

**CITY OF KINSTON,
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For The Year Ended June 30, 2019

CITY OF KINSTON, NORTH CAROLINA
Table of Contents
June 30, 2019

Exhibit

Page

Introductory Section

Letter of Transmittal.....	i-xv
List of Principal Officials.....	xvi
Organizational Chart.....	xvii
Certificate of Achievement for Excellence in Financial Reporting.....	xviii

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis	3

Basic Financial Statements:

Government-wide Financial Statements:

1	Statement of Net Position	14
2	Statement of Activities	15

Fund Financial Statements:

3	Balance Sheet – Governmental Funds.....	16
3	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund.....	20
6	Statement of Net Position – Proprietary Funds	21
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22
8	Statement of Cash Flows – Proprietary Funds	23
	Notes to the Financial Statements	24

Required Supplemental Financial Data:

1	Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll- Law Enforcement Officer's Special Separation Allowance	81
2	Schedule of Total Pension Liability as a Percentage of Covered Payroll- Law Enforcement Officer's Special Separation Allowance.	82
3	Schedule of Changes in Total Pension Liability- Special Separation Allowance	83
4	Schedule of Total Pension Liability as a Percentage of Covered Payroll- Special Separation Allowance	84
5	Other Post-Employment Benefits- Retiree Health Plan	85
6	Local Government Employees' Retirement System Proportionate Share of Net Pension Liability (Asset)	86
7	Local Government Employees' Retirement System City of Kinston's Contributions	87

CITY OF KINSTON, NORTH CAROLINA
Table of Contents
June 30, 2019

<u>Schedule</u>		<u>Page</u>
Individual Fund Statements and Schedules:		
General Fund		
1	Balance Sheet- General Fund	88
2	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	89
Governmental Fund Types		
3	Combining Balance Sheet for Non-Major Governmental Funds	91
4	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds.....	92
Special Revenue Funds		
5	Combining Balance Sheet- Nonmajor Special Revenue Funds.....	93
6	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	94
7	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development Administration	95
8	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Bullet Proof Vest Partnership Grant.....	96
9	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – 2015 Edward-Byrne Memorial JAG Grant.....	97
10	Schedule of Revenues, Expenditures, and Changes in Fund Balance– Budget and Actual – 2016 Edward-Byrne Memorial JAG Grant.....	98
11	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Seizure and Restitution Fund.....	99
12	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – NCHFA 2016 Essential; Single-Family Rehabilitation.....	100
13	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hurricane Matthew – FEMA- 4825-DR-NC.....	101
14	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – NCHFA 2017 Essential; Single-Family Rehabilitation.....	102
15	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hurricane Matthew – FEMA- 4393-DR-NC.....	103
16	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Downtown Kinston Mural Project.....	104
17	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – 2017 Edward Byrne Memorial JAG Grant.....	105
18	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – GCC 2018 Juvenile Justice Grant.....	106

CITY OF KINSTON, NORTH CAROLINA
Table of Contents
June 30, 2019

Schedule

Page

Nonmajor Capital Project Fund (Continued)

19	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Brownsfield Assessment and Cleanup Grant.....	107
20	Combing Balance Sheet – Nonmajor Capital Projects Fund.....	108
21	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Capital Project Funds	109
22	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Retro-Green Capital Project	110
23	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – College Street Railroad Crossing Project	111
24	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Small Projects	112
25	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Fire Pumper Truck.....	113
26	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Grainger Stadium Improvements.....	114
27	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –Neighborhood Rev and Rec.....	115
28	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Doctors Drive Road and Utility Extension Project.....	116
29	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Queen Street Redesign & Construction	117
30	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Fire Ladder 2019	118

Permanent Fund

31	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –Temple Israel Perpetual Care Fund	119
----	---	-----

Enterprise Funds

32	Schedule of Revenues and Expenditures – Budget and Actual – Electric Fund (Non-GAAP).....	120
33	Schedule of Revenues and Expenditures – Budget and Actual – Electric Capital Project Fund (Non-GAAP)	122
34	Schedule of Revenues and Expenditures – Budget and Actual – Water Fund (Non-GAAP).....	123
35	Schedule of Revenues and Expenditures – Budget and Actual – Water Capital Project Fund (Non-GAAP)	125
36	Schedule of Revenues and Expenditures – Budget and Actual – Wastewater Fund (Non-GAAP).....	126
37	Schedule of Revenues and Expenditures – Budget and Actual – Wastewater Capital Project Fund (Non-GAAP)	128

CITY OF KINSTON, NORTH CAROLINA

Table of Contents

June 30, 2019

Schedule

Page

Nonmajor Enterprise Funds

38	Combining Statement of Fund Net Position- Nonmajor Enterprise Funds	129
39	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	130
40	Combining Statement of Cash Flows – Nonmajor Enterprise Funds	131
41	Schedule of Revenues and Expenditures – Budget and Actual – Environmental Services (Non-GAAP)	132
42	Schedule of Revenues and Expenditures – Budget and Actual – Stormwater (Non-GAAP)	134
43	Schedule of Revenues and Expenditures – Budget and Actual – Stormwater Capital Project Fund (Non-GAAP)	136
44	Schedule of Revenues and Expenditures – Budget and Actual – Kinston Community Center Fund (Non-GAAP)	137

Internal Service Funds

45	Combining Statement of Fund Net Position – Internal Service Funds	138
46	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	139
47	Combining Statement of Cash Flows – Internal Service Funds	140
48	Schedule of Revenues and Expenditures – Financial Plan and Actual – Health Self-Insurance Fund (Non-GAAP)	141
49	Schedule of Revenues and Expenditures – Financial Plan and Actual – Employee Health Fund (Non-GAAP)	142
50	Schedule of Revenues and Expenditures – Financial Plan and Actual – Fleet Maintenance Fund	143
51	Schedule of Revenues and Expenditures – Financial Plan and Actual – Warehouse Fund ..	144
52	Schedule of Revenues and Expenditures – Financial Plan and Actual – Public Services Administration Fund (Non-GAAP)	145
53	Schedule of Ad Valorem Taxes Receivable	147
54	Analysis of Current Tax Levy – City-Wide Levy	148

Table

Statistical Section (unaudited)

1	Net Position by Component	149
2	Changes in Net Position	150
3	Program Revenues by Function/Program	154
4	Fund Balances, Governmental Funds	155
5	Changes in Fund Balance, Governmental Funds	156
6	The Electric System	157
7	Electric Rates	158
8	Property Tax Rates	159

CITY OF KINSTON, NORTH CAROLINA

Table of Contents

June 30, 2019

Table

Statistical Section (unaudited) (Continued)

9	Principal Taxpayers.....	160
10	Property Tax Levies and Collections	161
11	Ratio of Net General Bonded Debt Outstanding by Type	162
12	Direct and Overlapping Governmental Activities Debt.....	163
13	Legal and Debt Margin Information	164
14	Pledged-Revenue Coverage.....	165
15	Demographic and Economic Statistics	166
16	Principal Employers.....	167
17	Full-Time Equivalent City Government Employees by Functions/Programs	168
18	Operating Indicators by Function/Program	170
19	Capital Asset Statistics by Function/Program	171

Compliance Section

Independent Auditors' 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	173
Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance with Uniform Guidance and the State Single Audit Implementation Act.....	175
Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance with Uniform Guidance and the State Single Audit Implementation Act.....	178
Schedule of Findings and Questioned Costs.....	181
Corrective Action Plan	185
Summary Schedule of Prior Year Audit Finding.....	186
Schedule of Expenditures of Federal and State Awards	187

INTRODUCTORY SECTION

Letter of Transmittal

List of Principal Officials

Organizational Chart

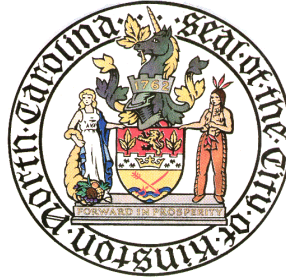
GFOA Certificate of Achievement for Excellence in Financial Reporting

TONY SEARS
City Manager

JAMES P. CAULEY
City Attorney

DEBRA THOMPSON
City Clerk

City of Kinston



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

Councilmembers:
ROBERT SWINSON
SAMMY AIKEN
ANTONIO HARDY
KRISTAL SUGGS

April 10, 2020

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, 2019, is hereby submitted. The basic financial statements contained herein have been audited by the independent certified public accounting firm of Rives & Associates, LLP, 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.

PROFILE OF THE GOVERNMENT

The City of Kinston, incorporated in 1762, is located 75 miles east of Raleigh, the State Capitol, and 60 miles west of the Atlantic Ocean, is the largest municipality in Lenoir County and serves as the County seat. The City is empowered to levy a property tax on real property located within its boundaries. The 2010 census population for the City report population as 21,677.

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

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

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

The City is centrally located to several growing communities including New Bern, Jacksonville, Goldsboro, and Greenville, all less than an hour away. The City is easily accessible by US Highways 70 and 258, and NC Highways 11, 55 and 58. Major industries located within the governments boundaries or in close proximity include hospitals and healthcare facilities, agriculture, manufacturers of aerospace, pharmaceutical, textile, food products, housewares, machining, durable goods, chemicals and consumables, and retail stores. The community currently has a 3.4 percent unemployment rate compared to a statewide rate of 4.0 percent and a national average of 4.0 percent. Overall, the value of new construction, repair and renovation was \$14.1 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

Christmas in Pearson Park was devised as an annual economic development endeavor to make Kinston a season-long holiday destination location to encourage more activity in the downtown area. \$35,000 was raised through grassroots efforts in 3 weeks to kick-start it. With this, a 30'T commercial Christmas tree and other lights were purchased. The tree was deemed by many as a symbol of the rebirth of our

downtown. The 3-5 year plan was to grow it annually with decorations and increased marketing in hopes of 1.) expanding into Neuseway Nature Park that is visually connected to Pearson Park across the Neuse River, 2.) to spur economic revitalization of the Mitchelltown National Register Historic Neighborhood, 3.) to drive business to downtown merchants, and 4.) increase our tourism numbers. The results were 1.) we were able to share lights with Neuseway Nature Park in year one, 2.) Mitchelltown immediately saw increased activity in real estate sales and reinvestment with one home in particular receiving a restoration in excess of \$300K with others being purchased two at a time, 3.) businesses throughout the County, and particularly downtown, benefited from this new attraction, and 4.) social media and print marketing delivered tourism dollars throughout the season. Interest, awareness, spending in and use of Neuseway Nature Park also increased as a result.

Mother Earth Brewery celebrated its 10 year anniversary with a block party that was enjoyed by 2,000 people who were also enjoying the downtown businesses. Mother Earth Brewery (along with its Mother Earth Distillery and Mother Earth Motor Lodge) has been and remains a key economic engine for downtown Kinston. A remodel of the interior also occurred and this is a hot spot for locals as well as many weekend visitors.

Queen Street received the North Carolina Planning Association award for its redesign consisting of a road diet that reduced it from a 4-lane to 2-lane thoroughfare, parallel parking transformed to diagonal, new landscaping and programmable LED lighting, refurbished historic street lights and new street signs, and street furnishings. Negative economic impact to Queen Street businesses during construction was mitigated with weekly contractor meetings and constant news updates along with social media promotions and pedestrian access and parking signage. Without the engagement of the City and Pride of Kinston Downtown Revitalization in helping promote business while the street was under construction, the economic impact could have been devastating for some merchants. Now completed, parking spaces are filled and the merchants and public are happy and impressed. This \$2.5MM public investment in downtown has created a need for more business spaces and was instrumental in several building purchases.

Two adjacent burned buildings on E Gordon Street were acquired by a California developer who with assistance from historic tax credits transformed the buildings into 4 spacious, market-rate apartments that leased immediately upon completion, igniting interest in further such development.

The annual Kinston Summerfest concert series showcases 6 top North Carolina bands performing a variety of music that include blues, funk, beach, and top-40 dance songs from June through August. This early evening event attracts many outdoor concert-lovers to Pearson Park downtown to enjoy great performances by major bands like Liquid Pleasure and Big Joe Maher and the Dynafloes with world-renowned guitarist Anson Funderbergh before and or after dining and drinks at local establishments.

Kinston has turned a corner. With our geographical location to major cities and proximity to recreation, as well as a healthy real estate market, we see new families relocating here, retirees returning, and a strong, growing entrepreneurial spirit.

MAJOR INITIATIVES

Fiscal Year 2018-2019 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

Merging Departments

The Planning Department has joined forces with the Inspections Department, into one unified department. We are excited about the merger and looking forward to making progress for our built environment here in Kinston. The merger was effective January 1st, but has been the product of a developing relationship and connection for years prior. We look forward to continued work together to make the City of Kinston a better place for all its residents.

Grants

The Planning Department continues to seek grants and has received multiple grants in this fiscal year; namely, the CBDG-Neighborhood grant has funded the City \$750,000 to provide housing rehabilitation and improvements to the Holloway Recreation Center. Additionally, the City has received \$190,000 for housing rehabilitation from the NC Housing Finance Agency. Finally, the City was informed recently that it has received a \$48,000 grant from NC Department of Transportation to help fund a pedestrian plan, connecting all existing pedestrian projects within the City.

Certifications

The Planning Department, now unified as Planning and Inspections, calls for more duties across multiple disciplines. In order for the planning side to be versed in inspections work, the director and other staff will endeavor to get certified in level one inspections trades; conversely, the inspections staff will be afforded opportunities to train and familiarize themselves with local zoning and planning practices and be certified zoning officials and floodplain managers when possible.

UNC School of Government

The Planning Department will continue its relationship with the UNC School of Government, partnering and contracting special projects to help improve and spur development in Kinston. Furthermore, planning staff is investigating a new program that will help fund full time staff here at the City at only part time cost, giving the City of Kinston and the Planning and Inspections Department access to new graduates who have specialized interest in Kinston and our ongoing planning projects.

KINSTON POLICE DEPARTMENT

FY 2019 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 was awarded funding giving us the ability to purchase 16 ballistic vests, which is what was needed this year. Kinston Police Department was awarded the amount of \$11,317.42. The grant consists of \$5,658.71 in federal funds and of \$5,658.71 in local funds.

FY 2017 JAG Grant (DOJ): The 2017 JAG Grant: KPD was awarded the 2017 JAG Grant in conjunction with LCSO to be split 50/50. There was a hold on this federal funding and was released during this current fiscal year. KPD was awarded funding for the purchase of riot and crowd control equipment for 26 of our officers. 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. The award amount to KPD was \$15,173.50.

2018 Governor's Crime Commission Grant (Juvenile Justice Disproportionate Minority Contact): This grant has provided resources and funding to assist KPD in learning new strategies to identify and prevent disproportionate minority contact. Together we are developing a community-wide strategy for combating DMC from law enforcement to youth to community-based organizations. The organization You & Five-0 has been contracted to provide an educational program to address the unrest between law enforcement agencies and their communities. This grant was awarded in the amount of \$99,683.

Youth Diversion Program

KPD has continued to utilize additional resources, such as Southeast Community Resources, Racial Equity Initiative, as well as You & Five.0 to divert youth from criminal activity and place them into settings of positive environments.

Equipment and Vehicles

KPD has begun the process of upgrading their patrol vehicles; 10 new marked patrol vehicles were released in 2019.

Additional ECW and body cameras replaced old and/or damaged equipment. We will continue to seek additional ECWs and body cameras each year.

KPD has begun the process to upgrade our MDTs with new tablets that cost much less but serve the same function. We have ordered 8 for this year with additional tablets tabled for the next year's budget.

KPD has outfitted a new Honor Guard team that will assist with professional functions.

KPD has updated the entire fleet of firearms (handguns) for our officers. We switched from the Sig Saur to the Glock.

KINSTON DEPARTMENT OF FIRE & RESCUE

The Department provides fire and rescue emergency response to the City and our customers through Pride, Proficiency, & Integrity. The Department also responds to life threatening medical emergencies as part of Lenoir County's first responder program.

The Department responded to 3,573 alarms with property values totaling \$8,705,967.00. Property value saved was \$7,856,433.00 or 90.24%. The Department responded to 2,607 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 1,116 fire inspections and completed 4,183.78 hours of fire/rescue training during the 2018 calendar year.

PUBLIC SERVICES

Fiscal Year 2018-19 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

Queen Street Sewer Rehabilitation

In preparation for NCDOT's resurfacing of Queen Street scheduled in 2017, the City wanted to rehabilitate all sewer lines under the pavement between Highway 70 and Cunningham Road. This included replacement or rehabilitation of approximately 26,000 linear feet of pipe. The work was bid in two phases, with engineering services being provided by Highfill Infrastructure Engineering. Phase I construction was performed by CaJenn Construction and was completed in May, 2018 with a final total project cost of \$4,398,870.25. Funding for Phase I was from a Clean Water State Revolving Fund loan with \$1,000,000 in principal forgiveness. Phase II is under construction and expected to be complete in the next few months. 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. Phase II is funded with a CWSRF loan of \$2,500,000. In January 2019 project was 95% complete. Inspections and final invoicing work continued. Project was completed before June 30, 2019.

Biosolids Dryer Project

Kinston currently creates a Class B biosolid, which must be land applied to agricultural fields under a state permit at a cost of over \$200,000 per year. The City of Kinston is 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. 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 project is funded with a CWSRF Loan of \$2,590,911.75, with terms of zero percent interest for 20 years. Project was 95% complete in January 2019. Work on the gas service continued

into Fiscal Year 2019-2020. Dryer was commissioned in November 2019. Permanent gas was completed in December, 2019.

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. Project designs have been approved for construction and bids were advertised in June. Construction contract was awarded to Spiniello, Inc in January 2019, work began in the spring. Spiniello bid was over original loan amount and loan was amended to perform project.

FY 2018-19 Street Resurfacing

The City Council appropriated \$180,000 for street resurfacing in FY18/19. Streets selected to be included in the project include portions of Haskett Rd, East St. Cavalier Circle, Pollock St., Jones Ave. and Darby Ave. The work was awarded to Tripp Brothers, Inc. in July 2018.

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. 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. Engineering work for this project has been awarded to Municipal Engineering Services Company. Design and right-of-way acquisition has been delayed due to the presence of wetlands within the original road corridor.

Smartgrid Meter System

Kinston Public Services is embarking on a project to install 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, electric load data for transformers/circuits/substations remote connect/disconnect of electric meters, system-wide wi-fi communications for work orders, and more. Full deployment is estimated to save the City at least \$700,000 per year in operating expenses. A project budget of \$6,500,000 has been established. Funding has been provided from the Electric Fund Capital Reserve, with repayment from the Water Fund to the Electric Fund for the water system improvement costs upon completion of the project. All meters, communication antennae, and system software is being purchased from Nexgrid, who was selected based on RFQs issues by Electricities. Water meter installations and load switch installations will be by a contractor. All other equipment will be installed by city staff. Deployment began September 2018 and will take approximately two years to complete.

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 second POD will be located west of Kinston and 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 was estimated at \$3,644,184. Booth & Associates is performing project engineering. The breaker station was completed in January 2019. Delays caused by easement acquisition for the transmission lines continued beyond the new fiscal year.

Hardee Road Reconstruction

In January, 2017, Kinston experienced a winter storm bringing several inches of snow and ice, along with over 5 consecutive days of sub-freezing temperatures. The precipitation coupled with the prolonged cold snap caused extensive damage to the asphalt on Hardee Road. The road was kept open, but portions were placed under 15 mile per hour advisory speeds due to the asphalt conditions. The road infrastructure largely consists of 2" of asphalt on a clay/sand soil. Initial estimates to perform a full road reconstruction in the deteriorated areas were at a cost of \$1.9 million. That level of funding was not available so a smaller scope project to install a better road cross section in the most damaged blocks was assembled. This included removing 4" of asphalt and soil and installing 2.5" of base asphalt and 1.5" of surface asphalt. A purchase order was issued in May, 2018 for \$70,000 to Tripp Brothers to complete Phase I. Funding of \$50,000 was appropriated for Phase II. Work began in the Spring 2019. Additional funds will be requested in future fiscal years for additional phases of this type of improvement in other blocks on Hardee Road.

Sanitary Sewer Asset Management Plan

The City of Kinston has been awarded a \$150,000 grant from N.C. Division of Water Resources to perform condition assessments and update our Sanitary Sewer Asset Management Plan and Capital Improvement Plan. The funds will be used to conduct testing on our gravity sewer system and lift stations to determine current conditions and identify future capital improvements. A contract with Eudy's Pipe Service has been issued in the amount of \$100,089 to perform CCTV work in the sewer system. Highfill Infrastructures has established a pipe rating system based on the CCTV results and helped identify capital improvement projects. The Wooten Company has evaluated our sewer lift stations. City Council approved the new CIP in September 2018, all work is complete.

Vernon Avenue Electric Distribution Replacement

The Electric budget for FY17/18 included \$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. A project budget was established. In September 2018 Volt Power, LLC was awarded the contact. Work continues in June 2019.

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. The DWI grant was awarded in February 2018. Work to create the water system model began in January 2019. Project should take about 18 months to complete.

PARKS AND RECREATION

Mock Athletic Skills Facility:

A new flat roof was installed over the fitness/game room at Mock Athletic Skills Facility and rotted decking was replaced on the roof.

Grainger Stadium:

The maintenance shop at Grainger Stadium was renovated and metal doors were installed by Overhead Door to allow easier access.

A new roof was installed over the maintenance shop/warehouse and the grandstand due to Hurricane Florence.

New foul poles were installed in the outfield and construction of a new office and ticket window at the stadium were completed. The existing Wood Duck's office was renovated to a break room/office.

Phase II of the renovation at the stadium was completed, which included the construction of a two story covered hospitality area (Mother Earth Pavilion).

The new batter's eye was built in center field due to Hurricane Florence.

The 9th Annual Freedom Classic Baseball Series was held at Grainger Stadium.

Bill Fay Park:

A new metal roof was installed on the Par 3 Golf Shop building.

The Par 3 Golf Shop was painted on the outside and inside of the building.

A new mini-split was installed in the Par 3 Golf Shop building and landscaping and new signage was completed.

A new irrigation booster pump was installed for drainage at the Par 3 Golf Course.

Sand was added to the sand traps on the Par 3 Golf Course.

New split rail fencing was installed throughout the park.

Windscreens were replaced at the Treble Tennis Center at Bill Fay Park

Fairfield Center:

A new HVAC system was installed at Fairfield Center and Gym.

A new shade canopy was installed at the Pepsi Sprayground.

Music Park:

LED Lighting was installed under the shade canopies.

Pearson Park:

Electrical panel outlets were installed throughout the park for special events and recreation use.

Handicapped parking was completed at the Loch Neuse Dragon Park and extended fencing was added along the back of the park.

Kinston Community Center:

The 2019 Kinston/Lenoir County Sports Hall of Fame induction was held at the Kinston Community Center's gym.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 28 percent of total general fund revenues. This amount is approximately 8 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. In addition to the goals mentioned, the Council has also expressed its desire to see specific projects such as housing rehabilitation, demolition, completion of the 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.

PLANNING DEPARTMENT

In the next fiscal year we hope to increase our capacity by filling the Community Development Planner position. We have been communicating with the Lead for North Carolina program in hopes to fill this position. The Lead for NC program seems to be a great opportunity to help benefit our community and to provide a greater level of service to the City and our citizens. We hope that this new individual will begin a coordinated program to help communicate better with the general public through a focused-learning project centered on the City and how we function. The department will continue to improve relations with the development community and will provide the greatest level of service possible.

KINSTON POLICE DEPARTMENT

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.

The Department will continue replacing and upgrading technology equipment, such as; Mobile Data Computers, Surveillance Cameras, Other Recording Devices used for Covert Operations.

2019 Governor's Crime Commission Grant (Juvenile Justice Disproportionate Minority Contact)

The City of Kinston Police Department will partner with Lenoir County Schools, Lenoir County Courts, Sheriff, JCPC and others in addressing over-representation of minority youth in the juvenile justice system. The goals outlined in the grant are to continue collecting DMC data, implementing best practices, and to continue racial equity training for school resource officers and develop Parent/Youth Advocacy training to improve communication between students, parents, school administrators, law enforcement, and the community.

On October 1, 2019, the City of Kinston Police department was notified that the total award amount is \$216,920.80. The state grant amount awarded is \$170,490.60 with an in-kind match of \$46,430.20 for project staff salary of Project Director, Community Engagement Coordinator, Finance Director and Administrative Manager.

KINSTON DEPARTMENT OF FIRE & RESCUE

The Department will expand delivery capabilities through implementation of new fire and rescue technologies. High emphasis will be placed on our community through various means, such as our smoke alarm program (Sound the Alarm). The Department will continue the expansion into social media for the furtherance of fire and life safety education to the citizenry. The Department will continue and improve efforts in pre-incident planning focusing on target hazards identified within the corporate City limits. The Department will increase firefighter safety and survival training through the use of the budgeted fire/rescue training center, with additional plans for the facility to partner with our local schools and promote career opportunities here in the City of Kinston.

PUBLIC SERVICES

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 was approved for a Clean Water State Revolving Fund 0% interest loan with 50% forgiveness, for the full amount of the project in June 2018. The project is on hold until the sewer funds are available.

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 applied 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. We received approval for SRF funds of \$3.3 million with \$500,000 forgiveness, but were not chosen for the CDBG funds. City worked with local groups to complete additional income surveys and reapplied for CDBG funding in September 2018. City was awarded a \$2 million CDBG grant in January, 2019, which will reduce the SRF loan amount.

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 have become completely submerged due 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. The Engineering Report was submitted in July 2017. Responses are being provided to NCDWQ and US Army Corps of Engineers. Permit approval is pending as of 2019. Project was bid in February 2019. Lowest bid was nearly double the project funds. City rejected bids and declined the loan. Project funding will be requested again in the future.

Queen Street Bridge Lighting

NCDOT has agreed to provide funding to install lights on the newly constructed Queen Street Bridge. Agreements have been executed but the installation has been delayed until the design team for the bridge has completed their work. Expect work to begin in 2020.

Greenmead Water Line Replacement Project

This project will replace 19,500 feet of cast iron and galvanized water lines that are over 50 years old in the Greenmead Subdivision. City received a Drinking Water State Revolving Fund loan of \$1,299,887. The City will provide cash of \$26,000. The estimated project cost is \$1,325,887.

Smithfield Way West Gravity Sewer Extension Project

This project will extend 18" gravity sewer line approximately 2,100 feet along Smithfield Way from Parrott-Dickerson Road to Enterprise Boulevard. This project will allow the City to serve future development at the Falling Creek Farm property, Lenoir County Shell Building and Parrott properties in the Industrial Park. Lenoir County Economic Development Department applied for a Department of Commerce grant which has been awarded. Engineering work began in early 2019. The estimated project cost is \$789,500.

Extend Circuit 510 and Rebuild Circuit 521

This project will extend electric Circuit 510 1.0 miles and rebuild 1.0 miles of Circuit 521. Estimated project cost \$1,056,000. Funding was approved in FY18-19 Electric Fund budget. Engineering services began in January 2019.

PARKS AND RECREATION

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. The Parks and Recreation Department is investigating granting opportunities for these renovations.

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.

Pearson Park:

New restrooms are currently being discussed to be added at the park between the Farmer's Market and the Loch Neuse Dragon playground area.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. 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 Rives and Associates, LLP, 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,



Donna H. Goodson, CPA
Finance Director



Tony Sears,
City Manager

City of Kinston

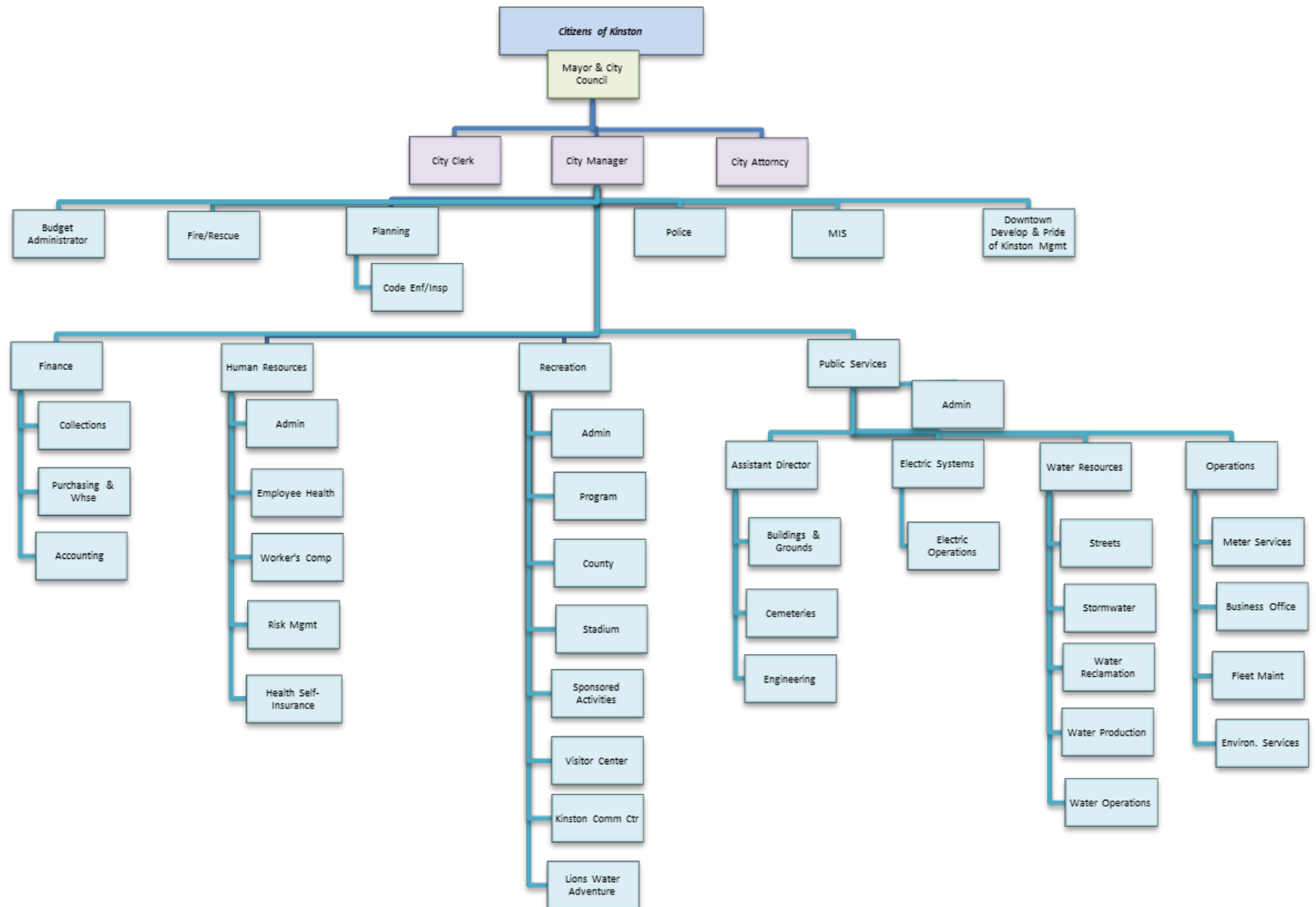
City Council

**For the Year Ended
06/30/2019**

**Don Hardy, Mayor
Felicia Solomon, Mayor Pro-Tem
Sammy C. Aiken
Joseph M. Tyson
Robert A. Swinson, IV
Krystal Suggs**

**Tony Sears, City Manager
Debra Thompson, City Clerk
James P. Cauley, III, City Attorney**

City of Kinston Organizational Structure FY 2018-2019





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, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplemental Financial Data

Combining, Individual Fund Statements, and Schedules



Rives & Associates, LLP
Certified Public Accountants

www.rivescpa.com

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

Independent Auditors' 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, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, 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, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, the Other Postemployment Benefits Schedule of Funding Progress and Schedule of Employer Contributions on pages 84 and 85, respectively and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 86 and 87, 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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Kinston, North Carolina. The combining and individual fund statements, budgetary schedules other schedules, and Schedule of Expenditures of Federal and State Awards, as required by *Title 2, U.S. Cost of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, 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, other schedules, and Schedule of Expenditures of Federal and State Awards 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, the budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other 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 April 10, 2020 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, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kinston's internal control over financial reporting and compliance.

