

Finance Dept
(Shelb copy)

CITY OF KINSTON
NORTH CAROLINA



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 1998

CITY OF KINSTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

**PREPARED BY
CITY OF KINSTON FINANCE DEPARTMENT**



TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i - vii
List of Principal Officials	viii
Organizational Chart	ix
GFOA Certificate of Achievement	x
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4 - 5
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types	7
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds for Which Annual Budgets Have Been Adopted	8
Combined Statement of Revenue, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	9
Combined Statement of Cash Flows - All Proprietary Fund Types	10 - 11
Notes to General Purpose Financial Statements	13 - 37
Required Supplemental Financial Data:	
Law Enforcement Officers' Special Separation Allowance	
Schedule of Funding Progress	39
Schedule of Employer Contributions	40
Separation Allowance Plan	
Schedule of Funding Progress	41
Schedule of Employer Contributions	42
Combining, Individual Fund and Account Group Statements and Schedules:	
General Fund:	
Comparative Balance Sheet	43
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	44 - 47
Special Revenue Funds:	
Combining Balance Sheet	49 - 50
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	51 - 52
Schedule of Revenue and Expenditures - Budget and Actual	
Grant Project Fund - Community Development Administration	53
Grant Project Fund - Disaster Recovery Fund	54
Grant Project Fund - Hicks Street	55
Grant Project Fund - Tree Inventory Grant	56
Grant Project Fund - Cultural Resources Printing	57
Grant Project Fund - Cultural Resources I	58
Grant Project Fund - Cultural Resources II	59
Grant Project Fund - Lead Abatement Project	60
Grant Project Fund - Urgent Needs Project	61
Grant Project Fund - FEMA/HGMP	62
Grant Project Fund - SARF/DCA	63
Grant Project Fund - HUD/DRI	64
Grant Project Fund - Domestic Violence Intervention	65
Grant Project Fund - Communication Equipment	66



TABLE OF CONTENTS

	<u>Page</u>
Capital Projects Funds:	
Combining Balance Sheet	67
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	68
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	
Grainger Stadium Parking	69
Government Access Channel	70
Fire Station	71
Enterprise Funds:	
Combining Balance Sheets	73
Combining Statement of Revenue, Expenses and Changes in Retained Earnings	74
Combining Statement of Cash Flows	75 - 76
Schedule of Revenue and Expenditures and Other Financing Sources (Uses) - Budget and Actual - Non-GAAP, Modified Accrual Basis	
Electric Fund	77 - 78
Water and Sewer Fund	79 - 80
Electric Capital Projects Fund	81 - 82
Schedule of Revenue and Expenditures - Budget and Actual, (Non-GAAP) Water and Sewer Capital Projects Fund	83
Internal Service Fund:	
Statement of Revenue, Expenses and Changes in Retained Earnings (Deficit)	85
Schedule of Revenue and Expenditures - Budget and Actual - Non-GAAP Modified Accrual Basis	86
General Fixed Assets Account Group:	
Schedule of General Fixed Assets - by Source	87
Schedule of Changes in General Fixed Assets - by Function and Activity	88
Schedule of General Fixed Assets - by Function and Activity	89
General Long-Term Debt Account Group:	
Schedule of Changes in General Long-Term Debt	91
Other Financial Information:	
Schedule of Ad Valorem Taxes Receivable	93
Analysis of Current Tax Levy	94
 STATISTICAL SECTION	
General Governmental Expenditures by Function	95
General Governmental Revenue by Source	96
General Governmental Tax Revenue by Source	97
Property Tax Levies and Collections	98
Assessed and Estimated Actual Value of Taxable Property	99
Property Tax Rates - Direct and Overlapping Governments (Per \$100 of Assessed Value)	100
Property Tax Rates and Levies - Direct and Overlapping Governments	101
Principal Taxpayers	102
Computation of Legal Debt Margin	103
Ratio of Annual General Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures	104
Computation of Direct and Overlapping Bonded Debt	105
Property Value, Construction and Bank Deposits	106
Ratio of Net General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita	107
Revenue Bond Coverage - Combined Enterprise Funds	108
Demographic Statistics	109
Miscellaneous Statistics	110



INTRODUCTORY SECTION

-
- **Letter of Transmittal**
 - **List of Principal Officials**
 - **Organizational Chart**
 - **GFOA Certificate of Achievement for
Excellence in Financial Reporting**
-





City of Kinston

P.O. Box 339
Kinston, North Carolina 28502
Phone: (252) 939-3115 Fax: (252) 939-3126

Johnny Mosely,
Mayor
David R. Walker,
City Manager

October 14, 1998

To the Citizens of the **CITY OF KINSTON:**

The Comprehensive Annual Financial Report of the **CITY OF KINSTON** (the City) for the fiscal year ended June 30, 1998, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, and a list of principal officials, the City's organizational chart, and GFOA's Certificate of Achievement for Excellence in Financial Reporting for our 1997 report. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all fund and account groups of the City. The City provides a full range of services including police and fire protection; sanitation services; construction and maintenance of street and other infrastructure; planning and zoning services; and parks and recreational services. In addition to general governmental activities, the City owns and operates electrical, water and wastewater utilities; therefore, these activities are included in the reporting entity. Kinston Leasing Corporation is considered a blended component unit of the city. However, the Kinston-Lenoir County Library, the Lenoir County-City of Kinston Airport Commission, the Lenoir County development Commission, the Lenoir County Tourism Development Authority and the City of Kinston Housing Authority do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. Information related to this single audit, including the schedule of federal and State financial assistance, findings and recommendations, and auditor's report on the internal control structure and compliance with applicable laws and regulations, is included in a separate report.

ECONOMIC CONDITION AND OUTLOOK

Kinston, located 75 miles east of the City of Raleigh (the State Capital) and 60 miles west of the Atlantic Coast, is the largest municipality in Lenoir County and serves as the County seat. In what promises to be the single most significant and dramatic economic development project ever in Eastern North Carolina, the Lenoir County-City of Kinston Regional Jetport competed with scores of cities and counties across North Carolina in the spring of 1992 and was chosen as the site of the North Carolina Global TransPark. The development of the massive Global TransPark and business complex will define the future environment for successful global manufacturing and distribution facilities in North Carolina and the nation. The complex will function as an international air cargo airport integrating "State-of-the-art" manufacturing systems with air freight and other transport modes.

The plants will be located along taxiways allowing air freighters to interface directly with industrial plants and distribution centers, and a central cargo facility will process freight utilizing the latest available technologies. The North Carolina State Legislature created and funded the North Carolina Air Cargo Airport Authority, while the U.S. Federal Aviation administration and the State have assisted in funding the planning, development and land acquisition stages.

The Global TransPark will be designed to help its tenants compete successfully in international economic development and globalization of business transactions. It is expected, eventually, to generate several thousands of jobs at the TransPark itself and have a multiplier effect on jobs in the surrounding region and across the State.

On October 13, 1998, the Global TransPark Authority gave notice to the City and County of its intent to exercise it's option to take ownership and operation of the airport effective on or before December 31, 1998. The remaining environmental permit from the U.S. Army Corp. of Engineers is expected to be issued on or before October 30, 1998. This announcement and permit will allow the Authority to commence construction of the runway extension (from 8,600 to 10,600 feet) and begin recruitment of tenants. The Educational Training Center, a 6.2 million dollar project, is under construction and expected to be occupied during the spring of 1999.

MAJOR INITIATIVES

For the Year. Fiscal Year 1997-1998 included the planning and /or implementation phases of several initiatives as well as the continuation or completion of projects begun during previous fiscal years.

Special Revenue Funds were established to account for grant proceeds and expenses related to the flood buyout program. This program is funded by state and federal Government and is designed to acquire property in the flood plain and relocate property owners to other locations within the City. The program was established in response to extensive damage experienced during 1996 from Hurricanes Bertha and Fran.

Implementation of the City's CATV Governmental Access Channel was completed during fiscal year 97/98. The channel allows 24 hours per day of governmental TV broadcast with live and tape delayed programming as well as computerized graphics.

A Public Information Officer position was created and filled. Duties of this position include programming for the Cable Access Channel, routine press releases and coordination with the media.

The Construction of fire station No.3 was begun during the year. The new station will serve the northwest section of the city and except for very specialized areas, will be built entirely with fire department staff.

Water and sewer capital projects underway during the year included line extensions, wastewater plant improvements and well generation.

Electric projects included the completion of several generator projects, construction of a 115 KV transmission loop and substation improvements. The transmission loop project will improve service reliability and allow maintenance on the system without power outages.

In the Future. The flood buyout program will continue relocating residents from a 100-year flood plain who incurred major damage to their property due to Neuse River flooding as a result of Hurricanes Bertha and Fran. This is a combined city and county effort with the City administering approximately 15 million in grants.

Due to heavy rains during the year, the City's wastewater plant could not treat the entire amount of flow it received. This resulted in the release of solids into the wetlands. The City is currently under a special order of consent to make certain improvements to the sewer system by December 31, 2001. The City is pursuing an aggressive schedule to correct the systems problems and has several studies currently underway to identify and prioritize the systems needs. Short-term needs will be addressed in fiscal year 98/99 and are expected to total approximately \$5 million.

Water and sewer lines will be extended to the Global TransPark Authority's training center during fiscal year 98/99. Total project cost is approximately \$900,000 and will be split between the City and County.

Implementation of the new management information system software is expected to be completed during 98/99. The utility billing module, tax module, fixed asset and inventory modules will be implemented.

Proposals for banking services will be accepted during 98/99 for a three year contract period.

The city's customer service operation will be reviewed and evaluated in light of coming electric deregulation. Improvements will be implemented, which will take full advantage of the new utility software's capabilities. Opportunities for expanding service options will be explored and placed into service.

FINANCIAL INFORMATION

City management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the City are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. In addition to the internal control system, the City maintains a system of budgetary controls. These budgetary controls are designed to ensure compliance with the annual budget ordinance adopted by the City Council as well as compliance with the North Carolina General Statutes as they relate to budgetary procedures for local governments. Activities of the general fund, certain special revenue funds, and all operating proprietary funds are included in the annual appropriated budget. Project length financial plans are adopted for certain special revenue funds and capital projects. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is generally established at the program level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year end are reported as reservations of fund balances as these commitments will be honored during the subsequent year.

The City continues to demonstrate its adherence to sound financial management principles and fiscal responsibility as evidenced by the statements and schedules included in this report.

General Government Functions. The following schedule presents a summary of the revenue and other financing source for general governmental functions (General Fund, Capital Projects Funds and Special Revenue Funds) for the fiscal year ended June 30, 1998 and the amount and percentage of increase and decrease in relation to prior year.

Revenue and Other Financing Sources	Amount (Thousands)	Percent of Total	Increase (Decrease) from 1997 Thousands	Percent of Increase (Decrease)
Ad valorem taxes	\$ 6,050	30.5%	\$ 849	16.3%
Sales and services	3,455	17.4%	336	10.8%
Other taxes	3,689	18.6%	(59)	(1.6%)
Intergovernmental:				
Restricted	698	3.5%	181	35.0%
Unrestricted	2,757	13.9%	(696)	(20.2%)
Other revenues	586	3.0%	(423)	(41.9%)
Proceeds from borrowing	-	-	(1,278)	(100.0%)
Transfers in	2,606	13.1%	(14)	(0.5%)
Total	<u>\$ 19,841</u>	<u>100.0%</u>	<u>\$ (1,104)</u>	

The overall decrease in revenues and other financing sources for fiscal year 1997-1998 was 5.5 percent. This net decrease reflects the receipt of funds from FEMA for storm damage during 96/97, and an increase of property tax revenues due to a revaluation, and an increase in sales and service revenues.

Ad valorem taxes continue to be the principal single source of revenue. Due to revaluation, the tax rate was reduced to .595 per \$100 assessed valuation, and the City realized an increase of approximately \$849,000 in revenue.

Collections for the year were 95.96 percent of the current levy, the seventeenth consecutive year the collection rate has exceeded the 95 percent collection level.

Expenditures and Other Financing Uses	Amount (Thousands)	Percent of Total	Increase (Decrease) from 1997 Thousands)	Percent of Increase (Decrease)
General Government	\$ 80	0.4%	\$ (741)	(90.3%)
Public Safety	6,678	35.2%	281	4.4%
Public Works	3,483	18.4%	(298)	(7.9%)
Parks & Recreation	2,297	12.1%	48	2.1%
Plan & Community Development	4,520	23.9%	(997)	(18.1%)
Capital Projects	330	1.8%	102	44.7%
Debt Service				
Principal	1,125	5.9%	76	7.0%
Interest	200	1.1%	(36)	(17.8%)
Transfers Out	243	1.2%	240	8000.0%
Total	<u>\$ 18,956</u>	<u>100.0%</u>	<u>\$ (1,325)</u>	

Fiscal year 1997-1998 expenditures and other financing uses were less than the prior year amount by approximately 6.5 percent. Cost reductions were seen in general government, public works and Planning and Development (disaster expenses). Expenditures for Public Safety increased by 4.4% and in Parks and Recreation by 2.1%. Capital Project expenditures also increased due to the fire station construction and Cable Access Channel project.

General Fund Balance. Fund balance in the General Fund at June 30, 1998 was \$4,767,414. This is an increase of \$500,180 or 11.7 percent over June 30, 1997. Fund balance available for appropriation represents 14.4 percent of the General fund expenditures and is approximately 6.4 percent in excess of the recommended level of available fund balance. It continues to remain at a level that complements the City's financial position, maintains credit worthiness, and provides a resource for unforeseen emergencies and revenue fluctuations due to recessions or slowdown in the economy. Due to active grants and capital projects operating on a reimbursement basis, the General Fund had \$898,547 due from other funds at June 30. If these fund had not been outstanding, fund balance available would have been at 19.8% of expenses.

Enterprise Funds. The government's enterprise operations are comprised of two separate and distinct funds: Electric and water and sewer. Several of the City's major initiatives directly relate to the Electric and Water & Sewer Funds.

Total fund equity of the combined system at June 30, 1998 was \$39,200,922 or a 3 percent increase over the total fund equity at June 30, 1997. Net income for FY 1998 was \$1,016,282 for the Electric Fund as savings from the load management program were realized. The Water & Sewer Fund posted a loss of \$317,727 due to the large appropriation from fund reserves.

Internal Service Fund. The City maintains one internal service fund to account for the City's limited risk self-insurance worker's compensation program. The fund equity for the Internal Service Fund at June 30, 1998 was \$15,010.

Debt Administration. There are no outstanding general obligation bonds at June 30, 1998. The ratio of net bonded debt to assessed valuation and the amount of gross bonded debt per capital are useful indicators to City management, citizens, and investors of the City's debt position. At June 30, 1998, the legal debt margin of the City was \$68,848,350.

Cash Management. During the year, temporarily idle cash was invested in certain U.S. Government Agency securities, certain commercial paper and bankers' acceptances, as well as in the North Carolina Capital Management Trust, an SEC registered mutual fund. The average yield on investments was 5.5 percent.

The City utilizes the pooled concept in its cash and investments program. The goal in selecting investments is to secure the highest return possible taking into consideration the safety and liquidity of the investments and to structure the investments according to the city's overall financial condition, opportunities, and obligations. All deposits of the City are either insured by federal depository insurance or collateralized as required by North Carolina General Statute.

Risk Management. The City utilizes commercial insurance carriers to provide coverage for the majority of its insurable risks. However, a limited risk self-insurance program is used for worker's compensation benefits. Resources are paid from other funds to the Internal Service Fund to pay benefit claims and administrative costs of the program. Individual claims in excess of \$250,000 or aggregate claims in excess of \$1.7 million are covered by reinsurance policies with third parties.

