

**CITY OF KINSTON  
NORTH CAROLINA**

**COMPLIANCE LETTERS**

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

# CITY OF KINSTON, NORTH CAROLINA

## COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2017

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

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

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards**

### **Independent Auditor's Report**

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

We have audited, in accordance with the 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, the 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, and have issued our report thereon dated January 16, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Kinston's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kinston's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kinston's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as items 2017-001 and 2017-002 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Kinston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2017-002.

### **City of Kinston's Responses to Findings**

The City of Kinston's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness or the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
January 16, 2018

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

*“A Professional Association of Certified Public Accountants and Management Consultants”*

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; Report On The Schedule Of Expenditures Of Federal And State Awards; In Accordance With OMB Uniform Guidance; And the State Single Audit Implementation Act**

### **Independent Auditor’s Report**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Kinston’s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Kinston’s major federal programs for the year ended June 30, 2017. The City of Kinston’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management’s Responsibility**

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Kinston’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kinston’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Kinston's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Kinston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the City of Kinston is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kinston's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kinston's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Kinston's basic financial statements (not presented herein). We have issued our report thereon dated January 16, 2018, which contained unmodified opinions on those financial statements. Our audit

was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Uniform Guidance, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
January 16, 2018

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; Report On The Schedule Of Expenditures Of Federal And State Awards; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

### **Report on Compliance for Each Major State Program**

We have audited the City of Kinston's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Kinston's major State programs for the year ended June 30, 2017. The City of Kinston's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Kinston's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Kinston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Kinston's compliance.

### **Opinion on Each Major State Program**

In our opinion, the City of Kinston complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the City of Kinston is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Kinston's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kinston, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Kinston's basic financial statements (not presented herein). We have issued our report thereon dated January 16, 2018, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements. The accompanying Schedule of Expenditures of Federal

and State Awards is presented for purposes of additional analysis as required by the Uniform Guidance, and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
January 16, 2018

# CITY OF KINSTON, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

### 1. Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None reported

Non-compliance material to financial statements noted? Yes

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of major federal programs:

#### Program Name

#### CFDA #

Disaster grants – Public Assistance  
(Presidentially Declared Disasters)  
Clean Water State Revolving Fund Cluster

97.036  
66.458

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

No

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

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **1. Summary of Auditor's Results (continued)**

##### **State Awards**

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major  
State programs

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with the State Single Audit  
Implementation Act?

No

Identification of major State programs:

##### **Program Name**

Disaster grants – Public Assistance (Presidentially Declared Disasters)

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

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Financial Statement Findings**

##### **Material Weakness**

##### **Finding 2017-001 Lack of Segregation of Duties**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Due to the limited number of personnel in the City's Finance Office, there are inherent limitations to segregation of duties among the City personnel. Presently, a single individual maintains the general ledger and has full access to make adjustments in the general ledger system.

**Effect:** Errors in financial reporting could occur and not be detected.

**Cause:** There are a limited number of personnel for certain functions.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-001.

**Recommendation:** Access to the books and records of the City should be separated from access to the assets of the City as much as possible. Non-financial staff should review an adjustment report on a monthly basis to detect unauthorized adjustments to general ledger.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees and is aware of the weakness but, due to cost benefit analysis, hiring personnel does not appear to be feasible at this time. Management has made compensating changes through duty reassignments, review and software controls.

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

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017**

#### **2. Financial Statement Findings**

##### **Material Weakness**

##### **Finding 2017-002**

**Criteria:** Per G.S. 159-13, the full amount of any deficit in each fund shall be appropriated in the budgeting process.

**Condition:** There were violations of the General Statutes regarding deficit fund balance in several funds.

**Cause:** The City adopted balanced budgets; but did not appropriate fund balance sufficient to correct deficits.

**Effect:** The City was in violation of North Carolina State Statutes.

**Identification of a Repeat Finding:** This is a repeat finding from the immediate previous audit, 2016-002.

**Recommendation:** The City should implement monitoring controls to ensure the funds are not operating in a deficit.

**Views of Responsible Officials and Planned Corrective Actions:** Management will monitor costs related to these funds and will take measures to ensure these funds do not operate in a deficit in the future. Future transfers will be used to offset any deficits.

#### **3. Federal Award Findings and Questioned Costs**

None reported

#### **4. State Award Findings and Questioned Costs**

None reported

**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**

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

### **CORRECTIVE ACTION PLAN**

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

#### **2. Financial Statement Findings**

##### **Material Weakness**

##### **Finding: 2017-001**

**Name of Contact Person:** Donna Goodson, Finance Director

**Corrective Action/Management's Response:** Management concurs with the finding and will continue to implement additional segregation of duties.

**Proposed Completion Date:** Management will implement the above procedure immediately.

##### **Material Weakness**

##### **Finding: 2017-002**

**Name of Contact Person:** Donna Goodson, Finance Director

**Corrective Action/Management's Response:** The Finance Director will monitor funds to identify areas where transfers may be required to ensure funds are not operating in a deficit.