River & Associates LLP

Raleigh, North Carolina
April 10, 2020

City of Kinston, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2019

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, 2019. 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.

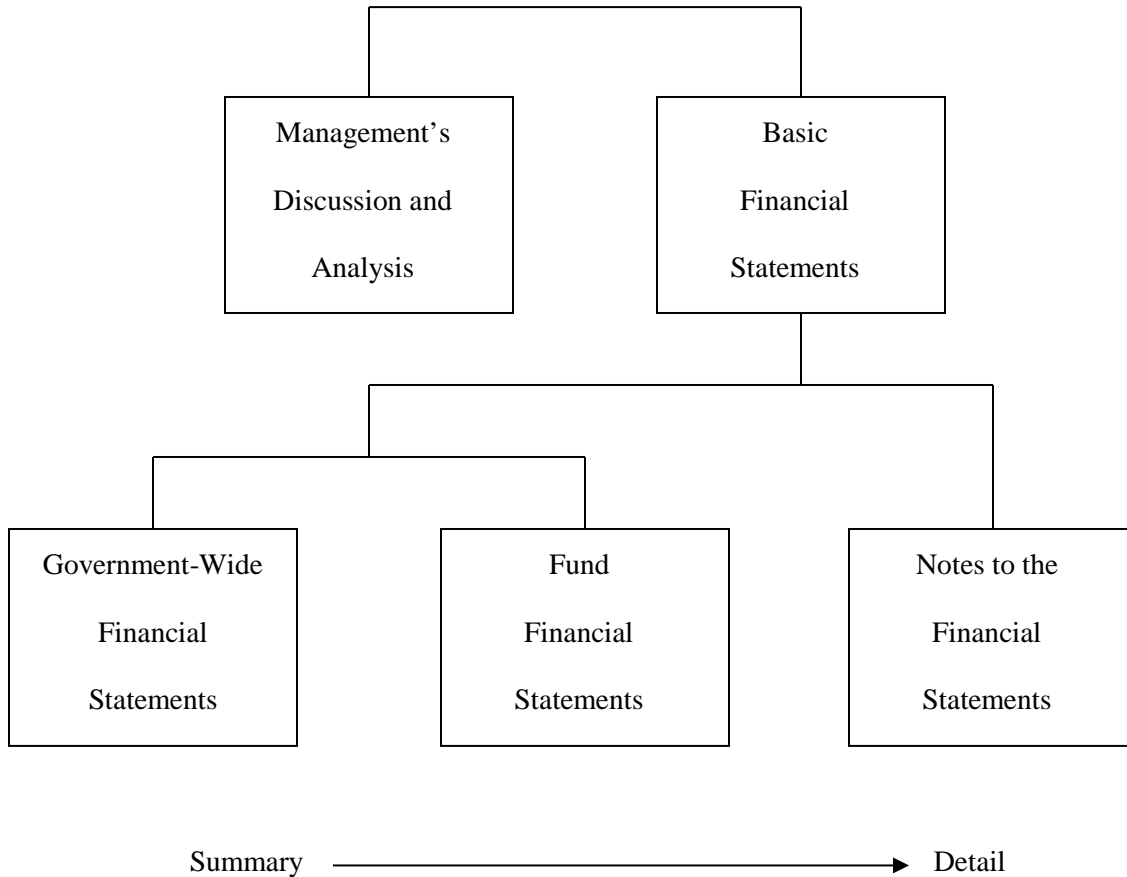
Financial Highlights

- 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 \$152,432,400 (*net position*).
- The government's total net position increased by \$8,311,258, 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 of Kinston's governmental funds reported combined ending fund balances of \$14,924,558 with an increase of \$4,090,008 in fund balance. Approximately 59% of this total amount, or \$8,868,511, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,344,043, or 11.81%, of total General Fund expenditures.
- The City of Kinston's total debt increased by \$4,023,268 (11.38%) during the current fiscal year. The key factors in this increase were the issuance of general obligation bonds of \$3,470,628 for the expansion to the sanitary sewer system; an increase of \$2,500,000 in installment contracts relating to improvements made to Historic Grainger Stadium, and an increase of \$1,705,536 in the net pension liability for the Local Government Employees Retirement System (LGERS).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Kinston's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 1 and 2) 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 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources 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 offered by the City of Kinston.

The government-wide financial statements are Exhibits 1 and 2 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 of Kinston can be divided into two categories: governmental funds and proprietary 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 five activities – its central garage, workers’ compensation insurance coverage and risk management, health insurance, fuel, and management of utility and engineering services. Four 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, Employee Self-Insured Health Insurance, 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. The notes to the financial statements begin on page 23 of this report

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Kinston’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 80 of this report.

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

Government-Wide Financial Analysis

City of Kinston's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 21,839,264	\$ 17,523,293	\$ 45,974,545	\$ 44,084,356	\$ 67,813,809	\$ 61,607,649
Capital assets	25,232,361	22,741,120	107,853,672	104,893,612	133,086,033	127,634,732
Deferred outflows of resources	2,745,659	2,241,295	1,467,909	954,525	4,213,568	3,195,820
Total assets and deferred outflows of resources	49,817,284	42,505,708	155,296,126	149,932,493	205,113,410	192,438,201
Long-term liabilities outstanding	21,874,158	19,200,849	13,823,382	12,480,217	35,697,540	31,681,066
Other liabilities	4,899,577	5,260,347	11,589,020	10,988,903	16,488,597	16,249,250
Deferred inflows of resources	471,208	330,450	23,665	56,294	494,873	386,744
Total liabilities and deferred inflows of resources	27,244,943	24,791,646	25,436,067	23,525,414	52,681,010	48,317,060
Net position:						
Net investment in capital assets	14,693,708	13,505,530	93,488,343	90,916,697	108,182,051	104,422,227
Restricted	10,437,314	6,301,350	-	-	10,437,314	6,301,350
Unrestricted	(2,558,681)	(2,092,818)	36,371,716	35,490,383	33,813,035	33,397,565
Total net position	\$ 22,572,341	\$ 17,714,062	\$ 129,860,059	\$ 126,407,080	\$ 152,432,400	\$ 144,121,142

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 \$152,432,400 as of June 30, 2019. The City's net position increased \$8,311,258 for the fiscal year ended June 30, 2019. However, the largest portion (72.45%) reflects the City's net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The City of Kinston uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Kinston'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 of Kinston's net position, \$10,437,314, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33,813,035 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 97.44%. The State-wide average in fiscal year 2019 was 98.78%.
- Increased investment earnings due to better rates of returns.
- Received first of reimbursements from FEMA and insurance for damages sustained during Hurricane Florence.
- Received lump-sum repayment of promissory note for Community Development.
- Donation of building, water park facility and equipment from Woodmen of the World to Kinston Community Center.
- A 15% rate increase for refuse collection fees and a 10% rate increase in wastewater became effective July 1, 2018.
- 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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,716,064	\$ 1,755,679	\$ 72,268,165	\$ 71,318,235	\$ 73,984,229	\$ 73,073,914
Operating grants and contributions	865,853	2,754,156	-	-	865,853	2,754,156
Capital grants and contributions	-	-	6,937	346,407	6,937	346,407
General revenues:					-	-
Property taxes	9,930,882	9,936,900	-	-	9,930,882	9,936,900
Other taxes	6,584,360	6,939,615	-	-	6,584,360	6,939,615
Grants and contributions not restricted to specific programs	2,399,830	1,957,044	2,250,247	2,180,778	4,650,077	4,137,822
Other	852,916	241,095	185,292	111,120	1,038,208	352,215
Total revenues	22,349,905	23,584,489	74,710,641	73,956,540	97,060,546	97,541,029
Expenses:						
General government	3,293,480	3,577,234	-	-	3,293,480	3,577,234
Public safety	10,379,634	9,780,286	-	-	10,379,634	9,780,286
Public services	5,689,563	3,978,248	-	-	5,689,563	3,978,248
Community development	1,162,463	1,502,431	-	-	1,162,463	1,502,431
Culture and recreation	4,031,531	3,859,265	-	-	4,031,531	3,859,265
Interest on long-term debt	328,206	338,245	-	-	328,206	338,245
Electric	-	-	41,931,685	42,153,741	41,931,685	42,153,741
Water	-	-	8,899,572	9,073,471	8,899,572	9,073,471
Wastewater	-	-	6,961,763	6,802,106	6,961,763	6,802,106
Nonmajor fund	-	-	6,071,391	6,003,723	6,071,391	6,003,723
Total expenses	24,884,877	23,035,709	63,864,411	64,033,041	88,749,288	87,068,750
Change in net position before transfers	(2,534,972)	548,780	10,846,230	9,923,499	8,311,258	10,472,279
Transfers	7,393,251	2,470,000	(7,393,251)	(2,470,000)	-	-
Increase in net position	4,858,279	3,018,780	3,452,979	7,453,499	8,311,258	10,472,279
Beginning net position	17,714,062	19,232,569	126,407,080	118,953,581	144,121,142	138,186,150
Net position, beginning, restated	17,714,062	14,695,282	126,407,080	118,953,581	144,121,142	133,648,863
Net position, June 30	\$ 22,572,341	\$ 17,714,062	\$ 129,860,059	\$ 126,407,080	\$ 152,432,400	\$ 144,121,142

Total government-wide revenues of \$97.1 million were primarily derived from charges for services (76%) and property taxes and other taxes (17%). The total expenses of all programs were \$88.7 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 \$4,858,279, thereby accounting for 58% of the total growth in the net position of the City of Kinston. Although growth from tax revenue has been flat, net position has been increased partially 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. In particular, the City switched to a self-insured health insurance plan to reduce the cost of providing health benefits to eligible employees. 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 2019 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, three 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 closer to the revenue neutral rate from the prior years; 2) the continued monitoring of health benefits costs to minimize increases in rates while providing excellent health benefits; and 3) employee retainage by providing competitive salaries and benefits to minimize personnel turnover and corresponding training expenses.

Key elements of this increase are as follows:

- Transfers from business-type funds of \$4.9 million to cover costs of damage sustained by Hurricane Florence.
- Lump sum repayment of promissory of \$612 thousand
- Capital outlay decreased \$346 thousand
- Debt service payments decreased \$245 thousand
- Medical reimbursement for retirees decreased \$156 thousand

Business-Type Activities

Business-type activities increased the City's net position by \$3,452,979, thereby accounting for 42% of the total growth in the net position of the City of Kinston.

Key elements of this increase are as follows:

- Grants and contributions received of \$2.3 million
- Increase in Wastewater and Environmental charges for services of \$790 thousand.
- Donation of building, water park facility, and equipment to Kinston Community Center of \$661 thousand
- Continued streamlining of expenses primarily in the reduction of purchased power costs from amounts originally appropriated.

Financial Analysis of the City's Funds

As noted earlier, the City of Kinston 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 \$5.5 million, while total fund balance was \$7.2 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 24% of total General Fund expenditures and transfers out, less long-term debt issued, while total fund balance represents 31% of the same amount.

At June 30, 2019, the governmental funds of the City of Kinston reported a combined fund balance of \$14.9 million, a 38% increase from last year. The General Fund reported decrease in fund balance of \$3,355,431, primarily due to transfers to cover costs associated with damages associated with Hurricane Florence, while the nonmajor governmental funds reported a combined increase in fund balance of \$7,445,439 primarily due to loan proceeds received to cover improvements to Grainger Stadium that were expended in prior years and transfers from other funds to cover the costs associated with damages associated with Hurricane Florence.

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 expenditures related to the Queen Street Redesign and Construction Project, funded entirely by a transfer from general fund. An additional reason relates to the establishment of a special revenue fund to cover costs associated with damages sustained with Hurricane Florence to ensure budgetary compliance to be able to continue the contract work, materials, and equipment for emergency repairs and rescues performed and ongoing repairs that are anticipated to be reimbursed from resources such as insurance, FEMA, and from Public Service Assistance offered by the State of North Carolina. A final reason relates to an increase in the Organizational Support division for support to the Pride of Kinston for the purchase of Christmas lights that was funded from a grant received from the North Carolina Department of Commerce.

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 \$24.5 million in the Electric Fund, \$9.2 million in the Water Fund, \$(2.2) million in the Wastewater Fund, and \$2.4 million in the nonmajor enterprise funds. The Electric Fund, Water Fund and combined nonmajor enterprise funds experienced growth in net position of \$5.0 million, \$1.5 million, and \$1 million, respectively. The Wastewater Fund declined \$4.4 million due mainly to costs associated with damages sustained to Wastewater facilities as a result of Hurricane Florence.

Capital Asset and Debt Administration

Capital Assets. The City of Kinston's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$133.1 million (net of accumulated depreciation). These assets include buildings, improvements other than buildings, equipment and vehicles, electric, water, and wastewater operating plant and infrastructure, and construction in process. This amount represents a net increase of \$5.5 million, or 4.3%, over last year.

Major capital asset transactions during the year include the following:

- Mowing equipment for Recreation Department at a cost of \$136 thousand.
- HVAC and roof improvements to recreational facilities at a cost of \$123 thousand.
- Street construction at a cost of \$102 thousand.
- Three police vehicles purchased and equipped at a cost of \$91 thousand
- Construction in progress in the General Fund consists primarily of improvements to Queen Street Redesign in the amount of \$1.7 million and construction of a new ladder fire truck in the amount \$1.4 million
- Kinston Community Center and Lions Water Adventure facilities and equipment donated from Woodmen of the World at a value of \$614 million
- Water fund purchased service and dump trucks at a cost of \$199 thousand
- Continuing electric infrastructure improvements at Second POD, SmartGrid system and circuit rebuild projects at a combined cost of \$5.3 million
- Environmental Services fund purchased a commercial front loader at a cost of \$233 thousand.
- Wastewater Services fund distribution improvements at a cost of \$455 thousand
- Wastewater Services fund continued improvements to Queen Street sewer at a cost of \$337 thousand
- Stormwater purchased an excavator and track loader for a total of \$110 thousand.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,801,770	\$ 3,801,690	\$ 1,222,643	\$ 1,222,643	\$ 5,024,413	\$ 5,024,333
Infrastructure	1,844,028	1,980,608	790,701	847,088	2,634,729	2,827,696
Buildings and improvements	10,639,638	11,041,664	29,402,406	29,847,139	40,042,044	40,888,803
Equipment and vehicles	1,216,485	1,430,456	2,277,104	2,483,244	3,493,589	3,913,700
Distribution system	-	-	50,945,778	53,149,019	50,945,778	53,149,019
Construction in progress	7,730,440	4,486,702	23,215,040	17,344,479	30,945,480	21,831,181
Total	\$25,232,361	\$22,741,120	\$107,853,672	\$104,893,612	\$133,086,033	\$127,634,732

Additional information on the City's capital assets can be found in Note 3.A.5 of the Basic Financial Statements.

Long-Term Debt. At June 30, 2019, the City of Kinston had total bonded debt outstanding of \$13,282,463. Of this, \$9,757,463 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (e.g. revenue bonds).

City of Kinston's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment debt	\$ 10,536,288	\$ 8,499,886	\$ 1,082,868	\$ 1,603,736	\$ 11,619,156	\$ 10,103,622
General obligation bonds	-	-	9,757,463	7,197,721	9,757,463	7,197,721
Revenue bonds	-	-	3,525,000	4,968,000	3,525,000	4,968,000
OPEB	4,743,598	4,974,383	-	-	4,743,598	4,974,383
Pension related debt (LERS)	3,246,055	2,167,948	1,889,116	1,261,687	5,135,171	3,429,635
Pension related debt (LEOSSA)	3,559,172	3,607,151	-	-	3,559,172	3,607,151
Pension related debt (SSA)	1,962	3,848	-	-	1,962	3,848
Compensated absences	687,996	735,705	334,278	320,463	1,022,274	1,056,168
Total	\$ 22,775,071	\$ 19,988,921	\$ 16,588,725	\$ 15,351,607	\$ 39,363,796	\$ 35,340,528

City of Kinston's Outstanding Debt.

The City's total outstanding debt increased by \$4,023,268 (11.38%) during the past fiscal year, primarily due to \$2,500,000 notes payable issued for Grainger Stadium improvements; \$2,707,140 general obligation loans issued for Queen Street sewer improvements; and \$763,488 general obligation loans issued for KRWRB Biosolids Dryer Project. 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 \$87,868,209.

More detailed information about the City's long-term obligations is presented in Note 3.B.5 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic indicators impact the City's budget outlook:

- During fiscal year 2019, two residential and two non-residential units were constructed with a value of \$1.2 million. There were 120 repairs and renovations permits issued with a total value of \$12.9 million.
- Retail sales for Lenoir County during 2019 were \$700.2 million.
- The current unemployment rate was 3.4 percent, compared to 4.0 percent for the State and 4.0 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: The property tax base for the 2020 fiscal year is projected to be \$1,368,000,000 or \$1,000,000 (.0073%) more than the budgeted tax base for the prior year. A proposed tax rate increase from .70 per \$100 to .73 per \$100 of assessed valuation and a collection rate of 96.84% and 100% for motor vehicles equates to a projected increase of \$412 thousand in the current year property tax revenues. The City will use these increases in property tax revenue to finance a 4% increase in full-time employee salaries in an effort to increase employee retention and reach potential, qualified applicants. Other general fund revenues are estimated to remain flat while operating costs to maintain the same service levels have increased. To offset some of these increases, the City continues to defer capital outlay spending where possible. The General Fund fund balance appropriation necessary to fund the adopted general fund budget is \$432 thousand which is a 36% decrease from the prior year. The City focused on street repaving and approved \$180 thousand for street resurfacing in 2019, bringing the total spent in the last five years on street repaving to \$1.4 million (from fiscal year 2014 through fiscal year 2018).

A 4% Cost of Living (COLA) increase was implemented for employees for the 2020 fiscal year. No new positions were created in the General Fund and the full-time positions remain at 380 FTE's. There was a 3.0 percent increase in the cost of the City's portion of employee health insurance. The creation of the Health Self Insurance Fund has allowed the City to avoid a potential 20% rate increase from BCBS during the same time frame. The General Fund initial budget for 2019-2020 decreased 4.3 percent from \$26 million to \$24.9 million. The decrease in the new budget is mostly attributable to decreases in transfers to other City funds for capital expenditures.

Business-type Activities: None of the business-type funds have implemented fee increases for the 2020 fiscal year. Personnel expenses will increase due to the 4% Cost of Living (COLA) increase that was implemented. All other operating expenses will decrease 10.1 % as a result of deferring capital additions, streamlining costs of material, supplies, and other operating expenses, and a reduction in debt service.

Contacting the City's Financial Management and Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in 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) 939-3281. One can also visit our website www.ci.kinston.nc.us or send an email via our email page on our website for more information.

BASIC FINANCIAL STATEMENTS

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

MAJOR FUNDS

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

CITY OF KINSTON, NORTH CAROLINA

Exhibit 1

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 17,926,247	\$ 33,463,496	\$ 51,389,743
Taxes receivables - net	602,808	-	602,808
Accounts receivable - net	170,809	1,162,841	1,333,650
Due from government agencies	2,650,134	187,742	2,837,876
Customer receivables - net	-	8,124,191	8,124,191
Notes receivable	180,715	-	180,715
Inventories	308,551	1,420,845	1,729,396
Restricted cash and investments	-	1,615,430	1,615,430
Total current assets	21,839,264	45,974,545	67,813,809
Non-current assets:			
Capital assets:			
Land and construction in progress	11,532,210	24,437,682	35,969,892
Other capital assets, net of depreciation	13,700,151	83,415,990	97,116,141
Total capital assets	25,232,361	107,853,672	133,086,033
Total assets	47,071,625	153,828,217	200,899,842
DEFERRED OUTFLOWS OF RESOURCES			
OPEB deferrals	267,958	-	267,958
Pension deferrals	2,477,701	1,467,909	3,945,610
Total deferred outflows of resources	2,745,659	1,467,909	4,213,568
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	3,352,728	4,542,365	7,895,093
Bank overdraft	-	2,665,882	2,665,882
Prepaid fees	34,038	-	34,038
Unavailable revenues	611,898	-	611,898
Customer deposits	-	1,615,430	1,615,430
Current portion of long-term liabilities	900,913	2,765,343	3,666,256
Total current liabilities	4,899,577	11,589,020	16,488,597
Long-term liabilities:			
Net pension liability (LGERS)	3,246,055	1,889,116	5,135,171
Total pension liability (LEOSSA & SSA)	3,561,134	-	3,561,134
OPEB liability	4,743,598	-	4,743,598
Due in more than one year	10,323,371	11,934,266	22,257,637
Total long-term liabilities	21,874,158	13,823,382	35,697,540
Total liabilities	26,773,735	25,412,402	52,186,137
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	1,180	-	1,180
Other	9,090	-	9,090
OPEB deferrals	281,999	-	281,999
Pension deferrals	178,939	23,665	202,604
Total deferred inflows of resources	471,208	23,665	494,873
NET POSITION			
Net investment in capital assets	14,693,708	93,488,343	108,182,051
Restricted for:			
Stabilization by State Statue	2,937,171	-	2,937,171
Subsequent year's expenditures	1,650,371	-	1,650,371
Permanently restricted for cemetery perpetual maintenance	75,000	-	75,000
Temporarily restricted	5,774,772	-	5,774,772
Unrestricted	(2,558,681)	36,371,716	33,813,035
Total net position	\$ 22,572,341	\$ 129,860,059	\$ 152,432,400

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Activities
For the year Ended June 30, 2019

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,293,480	\$ 489,506	\$ -	\$ -	\$ (2,803,974)	\$ -	\$ (2,803,974)
Public safety	10,379,634	112,920	114,288	-	(10,152,426)	-	(10,152,426)
Public services	5,689,563	160,570	751,565	-	(4,777,428)	-	(4,777,428)
Community development	1,162,463	-	-	-	(1,162,463)	-	(1,162,463)
Cultural and recreation	4,031,531	953,068	-	-	(3,078,463)	-	(3,078,463)
Interest on long-term debt	328,206	-	-	-	(328,206)	-	(328,206)
Total governmental activities	24,884,877	1,716,064	865,853	-	(22,302,960)	-	(22,302,960)
Business-type activities:							
Electric	41,931,685	48,530,615	-	-	-	6,598,930	6,598,930
Water	8,899,572	10,431,932	-	-	-	1,532,360	1,532,360
Wastewater	6,961,763	6,141,613	-	6,937	-	(813,213)	(813,213)
Nonmajor funds:							
Environmental services	3,673,377	4,150,254	-	-	-	476,877	476,877
Stormwater	981,484	1,048,480	-	-	-	66,996	66,996
Community center services	1,416,530	1,965,271	-	-	-	548,741	548,741
Total business-type activities	63,864,411	72,268,165	-	6,937	-	8,410,691	8,410,691
Total primary government	\$ 88,749,288	\$ 73,984,229	\$ 865,853	\$ 6,937	(22,302,960)	8,410,691	(13,892,269)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					9,930,882	-	9,930,882
Other taxes					6,584,360	-	6,584,360
Grants and contributions not restricted to specific programs					2,399,830	2,250,247	4,650,077
Unrestricted investment earnings					80,544	182,608	263,152
Miscellaneous					772,372	2,684	775,056
Transfers					7,393,251	(7,393,251)	-
Total general revenues and transfers					27,161,239	(4,957,712)	22,203,527
Change in net position					4,858,279	3,452,979	8,311,258
Net position, beginning					17,714,062	126,407,080	144,121,142
Net position, ending					\$ 22,572,341	\$ 129,860,059	\$ 152,432,400

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

CITY OF KINSTON, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
ASSETS			
Cash and investments	\$ 6,594,231	\$ 8,191,604	\$ 14,785,835
Due from government agencies	1,503,594	1,091,143	2,594,737
Accounts receivable	133,252	37,557	170,809
Taxes receivable	602,808	-	602,808
Notes receivable	-	180,715	180,715
Inventories	81,568	-	81,568
Restricted cash and investments	-	-	-
Total assets	<u>\$ 8,915,453</u>	<u>\$ 9,501,019</u>	<u>\$ 18,416,472</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,077,222	\$ 1,767,576	\$ 2,844,798
Prepaid privilege licenses	34,038	-	34,038
Total liabilities	<u>1,111,260</u>	<u>1,767,576</u>	<u>2,878,836</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	602,808	-	602,808
Prepaid property taxes	1,180	-	1,180
Pavement assessment receivables	9,048	-	9,048
GTP fire taxes receivables	42	-	42
Total deferred inflows of resources	<u>613,078</u>	<u>-</u>	<u>613,078</u>
FUND BALANCES			
Non-spendable, not in spendable form:			
Inventories	81,568	-	81,568
Perpetual maintenance	-	75,000	75,000
Restricted:			
Stabilization by State Statute	1,627,756	1,309,415	2,937,171
Other	-	5,774,772	5,774,772
Committed	-	1,061,633	1,061,633
Assigned	477,070	1,173,301	1,650,371
Unassigned	5,004,721	(1,660,678)	3,344,043
Total fund balances	<u>7,191,115</u>	<u>7,733,443</u>	<u>14,924,558</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,915,453</u>	<u>\$ 9,501,019</u>	<u>\$ 18,416,472</u>

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

CITY OF KINSTON, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

Exhibit 3

Amounts reported for governmental activities in the statement of net position (exhibit 1) are different because:

Total fund balance, governmental funds	\$ 14,924,558
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 51,584,642
Accumulated depreciation	<u>(26,352,281)</u> 25,232,361
A portion of the assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	2,302,964
Net pension liability	(3,246,055)
Total pension liability	(3,561,134)
OPEB liability	(4,743,598)
Pension related deferrals	(178,939)
OPEB related deferrals	(281,999)
Deferred outflows of resources related to pensions are not reported in the funds	2,477,701
Deferred outflows of resources related to OPEB are not reported in the funds	267,958
Other long-term assets are not available to pay for current expenditures and, therefore, are deferred inflows of resources in the funds.	602,808
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>(11,224,284)</u>
Net position of governmental activities	<u><u>\$ 22,572,341</u></u>

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2019

Exhibit 4

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 9,930,882	\$ -	\$ 9,930,882
Sales and services	1,721,214	-	1,721,214
Other taxes and licenses	6,584,360	-	6,584,360
Unrestricted intergovernmental	515,259	1,884,571	2,399,830
Restricted intergovernmental	748,172	167,681	915,853
Investment earnings	66,082	3,547	69,629
Other	259,659	468,478	728,137
Total revenues	<u>19,825,628</u>	<u>2,524,277</u>	<u>22,349,905</u>
EXPENDITURES			
Current:			
General government	2,479,043	-	2,479,043
Public safety	9,582,311	3,246,160	12,828,471
Public services	3,107,996	-	3,107,996
Parks and recreation	3,713,365	189,348	3,902,713
Community development	-	3,837,661	3,837,661
Debt service:			
Principal	633,893	-	633,893
Interest	328,206	-	328,206
Capital outlay	1,207,608	-	1,207,608
Total expenditures	<u>21,052,422</u>	<u>7,273,169</u>	<u>28,325,591</u>
Excess (deficiency) of revenues over expenditures	<u>(1,226,794)</u>	<u>(4,748,892)</u>	<u>(5,975,686)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	(2,301,080)	9,694,331	7,393,251
Proceeds from loan	172,443	2,500,000	2,672,443
Total other financing sources (uses)	<u>(2,128,637)</u>	<u>12,194,331</u>	<u>10,065,694</u>
Net change in fund balance	(3,355,431)	7,445,439	4,090,008
Fund balances, beginning	10,546,546	288,004	10,834,550
Fund balances, ending	<u>\$ 7,191,115</u>	<u>\$ 7,733,443</u>	<u>\$ 14,924,558</u>

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances- total governmental funds	\$ 4,090,008
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 3,923,014	
Depreciation expense for governmental assets	<u>(1,420,869)</u>	2,502,145

Benefit payments and administration costs for LEOSSA and SSA are deferred outflows of resources on the statement of net position.	263,261
---	---------

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	(811)
Change in deferred outflows - pension	504,364
Change in deferred inflows - pension	(140,462)
Change in net pension liability	(797,456)

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.	693,903
--	---------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issues	(2,672,443)	
Principal payments on long-term debt	<u>633,893</u>	(2,038,550)

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.	<u>(218,123)</u>
---	------------------

Total changes in net position of governmental activities	<u><u>\$ 4,858,279</u></u>
--	----------------------------

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

CITY OF KINSTON, NORTH CAROLINA

Exhibit 5

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 9,967,045	\$ 9,969,045	\$ 9,930,882	\$ (38,163)
Sales and services	1,849,715	1,849,715	1,721,214	(128,501)
Other taxes and licenses	6,837,130	6,842,230	6,584,360	(257,870)
Unrestricted intergovernmental	471,353	471,353	515,259	43,906
Restricted intergovernmental	710,480	760,480	748,172	(12,308)
Investment earnings	52,456	52,456	66,082	13,626
Other	228,942	244,942	259,659	14,717
Total revenues	20,117,121	20,190,221	19,825,628	(364,593)
Expenditures:				
Current:				
General government	2,614,655	3,060,154	2,479,043	581,111
Public safety	9,797,278	9,874,474	9,582,311	292,163
Public services	3,037,372	3,808,480	3,107,996	700,484
Parks and recreation	4,075,954	4,025,718	3,713,365	312,353
Debt service:				-
Principal	748,046	749,886	633,893	115,993
Interest	360,894	363,254	328,206	35,048
Capital outlay	1,067,495	1,482,277	1,207,608	274,669
Total expenditures	21,701,694	23,364,243	21,052,422	2,311,821
Revenues over (under) expenditures	(1,584,573)	(3,174,022)	(1,226,794)	1,947,228
Other financing sources (uses):				
Transfers from (to) other funds	635,497	(3,852,553)	(2,301,080)	1,551,473
Long-term debt issued	556,953	729,953	172,443	(557,510)
Fund balance appropriated	392,123	6,296,622	-	(6,296,622)
Total other financing sources (uses)	1,584,573	3,174,022	(2,128,637)	(5,302,659)
Net change in fund balance	\$ -	\$ -	(3,355,431)	
Fund balance, beginning			10,546,546	
Fund balance, ending			\$ 7,191,115	