Included among these is an employee safety program emphasizing accident prevention to minimize losses.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United State 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, 1997. 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 comprehensive annual financial report whose contents conform to program standards. Such 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.

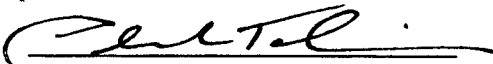
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act of 1984 and the State Single Implementation Act require annual independent audits of the City's compliance with the applicable laws and regulations related to certain federal and state financial assistance received by the City. The independent auditor's report on the general purpose 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 report.

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.

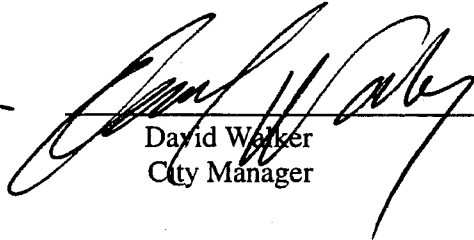
We also acknowledge the valuable professional services provided by the accounting firm of McGladrey & Pullen, LLP and appreciate their assistance in preparing this report.

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,



Glenda Tomlinson
Director of Finance



David Walker
City Manager



CITY OF KINSTON, NORTH CAROLINA

**LIST OF PRINCIPAL OFFICERS
JUNE 30, 1998**

CITY COUNCIL

JOHNNIE MOSLEY
Mayor

ELIZA WORTHINGTON
Mayor Pro Tem

R. VAN BRAXTON

WAYNE D. MALONE

E. GORDON VERMILLION

JOSEPH M. TYSON

CITY ADMINISTRATION

DAVID WALKER
City Manager

MICHAEL WIGHTMAN
Police Chief

GREG SMITH
Fire Chief

RONALD WICKER
Director of Public Utilities

JAMES T. PRATT
Director of Public Works

BILL ELLIS
Director of Recreation

ROBERT CLARK
Director of Planning and
Community Development

KARL MUNSON
Director of Human Resources

SCOTT STEVENE
City Engineer

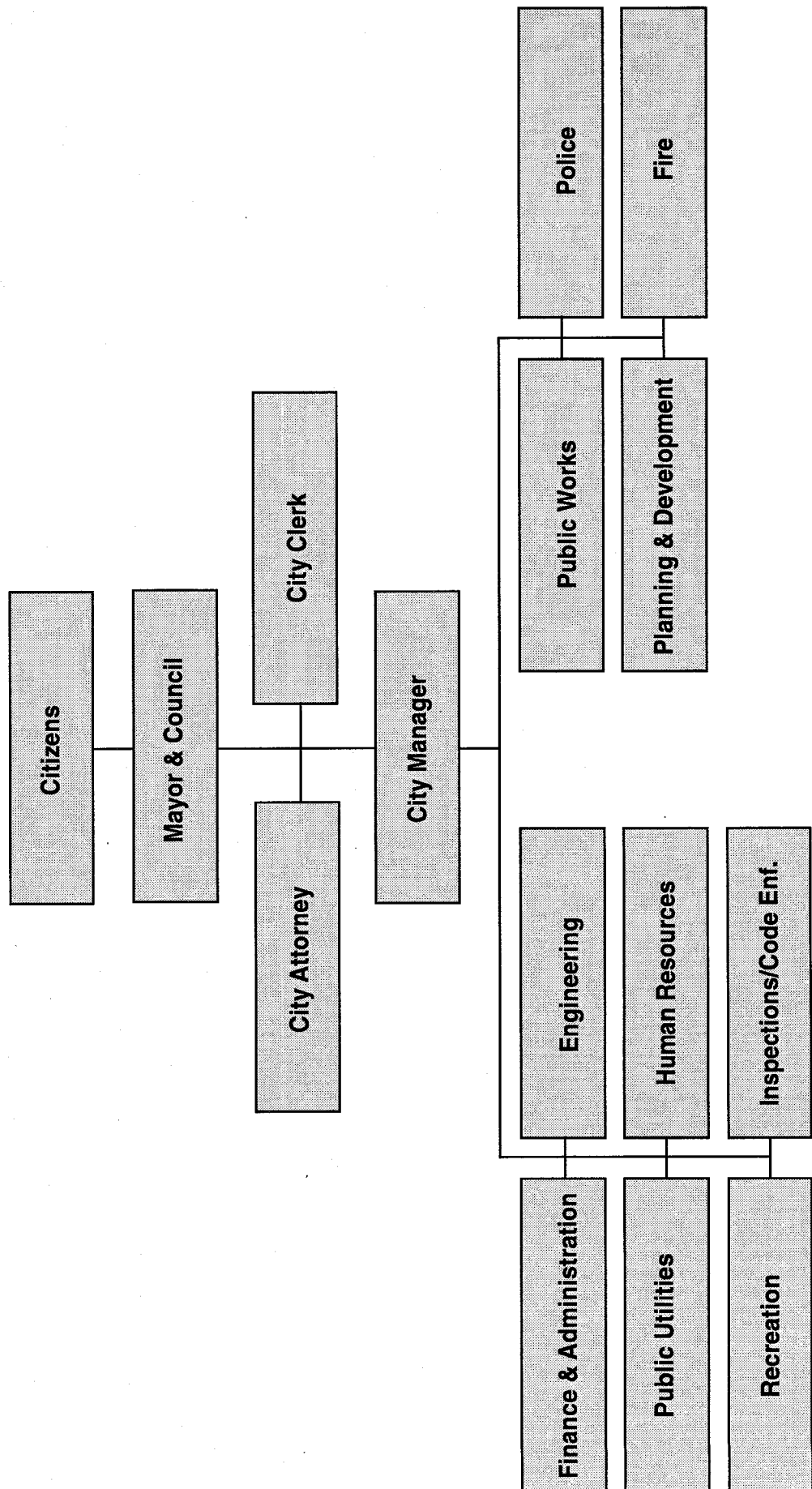
GLENDIA TOMLINSON
Director of Finance and
Administration

THOMAS LEE
Director of Inspections



City of Kinston

Organizational Chart





Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kinston,
North Carolina

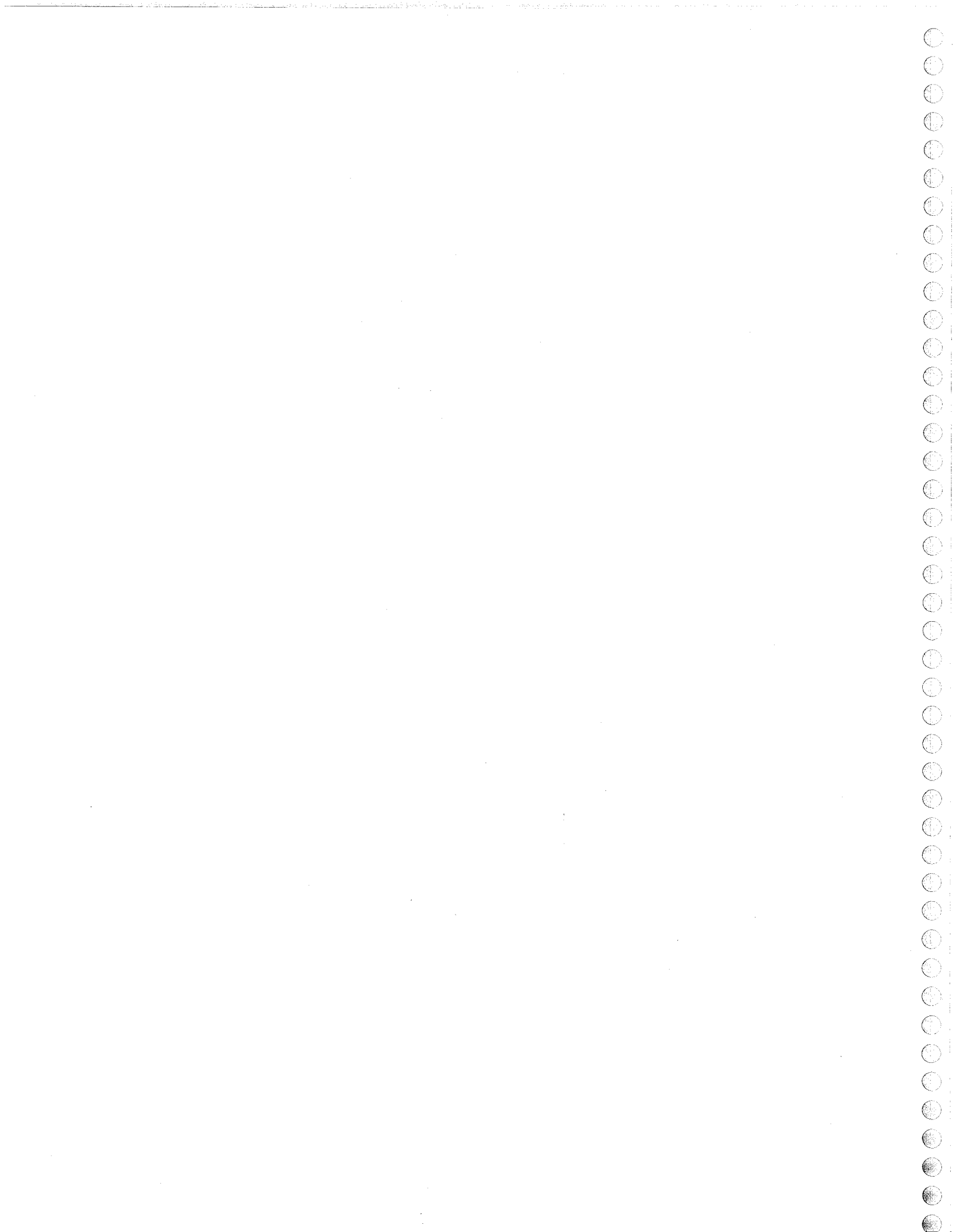
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director



FINANCIAL SECTION

- **Independent Auditor's Report**
 - **General Purpose Financial Statements**
 - **Notes to General Purpose Financial Statements**
 - **Combining, Individual Fund and Account Group
Statements and Schedules**
 - **Other Financial Information**
-





McGLADREY & PULLEN, LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of City of Kinston, North Carolina as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Kinston, North Carolina as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 1998 on our consideration of City of Kinston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The required supplementary financial data and combining, individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Kinston, North Carolina. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this Comprehensive Annual Financial Report, designated as "introductory section" and "statistical section" in the table of contents, have not been audited by us and, accordingly, we express no opinion on such data.

McGladrey & Pullen, LLP

New Bern, North Carolina
September 29, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

The General Purpose 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.





CITY OF KINSTON, NORTH CAROLINA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1998

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBIT			
Assets:			
Cash and investments	\$ 2,713,514	\$ 67,342	\$ 1,629
Receivables:			
Due from other funds	898,547	122,607	-
Due from government agencies	914,220	641,387	-
Accounts receivable	478,492	59,258	6,764
Taxes receivable	746,180	-	-
Customer receivables, net	282,792	-	-
Interest receivable	32,841	1,014	-
Inventories	212,292	-	-
Bond issuance costs	-	-	-
Restricted cash and investments	649,822	-	-
Investment in direct financing lease	-	-	-
Fixed assets	-	-	-
Other debit:			
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debit	<u>\$ 6,928,700</u>	<u>\$ 891,608</u>	<u>\$ 8,393</u>
LIABILITIES, EQUITY AND OTHER CREDIT			
Liabilities:			
Due to other funds	\$ -	\$ 803,730	\$ 217,424
Accounts payable and accrued liabilities	829,778	4,796	14,595
Deferred revenue	1,331,508	-	-
Customer deposits	-	-	-
Accrued compensated absences	-	-	-
Police separation allowance	-	-	-
Separation allowance plan	-	-	-
Long-term debt	-	-	-
Total liabilities	<u>2,161,286</u>	<u>808,526</u>	<u>232,019</u>
Equity and other credit:			
Contributed capital	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings	-	-	-
Fund balances:			
Reserved for Powell Bill	502,384	-	-
Reserved for inventories	212,292	-	-
Reserved by State statute	2,103,103	824,266	6,764
Reserved for encumbrances	81,254	-	-
Unreserved:			
Designated for subsequent year's expenditure	366,800	-	-
Undesignated (deficit)	1,501,581	(741,184)	(230,390)
Total equity and other credit	<u>4,767,414</u>	<u>83,082</u>	<u>(223,626)</u>
Total liabilities, equity and other credit	<u>\$ 6,928,700</u>	<u>\$ 891,608</u>	<u>\$ 8,393</u>

See Notes to General Purpose Financial Statements.

Proprietary Fund Types		Account Groups		
Enterprise	Internal Service	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
\$ 6,961,048	\$ 271,625	\$ -	\$ -	\$ 10,015,158
-	-	-	-	1,021,154
-	-	-	-	1,555,607
499,117	1,056	-	-	1,044,687
-	-	-	-	746,180
5,024,454	-	-	-	5,307,246
81,248	1,832	-	-	116,935
1,413,119	-	-	-	1,625,411
472,732	-	-	-	472,732
7,111,045	-	-	-	7,760,867
1,388,750	-	-	-	1,388,750
44,306,272	28,219	20,357,361	-	64,691,852
-	-	-	3,382,470	3,382,470
<u>\$ 67,257,785</u>	<u>\$ 302,732</u>	<u>\$ 20,357,361</u>	<u>\$ 3,382,470</u>	<u>\$ 99,129,049</u>
-	-	-	-	\$ 1,021,154
3,481,769	284,324	-	-	4,615,262
24,122	-	-	-	1,355,630
670,630	-	-	-	670,630
181,145	3,398	-	641,796	826,339
-	-	-	36,006	36,006
-	-	-	50,963	50,963
23,699,197	-	-	2,653,705	26,352,902
<u>28,056,863</u>	<u>287,722</u>	<u>-</u>	<u>3,382,470</u>	<u>34,928,886</u>
3,143,959	-	-	-	3,143,959
-	-	20,357,361	-	20,357,361
36,056,963	15,010	-	-	36,071,973
-	-	-	-	502,384
-	-	-	-	212,292
-	-	-	-	2,934,133
-	-	-	-	81,254
-	-	-	-	366,800
-	-	-	-	530,007
<u>39,200,922</u>	<u>15,010</u>	<u>20,357,361</u>	<u>-</u>	<u>64,200,163</u>
<u>\$ 67,257,785</u>	<u>\$ 302,732</u>	<u>\$ 20,357,361</u>	<u>\$ 3,382,470</u>	<u>\$ 99,129,049</u>



CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**

For the Fiscal Year Ended June 30, 1998

	General Fund	Special Revenue Fund	Capital Projects Fund	Total (Memorandum Only)
Revenue:				
Ad valorem taxes	\$ 6,049,670	\$ -	\$ -	\$ 6,049,670
Sales and services	3,454,623	-	-	3,454,623
Other taxes	3,689,204	-	-	3,689,204
Intergovernmental revenue:				
Unrestricted	698,254	-	-	698,254
Restricted	1,088,829	1,668,350	-	2,757,179
Other	394,091	192,237	-	586,328
Total revenue	<u>15,374,671</u>	<u>1,860,587</u>	<u>-</u>	<u>17,235,258</u>
Expenditures:				
Current:				
General government	80,359	-	-	80,359
Public safety	6,677,933	-	-	6,677,933
Public works	3,483,520	-	-	3,483,520
Parks and recreation	2,296,814	-	-	2,296,814
Planning and community development	2,617,975	1,901,712	-	4,519,687
Capital outlay	-	-	330,564	330,564
Debt service:				
Principal	1,124,770	-	-	1,124,770
Interest	199,802	-	-	199,802
Total expenditures	<u>16,481,173</u>	<u>1,901,712</u>	<u>330,564</u>	<u>18,713,449</u>
Revenue under expenditures	<u>(1,106,502)</u>	<u>(41,125)</u>	<u>(330,564)</u>	<u>(1,478,191)</u>
Other financing source (uses):				
Operating transfers in	1,662,895	70,288	172,500	1,905,683
Operating transfers out	(242,788)	-	-	(242,788)
Total other financing sources	<u>1,420,107</u>	<u>70,288</u>	<u>172,500</u>	<u>1,662,895</u>
Revenue and other financing sources over (under) expenditures and other financing uses	313,605	29,163	(158,064)	184,704
Fund balances, beginning	4,267,234	53,919	121,013	4,442,166
Equity transfers	<u>186,575</u>	<u>-</u>	<u>(186,575)</u>	<u>-</u>
Fund balances (deficit), ending	<u>\$ 4,767,414</u>	<u>\$ 83,082</u>	<u>\$ (223,626)</u>	<u>\$ 4,626,870</u>

