69,374,326</u>	<u>2,099,868</u>	<u>101,126,831</u>	<u>296,389</u>
Total assets	<u>46,347,509</u>	<u>14,019,494</u>	<u>72,037,556</u>	<u>4,665,962</u>	<u>137,070,521</u>	<u>4,783,330</u>
<b>Deferred Outflows of Resources:</b>						
Pension related deferrals	318,111	318,111	222,677	286,299	1,145,198	-
Contributions to pension plan in current fiscal year	106,990	106,990	74,893	96,291	385,164	-
Total deferred outflows of resources	<u>425,101</u>	<u>425,101</u>	<u>297,570</u>	<u>382,590</u>	<u>1,530,362</u>	<u>-</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	3,056,876	185,913	88,011	221,978	3,552,778	489,448
Due to other funds	-	-	-	220,430	220,430	-
Liabilities payable from restricted assets:						
Customer deposits	1,582,742	-	-	-	1,582,742	-
Current portion of compensated absences	16,617	18,186	8,787	19,266	62,856	25,014
Current portion of long-term debt	761,943	299,028	1,168,697	349,955	2,579,623	8,067
Total current liabilities	<u>5,418,178</u>	<u>503,127</u>	<u>1,265,495</u>	<u>811,629</u>	<u>7,998,429</u>	<u>522,529</u>
Non-current liabilities:						
Net pension liability	493,910	493,910	345,737	444,519	1,778,076	-
Accrued compensated absences	49,851	54,557	26,362	57,798	188,568	86,342
Non-current portion of long-term debt	2,649,606	965,298	7,673,710	1,062,823	12,351,437	16,134
Total non-current liabilities	<u>3,193,367</u>	<u>1,513,765</u>	<u>8,045,809</u>	<u>1,565,140</u>	<u>14,318,081</u>	<u>102,476</u>
Total liabilities	<u>8,611,545</u>	<u>2,016,892</u>	<u>9,311,304</u>	<u>2,376,769</u>	<u>22,316,510</u>	<u>625,005</u>
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	<u>21,051</u>	<u>21,051</u>	<u>14,736</u>	<u>18,946</u>	<u>75,784</u>	<u>-</u>
<b>Net Position:</b>						
Net investment in capital assets	19,646,374	5,330,388	60,531,919	1,422,619	86,931,300	272,188
Unrestricted	<u>18,493,640</u>	<u>7,076,264</u>	<u>2,477,167</u>	<u>1,230,218</u>	<u>29,277,289</u>	<u>3,886,137</u>
Total net position	<u>\$ 38,140,014</u>	<u>\$ 12,406,652</u>	<u>\$ 63,009,086</u>	<u>\$ 2,652,837</u>	<u>116,208,589</u>	<u>\$ 4,158,325</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					<u>2,744,992</u>	
Total					<u>\$ 118,953,581</u>	

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

**CITY OF KINSTON, NORTH CAROLINA****STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Major Enterprise Funds</b>			<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>			
<b>Operating Revenues:</b>						
Charges for services	\$ 47,260,316	\$ 10,337,612	\$ 5,953,078	\$ 6,391,018	\$ 69,942,024	\$ 4,163,587
Other	608,077	239,222	25,200	32,067	904,566	6,149
Total operating revenues	<u>47,868,393</u>	<u>10,576,834</u>	<u>5,978,278</u>	<u>6,423,085</u>	<u>70,846,590</u>	<u>4,169,736</u>
<b>Operating Expenses:</b>						
Administration	-	-	-	-	-	1,659,233
Public service operations	-	-	-	-	-	1,115,699
Warehouse operations	-	-	-	-	-	378,055
Electrical operations	39,887,380	-	-	-	39,887,380	-
Environmental services	-	-	-	3,278,947	3,278,947	-
Stormwater services	-	-	-	752,523	752,523	-
Community center services	-	-	-	1,664,538	1,664,538	-
Water production	-	1,887,345	-	-	1,887,345	-
Depreciation	1,061,805	492,534	2,332,760	364,217	4,251,316	103,177
Water operations	-	6,400,189	-	-	6,400,189	-
Wastewater plant operations	-	-	4,311,605	-	4,311,605	-
Claims reimbursement	-	-	-	-	-	320,863
Total operating expenses	<u>40,949,185</u>	<u>8,780,068</u>	<u>6,644,365</u>	<u>6,060,225</u>	<u>62,433,843</u>	<u>3,577,027</u>
Operating income (loss)	<u>6,919,208</u>	<u>1,796,766</u>	<u>(666,087)</u>	<u>362,860</u>	<u>8,412,747</u>	<u>592,709</u>
<b>Non-Operating Revenues (Expenses):</b>						
Interest earned on investments	34,641	11,301	11,802	5,109	62,853	8,567
Interest on long-term debt	(66,852)	(23,124)	(183,848)	(17,878)	(291,702)	-
Economic development reimbursements	-	(38,944)	(8,345)	-	(47,289)	-
Total non-operating revenues (expenses)	<u>(32,211)</u>	<u>(50,767)</u>	<u>(180,391)</u>	<u>(12,769)</u>	<u>(276,138)</u>	<u>8,567</u>
Income (loss) before capital contributions and transfers	<u>6,886,997</u>	<u>1,745,999</u>	<u>(846,478)</u>	<u>350,091</u>	<u>8,136,609</u>	<u>601,276</u>
<b>Capital Contributions and Transfers:</b>						
Capital contributions	5,000	-	1,342,598	-	1,347,598	-
Transfers (out)	(975,048)	(31,723)	(2,052,620)	-	(3,059,391)	(98,040)
Total contributions and transfers	<u>(970,048)</u>	<u>(31,723)</u>	<u>(710,022)</u>	<u>-</u>	<u>(1,711,793)</u>	<u>(98,040)</u>
Change in net position	<u>5,916,949</u>	<u>1,714,276</u>	<u>(1,556,500)</u>	<u>350,091</u>	<u>6,424,816</u>	<u>503,236</u>
<b>Net Position:</b>						
Beginning of year - July 1	<u>32,223,065</u>	<u>10,692,376</u>	<u>64,565,586</u>	<u>2,302,746</u>		<u>3,655,089</u>
End of year - June 30	<u>\$ 38,140,014</u>	<u>\$ 12,406,652</u>	<u>\$ 63,009,086</u>	<u>\$ 2,652,837</u>		<u>\$ 4,158,325</u>
Adjustment to reflect the consolidation of the Public Services Internal Service Fund related to enterprise funds					179,077	
Total change in net position					<u>\$ 6,603,893</u>	

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

## CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Major Enterprise Funds			Nonmajor Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 47,872,958	\$ 10,613,760	\$ 5,923,233	\$ 6,286,263	\$ 70,696,214	\$ 4,171,083
Cash received (paid) for interfund services provided (used)	(1,392,263)	(1,217,824)	(2,690,217)	-	(5,300,304)	-
Cash paid to suppliers for goods and services	(37,516,345)	(5,673,726)	(905,266)	(3,739,074)	(47,834,411)	(1,259,660)
Cash paid to employees	(1,114,624)	(1,337,520)	(713,818)	(2,001,997)	(5,167,959)	(2,186,170)
Customer deposits	(25,266)	-	-	-	(25,266)	-
Net cash provided (used) by operating activities	<u>7,824,460</u>	<u>2,384,690</u>	<u>1,613,932</u>	<u>545,192</u>	<u>12,368,274</u>	<u>725,253</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers to other funds	(975,048)	(31,723)	(2,052,620)	-	(3,059,391)	(98,040)
Advances to other funds	-	-	-	220,430	220,430	-
Net cash provided (used) by non-capital financing activities	<u>(975,048)</u>	<u>(31,723)</u>	<u>(2,052,620)</u>	<u>220,430</u>	<u>(2,838,961)</u>	<u>(98,040)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(2,515,964)	(575,715)	(3,180,155)	(898,368)	(7,170,202)	(32,241)
Proceeds from long-term debt	-	-	1,280,557	735,529	2,016,086	-
Principal paid on general obligation bond maturities and equipment contracts	(748,693)	(303,730)	(1,096,535)	(255,823)	(2,404,781)	(8,067)
Interest paid on bonded indebtedness and equipment contracts	(66,852)	(23,124)	(183,848)	(17,878)	(291,702)	-
Contributed capital	5,000	-	1,342,598	-	1,347,598	-
Net cash provided (used) by capital and related financing activities	<u>(3,326,509)</u>	<u>(902,569)</u>	<u>(1,837,383)</u>	<u>(436,540)</u>	<u>(6,503,001)</u>	<u>(40,308)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest on investments	34,641	11,301	11,802	5,109	62,853	8,567
Net cash provided (used) by investing activities	<u>34,641</u>	<u>11,301</u>	<u>11,802</u>	<u>5,109</u>	<u>62,853</u>	<u>8,567</u>
Net increase (decrease) in cash and cash equivalents/investments	3,557,544	1,461,699	(2,264,269)	334,191	3,089,165	595,472
<b>Cash and Cash Equivalents/Investments:</b>						
Beginning of year - July 1	<u>13,212,821</u>	<u>4,529,588</u>	<u>4,165,082</u>	<u>1,531,871</u>	<u>23,439,362</u>	<u>3,618,967</u>
End of year - June 30	<u>\$ 16,770,365</u>	<u>\$ 5,991,287</u>	<u>\$ 1,900,813</u>	<u>\$ 1,866,062</u>	<u>\$ 26,528,527</u>	<u>\$ 4,214,439</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 6,919,208	\$ 1,796,766	\$ (666,087)	\$ 362,860	\$ 8,412,747	\$ 592,709
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Depreciation	1,061,805	492,534	2,332,760	364,217	4,251,316	103,177
Non-operating revenues (expenses)	-	(38,944)	(8,345)	-	(47,289)	-
<b>Change in Assets and Liabilities:</b>						
(Increase) decrease in accounts receivable	4,565	36,926	(55,045)	(136,822)	(150,376)	1,347
Increase (decrease) in customer deposits	(25,266)	-	-	-	(25,266)	-
(Increase) decrease in inventories	(51,060)	28,134	-	-	(22,926)	36,415
Increase (decrease) in accounts payable	(107,570)	44,009	(10,590)	(68,770)	(142,921)	(2,098)
Increase in net pension liability	390,602	390,602	273,421	351,541	1,406,166	-
Increase (decrease) in deferred inflows - pension	(38,269)	(38,269)	(26,788)	(34,442)	(137,768)	-
(Increase) decrease in deferred outflows - pension	(326,957)	(326,957)	(228,870)	(294,261)	(1,177,045)	-
Increase (decrease) in compensated absences payable	(2,598)	(111)	3,476	869	1,636	(6,297)
Net cash provided (used) by operating activities	<u>\$ 7,824,460</u>	<u>\$ 2,384,690</u>	<u>\$ 1,613,932</u>	<u>\$ 545,192</u>	<u>\$ 12,368,274</u>	<u>\$ 725,253</u>

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

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

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

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# **CITY OF KINSTON, NORTH CAROLINA**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

### **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. Interfund services provided and used are not eliminated in the process of consolidation. 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, 2017

*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 9 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, 2017

**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. The Stormwater Capital Project Fund is consolidated with the Stormwater Enterprise Fund (the operating fund) for financial reporting purposes.

**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, 2017

#### 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, 2017**

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 Fund, and Public Services Administration 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.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

##### **Deposits**

All deposits of the City are made in board-designated official depositories and are secured or required by 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.

##### **Investments**

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. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Governmental Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

##### **Cash and Cash Equivalents**

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

##### **Restricted Assets**

Restricted assets presented in the accompanying financial statements represent the amounts of unexpended debt proceeds held in escrow of the General Fund and Environmental Services Fund because their use is completely restricted to the purpose for which the debt proceeds were originally issued.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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.

Restricted cash at June 30, 2017, consists of the following:

#### **Governmental Activities:**

##### **General Fund:**

Unexpended debt proceeds held in escrow	\$ 347,471
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##### **Capital Project Funds:**

South Queen St. electrical improvements	94,340
Total governmental activities	<u>\$ 441,811</u>

##### **Business-Type Activities:**

Electric Fund - customer deposits	\$ 1,582,742
Environmental services - unexpended debt proceeds held in escrow	735,529
Total business-type activities restricted cash	<u>\$ 2,318,271</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, 2016.

#### **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, 2017

#### 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 received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical 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 two items that meet this criterion, pension deferrals and contributions made to the pension plan in the 2017 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 several items that meet the criterion for this category - prepaid property taxes, property taxes receivable, grant receivable, GTP fire taxes receivable, pavement assessment receivables, and pension deferrals.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **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 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. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Compensated Absences**

The vacation policy of the City provides for the accumulation of up to 30 days earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee resignations and retirements. The City has assumed a first-in/first-out method of using accumulated compensated time. The portion of the accumulated vacation pay that is estimated to be used within the next fiscal year has been designated as a current liability in the government-wide financial statements.

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.

##### **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.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for public safety expenditures.

*Restricted for Community Development* – portion of fund balance that is restricted by revenue source for community development expenditures.

Restricted fund balance at June 30, 2017 is as follows:

Purpose	General Fund	Other Governmental Funds	Total Governmental Activities
<b>Restricted, All Other:</b>			
Community development	\$ -	\$ 1,097,164	\$ 1,097,164
Perpetual care	-	339	339
Public safety	347,471	-	347,471
Total	<u>\$ 347,471</u>	<u>\$ 1,097,503</u>	<u>\$ 1,444,974</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C as of June 30, 2017 by the amount of unspent debt proceeds of \$347,471 and the amount of perpetual maintenance of \$75,000 for a total of \$422,471.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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, 2017 is as follows:

<b>Purpose</b>	<b>Other Governmental Funds</b>
General government	\$ 180,632
Public safety	125,873
Community development	100,483
Cultural and recreation	8,250
Total	<u><u>\$ 415,238</u></u>

**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.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Director to make certain modifications without requiring Board approval.

Assigned fund balance at June 30, 2017 is as follows:

<b>Purpose</b>	<b>Other</b>	
	<b>General Fund</b>	<b>Governmental Funds</b>
Subsequent year's expenditures	\$ 275,615	\$ -
Community development	-	48,096
Total	<u>\$ 275,615</u>	<u>\$ 48,096</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	\$ 9,206,934
Less:	
Inventories	73,462
Stabilization by State statute	<u>2,628,021</u>
Total available fund balance	<u>\$ 6,505,451</u>

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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

	<b>General Fund</b>
Encumbrances	<u><u>\$ 275,615</u></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.

#### **Defined Benefit Pension Plans**

For purposes of measuring the net pension liability, 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, 2017 as follows:

#### **Nonmajor Capital Project Funds:**

Battlefield Parkway/Soccer Complex	\$ 3,488
Grainger Stadium Improvements Project	910,035

The deficits in the nonmajor 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, 2017**

#### **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, 2017, the City's deposits had a carrying amount of \$35,006,975 and a bank balance of \$35,549,680. Of the bank balance, \$750,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. At June 30, 2017, the City's petty cash fund totaled \$17,550.

###### **Investments**

At June 30, 2017, the City had \$5,484,321 in investments invested with the North Carolina Capital Management Trust's Governmental Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### **Receivables – Allowances for Doubtful Accounts**

The receivables shown in the Balance Sheet and the Statement of Net Position at June 30, 2017 are net of the following allowances for doubtful accounts:

<b>General Fund:</b>	
Taxes receivable	<u>\$ 171,823</u>
<b>Enterprise Funds:</b>	
Electric Fund	1,934,980
Water Fund	408,895
Wastewater Fund	324,846
Nonmajor enterprise funds	<u>174,626</u>
Total enterprise funds	<u>2,843,347</u>
Total allowances for doubtful accounts	<u>\$ 3,015,170</u>

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

	<b><u>Governmental Activities</u></b>
Due from other governments:	
Local option sales tax and other	
State shared revenues	\$ 672,354
State and local sales tax	180,312
Grant receivable	<u>1,646,983</u>
Total	<u>\$ 2,499,649</u>

#### **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, 2017 is \$194,567.

# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2017 was as follows:

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Governmental Funds:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,594,982	\$ 182,229	\$ -	\$ 3,777,211
Construction in progress	<u>1,820,420</u>	<u>1,186,413</u>	<u>(169,111)</u>	<u>2,837,722</u>
Total capital assets not being depreciated	<u>5,415,402</u>	<u>1,368,642</u>	<u>(169,111)</u>	<u>6,614,933</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	18,223,852	187,951	-	18,411,803
Equipment	5,593,447	128,748	(32,105)	5,690,090
Vehicles	7,327,428	272,716	(375,510)	7,224,634
Infrastructure	<u>6,912,980</u>	<u>232,953</u>	<u>-</u>	<u>7,145,933</u>
Total capital assets being depreciated	<u>38,057,707</u>	<u>822,368</u>	<u>(407,615)</u>	<u>38,472,460</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(6,627,180)	(516,204)	-	(7,143,384)
Equipment	(4,666,141)	(337,544)	32,105	(4,971,580)
Vehicles	(6,720,923)	(272,635)	375,510	(6,618,048)
Infrastructure	<u>(4,762,289)</u>	<u>(237,870)</u>	<u>-</u>	<u>(5,000,159)</u>
Total accumulated depreciation	<u>(22,776,533)</u>	<u>\$ (1,364,253)</u>	<u>\$ 407,615</u>	<u>(23,733,171)</u>
Total capital assets being depreciated, net	<u>15,281,174</u>			<u>14,739,289</u>
Total	<u>\$ 20,696,576</u>			<u>\$ 21,354,222</u>
 <b>Employee Health and Insurance</b>				
<b>Internal Service Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	\$ 19,468	\$ -	\$ -	\$ 19,468
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(10,708)	(486)	-	(11,194)
Total accumulated depreciation	<u>(10,708)</u>	<u>\$ (486)</u>	<u>\$ -</u>	<u>(11,194)</u>
Total capital assets being depreciated, net	<u>8,760</u>			<u>8,274</u>
Total Employee Health and Insurance Fund capital assets, net	<u>\$ 8,760</u>			<u>\$ 8,274</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Fleet Maintenance Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Equipment	\$ 129,121	\$ -	\$ -	\$ 129,121
Vehicles	<u>66,879</u>	<u>-</u>	<u>-</u>	<u>66,879</u>
Total capital assets being depreciated	<u>196,000</u>	<u>-</u>	<u>-</u>	<u>196,000</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(118,498)	(4,249)	-	(122,747)
Vehicles	<u>(66,879)</u>	<u>-</u>	<u>-</u>	<u>(66,879)</u>
Total accumulated depreciation	<u>(185,377)</u>	<u>\$ (4,249)</u>	<u>\$ -</u>	<u>(189,626)</u>
Total capital assets being depreciated, net	<u>10,623</u>			<u>6,374</u>
Fleet Maintenance Fund capital assets, net	<u>\$ 10,623</u>			<u>\$ 6,374</u>
<b>Total Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 3,594,982	\$ 182,229	\$ -	\$ 3,777,211
Construction in progress	<u>1,820,420</u>	<u>1,186,413</u>	<u>(169,111)</u>	<u>2,837,722</u>
Total capital assets not being depreciated	<u>5,415,402</u>	<u>1,368,642</u>	<u>(169,111)</u>	<u>6,614,933</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	18,243,320	187,951	-	18,431,271
Equipment	5,722,568	128,748	(32,105)	5,819,211
Vehicles	7,394,307	272,716	(375,510)	7,291,513
Infrastructure	<u>6,912,980</u>	<u>232,953</u>	<u>-</u>	<u>7,145,933</u>
Total capital assets being depreciated	<u>38,273,175</u>	<u>822,368</u>	<u>(407,615)</u>	<u>38,687,928</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(6,637,888)	(516,690)	-	(7,154,578)
Equipment	<u>(4,784,639)</u>	<u>(341,793)</u>	<u>32,105</u>	<u>(5,094,327)</u>
Vehicles	<u>(6,787,802)</u>	<u>(272,635)</u>	<u>375,510</u>	<u>(6,684,927)</u>
Infrastructure	<u>(4,762,289)</u>	<u>(237,870)</u>	<u>-</u>	<u>(5,000,159)</u>
Total accumulated depreciation	<u>(22,972,618)</u>	<u>\$ (1,368,988)</u>	<u>\$ 407,615</u>	<u>(23,933,991)</u>
Total capital assets being depreciated, net	<u>15,300,557</u>			<u>14,753,937</u>
Total governmental activities capital assets, net	<u>\$ 20,715,959</u>			<u>\$ 21,368,870</u>

# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

General government	\$ 157,735
Public safety	591,581
Public works	377,760
Parks and recreation	35,839
Community development	201,338
Internal service funds	4,735
Total	<u>\$ 1,368,988</u>