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

Exhibit 6

	Major Enterprise Funds			Non-Major Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
ASSETS						
Current assets:						
Cash and investments	\$ 20,320,664	\$ 8,211,051	\$ -	\$ 2,387,594	\$ 30,919,309	\$ 5,683,544
Due from government agencies	109,640	45,445	30,322	-	185,407	-
Accounts receivable - net	364,977	1,000	14,455	782,409	1,162,841	57,732
Customer receivables- net	6,070,522	1,214,463	839,904	-	8,124,889	-
Inventories	1,118,727	302,118	-	-	1,420,845	226,983
Restricted cash and cash equivalents	1,615,430	-	-	-	1,615,430	-
Total current assets	<u>29,599,960</u>	<u>9,774,077</u>	<u>884,681</u>	<u>3,170,003</u>	<u>43,428,721</u>	<u>\$ 5,968,259</u>
Noncurrent assets:						
Capital assets:						
Land	202,380	66,605	953,658	-	1,222,643	-
Buildings	3,671,890	630,381	41,276,198	-	45,578,469	19,468
Distribution system	40,616,284	15,545,871	53,023,588	-	109,185,743	-
Equipment and vehicles	2,512,519	3,062,755	2,988,166	6,186,610	14,750,050	871,549
Accumulated depreciation	(28,922,073)	(13,861,517)	(39,269,176)	(4,175,718)	(86,228,484)	(753,505)
Construction in progress	9,637,081	1,308,658	11,985,779	261,737	23,193,255	21,784
Total capital assets	<u>27,718,081</u>	<u>6,752,753</u>	<u>70,958,213</u>	<u>2,272,629</u>	<u>107,701,676</u>	<u>159,296</u>
Total noncurrent assets	<u>27,718,081</u>	<u>6,752,753</u>	<u>70,958,213</u>	<u>2,272,629</u>	<u>107,701,676</u>	<u>159,296</u>
Total assets	<u>57,318,041</u>	<u>16,526,830</u>	<u>71,842,894</u>	<u>5,442,632</u>	<u>151,130,397</u>	<u>6,127,555</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension deferrals	<u>408,333</u>	<u>406,244</u>	<u>285,833</u>	<u>367,499</u>	<u>1,467,909</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	3,223,284	357,887	264,985	614,691	4,460,847	734,110
Bank overdraft	-	-	2,665,882	-	2,665,882	-
Customer deposits	1,615,430	-	-	-	1,615,430	-
Compensated absences, current	19,889	16,701	8,368	16,618	61,576	30,324
Current portion of long-term debt	670,253	268,730	1,434,778	308,011	2,681,772	-
Total current liabilities	<u>5,528,856</u>	<u>643,318</u>	<u>4,374,013</u>	<u>939,320</u>	<u>11,485,507</u>	<u>764,434</u>
Noncurrent liabilities:						
Net pension liability	523,723	527,438	366,607	471,348	1,889,116	-
Accrued compensated absences	59,668	50,103	25,100	49,854	184,725	90,971
Non-current portion of long-term debt	1,206,280	401,891	9,617,737	451,707	11,677,615	8,067
Total noncurrent liabilities	<u>1,789,671</u>	<u>979,432</u>	<u>10,009,444</u>	<u>972,909</u>	<u>13,751,456</u>	<u>99,038</u>
Total liabilities	<u>7,318,527</u>	<u>1,622,750</u>	<u>14,383,457</u>	<u>1,912,229</u>	<u>25,236,963</u>	<u>863,472</u>
DEFERRED INFLOWS OF RESOURCES						
Pension deferrals	<u>7,057</u>	<u>5,314</u>	<u>4,940</u>	<u>6,354</u>	<u>23,665</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	25,841,548	6,082,132	59,905,698	1,512,911	93,342,289	151,229
Unrestricted	24,559,242	9,222,878	(2,165,368)	2,378,637	33,995,389	5,112,854
Total net position	<u>\$ 50,400,790</u>	<u>\$ 15,305,010</u>	<u>\$ 57,740,330</u>	<u>\$ 3,891,548</u>	<u>127,337,678</u>	<u>\$ 5,264,083</u>
Adjustment to reflect the consolidation of the Public Services Administration Internal Service Fund related to enterprise funds					<u>2,522,381</u>	
Total					<u>\$ 129,860,059</u>	

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

CITY OF KINSTON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit 7

	<u>Major Enterprise Funds</u>			<u>Non-Major Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>			
OPERATING REVENUES						
Charges for services	\$ 48,421,524	\$ 10,264,803	\$ 6,128,093	\$ 7,050,762	\$ 71,865,182	\$ 4,283,829
Other	109,091	167,129	13,520	113,243	402,983	2,230,593
Total operating revenues	<u>48,530,615</u>	<u>10,431,932</u>	<u>6,141,613</u>	<u>7,164,005</u>	<u>72,268,165</u>	<u>\$ 6,514,422</u>
OPERATING EXPENSES						
Administration	-	-	-	-	-	2,106,686
Public service operations	-	-	-	-	-	1,104,879
Warehouse operations	-	-	-	-	-	-
Electrical operations	38,695,263	-	-	-	38,695,263	-
Environmental services	-	-	-	3,358,685	3,358,685	-
Stormwater services	-	-	-	869,093	869,093	-
Community center services	-	-	-	1,385,778	1,385,778	-
Water production	-	1,278,773	-	-	1,278,773	-
Depreciation	1,151,958	527,395	2,348,120	442,330	4,469,803	104,404
Water operations	-	7,079,797	-	-	7,079,797	-
Wastewater plant operations	-	-	4,463,413	-	4,463,413	-
Claims reimbursement	-	-	-	-	-	2,455,107
Total operating expenses	<u>39,847,221</u>	<u>8,885,965</u>	<u>6,811,533</u>	<u>6,055,886</u>	<u>61,600,605</u>	<u>5,771,076</u>
Operating income (loss)	<u>8,683,394</u>	<u>1,545,967</u>	<u>(669,920)</u>	<u>1,108,119</u>	<u>10,667,560</u>	<u>743,346</u>
NONOPERATING REVENUES (EXPENSES)						
Interest earned on investments	115,670	37,947	1,779	10,867	166,263	27,260
Interest on long-term debt	(39,384)	(13,607)	(135,610)	(15,571)	(204,172)	-
Loan issuance costs	-	-	(693)	-	(693)	-
Total nonoperating revenues (expenses)	<u>76,286</u>	<u>24,340</u>	<u>(134,524)</u>	<u>(4,704)</u>	<u>(38,602)</u>	<u>27,260</u>
Income (loss) before contributions and transfers	<u>8,759,680</u>	<u>1,570,307</u>	<u>(804,444)</u>	<u>1,103,415</u>	<u>10,628,958</u>	<u>770,606</u>
Capital contributions	-	-	(6,937)	-	(6,937)	-
Transfer to other funds	(3,683,300)	(7,000)	(3,607,000)	(95,950)	(7,393,250)	-
Change in net position	<u>5,076,380</u>	<u>1,563,307</u>	<u>(4,418,381)</u>	<u>1,007,465</u>	<u>3,228,771</u>	<u>770,606</u>
Total net position, beginning	<u>45,324,410</u>	<u>13,741,703</u>	<u>62,158,711</u>	<u>2,884,083</u>		<u>4,493,477</u>
Total net position, ending	<u>\$ 50,400,790</u>	<u>\$ 15,305,010</u>	<u>\$ 57,740,330</u>	<u>\$ 3,891,548</u>		<u>\$ 5,264,083</u>
Adjustment to reflect the consolidation of the Public Services Administration Internal Service Fund related to enterprise funds					<u>224,208</u>	
Change in net position - business-type activities					<u>\$ 3,452,979</u>	

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

CITY OF KINSTON, NORTH CAROLINA

Exhibit 8

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	Major Enterprise Funds			Total Non-Major Funds	Total	Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund			
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 48,279,044	\$ 10,386,306	\$ 6,236,639	\$ 7,073,340	\$ 71,975,329	\$ 4,201,043
Cash paid for goods and services	(37,404,577)	(6,822,631)	(1,327,392)	(3,293,082)	(48,847,682)	(4,743,882)
Cash paid to employees	(1,254,509)	(1,291,356)	(874,510)	(1,930,023)	(5,350,398)	(612,276)
Other operating revenues	-	-	-	-	-	2,227,403
Customer deposits	2,096	-	-	-	2,096	-
Net cash provided (used) by operating activities	9,622,054	2,272,319	4,034,737	1,850,235	17,779,345	1,072,288
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer (to) from other funds	(3,683,300)	(7,000)	(3,607,000)	(95,950)	(7,393,250)	-
Total cash flow used by noncapital financing activities	(3,683,300)	(7,000)	(3,607,000)	(95,950)	(7,393,250)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(5,402,879)	(464,101)	(3,012,812)	(1,051,025)	(9,930,817)	(34,444)
Proceeds from long-term debt	-	-	3,470,628	-	3,470,628	-
Principal paid on general obligation bond maturities and equipment contract	(773,073)	(294,678)	(1,497,961)	(303,106)	(2,868,818)	(8,260)
Interest paid on bonded indebtedness and equipment contracts	(39,384)	(13,607)	(136,303)	(15,571)	(204,865)	-
Contributed capital	-	-	(6,937)	-	(6,937)	-
Net cash provided (used) by capital and related financing activities	(6,215,336)	(772,386)	(1,183,385)	(1,369,702)	(9,540,809)	(42,704)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	115,670	37,947	1,779	10,867	166,263	27,260
Net cash provided (used) by investing activities	115,670	37,947	1,779	10,867	166,263	27,260
Net increase (decrease) in cash and cash equivalents	(160,912)	1,530,880	(753,870)	395,450	1,011,548	1,056,844
Balances, beginning	22,097,006	6,680,171	753,870	1,992,144	31,523,191	4,626,700
Balances, ending	\$ 21,936,094	\$ 8,211,051	\$ -	\$ 2,387,594	\$ 32,534,739	\$ 5,683,544
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$ 8,683,394	\$ 1,545,967	\$ (669,920)	\$ 1,108,119	\$ 10,667,560	\$ 743,346
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,151,958	527,395	2,348,120	442,330	4,469,803	104,404
Non-operating revenues	-	-	-	-	-	-
Changes in assets and liabilities:						
Decrease (increase) in due from government agencies	(66,769)	20,556	(6,623)	-	(52,836)	-
Decrease (increase) in accounts receivable	35,255	2,342	2,324	(34,025)	5,896	9,183
Decrease (increase) in customer deposits	(220,055)	(68,524)	(54,283)	-	(342,862)	-
Decrease (increase) in inventories	(100,820)	14,283	-	-	(86,537)	(12,975)
Increase (decrease) in accounts payable and accrued liabilities	88,735	242,883	(278,867)	303,960	356,711	219,180
Increase (decrease) in bank overdraft	-	-	2,665,882	-	2,665,882	-
Increase (decrease) in customer deposits	2,096	-	-	-	2,096	-
Increase in net pension liability	184,981	146,482	129,487	166,479	627,429	-
(Increase) decrease in deferred outflows of resources for pensions	(143,187)	(141,098)	(100,231)	(128,868)	(513,384)	-
Decrease (increase) in deferred inflows of resources - pension:	(8,555)	(10,388)	(5,989)	(7,698)	(32,630)	-
Increase (decrease) in compensated absences payable	15,021	(7,579)	4,837	(62)	12,217	9,150
Total adjustments	938,660	726,352	4,704,657	742,116	7,111,785	328,942
Net cash provided (used) by operating activities	\$ 9,622,054	\$ 2,272,319	\$ 4,034,737	\$ 1,850,235	\$ 17,779,345	\$ 1,072,288

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 that is governed by an elected mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent, on the City.

Accounting principles general 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 the 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 Financial Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements, including the fiduciary fund, 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 non-major 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. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes and licenses. The primary expenditures are for public safety, street maintenance, sanitation, parks and recreation and general government services.

The City reports the following non-major governmental funds:

Special Revenue Fund. The Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has 13 special revenue funds; the individual descriptions of which are disclosed in the supplemental nonmajor fund-types section.

Capital Projects Fund. The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The City has 10 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.

The City reports the following major enterprise 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 Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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.

Kinston Community Center. The Kinston Community Center Fund accounts for activities associated with managing the Community Center and Lions Water Adventure Park.

Additionally, the City 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 five internal service funds: the Health Self-Insurance Fund, the Employee Health Fund, the Fleet Maintenance Fund, the Warehouse Fund, and the Public Services Administration Fund. The Health Self-Insurance Fund is used to account for the city's decision to finance health insurance coverage internally rather than through a private insurance carrier because of anticipated cost savings. 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 Health Self-Insurance Fund, the Employee Health Fund, the Fleet Maintenance Fund, the Warehouse Fund and the Public Services Administration Fund are

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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.

C. Measurement Focus and Basis of Accounting

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

Government-wide, and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable 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 for the fiscal year in which they are received. Uncollected taxes that were billed during this period 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.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. 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. Most intergovernmental revenues and sales and services 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 budget is 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 the 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 Health Self-Insurance Fund, 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level in the General Fund and department level for all other annually budgeted funds and at the object total level for all project funds. Any revisions that alter total expenditures of any department must be approved by the City Council. The City Council has the authority to amend the budget as they deem appropriate during the year to reflect the economic circumstances of the City.

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

After the City Manager review, the City Manager's proposed budget is presented during May to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations.

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

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 on time.

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

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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 – Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. 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. The City consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Certain unexpended grant revenues are classified as restricted assets since their use is restricted for the purpose of the grant.

Restricted cash at June 30, 2019, consists of the following:

Business-Type Activities:	
Electric Fund - customer deposits	\$ 1,615,430
Total business-type activites restricted cash	<u>\$ 1,615,430</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts 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.

6. 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.

7. 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

The following estimated useful lives are used to compute depreciation:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Collection and distribution systems	25 – 40 years
Infrastructure	20 years
Equipment	3 – 15 years
Vehicles	5 years

8. 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 meets this criterion, contributions made to the pension plan in the 2019 fiscal year and pension deferrals. 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 met this criterion for this category – prepaid property taxes, property taxes receivable, GTP fire taxes receivable, pavement assessment receivables, and pension and OPEB deferrals.

9. 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to 30 hours 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 using accumulated compensate time. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in 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 benefits purposes. No obligation of the employer results from such application and, therefore, no accrual has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are 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.

The governmental fund types classify fund balances as follows:

Nonspendable 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 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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, 2019 is as follows:

Purpose	General Fund	Other Governmental Funds	Total Governmental Activities
Restricted, all other:			
Community development	\$ -	\$ 5,736,336	\$ 5,736,336
Perpetual care	-	667	667
Public safety	-	37,769	37,769
Total	<u>\$ -</u>	<u>\$ 5,774,772</u>	<u>\$ 5,774,772</u>

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 as of June 30, 2019 by the amount of subsequent years expenditures of \$1,650,371 and the amount of perpetual maintenance of \$75,000 for a total of \$1,725,371.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Committed Fund Balance –This classification includes amounts that can be used only for the specific purpose 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 General Fund – Small Projects – portion of fund balance that is committed by the governing body for small projects fund.

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

Committed fund balance at June 30, 2019 is as follows:

<u>Purpose</u>	<u>Other Governmental Funds</u>
General government	\$ 9,288
Public safety	34,149
Community development	742,705
Parks and recreation	275,491
Total	<u>\$ 1,061,633</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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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

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, 2019 is as follows:

Purpose	General Fund	Other Governmental Funds
Subsequent year's expenditures	\$ 477,070	\$ 1,173,301
Total	<u>\$ 477,070</u>	<u>\$ 1,173,301</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	\$ 7,191,115
Less:	
Inventories	81,568
Stabilization by State statute	<u>1,627,756</u>
Total available fund balance	<u>\$ 5,481,791</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

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

	General Fund	Other Governmental Funds
Encumbrances	\$ 477,070	\$ 1,173,301

12. Define 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.

13. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

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

The City had fund balance deficits in individual funds at June 30, 2019 as follows:

Special Revenue Funds:

NCHFA 2016 Essential Single-Family Rehabilitation	\$ 1,273
NCHFA 2017 Essential Single-Family Rehabilitation	137,735
Downtown Kinston Mural Project	5,000
2017 Edward Bryne Memorial JAG Grant	27,607
GCC 2018 Juvenile Justice DMC Grant	35,064
Brownsfield Assessment and Cleanup Grant	177,104

Non-major Capital Project Funds:

Battle field Parkway/Soccer Complex	\$ 3,488
Neighborhood Revitalization and Recreation Improvements	960
Fire Ladder 2019	1,243,837

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

2. Stewardship, Compliance, and Accountability (Continued)

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

3. Detail Notes on All Funds

A. Assets

1. 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 City'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 City'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 under-collateralization. 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, 2019, the City's deposits had a carrying amount of \$35,751,494 and a bank balance of \$36,439,081. Of the bank balance, \$704,918 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the City's petty cash fund totaled \$6,900.

2. Investments

As of June 30, 2019, the City had \$12,993,263 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 had no policy regarding credit risk.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

3. Receivables - Allowances for Doubtful Accounts

The receivables shown in the balance sheet and the statement of net position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	<u>\$ 176,220</u>
Enterprise Funds:	
Electric Fund	2,354,164
Water Fund	533,880
Wastewater Fund	411,515
Nonmajor enterprise funds	<u>244,513</u>
Total enterprise funds	<u>3,544,072</u>
 Total allowance for doubtful accounts	 <u>\$ 3,720,292</u>

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

	<u>Governmental Activities</u>
Due from other governments:	
Local option sales tax and other	
State shared revenues	\$ 179,747
State and local sales tax	1,204,405
Grant receivable	<u>1,265,982</u>
 Total	 <u>\$ 2,650,134</u>

4. 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, 2019 is \$180,715.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental Funds:				
Capital assets not being depreciated:				
Land	\$ 3,801,690	\$ 80	\$ -	\$ 3,801,770
Construction in progress	4,486,702	3,243,738	-	7,730,440
Total capital assets not being depreciated	<u>8,288,392</u>	<u>3,243,818</u>	<u>-</u>	<u>11,532,210</u>
Capital assets being depreciated:				
Buildings and improvements	18,723,581	172,341	-	18,895,922
Equipment	5,959,841	291,309	55,372	6,195,778
Vehicles	7,410,304	116,136	97,159	7,429,281
Infrastructure	7,214,119	101,865	-	7,315,984
Total assets being depreciated	<u>39,307,845</u>	<u>681,651</u>	<u>152,531</u>	<u>39,836,965</u>
Less Accumulated Depreciation:				
Buildings and improvements	7,689,704	573,880	-	8,263,584
Equipment	5,273,468	307,366	55,372	5,525,462
Vehicles	6,668,346	311,925	97,159	6,883,112
Infrastructure	5,233,511	238,445	-	5,471,956
Total accumulated depreciation	<u>24,865,029</u>	<u>1,431,616</u>	<u>152,531</u>	<u>26,144,114</u>
Total capital assets being depreciated, net	<u>14,442,816</u>			<u>13,692,851</u>
Governmental activities capital assets, net	<u>\$ 22,731,208</u>			<u>\$ 25,225,061</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	July 1, 2018	Increases	Decreases	June 30, 2019
Employee Health and Insurance				
Internal Service Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 19,468	\$ -	\$ -	\$ 19,468
Less Accumulated Depreciation:				
Buildings and improvements	11,681	487	-	12,168
Total accumulated depreciation	11,681	487	-	12,168
Total capital assets being depreciated, net	7,787			7,300
Total Employee Health and Insurance				
Fund capital assets, net	<u>\$ 7,787</u>			<u>\$ 7,300</u>

	Balance			Balance
	July 1, 2018	Increases	Decreases	June 30, 2019
Fleet Maintenance Fund Internal				
Service Fund:				
Capital assets being depreciated:				
Equipment	\$ 129,121	\$ -	\$ -	\$ 129,121
Vehicles	66,879	-	-	66,879
Total capital assets being depreciated	196,000	-	-	196,000
Less Accumulated Depreciation:				
Equipment	126,996	2,125	-	129,121
Vehicles	66,879	-	-	66,879
Total accumulated depreciation	193,875	2,125	-	196,000
Total capital assets being depreciated, net	2,125			-
Total Fleet Maintenance Fund				
capital assets, net	<u>\$ 2,125</u>			<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Total Governmental Funds:				
Capital assets not being depreciated:				
Land	\$ 3,801,690	\$ 80	\$ -	\$ 3,801,770
Construction in progress	4,486,702	3,243,738	-	7,730,440
Total capital assets not being depreciated	<u>8,288,392</u>	<u>3,243,818</u>	<u>-</u>	<u>11,532,210</u>
Capital assets being depreciated:				
Buildings and improvements	18,743,049	172,341	-	18,915,390
Equipment	6,088,962	291,309	55,372	6,324,899
Vehicles	7,477,183	116,136	97,159	7,496,160
Infrastructure	7,214,119	101,865	-	7,315,984
Total assets being depreciated	<u>39,523,313</u>	<u>681,651</u>	<u>152,531</u>	<u>40,052,433</u>
Less Accumulated Depreciation:				
Buildings and improvements	7,701,385	574,367	-	8,275,752
Equipment	5,400,464	309,491	55,372	5,654,583
Vehicles	6,735,225	311,925	97,159	6,949,991
Infrastructure	5,233,511	238,445	-	5,471,956
Total accumulated depreciation	<u>25,070,585</u>	<u>1,434,228</u>	<u>152,531</u>	<u>26,352,282</u>
Total capital assets being depreciated, net	<u>14,452,728</u>			<u>13,700,151</u>
Governmental activities capital assets, net	<u>\$ 22,741,120</u>			<u>\$ 25,232,361</u>

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

General government	\$ 169,657
Public safety	617,741
Public services	394,466
Community development	210,242
Cultural and recreation	37,426
Internal services funds	4,696
Total	<u>\$1,434,228</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 202,380	\$ -	\$ -	\$ 202,380
Construction in progress	4,234,202	5,402,879	-	9,637,081
Total capital assets not being depreciated	<u>4,436,582</u>	<u>5,402,879</u>	<u>-</u>	<u>9,839,461</u>
Capital assets being depreciated:				
Buildings and improvements	3,671,890	-	-	3,671,890
Equipment	1,031,533	-	-	1,031,533
Vehicles	1,480,986	-	-	1,480,986
Distribution system	40,616,284	-	-	40,616,284
Total capital assets being depreciated	<u>46,800,693</u>	<u>-</u>	<u>-</u>	<u>46,800,693</u>
Less Accumulated Depreciation:				
Buildings and improvements	3,073,066	63,542	-	3,136,609
Equipment	795,154	20,238	-	815,392
Vehicles	1,157,240	94,723	-	1,251,962
Distribution system	22,744,655	973,455	-	23,718,110
Total accumulated depreciation	<u>27,770,115</u>	<u>1,151,958</u>	<u>-</u>	<u>28,922,073</u>
Total capital assets being depreciated, net	<u>19,030,578</u>			<u>17,878,620</u>
Electric Fund capital assets, net	<u><u>\$ 23,467,160</u></u>			<u><u>\$ 27,718,081</u></u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 66,605	\$ -	\$ -	\$ 66,605
Construction in progress	1,315,158	-	6,500	1,308,658
Total capital assets not being depreciated	<u>1,381,763</u>	<u>-</u>	<u>6,500</u>	<u>1,375,263</u>
Capital assets being depreciated:				
Buildings and improvements	621,881	8,500	-	630,381
Equipment	1,310,351	173,569	-	1,483,920
Vehicles	1,339,108	198,532	-	1,537,640
Infrastructure	41,195	-	-	41,195
Distribution system	15,455,871	90,000	-	15,545,871
Total capital assets being depreciated	<u>18,768,406</u>	<u>470,601</u>	<u>-</u>	<u>19,239,007</u>
Less Accumulated Depreciation:				
Buildings and improvements	585,143	6,798	-	591,941
Equipment	1,048,328	137,691	-	1,186,019
Vehicles	1,123,641	111,726	-	1,235,367
Infrastructure	18,282	1,881	-	20,163
Distribution system	10,558,729	269,298	-	10,828,027
Total accumulated depreciation	<u>13,334,123</u>	<u>527,394</u>	<u>-</u>	<u>13,861,517</u>
Total capital assets being depreciated, net	<u>5,434,283</u>			<u>5,377,490</u>
Water Fund capital assets, net	<u>\$ 6,816,046</u>			<u>\$ 6,752,753</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
<i>Waste Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 953,658	\$ -	\$ -	\$ 953,658
Construction in progress	11,567,610	418,168	294,294	11,985,779
Total capital assets not being depreciated	<u>12,521,268</u>	<u>418,168</u>	<u>294,294</u>	<u>12,939,437</u>
Capital assets being depreciated:				
Buildings and improvements	41,276,198	-	-	41,276,198
Equipment	1,975,566	-	-	1,975,566
Vehicles	614,902	-	-	614,902
Infrastructure	397,694	-	-	397,694
Distribution system	52,862,556	161,032	-	53,023,588
Total capital assets being depreciated	<u>97,126,916</u>	<u>161,032</u>	<u>-</u>	<u>97,287,952</u>
Less Accumulated Depreciation:				
Buildings and improvements	12,074,680	978,323	-	13,053,004
Equipment	1,900,217	37,434	-	1,937,652
Vehicles	338,687	100,957	-	439,644
Infrastructure	125,163	19,885	-	145,048
Distribution system	22,482,308	1,211,522	-	23,693,828
Total accumulated depreciation	<u>36,921,055</u>	<u>2,348,121</u>	<u>-</u>	<u>39,269,176</u>
Total capital assets being depreciated, net	<u>60,205,861</u>			<u>58,018,776</u>
Waste Water Fund capital assets, net	<u>\$ 72,727,129</u>			<u>\$ 70,958,213</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<i>Environmental Services Fund</i>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Equipment	591,250	-	44,057	547,193
Vehicles	3,357,017	223,790	-	3,580,807
Total capital assets being depreciated	3,948,267	223,790	44,057	4,128,000
Less Accumulated Depreciation:				
Equipment	576,675	12,228	44,057	544,845
Vehicles	2,574,520	288,936	-	2,863,456
Total accumulated depreciation	3,151,195	301,164	44,057	3,408,302
Total capital assets being depreciated, net	797,072			719,698
Environmental Services Fund capital assets, net	\$ 797,072			\$ 719,698
<i>Stormwater Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 205,725	\$ 56,013	\$ -	\$ 261,738
Total capital assets not being depreciated	205,725	56,013	-	261,738
Capital assets being depreciated:				
Equipment	96,336	110,038	-	206,374
Vehicles	476,390	-	-	476,390
Infrastructure	692,432	-	-	692,432
Total capital assets being depreciated	1,265,158	110,038	-	1,375,196
Less Accumulated Depreciation:				
Equipment	93,149	25,195	-	118,344
Vehicles	382,328	50,585	-	432,913
Infrastructure	140,788	34,622	-	175,409
Total accumulated depreciation	616,265	110,401	-	726,666
Total capital assets being depreciated, net	648,893			648,530
Stormwater Fund capital assets, net	\$ 854,618			\$ 910,267

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

	Balance			Balance
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<i>Kinston Community Center Fund</i>				
Capital assets being depreciated:				
Buildings and improvements	\$ 16,765	\$ 614,136	\$ -	\$ 630,901
Equipment	5,464	47,049	-	52,513
Total capital assets being depreciated	<u>22,229</u>	<u>661,185</u>	<u>-</u>	<u>683,414</u>
Less Accumulated Depreciation:				
Buildings and improvements	6,706	18,706	-	25,412
Equipment	3,279	12,059	-	15,337
Total accumulated depreciation	<u>9,985</u>	<u>30,765</u>	<u>-</u>	<u>40,750</u>
Total capital assets being depreciated, net	<u>12,244</u>			<u>642,664</u>
Kinston Community Center Fund capital assets, net	<u>\$ 12,244</u>			<u>\$ 642,664</u>
<i>Public Services Administration Fund</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 21,784	\$ -	\$ -	\$ 21,784
Total capital assets not being depreciated	<u>21,784</u>	<u>-</u>	<u>-</u>	<u>21,784</u>
Capital assets being depreciated:				
Equipment	505,608	-	-	505,608
Vehicles	135,496	34,446	-	169,942
Total capital assets being depreciated	<u>641,104</u>	<u>34,446</u>	<u>-</u>	<u>675,549</u>
Less Accumulated Depreciation:				
Equipment	339,830	80,494	-	420,324
Vehicles	103,715	21,298	-	125,013
Total accumulated depreciation	<u>443,545</u>	<u>101,792</u>	<u>-</u>	<u>545,337</u>
Total capital assets being depreciated, net	<u>197,559</u>			<u>130,212</u>
Public Services Administration Fund capital assets, net	<u>219,343</u>			<u>151,996</u>
Business-type activities capital assets, net	<u>\$ 104,893,612</u>			<u>\$ 107,831,254</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

B. Liabilities

1. Payables

Accounts payable and accrued liabilities at the government-wide level at June 30, 2019 were as follows:

	Governmental Activities	Business Type Activities	Total
Accounts and vouchers	\$ 3,198,931	\$ 4,505,315	\$ 7,704,246
Accrued interest payable	-	37,050	37,050
Accrued payroll and related liabilities	153,797	-	153,797
Total accounts payable and accrued liabilities	<u>\$ 3,352,728</u>	<u>\$ 4,542,365</u>	<u>\$ 7,895,093</u>

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental 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 Local Governmental Employees' Retirement System 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, by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 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 of Kinston's contractually required contribution rate for the year ended June 30, 2018, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, 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 of Kinston were \$1,121,685 for the year ended June 30, 2019.

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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

At June 30, 2019, the City reported a liability of \$5,135,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the City's proportion was 0.21646%, which was a decrease of 0.00527% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,438,889. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 792,235	\$ 26,583
Changes of assumptions	1,362,676	-
Net difference between projected and actual earnings on pension plan investments	704,906	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,705	37,742
City contributions subsequent to the measurement date	1,121,685	-
Total	\$ 3,990,207	\$ 64,325

\$1,121,685 was 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 ended June 30, 2019.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 1,361,647
2020	884,118
2021	150,791
2022	407,640
2023	-
Thereafter	-
	\$ 2,804,196

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 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 increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 12,335,127	\$ 5,135,171	\$ (881,224)

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.

b. Law Enforcement Officers' Special Separation Allowance (LEOSSA)

Plan Description. The City 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 based rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increase in salary or retirement allowance 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.