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
FOR WHICH ANNUAL BUDGETS HAVE BEEN ADOPTED
For the Fiscal Year Ended June 30, 1998**

	General Fund			Certain Special Revenue Funds		
	Budget	Actual	Variance, Favorable (Unfavorable)	Budget	Actual	Variance, Favorable (Unfavorable)
Revenue:						
Ad valorem taxes	\$ 5,765,900	\$ 6,049,670	\$ 283,770	\$ -	\$ -	\$ -
Sales and services	3,488,800	3,454,623	(34,177)	-	-	-
Other taxes	3,739,000	3,689,204	(49,796)	-	-	-
Intergovernmental revenue:						
Unrestricted	514,300	698,254	183,954	-	-	-
Restricted	857,700	1,088,829	231,129	146,200	102,071	(44,129)
Other	379,100	394,091	14,991	-	6,318	6,318
Total revenue	<u>14,744,800</u>	<u>15,374,671</u>	<u>629,871</u>	<u>146,200</u>	<u>108,389</u>	<u>(37,811)</u>
Expenditures:						
Current:						
General government	784,500	80,359	704,141	-	-	-
Public safety	6,854,000	6,677,933	176,067	-	-	-
Public works	3,517,000	3,483,520	33,480	-	-	-
Parks and recreation	2,312,800	2,296,814	15,986	-	-	-
Planning and community development	2,688,400	2,617,975	70,425	146,200	121,775	24,425
	<u>16,156,700</u>	<u>15,156,601</u>	<u>1,000,099</u>	<u>146,200</u>	<u>121,775</u>	<u>24,425</u>
Debt service:						
Principal		1,124,770		-	-	-
Interest		199,802		-	-	-
	<u>1,324,600</u>	<u>1,324,572</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>17,481,300</u>	<u>16,481,173</u>	<u>1,000,127</u>	<u>146,200</u>	<u>121,775</u>	<u>24,425</u>
Revenue under expenditures	<u>(2,736,500)</u>	<u>(1,106,502)</u>	<u>1,629,998</u>	<u>-</u>	<u>(13,386)</u>	<u>(13,386)</u>
Other financing source (uses):						
Appropriated fund balance	121,300	-	(121,300)	-	-	-
Operating transfers in	2,858,000	1,662,895	(1,195,105)	-	-	-
Operating transfers out	(242,800)	(242,788)	12	-	-	-
Total other financing sources	<u>2,736,500</u>	<u>1,420,107</u>	<u>(1,316,393)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>313,605</u>	<u>\$ 313,605</u>	<u>\$ -</u>	<u>(13,386)</u>	<u>\$ (13,386)</u>
Fund balances, beginning		4,267,234			186,702	
		<u>186,575</u>			<u>-</u>	
Fund balances, ending		<u>\$ 4,767,414</u>			<u>\$ 173,316</u>	

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**

For the Fiscal Year Ended June 30, 1998

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
Operating Revenue:			
Charges for services	\$ 42,618,448	\$ -	\$ 42,618,448
Other	615,975	463,200	1,079,175
Total operating revenue	<u>43,234,423</u>	<u>463,200</u>	<u>43,697,623</u>
Operating Expenses:			
Electrical operations	32,306,794	-	32,306,794
Administration	3,328,811	205,043	3,533,854
Depreciation	1,694,340	3,072	1,697,412
Amortization	37,430	-	37,430
Water and sewer operations	873,643	-	873,643
Wastewater plant operations	1,850,718	-	1,850,718
Water production	833,745	-	833,745
Claims reimbursements	-	255,660	255,660
Total operating expenses	<u>40,925,481</u>	<u>463,775</u>	<u>41,389,256</u>
Operating income (loss)	<u>2,308,942</u>	<u>(575)</u>	<u>2,308,367</u>
Nonoperating Revenue (Expenses):			
Interest earned on investments	879,058	8,945	888,003
Interest on long-term debt	(826,550)	-	(826,550)
Total nonoperating revenue	<u>52,508</u>	<u>8,945</u>	<u>61,453</u>
Income before operating transfers	<u>2,361,450</u>	<u>8,370</u>	<u>2,369,820</u>
Operating Transfers:			
Operating transfer out	(1,662,895)	-	(1,662,895)
Total operating transfers	<u>(1,662,895)</u>	<u>-</u>	<u>(1,662,895)</u>
Net income	698,555	8,370	706,925
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	<u>80,163</u>	<u>-</u>	<u>80,163</u>
Increase in retained earnings	778,718	8,370	787,088
Retained earnings, beginning	<u>35,278,245</u>	<u>6,640</u>	<u>35,284,885</u>
Retained earnings, ending	<u>\$ 36,056,963</u>	<u>\$ 15,010</u>	<u>\$ 36,071,973</u>

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 1998
(Page 1 of 2)**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memorandum Only)</u>
Cash Flows form Operating Activities:			
Operating income (loss)	\$ 2,308,942	\$ (575)	\$ 2,308,367
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,694,340	3,072	1,697,412
Amortization	37,431	-	37,431
Change in assets and liabilities:			
Allowance for uncollectible accounts	(33,298)	-	(33,298)
Customer receivables	(201,368)	-	(201,368)
Accounts receivable and due from government agency	2,104	(138)	1,966
Customer deposits	44,906	-	44,906
Inventories	125,726	-	125,726
Accounts payable and accrued liabilities	(37,940)	116,473	78,533
Deferred revenue	2,959	-	2,959
Accrued compensated absences	21,451	(57)	21,394
Net cash provided by operating activities	<u>3,965,253</u>	<u>118,775</u>	<u>4,084,028</u>
Cash Flows from Noncapital Financing Activities:			
Operating transfers to other funds	(1,662,895)	-	(1,662,895)
Net cash used in noncapital financing activities	<u>(1,662,895)</u>	<u>-</u>	<u>(1,662,895)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(3,783,447)	(1,526)	(3,784,973)
Principal paid on bonds, notes and equipment contracts	(1,778,846)	-	(1,778,846)
Interest paid on general obligation bonds and equipment contracts	(822,440)	-	(822,440)
Proceeds from borrowing	568,338	-	568,338
Contributed capital	465,750	-	465,750
Net cash used in capital and related financing activities	<u>(5,350,645)</u>	<u>(1,526)</u>	<u>(5,352,171)</u>
Cash Flows from Investing Activities:			
Principal received on direct financing leases	484,429	-	484,429
Interest and dividends on investments	824,831	7,520	832,351
Net cash provided by investing activities	<u>1,309,260</u>	<u>7,520</u>	<u>1,316,780</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,739,027)</u>	<u>124,769</u>	<u>(1,614,258)</u>

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 1998
(Page 2 of 2)**

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
Cash and cash equivalents, beginning (including restricted amounts)	<u>\$ 15,811,120</u>	<u>\$ 146,856</u>	<u>\$ 15,957,976</u>
Cash and cash equivalents, ending (including restricted amounts)	<u><u>\$ 14,072,093</u></u>	<u><u>\$ 271,625</u></u>	<u><u>\$ 14,343,718</u></u>

See Notes to General Purpose Financial Statements.



NOTES TO GENERAL PURPOSE 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 GENERAL PURPOSE FINANCIAL STATEMENTS

Note 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, water and sewer, electric, planning and zoning, recreation, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) 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.

Reporting Entity

The City of Kinston is a municipal corporation which is governed by an elected mayor and a five-member council.

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and the City has one blended component unit which is described below. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with the data of the primary government.

Blended Component Unit. Kinston Leasing Corporation (KLC) is a nonprofit public benefit corporation organized and operated under the laws of the State of North Carolina. KLC was specifically organized for the purpose of assisting the City in carrying out its municipal and governmental functions through the acquisition, construction and operation, sale or lease of real estate and improvements, facilities and equipment. Because of its specific purpose and its fiscal dependency on the City, all KLC transactions are included in the appropriate funds of the City. KLC is governed by a board of three directors. One third of the directors are appointed by the City Council. The remaining directors are elected by the Board of Directors at their annual meeting.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures (expenses). Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements, into five generic fund types and broad fund categories as follows:

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Community Development Administration Fund, Disaster Recovery Project, the Hicks Street Grant Fund, Cultural Resources Printing Grant, Cultural Resources Phase I Grant, Cultural Resources Phase II Grant, Lead Abatement Project Fund, FEMA-HMGP Project Fund, SARF-DCA Project Fund, HUD-DRI Project Fund, Domestic Violence Intervention Grant, Communication Equipment Grant, Tree Inventory Grant, and the Urgent Needs Project Fund are all Special Revenue Funds of the City.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or nonexpendable trust funds). The City has three (3) Capital Project Funds within the Governmental Fund Types to account for stadium improvements, CATV projects, and a new firehouse.

Proprietary Fund Types

Enterprise Funds - The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where it is the intent of the City that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenue, expenses and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two Enterprise Funds: the Electric Fund and the Water and Sewer Fund.

Internal Service Funds - The Internal Service Fund was established in conjunction with the City's decision to finance workers' compensation insurance coverage internally rather than through a private insurance carrier because of anticipated cost savings. This fund receives premium payments from the City and makes payments of claims to employees.

Fiduciary Fund Type

Agency Fund - The laws governing the City's Deferred Compensation Plan have changed pursuant to the provisions of Internal Revenue Code Section 457. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the City. The law now requires all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Accordingly, the Deferred Compensation Plan is no longer reported as an Agency Fund of the City.

Account Groups

The general fixed assets account group is used to account for fixed assets not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and the agency fund. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due and certain compensated absences and claims and judgments (if any), which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City considers revenue as available if it is collected within 60 days after year-end. The revenue susceptible to accrual is sales taxes, franchise taxes, licenses, interest and charges for services. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lenoir County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County including the City of Kinston. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lenoir County from March, 1997 through February, 1998 apply to the fiscal year ended June 30, 1998. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1, 1998 through the fiscal year-end apply to the 1998-99 fiscal year and are not shown as receivables at June 30, 1998. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenue because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 1998 because they are intended to finance the City's operations during the 1998-1999 fiscal year.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Receivables for un-billed Electric and Water and Sewer Fund utility services are recorded at year end. As permitted by GAAP, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

The City reports deferred revenue on its combined balance sheet. Deferred revenue arises in a governmental fund type when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets

Budgets are adopted on the legally mandated modified accrual basis of accounting, which is consistent with generally accepted accounting principles for governmental fund types. Annual appropriated budgets are adopted for the general fund, community development administration and all proprietary operating funds. All annual appropriations lapse at fiscal year-end. Project length budgets are adopted for certain special revenue funds and capital projects funds and appropriations therein lapse at the completion of the project.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized. Encumbrances outstanding at year end are reported as reservations of fund balances in governmental fund types since they do not constitute expenditures or liabilities as the commitments will be honored during the subsequent year.

Cash and Investments

Cash and investment resources of the individual funds are combined to form a pool of cash and investments in order to maximize investment opportunities. Cash pools have the general characteristic of demand deposit accounts in that the individual funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Interest income earned on pooled resources is distributed to the individual funds utilizing a formula based on each fund's proportionate equity in pooled cash and investments. Restricted cash amounts are not pooled.

Deposits permitted under North Carolina General Statutes include amounts in demand deposits as well as time deposits in the form of NOW, SuperNOW, money market accounts and certificates of deposit. By Statute, deposits may be made in any bank or savings association whose principal office is located in North Carolina and whom the City designates as an official depository.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

North Carolina General Statutes authorize the City to invest in obligations of the US Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) money market mutual fund.

As required for period beginning after June 15, 1997 by Statement 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", any City investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost. The implementation of Statement 31 had no impact on the City.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Property Taxes Receivable

Property (other than registered motor vehicles) is assessed for tax purposes as of January 1 (lien date). The value at that date determines the basis for the tax levy for the fiscal year beginning July 1. Property taxes are not formally levied until the budget adoption (July 1) and are not due until September 1. Taxes are past due on the following January 6. By the following June 30, taxes receivable are delinquent and are not considered a resource to finance current year operations and are recorded as deferred revenue until collected.

Registered motor vehicles taxes are described elsewhere in Note 1.

Inventories

Inventories in governmental funds are reported at cost, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The amount is recorded as an asset, offset by a reservation of fund balance in an equal amount. Inventories of Enterprise Funds are reported at the lower of cost or market, using the first-in/first-out (FIFO) method. The inventories consist of various items used in the maintenance of existing utility systems and expansion of new systems. Depending on the eventual use of these inventories, these items may be expensed in the future as maintenance of existing systems or capitalized as a part of the development of new systems.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs

Bond issuance costs are deferred and amortized over the terms of the bonds using the interest method. These costs relate to the revenue bonds issued in the Enterprise funds.

Restricted Cash and Investments

Certain proceeds, as well as certain resources, set aside for the repayment of debt, are classified as restricted assets on the combined balance sheet because their use is limited by the applicable legal agreements.

Investment in Direct Financing Lease

The City's leasing operations consist of the leasing of peak shaving generators to industrial utility customers. These leases are classified as direct financing leases. Under the direct financing method of accounting for leases, the total net rentals receivable under the lease contracts, initial direct costs (net of fees), and the estimated unguaranteed residual value of the leased equipment, net of unearned income, are recorded as a net investment in direct financing leases, and the unearned income on each lease is recognized each month at a constant periodic rate of return on the unrecovered investment.

Fixed Assets

General Fixed Assets are not capitalized in governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets acquired by or used in proprietary fund types are capitalized in the proprietary fund type. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of fixed assets in the proprietary fund types is computed using the straight-line method.

It is the City's policy not to provide for depreciation in the first year of service, but to take a full year's depreciation in the year of disposal.

In proprietary funds, the following estimated useful lives are used to compute depreciation:

	Estimated Useful Lives
Buildings and improvements	40 years
Distribution system	25 - 40 years
Equipment	3 - 15 years

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The City's sick leave policy provides for an unrestricted accumulation of earned sick leave. Upon termination of employment, accumulated sick leave is forfeited. Upon retirement, a certain portion of accumulated sick leave may be used in the determination of length of service for retirement benefit purposes. No obligation of the employer results from such application and, therefore, no accrual has been made.

The vacation policy of the City provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. Accrued compensated absences (including salary related payments) of the governmental funds are recorded in the General Long-Term Debt Account Group while the liabilities of the proprietary type funds are recorded in those funds. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision for this has been made in the accompanying financial statements.

Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations serviced by governmental funds, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group. Long-term liabilities expected to be repaid from proprietary fund operations are accounted for in those funds.

Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds.

North Carolina General Statutes restrict appropriation of fund balances to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for inventories - represents the total amount of inventories in the General Fund.