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Business-Type Activities:</b>				
<b>Electric Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	<u>1,645,881</u>	<u>1,673,569</u>	<u>(54,555)</u>	<u>3,264,895</u>
Total capital assets not being depreciated	<u>1,848,261</u>	<u>1,673,569</u>	<u>(54,555)</u>	<u>3,467,275</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	1,000,028	31,505	-	1,031,533
Vehicles	1,288,892	204,539	(107,661)	1,385,770
Distribution system	<u>39,584,276</u>	<u>660,906</u>	<u>-</u>	<u>40,245,182</u>
Total capital assets being depreciated	<u>45,545,086</u>	<u>896,950</u>	<u>(107,661)</u>	<u>46,334,375</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(2,936,471)	(73,053)	-	(3,009,524)
Equipment	(738,113)	(28,521)	-	(766,634)
Vehicles	(1,260,415)	(48,027)	107,661	(1,200,781)
Distribution system	<u>(20,854,584)</u>	<u>(912,204)</u>	<u>-</u>	<u>(21,766,788)</u>
Total accumulated depreciation	<u>(25,789,583)</u>	<u>\$ (1,061,805)</u>	<u>\$ 107,661</u>	<u>(26,743,727)</u>
Total capital assets being depreciated, net	<u>19,755,503</u>			<u>19,590,648</u>
Electric Fund capital assets, net	<u>\$ 21,603,764</u>			<u>\$ 23,057,923</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Water Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 66,605	\$ -	\$ -	\$ 66,605
Construction in progress	<u>531,667</u>	<u>329,255</u>	<u>-</u>	<u>860,922</u>
Total capital assets not being depreciated	<u>598,272</u>	<u>329,255</u>	<u>-</u>	<u>927,527</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	594,340	-	-	594,340
Equipment	1,156,781	9,029	(6,648)	1,159,162
Vehicles	1,417,241	151,017	(202,799)	1,365,459
Infrastructure	41,195	-	-	41,195
Distribution system	<u>15,369,457</u>	<u>86,414</u>	<u>-</u>	<u>15,455,871</u>
Total capital assets being depreciated	<u>18,579,014</u>	<u>246,460</u>	<u>(209,447)</u>	<u>18,616,027</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(577,905)	(865)	-	(578,770)
Equipment	(860,654)	(87,298)	6,648	(941,304)
Vehicles	(1,229,592)	(110,775)	202,799	(1,137,568)
Infrastructure	(14,520)	(1,881)	-	(16,401)
Distribution system	<u>(9,983,082)</u>	<u>(291,715)</u>	<u>-</u>	<u>(10,274,797)</u>
Total accumulated depreciation	<u>(12,665,753)</u>	<u>\$ (492,534)</u>	<u>\$ 209,447</u>	<u>\$ (12,948,840)</u>
Total capital assets being depreciated, net	<u>5,913,261</u>			<u>5,667,187</u>
Water Fund capital assets, net	<u>\$ 6,511,533</u>			<u>\$ 6,594,714</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Wastewater Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 953,658	\$ -	\$ -	\$ 953,658
Construction in progress	<u>4,390,870</u>	<u>2,717,123</u>	<u>-</u>	<u>7,107,993</u>
Total capital assets not being depreciated	<u>5,344,528</u>	<u>2,717,123</u>	<u>-</u>	<u>8,061,651</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,933,541	42,025	-	1,975,566
Vehicles	294,435	421,007	(100,540)	614,902
Distribution system	<u>52,016,772</u>	<u>-</u>	<u>-</u>	<u>52,016,772</u>
Total capital assets being depreciated	<u>95,520,946</u>	<u>463,032</u>	<u>(100,540)</u>	<u>95,883,438</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	(10,118,034)	(978,323)	-	(11,096,357)
Equipment	(1,813,655)	(43,975)	-	(1,857,630)
Vehicles	(224,807)	(108,727)	100,540	(232,994)
Distribution system	<u>(20,182,047)</u>	<u>(1,201,735)</u>	<u>-</u>	<u>(21,383,782)</u>
Total accumulated depreciation	<u>(32,338,543)</u>	<u>\$ (2,332,760)</u>	<u>\$ 100,540</u>	<u>(34,570,763)</u>
Total capital assets being depreciated, net	<u>63,182,403</u>			<u>61,312,675</u>
Wastewater Fund capital assets, net	<u>\$ 68,526,931</u>			<u>\$ 69,374,326</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Environmental Services Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ _____ -	\$ 724,034	\$ _____ -	\$ 724,034
Total capital assets not being depreciated	_____ -	724,034	_____ -	724,034
<b>Capital Assets Being Depreciated:</b>				
Equipment	591,250	-	-	591,250
Vehicles	3,077,477	_____ -	(307,266)	2,770,211
Total capital assets being depreciated	<u>3,668,727</u>	<u>_____ -</u>	<u>(307,266)</u>	<u>3,361,461</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(526,087)	(25,294)	-	(551,381)
Vehicles	(2,414,175)	(242,483)	307,266	(2,349,392)
Total accumulated depreciation	<u>(2,940,262)</u>	<u>\$ (267,777)</u>	<u>\$ 307,266</u>	<u>(2,900,773)</u>
Total capital assets being depreciated, net	<u>728,465</u>			<u>460,688</u>
Environmental Services Fund capital assets, net	<u>\$ 728,465</u>			<u>\$ 1,184,722</u>
 <b>Stormwater Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ _____ -	\$ 157,569	\$ _____ -	\$ 157,569
<b>Capital Assets Being Depreciated:</b>				
Equipment	96,336	-	-	96,336
Vehicles	609,154	-	-	609,154
Distribution system	<u>692,433</u>	<u>_____ -</u>	<u>_____ -</u>	<u>692,433</u>
Total capital assets being depreciated	<u>1,397,923</u>	<u>_____ -</u>	<u>_____ -</u>	<u>1,397,923</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(79,575)	(6,787)	-	(86,362)
Vehicles	(413,923)	(50,585)	-	(464,508)
Distribution system	<u>(71,544)</u>	<u>(34,622)</u>	<u>_____ -</u>	<u>(106,166)</u>
Total accumulated depreciation	<u>(565,042)</u>	<u>\$ (91,994)</u>	<u>\$ _____ -</u>	<u>(657,036)</u>
Total capital assets being depreciated, net	<u>832,881</u>			<u>740,887</u>
Stormwater Fund capital assets, net	<u>\$ 832,881</u>			<u>\$ 898,456</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Woodmen of the World</b>				
<b>Community Center Fund:</b>				
<b>Capital Assets Being Depreciated:</b>				
Buildings and improvements	\$ -	\$ 16,765	\$ -	\$ 16,765
Equipment	<u>5,464</u>	<u>-</u>	<u>-</u>	<u>5,464</u>
Total capital assets being depreciated	<u>5,464</u>	<u>16,765</u>	<u>-</u>	<u>22,229</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and improvements	- -	(3,353)	- -	(3,353)
Equipment	<u>(1,093)</u>	<u>(1,093)</u>	<u>-</u>	<u>(2,186)</u>
Total accumulated depreciation	<u>(1,093)</u>	<u>\$ (4,446)</u>	<u>\$ -</u>	<u>(5,539)</u>
Total capital assets being depreciated, net	<u>4,371</u>			<u>16,690</u>
Woodmen of the World Fund Community Center Fund capital assets, net	<u><u>4,371</u></u>			<u><u>16,690</u></u>
	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
<b>Public Services Internal Service Fund:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Construction in progress	\$ 21,097	\$ 21,784	\$ (21,097)	\$ 21,784
<b>Capital Assets Being Depreciated:</b>				
Equipment	464,510	- -	- -	464,510
Vehicles	<u>103,942</u>	<u>31,554</u>	<u>-</u>	<u>135,496</u>
Total capital assets being depreciated	<u>568,452</u>	<u>31,554</u>	<u>-</u>	<u>600,006</u>
<b>Less Accumulated Depreciation:</b>				
Equipment	(166,710)	(84,033)	- -	(250,743)
Vehicles	<u>(74,897)</u>	<u>(14,409)</u>	<u>-</u>	<u>(89,306)</u>
Total accumulated depreciation	<u>(241,607)</u>	<u>\$ (98,442)</u>	<u>\$ -</u>	<u>(340,049)</u>
Total capital assets being depreciated, net	<u>326,845</u>			<u>259,957</u>
Public Services Fund capital assets, net	<u>347,942</u>			<u>281,741</u>
Business-type activities capital assets, net	<u><u>98,555,887</u></u>			<u><u>101,408,572</u></u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### B. Liabilities

##### Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts and vouchers	\$ 849,028	\$ 3,285,450	\$ 4,134,478
Accrued interest payable	161,389	53,629	215,018
Accrued payroll and related liabilities	476,123	274,269	750,392
Employee health unpaid claims	380,000	-	380,000
Total accounts payable and accrued liabilities	<u>\$ 1,866,540</u>	<u>\$ 3,613,348</u>	<u>\$ 5,479,888</u>

##### 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 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](http://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.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive 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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$1,069,901 for the year ended June 30, 2017.

*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.

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

At June 30, 2017, the City reported a liability of \$4,939,099 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability 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, 2016, the City's proportion was 0.23272%, which was an increase of 0.00253% from its proportion measured as of June 30, 2015.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$1,323,656. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 92,797	\$ 173,072
Changes of assumptions	338,284	-
Net difference between projected and actual earnings on pension plan investments	2,730,700	-
Changes in proportion and differences between City contributions and proportionate share of contributions	19,323	37,438
City contributions subsequent to the measurement date	<u>1,069,901</u>	<u>-</u>
<b>Total</b>	<b><u>\$4,251,005</u></b>	<b><u>\$ 210,510</u></b>

\$1,069,901 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2018	\$ 440,219
2019	440,783
2020	1,301,451
2021	788,141
2022	-
Thereafter	<u>-</u>
<b>Total</b>	<b><u>\$ 2,970,594</u></b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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, 2015 valuation were based on the results of an actuarial experience study for the period ended January 1, 2010 through December 31, 2014.

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, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term</b>	
	<b>Target Allocation</b>	<b>Expected Real Rate of Return</b>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u><u>100.0%</u></u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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 Liability to Changes in the Discount Rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability or net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	Current		
	1%	Discount	1%
	Decrease	Rate	Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
City's proportionate share of the net pension liability (asset)	\$ 11,722,784	\$ 4,939,099	\$ (727,141)

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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. 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, 2017

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	72
Total	84

#### **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 73.

#### **Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

**Deaths after Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths before Retirement:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**Deaths after Retirement (Beneficiary):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**Deaths after Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$186,612 as benefits came due.

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

At June 30, 2017, the City reported a total pension liability of \$3,298,685. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$219,659.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 62,128
City benefit payments and plan administrative expenses made subsequent to the measurement date	91,315	-
<b>Total</b>	<b><u>91,315</u></b>	<b><u>\$ 62,128</u></b>

\$91,315 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2018	\$ 13,419
2019	13,419
2020	13,419
2021	13,419
2022	8,452
Thereafter	-
	<b><u>\$ 62,128</u></b>

\$91,018 paid as benefits came due and \$297 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 3.86%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage-point higher (4.86%) than the current rate:

	Current		
	1%	Discount	1%
	Decrease	Rate	Increase
Total pension liability	<u>(2.86%)</u>	<u>(3.86%)</u>	<u>(4.86%)</u>
	\$ 3,567,728	\$ 3,298,685	\$ 3,053,054

#### Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	<u>2017</u>
Beginning balance	\$ 3,328,063
Service cost	117,300
Interest on the total pension liability	115,481
Changes of assumptions or other inputs	(75,547)
Benefit payments	(186,612)
Ending balance of the total pension liability	<u>\$ 3,298,685</u>

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

#### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**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, 2017 were \$210,101, which consisted of \$168,449 from the City and \$41,652 from the law enforcement officers. No amounts were forfeited.

#### **Separation Allowance Plan**

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

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

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

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

At June 30, 2016, the Separation Allowance – Employees' membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	1
Total	2

A separate financial report was not issued for the plan.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### **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 73.

#### **Actuarial Assumptions**

The entry age actuarial cost method was used in the June 30, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	3.01 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

**Deaths after Retirement (Healthy):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

**Deaths before Retirement:** RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**Deaths after Retirement (Beneficiary):** RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

**Deaths after Retirement (Disabled):** RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,996 as benefits came due.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017, the City reported a total pension liability of \$5,110. The total pension liability was measured as of June 30, 2016 based on a June 30, 2016 actuarial valuation. For the year ended June 30, 2017, the City recognized pension expense of \$4,544.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City benefit payments and plan administrative expenses made subsequent to the measurement date	\$ 10,452	\$ _____ -

\$10,452 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2018.

\$7,452 paid as benefits came due and \$3,000 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 3.01%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.01%) or 1-percentage-point higher (4.01%) than the current rate:

	Current		
	1%	Discount	1%
	Decrease (2.01%)	Rate (3.01%)	Increase (4.01%)
Total pension liability	\$ 5,055	\$ 5,110	\$ 5,143

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### Schedule of Changes in Total Pension Liability Special Separation Allowance

	<u>2017</u>
Beginning balance	\$ 5,562
Service cost	567
Interest on the total pension liability	174
Differences between expected and actual experience	
in the measurement of the total pension liability	968
Changes of assumptions or other inputs	(165)
Benefit payments	<u>(1,996)</u>
Ending balance of the total pension liability	<u>\$ 5,110</u>

#### 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, 2017 were \$339,564, which consisted of \$160,016 from the City and \$179,548 from the employees. No amounts were forfeited.

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 Benefits

##### 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, 2017

Membership of the Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	65
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	149
Total	<u>214</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 3.81% of annual covered payroll. For the current year, the City contributed \$224,651, or 3.00%, 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 3.81% and 3.81% 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	\$ 285,058
Interest on net OPEB obligation	15,088
Adjustments to annual required contribution	<u>(16,795)</u>
Annual OPEB cost (expense)	283,351
Contributions made	<u>(224,651)</u>
Increase (decrease) in net OPEB obligation	58,700
Net OPEB obligation:	
Beginning of year - July 1	<u>369,490</u>
End of year - June 30	<u>\$ 428,190</u>

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017 were as follows:

<b>Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>		<b>Net OPEB Obligation</b>
		<b>Cost Contributed</b>	<b>Obligation</b>	
2015	\$ 279,625	73.01%	\$ 303,090	
2016	283,713	76.60%	369,490	
2017	283,351	79.28%	428,190	

#### **Funded Status and Funding Progress**

As of December 31, 2015, 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 \$3,191,248. The covered payroll (annual payroll of active employees covered by the Plan) was \$7,476,790, and the ratio of the UAAL to the covered payroll was 42.7%. 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, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.57% 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 dollar amount on a closed basis. The remaining amortization period at December 31, 2015 was 20 years.

As of June 30, 2017, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the City Council.

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

#### **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.

The City has also elected to provide additional group term life insurance benefits up to 1.5 times the employee's base salary, not to exceed \$200,000. This coverage is provided at no extra cost to the employee. If the combined life insurance coverage exceeds the \$50,000 limit, the excess amount is multiplied by a premium cost factor per \$1,000 based on the employee's age at December 31 provided by the IRS. This amount is then added to the employee's taxable wages on a calendar year basis. For the fiscal year ended June 30, 2017, the City made contributions of \$95,496 for this additional group term life insurance.

#### **Deferred Outflows and Inflows of Resources**

Deferred outflows of resources are comprised of the following:

<b>Source</b>	<b>Amount</b>
Contributions to pension plan in current fiscal year (LGERS)	\$ 1,069,901
Benefit payments/administration costs paid	
subsequent to the measurement date (LEOSSA & SSA)	101,767
Differences between projected expected and actual experience (LGERS)	92,797
Changes in proportion and differences between City	
contributions and proportionate share of contributions (LGERS)	19,323
Changes of assumptions (LGERS)	338,284
Net difference between projected and actual earnings on	
pension plan investments (LGERS)	<u>2,730,700</u>
Total	<u><u>\$ 4,352,772</u></u>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Property taxes receivable	\$ 692,621
Prepaid property taxes	369
Grant receivable	1,646,983
Pavement assessment receivables	9,048
GTP fire taxes receivable	51
Differences between expected and actual experience (LGERS)	173,072
Changes of assumptions (LEOSSA)	62,128
Changes in proportion and differences between City's contributions and proportionate share of contributions (LGERS)	37,438
Total	<u><u>\$ 2,621,710</u></u>

#### **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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 \$320,863 in claims was incurred for benefits during fiscal year 2017.

#### **Claims Liability**

	<b>Year Ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Unpaid claims, beginning of fiscal year	\$ 380,000	\$ 380,000
Incurred claims (including claims incurred, but not reported as of fiscal year-end)	320,863	321,700
Payments and reduction in claims estimates	<u>(320,863)</u>	<u>(321,700)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 380,000</u></u>	<u><u>\$ 380,000</u></u>

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

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.

#### **Claims, Judgments, and Contingent Liabilities**

At June 30, 2017, 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, 2017**

**Long-Term Obligations**

**Installment Contracts**

<b>Year of Loan</b>	<b>Purpose and Collateral</b>	<b>Interest Rates</b>	<b>Maturity</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities:</b>				
<b>General Fund:</b>				
2002	Grainger Stadium renovations	5.65%	2017	\$ 68,966
2009	New main fire station	4.75%	2049	2,899,414
2009	City hall renovations	4.38%	2039	1,588,076
2011	Fire trucks	4.00%	2030	666,971
2012	Various vehicles and equipment	1.39%	2018	69,004
2012	Fire station	3.50%	2043	2,234,703
2013	Recreation mowers	5.65%	2020	32,940
2015	Radios and equipment	1.39%	2019	165,708
2016	Various equipment	1.46%	2021	1,173,922
2017	Various equipment	1.84%	2022	<u>347,473</u>
				<u>9,247,177</u>
<b>Fleet Maintenance Internal Service Fund:</b>				
2015	Radios and equipment	1.39%	2019	<u>6,374</u>
Total governmental activities				<u>\$ 9,253,551</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Year of Loan</b>	<b>Purpose and Collateral</b>	<b>*** Effective</b>			<b>Balance June 30, 2017</b>		
		<b>Interest Rates</b>	<b>Interest Rates</b>	<b>Maturity</b>			
<b>Business-Type Activities:</b>							
<b>Enterprise Funds:</b>							
<b>Water Fund</b>							
2012	Various vehicles and equipment	1.39%		2018	\$ 8,504		
2015	Radios and equipment	1.39%		2019	35,043		
2016	Various equipment	1.46%		2021	326,179		
					<u>369,726</u>		
<b>Wastewater Fund</b>							
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	276,090		
2012	Various vehicles and equipment	1.39%		2018	4,444		
2015	Radios and equipment	1.39%		2019	10,187		
2016	Various equipment	1.46%		2021	62,564		
					<u>353,285</u>		
<b>Electric Fund</b>							
2015	Radios and equipment	1.39%		2019	24,849		
					<u>24,849</u>		
<b>Environmental Services Fund</b>							
2012	Various vehicles and equipment	1.39%		2018	28,864		
2015	Radios and equipment	1.39%		2019	29,637		
2016	Various equipment	1.46%		2021	385,674		
2017	Various equipment	1.84%		2022	735,529		
					<u>1,179,704</u>		
<b>Stormwater Fund</b>							
2012	Various vehicles and equipment	1.39%		2018	20,852		
2015	Radios and equipment	1.39%		2019	9,561		
2016	Various equipment	1.46%		2021	202,661		
					<u>233,074</u>		
<b>Total Enterprise Funds:</b>					<u>2,160,638</u>		
<b>Public Services Internal Service Fund:</b>							
2015	Radios and equipment	1.39%		2019	<u>17,827</u>		
Total business-type activities					<u>\$ 2,178,465</u>		

\*\*\*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, 2017

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

Year Ending <u>June 30</u>	Governmental Activities		Business-Type Activities		Total	
	Installment Contracts		Installment Contracts		Principal	Interest
	Principal	Interest	Principal	Interest		
2018	\$ 753,009	\$ 338,447	\$ 574,730	\$ 39,220	\$ 1,327,739	\$ 377,667
2019	604,146	323,203	520,869	30,086	1,125,015	353,289
2020	612,510	310,118	531,940	19,175	1,144,450	329,293
2021	567,916	296,861	398,795	9,189	966,711	306,050
2022	277,961	282,806	152,131	2,799	430,092	285,605
2023-2027	1,165,680	1,272,200	-	-	1,165,680	1,272,200
2028-2032	1,362,166	1,009,738	-	-	1,362,166	1,009,738
2033-2037	1,391,418	730,022	-	-	1,391,418	730,022
2038-2042	1,372,945	405,904	-	-	1,372,945	405,904
2043-2047	814,638	182,618	-	-	814,638	182,618
2048-2051	331,162	23,749	-	-	331,162	23,749
Total	<u>\$ 9,253,551</u>	<u>\$ 5,175,666</u>	<u>\$ 2,178,465</u>	<u>\$ 100,469</u>	<u>\$ 11,432,016</u>	<u>\$ 5,276,135</u>

\$750,884 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, \$110,602 will be paid from the Wastewater Fund, \$8,283 from the Electric Fund, \$99,948 from the Water Fund, \$276,358 from the Environmental Services Fund, \$73,597 from the Stormwater Fund, and \$5,942 from the Public Services Internal Service Fund.

#### Notes Payable

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

Year of Loan	Purpose and Collateral	Interest		Balance	
		Rates	Maturity	June 30, 2017	
2003	Expansion to Sanitary Sewer System	2.66%	2023	\$ 491,872	
2003	Expansion to Sanitary Sewer System	2.66%	2024	267,750	
2007	Expansion to Sanitary Sewer System	2.27%	2027	3,677,722	
2015	Expansion to Sanitary Sewer System	2.00%	2035	662,521	
2017	Queen Street Sewer Phase I	0.00%	2037	1,280,557	
Total business-type activities				<u>\$ 6,380,422</u>	

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

<b>Year Ending</b>	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	2018	\$ 588,835	\$ 116,757	\$ 705,592
	2019	588,835	104,493	693,328
	2020	588,835	92,228	681,063
	2021	588,835	79,964	668,799
	2022	588,835	67,700	656,535
	2023-2027	2,501,513	170,671	2,672,184
	2028-2032	504,173	22,084	526,257
	2033-2037	430,561	4,417	434,978
	<b>Total</b>	<b><u>\$ 6,380,422</u></b>	<b><u>\$ 658,314</u></b>	<b><u>\$ 7,038,736</u></b>

#### **Revenue Bonds**

Revenue bonds outstanding at June 30, 2017 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% \$ 894,600

##### **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% 2,108,700

##### **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% 3,386,700

Total revenue bonds \$ 6,390,000

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

<b>Year Ending</b>	<b>Principal</b>			<b>Interest</b>			<b>Total</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	1,268,000	34,283	1,302,283						
2022	404,000	15,873	419,873						
2023-2024	604,000	10,465	614,465						
Total	<u><u>\$ 6,390,000</u></u>	<u><u>\$ 303,058</u></u>	<u><u>\$ 6,693,058</u></u>						

\$199,080 of the current portion will be paid from the Water Fund, \$469,260 from the Wastewater Fund, and \$753,660 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. The bonds are payable from the Water, Wastewater, and Electric funds' customer net revenues and are payable through 2035. 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, 2017 were \$2,148,958 and \$282,301, respectively. Total customer revenue for the City's enterprise funds totaled \$64,481,249 for the year ended June 30, 2017.

The debt service coverage ratio calculation for the year ended June 30, 2017 is as follows:

Operating revenues	\$ 64,481,249
Operating expenses*	<u>52,486,519</u>
Income available for debt service	<u>11,994,730</u>
Debt service, principal and interest interest paid (parity debt)	<u><u>\$ 2,278,652</u></u>
Debt service coverage ratio for parity debt	<u><u>5.26</u></u>

\*Per rate covenants; this does not include the depreciation expense of \$3,887,099.

At June 30, 2017, 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, 2017

### **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, 2017, the legal debt limit for the City was \$122,395,394, providing a legal debt margin of \$104,582,956.