A full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>64</u>
Total	<u><u>79</u></u>

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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

The separation allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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 finance through investment earnings. This City paid \$219,984 as benefits came due.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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

At June 30, 2019, the City reported a liability of \$3,559,172. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the city recognized pension expenses of \$263,151.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,991	\$ -
Changes of assumptions	117,370	138,278
Total	<u>\$ 223,361</u>	<u>\$ 138,278</u>

\$223,361 reported as deferred outflows of resources related to pensions 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 28,347
2021	28,347
2022	33,314
2023	(4,925)
2024	-
Thereafter	-
	<u>\$ 85,083</u>

\$223,361 paid as benefits came due and \$- of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64%, 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 (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 3,834,324	\$ 3,559,172	\$ 3,307,411

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

	2019
Beginning balance	\$ 3,607,151
Service cost	123,979
Interest on the total pension liability	110,510
Difference between expected and actual	66,577
Changes of assumptions or other inputs	(129,061)
Benefit payments	(219,984)
Ending balance of the total pension liability	<u>\$ 3,559,172</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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension expense	\$ 1,438,889	\$ 263,151	\$ 1,702,040
Pension liability	5,135,171	3,559,172	8,694,343
Proportionate share of the net pension liability	0.21646%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	792,235	105,991	898,226
Changes of assumptions	1,362,676	117,370	1,480,046
Net difference between projected and actual earnings on plan investments	704,906	-	704,906
Changes in proportion and differences between contributions and proportionate share of contributions	8,705	-	8,705
Benefit payments and administrative costs paid subsequent to the measurement date	1,121,685	-	1,121,685
Deferred of Inflows of Resources			
Differences between expected and actual experience	26,583	-	26,583
Changes of assumptions	-	138,278	138,278
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	37,742	-	37,742

c. 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 Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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, 2019 were \$208,223, which consisted of \$169,170 from the City and \$39,053 from the law enforcement officers. No amounts were forfeited.

d. Separation Allowance Plan

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

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

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

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

At June 30, 2017, the Separation Allowance – Employees' membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>-</u>
Total	<u><u>1</u></u>

A separate financial report was not issued for the plan.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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, 2019 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Discount rate	2.98 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-year High Grade Rate Index.

The actuarial assumptions used in June 30, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

DEATHS AFTER RETIREMENT (HEALTHY) Law Enforcement Officers: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

DEATHS AFTER RETIREMENT (HEALTHY) Firefighters: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

DEATHS AFTER RETIREMENT (HEALTHY) General Employees: RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 115% for males and 79% for females for ages under 78 and by 135% for males and 116% for females for age 78 and older.

DEATHS BEFORE RETIREMENT: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

DEATHS AFTER RETIREMENT (BENEFICIARY): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

DEATHS AFTER RETIREMENT (DISABLED): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 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.

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

At June 30, 2019, the City reported a total pension liability of \$1,962. The total pension liability was measured as of June 30, 2018 based on a June 30, 2018 actuarial valuation. For the year ended June 30, 2019, the City recognized pension expense of \$110.

	Deferred Outflows of Resources	Deferred Inflows of Resources
City benefit payments and plan administrative expenses made subsequent to the measurement date	\$ -	\$ -
Total	\$ -	\$ -

\$0 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, 2019.

\$1,331 paid as benefits came due and \$3,125 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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 2.98%, 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 (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total Pension Liability	\$ 1,971	\$ 1,962	\$ 1,954

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

	2019
Beginning balance	\$ 3,848
Service cost	-
Interest on the total pension liability	89
Changes of assumptions or other inputs	21
Benefit payments	(1,996)
Ending balance of the total pension liability	<u><u>\$ 1,962</u></u>

e. 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, 2019 were \$355,470, which consisted of \$160,572 from the City and \$194,898 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

f. 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.

At June 30, 2017, the membership consisted of:

Retirees and dependents receiving benefits	69
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>136</u>
Total	<u><u>205</u></u>

Total OPEB Liability

The City's total OPEB liability of \$4,743,598 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Inflation	2.5 percent
Real wage growth	1.0 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	
General Employees	3.5 - 7.75 percent
Firefighters	3.5 - 7.75 percent
Law Enforcement Officers	3.5 - 7.35 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.56 percent
Measurement Date	3.89 percent
Health Care Cost Trends	
Pre-Medicare	7.5 percent for 2017 decreasing to an ultimate rate of 5.0 percent by 2023

The City selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Changes in Total OPEB Liability

	2019
Beginning balance - July 1, 2018	\$ 4,974,383
Service cost	91,225
Interest on the total pension liability	172,360
Difference between expected and actual experience	(123,287)
Changes of assumptions of other inputs	(103,125)
Benefit payments and implicit subsidy vredit	(267,958)
Ending balance of the total pension liability - June 30, 2019	<u>\$ 4,743,598</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89% due to a change in the Municipal Bond Rate.

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate. The following presents the City's total OPEB liability, 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 5,065,046	\$ 4,743,598	\$ 448,148

Sensitivity of the City's Total OPEB Liability to Changes in the healthcare cost trend rates. The following presents the City's total OPEB liability, 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase (4.13%)
Total OPEB Liability	\$ 4,575,315	\$ 4,743,598	\$ 4,935,057

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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

At June 30, 2019, the City recognized OPEB expense of \$152,679. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 112,887
Benefit Payments made subsequent to the measurement date	-	-
Changes of assumptions	-	169,112
Total	<u>\$ -</u>	<u>\$ 281,999</u>

\$0 reported as deferred outflows of resources related to pensions 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (116,261)
2020	(112,159)
2021	(53,579)
2022	-
2023	-
Thereafter	-
	<u>\$ (281,999)</u>

g. 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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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, 2019, the City made contributions of \$52,002 for this additional group term life insurance.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year (LGERS)	\$ 1,121,685
Benefit payments/administration costs paid	
subsequent to the measurement date (LEOSSA & SSA)	223,361
OPEB Benefit payments/administration costs paid	
subsequent to the measurement date	267,958
Difference between projected expected and actual experience (LGERS)	792,235
Changes in proportion and differences between City contributions	
and proportionate share of contributions (LEGERS)	8,705
Changes of assumptions (LGERS)	1,094,718
Net difference between projected and actual earnings on pension	
plan investments (LGERS)	704,906
Total	<u>\$ 4,213,568</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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

Source	Amount
Prepaid property taxes	\$ 1,180
Pavement assessment receivables	9,048
GTP fire taxes receivable	42
Differences between expected and actual experience (LGERS)	26,583
Changes of assumptions (LEOSSA)	138,278
Changes in proportion and differences between City's contributions and proportionate share of contributions (LGERS)	37,742
Differences between expected and actual experience (OPEB)	112,887
Changes of assumptions (OPEB)	169,112
Total	<u>\$ 494,872</u>

4. 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 \$340,868 in claims was incurred for benefits during fiscal year 2019.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Claims Liability

	Year Ended June 30	
	2019	2018
Unpaid claims, beginning of fiscal year	\$ 380,000	\$ 380,000
Incurred claims (including claims incurred, but not report as of fiscal year-end)	340,868	386,617
Payments and reduction in claim estimates	(340,868)	(386,617)
Unpaid claims, end of fiscal year	<u>\$ 380,000</u>	<u>\$ 380,000</u>

The City is also self-insured to provide health care benefits to its participants through a contract with Blue Cross Blue Shield of North Carolina. A total of \$2,114,239 in benefits were paid during the fiscal year 2019.

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, Judgements, and Contingent Liabilities

As of June 30, 2019, 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 are unknown. The possible outcome of open lawsuits may result in an adverse effect to the City's financial position. No liability has been accrued at this time due to the uncertainty of the cases.

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

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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.

5. Long-Term Obligations

a. Installment Contracts

<u>Year of Loan</u>	<u>Purpose and Collateral</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Balance June 30, 2019</u>
Governmental Activities:				
General Fund:				
2009	New main fire station	4.75%	2049	\$ 2,816,806
2009	City hall renovations	4.38%	2039	1,497,304
2011	Fire trucks	4.00%	2030	592,288
2012	Fire station	3.50%	2043	2,126,675
2019	Grainger stadium improvements	4.60%	2034	2,500,000
2019	Recreation mowers	3.60%	2023	138,679
2015	Radios and equipment	1.39%	2019	55,236
2016	Various equipment	1.46%	2021	595,420
2017	Various equipment	1.84%	2022	211,755
				<u>10,534,163</u>
Fleet Maintenance Internal Service Fund:				
2015	Radios and equipment	1.39%	2019	<u>2,125</u>
Total governmental activities				<u><u>\$ 10,536,288</u></u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Year of Loan	Purpose and Collateral	Interest Rates	Effective Interest Rate	Maturity	Balance June 30, 2019
Business-Type Activities:					
Enterprise Funds:					
Water Fund					
2015	Radios and equipment	1.39%		2019	\$ 11,681
2016	Various equipment	1.46%		2021	165,440
					<u>177,121</u>
Wastewater Fund					
2010	Expansion of Sanitary Sewer System	5.07%	3.30%	2020	96,674
2015	Radios and equipment	1.37%		2019	3,396
2016	Various equipment	1.46%		2021	31,733
					<u>131,803</u>
Electric Fund					
2015	Radios and equipment	1.39%		2019	8,283
					<u>8,283</u>
Environmental Services Fund					
2015	Radios and equipment	1.90%		2019	9,879
2016	Various equipment	1.46%		2021	195,616
2017	Various equipment	1.84%		2022	448,245
					<u>653,740</u>
Stormwater Fund					
2015	Radios and equipment	1.39%			3,187
2016	Various equipment	1.46%			102,791
					<u>105,978</u>
Total Enterprise Funds					<u>1,076,925</u>
Public Services Administration Fund					
2015	Radios and equipment				<u>5,942</u>
Total business-type activities					<u>\$ 1,082,867</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 Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

a. Installment Contracts

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

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Installment Contracts</u>		<u>Installment Contracts</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30						
2020	\$ 728,914	\$ 320,567	\$ 531,940	\$ 19,175	\$ 1,260,854	\$ 339,742
2021	687,144	304,486	398,795	9,189	1,085,939	313,675
2022	400,088	287,532	152,131	2,799	552,219	290,331
2023	339,726	274,703	-	-	339,726	274,703
2024	223,518	264,058	-	-	223,518	264,058
2025-2029	1,803,571	1,173,615	-	-	1,803,571	1,173,615
2030-2034	1,887,285	897,348	-	-	1,887,285	897,348
2035-2039	2,048,997	610,837	-	-	2,048,997	610,837
2040-2044	1,641,907	291,636	-	-	1,641,907	291,636
2045-2049	606,505	105,769	-	-	606,505	105,769
2050	168,633	8,019	-	-	168,633	8,019
Total	\$ 10,536,288	\$ 4,538,570	\$ 1,082,866	\$ 31,163	\$ 11,619,154	\$ 4,569,733

\$726,789 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, \$115,833 will be paid from the Wastewater Fund, \$8,283 from the Electric Fund, \$93,870 from the Water Fund, \$253,758 from the Environmental Services Fund, \$54,253 from the Stormwater Fund, and \$5,943 from the Public Services Administration Fund.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

b. Notes Payable

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

Year of		Interest		Balance
<u>Loan</u>	<u>Purpose and Collateral</u>	<u>Rates</u>	<u>Maturity</u>	<u>June 30, 2019</u>
2003	Expansion to Sanitary Sewer System	2.66%	2023	\$ 327,915
2003	Expansion to Sanitary Sewer System	2.66%	2024	191,250
2007	Expansion to Sanitary Sewer System	2.27%	2027	2,942,178
2015	Expansion to Sanitary Sewer System	2.00%	2035	588,908
2017	Queen Street Sewer Phase I	0.00%	2037	3,021,176
2019	Queen Street Sewer Phase II	0.00%	2038	1,579,016
2018	KRWRF Biosolids Dryer Project	0.00%	2038	1,107,019
Total business-type activities				<u>\$ 9,757,462</u>

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

Year			
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 504,797	\$ 92,228	\$ 597,025
2021	509,458	79,964	589,422
2022	509,458	67,700	577,158
2023	509,458	55,435	564,893
2024	427,479	42,555	470,034
2025-2029	2,670,216	83,106	2,753,322
2030-2034	2,664,147	14,723	2,678,870
2035-2038	1,962,449	736	1,963,185
Total	<u>\$ 9,757,462</u>	<u>\$ 436,447</u>	<u>\$10,193,909</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

c. Revenue Bonds

Revenue bonds outstanding at June 30, 2019 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% \$ 493,500

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% 1,163,250

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% 1,868,250

Total revenue bonds \$ 3,525,000

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

Year Ending			
June 30	Principal	Interest	Total
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	411,000	8,776	419,776
2024	193,000	1,689	194,689
Total	<u><u>\$ 3,525,000</u></u>	<u><u>\$ 116,840</u></u>	<u><u>\$ 3,641,840</u></u>

\$174,860 of the current portion will be paid from the Water Fund, \$412,170 from the Wastewater Fund, and \$661,970 from the Electric Fund.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

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, 2019 were \$2,565,706 and \$188,601, respectively. Total customer revenue for the City's enterprise funds totaled \$65,255,998 for the year ended June 30, 2019.

Operating revenues	\$ 65,255,998
Operating expenses*	<u>51,536,106</u>
Income available for debt service	<u>\$ 13,719,892</u>

Debt service, principal, and interest paid (parity debt)	<u>\$ 2,754,307</u>
--	---------------------

Debt service coverage ratio	<u>4.98</u>
-----------------------------	-------------

*Per rate covenants; this does not include the depreciation expense of \$4,027,473.

At June 30, 2019, the City was in compliance with the bond covenants described above.

d. 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, 2019, the legal debt limit for the City was \$109,244,473, providing a legal debt margin of \$87,868,209.

At June 30, 2019, the City has no authorized bonds remaining to be issued.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Changes in Longer-Term Liabilities

Long-term liability activity for governmental activities for the year ended June 30, 2019 is as follows:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current Portion of Balance</u>
Governmental Funds:					
Accrued compensated absences	\$ 709,940	\$ -	\$ 55,260	\$ 654,680	\$ 163,670
Total pension liability (LEOSSA)	3,607,151	-	47,979	3,559,172	-
Total pension liability	3,848		1,886	1,962	-
Installment contracts	8,495,636	2,672,443	633,916	10,534,163	726,789
OPEB liability	4,974,383	-	230,785	4,743,598	-
Net pension liability (LGERS)	2,167,948	1,078,107	-	3,246,055	-
Total	<u>\$ 19,958,906</u>	<u>\$ 3,750,550</u>	<u>\$ 969,826</u>	<u>\$ 22,739,630</u>	<u>\$ 890,459</u>
Employee Health Fund:					
Accrued compensated absences	\$ 1,003	\$ 4,546	\$ -	\$ 5,549	\$ 1,387
Total	<u>\$ 1,003</u>	<u>\$ 4,546</u>	<u>\$ -</u>	<u>\$ 5,549</u>	<u>\$ 1,387</u>
Fleet Maintenance Fund:					
Accrued compensated absences	\$ 24,762	\$ 3,005	\$ -	\$ 27,767	\$ 6,942
Installment contracts	4,250	-	2,125	2,125	2,125
Total	<u>\$ 29,012</u>	<u>\$ 3,005</u>	<u>\$ 2,125</u>	<u>\$ 29,892</u>	<u>\$ 9,067</u>
Total Governmental Activities:					
Accrued compensated absences	\$ 735,705	\$ 7,551	\$ 55,260	\$ 687,996	\$ 171,999
Total pension liability (LEOSSA)	3,607,151	-	47,979	3,559,172	-
Total pension liability (SSA)	3,848	-	1,886	1,962	-
Installment contracts	8,499,886	2,672,443	636,041	10,536,288	728,914
OPEB liability	4,974,383	-	230,785	4,743,598	-
Net pension liability (LGERS)	2,167,948	1,078,107	-	3,246,055	-
Total	<u>\$ 19,988,921</u>	<u>\$ 3,758,101</u>	<u>\$ 971,951</u>	<u>\$ 22,775,071</u>	<u>\$ 900,913</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Long-term liability activity for business-type activities for the year ended June 30, 2019 is as follows:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current Portion of Balance</u>
Major Enterprise Funds:					
Water Fund:					
Accrued compensated					
absences	\$ 74,383	\$ -	\$ 7,579	\$ 66,804	\$ 16,701
Installment contracts	269,778	-	92,657	177,121	93,870
Revenue bonds	695,520	-	202,020	493,500	174,860
Net pension liability					
(LGERS)	380,956	146,482	-	527,438	-
Total	<u>\$ 1,420,637</u>	<u>\$ 146,482</u>	<u>\$ 302,256</u>	<u>\$ 1,264,863</u>	<u>\$ 285,431</u>
Wastewater Fund:					
Accrued compensated					
absences	\$ 28,631	\$ 4,835	\$ -	\$ 33,466	\$ 8,368
Notes payable	7,197,721	3,470,628	910,886	9,757,463	906,773
Installment contracts	242,683	-	110,880	131,803	115,835
Revenue bonds	1,639,440	-	476,190	1,163,250	412,170
Net pension liability					
(LGERS)	237,120	129,487	-	366,607	-
Total	<u>\$ 9,345,595</u>	<u>\$ 3,604,950</u>	<u>\$ 1,497,956</u>	<u>\$ 11,452,589</u>	<u>\$ 1,443,146</u>
Electric Fund:					
Accrued compensated					
absences	\$ 64,536	\$ 15,020	\$ -	\$ 79,556	\$ 19,889
Installment contracts	16,566	-	8,283	8,283	8,283
Revenue bonds	2,633,040	-	764,790	1,868,250	661,970
Net pension liability					
(LGERS)	338,742	184,981	-	523,723	-
Total	<u>\$ 3,052,884</u>	<u>\$ 200,001</u>	<u>\$ 773,073</u>	<u>\$ 2,479,812</u>	<u>\$ 690,142</u>
Nonmajor Enterprise Funds:					
Environmental Services Funds					
Accrued compensated					
absences	\$ 44,977	\$ -	\$ 3,859	\$ 41,118	\$ 10,280
Installment contracts	903,347	-	249,607	653,740	253,758
Net pension liability (LGERS)	237,120	129,487	-	366,607	-
Total	<u>\$ 1,185,444</u>	<u>\$ 129,487</u>	<u>\$ 253,466</u>	<u>\$ 1,061,465</u>	<u>\$ 264,038</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Long-term liability activity for business-type activities for the year ended June 30, 2019 is as follows:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Current Portion of Balance</u>
Stormwater Fund:					
Accrued compensated absences	\$ 12,165	\$ 5,800	\$ -	\$ 17,965	\$ 4,491
Installment contracts	159,477	-	53,499	105,978	54,253
Net pension liability (LGERS)	67,749	36,992	-	104,741	-
Total	<u>\$ 239,391</u>	<u>\$ 42,792</u>	<u>\$ 53,499</u>	<u>\$ 228,684</u>	<u>\$ 58,744</u>
Kinston Community Center Fund:					
Accrued compensated absences	\$ 9,392	\$ -	\$ 2,002	\$ 7,390	\$ 1,848
Total	<u>\$ 9,392</u>	<u>\$ -</u>	<u>\$ 2,002</u>	<u>\$ 7,390</u>	<u>\$ 1,848</u>
Public Services Administration Fund:					
Accrued compensated absences	\$ 86,379	\$ 1,600	\$ -	\$ 87,979	\$ 21,995
Installment contracts	11,885	-	5,943	5,942	5,942
Total	<u>\$ 98,264</u>	<u>\$ 1,600</u>	<u>\$ 5,943</u>	<u>\$ 93,921</u>	<u>\$ 27,937</u>
Total Business-Type Activities:					
Accrued compensated absences	\$ 320,463	\$ 27,255	\$ 13,440	\$ 334,278	\$ 83,570
Notes payable	7,197,721	3,470,628	910,886	9,757,463	906,773
Installment contracts	1,603,736	-	520,868	1,082,868	531,940
Revenue bonds	4,968,000	-	1,443,000	3,525,000	1,249,000
Net pension liability (LGERS)	1,261,687	627,429	-	1,889,116	-
Total	<u>\$15,351,607</u>	<u>\$ 4,125,312</u>	<u>\$ 2,888,194</u>	<u>\$ 16,588,725</u>	<u>\$ 2,771,283</u>

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

3. Detail Notes on All Funds (Continued)

Net Investment in Capital Assets

Net investment in capital assets at June 30, 2019 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 25,229,996	\$ 107,853,672
Less: long-term debt	(10,536,288)	(14,365,329)
Plus: unspent debt proceeds	-	-
Net investment in capital assets	<u>\$ 14,693,708</u>	<u>\$ 93,488,343</u>

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 \$100,650 to the corporation during the fiscal year ended June 30, 2019.

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, 2019 were \$31,543,714.

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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

5. Jointly Governed Organizations (Continued)

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, 2019.

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 \$223,786 of funding for the Authority for the year ended June 30, 2019.

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, 2019. During the year ended June 30, 2019, the City provided \$205,000 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.

CITY OF KINSTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 refund of grant monies.

7. Significant Effects of Subsequent Events

Subsequent events have been evaluated through April 10, 2020, the date which the financial statements were available to be issued. There were no recognized events meriting disclosures.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress and Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
 - Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Required Schedules for the Special Separation Allowance
 - Schedule of Changes in Total Liability and Related Ratios, 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)
-

CITY OF KINSTON, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the year ended June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	2019	2018	2017
Beginning balance	\$ 3,607,151	\$ 3,298,685	\$ 3,328,063
Service cost	123,979	109,374	117,300
Interest on the total pension liability	110,510	123,405	115,481
Differences between expected and actual	66,577	-	-
Changes of assumptions or other inputs	(129,061)	279,012	(75,547)
Benefit payments	(219,984)	(203,325)	(186,612)
Ending balance of the total pension liability	<u>\$ 3,559,172</u>	<u>\$ 3,607,151</u>	<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
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the year ended June 30, 2019

Law Enforcement Officers' Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 3,559,172	\$ 3,298,685	\$ 3,298,685
Covered payroll	3,431,854	3,422,259	3,527,718
Total pension liability as a percentage of covered payroll	103.71%	96.39%	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
Schedule of Changes in Total Pension Liability
Special Separation Allowance
For the year ended June 30, 2019

Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 3,848	\$ 5,110	\$ 5,562
Service cost	-	176	567
Interest on the total pension liability	89	124	174
Differences between expected and actual experience in the measurement of the total pension liability.	-	-	968
Changes of assumptions or other inputs	21	434	(165)
Benefit payments	(1,996)	(1,996)	(1,996)
Ending balance of the total pension liability	<u>\$ 1,962</u>	<u>\$ 3,848</u>	<u>\$ 5,110</u>

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

This schedule is intended to show information for ten years.

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

CITY OF KINSTON, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Special Separation Allowance
For the year ended June 30, 2019

Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2018</u>
Total pension liability	\$ 1,962	\$ 3,848	\$ 5,110
Covered payroll	-	-	60,523
Total pension liability as a percentage of covered payroll	N/A	N/A	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
Schedule of Changes in Total OPEB Liability and Related Ratios
For the year ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost at end of year	\$ 91,225	\$ 98,942
Interest	172,360	153,904
Differences between expected and actual experience in the measurement of the total pension liability.	(123,287)	(42,701)
Changes of assumptions or other inputs	(103,125)	(187,797)
Benefit payments and implicit subsidy credit	<u>(267,958)</u>	<u>(319,740)</u>
Net change in Total OPEB Liability	(230,785)	(297,392)
Total OPEB Liability - beginning	4,974,383	5,271,775
Total OPEB Liability - ending	<u><u>\$ 4,743,598</u></u>	<u><u>\$ 4,974,383</u></u>
 Covered-employee payroll	 \$ 6,261,400	 \$ 6,261,400
Total OPEB Liability as a percentage of covered-employee payroll	 75.76%	 79.45%

Notes to the Schedules:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

CITY OF KINSTON, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years *

Schedule A-6

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) (%)	0.21646%	0.22173%	0.23272%	0.23019%	0.23510%	0.24660%
City's proportion of the net pension liability (asset) (\$)	\$ 5,135,171	\$ 3,387,420	\$ 4,939,099	\$ 1,033,081	\$ (1,386,493)	\$ 2,972,477
City's covered-employee payroll	\$ 14,514,025	\$ 14,344,151	\$ 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	35.38%	23.62%	34.70%	7.49%	-10.15%	23.09%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	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 Five Fiscal Years

Schedule A-7

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,121,685	\$ 1,136,057	\$ 1,069,901	\$ 977,146	\$ 986,930	\$ 972,795
Contributions in relation to the contractually required contribution	<u>1,121,685</u>	<u>1,136,057</u>	<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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
City of Kinston's covered-employee payroll	\$ 14,344,151	\$ 14,231,744	\$ 14,247,572	\$ 14,231,744	\$ 13,800,783	\$ 13,662,808
Contribution as a percentage of covered-employee payroll	7.82%	7.98%	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.

GENERAL FUND

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

CITY OF KINSTON, NORTH CAROLINA

Schedule 1

General Fund

Balance Sheet

June 30, 2019

With comparative totals for June 30, 2018

	2019	2018
Assets:		
Cash and investments	\$ 6,594,231	\$ 9,859,107
Receivables:		
Due from governmental agencies	1,503,594	1,495,305
Accounts receivable	133,252	144,701
Taxes receivable	602,808	643,866
Inventories	81,568	92,061
Total assets	<u>\$ 8,915,453</u>	<u>\$ 12,235,040</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,077,222	\$ 999,782
Prepaid privilege licenses	34,038	34,028
Total liabilities	<u>1,111,260</u>	<u>1,033,810</u>
Deferred Inflows of Resources:		
Property taxes receivable	602,808	644,710
Prepaid property taxes	1,180	867
Pavement assessment receivables	9,048	9,048
GTP fire taxes receivable	42	59
Total deferred inflows of resources	<u>613,078</u>	<u>654,684</u>
Fund Balance:		
Non-spendable, not in spendable form:		
Inventories	81,568	92,061
Restricted:		
Stabilization by State statute	1,627,756	3,933,403
Assigned	477,070	749,962
Unassigned	5,004,721	5,771,120
Total fund balance	<u>7,191,115</u>	<u>10,546,546</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,915,453</u>	<u>\$ 12,235,040</u>

CITY OF KINSTON, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2019

With Comparative Actual for June 30, 2018

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Taxes	\$ 9,893,445	\$ 9,868,672	\$ (24,773)	\$ 9,866,316
Interest and penalties	75,600	62,210	(13,390)	70,584
Total	9,969,045	9,930,882	(38,163)	9,936,900
Other taxes and licenses:				
Local government sales tax	4,383,830	4,173,314	(210,516)	4,008,528
Franchise tax	2,180,850	2,135,878	(44,972)	2,637,012
Occupancy tax	249,100	235,563	(13,537)	256,793
Gross receipts tax	26,900	37,911	11,011	35,927
Licenses and permits	1,550	1,694	144	1,355
Total	6,842,230	6,584,360	(257,870)	6,939,615
Unrestricted intergovernmental:				
Payment in lieu of taxes	330,199	343,677	13,478	315,918
Beer and wine tax	98,154	88,115	(10,039)	89,536
ABC revenue	43,000	83,467	40,467	42,736
Total	471,353	515,259	43,906	448,190
Restricted intergovernmental:				
Powell Bill allocations	590,480	583,884	(6,596)	597,459
School resource officer	105,000	100,299	(4,701)	102,147
State grants, miscellaneous	-	-	-	15,000
Rural Center Grant	50,000	50,000	-	-
Forfeited drug proceeds	15,000	13,989	(1,011)	14,991
Total	760,480	748,172	(12,308)	729,597
Sales and services:				
Rents, concessions, and fees	370,759	354,844	(15,915)	323,234
Inspection fees	160,000	112,920	(47,080)	131,763
Cemetery fees	187,882	160,570	(27,312)	157,463
Cable franchise	150,836	139,812	(11,024)	189,014
Lenoir County participation:				
Recreation	960,238	953,068	(7,170)	934,205
Woodmen Foundation				
reimbursement- recreation	20,000	-	(20,000)	20,000
Total	1,849,715	1,721,214	(128,501)	1,755,679
Other revenue:				
Investment income	52,456	66,082	13,626	28,583
Sale of surplus materials and assets	80,000	24,077	(55,923)	30,998
Miscellaneous	164,942	235,582	70,640	162,453
Total	297,398	325,741	28,343	222,034
Total revenues	20,190,221	19,825,628	(364,593)	20,032,015

CITY OF KINSTON, NORTH CAROLINA

Schedule 2

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2019

With Comparative Actual for June 30, 2018

(Continued)

	2019			2018
	Budget	Actual	Variance Positive (Negative)	Actual
Expenditures:				
General government	\$ 4,173,293	\$ 3,441,142	\$ 732,151	\$ 3,717,693
Public safety	9,874,474	9,582,311	292,163	9,201,560
Public services	3,808,480	3,107,996	700,484	2,616,846
Parks and recreation	4,025,718	3,713,365	312,353	3,821,524
Community development	1,482,278	1,207,608	274,670	1,600,470
Total	<u>23,364,243</u>	<u>21,052,422</u>	<u>2,311,821</u>	<u>20,958,093</u>
Total expenditures	<u>23,364,243</u>	<u>21,052,422</u>	<u>2,311,821</u>	<u>20,958,093</u>
Revenues over (under) expenditures	<u>(3,174,022)</u>	<u>(1,226,794)</u>	<u>1,947,228</u>	<u>(926,078)</u>
Other financing sources (uses):				
Appropriated fund balance	6,296,622	-	(6,296,622)	-
Transfers from other funds	(3,852,553)	(2,301,080)	1,551,473	2,265,690
Long-term debt issued	729,953	172,443	(557,510)	-
Total	<u>3,174,022</u>	<u>(2,128,637)</u>	<u>(5,302,659)</u>	<u>2,265,690</u>
Net change in fund balance	<u>\$ -</u>	<u>(3,355,431)</u>	<u>\$ (3,355,431)</u>	1,339,612
Fund balance, beginning		<u>10,546,546</u>		<u>9,206,934</u>
Fund balance, ending		<u>\$ 7,191,115</u>		<u>\$ 10,546,546</u>

NONMAJOR FUND TYPES

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

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

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

CITY OF KINSTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2019

Schedule 3

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Permanent Fund Temple Israel Perpetual Care Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,281,980	\$ 1,833,957	\$ 75,667	\$ 8,191,604
Due from governmental agencies	1,076,043	15,100	-	1,091,143
Accounts receivables	37,557	-	-	37,557
Notes receivable	180,715	-	-	180,715
	<u>7,576,295</u>	<u>1,849,057</u>	<u>75,667</u>	<u>9,501,019</u>
Total assets	<u>\$ 7,576,295</u>	<u>\$ 1,849,057</u>	<u>\$ 75,667</u>	<u>\$ 9,501,019</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 496,573	\$ 1,271,003	\$ -	\$ 1,767,576
Total liabilities	<u>496,573</u>	<u>1,271,003</u>	<u>-</u>	<u>1,767,576</u>
FUND BALANCES				
Nonspendable, not in spendable form:				
Perpetual maintenance	-	-	75,000	75,000
Restricted:				
Stabilization by State statute	1,294,315	15,100	-	1,309,415
Restricted, all other	5,774,105	-	667	5,774,772
Committed	-	1,061,633	-	1,061,633
Assigned	395,085	778,216	-	1,173,301
Unassigned	(383,783)	(1,276,895)	-	(1,660,678)
Total fund balances	<u>7,079,722</u>	<u>578,054</u>	<u>75,667</u>	<u>7,733,443</u>
Total liabilities and fund balances	<u>\$ 7,576,295</u>	<u>\$ 1,849,057</u>	<u>\$ 75,667</u>	<u>\$ 9,501,019</u>

CITY OF KINSTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

Schedule 4

	Nonmajor Special Revenue Fund	Nonmajor Capital Projects Fund	Permanent Fund Temple Israel Perpetual Care Fund	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental revenue	\$ 1,884,571	\$ -	\$ -	\$ 1,884,571
Federal and state grants	-	167,681	-	167,681
Investment earnings	3,157	-	390	3,547
Miscellaneous	468,178	300	-	468,478
Total revenues	2,355,906	167,981	390	2,524,277
EXPENDITURES				
Cultural and recreation	-	189,348	-	189,348
Community development	3,774,469	63,192	-	3,837,661
Public safety	115,410	3,130,750	-	3,246,160
Total expenditures	3,889,879	3,383,290	-	7,273,169
Excess (deficiency) of revenues over expenditures	(1,533,973)	(3,215,309)	390	(4,748,892)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	2,500,000	-	2,500,000
Transfers out	-	-	(300)	(300)
Transfers in	6,287,431	3,407,200	-	9,694,631
Net changes in fund balances	4,753,458	2,691,891	90	7,445,439
Fund balances, beginning	2,326,264	(2,113,837)	75,577	288,004
Fund balances, ending	\$ 7,079,722	\$ 578,054	\$ 75,667	\$ 7,733,443

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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.