Reserved by State statute - in certain governmental funds, a portion of fund balance is thus designated as these amounts represent the portion of fund balances applicable to various assets not yet realized in cash, which are not available for appropriation as defined by North Carolina General Statute.

Reserved for encumbrances - represents the portion of fund balance of the General Fund available for appropriation to pay for commitments related to unperformed contracts.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Unreserved:

Designated for subsequent year's expenditures - represents the amount of fund balance of the General Fund appropriated to the budget for the year ending June 30, 1999.

Undesignated - represents the amount of fund balance which is available for future appropriations.

Interfund Transactions

Quasi-external transactions are accounted for as revenue, expenditures or expenses since they would be treated as such if they involved organizations external to the City. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Statement of Cash Flows

For purposes of reporting cash flows, the City considers all of its deposits in the pool (including restricted cash) to be cash equivalents. Proprietary fund highly liquid debt investments outside the pool are considered cash equivalents if purchased with a maturity of three months or less.

Note 2. Stewardship, Compliance and Accountability

Budget

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

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance and Accountability (Continued)

Expenditures may not legally exceed appropriations at the functional level in the General Fund and or object summary level for all other annually budgeted funds and at the project total level for the project funds. Any revisions that alter total expenditures of any department must be approved by 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. During the year several amendments to the original general fund budget were necessary.

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

April 30	Each department head will transmit to the budget officer the departmental budget requests and revenue estimates for the budget year.
June 1	The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
July 1	The budget ordinance shall be adopted by the governing board.

Deficit Balances

The City has fund balance deficits in individual funds as of June 30, 1998 as follows:

Special Revenue Funds:

Disaster Recovery Fund	\$ 9,914
Tree Inventory Grant	18,995
Cultural Resources Phase II Grant	3,291
Urgent Needs Project Fund	116,455
FEMA - HMGP Project Fund	68,418
Domestic Violence Intervention Grant	38,065

Capital Projects Fund:

Fire Station Project Fund	223,626
---------------------------	---------

These deficits will be funded by future grants and other revenue.

Note 3. Cash and Investments

Total cash and investments per the total memorandum column reconciles to the total cash and investments as follows:

Petty cash	\$ 4,750
Cash on deposit	1,248,223
Investments	9,412,007
Cash and investments	<u>10,664,980</u>
Restricted money market funds	7,111,045
Total cash and investments	<u>\$ 17,776,025</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

Deposits

At year end, the carrying amount of the City's deposits was \$1,248,223 and the bank balance was \$1,510,371. Under North Carolina General Statutes, depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two methods. Under the Dedicated Method, a separate escrow account is established by each depository in the name of each local unit, and the responsibility of monitoring collateralization rests with the local unit. Under the Pooling Method, each depository establishes an escrow account in the name of the State Treasurer to secure all its public deposits. This method shifts the monitoring responsibility from the local unit to 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 its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has deposits in banks using the pooling method. Of the City's bank balances, \$200,000 was covered by federal depository insurance and \$1,310,371 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

Investments

The City's investments are categorized as either (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or the counterparty's agent in the City's name or (3) uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 2	Reported Value	Fair Value
US Government Agencies	\$ 2,234,888	\$ 2,234,888	\$ 2,234,888
Commercial Paper	4,383,539	4,383,539	4,383,539
	<u>\$ 6,618,427</u>	6,618,427	6,618,427
NCCMT, held by bond trustee		7,111,045	7,111,045
North Carolina Capital Management Trust (NCCMT)		2,793,580	2,793,580
Total investments		<u>\$ 16,523,052</u>	<u>\$ 16,523,052</u>

All North Carolina Capital Management Trust amounts are exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of these funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 4. Interfund Transactions and Balances

The following is a detailed schedule of interfund transfers for the year ended June 30, 1998:

Operating Transfers In	Operating Transfers Out			Total
	General Fund	Electric Fund	Water and Sewer Fund	
General Fund	\$ -	\$ 2,042,895	\$ 320,000	\$ 2,362,895
Capital Projects	172,500	-	-	172,500
Special Revenue Funds	70,288	-	-	70,288
Total	<u>\$ 242,788</u>	<u>\$ 2,042,895</u>	<u>\$ 320,000</u>	<u>\$ 2,605,683</u>

Amounts due from/to other funds at June 30, 1998 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Disaster Recovery Fund	\$ 9,914
	Tree Inventory Grant	18,995
	Cultural Resources Phase II Grant	3,291
	Urgent Needs Project Fund	116,455
	FEMA - HMGP Project Fund	222,403
	HUD/DRI Project Fund	265,416
	Domestic Violence Grant	38,845
	Communication Equipment Grant	5,804
	Fire Station Capital Project	217,424
		<u>898,547</u>
Community Development - Admin	FEMA - HMGP Project Fund	122,607
		<u>\$ 1,021,154</u>

Note 5. Allowance For Uncollectible Accounts

The amounts shown in the combined balance sheet for customer receivables are net of the following allowances for estimated uncollectible accounts:

Enterprise Funds:	
Electric Fund	\$ 190,233
Water and Sewer Fund	<u>30,797</u>
	<u>\$ 221,030</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 6. Investment in Direct Financing Leases

In the Electric Fund, the City has entered into lease agreements as lessor, for financing the sale of peak shaving generators to industrial utility customers. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, the City's investment has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 1998.

<u>Fiscal Year Ending June 30,</u>	Enterprise Fund
1999	\$ 574,064
2000	499,382
2001	402,561
2002	26,045
Total Payments	1,502,052
Less: Amount representing interest	113,302
Present value of future minimum lease payments	<u>\$ 1,388,750</u>

Note 7. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance at July 1, 1997	Additions and Transfers	Disposals	Balance at June 30, 1998
Land and buildings	\$ 9,034,513	\$ 420,648	\$ -	\$ 9,455,161
Equipment and vehicles	10,803,588	625,599	526,987	10,902,200
	<u>\$ 19,838,101</u>	<u>\$ 1,046,247</u>	<u>\$ 526,987</u>	<u>\$ 20,357,361</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 1998:

	Enterprise Funds			Internal Service Fund
	Electric	Water and Sewer	Total	
Land	\$ 207,261	\$ 83,972	\$ 291,233	\$ -
Buildings and improvements	3,671,890	3,534,922	7,206,812	46,122
Distribution system	20,426,530	32,219,102	52,645,632	-
Equipment	1,777,858	2,207,809	3,985,667	-
Construction in progress	1,759,844	1,582,403	3,342,247	-
	27,843,383	39,628,208	67,471,591	46,122
Less accumulated depreciation	10,565,074	12,600,245	23,165,319	17,903
Net fixed assets	<u>\$ 17,278,309</u>	<u>\$ 27,027,963</u>	<u>\$ 44,306,272</u>	<u>\$ 28,219</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt

Changes in Long-term Liabilities

During the year ended June 30, 1998, the following changes occurred in liabilities reported in the general-long term debt account group and the enterprise funds:

General Long-Term Debt Account Group:

	Balance at July 1, 1997	Additions	Reductions	Balance at June 30, 1998
Compensated absences	\$ 661,305	\$ -	\$ 19,509	\$ 641,796
Police separation allowance	14,751	21,255	-	36,006
Separation allowance plan	143,082	-	92,119	50,963
Installment contracts	3,778,475	-	1,124,770	2,653,705
	<u>\$ 4,597,613</u>	<u>\$ 21,255</u>	<u>\$ 1,236,398</u>	<u>\$ 3,382,470</u>

Enterprise Funds:

	Balance at July 1, 1997	Additions	Reductions	Balance at June 30, 1998
Revenue bonds	\$ 16,465,000	\$ -	\$ 590,000	\$ 15,875,000
Notes payable	5,812,240	568,338	460,812	5,919,766
Installment contracts	2,632,465	-	728,034	1,904,431
	<u>\$ 24,909,705</u>	<u>\$ 568,338</u>	<u>\$ 1,778,846</u>	<u>\$ 23,699,197</u>

Revenue Bonds

Revenue bonds outstanding at June 30, 1998 are as follows:

Enterprise Funds:

Water and Sewer Fund:

\$6,645,000 - Combined Enterprise System Revenue Bonds, 1996 Series, due in semi-annual installments through April 1, 2021; interest at 3.4% to 5.7%. \$ 6,220,000

Electric Fund:

\$10,315,000 - Combined Enterprise System Revenue Bonds, 1996 Series, due in semi-annual installments through April 1, 2021, interest at 3.4% to 5.7%. 9,655,000

Total Revenue Bonds \$ 15,875,000

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
1999	\$ 630,000	\$ 844,292	\$ 1,474,292
2000	770,000	816,571	1,586,571
2001	910,000	781,921	1,691,921
2002	835,000	740,061	1,575,061
2003	885,000	700,816	1,585,816
Thereafter	11,845,000	7,114,769	18,959,769
Total	\$ 15,875,000	\$ 10,998,430	\$ 26,873,430

The Series 1996 revenue bonds are special obligations of the City, secured solely by the pledge of net revenue of the City's Enterprise Funds. Pursuant to the bond and related agreements, the City has made certain covenants which 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. The City has complied with these bond covenants for the year ended June 30, 1998.

Notes Payable

Notes payable include obligations of the City for various water and sewer fund improvements. These unsecured obligations are for varying annual installments with interest ranging from 3.035 percent to 10 percent.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
1999	\$ 483,642	\$ 206,035	\$ 689,677
2000	486,465	188,270	674,735
2001	489,570	170,221	659,791
2002	492,985	151,864	644,849
2003	496,741	133,166	629,907
Thereafter	3,470,363	489,933	3,960,296
Total	\$ 5,919,766	\$ 1,339,489	\$ 7,259,255

Installment Contracts

The City has entered into a number of loan agreements for financing various land, building, building improvements and equipment purchases, which principally serves as collateral for these obligations. These obligations are for varying annual installments with interest rates ranging from 3.78 percent to 8.5 percent.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	General Long-Term Debt Account Group		Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
1999	\$ 883,153	\$ 152,562	\$ 730,172	\$ 85,518	\$ 1,613,325	\$ 238,080
2000	657,685	105,855	625,003	47,978	1,282,688	153,833
2001	481,521	71,516	495,223	18,880	976,744	90,396
2002	253,587	44,760	54,033	803	307,620	45,563
2002	185,132	27,526	-	-	185,132	27,526
Thereafter	192,627	11,213	-	-	192,627	11,213
	<u>\$ 2,653,705</u>	<u>\$ 413,432</u>	<u>\$ 1,904,431</u>	<u>\$ 153,179</u>	<u>\$ 4,558,136</u>	<u>\$ 566,611</u>

Installment contracts of the general long-term debt account group will be repaid from the general fund. Of the Enterprise Fund installment contracts, \$336,973 will be repaid from the Water and Sewer Fund and \$1,567,458 will be repaid from the Electric Fund.

Other Long-Term Debt Disclosures

North Carolina General Statutes limit the total bonded indebtedness of the City to an amount not greater than eight percent (8%) of the appraised value of property subject to taxation by the City. At June 30, 1998, the legal debt limit for the City was \$79,326,252 providing a legal debt margin of \$68,848,350.

At June 30, 1998, the City has no authorized bonds remaining to be issued.

Note 9. Contributed Capital

During the year, contributed capital had the following changes:

Source	Water and Sewer Fund
Contributed capital, July 1, 1997	\$ 2,758,372
Contribution from County for prior year completed project	90,750
Customer Participation	375,000
Depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction	(80,163)
Contributed capital, June 30, 1998	<u>\$ 3,143,959</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 10. Deferred Revenue

The balance in deferred revenue at year end is composed of the following:

	General Fund	Enterprise Fund
Prepaid taxes not yet earned	\$ 81,539	\$ -
Property taxes receivable	647,141	-
Property taxes receivable - automobiles	99,040	-
Paving assessments receivable	220,996	-
Refuse fees receivable	282,792	-
Repayment agreements	-	24,122
	<u>\$ 1,331,508</u>	<u>\$ 24,122</u>

Note 11. Segment Information

The City maintains two enterprise funds which provide electric and water and sewer services. Financial segment information as of and for the year ended June 30, 1998, is presented below.

	Electric Fund	Water and Sewer Fund	Total
Operating revenue	\$ 37,388,617	\$ 5,845,806	\$ 43,234,423
Nonoperating revenue (expenses)	190,202	(137,694)	52,508
Depreciation	727,380	966,960	1,694,340
Amortization	23,132	14,298	37,430
Operating income	2,868,975	139,967	3,008,942
Operating transfers out	(2,042,895)	(320,000)	(2,362,895)
Net income (loss)	1,016,282	(317,727)	698,555
Increase in contributed capital	-	385,587	385,587
Fixed assets: Additions	1,449,118	2,334,329	3,783,447
Working capital	10,598,812	5,889,940	16,488,752
Total assets	32,818,659	34,439,126	67,257,785
Bonds and other long-term liabilities payable from operating revenue	11,222,458	12,476,739	23,699,197
Total fund equity	17,621,526	21,579,396	39,200,922

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems

Local Governmental Employees' Retirement System

Plan Description. The City of Kinston contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefits pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article of G.S. Chapter assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government 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, Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.93% and 4.47% respectively, of annual covered payroll. The contribution requirements of members and of the City of Kinston are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 1998, 1997, and 1996 were \$537,580, \$561,385, and \$542,915, respectively. The contributions made by the City equaled the required contributions for each year.

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.

Funding Policy: Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 1998 were \$144,194, which consisted of \$118,418 from the City and \$25,776 from the law enforcement officers.

Law Enforcement Officer's Special Separation Allowance

Plan Description. The City of Kinston administers a public employees retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 1997, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	71
Total	<u>76</u>

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 1997 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.4 to 8.5% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 59,331
Interest on net pension obligation	1,106
Adjustment to annual required contribution	(1,343)
Annual pension cost	<u>59,094</u>
Contributions made	<u>(37,839)</u>
Increase (decrease) in net pension obligation	21,255
Net pension obligation beginning of year	<u>14,751</u>
Net pension obligation end of year	<u>\$ 36,006</u>

Trend Information

Fiscal year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/97	\$ 59,186	80.5%	\$ 14,751
6/30/98	59,094	64.03%	36,006

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

Separation Allowance Plan

Plan Description. The City of Kinston administers a public employees retirement system (the "Separation Allowance"), 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.

Years of Employment	Percentage of Pay
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 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 December 31, 1997, the Separation Allowance's membership consisted of:

Retirees receiving benefits	19
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	77
Total	<u>96</u>

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

The annual required contribution for the current year was determined as part of the June 30, 1998 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 5.96% to 12.15% per year. Both (a) and (b) included an inflation component of 4.0%. The assumptions did not include postretirement benefit increases.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 143,082
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	143,082
Contributions made	(92,119)
Increase (decrease) in net pension obligation	50,963
Net pension obligation beginning of year	-
Net pension obligation end of year	<u>\$ 50,963</u>

Trend Information

Fiscal year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
*6/30/98	\$143,082	64.5%	\$50,963

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 employees' contributions and investment earnings are 100 percent vested immediately and are not tied to years of service. However, the funds are not available to employees until termination, retirement, death or unforeseeable emergency. There is a loan provision allowing participants to borrow from their account.

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.

The City does not make any contributions to this Plan.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City has complied with changes in the laws which govern the City's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the City. Effective for the current fiscal year and in accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the City's Deferred Compensation Plan is no longer reported as an Agency Fund of the City.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

Other Post-Employment Benefits

Health Care Benefits

In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement health care benefits to retirees of the City who participate in the North Carolina Local Government Employees' Retirement System (NCLGERS) and have at least twenty (20) years of creditable service under the NCLGERS, provided that 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 \$5.33 per year of creditable service, not to exceed thirty (30) years, for each month of the medical year plan.