At June 30, 2017, 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, 2017 is as follows:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<b>Current Portion of Balance</b>
<b>Governmental Funds:</b>					
Accrued compensated absences	\$ 699,733	\$ 608,763	\$ 582,680	\$ 725,816	\$ 108,872
Total pension liability (LEOSSA)	1,276,729	2,021,956	-	3,298,685	-
Total pension liability (SSA)	21,679	-	16,569	5,110	-
Installment contracts	9,712,060	347,471	812,354	9,247,177	750,884
OPEB liability	369,490	283,351	224,651	428,190	-
Net pension liability (LGERS)	661,171	2,499,852	-	3,161,023	-
<b>Total</b>	<b><u>\$ 12,740,862</u></b>	<b><u>\$ 5,761,393</u></b>	<b><u>\$ 1,636,254</u></b>	<b><u>\$ 16,866,001</u></b>	<b><u>\$ 859,756</u></b>
<b>Employee Health and Insurance Fund:</b>					
Accrued compensated absences	\$ 6,062	\$ 4,820	\$ 5,418	\$ 5,464	\$ 820
<b>Total</b>	<b><u>\$ 6,062</u></b>	<b><u>\$ 4,820</u></b>	<b><u>\$ 5,418</u></b>	<b><u>\$ 5,464</u></b>	<b><u>\$ 820</u></b>
<b>Fleet Maintenance Fund:</b>					
Accrued compensated absences	\$ 20,781	\$ 4,820	\$ 2,812	\$ 22,789	\$ 3,418
Installment contracts	8,499	-	2,125	6,374	2,125
<b>Total</b>	<b><u>\$ 29,280</u></b>	<b><u>\$ 4,820</u></b>	<b><u>\$ 4,937</u></b>	<b><u>\$ 29,163</u></b>	<b><u>\$ 5,543</u></b>
<b>Governmental Activities:</b>					
Accrued compensated absences	\$ 726,576	\$ 618,403	\$ 590,910	\$ 754,069	\$ 113,110
Total pension liability (LEOSSA)	1,276,729	2,021,956	-	3,298,685	-
Total pension liability (SSA)	21,679	-	16,569	5,110	-
Installment contracts	9,720,559	347,471	814,479	9,253,551	753,009
OPEB liability	369,490	283,351	224,651	428,190	-
Net pension liability (LGERS)	661,171	2,499,852	-	3,161,023	-
<b>Total governmental activities</b>	<b><u>\$ 12,776,204</u></b>	<b><u>\$ 5,771,033</u></b>	<b><u>\$ 1,646,609</u></b>	<b><u>\$ 16,900,628</u></b>	<b><u>\$ 866,119</u></b>

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

# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Long-term liability activity for business-type activities for the year ended June 30, 2017 is as follows:

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<b>Current Portion of Balance</b>
<b>Major Enterprise Funds:</b>					
<b>Water Fund:</b>					
Accrued compensated absences	\$ 72,854	\$ -	\$ 111	\$ 72,743	\$ 18,186
Installment contracts	477,876	-	108,150	369,726	99,948
Revenue bonds	1,090,180	-	195,580	894,600	199,080
Net pension liability (LGERS)	<u>103,308</u>	<u>390,602</u>	<u>-</u>	<u>493,910</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,744,218</u></b>	<b><u>\$ 390,602</u></b>	<b><u>\$ 303,841</u></b>	<b><u>\$ 1,830,979</u></b>	<b><u>\$ 317,214</u></b>
<b>Wastewater Fund:</b>					
Accrued compensated absences	\$ 31,673	\$ 3,476	\$ -	\$ 35,149	\$ 8,787
Notes payable	5,624,673	1,280,557	524,808	6,380,422	588,835
Installment contracts	464,002	-	110,717	353,285	110,602
Revenue bonds	2,569,710	-	461,010	2,108,700	469,260
Net pension liability (LGERS)	<u>72,316</u>	<u>273,421</u>	<u>-</u>	<u>345,737</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 8,762,374</u></b>	<b><u>\$ 1,557,454</u></b>	<b><u>\$ 1,096,535</u></b>	<b><u>\$ 9,223,293</u></b>	<b><u>\$ 1,177,484</u></b>
<b>Electric Fund:</b>					
Accrued compensated absences	\$ 69,066	\$ -	\$ 2,598	\$ 66,468	\$ 16,617
Installment contracts	33,132	-	8,283	24,849	8,283
Revenue bonds	4,127,110	-	740,410	3,386,700	753,660
Net pension liability (LGERS)	<u>103,308</u>	<u>390,602</u>	<u>-</u>	<u>493,910</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 4,332,616</u></b>	<b><u>\$ 390,602</u></b>	<b><u>\$ 751,291</u></b>	<b><u>\$ 3,971,927</u></b>	<b><u>\$ 778,560</u></b>
<b>Nonmajor Enterprise Funds:</b>					
<b>Environmental Services Fund:</b>					
Accrued compensated absences	\$ 53,757	\$ 2,215	\$ -	\$ 55,972	\$ 13,993
Installment contracts	605,737	735,529	161,562	1,179,704	276,358
Net pension liability (LGERS)	<u>72,316</u>	<u>273,421</u>	<u>-</u>	<u>345,737</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 731,810</u></b>	<b><u>\$ 1,011,165</u></b>	<b><u>\$ 161,562</u></b>	<b><u>\$ 1,581,413</u></b>	<b><u>\$ 290,351</u></b>
<b>Stormwater Fund:</b>					
Accrued compensated absences	\$ 13,082	\$ -	\$ 2,201	\$ 10,881	\$ 2,720
Installment contracts	327,335	-	94,261	233,074	73,597
Net pension liability (LGERS)	<u>20,662</u>	<u>78,120</u>	<u>-</u>	<u>98,782</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 361,079</u></b>	<b><u>\$ 78,120</u></b>	<b><u>\$ 96,462</u></b>	<b><u>\$ 342,737</u></b>	<b><u>\$ 76,317</u></b>

## CITY OF KINSTON, NORTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<b>Current Portion of Balance</b>
<b>Woodmen of the World Community</b>					
<b>Center Fund:</b>					
Accrued compensated absences	\$ 9,356	\$ 855	\$ -	\$ 10,211	\$ 2,553
Total	<u>\$ 9,356</u>	<u>\$ 855</u>	<u>\$ -</u>	<u>\$ 10,211</u>	<u>\$ 2,553</u>
<b>Public Services Internal Service Fund:</b>					
Accrued compensated absences	\$ 90,810	\$ -	\$ 7,707	\$ 83,103	\$ 20,776
Installment contracts	23,769	-	5,942	17,827	5,942
Total	<u>\$ 114,579</u>	<u>\$ -</u>	<u>\$ 13,649</u>	<u>\$ 100,930</u>	<u>\$ 26,718</u>
<b>Total Business-Type Activities:</b>					
Accrued compensated absences	\$ 340,598	\$ 6,546	\$ 12,617	\$ 334,527	\$ 83,632
Notes payable	5,624,673	1,280,557	524,808	6,380,422	588,835
Installment contracts	1,931,851	735,529	488,915	2,178,465	574,730
Revenue bonds	7,787,000	-	1,397,000	6,390,000	1,422,000
Net pension liability (LGERS)	371,910	1,406,166	-	1,778,076	-
Total	<u>\$ 16,056,032</u>	<u>\$ 3,428,798</u>	<u>\$ 2,423,340</u>	<u>\$ 17,061,490</u>	<u>\$ 2,669,197</u>

### **Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2017 is computed as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 21,368,870	\$ 101,408,572
Long-term debt	9,253,551	14,948,887
Less: Unspent debt proceeds	(347,471)	(735,529)
Net capital debt	8,906,080	14,213,358
Net investment in capital assets	<u>\$ 12,462,790</u>	<u>\$ 87,195,214</u>

# CITY OF KINSTON, NORTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### Interfund Balances and Activity

#### Due To/From Other Funds

The composition of interfund balances on Exhibit C as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Nonmajor Enterprise</u>	<u>Total</u>
	<u>Nonmajor</u>	<u>Governmental</u>		
	<u>Fund</u>	<u>Fund</u>		
General Fund	\$ 921,939	\$ 220,430	\$ 1,142,369	

Amounts due to the General 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, 2017:

<u>Transfers In</u>	<u>Transfers Out</u>						<u>Total</u>
	<u>Major</u>	<u>Major</u>	<u>Major</u>	<u>Major</u>	<u>Nonmajor</u>	<u>Internal</u>	
	<u>General</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Governmental</u>	<u>Service</u>	
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Major General Fund	\$ -	\$ 800,000	\$ -	\$ -	\$ 120,173	\$ -	\$ 920,173
Nonmajor governmental funds	618,530	175,048	31,723	2,052,620	-	98,040	2,975,961
Total	<u>\$ 618,530</u>	<u>\$ 975,048</u>	<u>\$ 31,723</u>	<u>\$ 2,052,620</u>	<u>\$ 120,173</u>	<u>\$ 98,040</u>	<u>\$ 3,896,134</u>

Transfers out from the General Fund to the nonmajor governmental funds were made to close out various projects that had ended. 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 fund profit distributions to support General Fund services. Transfers from the Electric Fund, Water Fund, Wastewater Fund, internal service funds, and General Fund to the nonmajor governmental funds were made to cover Hurricane Matthew expenditures.

#### 4. Joint Ventures

The City has the basic responsibility for providing funding for the Pride of Kinston, Inc., a non-profit corporation established to promote and participate in the revitalization of the central area of Kinston, North Carolina. The business and property of the corporation shall be managed and controlled by a Board of Directors consisting of 18-22 members, three members of which shall serve by virtue of their official associations: City of Kinston Senior Administration or designee, Elected Member of the City of Kinston City Council or designee, and Kinston City Planner. The City contributed \$86,000 to the corporation during the fiscal year ended June 30, 2017.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **5. 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, 2017 were \$32,882,754.

##### **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 five members of the 14-member Board of Directors. The City provided no funding to the Commission during the year ended June 30, 2017.

##### **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 \$213,278 of funding for the Authority for the year ended June 30, 2017.

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

### **NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **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, 2017. During the year ended June 30, 2017, the City provided \$200,000 to the Library. Separate financial statements of the Library are available at the Library address of 510 North Queen Street, Kinston, North Carolina 28501.

#### **City of Kinston Housing Authority**

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

#### **6. 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.

#### **7. Change In Accounting Principles/Restatement**

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*, in the fiscal year ended June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the City to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for governmental activities decreased \$1,843,312.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

- Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Special Separation Allowance
- Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Required Schedules for the 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**

**SCHEDEULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Law Enforcement Officers' Special Separation Allowance**

	<b>2017</b>
Beginning balance	\$ 3,328,063
Service cost	117,300
Interest on the total pension liability	115,481
Changes of assumptions or other inputs	(75,547)
Benefit payments	<u>(186,612)</u>
Ending balance of the total pension liability	<u>\$ 3,298,685</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

**CITY OF KINSTON, NORTH CAROLINA**

**SCHEDE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

**Law Enforcement Officers' Special Separation Allowance**

	<b>2017</b>
Total pension liability	\$ 3,298,685
Covered payroll	3,527,718
Total pension liability as a percentage of covered payroll	93.51%

**Notes to the Schedules:**

The City of Kinston has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

**CITY OF KINSTON, NORTH CAROLINA**

**SCHEDE OF CHANGES IN TOTAL PENSION LIABILITY**  
**SPECIAL SEPARATION ALLOWANCE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Special Separation Allowance**

	<b>2017</b>
Beginning balance	\$ 5,562
Service cost	567
Interest on the total pension liability	174
Differences between expected and actual experience	
in the measurement of the total pension liability	968
Changes of assumptions or other inputs	(165)
Benefit payments	(1,996)
Ending balance of the total pension liability	<u>\$ 5,110</u>

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

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

**CITY OF KINSTON, NORTH CAROLINA****SCHEDE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
SPECIAL SEPARATION ALLOWANCE  
FOR THE YEAR ENDED JUNE 30, 2017****Special Separation Allowance**

	<b>2017</b>
Total pension liability	\$ 5,110
Covered payroll	60,523
Total pension liability as a percentage of covered payroll	8.44%

**Notes to the Schedules:**

The City of Kinston has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

**CITY OF KINSTON, NORTH CAROLINA**

**OTHER POST-EMPLOYMENT BENEFITS -  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Projected Unit Credit (b)				
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%
12/31/2015	-	3,191,428	3,191,428	0.00%	7,476,790	42.68%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
	2015	\$ 280,559		
2016		285,058	217,313	76.23%
2017		285,058	224,651	78.81%

**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	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return*	3.57%
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 FOUR FISCAL YEARS \***

**Local Governmental Employees' Retirement System**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability (asset) (%)	0.23272%	0.23019%	0.23510%	0.24660%
City's proportion of the net pension liability (asset) (\$)	\$ 4,939,099	\$ 1,033,081	\$ (1,386,493)	\$ 2,972,477
City's covered-employee payroll	\$ 14,231,744	\$ 13,800,783	\$ 13,662,808	\$ 12,873,209
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.70%	7.49%	( 10.15%)	23.09%
Plan fiduciary net position as a percentage of the total pension	91.47%	98.09%	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.

Pension schedules in the required supplementary information are intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,069,901	\$ 977,146	\$ 986,930	\$ 972,795
Contributions in relation to the contractually required contribution	<u>1,069,901</u>	<u>977,146</u>	<u>986,930</u>	<u>972,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Kinston's covered-employee payroll	\$ 14,247,572	\$ 14,231,744	\$ 13,800,783	\$ 13,662,808
Contributions as a percentage of covered-employee payroll	7.51%	6.87%	7.15%	7.12%

Pension schedules in the required supplementary information are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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## **MAJOR FUNDS**

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

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## **GENERAL FUND**

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

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## CITY OF KINSTON, NORTH CAROLINA

**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and investments	\$ 7,715,287	\$ 9,581,780
Receivables:		
Due from governmental agencies	852,666	630,568
Accounts receivable	366,470	296,344
Notes receivable	-	-
Taxes receivable	692,621	734,980
Due from other funds	1,142,369	100,104
Inventories	73,462	67,491
Restricted cash and investments	347,471	91,800
Total assets	<u>\$ 11,190,346</u>	<u>\$ 11,503,067</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,237,647	\$ 1,005,387
Prepaid privilege licenses	33,676	35,470
Unavailable revenues	10,000	-
Liabilities payable from restricted assets:		
Advances from grantors	-	91,800
Total liabilities	<u>1,281,323</u>	<u>1,132,657</u>
<b>Deferred Inflows of Resources:</b>		
Property taxes receivable	692,621	734,980
Prepaid property taxes	369	4,866
Pavement assessment receivables	9,048	99,640
GTP fire taxes receivable	51	86
Total deferred inflows of resources	<u>702,089</u>	<u>839,572</u>
<b>Fund Balance:</b>		
Non-spendable, not in spendable form:		
Inventories	73,462	67,491
Restricted:		
Stabilization by State statute	2,628,021	1,083,298
Restricted, all other	347,471	-
Assigned	275,615	-
Unassigned	5,882,365	8,380,049
Total fund balance	<u>9,206,934</u>	<u>9,530,838</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,190,346</u>	<u>\$ 11,503,067</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, 2017**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 10,235,509	\$ 10,281,486	\$ 45,977	\$ 10,319,080
Penalties and interest	80,000	76,490	(3,510)	76,154
Total	<u>10,315,509</u>	<u>10,357,976</u>	<u>42,467</u>	<u>10,395,234</u>
<b>Sales and Services:</b>				
Rents, concessions, and fees	339,501	250,198	(89,303)	308,642
Inspection fees	145,900	185,264	39,364	132,921
Cemetery fees	189,234	150,066	(39,168)	189,890
Cable franchise	153,522	158,708	5,186	160,197
Lenoir County Participation: Recreation	954,336	932,069	(22,267)	931,500
Woodmen Foundation Reimbursement - Recreation	20,000	10,000	(10,000)	20,000
Total	<u>1,802,493</u>	<u>1,686,305</u>	<u>(116,188)</u>	<u>1,743,150</u>
<b>Other Taxes and Licenses:</b>				
Local government sales tax	3,931,561	3,957,420	25,859	3,582,107
Franchise tax	2,306,893	2,158,130	(148,763)	2,234,574
Occupancy tax	239,250	224,504	(14,746)	223,893
Gross receipts tax	38,000	53,564	15,564	49,966
Licenses and permits	1,400	2,003	603	3,202
GTP fire protection taxes	80,522	85,709	5,187	73,168
Total	<u>6,597,626</u>	<u>6,481,330</u>	<u>(116,296)</u>	<u>6,166,910</u>
<b>Unrestricted Intergovernmental:</b>				
Payment in lieu of taxes	291,100	292,504	1,404	256,523
Beer and wine tax	110,167	95,163	(15,004)	93,311
ABC revenue	26,000	34,763	8,763	25,929
Total	<u>427,267</u>	<u>422,430</u>	<u>(4,837)</u>	<u>375,763</u>
<b>Restricted Intergovernmental:</b>				
Powell Bill allocations	614,408	608,579	(5,829)	621,015
School resource officer	89,000	89,596	596	87,000
NC Department of Transportation	-	23,051	23,051	96,376
Federal drug forfeiture	-	-	-	77,352
State grants, miscellaneous	11,000	10,000	(1,000)	-
Court allocation	-	-	-	235
Forfeited drug proceeds	15,000	8,151	(6,849)	11,843
Total	<u>729,408</u>	<u>739,377</u>	<u>9,969</u>	<u>893,821</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, 2017**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		Variance Over/Under	2016
	Budget	Actual		
<b>Other Revenue:</b>				
Investment income	20,950	20,615	(335)	15,354
Sales of surplus materials and assets	130,000	40,485	(89,515)	200,011
Miscellaneous	207,625	146,659	(60,966)	91,316
Total	358,575	207,759	(150,816)	306,681
Total revenues	20,230,878	19,895,177	(335,701)	19,881,559
<b>Expenditures:</b>				
General government	2,757,684	2,546,898	210,786	2,435,551
Public safety	11,001,190	10,402,092	599,098	9,879,557
Public services	2,107,494	1,836,344	271,150	2,131,768
Parks and recreation	4,783,673	4,492,422	291,251	4,285,685
Community development	1,730,894	1,590,439	140,455	1,642,899
Total expenditures	22,380,935	20,868,195	1,512,740	20,375,460
Revenues over (under) expenditures	(2,150,057)	(973,018)	1,177,039	(493,901)
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	1,472,914	-	(1,472,914)	-
Transfers in	920,107	920,173	66	948,890
Transfers out	(618,530)	(618,530)	-	(496,242)
Long-term debt issued	375,566	347,471	(28,095)	959,899
Total other financing sources (uses)	2,150,057	649,114	(1,500,943)	1,412,547
Net change in fund balance	\$ -	(323,904)	\$ (323,904)	918,646
<b>Fund Balance:</b>				
Beginning of year - July 1		9,530,838		8,612,192
End of year - June 30		\$ 9,206,934		\$ 9,530,838

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## NONMAJOR FUND TYPES

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

**Nonmajor Capital Project Funds** – 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, 2017**

	<b>Governmental Fund Types</b>			
	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Permanent Fund Temple Israel Perpetual Care Fund</b>	<b>Total</b>
<b>Assets:</b>				
Cash and investments	\$ 1,244,800	\$ 288,643	\$ 75,339	\$ 1,608,782
Receivables	78,846	36,564	-	115,410
Due from governmental agencies	1,646,983	-	-	1,646,983
Restricted cash and investments	-	94,340	-	94,340
Notes receivable	194,567	-	-	194,567
Total assets	<u>\$ 3,165,196</u>	<u>\$ 419,547</u>	<u>\$ 75,339</u>	<u>\$ 3,660,082</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 5,568	\$ 33,058	\$ -	\$ 38,626
Due to other funds	6,146	915,793	-	921,939
Liabilities payable from restricted assets:				
Advances from grantors	-	94,340	-	94,340
Total liabilities	<u>11,714</u>	<u>1,043,191</u>	<u>-</u>	<u>1,054,905</u>
<b>Deferred Inflows of Resources:</b>				
Grant receivable	1,646,983	-	-	1,646,983
Total deferred inflows of resources	<u>1,646,983</u>	<u>-</u>	<u>-</u>	<u>1,646,983</u>
<b>Fund Balances:</b>				
Non-spendable, not in spendable form:				
Perpetual maintenance	-	-	75,000	75,000
Restricted:				
Stabilization by State statute	273,413	36,564	-	309,977
Restricted, all other	1,097,164	-	339	1,097,503
Committed	93,972	321,266	-	415,238
Assigned	48,096	-	-	48,096
Unassigned	(6,146)	(981,474)	-	(987,620)
Total fund balances	<u>1,506,499</u>	<u>(623,644)</u>	<u>75,339</u>	<u>958,194</u>
Total liabilities and fund balances	<u>\$ 3,165,196</u>	<u>\$ 419,547</u>	<u>\$ 75,339</u>	<u>\$ 3,660,082</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, 2017**

	<b>Governmental Fund Types</b>				<b>Total</b>
	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Permanent Fund Temple Israel Perpetual Care Fund</b>		
<b>Revenues:</b>					
Intergovernmental revenue	\$ 691,117	\$ -	\$ -	\$ 691,117	
Miscellaneous income	30,144	-	-	30,144	
Interest	92	326	168	586	
Total revenues	<u>721,353</u>	<u>326</u>	<u>168</u>	<u>721,847</u>	
<b>Expenditures:</b>					
<b>Current:</b>					
Public safety	75,904	45,886	-	121,790	
Community development	2,103,768	68,528	-	2,172,296	
Cultural and recreation	-	910,035	-	910,035	
Total expenditures	<u>2,179,672</u>	<u>1,024,449</u>	<u>-</u>	<u>3,204,121</u>	
Revenues over (under) expenditures	<u>(1,458,319)</u>	<u>(1,024,123)</u>	<u>168</u>	<u>(2,482,274)</u>	
<b>Other Financing Sources (Uses):</b>					
Transfers in	2,781,902	194,059	-	2,975,961	
Transfers out	(77,003)	(43,002)	(168)	(120,173)	
Total other financing sources (uses)	<u>2,704,899</u>	<u>151,057</u>	<u>(168)</u>	<u>2,855,788</u>	
Net change in fund balances	1,246,580	(873,066)	-	373,514	
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>259,919</u>	<u>249,422</u>	<u>75,339</u>	<u>584,680</u>	
End of year - June 30	<u>\$ 1,506,499</u>	<u>\$ (623,644)</u>	<u>\$ 75,339</u>	<u>\$ 958,194</u>	

## NONMAJOR SPECIAL REVENUE FUNDS

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

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

**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.

**2015 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.

**2016 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 a 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.

**Seizure and Restitution Fund** – This fund accounts for monies collected and disbursed from federal and state drug forfeitures, special court allocations, storage fees and related revenue sources.

**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.

**2016 NCHFA Essential SFR Loan Pool**– This fund accounts for grant monies used for performing repairs on homes that were damaged in Hurricane Matthew.