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.

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.

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.

2017 NCHFA Essential SFR Loan Pool– This fund accounts for grant monies used for performing repairs on homes that were damaged in Hurricane Matthew and Tropical Storms Julia or Hermine.

Hurricane Florence– FEMA-4393-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 Florence.

Downtown Kinston Mural Project – This fund accounts for grant monies from the National Endowment for the Arts (NEA) for the initiation of a public mural project for downtown Kinston to build upon the ongoing arts and cultural work in and around our downtown and link projects such as the African American Music Trail Park to the Arts and Cultural District and the Queen Street Streetscape Project

2017 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.

2018 GCC Juvenile Justice DMC Grant – This fund accounts for monies from the North Carolina Department of Public Safety, Division of the Governor’s Crime Commission to be used to learn new strategies to identify and prevent Disproportionate Minority Contact from occurring through training and technical assistance.

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.

CITY OF KINSTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2019

Schedule 5

	Community Development Administration	Bulletproof Vest Partnership Grant	2015 Edward Byrne Memorial JAG Grant	2016 Edward Byrne Memorial JAG Grant	Seizure and Restitution Fund	NCHFA 2016 Essential Single- Family Rehabilitation	Hurricane Matthew - FEMA- 4285 - DR - NC	NCHFA 2017 Essential Single- Family Rehabilitation	Hurricane Florence - FEMA- 4393 - DR - NC	Downtown Kinston Mural Project	2017 Edward Byrne Memorial JAG Grant	GCC 2018 Juvenile Justice DMC Grant	Brownfields Assessment and Cleanup Grant	Total
ASSETS														
Cash and investments	\$ 678,368	\$ 102	\$ 497	\$ 2,175	\$ 41,003	\$ -	\$ 2,008,880	\$ -	\$ 3,550,955	\$ -	\$ -	\$ -	\$ -	\$ 6,281,980
Due from government agencies	-	1,475	-	-	440	-	-	-	1,073,278	-	840	10	-	1,076,043
Accounts receivable	37,557	-	-	-	-	-	-	-	-	-	-	-	-	37,557
Notes receivable	180,715	-	-	-	-	-	-	-	-	-	-	-	-	180,715
Total assets	<u>\$ 896,640</u>	<u>\$ 1,577</u>	<u>\$ 497</u>	<u>\$ 2,175</u>	<u>\$ 41,443</u>	<u>\$ -</u>	<u>\$ 2,008,880</u>	<u>\$ -</u>	<u>\$ 4,624,233</u>	<u>\$ -</u>	<u>\$ 840</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 7,576,295</u>
LIABILITIES														
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	-	-	-	-	1,273	-	137,735	111,940	5,000	28,447	35,074	177,104	496,573
Grant receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,273</u>	<u>-</u>	<u>137,735</u>	<u>111,940</u>	<u>5,000</u>	<u>28,447</u>	<u>35,074</u>	<u>177,104</u>	<u>496,573</u>
FUND BALANCES														
Restricted:														
Stabilization by State statute	155,495	273	86	377	7,187	-	348,378	-	782,519	-	-	-	-	1,294,315
Restricted, all other	741,145	1,304	411	1,798	34,256	-	1,265,417	-	3,729,774	-	-	-	-	5,774,105
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	395,085	-	-	-	-	-	-	395,085
Unassigned	-	-	-	-	-	(1,273)	-	(137,735)	-	(5,000)	(27,607)	(35,064)	(177,104)	(383,783)
Total fund balances	<u>896,640</u>	<u>1,577</u>	<u>497</u>	<u>2,175</u>	<u>41,443</u>	<u>(1,273)</u>	<u>2,008,880</u>	<u>(137,735)</u>	<u>4,512,293</u>	<u>(5,000)</u>	<u>(27,607)</u>	<u>(35,064)</u>	<u>(177,104)</u>	<u>7,079,722</u>
Total liabilities and fund balances	<u>\$ 896,640</u>	<u>\$ 1,577</u>	<u>\$ 497</u>	<u>\$ 2,175</u>	<u>\$ 41,443</u>	<u>\$ -</u>	<u>\$ 2,008,880</u>	<u>\$ -</u>	<u>\$ 4,624,233</u>	<u>\$ -</u>	<u>\$ 840</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 7,576,295</u>

CITY OF KINSTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

Schedule 6

	Community Development Administration	Bulletproof Vest Partnership Grant	2015 Edward Byrne Memorial JAG Grant	2016 Edward Byrne Memorial JAG Grant	Seizure and Restitution Fund	NCHFA 2016 Essential Single- Family Rehabilitation	Hurricane Matthew - FEMA- 4285 - DR - NC	NCHFA 2017 Essential Single- Family Rehabilitation	Hurricane Florence - FEMA- 4393 - DR - NC	Downtown Kinston Mural Project	2017 Edward Byrne Memorial JAG Grant	GCC 2018 Juvenile Justice DMC Grant	Brownfields Assessment and Cleanup Grant	Total
REVENUES														
Intergovernmental revenue	\$ 612,000	\$ 13,761	\$ -	\$ -	\$ 19,264	\$ 114,205	\$ -	\$ 119,150	\$ 1,006,191	\$ -	\$ -	\$ -	\$ -	\$ 1,884,571
Investment earnings	3,157	-	-	-	-	-	-	-	-	-	-	-	-	3,157
Miscellaneous	271	-	-	-	3,000	-	-	-	464,907	-	-	-	-	468,178
Total revenues	615,428	13,761	-	-	22,264	114,205	-	119,150	1,471,098	-	-	-	-	2,355,906
EXPENDITURES														
Community development	-	-	-	-	-	103,017	11,568	235,975	3,241,805	5,000	-	-	177,104	3,774,469
Public safety	-	28,301	-	-	24,438	-	-	-	-	-	27,607	35,064	-	115,410
Total expenditures	-	28,301	-	-	24,438	103,017	11,568	235,975	3,241,805	5,000	27,607	35,064	177,104	3,889,879
Excess (deficiency) of revenues over expenditures	615,428	(14,540)	-	-	(2,174)	11,188	(11,568)	(116,825)	(1,770,707)	(5,000)	(27,607)	(35,064)	(177,104)	(1,533,973)
OTHER FINANCING SOURCES (USES)														
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	4,431	-	-	-	-	-	-	6,283,000	-	-	-	-	6,287,431
Total other financing sources (uses)	-	4,431	-	-	-	-	-	-	6,283,000	-	-	-	-	6,287,431
Net change in fund balance	615,428	(10,109)	-	-	(2,174)	11,188	(11,568)	(116,825)	4,512,293	(5,000)	(27,607)	(35,064)	(177,104)	4,753,458
Fund balances, beginning	281,212	11,686	497	2,175	43,617	(12,461)	2,020,448	(20,910)	-	-	-	-	-	2,326,264
Fund balances, ending	\$ 896,640	\$ 1,577	\$ 497	\$ 2,175	\$ 41,443	\$ (1,273)	\$ 2,008,880	\$ (137,735)	\$ 4,512,293	\$ (5,000)	\$ (27,607)	\$ (35,064)	\$ (177,104)	\$ 7,079,722

CITY OF KINSTON, NORTH CAROLINA

Schedule 7

Special Revenue Fund - Community Development Administration

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2019 With Comparative Actual Amounts for year ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Loan repayments	\$ 6,798	\$ 612,000	\$ (605,202)	\$ -
Other revenue	-	271	271	470
Investment earnings	100	3,157	3,057	162
Total revenues	6,898	615,428	(601,874)	632
Expenditures:				
Community Development: Administration	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	6,898	615,428	(601,874)	632
Other Financing Sources (Uses)				
Transfer out	(6,898)	-	(6,898)	-
Total other financing sources (uses)	(6,898)	-	(6,898)	-
Net change in fund balance	<u>\$ -</u>	615,428	<u>\$ (608,772)</u>	<u>\$ 632</u>
Fund balance, beginning		<u>281,212</u>		
Fund balance, ending		<u>\$ 896,640</u>		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Fund- 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, 2019

Schedule 8

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue, State grants	\$ 42,743	\$ 33,208	\$ 13,761	\$ 46,969	\$ 4,226
Total revenues	42,743	33,208	13,761	46,969	4,226
Expenditures:					
Law enforcement supplies	85,486	65,636	28,301	93,937	(8,451)
Total expenditures	85,486	65,636	28,301	93,937	(8,451)
Other Financing Sources (Uses):					
Transfers in (out)	42,743	44,114	4,431	48,545	5,802
Total other financing sources (uses)	42,743	44,114	4,431	48,545	5,802
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,686</u>	(10,109)	<u>\$ 1,577</u>	<u>\$ 1,577</u>
Fund balance, beginning			11,686		
Fund balance, ending			<u>\$ 1,577</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 9

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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 23,904	\$ 23,904	\$ -	\$ 23,904	\$ -
Total revenues	23,904	23,904	-	23,904	-
Expenditures:					
Law enforcement supplies	23,904	23,407	-	23,407	497
Total expenditures	23,904	23,407	-	23,407	497
Net change in fund balance	\$ -	\$ 497	-	\$ 497	\$ 497
Fund balance, beginning			497		
Fund balance, ending			\$ 497		

CITY OF KINSTON, NORTH CAROLINA

Schedule 10

Special Revenue Fund- 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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 30,251	\$ 30,250	\$ -	\$ 30,250	\$ (1)
Total revenues	30,251	30,250	-	30,250	(1)
Expenditures:					
Law enforcement supplies	30,251	28,075	-	28,075	2,176
Total expenditures	30,251	28,075	-	28,075	2,176
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,175</u>	-	<u>\$ 2,175</u>	<u>\$ 2,175</u>
Fund balance, beginning			<u>2,175</u>		
Fund balance, ending			<u>\$ 2,175</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 11

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, 2019

	Project	Actual			
	Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal grants	\$ 120,685	\$ 119,607	\$ 19,264	\$ 138,871	\$ 18,186
Donations	-	250	3,000	3,250	3,250
Total revenues	<u>120,685</u>	<u>119,857</u>	<u>22,264</u>	<u>142,121</u>	<u>21,436</u>
Expenditures:					
Federal forfeiture expenditures	87,460	71,182	9,248	80,430	7,030
Drug forfeiture expenditures	820	-	693	693	127
State forfeiture expenditures	20,700	2,559	7,340	9,899	10,801
Special court allocation expenditures	5,530	2,499	2,703	5,202	328
ABC board KPD expenditures	6,175	-	4,454	4,454	1,721
Total expenditures	<u>120,685</u>	<u>76,240</u>	<u>24,438</u>	<u>100,678</u>	<u>20,007</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43,617</u>	(2,174)	<u>\$ 41,443</u>	<u>\$ 41,443</u>
Fund balance, beginning			<u>43,617</u>		
Fund balance, ending			<u>\$ 41,443</u>		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Fund - 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, 2019

Schedule 12

		Actual			
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>Over/Under</u>
Revenues:					
Federal grants	\$ 175,000	\$ 61,354	\$ 114,205	\$ 175,559	\$ 559
Total revenues	175,000	61,354	114,205	175,559	559
Expenditures:					
NCFHA loan pool funds	175,000	73,815	103,017	176,832	(1,832)
Total expenditures	175,000	73,815	103,017	176,832	(1,832)
Net change in fund balance	<u>\$ -</u>	<u>\$ (12,461)</u>	11,188	<u>\$ (1,273)</u>	<u>\$ (1,273)</u>
Fund balance, beginning			<u>(12,461)</u>		
Fund balance, ending			<u>\$ (1,273)</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 13

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, 2019

		Actual			
	Project	Prior	Current	Total to	Variance
	Authorization	Years	Year	Date	Over/Under
Revenues:					
Federal grants	\$ -	\$1,639,158	\$ -	\$ 1,639,158	\$ (1,639,158)
State grants	-	30,871	-	30,871	(30,871)
Sale of surplus property	-	1,133	-	1,133	(1,133)
Insurance proceeds	-	30,557	-	30,557	(30,557)
Total revenues	-	1,701,719	-	1,701,719	(1,701,719)
Expenditures:					
Salaries	-	6,743	84	6,827	(6,827)
Construction work - sewer	2,776,002	2,450,530	11,484	2,462,014	313,988
Total expenditures	2,776,002	2,457,273	11,568	2,468,841	307,161
Other Financing Sources (Uses):					
Transfers in	2,776,002	2,776,002	-	2,776,002	-
Total other financing sources	2,776,002	2,776,002	-	2,776,002	-
Net change in fund balance	\$ -	\$2,020,448	(11,568)	\$ 2,008,880	\$ 2,008,880
Fund balance, beginning			2,020,448		
Fund balance, ending			\$2,008,880		

CITY OF KINSTON, NORTH CAROLINA

Schedule 14

Special Revenue Funds - NCHFA 2017 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, 2019

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Over/Under
		Years	Year	Date	
Revenues:					
State grants	\$ 300,000	\$ -	\$ 119,150	\$ 119,150	\$ (180,850)
Total revenues	300,000	-	119,150	119,150	(180,850)
Expenditures:					
NCFHA loan pool funds	300,000	20,910	235,975	256,885	43,115
Total expenditures	300,000	20,910	235,975	256,885	43,115
Revenues over (under) expenditures	\$ -	\$ (20,910)	(116,825)	\$ (137,735)	\$ (137,735)
			(20,910)		
			\$ (137,735)		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Funds - Hurricane Florence - FEMA - 4393 - DR - NC
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Over/Under
		Years	Year	Date	
Revenues:					
Federal grants	\$ -	\$ -	\$ 1,006,191	\$ 1,006,191	\$ (1,006,191)
Insurance proceeds	-	-	464,907	464,907	(464,907)
Total revenues	-	-	1,471,098	1,471,098	(1,471,098)
Expenditures:					
Salaries	-	-	394,698	394,698	(394,698)
Construction work	6,283,000	-	2,847,107	2,847,107	3,435,893
Total expenditures	6,283,000	-	3,241,805	3,241,805	3,041,195
Other Financing Sources (Uses):					
Transfers in	6,283,000	-	6,283,000	6,283,000	-
Total other financing sources	6,283,000	-	6,283,000	6,283,000	-
Net change in fund balance	\$ -	\$ -	4,512,293	\$ 4,512,293	\$ 4,512,293
Fund balance, beginning			-		
Fund balance, ending			\$ 4,512,293		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Funds - Downtown Kinston Mural Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Over/Under
		Years	Year	Date	
Revenues:					
Federal grants	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Insurance proceeds	-	-	0	-	-
Total revenues	100,000	-	-	-	100,000
Expenditures:					
Salaries	-	-	-	-	-
Construction work	100,000	-	5,000	5,000	95,000
Total expenditures	100,000	-	5,000	5,000	95,000
Other Financing Sources (Uses):					
Transfers in	-	-	0	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	(5,000)	\$ (5,000)	\$ (5,000)
Fund balance, beginning			-		
Fund balance, ending			\$ (5,000)		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Fund- 2017 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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue, federal grant	\$ 30,347	\$ -	\$ -	\$ -	\$ (30,347)
Total revenues	30,347	-	-	-	(30,347)
Expenditures:					
Law enforcement supplies	30,347	-	27,607	27,607	2,740
Total expenditures	30,347	-	27,607	27,607	2,740
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,607)</u>	<u>\$ (27,607)</u>	<u>\$ (27,607)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (27,607)</u>		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Fund- GCC 2018 Juvenile Justice Grant
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue, state grant	\$ 99,983	\$ -	\$ -	\$ -	\$ (99,983)
Total revenues	99,983	-	-	-	(99,983)
Expenditures:					
Grant expenses	99,983	-	35,064	35,064	64,919
Total expenditures	99,983	-	35,064	35,064	64,919
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(35,064)	<u>\$ (35,064)</u>	<u>\$ (35,064)</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ (35,064)</u>		

CITY OF KINSTON, NORTH CAROLINA
Special Revenue Fund- Brownsfield Assessment and Cleanup Grant
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental revenue, federal	\$ 195,000	\$ -	\$ -	\$ -	\$ (195,000)
Total revenues	195,000	-	-	-	(195,000)
Expenditures:					
Cleanup expenses	195,000	-	177,104	177,104	17,896
Total expenditures	195,000	-	177,104	177,104	17,896
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(177,104)	<u>\$ (177,104)</u>	<u>\$ (177,104)</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ (177,104)</u>		

NONMAJOR CAPITAL PROJECT FUNDS

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

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

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

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.

Neighborhood Revitalization and Recreation Improvements – This fund accounts for funds to be used to administer construction and renovations for housing rehabilitation and improvements to the Holloway Recreation Center to provide improved and additional community programs. The City was awarded a grant from the Rural Economic Division of the Community Development Block Grant Program for the purpose of the revitalization.

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.

Doctors Drive Road and Utility Extension Project – This fund accounts for a Golden Leaf Foundation grant to extend Doctors Drive to Airport Road. The monies will be used to extend the road and the water line to provide for fire protection and water supply needs and to minimize future flooding risks to the area residential properties.

Queen Street Redesign and Construction – This fund accounts for funds to be used to administer construction and aesthetic improvements to the streetscape of Queen Street located in downtown Kinston prior to repaving of Queen Street by the North Carolina Department of Transportation to encourage the economic growth, development and investment in the community and surrounding areas.

Fire Ladder Truck – This fund accounts for monies used for manufacturing/build of a new Aerial Platform fire ladder truck to replace the 1987 E-One Aerial Ladder truck and to comply with federal requirements to maintain certain standards of equipment.

CITY OF KINSTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Capital Project Fund
For the Fiscal Year Ended June 30, 2019

Schedule 20

	Retro- Green	Battlefield Parkway/ Soccer Complex	College Street Railroad Crossing Project	General Fund Small Projects	Fire Pumper Truck Projects	Grainger Stadium Improvements Project	Neighborhood Revitalization and Recreation Improvements	Doctors Drive Road and Utility Extension	Queen Street Redesign & Construction	Fire Ladder 2019	Total
ASSETS											
Cash and investments	\$ 8,250	\$ -	\$ 1,924	\$ 9,262	\$ 34,434	\$ 267,944	\$ -	\$ 57,541	\$ 1,454,602	\$ -	\$ 1,833,957
Due from governmental agencies	-	-	-	103	-	1,594	-	-	12,685	718	15,100
Restricted cash and investments	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ 1,924</u>	<u>\$ 9,365</u>	<u>\$ 34,434</u>	<u>\$ 269,538</u>	<u>\$ -</u>	<u>\$ 57,541</u>	<u>\$ 1,467,287</u>	<u>\$ 718</u>	<u>\$ 1,849,057</u>
LIABILITIES											
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	3,488	-	-	-	-	960	-	22,000	1,244,555	1,271,003
Advances from grantors	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>3,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>960</u>	<u>-</u>	<u>22,000</u>	<u>1,244,555</u>	<u>1,271,003</u>
FUND BALANCES											
Restricted:											
Stabilization by State statute	68	-	16	77	285	2,229	-	475	11,950	-	15,100
Committed	8,182	-	1,908	9,288	34,149	267,309	-	14,616	726,181	-	1,061,633
Assigned	-	-	-	-	-	-	-	42,450	707,156	28,610	778,216
Unassigned	-	(3,488)	-	-	-	-	(960)	-	-	(1,272,447)	(1,276,895)
Total fund balances	<u>8,250</u>	<u>(3,488)</u>	<u>1,924</u>	<u>9,365</u>	<u>34,434</u>	<u>269,538</u>	<u>(960)</u>	<u>57,541</u>	<u>1,445,287</u>	<u>(1,243,837)</u>	<u>578,054</u>
Total liabilities and fund balances	<u>\$ 8,250</u>	<u>\$ -</u>	<u>\$ 1,924</u>	<u>\$ 9,365</u>	<u>\$ 34,434</u>	<u>\$ 269,538</u>	<u>\$ -</u>	<u>\$ 57,541</u>	<u>\$ 1,467,287</u>	<u>\$ 718</u>	<u>\$ 1,849,057</u>

CITY OF KINSTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2019

Schedule 21

	Retro-Green	Battlefield Parkway/ Soccer Complex	College Street Railroad Crossing Project	General Fund Small Projects	Fire Pumper Truck Projects	Grainger Stadium Improvements Project	Neighborhood Revitalization and Recreation Improvements	Doctors Drive Road and Utility Extension	Queen Street Redesign & Construction	Fire Ladder 2019	Total
REVENUES											
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal and state grants	-	-	-	167,681	-	-	-	-	-	-	167,681
Miscellaneous	-	-	-	300	-	-	-	-	-	-	300
Total revenues	-	-	-	167,981	-	-	-	-	-	-	167,981
EXPENDITURES											
Cultural and recreation	-	-	-	-	-	189,348	-	-	-	-	189,348
Public safety	-	-	-	-	-	-	-	-	1,754,713	1,376,037	3,130,750
Community development	-	-	-	17,889	-	-	960	44,343	-	-	63,192
Total expenditures	-	-	-	17,889	-	189,348	960	44,343	1,754,713	1,376,037	3,383,290
Excess (deficiency) of revenues over expenditures	-	-	-	150,092	-	(189,348)	(960)	(44,343)	(1,754,713)	(1,376,037)	(3,215,309)
OTHER FINANCING SOURCES (USES)											
Debt issued	-	-	-	-	-	2,500,000	-	-	-	-	2,500,000
Transfers in	-	-	-	75,000	-	-	-	-	3,200,000	132,200	3,407,200
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	75,000	-	2,500,000	-	-	3,200,000	132,200	5,907,200
Net change in fund balance	-	-	-	225,092	-	2,310,652	(960)	(44,343)	1,445,287	(1,243,837)	2,691,891
Fund balances, beginning	8,250	(3,488)	1,924	(215,727)	34,434	(2,041,114)	-	101,884	-	-	(2,113,837)
Fund balances, ending	<u>\$ 8,250</u>	<u>\$ (3,488)</u>	<u>\$ 1,924</u>	<u>\$ 9,365</u>	<u>\$ 34,434</u>	<u>\$ 269,538</u>	<u>\$ (960)</u>	<u>\$ 57,541</u>	<u>\$ 1,445,287</u>	<u>\$ (1,243,837)</u>	<u>\$ 578,054</u>

CITY OF KINSTON, NORTH CAROLINA

Schedule 22

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, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Miscellaneous grants	\$ 25,000	\$ -	\$ -	\$ -	\$ (25,000)
Miscellaneous revenues	20,000	8,450	-	8,450	(11,550)
Total revenues	45,000	8,450	-	8,450	\$ (36,550)
Expenditures:					
Capital outlay	45,000	200	-	200	44,800
Total expenditures	45,000	200	-	200	44,800
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,250</u>	-	<u>\$ 8,250</u>	<u>\$ 8,250</u>
Fund balance, beginning			8,250		
Fund balance, ending			<u>\$ 8,250</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 23

Capital Project Fund - College Street Railroad Crossing Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2019

	Project	Actual			Variance
	Authorization	Prior	Current	Total	Over/Under
		Years	Year	to Date	
Revenues:					
NCDOT State Grants	\$ 88,000	\$ 88,000	\$ -	\$ 88,000	\$ -
Contribution from NC Railroad Company	125,000	125,000	-	125,000	-
Contribution from Norfolk Southern Corporation	37,000	37,000	-	37,000	-
Total revenues	250,000	250,000	-	250,000	-
Expenditures:					
Heritage Street Widening Project	190,500	190,500	-	190,500	-
Other mitigation activities	139,500	137,576	-	137,576	1,924
Total expenditures	330,000	328,076	-	328,076	1,924
Other Financing Sources (Uses)					
Transfers in	80,000	80,000	-	80,000	-
Total other financing sources (uses)	80,000	80,000	-	80,000	-
Net change in fund balance	\$ -	\$ 1,924	-	\$ 1,924	\$ 1,924
Fund balance, beginning			1,924		
Fund balance, ending			\$ 1,924		

CITY OF KINSTON, NORTH CAROLINA

Schedule 24

Capital Project Fund - General Fund Small Projects

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
State grants	\$ 175,000	\$ -	\$ 167,681	\$ 167,681	\$ (7,319)
Miscellaneous revenues	8,140	8,140	300	8,440	300
Total revenues	183,140	8,140	167,981	176,121	(7,019)
Expenditures:					
Dragon Park Project	4,700	-	-	-	4,700
Neuse River Greenway Project	350,000	323,867	17,889	341,756	8,244
Emma Webb Pool Project	1,000	-	-	-	1,000
Downtown Kinston Mural	2,440	-	-	-	2,440
Total expenditures	358,140	323,867	17,889	341,756	16,384
Other Financing Sources (Uses):					
Transfers in	175,000	100,000	75,000	175,000	-
Total other financing sources (uses)	175,000	100,000	75,000	175,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ (215,727)</u>	225,092	<u>\$ 9,365</u>	<u>\$ 9,365</u>
Fund balance, beginning			<u>(215,727)</u>		
Fund balance, ending			<u>\$ 9,365</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 25

Capital Project Fund - Fire Pumper Truck

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Expenditures:					
Capital outlay	\$ 600,000	\$ 565,137	\$ -	\$ 565,137	\$ 34,863
Total expenditures	600,000	565,137	-	565,137	34,863
Other Financing Sources (Uses):					
Transfers in	100,000	100,000	-	100,000	-
Debt issued	500,000	500,000	-	500,000	-
Total other financing sources (uses)	600,000	600,000	-	600,000	-
Net change in fund balance	\$ -	\$ 34,863	-	\$ 34,863	\$ 34,863
Fund balance, beginning			34,434		
Fund balance, ending			\$ 34,434		

CITY OF KINSTON, NORTH CAROLINA

Schedule 26

Capital Project Fund - Grainger Stadium Improvements Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Expenditures:					
Stadium Improvements Phase I	\$ 2,389,042	\$ 2,260,156	\$ 115,752	\$ 2,375,908	\$ 13,134
Loan closing costs	30,000	-	73,596	73,596	(43,596)
Total expenditures	2,419,042	2,260,156	189,348	2,449,504	(30,462)
Other Financing Sources (Uses):					
Debt issued	2,200,000	-	2,500,000	2,500,000	300,000
Transfers in	219,042	219,042	-	219,042	-
Total other financing sources (uses)	2,419,042	219,042	2,500,000	2,719,042	300,000
Net change in fund balance	\$ -	\$(2,041,114)	2,310,652	\$ 269,538	\$ 269,538
Fund balance, beginning			(2,041,114)		
Fund balance, ending			\$ 269,538		

CITY OF KINSTON, NORTH CAROLINA

Schedule 27

Capital Project Fund - Neighborhood Rev and Rec

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Miscellaneous grants	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Miscellaneous revenues	-	-	-	-	-
Total revenues	750,000	-	-	-	\$ (750,000)
Expenditures:					
Capital outlay	750,000	-	960	960	749,040
Total expenditures	750,000	-	960	960	749,040
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(960)	<u>\$ (960)</u>	<u>\$ (960)</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ (960)</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 28

Capital Project Fund - Doctors Drive Road and Utility Extension Project
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Golden Leaf Foundation Grant	\$ 599,720	\$ -	\$ -	\$ -	\$ (599,720)
Total revenues	599,720	-	-	-	(599,720)
Expenditures:					
Doctors Drive Road and Utility Extension	759,720	58,116	44,343	102,459	657,261
Total expenditures	759,720	58,116	44,343	102,459	657,261
Other Financing Sources (Uses):					
Transfers in	160,000	160,000	-	160,000	-
Total other financing sources (uses)	160,000	160,000	-	160,000	-
Fund balance, beginning	<u>\$ -</u>	<u>\$ 101,884</u>	(44,343)	<u>\$ 57,541</u>	<u>\$ 57,541</u>
Fund balance, ending			<u>101,884</u>		
			<u>\$ 57,541</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 29

Capital Project Fund - Queen Street Redesign & Construction

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Expenditures:					
Queen Street Redesign & Construction	<u>\$ 3,200,000</u>	<u>\$ 58,116</u>	<u>\$1,754,713</u>	<u>\$ 1,812,829</u>	<u>\$ 1,387,171</u>
Total expenditures	<u>3,200,000</u>	<u>58,116</u>	<u>1,754,713</u>	<u>1,812,829</u>	<u>1,387,171</u>
Other Financing Sources (Uses):					
Transfers in	<u>3,200,000</u>	<u>160,000</u>	<u>3,200,000</u>	<u>3,360,000</u>	<u>160,000</u>
Total other financing sources (uses)	<u>3,200,000</u>	<u>160,000</u>	<u>3,200,000</u>	<u>3,360,000</u>	<u>160,000</u>
Fund balance, beginning	<u>\$ -</u>	<u>\$ 101,884</u>	<u>1,445,287</u>	<u>\$ 1,547,171</u>	<u>\$ 1,547,171</u>
Fund balance, ending			<u>-</u>		
			<u>\$1,445,287</u>		