Currently, forty-one (41) retirees are eligible for post-retirement health benefits. The cost of post-retirement health benefits is recognized as an expenditure when paid. For 1998 those costs totaled \$52,130. The City obtains healthcare coverage through private insurers.

Note 13. Budget to GAAP Reconciliation

For the fiscal year ended June 30, 1998, the following adjustments are needed to reconcile the operating statements of the special revenue funds between combined statements on a GAAP basis and combined statements on a budgetary basis:

	Special Revenue Funds
Revenues under expenditures, budgetary basis	\$ (13,386)
To record excess of revenues over expenditures for the following funds which have multi-year budgets:	
Special Revenue Fund	
Disaster Recovery Project	(20,870)
Community Development Hicks Street	152,477
Cultural Resources Printing	9,543
Cultural Resources Phase II	(3,291)
Lead Abatement	30,000
Urgent Needs Project	(116,455)
FEMA - HMGP Project	(68,418)
HUD - DRI	97,628
Domestic Violence Intervention	(38,065)
Revenues under expenditures, GAAP basis	<u>\$ 29,163</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 14. Risk Management

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

The City's Internal Service Fund was established to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$250,000 and in aggregate in excess of \$1,700,000. A total of \$255,660 in claims was incurred for benefits during fiscal year 1998.

Claims liability

	1998	1997
Unpaid claims, beginning of fiscal year	\$ 167,851	\$ 118,531
Incurred claims (including claims incurred but not reported as of June 30, 1998)	372,133	238,457
Payments	(255,660)	(189,137)
Unpaid claims, end of fiscal year	<u>\$ 284,324</u>	<u>\$ 167,851</u>

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Note 15. Commitments, Contingencies and Subsequent Event

Purchase Commitments

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 at a level such that sufficient electrical revenue is generated to meet the obligations to the Agency. The Agency furnishes power to the City by purchasing an undivided interest in some of Carolina Power & Light Company's (CP&L) generating capacity and by contracting with CP&L 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 CP&L for the purchase of generating capacity whether or not the generator produces power. This is commonly referred to as a "take or pay" contract in the electric industry.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 15. Commitments, Contingencies and Subsequent Event (Continued)

The City had commitments of approximately \$463,400 in the Water and Sewer Fund and approximately \$2,542,100 in the Electric Fund for the purchase of equipment and construction of various capital projects. These commitments are to be funded by additional loan drawdowns, bond proceeds and operating revenues of the respective funds during the 1998-1999 fiscal year end.

Claims and judgments

At June 30, 1998, the City was a defendant in various lawsuits and other claims; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse affect on the City's financial position.

Consent Judgment

On August 18, 1998, the City entered into a consent judgment with the State of North Carolina, Department of Environment and Natural Resources (DENR), the purpose of which is to establish an enforceable schedule of the evaluation, construction and completion of improvements to the City's wastewater treatment facilities such as will bring it in compliance with all applicable water quality laws and regulations as soon as possible. The City currently estimates costs to complete the judgment at approximately \$30,000,000. The judgment specifies the City shall complete construction on or before December 31, 2003, or on or before twenty-four months after beginning construction, whichever is later. As of the balance sheet date, the City was still assessing the various revenue sources to be used to complete the judgment.

Flood Plain Buyout

In conjunction with the federal, State and County governments, the City has tentatively entered into agreements to purchase the property of and relocate approximately 300 citizens from the Neuse River Basin flood plain. As of the balance sheet date, the City had completed approximately 18% of the cases. All revenues used for the buyout are expected to come from various federal and State agencies and the City does not expect to incur any expenditures using local revenues.

Note 16. Jointly Governed Organizations

Neuse River Council of Governments

The City, in conjunction with seven counties and twenty-eight other municipalities, established the Neuse River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$7,075 to the Council during the fiscal year ended June 30, 1998.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 16. Jointly Governed Organizations (Continued)

North Carolina Eastern Municipal Power Agency

The City, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Power Agency ("Agency"). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The thirty-two members, which 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 from the Agency for the fiscal year ended June 30, 1998 were \$29,662,866.

Lenoir County Development Commission

The City, in conjunction with Lenoir County, established the Lenoir County Development Commission. The participating governments established the Commission to coordinate economic development activities within the county. The City appoints five members of the fourteen-member board of directors. The City paid \$70,600 to the Commission during the year ended June 30, 1998.

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 no funding for the Authority for the year ended June 30, 1998.

Note 17. Joint Ventures

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, 1998. During the year ended June 30, 1998, the City provided \$182,200 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, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 17. Joint Ventures (Continued)

Lenoir County - City of Kinston Airport Commission

The City, in conjunction with Lenoir County and the Global TransPark Authority, participates in a regional airport. The City appoints two board members of the seven-member board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The City has an ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport. The City has agreed to provide 25% of the annual operating budget of the Airport and 50% of the annual capital budget and Lenoir County has agreed to provide the remainder of the operating and capital budgets. The City contributed \$234,500 to the Airport during the fiscal year ended June 30, 1998. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 1998. Separate financial statements for the Commission are available at the Commission address of Stallings Field, Route 7, Box 89-B, Kinston, North Carolina 28501.

Note 18. Related Organization

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.

Note 19. Year 2000 Issue

A proposed GASB Technical Bulletin, "Disclosures about Year 2000 Resources Committed" proposes guidelines for disclosures about potential problems in the year 2000 related to the processing of electronic data. The Year 2000 issue is the result of elimination of the first two digits from a year in software programs. Many programs may not be able to distinguish between the year 2000 and the year 1900, which might cause the programs to process data incorrectly or stop processing data altogether. The technical bulletin identifies five stages of work needed to achieve compliance: awareness, assessment, remediation, validation/testing, and implementation. The City is aware of this potential issue and has begun the process of addressing it.



REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
 - Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
 - Schedule of Funding Progress for the Separation Allowance Plan
 - Schedule of Employer Contributions for Separation Allowance Plan
-



**CITY OF KINSTON, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/94	\$ -	\$ 337,764	\$ 334,764	-	\$ 2,078,440	16.25%
12/31/95	-	417,893	417,893	-	2,093,043	19.97%
12/31/96	-	402,620	402,620	-	2,308,243	17.44%
12/31/97	-	422,196	422,196	-	2,333,064	18.10%

Note to Required Schedule:

Information above is presented for those years for which it is available.

**CITY OF KINSTON, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1998	\$ 59,331	63.8%
1997	59,186	80.5
1996	59,233	75.9
1995	49,259	90.2
1994	44,188	80.7
1993	43,232	100.9
1992	44,744	109.8

Notes to the Required Schedule:

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/97
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed basis
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.4% to 8.5%
Includes inflation at	3.75%
Cost of living adjustments	None

**CITY OF KINSTON, NORTH CAROLINA
SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/97	-	\$ 628,797	\$ 628,797	-	\$ 2,555,532	24.61%
6/30/98	-	749,238	749,238	-	2,373,338	31.57%

Note to Required Schedule:

Information above is presented for years for which it is available.

**CITY OF KINSTON, NORTH CAROLINA
SEPARATION ALLOWANCE PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1998	143,082	64.5%

Notes to the Required Schedule:

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/98
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed basis
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.95% to 12.15%
Includes inflation at	4.0%
Cost of living adjustments	None

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
GENERAL FUND**

**COMPARATIVE BALANCE SHEET
June 30, 1998 and 1997**

ASSETS	1998	1997
Cash and investments	\$ 2,713,514	\$ 2,645,043
Receivables:		
Due from other funds	898,547	-
Due from governmental agencies	914,220	820,611
Accounts receivable	478,492	402,308
Taxes receivable	746,180	689,041
Customer receivables, net	282,792	257,853
Interest receivable	32,841	4,801
Inventories	212,292	202,516
Restricted investments	649,822	1,225,390
Total assets	<u>\$ 6,928,700</u>	<u>\$ 6,247,563</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 829,778	\$ 828,368
Deferred revenue	1,331,508	1,151,961
Total liabilities	<u>2,161,286</u>	<u>1,980,329</u>
Fund Balances:		
Reserved for Powell Bill	502,384	58,036
Reserved for inventories	212,292	202,516
Reserved by State statute	2,103,103	1,034,180
Reserved for encumbrances	81,254	171,234
Unreserved:		
Designated for subsequent year's expenditures	366,800	-
Undesignated	1,501,581	2,801,268
Total fund balances	<u>4,767,414</u>	<u>4,267,234</u>
 Total liabilities and fund balance	 <u>\$ 6,928,700</u>	 <u>\$ 6,247,563</u>

**CITY OF KINSTON, NORTH CAROLINA
GENERAL FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

**For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 1 of 4)

	1998			1997
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Revenue:				
Ad valorem taxes:				
Taxes	\$ 5,744,900	\$ 5,999,000	\$ 254,100	\$ 5,158,456
Penalties and interest	21,000	50,670	29,670	42,910
Total ad valorem taxes	5,765,900	6,049,670	283,770	5,201,366
Sales and services:				
Garbage collections	2,148,400	2,061,036	(87,364)	1,723,323
Rents, concessions and fees	346,400	430,292	83,892	400,670
Inspection fees	175,000	183,866	8,866	190,336
Cemetery fees	205,000	190,320	(14,680)	199,376
Cable franchise	110,000	139,684	29,684	125,953
Lenoir County participation:				
Recreation	389,000	380,348	(8,652)	364,401
Building inspection	115,000	69,077	(45,923)	114,654
Total sales and services	3,488,800	3,454,623	(34,177)	3,118,713
Other taxes and licenses:				
Local government sales tax	2,213,000	2,227,640	14,640	2,085,067
Franchise tax	1,110,000	1,049,589	(60,411)	1,254,266
Intangible taxes	210,000	225,241	15,241	209,384
Occupancy tax	135,200	122,883	(12,317)	134,226
Licenses and permits	70,800	63,851	(6,949)	65,178
Total other taxes and licenses	3,739,000	3,689,204	(49,796)	3,748,121
Unrestricted intergovernmental revenue:				
Payments in lieu of taxes	385,800	563,274	177,474	378,837
Beer and wine	103,500	106,793	3,293	109,156
ABC revenue	25,000	28,187	3,187	28,791
Total unrestricted intergovernmental revenue	514,300	698,254	183,954	516,784
Restricted intergovernmental revenue:				
Powell Bill allocations	803,600	803,600	-	783,497
NC Dept of Envir, Health, Nat Res.	-	-	-	15,205
NC Health and Sanitation	3,000	6,309	3,309	5,100
NC Dept of Cultural Resources	-	10,646	10,646	20,255
Domestic Violence Program				
Victim's Advocate	-	29,310	29,310	9,061
Week End	13,000	25,209	12,209	11,554
US Justice Department	-	147,015	147,015	300,118
Forfeited Drug proceeds	38,100	66,740	28,640	32,958
Total restricted intergovernmental revenue	857,700	1,088,829	231,129	1,177,748

**CITY OF KINSTON, NORTH CAROLINA
GENERAL FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

**For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 2 of 4)

	1998			1997
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Other revenue:				
Investment income	\$ 210,000	\$ 237,365	\$ 27,365	\$ 329,697
Sales of surplus materials and assets	105,000	120,045	15,045	164,382
Miscellaneous	64,100	36,681	(27,419)	88,295
Total other revenue	379,100	394,091	14,991	582,374
Total revenue	14,744,800	15,374,671	629,871	14,345,106
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits		298,365		141,090
Operating		289,312		311,312
Capital outlay		2,185		34,871
Total governing body		589,862		487,273
Executive:				
Salaries and benefits		372,141		363,699
Operating		247,624		232,322
Capital outlay		22,075		8,565
Total executive		641,840		604,586
Finance:				
Salaries and benefits		581,370		654,948
Operating		138,939		212,555
Capital outlay		17,637		8,489
Total finance		737,946		875,992
Human Resources:				
Salaries and benefits		281,178		245,648
Operating		448,313		435,457
Capital outlay		1,422		10,434
Total human resources		730,913		691,539
Indirect costs reimbursement		(2,620,202)		(1,838,800)
Total general government	784,500	80,359	4,141	820,590

**CITY OF KINSTON, NORTH CAROLINA
GENERAL FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL**

**For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 3 of 4)

	1998			1997
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Public safety:				
Police:				
Salaries and benefits	\$	\$ 3,301,352	\$	\$ 2,629,577
Operating		760,929		1,503,132
Capital outlay		370,004		47,466
Total police		4,432,285		4,180,175
Fire:				
Salaries and benefits		1,989,917		1,948,269
Operating		231,661		258,938
Capital outlay		24,070		9,863
Total fire		2,245,648		2,217,070
Total public safety	6,854,000	6,677,933	176,067	6,397,245
Public works:				
Salaries and benefits		2,176,457		2,209,480
Operating		2,102,992		2,233,701
Capital outlay		37,884		266,419
Less: interdepartment charges		(833,813)		(928,181)
Total public works	3,517,000	3,483,520	33,480	3,781,419
Parks and recreation:				
Salaries and benefits		1,404,859		1,428,904
Operating		799,268		707,357
Capital outlay		92,687		111,962
Total parks and recreation	2,312,800	2,296,814	15,986	2,248,223
Planning and community development:				
Planning and development:				
Salaries and benefits		67,695		208,575
Operating		323,904		53,975
Total planning and development	407,100	391,599	15,501	262,550
Inspections and code enforcement:				
Salaries and benefits		453,602		578,060
Operating		32,554		132,491
Capital outlay		2,480		1,415
Total inspections and code enforcement	500,300	488,636	11,664	711,966

**CITY OF KINSTON, NORTH CAROLINA
GENERAL FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 4 of 4)

	1998			1997
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Economic development:				
Operating	\$	\$ 877,296	\$	\$ 810,839
Total economic development	913,600	877,296	36,304	810,839
Engineering and public facilities:				
Salaries and benefits		403,763		431,319
Operating		445,580		365,486
Capital outlay		11,101		32,258
Total engineering and public facilities	867,400	860,444	6,956	829,063
Total planning and community development	2,688,400	2,617,975	70,425	2,614,418
Debt Service:				
Principal		1,124,770		1,049,345
Interest		199,802		236,326
Total debt service	1,324,600	1,324,572	28	1,285,671
Total expenditures	17,481,300	16,481,173	300,127	17,147,566
Revenue over (under) expenditures	(2,736,500)	(1,106,502)	929,998	(2,802,460)
Other financing sources (uses):				
Appropriated fund balance	121,300	-	(121,300)	-
Operating transfers in	2,858,000	1,662,895	(1,195,105)	2,617,100
Operating transfers out	(242,800)	(242,788)	12	(2,500)
Proceeds from borrowing	-	-	-	931,500
Total other financing sources	2,736,500	1,420,107	(1,316,393)	3,546,100
Revenue and other financing sources over expenditures	\$ -	313,605	\$ (386,395)	\$ 743,640
Fund balance, beginning		4,267,234		3,523,594
Equity transfers		186,575		-
Fund balance, ending		<u>\$ 4,767,414</u>		<u>\$ 4,267,234</u>



SPECIAL REVENUE FUNDS

File June 30, 1998

Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditure 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.

Disaster Recovery Project Fund - This fund is used to account for federal grant monies received from Federal Emergency Management Agency for recovery assistance after hurricanes Bertha and Fran in 1996.

Community Development Hicks Street Fund - This fund is used to account for the federal grant monies received from the Housing and Urban Development Department for Community Block Development and Block Grants for residential rehabilitation.