**Hurricane Matthew– FEMA-4285-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 Matthew.

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**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2017**

	<b>Community Development Administration</b>	<b>Bulletproof Vest Partnership Grant</b>	<b>Hurricane Irene - FEMA - 4019-DR-NC</b>	<b>2015</b>	<b>2016</b>
				<b>Edward Byrne Memorial JAG Grant</b>	<b>Edward Byrne Memorial JAG Grant</b>
<b>Assets:</b>					
Cash and investments	\$ 48,096	\$ 1,538	\$ -	\$ -	\$ 1,117
Due from government agencies	-	-	-	-	-
Accounts receivable	37,917	922	-	819	1,058
Notes receivable	194,567	-	-	-	-
Total assets	<u>\$ 280,580</u>	<u>\$ 2,460</u>	<u>\$ -</u>	<u>\$ 819</u>	<u>\$ 2,175</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 322	\$ -
Accounts payable and accrued liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>-</u>
<b>Deferred Inflows of Resources:</b>					
Grant receivable	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted:					
Stabilization by State statute	232,484	922	-	819	1,058
Restricted, all other	-	-	-	-	-
Committed	-	1,538	-	-	1,117
Assigned	48,096	-	-	-	-
Unassigned	-	-	-	(322)	-
Total fund balances	<u>280,580</u>	<u>2,460</u>	<u>-</u>	<u>497</u>	<u>2,175</u>
Total liabilities and fund balances	<u>\$ 280,580</u>	<u>\$ 2,460</u>	<u>\$ -</u>	<u>\$ 819</u>	<u>\$ 2,175</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2017**

	NCHFA 2016					
	Seizure and Restitution Fund	Brownfields EPA Grant	Essential Single-Family Rehabilitation	Hurricane Matthew-FEMA- 4285-DR-NC	Total	
<b>Assets:</b>						
Cash and investments	\$ 92,300	\$ -	\$ -	\$ 1,101,749	\$ 1,244,800	
Due from government agencies	-	-	-	1,646,983	1,646,983	
Accounts receivable	451	-	5,824	31,855	78,846	
Notes receivable	-	-	-	-	194,567	
Total assets	<u>\$ 92,751</u>	<u>\$ -</u>	<u>\$ 5,824</u>	<u>\$ 2,780,587</u>	<u>\$ 3,165,196</u>	
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Due to other funds	\$ -	\$ -	\$ 5,824	\$ -	\$ 6,146	
Accounts payable and accrued liabilities	983	-	-	4,585	5,568	
Total liabilities	<u>983</u>	<u>-</u>	<u>5,824</u>	<u>4,585</u>	<u>11,714</u>	
<b>Deferred Inflows of Resources:</b>						
Grant receivable	-	-	-	1,646,983	1,646,983	
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,983</u>	<u>1,646,983</u>	
<b>Fund Balances:</b>						
Restricted:						
Stabilization by State statute	451	-	5,824	31,855	273,413	
Restricted, all other	-	-	-	1,097,164	1,097,164	
Committed	91,317	-	-	-	93,972	
Assigned	-	-	-	-	48,096	
Unassigned	-	-	(5,824)	-	(6,146)	
Total fund balances	<u>91,768</u>	<u>-</u>	<u>-</u>	<u>1,129,019</u>	<u>1,506,499</u>	
Total liabilities and fund balances	<u>\$ 92,751</u>	<u>\$ -</u>	<u>\$ 5,824</u>	<u>\$ 2,780,587</u>	<u>\$ 3,165,196</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, 2017**

	<b>Community Development Administration</b>	<b>Bulletproof Vest Partnership Grant</b>	<b>Hurricane Irene - FEMA - 4019-DR-NC</b>	<b>2015 Edward Byrne Memorial JAG Grant</b>	<b>2016 Edward Byrne Memorial JAG Grant</b>
<b>Revenues:</b>					
Restricted:					
Intergovernmental revenue	\$ -	\$ 6,211	\$ -	\$ 23,904	\$ 30,250
Other:					
Miscellaneous revenue	1,145	-	-	-	-
Investment earnings	92	-	-	-	-
Total revenues	<u>1,237</u>	<u>6,211</u>	<u>-</u>	<u>23,904</u>	<u>30,250</u>
<b>Expenditures:</b>					
Community development	7,723	-	-	-	-
Public safety	-	16,888	-	12,152	28,075
Total expenditures	<u>7,723</u>	<u>16,888</u>	<u>-</u>	<u>12,152</u>	<u>28,075</u>
Revenues over (under) expenditures	<u>(6,486)</u>	<u>(10,677)</u>	<u>-</u>	<u>11,752</u>	<u>2,175</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	5,900	-	-	-
Transfers out	-	-	(77,003)	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,900</u>	<u>(77,003)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(6,486)</u>	<u>(4,777)</u>	<u>(77,003)</u>	<u>11,752</u>	<u>2,175</u>
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>287,066</u>	<u>7,237</u>	<u>77,003</u>	<u>(11,255)</u>	<u>-</u>
End of year - June 30	<u>\$ 280,580</u>	<u>\$ 2,460</u>	<u>\$ -</u>	<u>\$ 497</u>	<u>\$ 2,175</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, 2017**

	<b>NCHFA 2016</b>					
	<b>Seizure and Restitution Fund</b>	<b>Brownfields EPA Grant</b>	<b>Essential Single-Family Rehabilitation</b>	<b>Hurricane Matthew-FEMA- 4285-DR-NC</b>	<b>Total</b>	
<b>Revenues:</b>						
Restricted:						
Intergovernmental revenue	\$ 110,307	\$ 207,934	\$ 5,824	\$ 306,687	\$ 691,117	
Other:						
Miscellaneous revenue	250	-	-	28,749	30,144	
Investment earnings	-	-	-	-	92	
Total revenues	<u>110,557</u>	<u>207,934</u>	<u>5,824</u>	<u>335,436</u>	<u>721,353</u>	
<b>Expenditures:</b>						
Community development	-	107,802	5,824	1,982,419	2,103,768	
Public safety	<u>18,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,904</u>	
Total expenditures	<u>18,789</u>	<u>107,802</u>	<u>5,824</u>	<u>1,982,419</u>	<u>2,179,672</u>	
Revenues over (under) expenditures	<u>91,768</u>	<u>100,132</u>	<u>-</u>	<u>(1,646,983)</u>	<u>(1,458,319)</u>	
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	-	2,776,002	2,781,902	
Transfers out	-	-	-	-	(77,003)	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,776,002</u>	<u>2,704,899</u>	
Net change in fund balances	<u>91,768</u>	<u>100,132</u>	<u>-</u>	<u>1,129,019</u>	<u>1,246,580</u>	
<b>Fund Balances:</b>						
Beginning of year - July 1	<u>-</u>	<u>(100,132)</u>	<u>-</u>	<u>-</u>	<u>259,919</u>	
End of year - June 30	<u>\$ 91,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,019</u>	<u>\$ 1,506,499</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT ADMINISTRATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>Variance Over/Under</b>	<b>2016</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Loan repayments	\$ 7,500	\$ -	\$ (7,500)	\$ 7,515
Other revenue	1,000	1,145	145	1,200
Investment earnings	100	92	(8)	59
Total revenues	<u>8,600</u>	<u>1,237</u>	<u>(7,363)</u>	<u>8,774</u>
<b>Expenditures:</b>				
<b>Community development:</b>				
Administration	-	7,723	(7,723)	-
Total expenditures	<u>-</u>	<u>7,723</u>	<u>(7,723)</u>	<u>-</u>
Revenues over (under) expenditures	<u>8,600</u>	<u>(6,486)</u>	<u>(15,086)</u>	<u>8,774</u>
<b>Other Financing Sources (Uses):</b>				
Transfer out	(8,600)	-	8,600	-
Total other financing sources (uses)	<u>(8,600)</u>	<u>-</u>	<u>8,600</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(6,486)</u>	<u>\$ (6,486)</u>	<u>8,774</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Current year loan repayments				<u>(7,515)</u>
Net change in fund balance - modified accrual basis		<u>(6,486)</u>		<u>1,259</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>287,066</u>		<u>285,807</u>
End of year - June 30	<u>\$ 280,580</u>			<u>\$ 287,066</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, 2017**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenue, State grants	\$ 36,990	\$ 18,519	\$ 6,211	\$ 24,730	\$ (12,260)
Total revenues	<u>36,990</u>	<u>18,519</u>	<u>6,211</u>	<u>24,730</u>	<u>(12,260)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	73,978	43,596	16,888	60,484	13,494
Total expenditures	<u>73,978</u>	<u>43,596</u>	<u>16,888</u>	<u>60,484</u>	<u>13,494</u>
Revenues over (under) expenditures	<u>(36,988)</u>	<u>(25,077)</u>	<u>(10,677)</u>	<u>(35,754)</u>	<u>1,234</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	36,988	32,314	5,900	38,214	1,226
Total other financing sources (uses)	<u>36,988</u>	<u>32,314</u>	<u>5,900</u>	<u>38,214</u>	<u>1,226</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,237</u>	<u>(4,777)</u>	<u>\$ 2,460</u>	<u>\$ 2,460</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>7,237</u>	
End of year - June 30				<u>\$ 2,460</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, 2017**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue,					
FEMA Grant	\$ 1,856,478	\$ 1,856,478	\$ -	\$ 1,856,478	\$ -
Total revenues	<u>1,856,478</u>	<u>1,856,478</u>	<u>-</u>	<u>1,856,478</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
City-wide emergency protective measures	47,128	47,128	-	47,128	-
Traffic signals	15	15	-	15	-
Sidewalks, curbs, and gutters	50,144	50,144	-	50,144	-
Pistol range facilities	1,388	1,388	-	1,388	-
Barnett Park buildings and lighting	5,429	5,429	-	5,429	-
Water production sites	25,806	25,806	-	25,806	-
Lovitt Hines Center	1,461	1,461	-	1,461	-
Garbage and recycle carts	1,200	1,200	-	1,200	-
Grainger Stadium	3,525	3,525	-	3,525	-
Bill Fay Park facilities	13,001	13,001	-	13,001	-
Harvey Gardens gazebo and lights	3,675	3,675	-	3,675	-
Kinston Regional Water Reclamation Facility	35,628	35,628	-	35,628	-
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	140,447	140,447	-	140,447	-
Street signs	2,725	2,725	-	2,725	-
Power system	1,069,666	1,069,666	-	1,069,666	-
Hillcrest subdivision sewage systems	1,680	1,680	-	1,680	-
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	4,160	4,160	-	4,160	-
Maplewood cemetery	2,482	2,482	-	2,482	-
Southeast Elementary School	15,253	15,253	-	15,253	-
City-wide debris removal	<u>331,369</u>	<u>331,369</u>	<u>-</u>	<u>331,369</u>	<u>-</u>
Total expenditures	<u>1,779,475</u>	<u>1,779,475</u>	<u>-</u>	<u>1,779,475</u>	<u>-</u>
Revenues over (under) expenditures	<u>77,003</u>	<u>77,003</u>	<u>-</u>	<u>77,003</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	<u>(77,003)</u>	<u>-</u>	<u>(77,003)</u>	<u>(77,003)</u>	<u>-</u>
Total other financing sources	<u>(77,003)</u>	<u>-</u>	<u>(77,003)</u>	<u>(77,003)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 77,003</u>	<u>(77,003)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				77,003	
End of year - June 30				<u>\$ -</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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal grants	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Demolition	112,500	112,500	-	112,500	-
Planning	2,500	2,500	-	2,500	-
Administration	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
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>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>-</u>	
End of year - June 30				<u>\$ -</u>	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2015 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, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 23,904	\$ -	\$ 23,904	\$ 23,904	\$ -
Total revenues	<u>23,904</u>	<u>-</u>	<u>23,904</u>	<u>23,904</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	23,904	11,255	12,152	23,407	497
Total expenditures	<u>23,904</u>	<u>11,255</u>	<u>12,152</u>	<u>23,407</u>	<u>497</u>
Net change in fund balance	\$ -	\$ (11,255)	11,752	\$ 497	\$ 497
<b>Fund Balance:</b>					
Beginning of year - July 1				(11,255)	
End of year - June 30				\$ 497	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - 2016 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, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 30,251	\$ -	\$ 30,250	\$ 30,250	\$ (1)
Total revenues	<u>30,251</u>	<u>-</u>	<u>30,250</u>	<u>30,250</u>	<u>(1)</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Law enforcement supplies	30,251	-	28,075	28,075	2,176
Total expenditures	<u>30,251</u>	<u>-</u>	<u>28,075</u>	<u>28,075</u>	<u>2,176</u>
Net change in fund balance	\$ -	\$ -	2,175	\$ 2,175	\$ 2,175
<b>Fund Balance:</b>					
Beginning of year - July 1					-
End of year - June 30				\$ <u>2,175</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, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental revenue, federal grant	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Grant expenses	25,000	25,000	-	25,000	-
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1					-
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - SEIZURE AND RESTITUTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
Federal grants	\$ 120,685	\$ -	\$ 110,307	\$ 110,307	\$ (10,378)	
Donations	-	-	250	250	250	
Total revenues	<u>120,685</u>	<u>-</u>	<u>110,557</u>	<u>110,557</u>	<u>(10,128)</u>	
<b>Expenditures:</b>						
<b>Public Safety:</b>						
Federal forfeiture expenditures	87,460	-	17,500	17,500	69,960	
Drug forfeiture expenditures	820	-	-	-	820	
State forfeiture expenditures	20,700	-	-	-	20,700	
Special court allocation expenditures	5,530	-	1,289	1,289	4,241	
ABC board KPD expenditures	6,175	-	-	-	6,175	
Total expenditures	<u>120,685</u>	<u>-</u>	<u>18,789</u>	<u>18,789</u>	<u>101,896</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>91,768</u>	<u>\$ 91,768</u>	<u>\$ 91,768</u>	
<b>Fund Balance:</b>						
Beginning of year - July 1					<u>-</u>	
End of year - June 30				<u>\$ 91,768</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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal grants	\$ 400,000	\$ 118,887	\$ 207,934	\$ 326,821	\$ (73,179)
Total revenues	<u>400,000</u>	<u>118,887</u>	<u>207,934</u>	<u>326,821</u>	<u>(73,179)</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Contractual - EPA Assessment	200,000	108,644	54,117	162,761	37,239
Contractual - EPA Petroleum	<u>200,000</u>	<u>110,375</u>	<u>53,685</u>	<u>164,060</u>	<u>35,940</u>
Total expenditures	<u>400,000</u>	<u>219,019</u>	<u>107,802</u>	<u>326,821</u>	<u>73,179</u>
Net change in fund balance	\$ -	\$ (100,132)	100,132	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(100,132)</u>	
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - NCHFA 2016 ESSENTIAL SINGLE-FAMILY REHABILITATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Federal grants	\$ 175,000	\$ -	\$ 5,824	\$ 5,824	\$ (169,176)
Total revenues	<u>175,000</u>	<u>-</u>	<u>5,824</u>	<u>5,824</u>	<u>(169,176)</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
NCFHA loan pool funds	175,000	-	5,824	5,824	169,176
Total expenditures	<u>175,000</u>	<u>-</u>	<u>5,824</u>	<u>5,824</u>	<u>169,176</u>
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1					
End of year - June 30				\$ -	

## CITY OF KINSTON, NORTH CAROLINA

**SPECIAL REVENUE FUNDS - HURRICANE MATTHEW - FEMA-4285-DR-NC**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Federal grants	\$ -	\$ -	\$ 306,687	\$ 306,687	\$ 306,687
Insurance proceeds	<u>-</u>	<u>-</u>	<u>28,749</u>	<u>28,749</u>	<u>28,749</u>
Total revenues	<u>-</u>	<u>-</u>	<u>335,436</u>	<u>335,436</u>	<u>335,436</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Salaries	-	-	6,743	6,743	(6,743)
Construction work - sewer	<u>2,776,002</u>	<u>-</u>	<u>1,975,676</u>	<u>1,975,676</u>	<u>800,326</u>
Total expenditures	<u>2,776,002</u>	<u>-</u>	<u>1,982,419</u>	<u>1,982,419</u>	<u>793,583</u>
Revenues over (under) expenditures	<u>(2,776,002)</u>	<u>-</u>	<u>(1,646,983)</u>	<u>(1,646,983)</u>	<u>1,129,019</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	<u>2,776,002</u>	<u>-</u>	<u>2,776,002</u>	<u>2,776,002</u>	<u>-</u>
Total other financing sources	<u>2,776,002</u>	<u>-</u>	<u>2,776,002</u>	<u>2,776,002</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,129,019</u>	<u>\$ 1,129,019</u>	<u>\$ 1,129,019</u>
<b>Fund Balance:</b>					
Beginning of year - July 1					<u>-</u>
End of year - June 30				<u>\$ 1,129,019</u>	

## **NONMAJOR CAPITAL PROJECT FUNDS**

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

**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.

**CWMT 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

**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.

**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.

**Fire Pumper Truck** – This fund accounts for monies used for manufacturing/build of a new Pierce Enforcer fire pumper truck to replace the 1989 Pierce fire pumper truck.

**Grainger Stadium Improvements Project** – This fund accounts for funds to be used to administer construction and renovations for Grainger Stadium in preparation of the new minor league baseball team. The renovations will be done in stages and will provide a safe and entertaining place for fans and the community.

**Queen Street Electrical Improvements** – This fund accounts for a Downtown Revitalization grant from the NC Department of Commerce to make improvements to the downtown area. The monies will be used to improve the electrical infrastructure along both sides of Queen Street to increase the visibility on Queen Street, which will create an increased sense of safety in the community as well as add beauty to the area, which will encourage investment by local businesses.

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2017**

	<b>Retro- Green</b>	<b>Train Depot</b>	<b>Battlefield Parkway/ Soccer Complex</b>	<b>Capital Reserve Fund</b>	<b>Martin Luther King Jr. Blvd. Enhancement</b>	<b>Heritage St. Improvements</b>
<b>Assets:</b>						
Cash and investments	\$ 8,250	\$ -	\$ -	\$ 180,632	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,632</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Due to other funds	\$ -	\$ -	\$ 3,488	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Liabilities payable from restricted assets:						
Advances from grantors	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,488</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance:</b>						
Restricted:						
Stabilization by State statute	-	-	-	-	-	-
Committed	8,250	-	-	180,632	-	-
Unassigned	-	-	(3,488)	-	-	-
Total fund balances	<u>8,250</u>	<u>-</u>	<u>(3,488)</u>	<u>180,632</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,632</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR CAPITAL PROJECT FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2017**

	<b>CWMTF Flood Buy-Out II</b>	<b>College Street Railroad Crossing Project</b>	<b>General Fund Small Projects</b>	<b>Fire Pumper Truck Projects</b>	<b>Grainger Stadium Improvements Project</b>	<b>South Queen St. Electrical Improvements</b>	<b>Total</b>
<b>Assets:</b>							
Cash and investments	\$ -	\$ 1,924	\$ 65,124	\$ 32,713	\$ -	\$ -	\$ 288,643
Accounts receivable	-	-	586	2,962	33,016	-	36,564
Restricted cash and investments	-	-	-	-	-	94,340	94,340
Total assets	<u>\$ -</u>	<u>\$ 1,924</u>	<u>\$ 65,710</u>	<u>\$ 35,675</u>	<u>\$ 33,016</u>	<u>\$ 94,340</u>	<u>\$ 419,547</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>							
<b>Liabilities:</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 912,305	\$ -	\$ 915,793
Accounts payable	-	-	1,500	812	30,746	-	33,058
Liabilities payable from restricted assets:							
Advances from grantors	-	-	-	-	-	94,340	94,340
Total liabilities	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>812</u>	<u>943,051</u>	<u>94,340</u>	<u>1,043,191</u>
<b>Fund Balance:</b>							
Restricted:							
Stabilization by State statute	-	-	586	2,962	33,016	-	36,564
Committed	-	36,859	63,624	31,901	-	-	321,266
Unassigned	-	(34,935)	-	-	(943,051)	-	(981,474)
Total fund balances	<u>-</u>	<u>1,924</u>	<u>64,210</u>	<u>34,863</u>	<u>(910,035)</u>	<u>-</u>	<u>(623,644)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,924</u>	<u>\$ 65,710</u>	<u>\$ 35,675</u>	<u>\$ 33,016</u>	<u>\$ 94,340</u>	<u>\$ 419,547</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, 2017**

	Retro-Green	Train Depot	Battlefield Parkway/ Soccer Complex	Capital Reserve Fund	Martin Luther King Jr. Blvd. Enhancement	Heritage St. Improvements
<b>Revenues:</b>						
Interest income	\$ -	\$ -	\$ -	\$ 326	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>326</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>						
Cultural and recreation	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>326</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	-	73,379	-	-
Transfers (out)	-	(51)	-	-	(31,829)	(11,122)
Total other financing sources (uses)	<u>-</u>	<u>(51)</u>	<u>-</u>	<u>73,379</u>	<u>(31,829)</u>	<u>(11,122)</u>
Net change in fund balances	-	(51)	-	73,705	(31,829)	(11,122)
<b>Fund Balances:</b>						
Beginning of year - July 1	8,250	51	(3,488)	106,927	31,829	11,122
End of year - June 30	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ (3,488)</u>	<u>\$ 180,632</u>	<u>\$ -</u>	<u>\$ -</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, 2017**

	CWMTF Buy-Out II	College Street Railroad Crossing Project	General Fund Small Projects	Fire Pumper Truck Project	Grainger Stadium Improvements Project	South Queen St. Electrical Improvements	Total
<b>Revenues:</b>							
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326</u>
<b>Expenditures:</b>							
Cultural and recreation	-	-	-	-	910,035	-	910,035
Public safety	-	-	-	45,886	-	-	45,886
Community development	-	35,051	33,477	-	-	-	68,528
Total expenditures	<u>-</u>	<u>35,051</u>	<u>33,477</u>	<u>45,886</u>	<u>910,035</u>	<u>-</u>	<u>1,024,449</u>
Revenues over (under) expenditures	<u>-</u>	<u>(35,051)</u>	<u>(33,477)</u>	<u>(45,886)</u>	<u>(910,035)</u>	<u>-</u>	<u>(1,024,123)</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in	20,680	-	100,000	-	-	-	194,059
Transfers (out)	-	-	-	-	-	-	(43,002)
Total other financing sources (uses)	<u>20,680</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,057</u>
Net change in fund balances	20,680	(35,051)	66,523	(45,886)	(910,035)	-	(873,066)
<b>Fund Balances:</b>							
Beginning of year - July 1	<u>(20,680)</u>	<u>36,975</u>	<u>(2,313)</u>	<u>80,749</u>	<u>-</u>	<u>-</u>	<u>249,422</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 1,924</u>	<u>\$ 64,210</u>	<u>\$ 34,863</u>	<u>\$ (910,035)</u>	<u>\$ -</u>	<u>\$ (623,644)</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, 2017**

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

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - TRAIN DEPOT PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
State grants	\$ 315,000	\$ 315,000	\$ -	\$ 315,000	\$ -
Total revenues	<u>315,000</u>	<u>315,000</u>	<u>-</u>	<u>315,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Capital outlay	314,949	314,949	\$ -	314,949	\$ -
Total expenditures	<u>314,949</u>	<u>314,949</u>	<u>-</u>	<u>314,949</u>	<u>-</u>
Revenues over (under) expenditures	<u>51</u>	<u>51</u>	<u>-</u>	<u>51</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(51)	\$ -	(51)	(51)	\$ -
Total other financing sources (uses)	<u>(51)</u>	<u>\$ -</u>	<u>(51)</u>	<u>(51)</u>	<u>\$ -</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 51</u>	<u>(51)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				51	
End of year - June 30				<u>\$ -</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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 143,000	\$ 137,696	\$ -	\$ 137,696	\$ (5,304)
Miscellaneous revenues	571	-	-	-	(571)
Total revenues	<u>143,571</u>	<u>137,696</u>	<u>-</u>	<u>137,696</u>	<u>(5,875)</u>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
Capital outlay	150,000	147,613	-	147,613	2,387
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>
<b>Other Financing Sources (Uses):</b>					
Transfers in	6,429	6,429	-	6,429	-
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>
<b>Fund Balance:</b>					
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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ _____ -	\$ 326	\$ 326
Total revenues	_____ -	326	326
<b>Other Financing Sources (Uses):</b>			
Transfers out	(73,379)	_____ -	73,379
Transfers in	73,379	73,379	_____ -
Total other financing sources (uses)	_____ -	73,379	73,379
Net change in fund balance	\$ _____ -	73,705	\$ 73,705
<b>Fund Balance:</b>			
Beginning of year - July 1		106,927	
End of year - June 30		\$ 180,632	

## 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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 464,388	\$ 464,388	\$ -	\$ 464,388	\$ -
Total revenues	<u>464,388</u>	<u>464,388</u>	<u>-</u>	<u>464,388</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Construction costs	502,559	502,559	-	502,559	-
Total expenditures	<u>502,559</u>	<u>502,559</u>	<u>-</u>	<u>502,559</u>	<u>-</u>
Revenues over (under) expenditures	<u>(38,171)</u>	<u>(38,171)</u>	<u>-</u>	<u>(38,171)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(31,829)	-	(31,829)	(31,829)	-
Transfers in	70,000	70,000	-	70,000	-
Total other financing sources (uses)	<u>38,171</u>	<u>70,000</u>	<u>(31,829)</u>	<u>38,171</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 31,829</u>	<u>(31,829)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>31,829</u>	
End of year - June 30				<u>\$ -</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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 197,079	\$ 197,079	\$ -	\$ 197,079	\$ -
Total revenues	<u>197,079</u>	<u>197,079</u>	<u>-</u>	<u>197,079</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Construction costs	220,957	220,957	-	220,957	-
Total expenditures	<u>220,957</u>	<u>220,957</u>	<u>-</u>	<u>220,957</u>	<u>-</u>
Revenues over (under) expenditures	<u>(23,878)</u>	<u>(23,878)</u>	<u>-</u>	<u>(23,878)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	35,000	35,000	-	35,000	-
Transfers out	(11,122)	-	(11,122)	(11,122)	-
Total other financing sources (uses)	<u>23,878</u>	<u>35,000</u>	<u>(11,122)</u>	<u>23,878</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 11,122	(11,122)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				11,122	
End of year - June 30				\$ -	