CITY OF KINSTON, NORTH CAROLINA

Schedule 30

Capital Project Fund - Fire Ladder 2019

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Expenditures:					
Public safety	\$ 1,409,624	\$ -	\$ 1,376,037	\$ 1,376,037	\$ 33,587
Total expenditures	<u>1,409,624</u>	<u>-</u>	<u>1,376,037</u>	<u>1,376,037</u>	<u>33,587</u>
Other Financing Sources (Uses):					
Debt issued	1,277,424	-	-	-	(1,277,424)
Transfers in	<u>132,200</u>	<u>-</u>	<u>132,200</u>	<u>132,200</u>	<u>-</u>
Total other financing sources (uses)	<u>1,409,624</u>	<u>-</u>	<u>132,200</u>	<u>132,200</u>	<u>(1,277,424)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,243,837)</u>	<u>\$ (1,243,837)</u>	<u>\$ (1,311,011)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (1,243,837)</u>		

PERMANENT FUND

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

CITY OF KINSTON, NORTH CAROLINA

Schedule 31

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Investment earnings	\$ 200	\$ 390	\$ 190
Total revenues	<u>200</u>	<u>390</u>	<u>190</u>
Other Financing Sources (Uses)			
Appropriated fund balance	-	-	-
Transfers out	<u>(200)</u>	<u>(300)</u>	<u>(100)</u>
Total other financing sources (uses)	<u>(200)</u>	<u>(300)</u>	<u>(100)</u>
Net change in fund balance	<u>\$ -</u>	90	<u>\$ 90</u>
Fund balance, beginning		<u>75,577</u>	
Fund balance, ending		<u>\$ 75,667</u>	

ELECTRIC FUND

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

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, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services, electricity sales	\$ 48,614,406	\$ 48,421,424	\$ (192,982)	\$ 48,969,292
Other	185,230	109,091	(76,139)	190,115
Total operating revenues	48,799,636	48,530,515	(269,121)	49,159,407
Non-Operating Revenues:				
Grant funds	3,000	-	(3,000)	303,858
Interest earned on investments	11,400	115,670	104,270	65,711
Miscellaneous	-	100	100	-
Total non-operating revenues	14,400	115,770	101,370	369,569
Total revenues	48,814,036	48,646,285	(167,751)	49,528,976
Expenditures:				
Electric Operations:				
Salaries and benefits	1,565,228	1,255,164	310,064	1,176,680
Operating	2,546,414	2,073,972	472,442	2,142,647
Purchased power	34,670,145	33,853,406	816,739	33,754,110
Indirect costs	1,461,646	1,461,646	-	1,395,234
Capital outlay	830,000	5,425,299	(4,595,299)	1,551,472
Total electric operations expenditures	41,073,433	44,069,487	(2,996,054)	40,020,143
Debt Service:				
Principal retirement	773,073	773,073	-	761,943
Interest and other charges	44,320	40,497	3,823	57,078
Total debt service	817,393	813,570	3,823	819,021
Total expenditures	41,890,826	44,883,057	(2,992,231)	40,839,164
Other Financing Sources (Uses):				
Appropriated net position	1,806,755	-	(1,806,755)	-
Transfers in	7,109,965	-	(7,109,965)	4,522,791
Transfers out - Capital Reserve Fund	-	(2,376,000)	(2,376,000)	(2,382,043)
Transfers out	(15,839,930)	(1,309,000)	14,530,930	(4,569,548)
Total other financing sources (uses)	(6,923,210)	(3,685,000)	3,238,210	(2,428,800)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 78,228	\$ 78,228	\$ 6,261,012

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, 2019 With Comparative Totals for the Year Ended June 30, 2018
(Continued)

	2019		2018
	Budget	Actual	Variance Over/Under
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			Actual
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 78,228	\$ 6,261,012
Transfers in - Capital Project Fund		2,376,000	-
Transfers out - Capital Project Fund		(2,376,000)	-
Capital outlay		5,425,299	1,573,890
Payment of debt principal		773,073	761,943
Depreciation		(1,151,958)	(1,164,653)
Capital contributions		-	(303,858)
Investment earnings from capital project funds		115,670	65,711
Change in accrued compensated absences		15,021	-
Pension expense		(205,549)	(8,997)
Change in deferred outflows of resources - pension		(143,187)	159,955
Change in deferred inflows of resources - pension		(8,555)	(5,439)
Change in net pension liability		184,981	(155,168)
Change in accrued interest payable		(6,643)	
Change in net position		<u>\$ 5,076,380</u>	<u>\$ 7,184,396</u>

CITY OF KINSTON, NORTH CAROLINA
Electric Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal and state grants	\$ 5,406,048	\$ 2,621,647	\$ -	\$ 2,621,647	\$ (2,784,401)
Dopaco project contribution	25,000	25,000	-	25,000	-
Heelstone Energy contribution-	500,000	355,000	-	355,000	(145,000)
Solar Farm Electric Project	196,600	196,516	-	196,516	(84)
Interest earned on investments	14,882	14,882	-	14,882	-
Miscellaneous revenue	69,380	-	-	-	(69,380)
Total revenues	6,211,910	3,213,045	-	3,213,045	(2,998,865)
Expenditures:					
Caswell Center upgrades	2,857,434	-	-	-	2,857,434
West Industrial Park Substation Project	2,667,147	2,667,146	-	2,667,146	1
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	810,220	780,823	-	780,823	29,397
Solar Farm Electric Improvements Project	196,600	98,659	-	98,659	97,941
Falling Creek Substation Transformer Project	1,291,949	1,262,124	-	1,262,124	29,825
Second Point of Delivery	3,644,184	771,129	630,783	1,401,912	2,242,272
SmartGrid System Elec&Wtr	6,500,000	211,470	4,056,591	4,268,061	2,231,939
Electric Vehicle Charging Stations	25,000	25,000	-	25,000	-
Harvey Parkway Extension Electric Facilities Relocation	139,412	85,170	-	85,170	54,242
Queen Street Utility Pole Relocation	215,625	91,034	-	91,034	124,591
Vernon Avenue 3.4 Mile Electric Distribution Circuit Rebuild	1,548,360	73,187	578,586	651,773	896,587
516, 521, 510 Circuit Rebuild	2,376,000	-	86,025	86,025	2,289,975
Total	25,489,253	9,076,960	5,351,985	14,428,946	11,060,307
Debt service:					
Principal retirement	310,951	310,951	-	310,951	-
Interest and other charges	189,949	189,949	-	189,949	-
Total debt service	500,900	500,900	-	500,900	-
Total expenditures	25,990,153	9,577,860	5,351,985	14,929,846	11,060,307
Other Financing Sources (Uses):					
Debt issued	2,950,000	2,950,000	-	2,950,000	-
Transfers in	16,968,634	14,534,700	2,376,000	16,910,700	(57,934)
Transfers out	(140,391)	(140,391)	-	(140,391)	-
Total other financing sources (uses)	19,778,243	17,344,309	2,376,000	19,720,309	(57,934)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 10,979,494	\$ (2,975,985)	\$ 8,003,508	\$ 8,003,508

WATER FUND

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

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, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Water sales	\$ 10,304,994	\$ 10,264,803	\$ (40,191)	\$ 10,172,603
Other	198,100	167,129	(30,971)	302,577
Total operating revenues	10,503,094	10,431,932	(71,162)	10,475,180
Non-Operating Revenues:				
Interest earned on investments	14,200	37,947	23,747	18,699
Total non-operating revenues	14,200	37,947	23,747	18,699
Total revenues	10,517,294	10,469,879	(47,415)	10,493,879
Expenditures:				
Water Production:				
Salaries and benefits	380,233	328,946	51,287	329,485
Operating	463,600	234,020	229,580	272,566
Repairs and maintenance	423,520	189,279	234,241	351,249
Capital outlay	354,136	131,913	222,223	157,493
Indirect costs	1,102,652	1,102,652	-	1,089,477
Total water production	2,724,141	1,986,810	737,331	2,200,270
Water Operations:				
Salaries and benefits	1,312,825	957,406	355,419	1,003,752
Operating	679,085	700,900	(21,815)	577,803
Repairs and maintenance	244,169	123,085	121,084	218,406
Capital outlay	480,500	353,864	126,636	611,408
Indirect costs	143,972	143,972	-	133,182
Purchased water	4,483,200	4,483,200	-	4,483,200
Total water operations	7,343,751	6,762,427	581,324	7,027,751
Debt service:				
Principal retirement	294,800	294,677	123	299,028
Interest and other charges	14,900	13,901	999	19,495
Total debt service	309,700	308,578	1,122	318,523
Non-Operating Expenditures:				
Economic development reimbursements	44,600	44,071	529	39,305
Total non-operating expenditures	44,600	44,071	529	39,305
Total expenditures	10,422,192	9,101,886	1,320,306	9,585,849
Revenues over (under) expenditures	\$ 95,102	\$ 1,367,993	\$ 1,272,891	\$ 908,030

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, 2019 With Comparative Totals for the Year Ended June 30, 2018
(Continued)

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Long-term debt issued	\$ -	\$ -	\$ -	\$ -
Appropriated net position	155,511	-	(155,511)	-
Transfers from other funds	218,419	218,419	-	463,433
Transfers to capital reserve fund	(469,032)	(225,419)	243,613	(463,433)
Total other financing sources (uses)	(95,102)	(7,000)	88,102	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,360,993</u>	<u>\$ 1,360,993</u>	<u>\$ 908,030</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 1,360,993		\$ 908,030
Transfers - Special Revenue		7,000		
Transfers - Capital Project Fund		218,419		
Transfer in		(218,419)		
Capital outlay		380,601		728,766
Interest from Capital Reserve Fund		37,947		
Payment of debt principal		294,677		299,028
Proceeds from sale of property		-		(35,414)
Depreciation		(527,395)		(507,434)
Change in accrued compensated absences		(7,579)		1,640
Pension expense		24,654		(101,217)
Change in deferred outflows of resources - pension		(141,098)		159,955
Change in deferred inflows of resources - pension		(10,388)		(5,349)
Change in net pension liability		146,482		(112,954)
Change in accrued interest payable		(2,587)		-
Change in net position		<u>\$ 1,563,307</u>		<u>\$ 1,335,051</u>

CITY OF KINSTON, NORTH CAROLINA
Water Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal and State grants	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
Total revenues	150,000	-	-	-	(150,000)
Expenditures:					
Water line projects	1,415,750	982,764	10,060	992,824	422,926
Total expenditures	1,415,750	982,764	10,060	992,824	422,926
Other Financing Sources (Uses):					
Transfers in	1,265,750	1,265,750	-	1,265,750	-
Total other financing sources (uses)	1,265,750	1,265,750	-	1,265,750	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 282,986</u>	<u>\$ (10,060)</u>	<u>\$ 272,926</u>	<u>\$ 272,926</u>

WASTEWATER FUND

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

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, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Sewer sales	\$ 6,580,600	\$ 6,128,093	\$ (452,507)	\$ 5,781,995
Other	19,000	13,520	(5,480)	21,244
Total operating revenues	6,599,600	6,141,613	(457,987)	5,803,239
Non-Operating Revenues:				
Interest earned on investments	6,733	1,779	(4,954)	4,783
Total non-operating revenues	6,733	1,779	(4,954)	4,783
Total revenues	6,606,333	6,143,392	(462,941)	5,808,022
Expenditures:				
Wastewater Plant Operations:				
Salaries and benefits	875,973	749,006	126,967	774,516
Operating	620,800	485,608	135,192	608,881
Repairs and maintenance	788,758	657,123	131,635	379,119
Indirect costs	2,561,783	2,561,783	-	2,425,652
Capital outlay	551,794	563,316	(11,522)	2,930,337
Total wastewater plant operations	5,399,108	5,016,836	382,272	7,118,505
Debt Service:				
Principal retirement	1,848,200	1,497,961	350,239	1,277,722
Interest and other charges	140,400	136,303	4,097	265,521
Total debt service	1,988,600	1,634,264	354,336	1,543,243
Non-Operating Expenditures:				
Economic development reimbursements	9,600	9,444	156	8,423
Total non-operating expenditures	9,600	9,444	156	8,423
Total expenditures	7,397,308	6,660,544	736,764	8,670,171
Revenues over (under) expenditures	\$ (790,975)	\$ (517,152)	\$ (1,199,705)	\$ (2,862,149)

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, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Appropriated net position	\$ 4,424,862	\$ -	\$ (4,424,862)	\$ -
Long-term debt issued	-	3,470,628	3,470,628	1,515,158
Transfers out - capital projects	-	-	-	-
Transfers in - capital projects	-	26,654	26,654	128,800
Transfers out - other funds	(3,633,887)	(3,633,654)	233	-
Total other financing sources (uses)	790,975	(136,372)	(927,347)	1,643,958
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (653,524)	\$ (653,524)	\$ (1,218,191)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (653,524)		\$ (1,218,191)
Transfers out - Capital projects				-
Capital outlay		579,200		5,703,091
Debt issued		(3,470,628)		(1,515,158)
Payment of debt principal		1,497,961		1,277,725
Depreciation		(2,348,120)		(2,350,290)
Contributions		(6,937)		42,549
Change in accrued compensated absences		4,837		(6,518)
Change in accrued interest payable		(9,158)		-
Pension expense		(35,279)		(2,783,127)
Change in deferred inflows of resources - pension		(5,989)		(3,807)
Change in deferred outflows of resources - pension		(100,231)		111,968
Change in net pension liability		129,487		(108,617)
Bad debt expense				-
Change in net position		\$ (4,418,381)		\$ (850,375)

CITY OF KINSTON, NORTH CAROLINA
Wastewater Capital Project Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the year ended June 30, 2019

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
Revenues:					
Federal and state grants	\$ 2,400,000	\$ 2,393,063	\$ 6,937	\$ 2,400,000	\$ -
Local funds	775,000	766,000	-	766,000	(9,000)
Total revenues	3,175,000	3,159,063	6,937	3,166,000	(9,000)
Expenditures:					
Smithfield Plant Expansion Project	3,857,000	3,705,989	-	3,705,989	151,011
Queen Street Sewer Rehabilitation Project	7,238,200	4,843,468	336,834	5,180,302	2,057,898
KRWRF Biosolids Dryer Project	2,642,010	524,895	78,174	603,069	2,038,941
Brierty Run Phase IV Rehabilitation Project	2,666,796	2,664	1,869	4,533	2,662,263
Wastewater Asset Management Grant	159,750	156,361	1,090	157,451	2,299
Brierty Run Phase V Rehabilitation Project	1,359,354	-	351	351	1,359,003
Total expenditures	17,923,110	9,233,377	418,318	9,651,695	8,271,415
Other Financing Sources (Uses):					
Debt issued	13,722,588	4,531,850	3,470,628	8,002,478	(5,720,110)
Transfers in	1,025,522	408,050	26,654	434,704	(590,818)
Total other financing sources (uses)	14,748,110	4,939,900	3,497,282	8,437,182	(6,310,928)
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (1,134,414)	\$ 3,085,901	\$ 1,951,487	\$ 1,951,487

NONMAJOR ENTERPRISE FUNDS

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

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

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

Kinston Community Center Fund – 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.

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds
Combining Statement of Net Position
June 30, 2019

Schedule 38

	Environmental Services Fund	Stormwater Fund	Kinston Community Center Fund	Total
Assets:				
Current assets:				
Cash and investments	\$ 1,188,171	\$ 1,141,247	\$ 58,176	\$ 2,387,594
Accounts receivable	509,865	156,800	15,174	681,839
Total current assets	1,698,036	1,298,047	73,350	3,069,433
Non-current assets:				
Construction in progress	-	261,737	-	261,737
Depreciable capital assets	4,128,000	1,375,196	683,414	6,186,610
Accumulated depreciation	(3,408,302)	(726,666)	(40,750)	(4,175,718)
Total non-current assets	719,698	910,267	642,664	2,272,629
Total assets	2,417,734	2,208,314	716,014	5,342,062
Deferred Outflows of Resources:				
Pension related deferrals	285,833	81,666	-	367,499
Liabilities:				
Current liabilities				
Accounts payable and accrued liabilities	347,444	63,700	102,977	514,121
Current portion of installment notes	253,758	54,253	-	308,011
Current portion of compensated absences	10,280	4,491	1,848	16,618
Total current liabilities	611,482	122,444	104,825	838,750
Non-current liabilities				
Net pension liability	366,607	104,741	-	471,348
Non-current portion of installment notes	399,982	51,725	-	451,707
Non-current portion of compensated absences	30,839	13,474	5,543	49,855
Total non-current liabilities	797,428	169,940	5,543	972,910
Total liabilities	1,408,909	292,384	110,367	1,811,660
Deferred Inflows of Resources:				
Pension deferrals	4,940	1,413	-	6,353
Net Position:				
Net investment in capital assets	65,958	804,289	642,664	1,512,911
Unrestricted	1,223,760	1,191,894	(37,017)	2,378,637
Total net position	\$ 1,289,718	\$ 1,996,183	\$ 605,647	\$ 3,891,548

CITY OF KINSTON, NORTH CAROLINA

Schedule 39

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended June 30, 2019

	Environmental Services Fund	Stormwater Fund	Kinston Community Center Fund	Total
Operating Revenues:				
Charges for services	\$ 4,119,060	\$ 1,023,071	\$ 1,908,631	\$ 7,050,762
Other operating income	31,194	25,409	56,640	113,243
Total operating revenues	4,150,254	1,048,480	1,965,271	7,164,005
Operating Expenses:				
Operations	3,358,685	869,093	1,385,778	5,613,556
Depreciation	301,164	110,401	30,765	442,330
Total operating expenses	3,659,849	979,494	1,416,543	6,055,886
Operating income	490,405	68,986	548,728	1,108,119
Non-Operating Revenues (Expenses):				
Transfers (to) from	-	(94,250)	(1,700)	(95,950)
Interest earned on investments	4,823	6,044	-	10,867
Interest on long-term debt	(13,581)	(1,990)	-	(15,571)
Total non-operating revenues (expenses)	(8,758)	(90,196)	(1,700)	(100,654)
Change in net position	481,647	(21,210)	547,028	1,007,465
Fund balance, beginning	808,071	2,017,393	58,619	2,884,083
Fund balance, ending	\$ 1,289,718	\$ 1,996,183	\$ 605,647	\$ 3,891,548

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended June 30, 2019

	Environmental Services Fund	Stormwater Fund	Kinston Community Center Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 4,131,399	\$1,036,330	\$ 1,905,611	\$ 7,073,340
Cash paid to suppliers for goods and services	(2,056,782)	(425,356)	(810,944)	(3,293,082)
Cash paid to or on behalf of employees for services	(1,046,828)	(380,911)	(502,284)	(1,930,023)
Net cash provided by operating activities	<u>1,027,789</u>	<u>230,063</u>	<u>592,383</u>	<u>1,850,235</u>
Cash Flows From Noncapital Financing Activities:				
Transfer (to) from other funds	-	(94,250)	(1,700)	(95,950)
Total cash flow from noncapital financing activities	<u>-</u>	<u>(94,250)</u>	<u>(1,700)</u>	<u>(95,950)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(223,790)	(166,050)	(661,185)	(1,051,025)
Principal paid on general long-term obligation bond maturities and equipment contracts	(249,607)	(53,499)	-	(303,106)
Interest paid on bonded indebtedness and equipment contracts	(13,581)	(1,990)	-	(15,571)
Net cash used by capital and related financing activities	<u>(486,978)</u>	<u>(221,539)</u>	<u>(661,185)</u>	<u>(1,369,702)</u>
Cash Flows from Investing Activities:				
Interest on investments	4,823	6,044	-	10,867
Net cash provided in investing activities	<u>4,823</u>	<u>6,044</u>	<u>-</u>	<u>10,867</u>
Net increase (decrease) in cash and cash equivalents	<u>545,634</u>	<u>(79,682)</u>	<u>(70,502)</u>	<u>395,450</u>
Cash and Cash Equivalents:				
Beginning of year	642,537	1,220,929	128,678	1,992,144
End of year	<u>\$ 1,188,171</u>	<u>\$1,141,247</u>	<u>\$ 58,176</u>	<u>\$ 2,387,594</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 490,405	\$ 68,986	\$ 548,728	\$ 1,108,119
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	301,164	110,401	30,765	442,330
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(18,855)	(12,150)	(3,020)	(34,025)
Increase (decrease) in net pension liability	129,487	36,992	-	166,479
Increase (decrease) in deferred inflows of resources for pensions	(5,989)	(1,709)	-	(7,698)
(Increase) decrease in deferred outflows of resources for pensions	(100,231)	(28,637)	-	(128,868)
Increase (decrease) in accounts payable	235,667	50,380	17,913	303,960
Increase (decrease) in compensated absences	(3,859)	5,800	(2,003)	(62)
Total adjustments	<u>537,384</u>	<u>161,077</u>	<u>43,655</u>	<u>742,116</u>
Net cash provided by operating activities	<u>\$ 1,027,789</u>	<u>\$ 230,063</u>	<u>\$ 592,383</u>	<u>\$ 1,850,235</u>

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds - Environmental Services Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 4,174,270	\$ 4,119,060	\$ (55,210)	\$ 3,648,279
Other	-	31,194	31,194	25,617
Total operating revenues	4,174,270	4,150,254	(24,016)	3,673,896
Non-Operating Revenues:				
Interest earned on investments	1,000	4,823	3,823	1,895
Total non-operating revenues	1,000	4,823	3,823	1,895
Total revenues	4,175,270	4,155,077	(20,193)	3,675,791
Expenditures:				
Bulk Leaf Collection:				
Salaries and benefits	-	-	-	-
Operating	17,200	8,490	8,710	8,421
Capital outlay	-	-	-	-
Total leaf collection	17,200	8,490	8,710	8,421
Vector control:				
Salaries and benefits	28,033	46,002	(17,969)	24,809
Indirect costs	6,500	4,852	1,648	4,354
Capital outlay	1,500	1,246	254	-
Operating	10,000	8,268	1,732	8,251
Total vector control	46,033	60,368	(14,335)	37,414
Commercial Solid Waste:				
Salaries and benefits	287,152	268,907	18,245	258,730
Operating	495,200	463,039	32,161	388,810
Capital outlay	534,000	232,992	301,008	-
Indirect costs	97,000	83,055	13,945	98,461
Total commercial solid waste	1,413,352	1,047,993	365,359	746,001
Residential Solid Waste:				
Salaries and benefits	795,200	674,535	120,665	697,358
Operating	551,900	497,641	54,259	401,370
Capital outlay	1,500	1,246	254	16,405
Indirect costs	232,000	246,301	(14,301)	243,911
Total residential solid waste	1,580,600	1,419,723	160,877	1,359,044
Recycling:				
Salaries and benefits	40,693	37,976	2,717	37,531
Operating	35,900	29,271	6,629	23,445
Indirect costs	-	-	-	-
Total recycling	76,593	67,247	9,346	60,976

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds - Environmental Services Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018
(Continued)

	2019		2018
	Budget	Actual	Variance Over/Under
			Actual
Debt Service:			
Principal retirement	\$ 249,607	249,607	\$ -
Interest and other charges	15,151	13,581	1,570
Total debt service	264,758	263,188	1,570
Other indirect costs	987,857	987,857	-
Total expenditures	4,386,393	3,854,866	531,527
Other Financing Sources (Uses):			
Appropriated net position	-	-	-
Transfers out	(316,877)	-	316,877
Long-term debt issued	528,000	-	(528,000)
Total other financing sources (uses)	211,123	-	(211,123)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 300,211	\$ 722,457
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 300,211	\$ 206,485
Capital outlay		232,992	16,405
Payment of debt principal		249,607	276,357
Depreciation		(301,164)	(404,055)
Change in accrued compensated absences		(3,859)	(10,995)
Change in accrued interest payable		2,386	-
Pension expense		(21,793)	(920)
Change in deferred outflows of resources - pension		(100,231)	111,968
Change in deferred inflows of resources - pension		(5,989)	(3,807)
Change in net pension liability		129,487	(108,617)
Change in net position		\$ 481,647	\$ 82,821

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds - Stormwater Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 1,016,280	\$ 1,023,071	\$ 6,791	\$ 1,017,887
Other	134,364	25,409	(108,955)	53,314
Total operating revenues	1,150,644	1,048,480	(102,164)	1,071,201
Non-Operating Revenues:				
Interest earned on investments	2,100	6,044	3,944	3,271
Total non-operating revenues	2,100	6,044	3,944	3,271
Total revenues	1,152,744	1,054,524	(98,220)	1,074,472
Expenditures:				
Stormwater Operations:				
Salaries and benefits	402,920	368,465	34,455	356,888
Operating	223,700	195,041	28,659	431,695
Capital outlay	129,400	166,051	(36,651)	48,156
Indirect costs	305,588	305,588	-	168
Total stormwater operations	1,061,608	1,035,145	26,463	836,907
Debt service:				
Principal retirement	53,500	53,500	-	73,597
Interest and other charges	2,300	1,990	310	3,104
Total debt service	55,800	55,490	310	76,701
Total expenditures	1,117,408	1,090,635	26,773	913,608
Other Financing Sources (Uses):				
Appropriated net position	394,014	-	(394,014)	-
Transfers in	-	-	-	190,000
Transfers out	(302,350)	(94,250)	208,100	(190,000)
Long-term debt issued	(127,000)	-	127,000	-
Total other financing sources (uses)	(35,336)	(94,250)	(58,914)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (130,361)	\$ (130,361)	\$ 160,864

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds - Stormwater Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018
(Continued)

	2019		2018
	Budget	Actual	Variance Over/Under
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (130,361)	\$ 160,864
Debt issued		-	-
Payment of debt principal		53,500	73,929
Depreciation		(110,401)	(91,994)
Change in accrued compensated absences		5,800	-
Change in accrued interest payable		(332)	-
Pension expense		(12,113)	-
Change in deferred outflows of resources - pension		(28,637)	(1,154)
Change in deferred inflows of resources - pension		(1,709)	-
Change in net pension liability		36,992	-
Capital outlay		166,051	48,156
Change in net position		<u>\$ (21,210)</u>	<u>\$ 189,801</u>

CITY OF KINSTON, NORTH CAROLINA

Schedule 43

Stormwater Capital Project Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)

For the year ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over/Under
Expenditures:					
George Street Rehabilitation	\$ 110,000	\$ 98,916	\$ -	\$ 98,916	\$ 11,084
Oriental Avenue Rehabilitation	130,000	106,809	-	106,809	23,191
Tiffany Street Rehabilitation	60,000	-	56,013	56,013	3,987
Total Expenditures	300,000	205,725	56,013	261,738	38,262
Other Financing Sources (Uses):					
Transfers in	300,000	300,000	-	300,000	-
Total other financing sources (uses)	300,000	300,000	-	300,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 94,275	\$ (56,013)	\$ 38,262	\$ 38,262

CITY OF KINSTON, NORTH CAROLINA
Nonmajor Enterprise Funds - Kinston Community Center Fund
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges for services	\$ 1,615,500	\$ 1,908,631	\$ 293,131	\$ 1,492,697
Other operating income	-	56,640	56,640	-
Total operating revenues	1,615,500	1,965,271	349,771	1,492,697
Total revenues	1,615,500	1,965,271	349,771	1,492,918
Expenditures:				
Salaries and benefits	578,159	504,287	73,872	631,155
Operating	1,035,641	880,832	154,809	899,521
Total expenditures	1,613,800	1,385,119	228,681	1,530,676
Other Financing Sources (Uses):				
Appropriated net position	-	-	-	-
Transfers out	(1,700)	(1,700)	-	-
Total other financing sources (uses)	(1,700)	(1,700)	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 578,452</u>	<u>\$ 578,452</u>	<u>\$ (37,758)</u>
Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual Basis:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 578,452		\$ (37,758)
Depreciation		(30,765)		(4,446)
Change in accrued compensated absences		(2,003)		-
Contributions		1,344		818
Change in net position		<u>\$ 547,028</u>		<u>\$ (41,386)</u>

INTERNAL SERVICE FUNDS

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

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

Employee Health Self Insurance Fund – This fund is used to finance and account for the City's health benefits self-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.