Tree Inventory Grant Fund - This fund is used to account for the estate grant monies received from North Carolina Department of Environment, Health and Natural Resources to inventory the number of trees within the public right of way.

Cultural Resources Funds - These funds are used to account for grant money received from the NC Department of Cultural Resources for the preparation and publishing of an architectural history of Lenoir County.

Lead Abatement - This fund accounts for grant proceeds received from the Housing Finance Agency to assist one family with lead abatement.

Urgent Needs Project Fund - This fund is used to account for State grant monies received from NC Department of Commerce to acquire and relocate residential housing units.

FEMA - HGMP - This fund accounts for the hazard mitigation program funded by FEMA for the acquisition of property in the flood plain.

SARF - DCA - This fund accounts for proceeds from the State Acquisition and Relocation Fund Project funded by HUD and awarded to assist the flood recovery program by providing relocation assistance to flood clients.

HUD - DRI - This fund accounts for the Disaster Recovery Initiative funded by HUD and awarded to the City to assist with flood recovery by the relocation of flood clients.

Domestic Violence - This fund accounts for grant proceeds received from the Governor's Crime Commission and supports technological equipment and salaries for four employees.

Communications Equipment - This fund accounts for a Local Law Enforcement Block Grant funded by the US Department of Justice, Bureau of Justice Assistance for the purchase of mobile radios for all police vehicles.



**CITY OF KINSTON, NORTH CAROLINA
SPECIAL REVENUE FUNDS**

COMBINING BALANCE SHEETS

June 30, 1998

With Comparative Totals for June 30, 1997

(Page 1 of 2)

	Community Development Administration	Disaster Recovery Project	Community Development Hicks Street	Tree Inventory Grant	Cultural Resources Printing	Cultural Resources Phase I	Cultural Resources Phase II	Lead Abatement
ASSETS								
Cash and investments	\$ -	\$ -	27,813 \$	-	9,529 \$	-	\$ -	30,000
Due from other funds	122,607	-	-	-	-	-	-	-
Due from government agencies	-	-	-	-	-	-	-	-
Accounts receivable	52,245	-	-	-	14	-	-	-
Interest receivable	1,014	-	-	-	-	-	-	-
Total assets	<u>\$ 175,866</u>	<u>\$ -</u>	<u>27,813 \$</u>	<u>-</u>	<u>9,543 \$</u>	<u>-</u>	<u>\$ -</u>	<u>30,000</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Due to other funds	\$ -	9,914 \$	-	18,995 \$	-	-	3,291 \$	-
Accounts payable and accrued liabilities	2,550	-	80	-	-	-	-	-
Total liabilities	<u>2,550</u>	<u>9,914</u>	<u>80</u>	<u>18,995</u>	<u>-</u>	<u>-</u>	<u>3,291</u>	<u>-</u>
FUND BALANCES								
Reserved by State statute	175,866	-	-	-	14	-	-	-
Unreserved - undesignated	(2,550)	(9,914)	27,733	(18,995)	9,529	-	(3,291)	30,000
	<u>173,316</u>	<u>(9,914)</u>	<u>27,733</u>	<u>(18,995)</u>	<u>9,543</u>	<u>-</u>	<u>(3,291)</u>	<u>30,000</u>
Total liabilities and fund balances	<u>\$ 175,866</u>	<u>\$ -</u>	<u>27,813 \$</u>	<u>-</u>	<u>9,543 \$</u>	<u>-</u>	<u>\$ -</u>	<u>30,000</u>

**CITY OF KINSTON, NORTH CAROLINA
SPECIAL REVENUE FUNDS**

COMBINING BALANCE SHEETS

June 30, 1998

With Comparative Totals for June 30, 1997

(Page 2 of 2)

	Urgent Needs	FEMA - HGMP	SARF - DCA	HUD - DRI	Domestic Violence Intervention	Communications Equipment	Total	
							1998	1997
ASSETS								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,342	\$ 10,840
Due from other funds	-	-	-	-	-	-	122,607	141,815
Due from government agencies	-	278,343	-	363,044	-	-	641,387	9,654
Accounts receivable	-	74	-	-	780	6,145	59,258	43,950
Interest receivable	-	-	-	-	-	-	1,014	197
Total assets	\$ -	\$ 278,417	\$ -	\$ 363,044	\$ 780	\$ 6,145	\$ 891,608	\$ 206,456
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Due to other funds	\$ 116,455	\$ 345,010	\$ -	\$ 265,416	\$ 38,845	\$ 5,804	\$ 803,730	\$ 141,815
Accounts payable and accrued liabilities	-	1,825	-	-	-	341	4,796	10,722
Total liabilities	116,455	346,835	-	265,416	38,845	6,145	808,526	152,537
FUND BALANCES								
Reserved by State statute	-	278,417	-	363,044	780	6,145	824,266	-
Unreserved - undesignated	(116,455)	(346,835)	-	(265,416)	(38,845)	(6,145)	(741,184)	53,919
	(116,455)	(68,418)	-	97,628	(38,065)	-	83,082	53,919
Total liabilities and fund balances	\$ -	\$ 278,417	\$ -	\$ 363,044	\$ 780	\$ 6,145	\$ 891,608	\$ 206,456

**CITY OF KINSTON, NORTH CAROLINA
SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS)**

**For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 1 of 2)

	Community Development Administration	Disaster Recovery Project	Community Development Hicks Street	Tree Inventory Grant	Cultural Resources Printing	Cultural Resources Phase I	Cultural Resources Phase II	Lead Abatement
Revenue:								
Restricted intergovernmental revenue	\$ -	\$ 126,783	\$ 278,285	-	\$ 1,000	-	\$ 4,800	\$ 30,000
Insurance proceeds	-	83,848	-	-	-	-	-	-
Other - rent and program income	102,071	-	-	-	-	-	-	-
Investment earnings	6,318	-	-	-	-	-	-	-
Total revenue	108,389	210,631	278,285	-	1,000	-	4,800	30,000
Expenditures:								
Current:								
Planning and community development								
Administration	-	-	175,808	-	-	-	-	-
Rehabilitation of private properties								
Contract services	121,775	231,501	-	-	1,457	-	8,091	-
Total expenditures	121,775	231,501	175,808	-	1,457	-	8,091	-
Total revenue over (under)	(13,386)	(20,870)	102,477	-	(457)	-	(3,291)	30,000
Other Financing Sources:								
Operating transfers in	-	-	50,000	-	10,000	-	-	-
Total revenue and other sources over (under) expenditures	(13,386)	(20,870)	152,477	-	9,543	-	(3,291)	30,000
Fund balances (deficits), beginning	186,702	10,956	(124,744)	(18,995)	-	-	-	-
Fund balances (deficits), ending	\$ 173,316	\$ (9,914)	\$ 27,733	\$ (18,995)	\$ 9,543	\$ -	\$ (3,291)	\$ 30,000

**CITY OF KINSTON, NORTH CAROLINA
SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS)**

For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997

(Page 2 of 2)

	Urgent Needs	FEMA - HGMP	SARF - DCA	HUD - DRI	Domestic Violence Intervention	Communication Equipment	Total
							1997
							1998
Revenue:							
Restricted intergovernmental revenue	\$ 257,205	\$ 377,606	\$ -	\$ 459,470	\$ 40,611	\$ 92,590	\$ 2,275,707
Insurance proceeds	-	-	-	-	-	-	83,848
Other - rent and program income	-	-	-	-	-	-	102,071
Investment earnings	-	-	-	-	-	-	6,318
							7,867
Total revenue	257,205	377,606	-	459,470	40,611	92,590	2,702,675
Expenditures:							
Current:							
Planning and community development	-	-	-	-	-	-	76,375
Administration	-	446,024	-	361,842	-	-	983,674
Rehabilitation of private properties	-	-	-	-	-	-	420,916
Contract services	373,660	-	-	-	78,676	102,878	918,038
							2,405,575
Total expenditures	373,660	446,024	-	361,842	78,676	102,878	2,902,866
Total revenue over (under) expenditures	(116,455)	(68,418)	-	97,628	(38,065)	(10,288)	(200,191)
Other Financing Sources:							
Operating transfers in	-	-	-	-	-	10,288	70,288
							-
Total revenue and other sources over (under) expenditures	(116,455)	(68,418)	-	97,628	(38,065)	-	(200,191)
Fund balances, beginning	-	-	-	-	-	-	53,919
							254,110
Fund balances, ending	\$ (116,455)	\$ (68,418)	\$ -	\$ 97,628	\$ (38,065)	\$ -	\$ 83,082
							53,919

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - COMMUNITY DEVELOPMENT ADMINISTRATION

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance, Favorable (Unfavorable)</u>
Revenue:			
Restricted intergovernmental revenue			
Rent and program income	\$ 146,200	\$ 102,071	\$ (44,129)
Other - investment earnings	-	6,318	6,318
Total revenue	<u>146,200</u>	<u>108,389</u>	<u>(37,811)</u>
Expenditures:			
Contract services	<u>146,200</u>	<u>121,775</u>	<u>24,425</u>
Total expenditures	<u>146,200</u>	<u>121,775</u>	<u>24,425</u>
Total expenditures over revenue	<u>\$ -</u>	<u>\$ (13,386)</u>	<u>\$ (13,386)</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - DISASTER RECOVERY FUND**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue	\$ 126,783	\$ 2,008,569	\$ 2,200,000
Other - insurance proceeds	83,848	488,043	300,000
Total revenue	<u>210,631</u>	<u>2,496,612</u>	<u>2,500,000</u>
Expenditures:			
Salaries and benefits	-	516,411	-
Landfill fees	-	157,665	-
Contract services	231,501	1,832,450	-
Total expenditures	<u>231,501</u>	<u>2,506,526</u>	<u>2,500,000</u>
Total expenditures over revenues	<u>\$ (20,870)</u>	<u>\$ (9,914)</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - HICKS STREET**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 278,285	\$ 299,748	\$ 910,000
Other - rent and program income	-	-	5,000
Total revenue	<u>278,285</u>	<u>299,748</u>	<u>915,000</u>
Expenditures:			
Administration	-	39,449	142,620
Rehabilitation of private properties	<u>175,808</u>	<u>282,566</u>	<u>922,380</u>
Total expenditures	<u>175,808</u>	<u>322,015</u>	<u>1,065,000</u>
Total revenues over (under) expenditures	102,477	(22,267)	(150,000)
Other Financing Sources:			
Operating transfers in	<u>50,000</u>	<u>50,000</u>	<u>150,000</u>
Total revenue and other sources over expenditures	<u>\$ 152,477</u>	<u>\$ 27,733</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - TREE INVENTORY GRANT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
State Resources Grant Project	\$ -	\$ -	\$ 10,000
Expenditures:			
Professional services	-	18,995	24,250
Total expenditures	-	18,995	24,250
Total revenue over expenditures	-	(18,995)	(14,250)
Other Financing Sources:			
Operating transfers in	-	-	14,250
Total expenditures over revenue			
and other sources	\$ -	\$ (18,995)	\$ -

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - CULTURAL RESOURCES PRINTING

SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 1,000	\$ 1,000	\$ -
Expenditures:			
Administration	-	-	10,000
Professional services	1,457	1,457	-
Total expenditures	1,457	1,457	10,000
Total expenditures over revenue	(457)	(457)	(10,000)
Other Financing Sources:			
Operating transfers in	10,000	10,000	10,000
Total expenditures over revenue and other sources	\$ 9,543	\$ 9,543	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - CULTURAL RESOURCES I**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ -	\$ -	\$ 6,000
Expenditures:			
Administration	-	-	9,500
Professional services	-	-	-
Total expenditures	-	-	9,500
Total expenditures over revenue	-	-	(3,500)
Operating transfers in	-	-	3,500
Total expenditures over revenue and			
other sources	\$ -	\$ -	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - CULTURAL RESOURCES II**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 4,800	\$ 4,800	\$ 5,800
Expenditures:			
Administration	-	-	10,600
Professional services	8,091	8,091	-
Total expenditures	<u>8,091</u>	<u>8,091</u>	<u>10,600</u>
Total expenditures over revenue	(3,291)	(3,291)	(4,800)
Other Financing Sources:			
Operating transfers in	-	-	4,800
Total expenditures over revenue and other sources	<u>\$ (3,291)</u>	<u>\$ (3,291)</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - LEAD ABATEMENT PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 30,000	\$ 30,000	\$ 30,000
Total revenue	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Expenditures:			
Administration	-	-	30,000
Rehabilitation of private properties	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>30,000</u>
Total revenue over expenditures	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - URGENT NEEDS PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 257,205	\$ 257,205	\$ 600,000
Total revenue	<u>257,205</u>	<u>257,205</u>	<u>600,000</u>
Expenditures:			
Administration	-	-	60,000
Rehabilitation of private properties	373,660	373,660	540,000
Total expenditures	<u>373,660</u>	<u>373,660</u>	<u>600,000</u>
Total expenditures over revenue	<u>\$ (116,455)</u>	<u>\$ (116,455)</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - FEMA/HGMP PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 377,606	\$ 377,606	\$ 8,270,471
Total revenue	<u>377,606</u>	<u>377,606</u>	<u>8,270,471</u>
Expenditures:			
Administration	-	-	76,968
Rehabilitation of private properties	446,024	446,024	8,193,503
Total expenditures	<u>446,024</u>	<u>446,024</u>	<u>8,270,471</u>
Total expenditures over revenue	<u>\$ (68,418)</u>	<u>\$ (68,418)</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - SARF/DCA PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue			
State Community Development Grant Project	\$ -	\$ -	\$ 814,275
Total revenue	-	-	814,275
Expenditures:			
Administration	-	-	814,275
Rehabilitation of private properties	-	-	-
Total expenditures	-	-	814,275
Total revenue over expenditures	\$ -	\$ -	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - HUD/DRI PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project	\$ 459,470	\$ 459,470	\$ 5,461,466
Total revenue	<u>459,470</u>	<u>459,470</u>	<u>5,461,466</u>
Expenditures:			
Administration	-	-	780,942
Rehabilitation of private properties	361,842	361,842	4,680,524
Total expenditures	<u>361,842</u>	<u>361,842</u>	<u>5,461,466</u>
Total revenue over expenditures	<u>\$ 97,628</u>	<u>\$ 97,628</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - DOMESTIC VIOLENCE INTERVENTION**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal Grant Project	\$ 40,611	\$ 40,611	\$ 116,000
Total revenue	<u>40,611</u>	<u>40,611</u>	<u>116,000</u>
Expenditures:			
Administration	-	-	120,300
Rehabilitation of private properties	78,676	78,676	34,400
Total expenditures	<u>78,676</u>	<u>78,676</u>	<u>154,700</u>
Total expenditures over revenue	(38,065)	(38,065)	(38,700)
Other Financing Sources:			
Operating transfers in	-	-	38,700
Total expenditures over revenue and other sources	<u>\$ (38,065)</u>	<u>\$ (38,065)</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - COMMUNICATION EQUIPMENT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1998**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue			
Federal grant project	\$ 92,590	\$ 92,590	\$ 92,590
Total revenue	<u>92,590</u>	<u>92,590</u>	<u>92,590</u>
Expenditures:			
Contracted services	<u>102,878</u>	<u>102,878</u>	<u>102,878</u>
Total expenditures	<u>102,878</u>	<u>102,878</u>	<u>102,878</u>
Total expenditures over revenue	(10,288)	(10,288)	(10,288)
Other Financing Sources:			
Operating transfers in	<u>(10,288)</u>	<u>(10,288)</u>	<u>(10,288)</u>
Total expenditures over revenue and other sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECTS FUNDS

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

Grainger Stadium Parking Project - This fund accounts for funds to be used to expand the parking facilities around the City's baseball stadium.