**Proposed Completion Date:** Management will implement the above procedure immediately.

**CITY OF KINSTON, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Finding 2016-001-** Repeated as 2017-001

**Finding 2016-002-** Repeated as 2017-002

## CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| Grantor/Pass-Through<br>Grantor/Program Title   | Federal<br>CFDA<br>Number | State<br>Pass-Through<br>Grantor's<br>Number | Federal<br>Direct and<br>Pass-Through<br>Expenditures | State<br>Expenditures | Pass-Through<br>to<br>Subrecipients |
|---|---------------------------|--|---|-----------------------|-------------------------------------|
| <b>Federal Grants:</b>  |                           |  |   |                       |                                     |
| <b>Cash Programs:</b>   |                           |  |   |                       |                                     |
| <b>US Department of Housing and Urban Development</b>   |                           |  |   |                       |                                     |
| Office of Community Planning and Development  |                           |  |   |                       |                                     |
| Passed-through North Carolina Housing Finance Agency  |                           |  |   |                       |                                     |
| Home Investment Partnerships Program  | 14.239                    | ESFRLP16                                     | \$ 5,824  | \$ -                  | \$ -                                |
| <b>Total US Department of Housing and Urban Development</b>   |                           |  | 5,824   | -                     | -                                   |
| <b>US Department of Homeland Security</b>   |                           |  |   |                       |                                     |
| <b>Federal Emergency Management Agency (FEMA)</b>   |                           |  |   |                       |                                     |
| Passed-through the NC Department of Public Safety   |                           |  |   |                       |                                     |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)                               | 97.036                    | FEMA-4285-DR-NC                              | 1,481,757   | 493,919               | -                                   |
| <b>Total US Department of Homeland Security</b>   |                           |  | 1,481,757   | 493,919               | -                                   |
| <b>US Department of Justice</b>   |                           |  |   |                       |                                     |
| <b>Bureau of Justice Assistance</b>   |                           |  |   |                       |                                     |
| Passed-through the NC Department of Public Safety   |                           |  |   |                       |                                     |
| Edward Byrne Memorial Justice Assistance Grant Program - 2015   | 16.738                    | 2015-DJ-BX-0938                              | 12,152  |                       |                                     |
| Edward Byrne Memorial Justice Assistance Grant Program - 2016   | 16.738                    | 2016-DJ-BX-1047                              | 28,075  | -                     | -                                   |
|   |                           |  | 40,227  | -                     | -                                   |
| <b>Bureau of Justice Assistance</b>   |                           |  |   |                       |                                     |
| <b>Direct Program</b>   |                           |  |   |                       |                                     |
| Bulletproof Vest Partnership Program  | 16.607                    | N/A  | 16,888  | -                     | -                                   |
| <b>Criminal Division</b>  |                           |  |   |                       |                                     |
| <b>Direct Program</b>   |                           |  |   |                       |                                     |
| Equitable Sharing Program   | 16.922                    | N/A  | 17,667  | -                     | -                                   |
| <b>Total US Department of Justice</b>   |                           |  | 74,782  | -                     | -                                   |
| <b>US Environmental Protection Agency</b>   |                           |  |   |                       |                                     |
| <b>Office of Solid Waste and Emergency Response</b>   |                           |  |   |                       |                                     |
| Brownfields Assessment and Cleanup Cooperative Agreements- Martin Luther King, Jr. Boulevard Corridor | 66.818                    | EPA Grant #00D26314                          | 107,802   | -                     | -                                   |
| Passed-through N.C. Department of Environmental Quality   |                           |  |   |                       |                                     |
| Division of Water Infrastructure  |                           |  |   |                       |                                     |
| Clean Water State Revolving Fund Cluster:   |                           |  |   |                       |                                     |
| Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction                | 66.458                    | E-SRF-CS370527-08 & 09                       | 2,605,014   | -                     | -                                   |
| Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction                | 66.458                    | E-SRF-CS370527-11                            | 1,845   | -                     | -                                   |
| Total Clean Water State Revolving Fund Cluster  |                           |  | 2,606,859   | -                     | -                                   |
| <b>Total U.S. Environmental Protection Agency</b>   |                           |  | 2,714,661   | -                     | -                                   |
| <b>Total Assistance - Federal Programs</b>  |                           |  | 4,277,024   | 493,919               | -                                   |
| <b>State Grants:</b>  |                           |  |   |                       |                                     |
| <b>Cash Assistance:</b>   |                           |  |   |                       |                                     |
| <b>NC Department of Transportation</b>  |                           |  |   |                       |                                     |
| Non-State System Street Aid Allocation (Powell Bill)  |                           | DOT-4  | -   | 609,049               | -                                   |
| <b>Total NC Department of Transportation</b>  |                           |  | -   | 609,049               | -                                   |
| <b>NC Department of Environmental Quality</b>   |                           |  |   |                       |                                     |
| Division of Water Infrastructure  |                           |  |   |                       |                                     |
| Wastewater Asset Management Grant   |                           | Project #E-AIA-W-16-0005                     | -   | 110,264               | -                                   |
| <b>Total NC Department of Environmental Quality</b>   |                           |  | -   | 110,264               | -                                   |
| <b>Total Assistance - State Programs</b>  |                           |  | -   | 719,313               | -                                   |
| <b>Total assistance</b>   |                           |  | \$ 4,277,024  | \$ 1,213,232          | \$ -                                |

## CITY OF KINSTON, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

#### Notes to the Schedule of Expenditures of Federal and State Awards:

##### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Kinston under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Kinston, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Kinston.

##### **2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Kinston has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

##### **Note 3: Loans Outstanding**

The City of Kinston had the following loan balances outstanding at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2017 consists of:

| <b>Program Title:</b>  | <b>CFDA #</b> | <b>Pass-Through Grantor<br/>Number</b>        | <b>Amount<br/>Outstanding</b> |
|--|---------------|---|-------------------------------|
| Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction | 66.458        | E-SRF-CS370527-08 & 09; E-<br>SRF-CS370527-11 | \$ <u>1,280,557</u>           |