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds
Combining Statement of Net Position
June 30, 2019

	Health Self-Insurance Fund	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Assets:						
Current assets:						
Cash and investments	\$ 457,890	\$ 1,818,234	\$ 673,649	\$ 190,217	\$ 2,543,554	\$5,683,544
Accounts receivable	-	341	54,770	286	2,335	57,732
Inventory	-	-	226,983	-	-	226,983
Total current assets	457,890	1,818,575	955,402	190,503	2,545,889	5,968,259
Non-current assets:						
Construction in progress	-	-	-	-	21,784	21,784
Buildings	-	19,468	-	-	-	19,468
Equipment	-	-	196,000	-	675,549	871,549
Accumulated depreciation	-	(12,168)	(196,000)	-	(545,337)	(753,505)
Total non-current assets	-	7,300	-	-	151,996	159,296
Total assets	457,890	1,825,875	955,402	190,503	2,697,885	6,127,555
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	169,569	409,101	44,791	29,131	81,518	734,110
Current portion of compensated absences	-	1,387	6,942	-	21,995	30,324
Total current liabilities	169,569	410,488	51,733	29,131	103,513	764,434
Non-current liabilities:						
Non-current portion of compensated absences	-	4,162	20,825	-	65,984	90,971
Non-current portion of installment notes	-	-	2,125	-	5,942	8,067
Total non-current liabilities	-	4,162	22,950	-	71,926	99,038
Net Position:						
Net investment in capital assets	-	7,300	(2,125)	-	146,054	151,229
Unrestricted	288,321	1,403,925	882,844	161,372	2,376,392	5,112,854
Total net position	\$ 288,321	\$ 1,411,225	\$ 880,719	\$ 161,372	\$ 2,522,446	\$5,264,083

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2019

	Health Self-Insurance Fund	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Operating Revenues:						
Contributions from various funds	\$ 95,159	\$ 690,368	\$ 735,118	\$ 512,937	\$ 2,250,247	\$ 4,283,829
Premiums collected	2,227,403	-	-	-	-	2,227,403
Other income	-	-	1,632	-	1,558	3,190
Total operating revenues	<u>2,322,562</u>	<u>690,368</u>	<u>736,750</u>	<u>512,937</u>	<u>2,251,805</u>	<u>6,514,422</u>
Operating Expenses:						
Administration	-	87,873	409,152	-	1,609,661	2,106,686
Operations	-	76,361	201,097	492,511	334,910	1,104,879
Depreciation	-	487	2,125	-	101,792	104,404
Claims reimbursement	2,114,239	340,868	-	-	-	2,455,107
Total operating expenses	<u>2,114,239</u>	<u>505,589</u>	<u>612,374</u>	<u>492,511</u>	<u>2,046,363</u>	<u>5,771,076</u>
Operating income	<u>208,323</u>	<u>184,779</u>	<u>124,376</u>	<u>20,426</u>	<u>205,442</u>	<u>743,346</u>
Non-Operating Revenues (Expenses):						
Interest earned on investments	<u>1,815</u>	<u>9,100</u>	<u>-</u>	<u>-</u>	<u>16,345</u>	<u>27,260</u>
Total non-operating revenues (expenses)	<u>1,815</u>	<u>9,100</u>	<u>-</u>	<u>-</u>	<u>16,345</u>	<u>27,260</u>
Change in net position	<u>210,138</u>	<u>193,879</u>	<u>124,376</u>	<u>20,426</u>	<u>221,787</u>	<u>770,606</u>
Net Position:						
Net position, beginning	<u>78,183</u>	<u>1,217,346</u>	<u>756,343</u>	<u>140,946</u>	<u>2,300,659</u>	<u>4,493,477</u>
Net position, ending	<u>\$ 288,321</u>	<u>\$ 1,411,225</u>	<u>\$ 880,719</u>	<u>\$ 161,372</u>	<u>\$ 2,522,446</u>	<u>\$ 5,264,083</u>

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds
Combining Statement of Cash Flows
For the year ended June 30, 2019

	Health Self-Insurance Fund	Employee Health Fund	Fleet Maintenance Fund	Warehouse Fund	Public Services Administration Fund	Total
Cash Flows from Operating Activities:						
Cash received from customers	\$ -	\$ 690,519	\$ 731,199	\$ 526,211	\$ 2,253,114	\$ 4,201,043
Cash paid to suppliers for goods and services	(1,850,785)	(397,902)	(410,094)	(495,643)	(1,589,458)	(4,743,882)
Cash paid to or on behalf of employees for services	-	(92,419)	(183,347)	-	(336,510)	(612,276)
Other operating revenues	2,227,403	-	-	-	-	2,227,403
Net cash provided by operating activities	376,618	200,198	137,758	30,568	327,146	1,072,288
Cash Flows from Noncapital Financing Activities:						
Transfer (to) from other funds	-	-	-	-	-	-
Net cash used by noncapital financing activities	-	-	-	-	-	-
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	-	-	-	-	(34,444)	(34,444)
Principal paid on general long-term obligation bond maturities and equipment contracts	-	-	(2,318)	-	(5,942)	(8,260)
Net cash used by capital and related financing activities	-	-	(2,318)	-	(40,386)	(42,704)
Cash Flows from Investing Activities:						
Interest on investments	1,815	9,100	-	-	16,345	27,260
Net cash provided in investing activities	1,815	9,100	-	-	16,345	27,260
Net increase in cash and cash equivalents	378,433	209,298	135,440	30,568	303,105	1,056,844
Cash and Cash Equivalents:						
Beginning of year	79,457	1,608,936	538,209	159,649	2,240,449	4,626,700
End of year	\$ 457,890	\$ 1,818,234	\$ 673,649	\$ 190,217	\$ 2,543,554	\$ 5,683,544
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income	\$ 208,323	\$ 184,779	\$ 124,376	\$ 20,426	\$ 205,442	\$ 743,346
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	487	2,125	-	101,792	104,404
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	-	151	(5,551)	13,274	1,309	9,183
(Increase) decrease in inventories	-	-	(12,975)	-	-	(12,975)
Increase (decrease) in accounts payable	168,295	10,235	26,779	(3,132)	17,003	219,180
Increase (decrease) in compensated absences	-	4,546	3,004	-	1,600	9,150
Total adjustments	168,295	15,419	13,382	10,142	121,704	328,942
Net cash provided by operating activities	\$ 376,618	\$ 200,198	\$ 137,758	\$ 30,568	\$ 327,146	\$ 1,072,288

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds - Health Self-Insurance Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Premiums collected	\$ 2,706,609	\$ 2,227,403	\$ (479,206)	\$ -
Contributions	95,159	95,159	-	89,590
Other	-	-	-	-
Total operating revenues	2,801,768	2,322,562	(479,206)	89,590
Non-Operating Revenues:				
Investment earnings	100	1,815	1,715	-
Total non-operating revenues	100	1,815	1,715	-
Total revenues	2,801,868	2,324,377	(477,491)	89,590
Operating Expenditures:				
Salaries and benefits	-	-	-	-
Operating	-	-	-	-
Claims reimbursements, operating	2,137,295	2,114,239	23,056	11,407
Total operating expenditures	2,137,295	2,114,239	23,056	11,407
Other Financing Sources (Uses):				
Appropriated net position	-	-	-	-
Transfers out	(664,573)	-	(664,573)	-
Revenues over (under) expenditures	\$ -	210,138	\$ 210,138	78,183
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Change in accrued vacation pay		-		-
Depreciation		-		-
Change in net position		\$ 210,138		\$ 78,183

CITY OF KINSTON, NORTH CAROLINA
Internal Service Funds - Employee Health Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 690,368	\$ 690,368	\$ -	\$ 684,793
Other	-	-	-	4,696
Total operating revenues	690,368	690,368	-	689,489
Non-Operating Revenues:				
Investment earnings	4,100	9,100	5,000	4,915
Total non-operating revenues	4,100	9,100	5,000	4,915
Total revenues	694,468	699,468	5,000	694,404
Operating Expenditures:				
Salaries and benefits	110,837	87,873	22,964	84,902
Operating	145,106	76,361	68,745	127,105
Claims reimbursements, operating	427,200	340,868	86,332	423,818
Total operating expenditures	683,143	505,102	178,041	635,825
Other Financing Sources (Uses):				
Appropriated net position	-	-	-	-
Transfers out	(11,325)	-	(11,325)	-
Revenues over (under) expenditures	\$ -	194,366	\$ 194,366	58,579
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Depreciation		(487)		(487)
Change in net position		\$ 193,879		\$ 58,092

CITY OF KINSTON, NORTH CAROLINA
Internal Service Fund - Fleet Maintenance Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 646,454	\$ 735,118	\$ 88,664	\$ 665,121
Other	-	1,632	1,632	5,772
Total operating revenues	646,454	736,750	90,296	670,893
Operating Expenditures:				
Administration:				
Salaries and benefits	498,960	409,152	89,808	396,134
Operating	53,469	36,989	16,480	31,994
Fleet maintenance inventory	85,000	157,514	(72,514)	116,637
Capital outlay	6,900	6,594	306	-
Debt Service:				
Principal retirement	2,125	-	2,125	2,125
Total expenditures	646,454	610,249	36,205	546,890
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	126,501	<u>\$ 126,501</u>	124,003
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Payment of debt principal		-		2,125
Depreciation		(2,125)		(4,249)
Change in net position		<u>\$ 124,376</u>		<u>\$ 121,879</u>

CITY OF KINSTON, NORTH CAROLINA
Internal Service Fund - Warehouse Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions from other funds	\$ 571,188	\$ 512,937	\$ (58,251)	\$ 490,715
Total operating revenues	571,188	512,937	(58,251)	490,715
Operating Expenditures:				
Fuel purchased	553,661	492,511	61,150	476,398
Total operating expenditures	553,661	492,511	61,150	476,398
Other Financing Sources (Uses):				
Transfers out	(17,527)	-	17,527	-
Total other financing sources (uses)	(17,527)	-	17,527	-
Revenues and other financing sources over (under) expenses and other financing uses	\$ -	\$ 20,426	\$ 20,426	\$ 14,317

CITY OF KINSTON, NORTH CAROLINA
Internal Service Fund - Public Services Administration Fund
Schedule of Revenues and Expenditures - Financial Plan and Actual (Non - GAAP)
For the Year Ended June 30, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Contributions	\$ 2,250,248	\$ 2,250,247	\$ (1)	\$ 2,180,778
Other	-	1,558	1,558	3,437
Total operating revenues	2,250,248	2,251,805	1,557	2,184,215
Non-Operating Revenues:				
Investment earnings	8,250	16,345	8,095	8,975
Total non-operating revenues	8,250	16,345	8,095	8,975
Total revenues	2,258,498	2,268,150	9,652	2,193,190
Expenditures:				
Administration:				
Salaries and benefits	711,890	602,583	109,307	621,861
Operating	99,153	65,768	33,385	54,346
Capital outlay	1,500	1,246	254	10,144
Total administration	812,543	669,597	142,946	686,351
Operations:				
Salaries and benefits	1,140,061	1,009,723	130,338	917,516
Operating	290,900	263,073	27,827	248,126
Capital outlay	40,700	38,184	2,516	45,329
Total operating	1,471,661	1,310,980	160,681	1,210,971
Debt service:				
Principal retirement	5,943	5,942	1	5,942
Total debt service	5,943	5,942	1	5,942
Total expenditures	2,290,147	1,986,519	303,628	1,903,264
Other Financing Sources (Uses):				
Appropriated net position	31,649	-	(31,649)	-
Transfers out	-	-	-	(170,000)
Other financing sources (uses)	31,649	-	(31,649)	(170,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 281,631	\$ 281,631	\$ 119,926

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, 2019 With Comparative Totals for the Year Ended June 30, 2018

	2019			2018
	Financial Plan	Actual	Variance Over/Under	Actual
Reconciliation of Financial Plan Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	281,631	<u>\$ 281,631</u>	119,926
Payment of debt principal		5,942		5,942
Change in accrued vacation pay		1,560		(788)
Capital outlay		34,446		41,098
Depreciation		<u>(101,792)</u>		<u>(103,497)</u>
Change in net position		<u>\$ 221,787</u>		<u>\$ 62,681</u>

CITY OF KINSTON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Schedule 53

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 9,636,199	\$ 9,389,093	247,106
2017-2018	262,022	-	144,832	117,190
2016-2017	145,629	-	58,902	86,727
2015-2016	81,365	-	22,806	58,559
2014-2015	61,892	-	12,317	49,575
2013-2014	60,906	-	6,614	54,292
2012-2013	47,270	-	2,303	44,967
2011-2012	36,850	-	1,277	35,573
2010-2011	28,449	-	565	27,884
2009-2010	32,428	-	729	31,699
2008-2009	35,233	-	35,233	-
	<u>\$ 792,044</u>	<u>\$ 9,636,199</u>	<u>\$ 9,674,671</u>	753,572
Motor vehicle tags receivable				25,454
Less: allowance for uncollectible ad valorem taxes receivable: General Fund				<u>(176,220)</u>
Ad valorem taxes receivable - net				<u>\$ 602,806</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 9,764,078
Less auto fee				(128,081)
Penalties collected				4,569
Add credits and adjustments				<u>34,104</u>
Subtotal				<u></u>
Total collections and credits				<u>\$ 9,674,670</u>

CITY OF KINSTON, NORTH CAROLINA
Analysis of Current Tax Levy - City-Wide Levy
For the Fiscal Year Ended June 30, 2019

Schedule 54

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 1,370,317,250	0.70	\$ 9,592,221	\$ 8,638,312	\$ 953,909
Penalties	-		4,358	4,358	-
Total	1,370,317,250		9,596,579	8,642,670	953,909
Municipal Service:					
District			72,708	65,012	7,696
Penalties			212	212	-
Total			72,919	65,223	7,696
Discoveries	10,399,893	0.700	72,799	72,799	-
Abatements	(15,156,793)	0.700	(106,098)	(106,098)	-
Total property valuation	<u><u>\$ 1,365,560,350</u></u>				
Net Levy			9,636,199	8,674,595	961,605
Uncollected taxes at June 30, 2019			247,107	247,107	-
Current Year's Taxes Collected			<u><u>\$ 9,389,092</u></u>	<u><u>\$ 8,427,488</u></u>	<u><u>\$ 961,605</u></u>
Current Levy Collection Percentage			<u><u>97.44%</u></u>	<u><u>97.15%</u></u>	<u><u>100.00%</u></u>

STATISTICAL SECTION

(Unaudited)

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	149
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the Electric charges.	154
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.	162
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.	166
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.	167

CITY OF KINSTON, NORTH CAROLINA
Net Position By Component
Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 10,172,960	\$ 10,135,164	\$ 11,213,831	\$ 10,389,743	\$ 10,623,321	\$ 10,865,691	\$ 10,995,400	\$ 12,462,790	\$ 13,505,530	\$ 14,693,708
Restricted	83,390	3,456,960	1,787,355	1,392,528	1,610,885	1,477,150	1,346,376	4,110,501	6,301,350	10,437,314
Unrestricted	4,864,981	2,300,910	4,472,843	4,378,089	6,196,097	6,004,128	7,342,380	2,659,278	(2,092,818)	(2,558,681)
Total governmental activities net position	\$ 15,121,331	\$ 15,893,034	\$ 17,474,029	\$ 16,160,360	\$ 18,430,303	\$ 18,346,969	\$ 19,684,156	\$ 19,232,569	\$ 17,714,062	\$ 22,572,341
Business-type activities:										
Net investment in capital assets	\$ 81,162,571	\$ 80,602,330	\$ 81,954,723	\$ 81,307,560	\$ 81,092,577	\$ 83,079,029	\$ 83,212,363	\$ 87,195,214	\$ 90,916,697	\$ 93,488,343
Unrestricted	10,672,618	11,800,462	12,355,920	14,155,855	16,775,329	19,100,935	33,204,451	31,758,367	35,490,383	36,371,716
Total business-type activities net position	\$ 91,835,189	\$ 92,402,792	\$ 94,310,643	\$ 95,463,415	\$ 97,867,906	\$ 102,179,964	\$ 116,416,814	\$ 118,953,581	\$ 126,407,080	\$ 129,860,059
Primary government:										
Net investment in capital assets	\$ 91,335,531	\$ 90,737,494	\$ 93,168,554	\$ 91,697,303	\$ 91,715,898	\$ 93,944,720	\$ 94,207,763	\$ 99,658,004	\$ 104,422,227	\$ 108,182,051
Restricted	83,390	3,456,960	1,787,355	1,392,528	1,610,885	1,477,150	1,346,376	4,110,501	6,301,350	10,437,314
Unrestricted	15,537,599	14,101,372	16,828,763	18,533,944	22,971,426	25,105,063	40,546,831	34,417,645	33,397,565	33,813,035
Total primary government net position	\$ 106,956,520	\$ 108,295,826	\$ 111,784,672	\$ 111,623,775	\$ 116,298,209	\$ 120,526,933	\$ 136,100,970	\$ 138,186,150	\$ 144,121,142	\$ 152,432,400

CITY OF KINSTON, NORTH CAROLINA
Changes In Net Position
Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government	\$ 2,873,676	\$ 3,128,980	\$ 3,299,355	\$ 3,736,119	\$ 3,285,740	\$ 3,476,650	\$ 3,469,612	\$ 3,682,645	\$ 3,577,234	\$ 3,293,480
Public safety	9,864,668	9,328,164	9,685,081	9,525,247	9,251,041	9,374,900	9,906,304	10,832,976	9,780,286	10,379,634
Streets, Cemetery, Engineering (Public Services)	1,936,357	1,629,722	1,736,651	2,162,737	1,634,990	2,109,344	2,414,126	1,345,645	3,978,248	5,689,563
Culture and recreation	780,818	821,061	2,524,198	4,295,122	3,949,692	3,855,523	3,503,154	3,823,362	3,859,265	4,031,531
Community development	3,533,204	3,754,041	3,686,137	742,399	1,327,105	1,862,929	1,456,793	3,964,073	1,502,431	1,162,463
Interest on long-term debt	315,202	350,729	322,222	358,094	390,855	372,159	362,384	346,373	338,245	328,206
Total governmental activities expenses	19,303,925	19,012,697	21,253,644	20,819,718	19,839,423	21,051,505	21,112,373	23,995,074	23,035,709	24,884,877
Business-type activities:										
Electric	53,041,348	53,797,494	52,094,660	52,616,382	53,878,327	53,345,934	42,893,008	40,921,590	42,153,741	41,931,685
Water	7,378,161	7,355,873	6,983,435	6,681,717	7,157,044	7,809,304	7,545,322	8,828,090	9,073,471	8,899,572
Wastewater	5,296,980	5,886,216	5,671,974	6,140,791	6,263,399	6,340,320	6,342,991	6,823,521	6,802,106	6,961,763
Nonmajor funds	3,417,407	3,395,374	3,721,550	4,428,421	5,719,665	6,222,424	6,041,827	6,065,762	6,003,723	6,071,391
Total business-type activities expenses	69,133,896	70,434,956	68,471,618	69,867,311	73,018,435	73,717,982	62,823,148	62,638,964	64,033,041	63,864,411
Total primary government expenses	88,437,821	89,447,653	89,725,262	90,687,029	92,857,858	94,769,487	83,935,521	86,634,038	87,068,750	88,749,288

CITY OF KINSTON, NORTH CAROLINA
Changes in Net Position (Continued)
Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program revenue:										
Governmental activities:										
Charges for services:										
General government	392,192	398,143	372,215	361,568	793,510	540,842	686,853	657,003	512,248	489,506
Public safety	14,147	2,352	19,821	30,418	343,103	134,763	294,628	321,671	131,763	112,920
Public services	-	-	-	-	-	-	-	313,238	157,463	160,570
Culture and recreation	1,497,694	1,851,955	1,759,127	1,028,551	1,384,634	1,265,117	1,475,526	1,462,080	954,205	953,068
Community development	228,591	116,422	283,327	176,202	444,731	266,498	415,181	185,264	-	-
Operating grants and contributions:										
General government	-	-	12,538	-	-	-	-	10,000	15,000	-
Public safety	512,067	254,779	213,028	234,333	168,119	142,343	218,495	268,419	117,138	114,288
Public services	764,370	705,617	732,702	715,925	751,206	764,273	717,391	631,630	2,622,018	751,565
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Community development	-	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	-	-	856,601	-	-	-	-	-	-	-
Culture and recreation	39,407	-	107,557	76,164	54,577	-	32,505	-	-	-
Community development	-	-	288,664	288,664	362,000	322,655	84,869	-	-	-
Total governmental activities program revenue	3,448,468	3,987,249	6,279,755	3,078,155	4,412,735	3,512,870	4,013,448	4,369,750	4,509,835	2,581,917

CITY OF KINSTON, NORTH CAROLINA
Changes in Net Position (Continued)
Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Charges for services:										
Electric	55,029,445	55,232,090	52,266,966	53,285,229	55,407,387	55,560,799	56,504,904	47,920,146	48,928,147	48,530,615
Water	5,453,278	6,263,894	6,984,404	7,533,531	7,874,345	8,952,764	9,144,639	10,607,776	10,389,823	10,431,932
Wastewater	4,518,939	4,891,058	5,042,058	5,409,255	5,749,226	6,361,226	6,092,050	6,006,997	5,770,683	6,141,613
Nonmajor funds	4,108,466	4,002,603	4,138,173	5,402,616	6,612,670	6,125,182	6,113,417	6,449,730	6,229,582	7,164,005
Capital grants and contributions:										
Electric	1,311,358	150,000	1,253,693	369,221	518,754	610,152	129,490	5,000	303,858	-
Water	16,025	15,029	86,060	-	-	-	-	-	-	-
Wastewater	2,723,933	1,415,881	1,408,647	86,071	-	2,567,185	206,731	1,342,598	42,549	6,937
Nonmajor funds	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	73,161,444	71,970,555	71,180,001	72,085,923	76,162,382	80,177,308	78,191,231	72,332,247	71,664,642	72,275,102
Total primary government program revenues	76,609,912	75,957,804	77,459,756	75,164,078	80,575,117	83,690,178	82,204,679	76,701,997	76,174,477	74,857,019
Net (expense) revenue:										
Governmental activities	(15,855,457)	(15,025,448)	(14,973,889)	(17,741,563)	(15,426,688)	(17,538,635)	(17,098,925)	(19,625,324)	(18,525,874)	(22,302,960)
Business-type activities	4,027,548	1,535,599	2,708,383	2,218,612	3,143,947	6,459,326	15,368,083	9,693,283	7,631,601	8,410,691
Total primary government net expense	(11,827,909)	(13,489,850)	(12,265,506)	(15,522,951)	(12,282,741)	(11,079,309)	(1,730,842)	(9,932,041)	(10,894,273)	(13,892,269)

CITY OF KINSTON, NORTH CAROLINA
Changes in Net Position (Continued)
Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	9,093,393	8,947,351	9,623,407	9,769,405	10,695,873	10,542,483	10,392,749	10,320,353	9,936,900	9,930,882
Sales taxes	2,920,585	3,026,606	3,270,969	2,925,258	3,243,976	3,415,939	3,582,107	3,957,420	4,008,528	4,173,314
Other taxes	1,982,714	2,219,513	2,255,359	2,006,708	2,292,838	2,510,532	2,584,803	2,523,910	2,931,087	2,411,046
Unrestricted intergovernmental	281,404	349,123	360,261	400,259	402,458	371,981	375,763	422,430	1,957,044	2,399,830
Investment earnings	8,370	20,107	20,202	15,240	12,514	12,435	17,605	24,580	33,898	80,544
Miscellaneous	174,443	223,451	182,766	210,924	276,812	202,349	303,016	218,635	207,197	772,372
Transfers	961,627	1,011,000	841,920	1,100,100	772,160	1,454,570	1,180,069	3,157,431	2,470,000	7,393,251
Capital contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities	15,422,536	15,797,151	16,554,884	16,427,894	17,696,631	18,510,289	18,436,112	20,624,759	21,544,654	27,161,239
Business-type activities:										
Unrestricted intergovernmental	-	-	-	-	-	-	-	-	2,180,778	2,250,247
Investment earnings	11,292	43,004	41,388	34,260	32,704	27,188	48,836	68,041	108,471	182,608
Miscellaneous	-	-	-	-	-	-	-	-	2,649	2,684
Transfers	(961,627)	(1,011,000)	(841,920)	(1,100,100)	(772,160)	(1,454,570)	(118,069)	(3,157,431)	(2,470,000)	(7,393,251)
Total business-type activities	(950,335)	(967,996)	(800,532)	(1,065,840)	(739,456)	(1,427,382)	(69,233)	(3,089,390)	(178,102)	(4,957,712)
Total primary government	14,472,201	14,829,155	15,754,352	15,362,054	16,957,175	17,082,907	18,366,879	17,535,369	21,366,552	22,203,527
Changes in net position:										
Governmental activities	(432,921)	771,703	1,580,995	(1,313,669)	2,269,943	971,654	1,337,187	999,435	3,018,780	4,858,279
Business-type activities	3,077,213	567,603	1,907,851	1,152,772	2,404,491	5,031,944	15,298,850	6,603,893	7,453,499	3,452,979
Total primary government	\$ 2,644,292	\$ 1,339,305	\$ 3,488,846	\$ (160,897)	\$ 4,674,434	\$ 6,003,598	\$ 16,636,037	\$ 7,603,328	\$ 10,472,279	\$ 8,311,258

CITY OF KINSTON, NORTH CAROLINA
Program Revenues by Function/Program
Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

Function / Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government	\$ (2,481,484)	\$ (2,730,837)	\$ (2,914,602)	\$ (3,374,551)	\$ (2,492,230)	\$ (2,935,808)	\$ (2,782,759)	\$ (3,015,642)	\$ (3,049,986)	\$ (2,803,974)
Public safety	(9,338,454)	(8,595,033)	(9,312,929)	(9,144,852)	(8,739,819)	(9,097,794)	(9,393,181)	(10,242,886)	(9,531,385)	(10,152,426)
Streets, Cemetery & Engineering (Public services)	(1,171,987)	(924,105)	(147,348)	(1,446,812)	(883,784)	(1,345,071)	(1,696,735)	(400,777)	(1,198,767)	(4,777,428)
Culture and recreation	(1,996,103)	(1,902,086)	(1,819,453)	(3,190,407)	(2,510,481)	(2,590,406)	(1,995,123)	(2,361,282)	(2,905,060)	(3,078,463)
Community development	(552,227)	(522,658)	(457,335)	(226,847)	(409,519)	(1,197,397)	(868,743)	(3,258,364)	(1,502,431)	(1,162,463)
Interest on long-term debt	(315,202)	(350,729)	(322,222)	(358,094)	(390,855)	(372,159)	(362,384)	(346,373)	(338,245)	(328,206)
Total governmental activities	(15,855,457)	(15,025,448)	(14,973,889)	(17,741,563)	(15,426,688)	(17,538,635)	(17,098,925)	(19,625,324)	(18,525,874)	(22,302,960)
Business-type activities:										
Electric	3,299,456	1,584,596	1,425,999	1,038,068	2,047,814	2,825,017	13,741,386	7,003,556	7,078,264	6,598,930
Water	(1,908,859)	(1,076,950)	87,030	851,814	717,301	1,143,460	1,599,317	1,779,686	1,316,352	1,532,360
Wastewater	1,945,893	420,724	778,732	(645,465)	(514,173)	2,588,091	(44,210)	526,074	(988,874)	(813,213)
Nonmajor funds	691,059	607,230	416,623	974,195	893,005	(97,242)	71,590	383,968	225,859	1,092,614
Total business-type activities	4,027,549	1,535,600	2,708,384	2,218,612	3,143,947	6,459,326	15,368,083	9,693,283	7,631,601	8,410,691
Total government	\$ (11,827,908)	\$ (13,489,848)	\$ (12,265,505)	\$ (15,522,951)	\$ (12,282,741)	\$ (11,079,309)	\$ (1,730,842)	\$ (9,932,041)	\$ (10,894,273)	\$ (13,892,269)

Source: City records.

CITY OF KINSTON, NORTH CAROLINA
Fund Balances, Governmental Funds
Last Ten Fiscal Years
Modified Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Reserved	\$ 1,461,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:	3,603,720	-	-	-	-	-	-	-	-	-
Non-spendable	-	89,373	87,020	89,785	85,125	78,720	67,491	73,462	92,061	81,568
Restricted	-	1,503,278	1,498,228	1,051,988	1,193,123	1,244,509	1,154,417	2,975,492	3,933,403	1,627,756
Assigned	-	-	-	-	-	-	-	275,615	749,962	477,070
Unassigned	-	4,034,163	4,632,695	5,797,539	7,042,172	7,288,963	8,308,930	5,882,365	5,771,120	5,004,721
Total General Fund	\$ 5,065,393	\$ 5,626,814	\$ 6,217,943	\$ 6,939,312	\$ 8,320,420	\$ 8,612,192	\$ 9,530,838	\$ 9,206,934	\$ 10,546,546	\$ 7,191,115
All Other Governmental Funds:										
Reserved	\$ 41,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	22,734	-	-	-	-	-	-	-	-	-
Major capital projects funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	(40,971)	-	-	-	-	-	-	-	-	-
Permanent Fund	83,390	-	-	-	-	-	-	-	-	-
Non-spendable in special revenue funds	-	-	-	-	-	217,086	209,365	-	-	-
Non-spendable in permanent fund	-	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Restricted in special revenue funds	-	58,106	100,244	110,144	184,085	152,846	115,815	1,370,577	2,249,303	7,068,420
Restricted in capital project funds	-	1,961,686	105,121	146,498	158,378	4,496	805	36,564	43,067	15,100
Restricted in permanent fund	-	8,573	8,762	8,898	299	299	339	339	577	667
Committed in special revenue funds	-	13,992	19,483	36,874	31,757	13,546	6,747	93,972	-	-
Committed in capital project funds	-	85,066	53,555	38,653	58,052	62,726	275,736	321,266	137,001	1,061,633
Assigned in special revenue funds	-	7,418	8,877	10,633	20,359	29,758	39,379	48,096	55,918	395,085
Assigned in capital project funds	-	-	-	-	-	-	-	-	-	778,216
Unassigned in special revenue funds	-	(22,229)	(304,538)	(395,080)	(301,280)	(21,960)	(111,387)	(6,146)	21,043	(383,783)
Unassigned in capital project funds	-	(82,230)	(76,378)	(161,287)	(40,514)	(68,325)	(27,119)	(981,474)	(2,293,905)	(1,276,895)
Total all other government funds	\$ 106,725	\$ 2,105,382	\$ (9,874)	\$ (129,667)	\$ 186,136	\$ 465,472	\$ 584,680	\$ 958,194	\$ 288,004	\$ 7,733,443

Note: Data presented for fiscal year 2015 implementing GASB Statement 68.

Data presented for fiscal year 2015 reflecting prior period restatement.

Data presented for fiscal year 2017 implementing GASB Statement 73.

Data presented for fiscal year 2018 implementing GASB Statement 75.