## 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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
State grants	\$ 36,549	\$ 36,549	\$ -	\$ 36,549	\$ -
Total revenues	<u>36,549</u>	<u>36,549</u>	<u>-</u>	<u>36,549</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
Professional services	83,647	83,647	-	83,647	-
Total expenditures	<u>83,647</u>	<u>83,647</u>	<u>-</u>	<u>83,647</u>	<u>-</u>
Revenues over (under) expenditures	<u>(47,098)</u>	<u>(47,098)</u>	<u>-</u>	<u>(47,098)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	47,098	26,418	20,680	47,098	-
Total other financing sources (uses)	<u>47,098</u>	<u>26,418</u>	<u>20,680</u>	<u>47,098</u>	<u>-</u>
Net change in fund balance	\$ -	\$ <u>(20,680)</u>	20,680	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>(20,680)</u>	
End of year - June 30				\$ -	

**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, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
NCDOT State grants	\$ 88,000	\$ 88,000	\$ -	\$ 88,000	\$ -
Contribution from NC Railroad Company	125,000	125,000	-	125,000	-
Contribution from Northfolk Southern Corporation	<u>37,000</u>	<u>37,000</u>	<u>-</u>	<u>37,000</u>	<u>-</u>
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
<b>Expenditures:</b>					
<b>Community Development:</b>					
Heritage Street Widening Project	190,500	183,157	7,343	190,500	-
Other mitigation activities	<u>139,500</u>	<u>109,868</u>	<u>27,708</u>	<u>137,576</u>	<u>1,924</u>
Total expenditures	<u>330,000</u>	<u>293,025</u>	<u>35,051</u>	<u>328,076</u>	<u>1,924</u>
Revenues over (under) expenditures	<u>(80,000)</u>	<u>(43,025)</u>	<u>(35,051)</u>	<u>(78,076)</u>	<u>1,924</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	80,000	80,000	-	80,000	-
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 36,975</u>	<u>(35,051)</u>	<u>\$ 1,924</u>	<u>\$ 1,924</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>36,975</u>	
End of year - June 30				<u>\$ 1,924</u>	

## 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, 2017**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
State grants	\$ 175,000	\$ -	\$ -	\$ -	\$ (175,000)	
Miscellaneous revenues	4,600	7,140	-	7,140	2,540	
Total revenues	<u>179,600</u>	<u>7,140</u>	<u>-</u>	<u>7,140</u>	<u>(172,460)</u>	
<b>Expenditures:</b>						
<b>Cultural and Recreation:</b>						
Dragon Park Project	4,600	-	-	-	4,600	
Neuse River Greenway Project	350,000	9,453	33,477	42,930	307,070	
Total expenditures	<u>354,600</u>	<u>9,453</u>	<u>33,477</u>	<u>42,930</u>	<u>311,670</u>	
Revenues over (under) expenditures	<u>(175,000)</u>	<u>(2,313)</u>	<u>(33,477)</u>	<u>(35,790)</u>	<u>139,210</u>	
<b>Other Financing Sources (Uses):</b>						
Transfers in	175,000	-	100,000	100,000	(75,000)	
Total other financing sources (uses)	<u>175,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>(75,000)</u>	
Net change in fund balance	\$ -	\$ (2,313)	66,523	\$ 64,210	\$ 64,210	
<b>Fund Balance:</b>						
Beginning of year - July 1				(2,313)		
End of year - June 30				<u>\$ 64,210</u>		

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - FIRE PUMPER TRUCK**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Capital outlay	\$ 600,000	\$ 519,251	\$ 45,886	\$ 565,137	\$ 34,863
Total expenditures	<u>600,000</u>	<u>519,251</u>	<u>45,886</u>	<u>565,137</u>	<u>34,863</u>
Revenues over (under) expenditures	<u>(600,000)</u>	<u>(519,251)</u>	<u>(45,886)</u>	<u>(565,137)</u>	<u>34,863</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	100,000	100,000	-	100,000	-
Debt issued	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 80,749	(45,886)	\$ 34,863	\$ 34,863
<b>Fund Balance:</b>					
Beginning of year - July 1				<u>80,749</u>	
End of year - June 30				<u>\$ 34,863</u>	

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - GRAINGER STADIUM IMPROVEMENTS PROJECT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
Stadium Improvements Phase 1	\$ 2,000,914	\$ _____ -	\$ 910,035	\$ 910,035	\$ 1,090,879
Total expenditures	<u>2,000,914</u>	<u>_____ -</u>	<u>910,035</u>	<u>910,035</u>	<u>1,090,879</u>
Revenues over (under) expenditures	<u>(2,000,914)</u>	<u>_____ -</u>	<u>(910,035)</u>	<u>(910,035)</u>	<u>1,090,879</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	1,930,000	_____ -	_____ -	_____ -	(1,930,000)
Transfers in	<u>70,914</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	<u>(70,914)</u>
Total other financing sources (uses)	<u>2,000,914</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	<u>(2,000,914)</u>
Net change in fund balance	\$ _____ -	\$ _____ -	(910,035)	\$ (910,035)	\$ (910,035)
<b>Fund Balance:</b>					
Beginning of year - July 1					<u>_____ -</u>
End of year - June 30					<u>\$ (910,035)</u>

## CITY OF KINSTON, NORTH CAROLINA

**CAPITAL PROJECT FUND - SOUTH QUEEN ST. ELECTRICAL IMPROVEMENTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Federal and State grants	\$ 94,340	\$ _____ -	\$ _____ -	\$ _____ -	\$ (94,340)
Total revenues	<u>94,340</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	<u>(94,340)</u>
<b>Expenditures:</b>					
<b>Cultural and Recreation:</b>					
Electrical Improvements	94,340	_____ -	_____ -	_____ -	94,340
Total expenditures	<u>94,340</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	<u>94,340</u>
Net change in fund balance	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>	<u>_____ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1				_____ -	
End of year - June 30				<u>_____ -</u>	

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## **PERMANENT FUND**

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

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## CITY OF KINSTON, NORTH CAROLINA

**PERMANENT FUND - TEMPLE ISRAEL PERPETUAL CARE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Investment earnings	\$ 200	\$ 168	\$ (32)
Total revenues	200	168	(32)
Revenues over (under) expenditures	200	168	32
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	100	-	(100)
Transfers out	(300)	(168)	132
Total other financing sources (uses)	(200)	(168)	32
Net change in fund balance	\$ -	-	\$ -
<b>Fund Balance:</b>			
Beginning of year - July 1		75,339	
End of year - June 30	\$ 75,339		

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## **ELECTRIC FUND**

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

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - ELECTRIC FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services, electricity sales	\$ 49,116,376	\$ 47,478,892	\$ (1,637,484)	\$ 49,195,014
Other	703,000	608,077	(94,923)	495,327
Total operating revenues	<u>49,819,376</u>	<u>48,086,969</u>	<u>(1,732,407)</u>	<u>49,690,341</u>
<b>Non-Operating Revenues:</b>				
Grant funds	5,000	5,000	-	-
Interest earned on investments	8,000	28,621	20,621	12,493
Total non-operating revenues	<u>13,000</u>	<u>33,621</u>	<u>20,621</u>	<u>12,493</u>
Total revenues	<u>49,832,376</u>	<u>48,120,590</u>	<u>(1,711,786)</u>	<u>49,702,834</u>
<b>Expenditures:</b>				
<b>Electric Operations:</b>				
Salaries and benefits	1,520,572	1,137,402	383,170	1,273,649
Operating	2,879,843	2,216,686	663,157	2,036,450
Purchased power	37,455,857	35,118,251	2,337,606	34,350,998
Indirect costs	1,392,263	1,392,263	-	1,395,744
Capital outlay	1,547,526	861,893	685,633	871,039
Total	<u>44,796,061</u>	<u>40,726,495</u>	<u>4,069,566</u>	<u>39,927,880</u>
<b>Debt Service:</b>				
Principal retirement	793,769	748,693	45,076	729,083
Interest and other charges	76,246	70,091	6,155	87,280
Total debt service	<u>870,015</u>	<u>818,784</u>	<u>51,231</u>	<u>816,363</u>
Total expenditures	<u>45,666,076</u>	<u>41,545,279</u>	<u>4,120,797</u>	<u>40,744,243</u>
Revenues over (under) expenditures	<u>4,166,300</u>	<u>6,575,311</u>	<u>2,409,011</u>	<u>8,958,591</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	502,841	-	(502,841)	-
Transfers in	6,640,391	6,640,391	-	1,883,000
Transfers out - Capital Reserve Fund	(1,932,909)	(1,932,909)	-	(6,018,679)
Transfers out	(9,376,623)	(9,295,166)	81,457	(4,016,689)
Total other financing sources (uses)	<u>(4,166,300)</u>	<u>(4,587,684)</u>	<u>(421,384)</u>	<u>(8,152,368)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,987,627</u>	<u>\$ 1,987,627</u>	<u>\$ 806,223</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, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses				
Transfers in - Capital Project Fund		7,638,671		3,174,949
Transfers out - Capital Project Fund		(140,391)		-
Transfers out - Capital Reserve Fund		(6,500,000)		(1,883,000)
Transfers in - Capital Reserve Fund		2,614,356		6,018,679
Capital outlay		861,893		978,792
Payment of debt principal		748,693		729,083
Depreciation		(1,061,805)		(964,102)
Bad debt expense		(218,576)		(171,377)
Capital contributions		-		129,490
Investment earnings from capital project funds		6,020		2,518
Change in accrued compensated absences		2,598		8,730
Loss on the disposal of capital asset		-		(413,578)
Pension expense		-		(51,755)
Change in deferred outflows of resources-pension		326,957		-
Change in deferred inflows of resources-pension		38,269		-
Change in net pension liability		(390,602)		97,715
Change in accrued interest payable		3,239		5,920
Change in net position	<u>\$ 5,916,949</u>			<u>\$ 8,468,287</u>

## CITY OF KINSTON, NORTH CAROLINA

**ELECTRIC CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal and State grants	\$ 5,119,049	\$ 2,214,474	\$ -	\$ 2,214,474	\$ (2,904,575)
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	14,882	18,767	-	18,767	3,885
Miscellaneous revenue	69,382	68,366	-	68,366	(1,016)
Total revenues	<u>5,899,913</u>	<u>2,853,123</u>	<u>-</u>	<u>2,853,123</u>	<u>(3,046,790)</u>
<b>Expenditures:</b>					
Caswell Center upgrades	2,857,434	-	-	-	2,857,434
West Industrial Park Substation Project	2,667,146	2,667,146	-	2,667,146	-
Lenox China Generator Project	466,500	405,397	-	405,397	61,103
Felix Harvey Parkway Extension Project	80,605	80,605	-	80,605	-
Spirit Aerosystem Rail Spur Project	199,669	199,667	-	199,667	2
Dapaco Inc. Generator Project	1,000,000	855,001	-	855,001	144,999
West Pharmaceutical Generator Project	962,500	962,500	-	962,500	-
531 Circuit Rebuild	508,048	508,048	-	508,048	-
Queen Street Bridge Electric Line Relocation Project	647,067	591,022	31,781	622,803	24,264
Solar Farm Electric Improvements Project	196,600	98,659	-	98,659	97,941
Falling Creek Substation Transformer Project	1,291,949	65,926	1,196,199	1,262,125	29,824
Second Point of Delivery	3,644,184	22,534	233,356	255,890	3,388,294
SmartGrid System Elec&Wtr	<u>6,500,000</u>	<u>-</u>	<u>192,735</u>	<u>192,735</u>	<u>6,307,265</u>
Total	<u>21,021,702</u>	<u>6,456,505</u>	<u>1,654,071</u>	<u>8,110,576</u>	<u>12,911,126</u>
<b>Debt Service:</b>					
Principal retirement	310,951	310,951	-	310,951	-
Interest and other charges	189,949	189,949	-	189,949	-
Total debt service	<u>500,900</u>	<u>500,900</u>	<u>-</u>	<u>500,900</u>	<u>-</u>
Total expenditures	<u>21,522,602</u>	<u>6,957,405</u>	<u>1,654,071</u>	<u>8,611,476</u>	<u>12,911,126</u>
Revenue over (under) expenditures	<u>(15,622,689)</u>	<u>(4,104,282)</u>	<u>(1,654,071)</u>	<u>(5,758,353)</u>	<u>9,864,336</u>
<b>Other Financing Sources (Uses):</b>					
Debt issued	2,950,000	2,950,000	-	2,950,000	-
Transfers in	12,813,080	5,174,409	7,638,671	12,813,080	-
Transfers out	(140,391)	-	(140,391)	140,391	280,782
Total other financing sources (uses)	<u>15,622,689</u>	<u>8,124,409</u>	<u>7,498,280</u>	<u>15,903,471</u>	<u>280,782</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,020,127</u>	<u>\$ 5,844,209</u>	<u>\$ 10,145,118</u>	<u>\$ 10,145,118</u>

## CITY OF KINSTON, NORTH CAROLINA

**ELECTRIC CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Interest earned on investments	\$ 3,400	\$ 11,093	\$ 6,020	\$ 17,113	\$ 13,713
Total revenues	<u>3,400</u>	<u>11,093</u>	<u>6,020</u>	<u>17,113</u>	<u>13,713</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	13,559,251	10,241,782	2,614,356	12,856,138	(703,113)
Transfers out	(13,562,651)	(4,864,235)	(6,500,000)	(11,364,235)	2,198,416
Total other financing sources (uses)	<u>(3,400)</u>	<u>5,377,547</u>	<u>(3,885,644)</u>	<u>1,491,903</u>	<u>1,495,303</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,388,640</u>	<u>\$ (3,879,624)</u>	<u>\$ 1,509,016</u>	<u>\$ 1,509,016</u>

## **WATER FUND**

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

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**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services:				
Water sales	\$ 10,589,091	\$ 10,337,612	\$ (251,479)	\$ 10,235,459
Other	178,000	239,222	61,222	256,729
Total operating revenues	<u>10,767,091</u>	<u>10,576,834</u>	<u>(190,257)</u>	<u>10,492,188</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	1,900	10,002	8,102	5,030
Total non-operating revenues	<u>1,900</u>	<u>10,002</u>	<u>8,102</u>	<u>5,030</u>
Total revenues	<u>10,768,991</u>	<u>10,586,836</u>	<u>(182,155)</u>	<u>10,497,218</u>
<b>Expenditures:</b>				
<b>Water Production:</b>				
Salaries and benefits	380,427	330,511	49,916	287,500
Operating	659,500	534,541	124,959	543,710
Repairs and maintenance	128,000	49,619	78,381	106,725
Capital outlay	141,200	113,025	28,175	28,905
Indirect costs	<u>1,083,113</u>	<u>1,083,113</u>	-	<u>1,054,377</u>
Total water production	<u>2,392,240</u>	<u>2,110,809</u>	<u>281,431</u>	<u>2,021,217</u>
<b>Water Operations:</b>				
Salaries and benefits	1,296,986	1,032,274	264,712	1,005,038
Operating	741,000	528,718	212,282	695,476
Repairs and maintenance	140,000	87,850	52,150	98,791
Capital outlay	600,000	133,435	466,565	281,269
Indirect costs	<u>134,712</u>	<u>134,712</u>	-	<u>122,150</u>
Total water operations	<u>2,912,698</u>	<u>1,916,989</u>	<u>995,709</u>	<u>2,202,724</u>
<b>Water Operations:</b>				
Purchased water	<u>4,483,200</u>	<u>4,483,200</u>	-	<u>4,483,200</u>
<b>Debt Service:</b>				
Principal retirement	303,730	303,730	-	219,090
Interest and other charges	25,216	23,927	1,289	23,587
Total debt service	<u>328,946</u>	<u>327,657</u>	<u>1,289</u>	<u>242,677</u>
<b>Non-Operating Expenditures:</b>				
Economic development reimbursements	44,600	38,944	5,656	38,944
Total non-operating expenditure	<u>44,600</u>	<u>38,944</u>	<u>5,656</u>	<u>38,944</u>
Total expenditures	<u>10,161,683</u>	<u>8,877,598</u>	<u>1,284,085</u>	<u>8,988,762</u>
Revenues over (under) expenditures	<u>607,308</u>	<u>1,709,238</u>	<u>1,101,930</u>	<u>1,508,456</u>

**CITY OF KINSTON, NORTH CAROLINA**

**ENTERPRISE FUNDS - WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	-	-	-	405,639
Appropriated net position	121,882	-	(121,882)	-
Transfers from:				
Transfers from other funds	-	-	-	123,202
Transfers to:				
Capital reserve	(317,467)	(317,467)	-	(181,295)
Transfer to other funds	(411,723)	(361,723)	50,000	(606,788)
Total other financing sources (uses)	<u>(607,308)</u>	<u>(679,190)</u>	<u>(71,882)</u>	<u>(259,242)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,030,048	\$ 1,030,048	\$ 1,249,214
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 1,030,048		\$ 1,249,214
Transfers - Capital Reserve Fund	317,467			-
Transfers - Capital Project Fund	330,000			181,295
Transfer in	-			516,000
Capital outlay	246,460			349,446
Interest from Capital Reserve Fund	1,299			503
Payment of debt principal	303,730			219,090
Debt issued	-			(405,639)
Depreciation	(492,534)			(500,246)
Bad debt expense	2,268			(35,041)
Change in accrued compensated absences	111			(16,768)
Pension expense	-			(51,755)
Change in deferred outflows of resources-pension	326,957			-
Change in deferred inflows of resources-pension	38,269			-
Change in net pension liability	(390,602)			97,715
Change in accrued interest payable	<u>803</u>			<u>86</u>
Change in net position	<u>\$ 1,714,276</u>			<u>\$ 1,603,900</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, 2017**

	<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Water line projects	\$ 1,216,000	\$ 502,516	\$ 329,255	\$ 831,771
Total expenditures	<u>1,216,000</u>	<u>502,516</u>	<u>329,255</u>	<u>831,771</u>
Revenue over (under) expenditures	<u>(1,216,000)</u>	<u>(502,516)</u>	<u>(329,255)</u>	<u>(831,771)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,216,000	886,000	330,000	1,216,000
Total other financing sources (uses)	<u>1,216,000</u>	<u>886,000</u>	<u>330,000</u>	<u>1,216,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 383,484</u>	<u>\$ 745</u>	<u>\$ 384,229</u>
	<u>\$ 384,229</u>			<u>\$ 384,229</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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Other:</b>					
Investment earnings	\$ 300	\$ 503	\$ 1,299	\$ 1,802	\$ 1,502
Total revenues	<u>300</u>	<u>503</u>	<u>1,299</u>	<u>1,802</u>	<u>1,502</u>
Revenue over (under) expenditures	<u>300</u>	<u>503</u>	<u>1,299</u>	<u>1,802</u>	<u>1,502</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	317,467	181,295	317,467	498,762	181,295
Transfers out	(317,767)	-	-	-	317,767
Total other financing sources (uses)	<u>(300)</u>	<u>181,295</u>	<u>317,467</u>	<u>498,762</u>	<u>499,062</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 181,798</u>	<u>\$ 318,766</u>	<u>\$ 500,564</u>	<u>\$ 500,564</u>

## **WASTEWATER FUND**

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

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## CITY OF KINSTON, NORTH CAROLINA

**ENTERPRISE FUNDS - WASTEWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		2016	
	Budget	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Charges for services:				
Sewer sales	\$ 6,166,000	\$ 5,953,078	\$ (212,922)	\$ 6,065,414
Other	24,000	25,200	1,200	22,382
Total operating revenues	<u>6,190,000</u>	<u>5,978,278</u>	<u>(211,722)</u>	<u>6,087,796</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	10,600	11,610	1,010	13,625
Total non-operating revenues	<u>10,600</u>	<u>11,610</u>	<u>1,010</u>	<u>13,625</u>
Total revenues	<u>6,200,600</u>	<u>5,989,888</u>	<u>(210,712)</u>	<u>6,101,421</u>
<b>Expenditures:</b>				
<b>Wastewater Plant Operations:</b>				
Salaries and benefits	831,014	735,057	95,957	705,506
Operating	998,150	734,839	263,311	674,048
Repairs and maintenance	125,600	104,113	21,487	87,383
Indirect costs	2,690,217	2,690,217	-	2,370,510
Capital outlay	504,000	463,032	40,968	138,552
Total wastewater plant operations	<u>5,148,981</u>	<u>4,727,258</u>	<u>421,723</u>	<u>3,975,999</u>
<b>Debt Service:</b>				
Principal retirement	1,097,915	1,096,535	1,380	1,065,021
Interest and other charges	<u>191,887</u>	<u>188,283</u>	<u>3,604</u>	<u>218,680</u>
Total debt service	<u>1,289,802</u>	<u>1,284,818</u>	<u>4,984</u>	<u>1,283,701</u>
<b>Non-Operating Expenditures:</b>				
Economic development reimbursements	<u>9,600</u>	<u>8,345</u>	<u>1,255</u>	<u>8,345</u>
Total expenditures	<u>6,448,383</u>	<u>6,020,421</u>	<u>427,962</u>	<u>5,268,045</u>
Revenues over (under) expenditures	<u>(247,783)</u>	<u>(30,533)</u>	<u>(638,674)</u>	<u>833,376</u>

## CITY OF KINSTON, NORTH CAROLINA

**ENTERPRISE FUNDS - WASTEWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Other Financing Sources (Uses):</b>			
Appropriated net position	2,136,927	-	-
Long-term debt issued	-	-	77,804
Transfers out - capital projects	(9,750)	(9,750)	-
Transfers in - capital projects	173,226	173,226	-
Transfers out - other funds	(2,052,620)	(2,052,620)	-
Total other financing sources (uses)	<u>247,783</u>	<u>(1,889,144)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (1,919,677)</u>	<u>\$ (1,919,677)</u>
			<u>\$ 747,145</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,919,677)		\$ 747,145
Transfers out - capital projects	(173,226)		(226,002)
Capital outlay	463,032		72,648
Debt issued	-		(77,804)
Payment of debt principal	1,096,535		1,065,021
Depreciation	(2,332,760)		(2,281,009)
Capital contributions	1,342,598		206,731
Transfers in - capital projects	9,750		283,452
Interest from Capital Project Fund	192		221
Non-capitalizable expense from Capital Project Fund	-		495
Change in accrued compensated absences	(3,476)		1,169
Change in accrued interest payable	4,435		3,058
Pension expense	-		(36,229)
Change in deferred outflows of resources-pension	228,870		-
Change in deferred inflows of resources-pension	26,788		-
Change in net pension liability	(273,421)		68,400
Bad debt expense	<u>(26,140)</u>		<u>15,325</u>
Change in net position	<u>\$ (1,556,500)</u>		<u>\$ (157,379)</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, 2017**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
<b>Restricted Intergovernmental:</b>					
Federal and State grants	\$ 2,400,000	\$ 1,638,317	\$ 342,598	\$ 1,980,915	\$ (419,085)
Local funds	775,000	798,462	-	798,462	23,462
Investment earnings	-	131,308	-	131,308	131,308
Clean Water State Revolving Loan principal forgiveness	-	-	1,000,000	1,000,000	1,000,000
Other revenue	-	544,214	-	544,214	544,214
<b>Total revenues</b>	<b>3,175,000</b>	<b>3,112,301</b>	<b>1,342,598</b>	<b>4,454,899</b>	<b>1,279,899</b>
<b>Expenditures:</b>					
Smithfield Plant Expansion Project	3,857,000	3,745,990	-	3,745,990	111,010
Queen Street Sewer Rehabilitation Project	7,109,400	684,882	2,605,014	3,289,896	3,819,504
KRWRF Biosolids Dryer Project	2,342,280	-	-	-	2,342,280
Briery Run Phase IV Rehabilitation Project	2,095,796	-	1,845	1,845	2,093,951
Wastewater Asset Management Grant	159,750	-	110,264	110,264	49,486
<b>Total expenditures</b>	<b>15,564,226</b>	<b>4,430,872</b>	<b>2,717,123</b>	<b>7,147,995</b>	<b>8,416,231</b>
Revenue over (under) expenditures	(12,389,226)	(1,318,571)	(1,374,525)	(2,693,096)	9,696,130
<b>Other Financing Sources (Uses):</b>					
Debt issued	12,389,888	941,163	1,280,557	2,221,720	(10,168,168)
Transfers in	299,068	932,839	9,750	942,589	643,521
Transfers out	(299,730)	(318,547)	-	(318,547)	(18,817)
<b>Total other financing sources (uses)</b>	<b>12,389,226</b>	<b>1,555,455</b>	<b>1,290,307</b>	<b>2,845,762</b>	<b>(9,543,464)</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 236,884	\$ (84,218)	\$ 152,666	\$ 152,666