Government Access Channel - This funds accounts for funds to be used to install cable television access equipment in City facilities.

Fire Station - This fund accounts for funds to be used to construct a new firehouse station.



**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS**

**COMBINING BALANCE SHEETS
June 30, 1998
With Comparative Totals for June 30, 1997**

	Grainger Stadium Parking	Governmental Access Channel	Fire Station	Totals	
				1998	1997
ASSETS					
Cash and investments	\$ -	\$ 1,629	\$ -	\$ 1,629	\$ 126,754
Accounts receivable	-	-	6,764	6,764	1,462
Total assets	<u>\$ -</u>	<u>\$ 1,629</u>	<u>6,764</u>	<u>\$ 8,393</u>	<u>\$ 128,216</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Due to other funds	\$ -	\$ -	\$ 217,424	\$ 217,424	\$ -
Accounts payable and accrued liabilities	-	1,629	12,966	14,595	7,203
Total liabilities	<u>-</u>	<u>1,629</u>	<u>230,390</u>	<u>232,019</u>	<u>7,203</u>
FUND BALANCES:					
Reserved for encumbrances	-	-	-	-	1,118
Reserved by State statute	-	-	6,764	6,764	-
Unreserved	-	-	(230,390)	(230,390)	119,895
	<u>-</u>	<u>-</u>	<u>(223,626)</u>	<u>(223,626)</u>	<u>121,013</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,629</u>	<u>\$ 6,764</u>	<u>\$ 8,393</u>	<u>\$ 128,216</u>

**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS**

**COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

For the Fiscal Year Ended June 30, 1998

With Comparative Totals for the Fiscal Year Ended June 30, 1997

	Grainger Stadium Parking	Governmental Access Channel	Fire Station	Totals	
				1998	1997
Expenditures:					
Capital outlay	\$ 1,118	\$ 105,820	\$ 223,626	\$ 330,564	\$ 228,131
Total expenditures	<u>1,118</u>	<u>105,820</u>	<u>223,626</u>	<u>330,564</u>	<u>228,131</u>
Other Financing Sources:					
Operating transfer in	-	172,500	-	172,500	2,500
Proceeds from borrowing	-	-	-	-	346,644
Total other financing sources	<u>-</u>	<u>172,500</u>	<u>-</u>	<u>172,500</u>	<u>349,144</u>
Total revenue and other sources over expenditures	(1,118)	66,680	(223,626)	(158,064)	121,013
Fund balances, beginning	121,013	-	-	121,013	-
Equity transfer	(119,895)	(66,680)	-	(186,575)	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>(223,626)</u>	<u>\$ (223,626)</u>	<u>\$ 121,013</u>

CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS
GRAINGER STADIUM PARKING
Schedule **STATEMENT OF REVENUE, EXPENDITURES, AND**
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 1998

	Project		Actual	
	Authorization	Prior	Current	Total
		Years	Year	to Date
Expenditures:				
Capital outlay:				
Construction cost	\$ -	\$ 86,622	\$ -	\$ 86,622
Property acquisition	-	139,009	1,118	140,127
Total expenditures	<u>332,000</u>	<u>225,631</u>	<u>1,118</u>	<u>226,749</u>
Other Financing Sources:				
Proceeds from borrowing	<u>332,000</u>	<u>346,644</u>	<u>-</u>	<u>346,644</u>
Total other financing sources	<u>332,000</u>	<u>346,644</u>	<u>-</u>	<u>346,644</u>
Total other financing sources				
over (under) expenditures	<u>\$ -</u>	<u>\$ 121,013</u>	<u>(1,118)</u>	<u>\$ 119,895</u>
Fund Balance, beginning			121,013	
Equity transfer			<u>(119,895)</u>	
Fund Balance, ending			<u>\$ -</u>	

**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS
GOVERNMENT ACCESS CHANNEL
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 1998**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures:				
Capital outlay:				
Equipment and installation	\$ 175,000	\$ 2,500	\$ 105,820	\$ 108,320
Total expenditures	<u>175,000</u>	<u>2,500</u>	<u>105,820</u>	<u>108,320</u>
Other Financing Sources:				
Transfers in	175,000	2,500	172,500	175,000
Total other financing sources	<u>175,000</u>	<u>2,500</u>	<u>172,500</u>	<u>175,000</u>
Total other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	66,680	<u>\$ 66,680</u>
Fund Balance, beginning			-	
Equity transfer			(66,680)	
Fund Balance, ending			<u>\$ -</u>	

CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS
FIRE STATION
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 1998

	Project	Actual		
	Authorization	Prior	Current	Total
		Years	Year	to Date
Revenues:				
Sale of property	\$ 275,000	\$ -	\$ -	\$ -
Total revenues	275,000	-	-	-
Expenditures:				
Capital outlay:				
Construction cost	-	-	223,626	223,626
Total expenditures	275,000	-	223,626	223,626
Total revenues over (under)				
expenditures	\$ -	\$ -	(223,626)	\$ (223,626)
Fund Balance, beginning			-	
Fund Balance, ending			<u>\$ (223,626)</u>	



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.

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.

Water and Sewer Fund - This fund is used to account for the activities associated with the production, distribution and transmission of potable water and the activities associated with operating and maintaining the City's sewer and surface drainage systems.



**CITY OF KINSTON, NORTH CAROLINA
ENTERPRISE FUNDS**

COMBINING BALANCE SHEETS

June 30, 1998

With Comparative Totals for June 30, 1997

	Electric Fund	Water and Sewer Fund	Totals	
			1998	1997
ASSETS				
Cash and investments	\$ 1,692,224	\$ 5,268,824	\$ 6,961,048	\$ 6,874,755
Accounts receivable	303,668	195,449	499,117	501,221
Customer receivables, net	4,366,344	658,110	5,024,454	4,789,788
Interest receivable	46,170	35,078	81,248	27,021
Inventories	1,162,567	250,552	1,413,119	1,538,845
Bond issuance costs	293,103	179,629	472,732	510,163
Restricted cash and investments	6,287,524	823,521	7,111,045	8,936,365
Investment in direct financing lease	1,388,750	-	1,388,750	1,873,179
Fixed assets:				
Land	207,261	83,972	291,233	291,233
Buildings	3,671,890	3,534,922	7,206,812	7,206,812
Distribution system	20,426,530	32,219,102	52,645,632	43,276,606
Equipment	1,777,858	2,207,809	3,985,667	3,794,199
Accumulated depreciation	(10,565,074)	(12,600,245)	(23,165,319)	(21,507,546)
Construction in progress	1,759,844	1,582,403	3,342,247	9,155,861
Total assets	\$ 32,818,659	\$ 34,439,126	\$ 67,257,785	\$ 67,268,502
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,196,959	\$ 284,810	\$ 3,481,769	\$ 3,515,599
Deferred revenue	-	24,122	24,122	21,163
Customer deposits	670,630	-	670,630	625,724
Accrued compensated absences	107,086	74,059	181,145	159,694
Long-term debt	11,222,458	12,476,739	23,699,197	24,909,705
Total liabilities	15,197,133	12,859,730	28,056,863	29,231,885
Fund equity:				
Contributed capital	-	3,143,959	3,143,959	2,758,372
Retained earnings	17,621,526	18,435,437	36,056,963	35,278,245
Total fund equity	17,621,526	21,579,396	39,200,922	38,036,617
Total liabilities and fund equity	\$ 32,818,659	\$ 34,439,126	\$ 67,257,785	\$ 67,268,502

**CITY OF KINSTON, NORTH CAROLINA
ENTERPRISE FUNDS**

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS
For the Fiscal Year Ended June 30, 1998**

With Comparative Totals for the Fiscal Year Ended June 30, 1997

	Electric Fund	Water and Sewer Fund	Totals	
			1998	1997
Operating Revenue:				
Charges for services	\$ 36,846,498	\$ 5,771,950	\$ 42,618,448	\$ 41,465,872
Other	542,119	73,856	615,975	383,341
Total operating revenue	<u>37,388,617</u>	<u>5,845,806</u>	<u>43,234,423</u>	<u>41,849,213</u>
Operating Expenses:				
Electrical operations	32,306,794	-	32,306,794	30,944,404
Administration	2,162,336	1,166,475	3,328,811	2,360,584
Depreciation	727,380	966,960	1,694,340	1,567,922
Amortization	23,132	14,298	37,430	36,670
Water and sewer operations	-	873,643	873,643	689,585
Wastewater plant operations	-	1,850,718	1,850,718	1,082,283
Water production	-	833,745	833,745	808,059
Total operating expenses	<u>35,219,642</u>	<u>5,705,839</u>	<u>40,925,481</u>	<u>37,489,507</u>
Operating income	<u>2,168,975</u>	<u>139,967</u>	<u>2,308,942</u>	<u>4,359,706</u>
Nonoperating Revenue (Expenses):				
Interest earned on investments	639,352	239,706	879,058	691,251
Interest on long-term debt	(449,150)	(377,400)	(826,550)	(758,911)
Other	-	-	-	340,273
Total nonoperating revenue (expenses)	<u>190,202</u>	<u>(137,694)</u>	<u>52,508</u>	<u>272,613</u>
Income before operating transfers	<u>2,359,177</u>	<u>2,273</u>	<u>2,361,450</u>	<u>4,632,319</u>
Operating Transfers:				
Operating transfers in	-	-	-	62,000
Operating transfers out	(1,342,895)	(320,000)	(1,662,895)	(2,679,100)
Total operating transfers	<u>(1,342,895)</u>	<u>(320,000)</u>	<u>(1,662,895)</u>	<u>(2,617,100)</u>
Net income	<u>1,016,282</u>	<u>(317,727)</u>	<u>698,555</u>	<u>2,015,219</u>
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	<u>-</u>	<u>80,163</u>	<u>80,163</u>	<u>74,688</u>
Increase (decrease) in retained earnings	<u>1,016,282</u>	<u>(237,564)</u>	<u>778,718</u>	<u>2,089,907</u>
Retained Earnings, beginning	<u>16,605,244</u>	<u>18,673,001</u>	<u>35,278,245</u>	<u>33,188,338</u>
Retained Earnings, ending	<u>\$ 17,621,526</u>	<u>\$ 18,435,437</u>	<u>\$ 36,056,963</u>	<u>35,278,245</u>

**CITY OF KINSTON, NORTH CAROLINA
ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 1 of 2)

	Electric Fund	Water and Sewer Fund	Totals	
			1998	1997
Cash Flows from Operating Activities:				
Operating income	\$ 2,168,975	\$ 139,967	\$ 2,308,942	\$ 4,359,706
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other income	-	-	-	340,273
Depreciation	727,380	966,960	1,694,340	1,567,922
Amortization	23,133	14,298	37,431	36,670
Change in assets and liabilities:				
Allowance for uncollectible accounts	(19,652)	(13,646)	(33,298)	(80,707)
Customer receivables	(285,395)	84,027	(201,368)	748,215
Accounts receivable	(8,974)	11,078	2,104	341,271
Customer deposits	44,906	-	44,906	75,756
Inventories	114,694	11,032	125,726	25,566
Accounts payable	218,938	(256,878)	(37,940)	(969,347)
Deferred revenue	-	2,959	2,959	(312)
Accrued compensated absences	7,441	14,010	21,451	(5,561)
Net cash provided by operating activities	2,991,446	973,807	3,965,253	6,439,452
Cash Flows from Noncapital Financing Activities:				
Operating transfers from other funds	-	-	-	62,000
Operating transfers to other funds	(1,342,895)	(320,000)	(1,662,895)	(2,679,100)
Net cash used for noncapital financing activities	(1,342,895)	(320,000)	(1,662,895)	(2,617,100)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,449,118)	(2,334,329)	(3,783,447)	(5,995,061)
Principal paid on general obligation bond maturities and equipment contracts	(946,424)	(832,422)	(1,778,846)	(1,343,503)
Interest paid on bonded indebtedness and equipment contracts	(456,955)	(365,485)	(822,440)	(752,771)
Proceeds from borrowing	-	568,338	568,338	2,935,909
Contributed capital	-	465,750	465,750	219,000
Net cash used for capital and related financing activities	(2,852,497)	(2,498,148)	(5,350,645)	(4,936,426)
Cash Flows from Investing Activities:				
Principal received on direct financing leases	484,429	-	484,429	420,219
Interest and dividends on investments	607,191	217,640	824,831	686,816
Net cash provided by investing activities	1,091,620	217,640	1,309,260	1,107,035
Net increase (decrease) in cash and cash equivalents	(112,326)	(1,626,701)	(1,739,027)	(7,039)

**CITY OF KINSTON, NORTH CAROLINA
ENTERPRISE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997
(Page 2 of 2)**

	Electric Fund	Water and Sewer Fund	Combining Totals	
			1998	1997
Cash and cash equivalents, beginning	\$ 8,092,074	\$ 7,719,046	\$ 15,811,120	\$ 15,818,159
Cash and cash equivalents, ending	<u>\$ 7,979,748</u>	<u>\$ 6,092,345</u>	<u>\$ 14,072,093</u>	<u>\$ 15,811,120</u>
Noncash investing, capital and financing activities:				
Investment in direct financing lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,206</u>

**CITY OF KINSTON, NORTH CAROLINA
ELECTRIC FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 1998

With Comparative Totals for the Fiscal Year Ended June 30, 1997

(Page 1 of 2)

	1998			1997
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Operating Revenue:				
Charges for services, electricity sales	\$ 36,489,500	\$ 36,635,991	\$ 146,491	\$ 35,678,461
Other	388,200	542,119	153,919	301,611
Total operating revenue	<u>36,877,700</u>	<u>37,178,110</u>	<u>300,410</u>	<u>35,980,072</u>
Non operating Revenue:				
Other	-	-	-	174,790
Principal received on direct lease financing	-	484,429	484,429	-
Interest earned on investments	974,000	639,352	(334,648)	387,445
Total nonoperating revenue	<u>974,000</u>	<u>1,123,781</u>	<u>149,781</u>	<u>562,235</u>
Total revenue	<u>37,851,700</u>	<u>38,301,891</u>	<u>450,191</u>	<u>36,542,307</u>
Expenditures:				
Administration:				
Salaries and benefits	-	130,466	-	128,584
Operating	-	246,870	-	200,392
Capital outlay	-	-	-	1,255
Indirect costs	-	1,785,000	-	793,500
	<u>2,385,100</u>	<u>2,162,336</u>	<u>222,764</u>	<u>1,123,731</u>
Electrical operations:				
Salaries and benefits	-	1,329,156	-	1,230,599
Operating	-	32,423,189	-	31,049,189
Capital outlay	-	254,041	-	371,515
	<u>33,966,600</u>	<u>34,006,386</u>	<u>(39,786)</u>	<u>32,651,303</u>
Total expenditures	<u>36,351,700</u>	<u>36,168,722</u>	<u>182,978</u>	<u>33,775,034</u>
Revenue over expenditures	<u>1,500,000</u>	<u>2,133,169</u>	<u>633,169</u>	<u>2,767,273</u>
Other Financing Sources (uses):				
Proceeds from borrowing	-	-	-	125,000
Operating transfers in	-	-	-	62,000
Operating transfers out	(1,500,000)	(1,342,895)	157,105	(3,285,000)
Total other financing uses	<u>(1,500,000)</u>	<u>(1,342,895)</u>	<u>157,105</u>	<u>(3,098,000)</u>
Revenue and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>790,274</u>	<u>\$ 790,274</u>	<u>\$ (330,727)</u>

**CITY OF KINSTON, NORTH CAROLINA
ELECTRIC FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 1998

With Comparative Totals for the Fiscal Year Ended June 30, 1997

(Page 2 of 2)