CITY OF KINSTON, NORTH CAROLINA
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
Modified Accrual Basis of Accounting (Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Taxes	\$ 9,094,918	\$ 8,937,400	\$ 9,607,610	\$ 9,678,780	\$ 10,805,474	\$ 10,633,642	\$ 10,395,234	\$ 10,357,976	\$ 9,936,900	\$ 9,930,882
Other taxes	4,903,299	5,246,119	5,526,328	4,931,966	5,536,814	5,926,471	6,166,910	6,481,330	6,939,615	6,584,360
Intergovernmental	1,597,248	1,967,500	3,348,925	1,881,675	1,849,215	1,677,631	1,517,023	1,852,924	2,780,981	3,315,683
Charges for services	1,677,717	1,613,184	1,738,320	1,955,122	1,605,774	1,717,067	1,743,150	1,686,305	1,755,679	1,721,214
Other	178,769	231,138	199,309	216,847	285,355	117,190	310,582	238,489	225,712	797,766
Total revenues	17,451,951	17,995,341	20,420,492	18,664,390	20,082,632	20,072,001	20,132,899	20,617,024	21,638,887	22,349,905
Expenditures:										
General government	2,170,499	2,170,354	2,210,601	1,992,856	1,939,339	2,660,498	2,429,822	2,536,238	2,627,905	2,479,043
Public safety	9,557,209	10,131,381	11,416,806	9,346,240	9,114,838	9,532,994	9,841,653	10,341,579	9,264,592	12,828,471
Public services	1,636,134	1,350,374	1,492,119	1,898,996	1,328,145	1,790,674	2,050,263	1,052,312	2,616,846	3,107,996
Culture and recreation	3,267,172	3,421,337	3,557,481	4,272,800	3,919,006	3,908,529	4,101,005	5,214,979	5,171,645	3,902,713
Community development	765,103	1,327,385	2,845,447	1,083,839	1,653,197	2,244,287	1,893,825	3,762,735	1,068,919	3,837,661
Capital outlay	-	-	-	-	-	-	-	-	1,599,770	1,207,608
Debt service:										
Principal	704,045	529,865	525,739	387,146	480,604	492,474	518,347	812,354	751,543	633,893
Interest	321,661	312,867	327,446	306,975	388,074	369,378	369,378	352,119	338,245	328,206
Total expenditures	18,421,823	19,243,563	22,375,639	19,288,852	18,823,203	20,998,834	21,204,293	24,072,316	23,439,465	28,325,591
Excess of revenues (under) expenditures	(969,872)	(1,248,222)	(1,955,147)	(624,462)	1,259,429	(926,833)	(1,071,394)	(3,455,292)	(1,800,578)	(5,975,686)
Other financing sources (uses):										
Transfers in	958,941	976,448	1,042,786	832,287	817,690	1,183,984	1,204,345	3,896,134	2,650,632	9,694,631
Transfers (out)	(176,850)	(365,648)	(611,766)	(227,287)	(506,180)	(187,031)	(555,132)	(738,703)	(180,632)	(2,301,380)
Issuance of long-term debt	427,885	3,197,500	-	621,038	125,972	276,180	1,459,899	347,471	-	2,672,443
Total other financing sources	1,209,976	3,808,300	431,020	1,226,038	437,482	1,273,133	2,109,112	3,504,902	2,470,000	10,065,694
Net changes in fund balance	\$ 240,104	\$ 2,560,078	\$ (1,524,127)	\$ 601,576	\$ 1,696,911	\$ 346,300	\$ 1,037,718	\$ 49,610	\$ 669,422	\$ 4,090,008
Debt service as a percentage of noncapital expenditures	5.6%	4.4%	3.8%	3.6%	4.6%	4.1%	4.2%	4.8%	4.6%	3.7%

Table 6

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)
2010	465,525,523	141,091,458	280,977,669	14,943,169	437,012,296	28,513,227	6%	0.1000
2011	472,033,856	137,055,472	287,502,532	25,452,746	450,010,750	22,023,106	5%	0.1000
2012	438,140,246	120,692,572	276,287,764	23,680,224	420,660,560	17,479,686	4%	0.1020
2013	452,880,005	124,767,842	291,933,252	20,736,647	437,437,741	15,442,264	3%	0.1039
2014	478,012,491	126,777,757	306,791,731	15,430,733	449,000,221	29,012,270	6%	0.0978
2015	477,998,261	130,748,262	308,372,650	15,751,618	454,872,530	23,125,731	5%	0.0985
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
2018	471,448,873	124,441,190	310,347,017	15,486,292	450,274,499	21,174,374	4%	0.0670
2019	464,580,700	123,975,400	300,250,898	20,919,690	445,145,988	19,434,712	4%	0.0679

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

CITY OF KINSTON, NORTH CAROLINA
Electric Rates
Last Ten Fiscal Years

Electric Rates	Cents Per KWH									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Residential	14.6	14.7	14.9	14.8	14.7	14.6	13.7	13.0	13.0	13
Small General Serice	14.6	14.6	14.7	14.8	14.7	14.7	13.6	13.0	13.0	13
Medium General Service	12.2	12.3	12.3	12.0	12.5	12.2	11.7	11.3	11.4	11.4
Public Housing	14.4	14.3	14.4	14.6	14.8	14.6	13.6	13.0	13.0	13
Church And School	16.9	17.1	17.1	17.2	17.2	17.0	16.6	16.2	16.2	16.2
Municipal Service	6	6	6	6.0	6.0	7.0	7.0	7.0	7.0	7
Masterbrand	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0
Large General Service	11	10.8	10.8	10.7	10.6	10.7	9.9	9.7	9.8	9.7
CDC Rate	7.6	8.2	8.2	8.5	8.1	8.1	7.0	6.9	6.9	7.1
Area Lights	22.8	23.4	23.5	23.7	23.8	23.4	22.4	22.1	22.2	22.4

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

CITY OF KINSTON, NORTH CAROLINA
Property Tax Rates
Direct and Overlapping governments
Last Ten Fiscal Years

Fiscal Year	Lenoir County	City of Kinston	Municipal Service District	Total Tax
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	1.765
2018	0.835	0.700	0.270	1.805
2019	0.830	0.700	0.270	1.800

Note: Real property was revalued on January 1, 2017

CITY OF KINSTON, NORTH CAROLINA
Principal Taxpayers
Current Year and Nine Years Ago
As of June 30, 2019

2019					2010				
Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed	Name of Taxpayer	Nature of Property	Value	Rank	Percentage of Total Assessed
				Value					Value
Sanderson Farms, Inc	Meat Processor	104,651,305	1	7.66%	Smithfield Packing	Meat Processor	83,005,000	1	6.21%
Smithfield Farmland Corp	Meat Processor	79,986,703	2	5.86%	Carolina Telephone	Communications	31,892,110	2	2.38%
Kinston, LLC	Nursing Facility	42,706,747	3	3.13%	Masterbrands Cabinets, Inc.	Manufacturer	21,686,146	3	1.62%
Masterbrand Cabinets	Manufacturer	23,698,962	4	1.74%	Walter Poole Realty Inc	Real Estate	18,848,167	4	1.41%
Bre Retail Residual	Real Estate	14,990,728	5	1.10%	Centro NP Holdings 9 SPELLC	Shopping	12,860,368	5	0.96%
Lowes Home Centers Inc	Retail	8,002,601	6	0.59%	Lowes Home Centers Inc	Shopping	10,731,312	6	0.80%
Perry's Inc	Real Estate	7,843,936	7	0.57%	Piedmont Natural Gas	Natural Gas	10,582,287	7	0.79%
HOW Corp LLC	Real Estate	7,686,538	8	0.56%	Perry's Inc	Real Estate	8,055,298	8	0.60%
Piedmont Natural Gas	Utility	7,494,014	9	0.55%	Vernon Park Mall Holding	Shopping Mall	7,989,097	9	0.60%
EWT 22 LLC	Real Estate	6,614,623	10	0.48%	S C Heritage Court Associated	Real Estate	7,501,999	10	0.56%
Total Assessed Valuation of Top Ten Taxpayers		<u>\$ 303,676,157</u>		22.24%	Total Assessed Valuation of Top Ten Taxpayers		<u>\$ 213,151,784</u>		15.94%
Balance of Assessed Valuation		<u>\$1,061,884,193</u>		77.76%	Balance of Assessed Valuation		<u>\$1,124,131,287</u>		84.06%
Total Assessed Valuation		<u>\$1,365,560,350</u>		100.00%	Total Assessed Valuation		<u>\$1,337,283,071</u>		100.00%

Source: Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA
Property Tax Levies And Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30:	Tax Year	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2010	2009	8,888,479	8,473,336	0.9533	383,444	8,856,780	0.9964
2011	2010	8,764,337	8,363,449	0.9543	373,004	8,736,453	0.9968
2012	2011	9,429,114	8,983,219	0.9527	410,322	9,393,541	0.9962
2013	2012	9,533,752	9,035,552	0.9477	453,233	9,488,785	0.9953
2014	2013	10,430,850	10,022,906	0.9609	353,652	10,376,558	0.9948
2015	2014	10,371,023	10,019,384	0.9661	302,064	10,321,448	0.9952
2016	2015	10,215,605	9,913,395	0.9704	243,651	10,157,046	0.9943
2017	2016	10,166,157	9,852,755	0.9692	226,675	10,079,430	0.9915
2018	2017	9,621,661	9,359,639	0.9728	144,832	9,504,471	0.9878
2019	2018	9,636,199	9,389,093	0.9744	-	9,389,093	0.9744

Source: City of Kinston CAFR Schedule of Ad Valorem Taxes Receivable for tax years 2009-2018

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					
	General Obligation Bonds	Less Amount Available in Debt Service	Net General Bonded Debt	Percentage of Actual Property Value	Debt Per Capita	Installment Contracts	Notes and Installments	General Obligation Bonds	Revenue Bonds	Total Primary Government	Total Debt Per Capita
2010	-	-	-	0	-	6,965,646	11,160,112	0	14,339,473	32,465,231	1,498
2011	-	-	-	0	-	9,633,282	9,708,187	0	13,353,874	32,695,343	1,511
2012	-	-	-	0	-	9,107,542	8,279,562	0	12,336,227	29,723,331	1,375
2013	-	-	-	0	-	9,341,434	7,915,246	0	11,280,517	28,537,197	1,320
2014	-	-	-	0	-	8,986,802	6,995,368	0	10,186,195	26,168,365	1,209
2015	-	-	-	0	-	8,781,132	7,113,058	0	9,147,000	25,041,190	1,171
2016	-	-	-	0	-	9,720,559	7,556,524	0	7,787,000	25,064,083	1,156
2017	-	-	-	0	-	9,253,551	8,558,887	0	6,390,000	24,202,438	1,157
2018	-	-	-	0	-	8,499,886	8,801,457	0	4,968,000	22,269,343	1,060
2019	-	-	-	0	-	10,536,288	10,840,329	0	3,525,000	24,901,617	1,240

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, 2019
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Lenoir County Debt	\$ 47,770,000	33.15%	\$ 15,836,633
Subtotal, overlapping debt	<u>\$ 47,770,000</u>		<u>\$ 15,836,633</u>
City Direct Debt	<u>9,253,551</u>		
Total direct and overlapping debt	<u><u>\$ 57,023,551</u></u>		<u><u>\$ 15,836,633</u></u>

Sources:

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

Notes:

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

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Lenoir County's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable value. The percentage of overlapping debt is based on the June 30, 2019 assessed valuation of \$4,119,109,110 for Lenoir County and \$1,365,560,350 for the City of Kinston.

CITY OF KINSTON, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands) (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 106,982,646	\$ 105,523,959	\$ 113,508,985	\$ 114,575,354	\$ 125,096,448	\$ 124,575,515	\$ 122,993,612	\$ 122,395,394	\$ 109,140,195	\$ 109,244,828
Total net debt applicable to limit	18,125,758	19,341,469	17,387,104	17,256,680	15,982,168	15,894,191	17,277,083	17,812,438	17,301,343	21,376,619
Legal debt margin	\$ 88,856,888	\$ 86,182,490	\$ 96,121,881	\$ 97,318,674	\$ 109,114,280	\$ 108,681,324	\$ 105,716,529	\$ 104,582,956	\$ 91,838,852	\$ 87,868,209
Total net debt applicable to the limit as a percentage of debt limit	20.40%	22.44%	18.09%	17.73%	14.65%	14.62%	16.34%	17.03%	18.84%	24.33%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed valuation	\$ 1,365,560,350	A= Total government wide debt	\$ 39,363,796
8%	109,244,828	Less revenue bonds	(3,525,000)
Less applicable debt	<u>(21,376,619) A</u>	Less compensated absences	(1,022,274)
Debt margin	<u>\$ 87,868,209</u>	Less law enforcement separation allowance	(3,559,172)
		Less separation allowance	(1,962)
		Less other post employment benefits	<u>(9,878,769)</u>
			<u>\$ 21,376,619</u>

Notes:

Debt includes installment contracts and notes payable

Calculation only includes debt guaranteed by the unit's taxing authority, so revenue bonds are excluded.

CITY OF KINSTON, NORTH CAROLINA
Pledged-Revenue Coverage (Parity Debt)
Last Ten Fiscal Years
(dollars in thousands) (Unaudited)

Fiscal Year	Combined Enterprise Revenue Bonds						Special Assessment Bonds				Sales Tax Increment Bonds			
	Gross Revenues	Less Operating Expenses	Net Available Revenue	Parity Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	Sales Tax Increment	Debt Service		Coverage
				Principal	Interest			Principal	Interest					
2010	64,894,490	61,103,976	3,790,514	1,368,156	667,936	1.86	-	-	-	-	-	-	-	
2011	66,310,137	61,739,024	4,571,113	1,399,715	621,036	2.26	-	-	-	-	-	-	-	
2012	64,196,224	59,240,780	4,955,444	1,431,762	573,795	2.47	-	-	-	-	-	-	-	
2013	66,105,976	60,995,859	5,110,117	1,792,828	690,238	2.06	-	-	-	-	-	-	-	
2014	68,391,147	62,487,584	5,903,563	1,747,182	629,280	2.48	-	-	-	-	-	-	-	
2015	70,230,772	62,525,807	7,704,965	1,696,937	572,242	3.40	-	-	-	-	-	-	-	
2016	64,775,533	49,350,688	15,424,845	1,965,880	327,393	6.73	-	-	-	-	-	-	-	
2017	64,481,249	52,486,519	11,994,730	2,004,999	273,653	5.26	-	-	-	-	-	-	-	
2018	65,182,762	55,187,956	9,994,806	2,338,696	331,917	3.74	-	-	-	-	-	-	-	
2019	65,255,998	51,536,106	13,719,892	2,565,706	188,601	4.98	-	-	-	-	-	-	-	

CITY OF KINSTON, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Population (1)	Per Capita Income (1)	School Enrollment (3)	County Unemployment Rate (4)
2010	21,677	17,779	9,039	10.6%
2011	21,642	(5)	9,075	11.2%
2012	21,622	18,598	9,097	10.7%
2013	21,625	(5)	8,994	9.9%
2014	21,641	18,452	8,997	7.3%
2015	21,392	17,907	8,877	6.9%
2016	21,677	20,773	8,866	5.2%
2017	20,923	23,675	8,595	4.2%
2018	21,004	23,976	8,646	4.2%
2019	20,083	(5)	8,520	4.0%

Sources:

- (1) US Census Bureau
- (2) Lenoir County School Board
- (3) NC Employment Security Commission
- (4) 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	2019			Employer	2010		
	Employees	Rank	Percentage of Total County Employment		Employees	Rank	Percentage of Total County Employment
Sanderson Farms	1,500	1	5.47%	Caswell Center	1,634	1	6.67%
Caswell Center	1,265	2	4.62%	Lenoir County Public Schools	1,310	2	5.35%
Lenoir County Public Schools	1,200	4	4.38%	Lenoir Memorial Hospital	1,200	3	4.90%
Smithfield Foods Inc.	1,000	3	3.65%	Electrolux Home Products	785	4	3.20%
UNC Lenoir Healthcare	960	5	3.50%	Associated Materials, Inc	531	5	2.17%
Lenoir County	700	7	2.55%	Lenoir Community College	520	6	2.12%
Aristokraft/Decora/Schrock	650	6	2.37%	Lenoir County	441	7	1.80%
Electrolux Home Products	550	8	2.01%	Hillco LTD	412	8	1.68%
Spirit Aerosystems	540	9	1.97%	Lexon China	400	9	1.63%
City of Kinston	450	10	1.64%	Wal-Mart	385	10	1.57%
Total	8,815		32.17%	Total	7,618		31.09%
Total Employment Lenoir County	27,400						

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)

<u>Functions/Program</u>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Legislative	6	6	6	6	6	6	6	6	6	6
City Management	3	4	2	2	2	2	2	3	3	3
City Clerk	1	1	1	1	1	1	1	1	1	1
Personnel	2	3	3	3	3	3	3	3	3	3
Finance	12	12	12	13	13	13	14	14	14	14
Computer Services	3	3	3	4	4	4	4	4	4	4
Building Safety	2	2	2	4	4	4	4	4	4	4
Planning	2	2	2	2	2	2	2	3	3	3
MSD Development	-	-	-	-	-	-	-	-	2	2
Parks and Recreation:										
General & Administrative	4	4	4	4	4	5	5	3	3	3
Recreation	26	29	29	26	30	30	30	33	34	34
Pool(s)	1	1	1	1	1	1	1	1	1	1
Golf Course(s)	1	1	1	1	1	1	1	1	-	-
Stadium									1	1
Police:										
Officers	76	76	76	76	76	76	76	74	73	73
Civilians (a)	8	8	8	10	10	10	10	9	11	11
Fire:										
Firefighters and Officers	49	49	49	48	48	48	48	51	50	50
Civilians	2	2	2	1	1	1	1	1	1	1

CITY OF KINSTON, NORTH CAROLINA
Full-Time Equivalent City Government Employees By Functions/Programs (Continued)
Last Ten Fiscal Years
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Services:										
Administration	9	9	9	9	9	9	9	10	9	9
Billing and Customer Service	15	15	15	15	15	15	15	14	15	15
Meter Services	7	7	7	9	9	9	9	4	9	9
Engineering	9	9	9	9	9	9	9	9	9	9
Street Maintenance	11	11	11	11	11	11	11	9	16	16
Street Sweeping	-	-	-	-	-	-	-	11		
Refuse Collection	27	27	27	27	27	27	27	27	27	27
Weed Control	1	1	1	1	1	1	1	1	-	-
Central Garage	9	10	10	10	10	10	10	10	10	10
Street Lighting	-	-	-	-	-	-	-	-		
Traffic Control	2	2	2	2	2	2	2	1	-	-
Electric:										
Distribution	22	22	22	22	22	22	22	22	22	22
Water:										
Transmission	25	25	25	24	24	24	24	24	24	24
Purification	3	3	3	6	6	6	6	6	6	6
Sewer Maintenance	14	14	14	14	14	14	14	14	14	14
Stormwater	7	7	7	7	10	10	10	10	10	10
Other Programs/Functions:										
Risk Management	3	3	3	2	2	2	2	2	2	2
Total	360	366	364	368	375	376	377	383	387	2,406

Source: Prior year CAFR's
Various Human Resources and Adopted Budget Records

CITY OF KINSTON, NORTH CAROLINA
Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:											
Calls for service	32,686	33,101	29,767	30,753	28,944	26,729	26,954	27,679	24,667	26,250	29,999
Adult arrest	2,755	3,553	2,896	3,240	2,823	2,392	2,607	2,638	2,229	2,067	1,937
Juvenile arrest	122	89	97	117	130	97	62	156	84	51	56
Speeding citations only	392	837	771	572	488	525	464	276	120	61	592
Traffic citations	3,567	4,374	3,584	4,081	3,870	3,916	2,222	2,788	1,350	1,587	6,883
Fire:											
Total fire runs	843	185	764	908	898	536	963	1,212	471	963	1,023
Total rescue runs	151	117	82	80	96	185	777	2,399	1,259	2,605	2,509
Property loss	\$ 791,822	\$ 472,680	\$ 2,124,175	\$ 1,194,425	\$ 11,441,115	\$ 726,548	\$ 626,006	\$ 595,414	\$ 530,079	\$ 789,534	\$ 836,885
Building safety:											
Total building permits	98	83	102	104	109	114	93	101	124	148	124
Total value all permits	\$ 9,735,748	\$ 59,871,760	\$ 15,617,899	\$ 15,065,906	\$ 13,159,552	\$ 10,386,075	\$ 42,725	\$ 35,226,386	\$ 16,657,737	\$ 17,181,211	\$ 14,119,575
Library, volumes in collection	235,108	233,466	245,837	237,195	244,343	198,083	164,554	165,000	165,000	148,717	163,577
Public service:											
Garbage collected (ton)	21,254	19,108	17,272	16,744	21,017	18,214	17,972	18,204	18,979	18,087	16,319
Recycle collected (ton)	563.21	637.56	655.1	657.53	628	615	617	620	617	587	586
Parks and Recreation:											
Recreation program attendance:											
Athletics	175,000	202,000	204,500	208,300	205,100	202,100	204,150	203,500	198,000	202,000	192,000
Centers & Parks	518,000	520,000	522,000	552,000	547,000	625,000	592,000	602,000	520,000	535,000	527,000
Other Programs	122,000	118,000	116,300	118,000	123,000	128,000	125,000	123,500	118,500	120,200	117,000
Golf Rounds Played	9,300	9,100	9,000	8,000	8,650	9,200	8,300	7,800	8,100	8,000	10,200

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	3	5	2	1	2	1	1	1	1	1
Fire & Rescue										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Refuse Collection:										
Collection Trucks	25	25	25	25	25	25	25	25	25	25
Other Public Works										
Streets (Miles)	114.91	114.91	114.83	117.1	115.11	115.11	115.14	115.43	115.43	115.43
Streets Lights	2106	2106	2106	2065	2065	2065	2065	2065	2065	2065
Traffic Signals	15	15	15	15	15	15	15	15	15	15
Parks & Recreation:										
Acreage	300	332	349	332	332	332	332	332	332	332
Parks	15	15	15	15	15	15	15	15	15	15
Golf Course	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Diamonds	26	26	26	26	26	26	26	26	26	26
Soccer/Football Fields	13	13	13	13	13	13	13	13	13	13
Basketball Courts	4	4	6	6	6	6	6	6	6	6
Tennis Courts	17	17	17	17	17	17	17	17	17	17
Swimming Pools	2	2	3	4	4	4	4	3	3	2
Parks with Playground Equipment	8	8	8	8	8	8	8	9	9	9
Picnic Shelters	8	8	8	8	9	9	9	9	9	9
Community Centers	5	6	7	7	7	7	7	7	7	7
Museums	2	2	2	2	2	2	8	2	2	2
Stadium	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	4200 seat	5000seat	5000seat	5000seat
Airport Theater	0	0	0	0	0	0	0	0	0	0
Indoor Batting Facility	1	1	1	1	1	1	1	1	1	1
Natural Sites	5	5	5	5	5	5	5	5	5	5
Gymnasium	4	5	6	6	6	6	6	6	6	6
Spray Ground	1	1	1	1	1	1	1	1	1	1
Dog Park	1	1	1	1	1	1	1	1	1	1

CITY OF KINSTON, NORTH CAROLINA
Capital Asset Statistics By Function/Program (Continued)
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Library:										
Facilities	1	1	1	1	1	1	1	1	1	1
Volumes	233,466	245,837	237,195	244,343	198,083	164,554	165,000	165,000	165,000	163,577
Water:										
Storage Capacity (MGPD)	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD	4.25MGD
Average Daily Consumption (MG)	2.85MGD	3.41MGD	4.14MGD	4.4MGD	4.14MGD	4.58MGD	4.16MGD	4.30 MGD	4.47 MGD	4.47 MGD
Peak Consumption (MGPD)	5.07MGD	5.11MGD	8.19MGD	10.4MGD	10.4MGD	9.4MGD	9.6MGD	7.19MGD	7.31MGD	6.81MGD
Miles of Water Mains	214.7	216.76	216.76	216.76	216.76	216.76	218.45	218.77	219.4	219.4
Wastewater:										
Sanitary Sewers (miles)	211.4	212.98	213.24	213.24	213.24	213.24	216.77	216.77	216.77	216.77
Storm Sewers (miles)	62.4	55.39	55.39	55.39	55.39	55.39	55.39	55.39	55.39	55.39
Average Daily Flow	5.09MGD	5.14MGD	4.24MGD	4.69MGD	6.23MGD	5.98 MGD	5.76MGD	6.29 MGD	4.44 MGD	4.79 MGD
Electric:										
Average Daily Usage	1,197,294 KWH	2,906 KWH	2,495 KWH	8,459KWH	30,138KWH	6,226 KWH	0,908 KWH	27,401 KWH	91,641 KWH	91,578 KWH
Mile of Distribution Lines	430	430	430	430	435	435	435	435	435	435

Source: Various City records

COMPLIANCE SECTION

This part of the City of Kinston's Comprehensive Annual Financial Report presents information related to the Single 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.

Contents

Pages

Compliance Section

Independent Auditors' 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	173
Independent Auditors' Report on Compliance For Each Major Federal Program And On Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance With Uniform Guidance and the State Single Audit Implementation Act	175
Independent Auditors' Report on Compliance For Each Major State Program And On Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance with Uniform Guidance and the State Single Audit Implementation Act	178
Schedule of Findings and Questioned Costs	181
Corrective Action Plan	185
Summary of Schedule of Prior Year Audit Findings	186
Schedule of Expenditures of Federal and State Awards	187



Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

**Independent Auditors' 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***

To the Honorable Mayor
and Members of 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 (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompany schedule of findings and questioned Costs, as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-002.

City of Kinston's Response to Finding

The City of Kinston's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 of 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.

Rives & Associates LLP

Raleigh, North Carolina
April 10, 2020



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report On Compliance For Each Major Federal Program and on Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance with Uniform Guidance and the State Single Audit Implementation Act

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 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 Governmental Commission that could have a direct and material effect on each of City of Kinston's major federal programs for the year ended June 30, 2019. City of Kinston's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 noncompliance 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 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 the major federal program. However, our audit does not provide a legal determination of City of Kinston's compliance.

Opinion on Each Major Program

In our opinion, 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 its major federal program for the year ended June 30, 2019.

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 City of Kinston's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 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, noncompliance 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 noncompliance 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, 2019, 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 April 10, 2020, 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 related 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 statement 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.

Rives & Associates LLP

Raleigh, North Carolina
April 10, 2020



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

Independent Auditors' Report On Compliance For Each Major State Program and on Internal Control Over Compliance, Report on The Schedule of Expenditures of Federal and State Awards; In Accordance with Uniform Guidance and the State Single Audit Implementation Act

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 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 Governmental Commission that could have a direct and material effect on each of City of Kinston's major state programs for the year ended June 30, 2019. City of Kinston's major program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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; 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 noncompliance 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 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 the major program. However, our audit does not provide a legal determination of City of Kinston's compliance.

Opinion on Each Major Program

In our opinion, 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 its major state program for the year ended June 30, 2019.

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 City of Kinston's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 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, noncompliance 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 noncompliance 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 a combination of deficiencies, in internal control 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 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, 2019, 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 April 10, 2020, 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 related 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 statement 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.

River & Associates LLP

Raleigh, North Carolina
April 10, 2020

CITY OF KINSTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified	<u>✓</u>	yes	<u> </u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u>	yes	<u>✓</u>	none reported
Noncompliance material to financial statements noted	<u>✓</u>	yes	<u> </u>	no

Federal Awards

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

Internal control over financial reporting:

Material weaknesses identified	<u> </u>	yes	<u>✓</u>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> </u>	yes	<u>✓</u>	none reported
Noncompliance material to financial statements noted	<u> </u>	yes	<u>✓</u>	no

Identification of major Federal program:

<u>CFDA Number</u>	<u>Program Name</u>
97.036	Disaster Grants

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee	<u> </u>	yes	<u>✓</u>	no
---------------------------------------	---------------	-----	----------	----

CITY OF KINSTON , NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

State Awards

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

Internal control over financial reporting:

Material weaknesses identified	_____	yes	_____ <input checked="" type="checkbox"/>	no
Significant deficiency(s) identified that are not considered to be material weaknesses	_____	yes	_____ <input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted	_____	yes	_____ <input checked="" type="checkbox"/>	no

Identification of major state program:

Program Name

Non-State System Street Aid Allocation (Powell Bill)

CITY OF KINSTON , NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001

Material Weakness

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

Condition: Due to a limited number of personnel in the City's Finance Office, there are inherent limitations to the 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 limited number of personnel for certain functions.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-001.

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 and adjust reports on a monthly basis to detect unauthorized adjustments to the general ledger. Management should look to fill any vacant positions to help ascertain segregation of duties is maintained.

Corrective Action/Management Response: 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 and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Finding 2019-002

Material Weakness

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 North Carolina General Statutes regarding deficit fund balance in several funds.

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

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

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2018-002.

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

Corrective Action/Management Response: 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.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

TONY SEARS
City Manager

JAMES P. CAULEY
City Attorney

DEBRA THOMPSON
City Clerk

City of Kinston



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

Councilmembers:
ROBERT SWINSON
SAMMY AIKEN
ANTONIO HARDY
KRISTAL SUGGS

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

Finding 2019-001

Name of contact person: Donna Goodson, Finance Director

Corrective Action Plan: Management concurs with the finding and will continue to implement additional segregation of duties.

Proposed Completion Date: Management will implement the above procedures immediately. MATERIAL

WEAKNESS

Finding 2019-002

Name of contact person: Donna Goodson, Finance Director

Corrective Action Plan: The Finance Department 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 procedures immediately.

CITY OF KINSTON , NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2019

Finding 2018-001

Status: Repeated finding as 2019-001

Finding 2018-002

Status: Repeated finding as 2019-002

CITY OF KINSTON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal Direct and Pass-through Expenditures	State Expenditures	Pass-Through to Subrecipients
FEDERAL GRANTS					
Cash Assistance					
<u>U.S. Department of Housing and Urban Development</u>					
Office of Community Planning and Development Passed-through North Carolina Housing Finance Agency Home Investment Partnership Program	14.239	ESFRLP16	\$ 103,017	\$ -	\$ -
Total U.S. Department of Housing and Urban Development			<u>103,017</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
<u>Federal Emergency Management Agency (FEMA)</u>					
Passed-through the NC Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4393-DR-NC	3,241,805		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4285-DR-NC	11,568	-	-
Total U.S. Department of Homeland Security			<u>3,253,373</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
<u>Bureau of Justice Assistance</u>					
<u>Identification of major Federal program:</u>					
Governor's Crime Commission 2018 Juvenile Justice DMC Grant	16.540	PROJ012872	35,064		
2017 Edward-Byrne Memorial JAG	16.738	2017-DJ-BX-0818	27,607		
Bulletproof Vest Partnership Program	16.607	N/A	28,298	-	-
Total U.S. Department of Justice			<u>90,969</u>	<u>-</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>					
<u>Office of Solid Waster and Emergency Response</u>					
Brownsfields Assessment and Cleanup Cooperative Agreements - Martine Luther King, Jr. Boulevard Corridor	66.818	EPA Grant #00D72118	177,103	-	-

CITY OF KINSTON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

Passed-through NC Department of Environmental Quality Division of Water Infrastructure Clean Water State Revolving Fund Cluster:					
		E-SRF-T-15-0404 FED#			
Biosolids Dryer at KRWRF	66.458	CS370527	\$ 841,663	\$ -	\$ -
Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction	66.458	E-SRF-CS370527-08 & 09	2,006,958	-	-
Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction	66.458	E-SRF-CS370527-11	2,070	-	-
			<u>2,850,691</u>	<u>-</u>	<u>-</u>
Ide Total U.S. Environmental Protection Agency			<u>3,027,794</u>	<u>-</u>	<u>-</u>
Total Federal Assistance			<u>6,475,153</u>	<u>-</u>	<u>-</u>
STATE GRANTS					
Cash Assistance					
<u>N.C. Department of Transportation</u>					
Non-State System Street Aid Allocation (Powell Bill)		DOT-4	-	602,607	-
Total N.C. Department of Transportation			<u>-</u>	<u>602,607</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>					
Division of Water Infrastructure					
Wastewater Asset Management Grant		Project #H-AIA-D-18-0123		10,060	
Wastewater Asset Management Grant		Project #E-AIA-E-16-0005	-	1,090	-
Total N.C. Department of Transportation			<u>-</u>	<u>11,150</u>	<u>-</u>
<u>N.C. Department of Housing Finance Agency</u>					
Home Investment Partnership Program		ESFRLPDR02	-	235,975	-
Total N.C. of Housing Finance Agency			<u>-</u>	<u>235,975</u>	<u>-</u>
Total Assistance - State Programs			<u>-</u>	<u>849,732</u>	<u>-</u>
Total Assistance			<u>\$ 6,475,153</u>	<u>\$ 849,732</u>	<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2019

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

Note 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, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 *US 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 Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 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, 2019 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, 2019 consists of:

Program Title:	CFA #	Pass-Through Grantor Number	Amount Outstanding
Capitalization Grants for Clean Water State Revolving Fund - Queen Street Construction	66.458	E-SRF-CS370527-08 & 09; E-SRF-CS370527-11	<u>\$ 3,021,176</u>