## 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, 2017**

		<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>	
<b>Revenues:</b>						
Investment earnings	\$ 250	\$ 1,406	\$ 192	\$ 1,598	\$ 1,348	
Total revenues	250	1,406	192	1,598	1,348	
Revenue over (under) expenditures	250	1,406	192	1,598	1,348	
<b>Other Financing Sources (Uses):</b>						
Transfers in	486,092	494,977	-	494,977	8,885	
Transfers out	(486,342)	(317,325)	(173,226)	(490,551)	(4,209)	
Total other financing sources (uses)	(250)	177,652	(173,226)	4,426	4,676	
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 179,058	\$ (173,034)	\$ 6,024	\$ 6,024	

## **NONMAJOR ENTERPRISE FUNDS**

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

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

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

**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, 2017

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ -	\$ 1,080,456	\$ 50,077	\$ 1,130,533
Accounts receivable	426,114	133,683	140,235	700,032
Restricted cash and cash equivalents	735,529	-	-	735,529
Total current assets	1,161,643	1,214,139	190,312	2,566,094
Non-current assets:				
Capital assets:				
Construction in progress	724,034	157,569	-	881,603
Depreciable capital assets	3,361,461	1,397,923	22,229	4,781,613
Accumulated depreciation	(2,900,773)	(657,036)	(5,539)	(3,563,348)
Total capital assets	1,184,722	898,456	16,690	2,099,868
Total non-current assets	1,184,722	898,456	16,690	2,099,868
Total assets	2,346,365	2,112,595	207,002	4,665,962
<b>Deferred Outflows of Resources:</b>				
Contributions to pension plan in current fiscal year	74,893	21,398	-	96,291
Pension related deferrals	222,677	63,622	-	286,299
Total deferred outflows of resources	297,570	85,020	-	382,590
<b>Liabilities:</b>				
Current liabilities:				
Due to other funds	220,430	-	-	220,430
Accounts payable and accrued liabilities	102,106	23,086	96,786	221,978
Current portion of installment notes	276,358	73,597	-	349,955
Current portion of compensated absences	13,993	2,720	2,553	19,266
Total current liabilities	612,887	99,403	99,339	811,629
Non-current liabilities:				
Net pension liability	345,737	98,782	-	444,519
Non-current portion of installment notes	903,346	159,477	-	1,062,823
Non-current portion of compensated absences	41,979	8,161	7,658	57,798
Total non-current liabilities	1,291,062	266,420	7,658	1,565,140
Total liabilities	1,903,949	365,823	106,997	2,376,769
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	14,736	4,210	-	18,946
<b>Net Position:</b>				
Net investment in capital assets	740,547	665,382	16,690	1,422,619
Unrestricted	(15,297)	1,162,200	83,315	1,230,218
Total net position	\$ 725,250	\$ 1,827,582	\$ 100,005	\$ 2,652,837

## 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, 2017**

	<b>Environmental Services Fund</b>	<b>Stormwater Fund</b>	<b>Woodmen of the World Community Center</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 3,710,046	\$ 1,016,503	\$ 1,664,469	\$ 6,391,018
Other operating income	31,032	1,035	-	32,067
Total operating revenues	<u>3,741,078</u>	<u>1,017,538</u>	<u>1,664,469</u>	<u>6,423,085</u>
<b>Operating Expenses:</b>				
Operations	3,278,947	752,523	1,664,538	5,696,008
Depreciation	267,777	91,994	4,446	364,217
Total operating expenses	<u>3,546,724</u>	<u>844,517</u>	<u>1,668,984</u>	<u>6,060,225</u>
Operating income (loss)	<u>194,354</u>	<u>173,021</u>	<u>(4,515)</u>	<u>362,860</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest earned on investments	917	4,046	146	5,109
Interest on long-term debt	(14,062)	(3,816)	-	(17,878)
Total non-operating revenues (expenses)	<u>(13,145)</u>	<u>230</u>	<u>146</u>	<u>(12,769)</u>
Change in net position	181,209	173,251	(4,369)	350,091
<b>Net Position:</b>				
Beginning of year - July 1	<u>544,041</u>	<u>1,654,331</u>	<u>104,374</u>	<u>2,302,746</u>
End of year - June 30	<u>\$ 725,250</u>	<u>\$ 1,827,582</u>	<u>\$ 100,005</u>	<u>\$ 2,652,837</u>

## CITY OF KINSTON, NORTH CAROLINA

NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017

	Environmental Services Fund	Stormwater Fund	Woodmen of the World Community Center	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 3,736,002	\$ 1,016,595	\$ 1,533,666	\$ 6,286,263
Cash paid to suppliers for goods and services	(2,247,332)	(410,948)	(1,080,794)	(3,739,074)
Cash paid to or on behalf of employees for services	(1,012,328)	(331,818)	(657,851)	(2,001,997)
Net cash provided (used) by operating activities	<u>476,342</u>	<u>273,829</u>	<u>(204,979)</u>	<u>545,192</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(724,034)	(157,569)	(16,765)	(898,368)
Proceeds from long-term debt	735,529	-	-	735,529
Principal paid on general obligation bond maturities and equipment contracts	(161,562)	(94,261)	-	(255,823)
Interest paid on bonded indebtedness and equipment contracts	(14,062)	(3,816)	-	(17,878)
Net cash provided (used) by capital and related financing activities	<u>(164,129)</u>	<u>(255,646)</u>	<u>(16,765)</u>	<u>(436,540)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	917	4,046	146	5,109
Net cash provided (used) in investing activities	<u>917</u>	<u>4,046</u>	<u>146</u>	<u>5,109</u>
Net increase (decrease) in cash and cash equivalents/investments	533,560	22,229	(221,598)	334,191
<b>Cash and Cash Equivalents/Investments:</b>				
Beginning of year - July 1	201,969	1,058,227	271,675	1,531,871
End of year - June 30	<u>\$ 735,529</u>	<u>\$ 1,080,456</u>	<u>\$ 50,077</u>	<u>\$ 1,866,062</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 194,354	\$ 173,021	\$ (4,515)	\$ 362,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	267,777	91,994	4,446	364,217
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(5,076)	(943)	(130,803)	(136,822)
Increase (decrease) in net pension liability	273,421	78,120	-	351,541
Increase (decrease) in deferred inflows of resources for pensions	(26,788)	(7,654)	-	(34,442)
(Increase) decrease in deferred outflows of resources for pensions	(228,870)	(65,391)	-	(294,261)
Increase (decrease) in accounts payable	(691)	6,883	(74,962)	(68,770)
Increase (decrease) in compensated absences	2,215	(2,201)	855	869
Total adjustments	<u>281,988</u>	<u>100,808</u>	<u>(200,464)</u>	<u>182,332</u>
Net cash provided (used) by operating activities	<u>\$ 476,342</u>	<u>\$ 273,829</u>	<u>\$ (204,979)</u>	<u>\$ 545,192</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, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>Variance Over/Under</b>	<b>2016</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Operating Revenues:</b>				
Charges for services	\$ 3,905,074	\$ 3,710,046	\$ (195,028)	\$ 3,274,274
Other	167,000	31,032	(135,968)	19,419
Total operating revenues	<u>4,072,074</u>	<u>3,741,078</u>	<u>(330,996)</u>	<u>3,293,693</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	1,000	917	(83)	423
Total non-operating revenues	<u>1,000</u>	<u>917</u>	<u>(83)</u>	<u>423</u>
Total revenues	<u>4,073,074</u>	<u>3,741,995</u>	<u>(331,079)</u>	<u>3,294,116</u>
<b>Expenditures:</b>				
<b>Bulk Leaf Collection:</b>				
Salaries and benefits	13,581	-	13,581	14,342
Operating	28,500	13,886	14,614	22,053
Capital outlay	-	-	-	23,753
Total leaf collection	<u>42,081</u>	<u>13,886</u>	<u>28,195</u>	<u>60,148</u>
<b>Vector Control:</b>				
Salaries and benefits	26,793	25,930	863	23,915
Operating	16,400	8,351	8,049	12,355
Total vector control	<u>43,193</u>	<u>34,281</u>	<u>8,912</u>	<u>36,270</u>
<b>Commercial Solid Waste:</b>				
Salaries and benefits	289,252	273,623	15,629	259,374
Operating	557,900	482,134	75,766	474,146
Capital outlay	-	-	-	214,344
Indirect costs	481,098	481,098	-	394,340
Total commercial solid waste	<u>1,328,250</u>	<u>1,236,855</u>	<u>91,395</u>	<u>1,342,204</u>
<b>Residential Solid Waste:</b>				
Salaries and benefits	773,375	721,395	51,980	712,018
Operating	717,917	677,552	40,365	701,040
Capital outlay	803,400	724,034	79,366	258,476
Indirect costs	481,098	481,098	-	394,340
Total residential solid waste	<u>2,775,790</u>	<u>2,604,079</u>	<u>171,711</u>	<u>2,065,874</u>
<b>Recycling:</b>				
Salaries and benefits	39,308	37,288	2,020	35,682
Operating	32,500	28,439	4,061	19,421
Total recycling	<u>71,808</u>	<u>65,727</u>	<u>6,081</u>	<u>55,103</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, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>Variance Over/Under</b>	<b>2016</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Debt Service:</b>				
Principal retirement	161,562	161,562	-	67,608
Interest and other charges	16,021	14,135	1,886	3,670
Total debt service	177,583	175,697	1,886	71,278
Total expenditures	4,438,705	4,130,525	308,180	3,630,876
Revenues over (under) expenditures	(365,631)	(388,530)	(22,899)	(336,760)
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	19,189	-	(19,189)	-
Transfers out	(448,558)	-	448,558	(206,094)
Long-term debt issued	795,000	735,529	(59,471)	479,627
Total other financing sources (uses)	365,631	735,529	369,898	273,533
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 346,999	\$ 346,999	\$ (63,227)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>				
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 346,999		\$ (63,227)	
Capital outlay	724,034		472,820	
Debt issued	(735,529)		(479,627)	
Payment of debt principal	161,562		67,608	
Depreciation	(267,777)		(271,425)	
Change in accrued compensated absences	(2,215)		873	
Change in accrued interest payable	73		(1,302)	
Pension expense	-		(36,229)	
Change in deferred outflows of resources-pension	228,870		-	
Change in deferred inflows of resources-pension	26,788		-	
Change in net pension liability	(273,421)		68,400	
Bad debt expense	(28,175)		(13,871)	
Change in net position	\$ 181,209		\$ (255,980)	

**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, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 1,008,720	\$ 1,016,503	\$ 7,783	\$ 1,008,833
Other	15,277	1,035	(14,242)	15,277
Total operating revenues	<u>1,023,997</u>	<u>1,017,538</u>	<u>(6,459)</u>	<u>1,024,110</u>
<b>Non-Operating Revenues:</b>				
Interest earned on investments	900	4,046	3,146	10,884
Total non-operating revenues	<u>900</u>	<u>4,046</u>	<u>3,146</u>	<u>10,884</u>
Total revenues	<u>1,024,897</u>	<u>1,021,584</u>	<u>(3,313)</u>	<u>1,034,994</u>
<b>Expenditures:</b>				
<b>Stormwater Operations:</b>				
Salaries and benefits	455,015	334,692	120,323	354,934
Operating	152,800	112,705	40,095	123,059
Capital outlay	72,000	-	72,000	321,597
Indirect costs	302,252	302,252	-	243,648
Total stormwater operations	<u>982,067</u>	<u>749,649</u>	<u>232,418</u>	<u>1,043,238</u>
<b>Debt Service:</b>				
Principal retirement	94,261	94,261	-	44,891
Interest and other charges	5,039	3,903	1,136	2,284
Total debt service	<u>99,300</u>	<u>98,164</u>	<u>1,136</u>	<u>47,175</u>
Total expenditures	<u>1,081,367</u>	<u>847,813</u>	<u>233,554</u>	<u>1,090,413</u>
Revenues over (under) expenditures	<u>(56,470)</u>	<u>173,771</u>	<u>230,241</u>	<u>(55,419)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	115,470	-	(115,470)	-
Transfers out	(59,000)	-	59,000	(168,064)
Long-term debt issued	-	-	-	252,031
Total other financing sources (uses)	<u>56,470</u>	<u>-</u>	<u>(56,470)</u>	<u>83,967</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 173,771</u>	<u>\$ 173,771</u>	<u>\$ 28,548</u>

**CITY OF KINSTON, NORTH CAROLINA**

**NONMAJOR ENTERPRISE FUNDS - STORMWATER**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses			
	\$ 173,771		\$ 28,548
Debt issued	-		(252,031)
Payment of debt principal	94,261		44,891
Transfers in - Capital Project Fund Fund	-		110,000
Depreciation	(91,994)		(131,617)
Change in accrued compensated absences	2,201		1,001
Change in accrued interest payable	87		(712)
Pension expense	-		(10,352)
Change in deferred outflows of resources-pension	65,391		-
Change in deferred inflows of resources-pension	7,654		19,543
Change in net pension liability	(78,120)		-
Capital outlay	-		237,556
Bad debt expense	-		(466)
Change in net position	<u>\$ 173,251</u>		<u>\$ 46,361</u>

## CITY OF KINSTON, NORTH CAROLINA

**STORMWATER CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Actual</b>				
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Expenditures:</b>					
George Street Rehabilitation	\$ 110,000	\$ -	\$ 98,916	\$ 98,916	\$ 11,084
Oriental Avenue Rehabilitation	59,000	-	58,653	58,653	347
Total expenditures	<u>169,000</u>	<u>-</u>	<u>157,569</u>	<u>157,569</u>	<u>11,431</u>
Revenue over (under) expenditures	<u>(169,000)</u>	<u>-</u>	<u>(157,569)</u>	<u>(157,569)</u>	<u>11,431</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	169,000	110,000	-	110,000	(59,000)
Total other financing sources (uses)	<u>169,000</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>(59,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ (157,569)</u>	<u>\$ (47,569)</u>	<u>\$ (47,569)</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, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		2016
	Budget	Actual	Variance Over/Under
<b>Operating Revenues:</b>			
Charges for services	\$ 2,019,800	\$ 1,664,469	\$ (355,331)
Total operating revenues	<u>2,019,800</u>	<u>1,664,469</u>	<u>(355,331)</u>
<b>Non-Operating Revenues:</b>			
Interest earned on investments	-	146	146
Total non-operating revenues	<u>-</u>	<u>146</u>	<u>146</u>
Total revenues	<u>2,019,800</u>	<u>1,664,615</u>	<u>(355,185)</u>
<b>Expenditures:</b>			
<b>Operations:</b>			
Salaries and benefits	666,033	658,706	7,327
Operating	1,333,767	1,004,977	328,790
Capital outlay	<u>20,000</u>	<u>16,765</u>	<u>3,235</u>
Total operations	<u>2,019,800</u>	<u>1,680,448</u>	<u>339,352</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	\$ <u>(15,833)</u>	\$ <u>(15,833)</u>
<b>Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(15,833)</u>		\$ <u>2,202</u>
Depreciation	(4,446)		(1,093)
Change in accrued compensated absences	(855)		(2,203)
Capital outlay	<u>16,765</u>		<u>5,464</u>
Change in net position	\$ <u>(4,369)</u>		\$ <u>4,370</u>

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## **INTERNAL SERVICE FUNDS**

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

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

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

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

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

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## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF FUND NET POSITION**  
**JUNE 30, 2017**

	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
<b>Assets:</b>					
Current Assets:					
Cash and investments	\$ 1,548,841	\$ 412,757	\$ 138,151	\$ 2,114,690	\$ 4,214,439
Accounts receivable	1,513	47,377	693	3,047	52,630
Inventory	-	219,872	-	-	219,872
Non-current assets:					
Capital assets:					
Construction in progress	-	-	-	21,784	21,784
Buildings	19,468	-	-	-	19,468
Equipment	-	196,000	-	600,006	796,006
Accumulated depreciation	(11,194)	(189,626)	-	(340,049)	(540,869)
Total capital assets	8,274	6,374	-	281,741	296,389
Total assets	<u>1,558,628</u>	<u>686,380</u>	<u>138,844</u>	<u>2,399,478</u>	<u>4,783,330</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued liabilities	393,910	22,753	12,215	60,570	489,448
Current portion of compensated absences	820	3,418	-	20,776	25,014
Current portion of installment notes	-	2,125	-	5,942	8,067
Total current liabilities	<u>394,730</u>	<u>28,296</u>	<u>12,215</u>	<u>87,288</u>	<u>522,529</u>
Non-current liabilities:					
Non-current portion of compensated absences	4,644	19,371	-	62,327	86,342
Non-current portion of installment notes	-	4,249	-	11,885	16,134
Total non-current liabilities	<u>4,644</u>	<u>23,620</u>	<u>-</u>	<u>74,212</u>	<u>102,476</u>
Total liabilities	<u>399,374</u>	<u>51,916</u>	<u>12,215</u>	<u>161,500</u>	<u>625,005</u>
<b>Net Position:</b>					
Net investment in capital assets	8,274	-	-	263,914	272,188
Unrestricted	<u>1,150,980</u>	<u>634,464</u>	<u>126,629</u>	<u>1,974,064</u>	<u>3,886,137</u>
Total net position	<u>\$ 1,159,254</u>	<u>\$ 634,464</u>	<u>\$ 126,629</u>	<u>\$ 2,237,978</u>	<u>\$ 4,158,325</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, 2017**

	<b>Employee Health Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Warehouse Fund</b>	<b>Public Services Administration Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>					
Contributions from various funds	\$ 712,929	\$ 864,277	\$ 477,522	\$ 2,108,859	\$ 4,163,587
Other income	75	1,272	-	4,802	6,149
Total operating revenues	<u>713,004</u>	<u>865,549</u>	<u>477,522</u>	<u>2,113,661</u>	<u>4,169,736</u>
<b>Operating Expenses:</b>					
Administration	255,356	604,711	-	799,166	1,659,233
Operations	-	-	378,055	1,115,699	1,493,754
Depreciation	486	4,249	-	98,442	103,177
Claims reimbursement	320,863	-	-	-	320,863
Total operating expenses	<u>576,705</u>	<u>608,960</u>	<u>378,055</u>	<u>2,013,307</u>	<u>3,577,027</u>
Operating income (loss)	<u>136,299</u>	<u>256,589</u>	<u>99,467</u>	<u>100,354</u>	<u>592,709</u>
<b>Non-Operating Revenues (Expenses):</b>					
Interest earned on investments	3,379	-	-	5,188	8,567
Total non-operating revenues (expenses)	<u>3,379</u>	<u>-</u>	<u>-</u>	<u>5,188</u>	<u>8,567</u>
Income (loss) before transfers	<u>139,678</u>	<u>256,589</u>	<u>99,467</u>	<u>105,542</u>	<u>601,276</u>
<b>Transfers:</b>					
Transfers out	-	-	-	(98,040)	(98,040)
Total transfers	-	-	-	<u>(98,040)</u>	<u>(98,040)</u>
Change in net position	<u>139,678</u>	<u>256,589</u>	<u>99,467</u>	<u>7,502</u>	<u>503,236</u>
<b>Net Position:</b>					
Beginning of year - July 1	<u>1,019,576</u>	<u>377,875</u>	<u>27,162</u>	<u>2,230,476</u>	<u>3,655,089</u>
End of year - June 30	<u>\$ 1,159,254</u>	<u>\$ 634,464</u>	<u>\$ 126,629</u>	<u>\$ 2,237,978</u>	<u>\$ 4,158,325</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Employee Health Fund</b>	<b>Fleet Maintenance Fund</b>	<b>Warehouse Fund</b>	<b>Public Services Administration Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>					
Cash received from services provided	\$ 712,793	\$ 868,182	\$ 477,365	\$ 2,112,743	\$ 4,171,083
Cash paid to suppliers for goods and services	(483,482)	(119,805)	(366,141)	(290,232)	(1,259,660)
Cash paid to or on behalf of employees for services	(104,902)	(441,482)	-	(1,639,786)	(2,186,170)
Net cash provided (used) by operating activities	<u>124,409</u>	<u>306,895</u>	<u>111,224</u>	<u>182,725</u>	<u>725,253</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers to other funds	-	-	-	(98,040)	(98,040)
Net cash provided (used) by non-capital financing activities	-	-	-	(98,040)	(98,040)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition of capital assets	-	-	-	(32,241)	(32,241)
Principal payments on long-term debt	-	(2,125)	-	(5,942)	(8,067)
Net cash provided (used) by capital and related financing activities	-	(2,125)	-	(38,183)	(40,308)
<b>Cash Flows from Investing Activities:</b>					
Interest on investments	3,379	-	-	5,188	8,567
Net cash provided (used) by investing activities	<u>3,379</u>	<u>-</u>	<u>-</u>	<u>5,188</u>	<u>8,567</u>
Net increase (decrease) in cash and cash equivalents/investments	127,788	304,770	111,224	51,690	595,472
<b>Cash and Cash Equivalents/Investments:</b>					
Beginning of year - July 1	1,421,053	107,987	26,927	2,063,000	3,618,967
End of year - June 30	<u>\$ 1,548,841</u>	<u>\$ 412,757</u>	<u>\$ 138,151</u>	<u>\$ 2,114,690</u>	<u>\$ 4,214,439</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 136,299	\$ 256,589	\$ 99,467	\$ 100,354	\$ 592,709
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	486	4,249	-	98,442	103,177
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(211)	2,633	(157)	(918)	1,347
(Increase) decrease in inventories	-	36,415	-	-	36,415
Increase (decrease) in accounts payable	(11,567)	5,001	11,914	(7,446)	(2,098)
Increase (decrease) in accrued compensated absences	(598)	2,008	-	(7,707)	(6,297)
Total adjustments	<u>(11,890)</u>	<u>50,306</u>	<u>11,757</u>	<u>82,371</u>	<u>132,544</u>
Net cash provided (used) by operating activities	<u>\$ 124,409</u>	<u>\$ 306,895</u>	<u>\$ 111,224</u>	<u>\$ 182,725</u>	<u>\$ 725,253</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - EMPLOYEE HEALTH  
SCHEDULE OF REVENUES AND EXPENDITURES -  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		2016	
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Contributions	\$ 682,892	\$ 712,929	\$ 30,037	\$ 776,115
Other	-	75	75	489
Total operating revenues	<u>682,892</u>	<u>713,004</u>	<u>30,112</u>	<u>776,604</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	1,900	3,379	1,479	1,990
Total non-operating revenues	<u>1,900</u>	<u>3,379</u>	<u>1,479</u>	<u>1,990</u>
Total revenues	<u>684,792</u>	<u>716,383</u>	<u>31,591</u>	<u>778,594</u>
<b>Operating Expenditures:</b>				
Administration:				
Salaries and benefits	122,832	104,304	18,528	79,312
Operating	180,395	151,650	28,745	132,216
Claims reimbursements, operating	<u>381,565</u>	<u>320,863</u>	<u>60,702</u>	<u>321,700</u>
Total operating expenditures	<u>684,792</u>	<u>576,817</u>	<u>107,975</u>	<u>533,228</u>
Revenues over (under) expenditures	\$ <u>-</u>	<u>139,566</u>	<u>\$ 139,566</u>	<u>245,366</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Change in accrued vacation pay		598		(1,342)
Depreciation		<u>(486)</u>		<u>(487)</u>
Change in net position	<u>\$ 139,678</u>			<u>\$ 243,537</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, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		2016	
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Contributions	\$ 663,451	\$ 864,277	\$ 200,826	\$ 315,850
Other	-	1,272	1,272	7,560
Total revenues	<u>663,451</u>	<u>865,549</u>	<u>202,098</u>	<u>323,410</u>
<b>Operating Expenditures:</b>				
Administration:				
Salaries and benefits	488,621	443,490	45,131	448,641
Operating	48,000	36,733	11,267	31,963
Fleet maintenance inventory	85,000	122,480	(37,480)	149,281
Debt Service:				
Principal retirement	2,125	2,125	-	2,125
Total expenditures	<u>623,746</u>	<u>604,828</u>	<u>18,918</u>	<u>632,010</u>
Revenues over (under) expenditures	<u>39,705</u>	<u>260,721</u>	<u>221,016</u>	<u>(308,600)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	12,359	-	(12,359)	-
Transfers in	-	-	-	620,856
Transfers out	(52,064)	-	52,064	(90,000)
Total other financing sources (uses)	<u>(39,705)</u>	<u>-</u>	<u>39,705</u>	<u>530,856</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>260,721</u>	<u>\$ 260,721</u>	<u>222,256</u>
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Payment of debt principal	2,125		2,125	
Change in accrued vacation pay	(2,008)		394	
Depreciation	<u>(4,249)</u>			<u>(4,250)</u>
Change in net position	<u>\$ 256,589</u>			<u>\$ 220,525</u>

## CITY OF KINSTON, NORTH CAROLINA

**INTERNAL SERVICE FUND - WAREHOUSE  
SCHEDULE OF REVENUES AND EXPENDITURES-  
FINANCIAL PLAN AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	2017		2016	
	Financial Plan	Actual	Variance Over/Under	Actual
<b>Operating Revenues:</b>				
Contributions from other funds	\$ 562,500	\$ 477,522	\$ (84,978)	\$ 403,810
Total revenues	<u>562,500</u>	<u>477,522</u>	<u>(84,978)</u>	<u>403,810</u>
<b>Operating Expenditures:</b>				
Fuel purchased	549,000	378,055	170,945	381,014
Total expenditures	<u>549,000</u>	<u>378,055</u>	<u>170,945</u>	<u>381,014</u>
Operating income (loss)	13,500	99,467	85,967	22,796
<b>Other Financing Sources (Uses):</b>				
Transfers out	(13,500)	-	13,500	-
Total other financing sources (uses)	<u>(13,500)</u>	<u>-</u>	<u>13,500</u>	<u>-</u>
Revenues and other financing sources over (under) expenses and other financing uses	\$ <u>          </u> -	\$ 99,467	\$ 99,467	\$ 22,796

**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, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Contributions	\$ 2,108,860	\$ 2,108,859	\$ (1)	\$ 2,221,230
Other	-	4,802	4,802	2,394
Total operating revenues	<u>2,108,860</u>	<u>2,113,661</u>	<u>4,801</u>	<u>2,223,624</u>
<b>Non-Operating Revenues:</b>				
Investment earnings	1,711	5,188	3,477	2,848
Total non-operating revenues	<u>1,711</u>	<u>5,188</u>	<u>3,477</u>	<u>2,848</u>
Total revenues	<u>2,110,571</u>	<u>2,118,849</u>	<u>8,278</u>	<u>2,226,472</u>
<b>Expenditures:</b>				
Administration:				
Salaries and benefits	731,297	661,961	69,336	628,697
Operating	142,200	144,912	(2,712)	90,919
Capital outlay	<u>56,000</u>	<u>-</u>	<u>56,000</u>	<u>1,315</u>
Total administration	<u>929,497</u>	<u>806,873</u>	<u>122,624</u>	<u>720,931</u>
Operations:				
Salaries and benefits	1,085,509	970,118	115,391	955,171
Operating	181,600	145,581	36,019	138,757
Capital outlay	<u>54,550</u>	<u>32,241</u>	<u>22,309</u>	<u>44,952</u>
Total operations	<u>1,321,659</u>	<u>1,147,940</u>	<u>173,719</u>	<u>1,138,880</u>
<b>Debt Service:</b>				
Principal retirement	<u>5,943</u>	<u>5,942</u>	<u>1</u>	<u>5,942</u>
Total operating expenditures	<u>2,257,099</u>	<u>1,960,755</u>	<u>296,344</u>	<u>1,865,753</u>
Revenues over (under) expenditures	<u>(146,528)</u>	<u>158,094</u>	<u>304,622</u>	<u>360,719</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated net position	244,568	-	(244,568)	-
Transfers out	(98,040)	(98,040)	-	-
Total other financing sources (uses)	<u>146,528</u>	<u>(98,040)</u>	<u>(244,568)</u>	<u>-</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, 2017  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2017</b>		<b>2016</b>	
	<b>Financial Plan</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>                  </u> -	60,054	\$ <u>                  </u> 60,054	360,719
<b>Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:</b>				
Reconciling items:				
Payment of debt principal		5,942		5,942
Change in accrued vacation pay		7,707		(420)
Capital outlay		32,241		67,703
Depreciation		<u>(98,442)</u>		<u>(94,809)</u>
Change in net position	\$ <u>                  </u> 7,502		\$ <u>                  </u> 339,135	

## **OTHER FINANCIAL INFORMATION**

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

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## CITY OF KINSTON, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**JUNE 30, 2017**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2016</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2017</b>
2016 - 2017	\$ -	\$ 10,166,157	\$ 9,852,755	\$ 313,402
2015 - 2016	302,209		164,183	138,026
2014 - 2015	159,970		73,605	86,365
2013 - 2014	101,998		29,143	72,855
2012 - 2013	66,896		14,318	52,578
2011 - 2012	42,765		2,829	39,936
2010 - 2011	38,540		7,795	30,745
2009 - 2010	35,707		1,760	33,947
2008 - 2009	38,065		1,608	36,457
2007 - 2008	25,134		626	24,508
2006 - 2007	24,001		24,001	-
Total	<u>\$ 835,285</u>	<u>\$ 10,166,157</u>	<u>\$ 10,172,623</u>	<u>828,819</u>
Motor vehicle tags receivable				35,625
Less allowance for uncollectible ad valorem taxes receivable:				
General Fund				<u>(171,823)</u>
Ad valorem taxes receivable, net				
General Fund				<u>\$ 692,621</u>
<b>Reconcilement With Revenues:</b>				
Ad valorem taxes - General Fund				\$ 10,281,486
Less auto fee				(145,394)
Add credits and adjustments				<u>36,531</u>
Total collections and credits				<u>\$ 10,172,623</u>

**CITY OF KINSTON, NORTH CAROLINA****ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE LEVY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered	Registered
				Motor Vehicles	Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current rate	\$ 1,535,362,424	0.66	\$ 10,133,392	\$ 9,211,018	\$ 922,374
Penalties	-		6,856	6,856	-
<b>Total</b>	<b>1,535,362,424</b>		<b>10,140,248</b>	<b>9,217,874</b>	<b>922,374</b>
<b>Municipal Service:</b>					
District	-		61,681	54,610	7,071
<b>Discoveries</b>	<b>14,962,424</b>	0.66	<b>98,752</b>	<b>98,752</b>	<b>-</b>
<b>Releases</b>	<b>(20,382,424)</b>		<b>(134,524)</b>	<b>(134,524)</b>	<b>-</b>
Total property valuation	<u>\$ 1,529,942,424</u>				
<b>Net Levy</b>			10,166,157	9,236,712	929,445
Uncollected taxes at June 30, 2017			313,402	313,402	-
<b>Current Year's Taxes Collected</b>			<u>\$ 9,852,755</u>	<u>\$ 8,923,310</u>	<u>\$ 929,445</u>
<b>Current Levy Collection Percentage</b>			<u>96.92%</u>	<u>96.61%</u>	<u>100.00%</u>

## **STATISTICAL SECTION (Unaudited)**

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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	152
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	158
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.	163
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.	167
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.	169

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City of Kinston, North Carolina

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

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Governmental activities:						
Net investment in capital assets	\$ 8,832,457	\$ 10,632,852	\$ 10,172,960	\$ 10,135,164	\$ 11,213,831	\$ 10,339,743
Restricted	524,143	501,969	83,390	3,456,960	1,787,355	1,322,528
Unrestricted	4,655,523	4,419,431	4,864,981	2,300,910	4,472,843	4,378,089
Total governmental activities	\$ 14,012,123	\$ 15,554,252	\$ 15,121,331	\$ 15,893,034	\$ 17,474,029	\$ 16,160,360
net position						
Business-type activities:						
Net investment in capital assets	\$ 71,514,802	\$ 78,153,107	\$ 81,162,571	\$ 80,602,330	\$ 81,954,723	\$ 81,307,560
Restricted	1,724,9298	10,604,869	10,672,818	11,800,462	12,355,920	14,155,855
Total business-type activities	\$ 88,764,100	\$ 88,753,976	\$ 91,835,189	\$ 92,402,792	\$ 94,310,643	\$ 95,463,415
net position						
Primary government:						
Net investment in capital assets	\$ 80,347,259	\$ 88,785,959	\$ 91,335,531	\$ 90,737,494	\$ 93,168,554	\$ 91,169,703
Restricted	524,143	501,969	83,390	3,456,960	1,787,355	1,322,528
Unrestricted	21,904,821	15,024,300	15,537,599	14,101,372	16,828,763	18,533,944
Total primary government	\$ 102,776,223	\$ 104,312,228	\$ 106,956,520	\$ 108,295,826	\$ 111,784,672	\$ 111,623,775
net position						

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)**

	2008	2009	2010	2011	2012	Fiscal Year	2013	2014	2015	2016	2017
<b>Expenses:</b>											
General government	\$ 2,980,089	\$ 2,594,129	\$ 2,873,676	\$ 3,128,980	\$ 3,299,355	\$ 3,736,119	\$ 3,285,740	\$ 3,476,650	\$ 3,469,612	\$ 3,682,645	
Public safety	9,100,026	9,218,831	9,864,668	9,328,164	9,985,081	9,525,247	9,251,041	9,374,900	9,906,304	10,832,976	
Streets, Cemetery, Engineering (Public Services)	1,740,530	1,606,515	1,936,357	1,629,222	1,738,651	2,162,732	1,634,990	2,109,344	2,414,126	3,145,645	
Culture and recreation	1,389,772	730,734	780,818	821,061	524,98	4,295,122	3,949,692	3,855,523	3,503,154	3,833,362	
Community development	3,688,908	3,582,374	3,533,204	3,755,041	3,886,137	742,399	1,327,105	1,862,229	1,456,793	3,964,073	
Interest on long-term debt	3,19,271	119,472	315,202	350,729	322,722	358,094	390,855	312,159	362,384	316,373	
Total governmental activities expenses	19,188,596	17,882,055	19,303,925	19,012,697	21,253,644	20,819,718	19,839,423	21,051,505	21,112,373	23,995,074	
<b>Business-type activities:</b>											
Electric	47,230,530	51,602,697	53,041,348	53,797,494	52,094,660	52,616,382	53,878,327	53,345,934	42,893,008	40,921,590	
Water	3,199,827	7,516,489	7,378,161	7,355,873	6,983,35	6,681,717	7,157,044	7,809,304	7,545,322	8,828,090	
Wastewater	5,295,824	5,296,885	5,886,216	5,886,216	5,671,974	6,140,791	6,283,399	6,340,220	6,342,991	6,823,521	
Nonmajor funds	4,083,288	3,342,902	3,417,407	3,395,374	3,721,550	4,428,421	5,719,665	6,222,424	6,041,827	6,065,762	
Total business-type activities expenses	59,809,469	61,778,973	69,133,896	70,34,956	68,471,618	69,867,311	73,018,435	73,717,982	62,823,148	62,638,964	
Total primary government expenses	79,008,065	85,601,028	88,431,821	89,441,653	89,725,262	90,687,029	92,857,658	94,769,487	85,935,521	86,634,038	
<b>Program revenue:</b>											
Governmental activities:											
Charges for services:											
General government	791,491	521,641	392,192	398,143	372,215	361,568	793,510	540,842	686,853	657,003	
Public safety	54,916	24,170	14,147	2,352	19,221	30,418	343,103	134,763	294,628	321,671	
Public services	15,277	-	-	-	-	-	-	-	-	313,238	
Culture and recreation	145,400	1,388,400	1,497,694	1,85,955	1,759,127	1,028,551	1,384,634	1,265,117	1,475,526	1,462,080	
Community development	946,615	79,757	228,591	116,422	283,327	176,202	444,731	266,498	415,181	185,264	
Operating grants and contributions:											
General government	114,215	14,202	512,067	254,779	12,538	-	-	-	-	-	
Public safety	23,950	187,368	213,028	213,028	234,333	-	-	-	-	-	
Public services	839,612	801,860	764,370	705,617	732,702	715,925	751,206	764,273	717,391	631,630	
Culture and recreation	29,083	-	-	-	-	-	-	-	-	-	
Community development	-	19,525	-	181,981	1,494,872	50,686	110,855	76,379	88,000	520,445	
Capital grants and contributions:											
Public safety	-	-	-	476,000	139,303	115,644	-	-	-	-	
Public services	99,827	462,297	39,407	-	107,557	76,164	54,577	-	-	32,505	
Culture and recreation	-	-	-	-	288,664	288,664	362,000	322,655	-	84,869	
Community development	-	-	-	-	-	-	-	-	-	-	
Total governmental activities program revenue	3,250,386	3,499,220	3,448,468	3,987,249	6,279,755	3,078,155	4,412,735	3,512,870	4,013,448	4,369,750	
<b>Business-type activities:</b>											
Charges for services:											
Electric	48,105,623	53,174,103	55,029,445	55,232,090	52,266,866	53,285,229	55,407,387	55,560,799	56,504,904	47,920,146	
Water	4,867,268	4,880,404	5,453,278	6,265,894	6,384,404	7,533,531	8,952,64	9,144,639	9,144,639	10,607,776	
Wastewater	4,349,850	4,133,136	4,518,939	4,891,058	5,042,058	5,409,255	5,749,226	6,361,226	6,092,050	6,006,997	
Nonmajor funds	3,213,556	3,881,863	4,108,466	4,002,603	4,138,173	5,402,616	6,612,610	6,125,182	6,113,417	6,449,730	
Capital grants and contributions:											
Electric	616,961	1,305,801	1,311,358	150,000	1,253,693	369,221	518,754	610,152	129,490	5,000	
Water	15,000	15,000	16,025	15,029	86,060	-	-	-	-	-	
Wastewater	153,653	1,299,839	2,723,933	1,415,881	1,408,647	86,071	-	-	2,567,185	206,731	1,342,598
Nonmajor funds	-	132,765	-	-	-	-	-	-	-	-	
Total business-type activities program revenues	61,381,911	68,822,911	73,161,444	71,970,555	71,180,001	72,085,923	76,162,382	80,177,308	78,191,231	72,322,247	
Total primary government program revenues	64,632,297	72,322,131	76,609,912	75,957,804	77,459,756	75,164,078	80,575,117	83,690,178	82,204,679	76,701,997	
Net (expense) revenue:											
Governmental activities	(15,948,210)	(14,322,835)	(16,855,457)	(15,025,448)	(14,973,889)	(17,741,563)	(15,426,688)	(17,538,635)	(17,098,925)	(19,625,324)	
Business-type activities	1,572,442	1,043,938	4,027,548	1,535,598	2,708,383	2,18,612	3,143,947	6,459,326	9,693,283	9,693,283	
Total primary government net expense	(14,315,768)	(13,278,897)	(11,821,999)	(13,489,850)	(12,265,306)	(15,522,951)	(12,292,741)	(11,079,309)	(17,139,842)	(9,922,041)	

(Continued)

City of Kinston, North Carolina

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017										
	Fiscal Year																			
General revenues and other changes in net position:																				
Governmental activities:																				
Taxes:																				
Property taxes	8,213,392	8,670,590	9,093,393	8,947,351	9,623,407	9,769,405	10,695,873	10,542,483	10,392,749	10,320,353										
Sales taxes	2,949,288	2,861,603	2,920,385	3,026,606	3,270,969	2,925,258	3,243,976	3,415,939	3,582,107	3,957,420										
Other taxes	1,895,726	2,139,890	1,982,714	2,219,513	2,255,359	2,006,708	2,292,838	2,510,532	2,584,803	2,523,910										
Unrestricted intergovernmental	341,054	357,346	281,404	349,123	360,261	400,259	402,458	371,981	375,763	422,330										
Investment earnings	288,941	88,357	8,370	20,107	20,202	15,240	12,514	12,435	17,605	26,580										
Miscellaneous	286,867	279,008	174,443	223,451	182,766	210,924	276,812	202,349	303,016	218,635										
Transfers	1,509,863	1,024,672	961,627	1,011,000	841,920	1,100,100	772,160	1,454,570	1,180,069	3,157,431										
Capital contributions																				
<b>Total governmental activities</b>	<b>15,485,131</b>	<b>15,421,466</b>	<b>15,422,536</b>	<b>15,797,151</b>	<b>16,554,884</b>	<b>16,427,894</b>	<b>17,696,631</b>	<b>18,510,289</b>	<b>18,436,112</b>	<b>20,624,759</b>										
Business-type activities:																				
Investment earnings	270,067	125,330	11,292	43,004	41,388	34,260	32,704	27,188	48,836	68,041										
Transfers	<u>(1,509,863)</u>	<u>(1,024,672)</u>	<u>(961,627)</u>	<u>(1,011,000)</u>	<u>(841,920)</u>	<u>(1,100,100)</u>	<u>(772,160)</u>	<u>(1,454,570)</u>	<u>(118,069)</u>	<u>(3,157,431)</u>										
<b>Total business-type activities</b>	<b><u>(1,239,796)</u></b>	<b><u>(899,342)</u></b>	<b><u>(950,335)</u></b>	<b><u>(967,996)</u></b>	<b><u>(800,532)</u></b>	<b><u>(1,065,840)</u></b>	<b><u>(739,456)</u></b>	<b><u>(1,427,382)</u></b>	<b><u>(69,233)</u></b>	<b><u>(3,089,390)</u></b>										
<b>Total primary government</b>	<b>14,245,335</b>	<b>14,522,124</b>	<b>14,472,201</b>	<b>14,629,155</b>	<b>15,754,352</b>	<b>15,362,054</b>	<b>16,957,175</b>	<b>17,082,907</b>	<b>18,366,879</b>	<b>17,535,369</b>										
Changes in net position:																				
Governmental activities																				
Business-type activities																				
<b>Total primary government</b>	<b><u>(463,079)</u></b>	<b><u>1,098,631</u></b>	<b><u>(432,921)</u></b>	<b><u>771,703</u></b>	<b><u>1,580,995</u></b>	<b><u>(1,313,669)</u></b>	<b><u>2,269,943</u></b>	<b><u>971,654</u></b>	<b><u>1,337,187</u></b>	<b><u>999,435</u></b>										
	<b><u>\$ 332,646</u></b>	<b><u>144,596</u></b>	<b><u>3,077,213</u></b>	<b><u>567,603</u></b>	<b><u>1,907,851</u></b>	<b><u>1,152,772</u></b>	<b><u>2,040,491</u></b>	<b><u>5,031,944</u></b>	<b><u>15,298,850</u></b>	<b><u>6,603,893</u></b>										
	<b><u>\$ 130,433</u></b>	<b><u>\$ 1,243,227</u></b>	<b><u>\$ 2,644,292</u></b>	<b><u>\$ 1,339,305</u></b>	<b><u>\$ 3,488,846</u></b>	<b><u>\$ (160,897)</u></b>	<b><u>\$ 4,674,434</u></b>	<b><u>\$ 6,003,598</u></b>	<b><u>\$ 16,636,037</u></b>	<b><u>\$ 7,603,328</u></b>										

City of Kinston, North Carolina

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

Function / Program	Fiscal Year					
	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>						
General government	\$ (2,074,383)	\$ (2,058,286)	\$ (2,481,484)	\$ (2,730,837)	\$ (2,914,602)	\$ (3,374,551)
Public safety	(8,891,160)	(9,007,293)	(9,338,454)	(8,595,033)	(9,312,929)	(9,144,852)
Streets, Cemetery & Engineering (Public services)	(885,641)	(804,655)	(1,171,987)	(924,105)	(147,348)	(1,446,812)
Culture and recreation	(2,553,383)	(1,701,677)	(1,996,103)	(1,902,086)	(1,819,453)	(3,190,407)
Community development	(1,224,372)	(631,452)	(552,227)	(522,658)	(487,335)	(226,847)
Interest on long-term debt	(319,271)	(119,472)	(315,202)	(350,729)	(322,222)	(358,094)
<b>Total governmental activities</b>	<b>(15,948,210)</b>	<b>(14,322,835)</b>	<b>(15,855,457)</b>	<b>(15,025,448)</b>	<b>(14,973,889)</b>	<b>(17,741,563)</b>
<b>Business-type activities:</b>						
Electric	1,492,054	2,877,207	3,299,456	1,584,596	1,425,999	1,038,068
Water	1,682,141	(2,621,086)	(1,908,859)	(1,076,980)	87,030	851,814
Wastewater	(792,321)	136,090	1,945,893	420,724	778,732	(645,465)
Nonmajor funds	(809,332)	651,726	691,059	607,230	416,623	974,195
<b>Total business-type activities</b>	<b>1,572,442</b>	<b>1,043,937</b>	<b>4,027,549</b>	<b>1,535,600</b>	<b>2,218,612</b>	<b>3,143,947</b>
<b>Total government</b>	<b>\$ (14,375,768)</b>	<b>\$ (13,278,899)</b>	<b>\$ (11,827,988)</b>	<b>\$ (13,499,848)</b>	<b>\$ (12,265,505)</b>	<b>\$ (15,532,951)</b>

GASB Statement No. 34 Implemented in fiscal year 2003

Source: City records.

City of Kinston, North Carolina

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 2,208,633	\$ 1,978,932	\$ 1,461,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:	1,950,108	2,788,823	3,603,720	89,373	87,020	89,785	85,125	78,720	67,491	73,462
Non-spendable	-	-	-	1,503,278	1,498,228	1,051,988	1,193,123	1,244,509	1,154,417	2,975,492
Restricted	-	-	-	-	-	-	-	-	-	275,615
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	4,034,163	4,632,695	5,797,539	7,042,172	7,288,963	8,308,930	5,882,355
<b>Total General Fund</b>	<b>\$ 4,158,741</b>	<b>\$ 4,767,755</b>	<b>\$ 5,065,393</b>	<b>\$ 5,626,814</b>	<b>\$ 6,217,943</b>	<b>\$ 6,939,312</b>	<b>\$ 8,320,420</b>	<b>\$ 8,612,192</b>	<b>\$ 9,530,838</b>	<b>\$ 9,206,934</b>
All Other Governmental Funds:										
Reserved	\$ 42,652	\$ 42,112	\$ 41,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	39,795	5,662	22,734	-	-	-	-	-	-	-
Major capital projects funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	1,002,639	33,197	(40,971)	-	-	-	-	-	-	-
Permanent Fund	81,694	83,268	83,390	-	-	-	-	-	-	-
Non-spendable in Permanent Fund	-	-	-	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Restricted	-	-	-	2,028,365	2,14,127	265,540	207,636	374,727	326,324	1,407,480
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	245,488	415,238
Assigned in Special Revenue Fund	-	-	-	7,418	8,877	10,633	20,359	29,758	39,379	48,096
Unassigned in capital project	-	-	-	(104,459)	(380,916)	(555,600)	(236,794)	(90,285)	(101,647)	(987,620)
<b>Total all other government funds</b>	<b>\$ 1,166,780</b>	<b>\$ 164,259</b>	<b>\$ 106,725</b>	<b>\$ 4,133,747</b>	<b>\$ 204,253</b>	<b>\$ 135,873</b>	<b>\$ 186,136</b>	<b>\$ 465,472</b>	<b>\$ 584,544</b>	<b>\$ 988,194</b>

City of Kinston, North Carolina

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 7,896,095	\$ 8,608,531	\$ 9,094,918	\$ 8,937,400	\$ 9,607,610	\$ 9,678,780	\$ 10,805,474	\$ 10,633,642	\$ 10,395,234	\$ 10,357,976
Other taxes	4,845,014	5,001,493	4,903,299	5,246,119	5,526,328	4,931,966	5,536,814	5,926,471	6,166,910	6,481,330
Intergovernmental	1,888,669	1,842,598	1,597,248	1,967,500	3,348,925	1,881,675	1,849,215	1,677,631	1,517,023	1,852,724
Charges for services	1,511,054	1,652,192	1,677,717	1,613,184	1,738,320	1,965,774	1,605,774	1,717,067	1,743,150	1,886,305
Other	532,669	349,453	178,769	231,138	199,309	216,847	285,355	117,190	310,582	238,489
<b>Total revenues</b>	<b>16,643,501</b>	<b>17,454,267</b>	<b>17,451,951</b>	<b>17,995,341</b>	<b>20,420,492</b>	<b>18,664,390</b>	<b>20,082,632</b>	<b>20,072,001</b>	<b>20,132,899</b>	<b>20,617,024</b>
Expenditures:										
General government	1,649,345	1,888,916	2,170,499	2,170,354	2,210,601	1,992,856	1,939,339	2,660,498	2,429,822	2,536,238
Public safety	11,511,179	9,992,813	9,557,209	10,131,381	11,416,806	9,346,240	9,114,838	9,532,994	9,841,653	10,341,579
Public services	1,915,880	1,341,391	1,636,134	1,350,374	1,492,119	1,888,996	1,328,145	1,790,674	2,050,263	1,052,312
Culture and recreation	3,322,593	3,364,074	3,267,172	3,421,337	3,557,481	4,272,800	3,919,006	3,988,529	4,101,005	5,214,979
Community development	1,333,933	953,254	765,103	1,327,385	2,845,447	1,083,839	1,653,197	2,244,287	1,893,825	3,762,135
Capital outlay										
Debt service:										
Principal	848,396	5,869,365	704,045	529,865	525,739	387,146	480,604	492,474	518,347	812,354
Interest	324,931	126,173	321,661	312,867	327,446	306,975	388,074	369,378	369,378	352,119
<b>Total expenditures</b>	<b>20,976,257</b>	<b>23,541,986</b>	<b>18,421,823</b>	<b>19,243,563</b>	<b>22,375,639</b>	<b>19,288,852</b>	<b>18,823,203</b>	<b>20,998,834</b>	<b>21,204,293</b>	<b>24,072,316</b>
Excess of revenues (under) expenditures										
	<b>(4,282,756)</b>	<b>(6,087,719)</b>	<b>(969,872)</b>	<b>(1,248,222)</b>	<b>(1,955,147)</b>	<b>(624,462)</b>	<b>1,259,429</b>	<b>(926,833)</b>	<b>(1,071,394)</b>	<b>(3,455,292)</b>
Other financing sources (uses):										
Transfers in	1,536,332	1,026,781	958,941	976,448	1,042,786	832,287	817,690	1,183,984	1,204,345	3,896,134
Transfers out	(249,187)	(318,569)	(176,850)	(365,648)	(611,766)	(227,287)	(506,180)	(187,031)	(555,132)	(738,703)
Issuance of long-term debt	403,401	4,986,000	427,885	3,197,500	3,808,300	431,020	621,038	125,972	1,459,899	347,471
<b>Total other financing sources</b>	<b>1,750,546</b>	<b>5,694,212</b>	<b>1,209,976</b>	<b>3,808,300</b>	<b>4,31,020</b>	<b>1,226,038</b>	<b>437,482</b>	<b>1,273,133</b>	<b>2,109,112</b>	<b>3,504,902</b>
<b>Net changes in fund balance</b>	<b>\$ (2,532,210)</b>	<b>\$ (393,507)</b>	<b>\$ 240,104</b>	<b>\$ 2,560,078</b>	<b>\$ (1,524,127)</b>	<b>\$ 601,576</b>	<b>\$ 1,696,911</b>	<b>\$ 346,300</b>	<b>\$ 1,037,718</b>	<b>\$ 49,610</b>
Debt service as a percentage of noncapital expenditures										
	5.6%	25.5%	5.6%	4.4%	3.8%	3.6%	4.6%	4.1%	4.2%	4.8%

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)
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	216,287,764	23,680,224	420,860,560	17,479,686	4%	0.1020
2013	452,880,005	124,767,842	291,933,252	20,736,647	437,937,741	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	454,372,530	23,125,731	5%	0.0985
2016	465,123,525	122,051,754	307,946,288	15,633,292	445,631,334	19,492,191	4%	0.0719
2017	469,242,017	120,308,096	312,151,523	15,541,895	448,001,514	21,240,503	4%	0.0700

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

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

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Electric Rates	Cents Per KWH						
	2008	2009	2010	2011	2012	2013	2014
Residential	12.7	14.1	14.6	14.7	14.9	14.8	14.7
Small General Service	12.4	14.1	14.6	14.6	14.7	14.8	14.7
Medium General Service	10.3	11.8	12.2	12.3	12.3	12.0	12.5
Public Housing	12.6	13.9	14.4	14.3	14.4	14.6	14.8
Church And School	14.9	16.3	16.9	17.1	17.1	17.2	17.2
Municipal Service	4	5.1	6	6	6	6	6.0
Masterbrand	5.3*	0	0	0	0	0	0.0
Large General Service	8.7	10.7	11	10.8	10.8	10.7	10.6
CDC Rate	6	7	7.6	8.2	8.2	8.5	8.1
Area Lights	22	22	22.8	23.4	23.5	23.7	23.8
							22.4
							22.1

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**

<b>Fiscal Year</b>	<b>Lenoir County</b>	<b>City of Kinston</b>	<b>Municipal Service District</b>	<b>Total Tax</b>
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
2016	0.835	0.660	0.270	1.765
2017	0.835	0.660	0.270	1.805

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 6/30/2017

Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed		Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
				Name of Taxpayer	Value				
Sanderson Farms, Inc	Poultry Processor	\$ 104,157,451	1	Smithfield Packing	6.81%	Meat Processor	\$ 98,144,617	1	2.92%
Smithfield Packing	Meat Processor	92,414,734	2	Unif Kinston LLC	6.04%	Manufacturer	94,493,164	2	2.81%
Carolina Telephone	Meat Processor	60,284,293	3	Electrolux Home Products	3.94%	Manufacturer	45,494,075	3	1.35%
Masterbrand Cabinets, Inc	Manufacturer	19,159,204	4	Progress Energy	1.25%	Utility	31,546,249	4	0.94%
Poole Waller Realty, Inc.	Shopping Center	12,571,288	5	Carolina Telephone	0.82%	Telephone	30,942,069	5	0.92%
BRE Retail/Residual NC Owner LP	Utility	9,330,536	6	Masterbrands Cabinets, Inc.	0.61%	Manufacturer	26,726,200	6	0.80%
Piedmont Natural Gas	Shopping Center	8,178,025	7	West Pharmaceuticals	0.53%	Manufacturer	24,450,900	7	0.73%
Lowes Home Centers	Shopping Mall	7,989,097	8	Lenox, Inc.	0.52%	Manufacturer	21,526,491	8	0.64%
Vernon Park Mall Holding Corp.	Real Estate	7,796,024	9	Walter Poole Realty	0.51%	Real Estate	14,915,943	9	0.44%
Perry's, Inc.	Real Estate	7,709,283	10	E.I. DuPont Denemours, Inc.	0.50%	Manufacturer	14,312,087	10	0.43%
<u>\$ 329,589,915</u>		21.54%		Total Assessed Value of Top Ten Taxpayers		<u>\$ 402,551,795</u>			11.98%
<u>\$1,200,352,509</u>		78.46%		Balance of Assessed Valuation		<u>\$2,955,691,471</u>			88.02%
<u>\$1,529,942,424</u>		100.00%		Total Assessed Valuation		<u>\$3,358,243,266</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	Amount	Total Collections to Date	Percentage of Levy
		Amount	Percentage of Levy	Amount	Percentage of Levy				
2008	2007	7,701,960	0.9522	7,334,167	0.9468	343,284	7,677,451	0.9959	
2009	2008	8,480,980	0.9468	8,029,872	0.9468	414,652	8,444,524	0.9919	
2010	2009	8,888,479	0.9533	8,473,336	0.9533	381,197	8,854,533	0.9909	
2011	2010	8,764,337	0.9543	8,363,449	0.9543	370,143	8,733,592	0.9864	
2012	2011	9,429,114	0.9527	8,983,219	0.9527	405,059	9,389,178	0.9618	
2013	2012	9,533,752	0.9477	9,035,552	0.9477	445,622	9,481,174	0.9945	
2014	2013	10,430,850	0.9609	10,022,906	0.9609	335,089	10,357,995	0.9930	
2015	2014	10,371,023	0.9661	10,019,384	0.9661	265,274	10,284,658	0.9917	
2016	2015	10,215,605	0.9704	9,913,395	0.9704	164,183	10,077,578	0.9865	
2017	2016	10,166,157	0.9692	9,852,755	0.9692	-	9,852,755	0.9692	

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2008-2017

**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.

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 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 Instalments	General Obligation Bonds	
2008	-	-	0	-	8,258,051	12,668,221	0	19,832,648	40,758,920
2009	-	-	0	-	7,241,806	11,113,257	0	15,293,513	33,648,576
2010	-	-	0	-	6,965,646	11,160,112	0	14,339,473	32,465,231
2011	-	-	0	-	9,633,282	9,708,187	0	13,353,874	32,695,343
2012	-	-	0	-	9,107,542	8,279,562	0	12,336,227	29,723,331
2013	-	-	0	-	9,341,134	7,915,246	0	11,280,517	28,537,197
2014	-	-	0	-	8,986,802	6,995,368	0	10,186,195	26,168,365
2015	-	-	0	-	8,781,132	7,113,058	0	9,147,000	25,041,190
2016	-	-	0	-	9,720,559	7,556,524	0	7,787,000	25,064,083
2017	-	-	0	-	9,253,551	8,558,887	0	6,390,000	24,202,438

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

**City of Kinston, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**For the Year Ended June 30, 2017**  
**(Unaudited)**

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Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 57,689,769	40.06%	\$ 23,112,907
<b>Subtotal, overlapping debt</b>	<b>\$ 57,689,769</b>		<b>\$ 23,112,907</b>
City Direct Debt	<u>9,253,551</u>		
<b>Total direct and overlapping debt</b>	<b><u>\$ 66,943,320</u></b>		<b><u>\$ 23,112,907</u></b>

**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, 2017 assessed valuation of \$3,818,733,251 for Lenoir County and \$1,529,942,474 for the City of Kinston.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 101,946,732	\$ 111,203,551	\$ 106,982,646	\$ 105,523,959	\$ 113,508,985	\$ 114,575,354	\$ 125,096,448	\$ 124,575,515	\$ 122,993,612	\$ 122,395,394
Total net debt applicable to limit	20,926,273	18,353,410	18,125,758	19,341,469	17,387,104	17,256,680	15,982,168	15,894,191	17,277,083	17,812,438
Legal debt margin	\$ 81,020,459	\$ 92,810,141	\$ 88,856,888	\$ 86,182,490	\$ 96,121,881	\$ 97,318,674	\$ 109,114,280	\$ 108,681,324	\$ 105,716,529	\$ 104,582,956
Total net debt applicable to the limit as a percentage of debt limit	25.83%	19.82%	20.40%	22.44%	18.09%	17.73%	14.65%	14.62%	16.34%	17.03%
Legal Debt Margin Calculation for Fiscal Year 2017										
Assessed valuation	\$ 1,529,942,424									
8%	122,395,394									
Less applicable debt	<u>(17,812,438)</u>	<sup>A</sup>								
Debt margin	<u>\$ 104,582,056</u>									

**A=** Total government wide debt  
 Less revenue bonds  
 Less compensated absences  
 Less law enforcement separation allowance  
 Less separation allowance  
 Less other post employment benefits

**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	Special Assessment Collections	Debt Service Principal	Interest	Coverage	Sales Tax Increment	Debt Service Principal	Interest	Coverage
				Interest								
2008	\$ 57,592,808	\$ 52,842,641	\$ 4,750,167	\$ 2,244,393	1,217,959	\$ 699,457	2,48	-	\$ -	\$ -	\$ -	-
2009	62,189,411	59,945,018	61,103,976	3,790,514	1,363,251	754,475	1,06	-	-	-	-	-
2010	64,894,490	61,739,024	4,371,113	1,399,715	1,368,156	667,936	1,86	-	-	-	-	-
2011	66,310,137	59,246,780	4,955,444	1,431,162	621,036	621,036	2,26	-	-	-	-	-
2012	64,196,224	56,995,859	5,110,117	1,792,828	573,795	573,795	2,47	-	-	-	-	-
2013	66,105,976	62,487,584	5,903,563	1,747,182	690,238	690,238	2,06	-	-	-	-	-
2014	68,391,147	62,525,807	7,704,965	1,696,937	629,280	629,280	2,48	-	-	-	-	-
2015	70,230,772	49,350,688	15,724,845	1,965,880	572,242	572,242	3,40	-	-	-	-	-
2016	64,775,533	52,386,519	11,994,730	2,004,999	327,393	327,393	6,73	-	-	-	-	-
2017	64,481,249				273,653	273,653	5,26	-	-	-	-	-

## City of Kinston, North Carolina

### Demographic and Economic Statistics

#### Last Ten Fiscal Years

(Unaudited)

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Fiscal Year Ended June 30	Population (1)	Per Capita Income (2)	School Enrollment (3)	County Unemployment Rate (4)
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%
2016	21677	(5)	8,866	5.2%
2017	20923	(5)	8,595	4.2%

Sources:

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

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

City of Kinston, North Carolina

Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

Employer	2017			2008			
	Employees	Rank	Percentage of Total County Employment	Employer	Employees	Percentage of Total County Employment	
Lenoir County Public Schools	1,553	1	5.69%	Caswell Center	1,634	1	5.89%
Sanderson Farms	1,239	2	4.54%	Lenoir County Public Schools	1,310	2	4.72%
Lenoir Memorial Hospital	943	3	3.45%	Lenoir Memorial Hospital	1,100	3	3.96%
Smithfield Foods Inc.	730	4	2.67%	Masterbrand	1,053	4	3.80%
Aristofraft/Decora/Schrock	585	5	2.14%	Electrolux Home Products	853	5	3.07%
Electrolux Home Products	570	6	2.09%	Associated Materials, Inc	635	6	2.29%
Spirit Aerosystems	567	7	2.08%	Smithfield Packing company	609	7	2.19%
Lenoir County	480	8	1.76%	Lenoir Community College	520	8	1.87%
City of Kinston	384	9	1.41%	Vernon Park Mall	500	9	1.80%
Lenoir Community College	244	10	0.89%	Lexon China	432	10	1.56%
Total	<u>7,295</u>		<u>26.73%</u>	Total	<u>8,646</u>		<u>31.16%</u>

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)

Functions/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	3	3	4	2	2	2	2	2	3
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	4	4	2	3	3	3	3	3	3	3
Finance	12	12	12	12	12	13	13	13	14	14
Computer Services	3	3	3	3	3	4	4	4	4	4
Building Safety	2	2	2	2	2	4	4	4	4	4
Planning	3	3	2	2	2	2	2	2	2	3
Parks and Recreation:										
General & Administrative	6	6	4	4	4	4	4	5	5	3
Recreation	29	29	26	29	29	26	30	30	30	33
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	77	77	76	76	76	76	76	76	76	76
Civilians	9	9	8	8	8	10	10	10	10	74
Fire:										
Firefighters and Officers	54	54	49	49	49	48	48	48	48	48
Civilians	2	2	2	2	2	1	1	1	1	1
Public Services:										
Administration	9	9	9	9	9	9	9	9	9	9
Billing and Customer Service	18	16	15	15	15	15	15	15	15	10
Meier Services	7	7	7	7	7	9	9	9	9	14
Engineering	9	11	9	9	9	9	9	9	9	4
Street Maintenance	11	11	11	11	11	11	11	11	11	9
Street Sweeping	-	-	-	-	-	-	-	-	-	9
Refuse Collection	26	26	27	27	27	27	27	27	27	11
Weed Control	1	1	1	1	1	1	1	1	1	27
Central Garage	9	10	9	10	10	10	10	10	10	1
Street Lighting	-	-	-	-	-	-	-	-	-	10
Traffic Control	2	2	2	2	2	2	2	2	2	1
Electric:										
Distribution	21	22	22	22	22	22	22	22	22	22
Water:										
Transmission	25	25	25	25	25	24	24	24	24	24
Purification	3	3	3	3	3	6	6	6	6	6
Sewer Maintenance	13	14	14	14	14	14	14	14	14	14
Stormwater	6	7	7	7	7	7	10	10	10	10
Other Programs/Functions:										
Risk Management	3	3	3	3	3	2	2	2	2	2
<b>Total</b>	<b>375</b>	<b>379</b>	<b>360</b>	<b>366</b>	<b>364</b>	<b>368</b>	<b>375</b>	<b>376</b>	<b>377</b>	<b>384</b>

Source: Prior year CAFRS  
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						2016	2017
	2008	2009	2010	2011	2012	2013		
<b>Police:</b>								
Calls for service	32,213	32,886	33,101	29,767	30,753	28,944	26,954	27,679
Adult arrest	3,008	2,755	3,553	2,896	3,240	2,823	2,392	2,638
Juvenile arrest	161	122	89	97	117	130	97	62
Speeding citations only	1,280	392	837	771	572	488	525	464
Traffic citations	5,677	3,567	4,374	3,554	4,081	3,870	3,916	2,222
Fire:								
Total fire runs	870	843	185	764	908	898	536	1212
Total rescue runs	121	151	117	92	90	96	195	777
Property loss	\$ 642,430	\$ 791,822	\$ 472,680	\$ 2,124,175	\$ 1,194,425	\$ 11,441,115	\$ 726,548	\$ 626,006
Building safety:								
Total building permits	115	98	83	102	104	109	114	93
Total value all permits	\$ 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	99,905	235,108	233,466	245,837	237,195	244,343	198,083	164,554
Public service:								
Garbage collected (ton)	19,937	21,254	19,108	17,222	16,744	21,017	17,972	18,204
Recycle collected (ton)	836,48	563,21	637,56	655,1	657,53	628	615	620
Parks and Recreation:								
Recreation program attendance:								
Athletics	172,000	175,000	202,000	204,500	208,300	205,100	202,100	204,150
Centers & Parks	520,000	518,000	520,000	522,000	552,000	547,000	625,000	592,000
Other Programs	116,000	122,000	118,000	116,300	118,000	123,000	128,000	125,000
Golf Rounds Played	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					
	2008	2009	2010	2011	2012	2013
Police:						
Stations	3	3	3	5	2	1
Fire & Rescue	3	3	3	3	3	3
Fire Stations	3	3	3	3	3	3
Refuse Collection:						
Collection Trucks	25	25	25	25	25	25
Other Public Works						
Streets (Miles)	114.91	114.91	114.91	114.83	117.1	115.11
Streets Lights	2106	2106	2106	2106	2065	2065
Traffic Signals	15	15	15	15	15	15
Parks & Recreation:						
Acreage	300	300	300	332	349	332
Parks	15	15	15	15	15	15
Golf Course	1	1	1	1	1	1
Baseball/Softball Diamonds	26	26	26	26	26	26
Soccer/Football Fields	13	13	13	13	13	13
Basketball Courts	4	4	4	4	6	6
Tennis Courts	17	17	17	17	17	17
Swimming Pools	2	2	2	3	4	4
Parks with Playground Equipment	8	8	8	8	8	8
Picnic Shelters	8	8	8	8	8	8
Community Centers	5	5	5	6	7	7
Museums	2	2	2	2	2	2
Stadium	4200 seat					
Airport Theater	0	0	0	0	0	0
Indoor Baiting Facility	1	1	1	1	1	1
Natural Sites	5	5	5	5	5	5
Gymnasium	4	4	4	5	6	6
Spray Ground	1	1	1	1	1	1
Dog Park	1	1	1	1	1	1
Library:						
Facilities	1	1	1	1	1	1
Volumes	99,905	235,108	233,466	245,837	237,195	244,343
Water:						
Storage Capacity (MGPD)	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD
Average Daily Consumption (MGPD)	3.49MGD	2.94MGD	3.41MGD	4.14MGD	4.4MGD	4.58MGD
Peak Consumption (MGPD)	5.12MGD	5.07MGD	5.11MGD	8.19MGD	10.4MGD	9.4MGD
Miles of Water Mains	214.4	214.7	214.7	216.76	216.76	216.76
Wastewater:						
Sanitary Sewers (miles)	211.4	211.4	212.98	213.24	213.24	216.77
Storm Sewers (miles)	62.4	62.4	55.39	55.39	55.39	55.39
Average Daily Flow	4,640MGD	4,290MGD	5,090MGD	4,240MGD	4,690MGD	5,760MGD
Electric:						
Average Daily Usage	1,373,015 KWH	1,219,047 KWH	1,197,294 KWH	1,152,495 KWH	1,198,459 KWH	1,230,139 KWH
Mile of Distribution Lines	430	430	430	430	430	435
Source: Various City records						

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