	1998		Variance, Favorable (Unfavorable)	1997
	Budget	Actual		Actual
Reconciliation of modified accrual basis to full accrual basis:				
Revenue and other sources under expenditures and other uses		\$ 790,274		\$ (330,727)
Transfers		1,342,895		3,223,000
Capital outlay		254,041		372,770
Capitalized interest		177,005		157,993
Payment of debt principal		946,424		818,057
Proceeds from borrowing		-		(125,000)
Depreciation		(727,380)		(727,665)
Amortization of debt fees		(23,132)		(22,662)
Decrease in accrued unbilled electricity sales		210,507		(171,143)
Lease purchase principal received		(484,429)		-
Bad debt expense		(134,833)		(102,097)
Increase in interest accrual		7,805		(22,560)
Income before operating transfers, accrual basis		<u>\$ 2,359,177</u>		<u>\$ 3,069,966</u>

**CITY OF KINSTON, NORTH CAROLINA
WATER AND SEWER FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 1 of 2)

	1998		Variance, Favorable (Unfavorable)	1997
	Budget	Actual		Actual
Operating Revenue:				
Charges for services:				
Water sales	\$ 2,618,700	\$ 2,660,464	\$ 41,764	\$ 2,659,365
Sewer charges	3,182,500	3,072,859	(109,641)	3,327,946
Other	60,500	73,856	13,356	81,730
Total operating revenue	<u>5,861,700</u>	<u>5,807,179</u>	<u>(54,521)</u>	<u>6,069,041</u>
Nonoperating Revenue:				
Interest earned on investments	225,000	239,706	14,706	303,806
Other	-	-	-	165,483
Total nonoperating revenue	<u>225,000</u>	<u>239,706</u>	<u>14,706</u>	<u>469,289</u>
Total revenue	<u>6,086,700</u>	<u>6,046,885</u>	<u>(39,815)</u>	<u>6,538,330</u>
Expenditures:				
Water and sewer administration:				
Salaries and benefits	-	219,744	-	166,128
Operating	-	191,731	-	25,925
Capital outlay	-	-	-	714
Indirect costs	-	755,000	-	1,044,800
	<u>1,266,500</u>	<u>1,166,475</u>	<u>100,025</u>	<u>1,237,567</u>
Water production:				
Salaries and benefits	-	265,113	-	225,682
Operating	-	568,632	-	582,377
Capital outlay	-	-	-	16,771
	<u>927,500</u>	<u>833,745</u>	<u>93,755</u>	<u>824,830</u>
Water and sewer operations:				
Salaries and benefits	-	555,858	-	458,711
Operating	-	1,763,452	-	1,188,877
Capital outlay	-	441,931	-	529,260
	<u>2,955,100</u>	<u>2,761,241</u>	<u>193,859</u>	<u>2,176,848</u>
Wastewater plant operations:				
Salaries and benefits	-	466,216	-	303,496
Operating	-	1,384,502	-	778,787
Capital outlay	-	-	-	3,172
	<u>1,796,800</u>	<u>1,850,718</u>	<u>(53,918)</u>	<u>1,085,455</u>
Total expenditures	<u>6,945,900</u>	<u>6,612,179</u>	<u>333,721</u>	<u>5,324,700</u>
Revenue over (under) expenditures	<u>(859,200)</u>	<u>(565,294)</u>	<u>293,906</u>	<u>1,213,630</u>

**CITY OF KINSTON, NORTH CAROLINA
WATER AND SEWER FUND**

**SCHEDULES OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

(Page 2 of 2)				
	1998		Variance, Favorable	1997
	Budget	Actual	(Unfavorable)	Actual
Other Financing Sources (uses):				
Appropriated fund balance	\$ 1,800,600	\$ -	\$ (1,800,600)	\$ -
Proceeds from borrowing	-	-	-	126,100
Operating transfers out	(941,400)	(941,400)	-	(429,100)
Total other financing sources (uses)	<u>859,200</u>	<u>(941,400)</u>	<u>(1,800,600)</u>	<u>(303,000)</u>
Revenue and other sources over (under) expenditures	<u>\$ -</u>	<u>(1,506,694)</u>	<u>\$ (1,506,694)</u>	<u>\$ 910,630</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenue and other sources over expenditures		\$ (1,506,694)		\$ 910,630
Transfers		941,400		429,100
Capital outlay		441,931		549,917
Capitalized interest		266,962		199,708
Payment of debt principal		832,422		525,446
Proceeds from borrowing		-		(126,100)
Depreciation		(966,960)		(840,257)
Amortization of debt fees		(14,298)		(14,008)
Increase in accrued unbilled water sales		9,830		(180)
Decrease in accrued unbilled sewer sales		28,797		(28,577)
Bad debt expense		(19,202)		(34,027)
Increase in interest accrual		(11,915)		(9,299)
Income before operating transfers, accrual basis		<u>\$ 2,273</u>		<u>\$ 1,562,353</u>

**CITY OF KINSTON, NORTH CAROLINA
ELECTRIC CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
For the Fiscal Year Ended June 30, 1998
(Page 1 of 2)**

	Project	Actual		Total
	Authorization	Prior Years	Current Year	To Date
Expenditures:				
Lenoir Comm College Peak Generator	712,500	632,170	\$ 42,135	\$ 674,305
Less: Completed Projects	(712,500)	(632,170)	(42,135)	(674,305)
Carolina Dairies Peak Generator	240,000	239,898	-	239,898
Less: Completed Project	(240,000)	(239,898)	-	(239,898)
Servitex Peak Generator	223,500	223,041	-	223,041
Less: Completed Project	(223,500)	(223,041)	-	(223,041)
Glenn Raven Mills Peak Generator	563,000	517,551	45,319	562,870
Less: Completed Project	(563,000)	(517,551)	(45,319)	(562,870)
Rouse Road Substation	1,500,000	1,407,617	-	1,407,617
Less: Completed Project	(1,500,000)	(1,407,617)	-	(1,407,617)
Peak Generators - Others	859,500	783,182	59,112	842,294
Less: Completed Project	(859,500)	(783,182)	(59,112)	(842,294)
King's Peak Generator	219,000	218,648	212	218,860
Less: Completed Project	(219,000)	(218,648)	(212)	(218,860)
230KV POD/115KV Transmission Loop	5,197,500	400,490	664,530	1,065,020
Fuse Installations	263,600	28,517	56,878	85,395
Sectionalizing Switches-Transmission	288,800	-	-	-
Substations Improvements	693,000	-	76,505	76,505
Airport/Western Tie	239,100	4,912	27,585	32,497
Briery Subdivision Project	69,100	-	12,160	12,160
Old Farm Subdivision	40,000	-	12,473	12,473
Industrial Park Electric Feeder	219,400	119,633	21,163	140,796
Total expenditures	7,010,500	553,552	871,294	1,424,846

**CITY OF KINSTON, NORTH CAROLINA
ELECTRIC CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
For the Fiscal Year Ended June 30, 1998**

(Page 2 of 2)

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
Other Financing Sources:				
Revenue bond proceeds	7,010,500	7,010,500	-	7,010,500
Transfers in	4,317,500	4,317,500	-	4,317,500
Sub Total	11,328,000	11,328,000	-	11,328,000
Less: Completed Projects	(4,317,500)	(4,317,500)	-	(4,317,500)
Total other financing sources	<u>7,010,500</u>	<u>7,010,500</u>	<u>-</u>	<u>7,010,500</u>
Total other financing sources over expenditures	<u>\$ -</u>	<u>\$ 6,456,948</u>	<u>\$ (871,294)</u>	<u>\$ 5,585,654</u>

**CITY OF KINSTON, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
For the Fiscal Year Ended June 30, 1998**

	Project Authorization	Actual		Total To Date
		Prior Years	Current Year	
Expenditures:				
Wastewater Plant Improvements	\$ 4,531,400	\$ 4,017,823	\$ 405,813	\$ 4,423,636
Less: Completed Project	(4,531,400)	(4,017,823)	(405,813)	(4,423,636)
Water Supply Improvements	292,900	282,445	7,875	290,320
Less: Completed Project	(292,900)	(282,445)	(7,875)	(290,320)
Kennedy Home - Water/Sewer Lines	1,000,700	38,259	528,942	567,201
Daly Waldrop Road/Hwy 258 N.	620,000	50,710	489,824	540,534
Well Generation Projects - 3 sites	350,000	17,471	153,042	170,513
GTP Training Center	5,000,000	-	40,240	40,240
Total expenditures	<u>6,970,700</u>	<u>106,440</u>	<u>1,212,048</u>	<u>1,318,488</u>
Other Financing Sources:				
State Revolving Loan	4,400,000	3,715,260	568,338	4,283,598
Revenue bond proceeds	1,268,600	1,268,600	-	1,268,600
County participation	2,500,000	-	-	-
Customer participation	380,000	-	375,000	375,000
Transfers in	3,246,400	-	621,400	621,400
Sub Total	<u>11,795,000</u>	<u>4,983,860</u>	<u>1,564,738</u>	<u>6,548,598</u>
Less: Completed Projects	<u>(4,824,300)</u>	<u>(4,008,160)</u>	<u>(699,738)</u>	<u>(4,707,898)</u>
Total other financing sources	<u>6,970,700</u>	<u>975,700</u>	<u>865,000</u>	<u>1,840,700</u>
Total other financing sources over expenditures	<u>\$ -</u>	<u>\$ 869,260</u>	<u>\$ (347,048)</u>	<u>\$ 522,212</u>



INTERNAL SERVICE FUND

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

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



**CITY OF KINSTON, NORTH CAROLINA
INTERNAL SERVICE FUND**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Fiscal Year Ended June 30, 1998
With Comparative Totals for the Fiscal Year Ended June 30, 1997**

	<u>1998</u>	<u>1997</u>
Operating Revenue:		
Contributions	\$ 463,200	\$ 381,000
Operating Expenses:		
Administration	205,043	187,871
Depreciation	3,072	3,239
Claims reimbursement	255,660	185,137
Total operating expenses	<u>463,775</u>	<u>376,247</u>
Operating income (loss)	<u>(575)</u>	<u>4,753</u>
Nonoperating Revenue:		
Interest earned on investments	8,945	7,813
Total nonoperating revenue	<u>8,945</u>	<u>7,813</u>
Net income	8,370	12,566
Retained earnings (deficit), beginning	<u>6,640</u>	<u>(5,926)</u>
Retained earnings, ending	<u>\$ 15,010</u>	<u>\$ 6,640</u>

**CITY OF KINSTON, NORTH CAROLINA
INTERNAL SERVICE FUND**

**SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 1998**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue:			
Contributions from various funds	\$ 460,200	\$ 460,200	\$ -
Nonoperating Revenue:			
Other	3,000	11,945	8,945
Total revenue	<u>463,200</u>	<u>472,145</u>	<u>8,945</u>
Expenditures:			
Administration:			
Salaries and benefits	-	62,158	-
Insurance	-	89,886	-
Operating	-	52,999	-
Capital outlay	-	1,526	-
Total administration	-	206,569	-
Claim reimbursements, operating	-	255,660	-
Total expenditures	<u>463,200</u>	<u>462,229</u>	<u>971</u>
Revenue and other sources over expenditures	<u>\$ -</u>	9,916	<u>\$ 9,916</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		\$ 9,916	
Capital outlay		1,526	
Depreciation		<u>(3,072)</u>	
Net income, accrual basis		<u>\$ 8,370</u>	

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for the cost of fixed assets of the City that are used in the performance of general government functions and that are not accounted for in the Enterprise or Internal Service Funds of the City.

CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
General Fixed Assets:		
Land	\$ 3,684,496	\$ 3,656,241
Buildings	5,770,665	5,378,272
Equipment and vehicles	<u>10,902,200</u>	<u>10,803,588</u>
Total general fixed assets	<u>\$ 20,357,361</u>	<u>\$ 19,838,101</u>
Investment in General Fixed Assets by Source:		
General Fund	\$ 19,875,720	\$ 19,377,215
Special Revenue Funds	<u>481,641</u>	<u>460,886</u>
Total investment in general fixed assets	<u>\$ 20,357,361</u>	<u>\$ 19,838,101</u>

CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended 30, 1998

Function and Activity	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
General Government:				
Council	\$ 20,692	\$ 2,185	\$ -	\$ 22,877
Manager	1,476,918	22,075	-	1,498,993
Clerk	11,704	-	-	11,704
Human resources	74,264	1,422	-	75,686
Finance and administration	708,169	17,637	50,428	675,378
Other, unclassified	4,282,342	168,899	15,205	4,436,036
Total general government	<u>6,574,089</u>	<u>212,218</u>	<u>65,633</u>	<u>6,720,674</u>
Public Safety:				
Police	1,657,455	446,558	128,783	1,975,230
Fire	2,341,169	24,070	33,336	2,331,903
Inspection	186,913	2,480	36,236	153,157
Total public safety	<u>4,185,537</u>	<u>473,108</u>	<u>198,355</u>	<u>4,460,290</u>
Public Works:				
Highways and Streets:				
Engineering	348,628	3,601	5,678	346,551
Maintenance	1,115,750	27,794	144,275	999,269
Total highways and streets	<u>1,464,378</u>	<u>31,395</u>	<u>149,953</u>	<u>1,345,820</u>
Environmental Services	<u>3,286,692</u>	<u>10,090</u>	<u>88,106</u>	<u>3,208,676</u>
Parks and Recreation	<u>4,327,405</u>	<u>319,436</u>	<u>24,940</u>	<u>4,621,901</u>
Total general fixed assets	<u>\$ 19,838,101</u>	<u>\$ 1,046,247</u>	<u>\$ 526,987</u>	<u>\$ 20,357,361</u>

CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 1998

Function and Activity	<u>Land</u>	<u>Buildings</u>	<u>Equipment and Vehicles</u>	<u>Total</u>
General Government:				
Council	\$ -	\$ -	\$ 22,877	\$ 22,877
Manager	173,000	762,266	563,727	1,498,993
Clerk	-	-	11,704	11,704
Human resources	-	-	75,686	75,686
Finance and administration	-	-	675,378	675,378
Other, unclassified	<u>2,910,068</u>	<u>1,294,337</u>	<u>231,631</u>	<u>4,436,036</u>
Total general government	<u>3,083,068</u>	<u>2,056,603</u>	<u>1,581,003</u>	<u>6,720,674</u>
Public Safety:				
Police	-	-	1,975,230	1,975,230
Fire	38,365	365,872	1,927,666	2,331,903
Inspection	<u>-</u>	<u>-</u>	<u>153,157</u>	<u>153,157</u>
Total public safety	<u>38,365</u>	<u>365,872</u>	<u>4,056,053</u>	<u>4,460,290</u>
Public Works:				
Highways and Streets:				
Engineering	-	-	346,551	346,551
Maintenance	<u>-</u>	<u>-</u>	<u>999,269</u>	<u>999,269</u>
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,345,820</u>	<u>1,345,820</u>
Environmental Services	<u>-</u>	<u>-</u>	<u>3,208,676</u>	<u>3,208,676</u>
Parks and Recreation	<u>563,063</u>	<u>3,348,190</u>	<u>710,648</u>	<u>4,621,901</u>
Total general fixed assets	<u>\$ 3,684,496</u>	<u>\$ 5,770,665</u>	<u>\$ 10,902,200</u>	<u>\$ 20,357,361</u>



GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-Term Debt Account Group is used to account for the City's unmatured long-term indebtedness that is not accounted for as a specific fund liability of the Enterprise or Internal Service Funds of the City.

CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF CHANGES IN GENERAL LONG-TERM DEBT
For the Fiscal Year Ended 30, 1998**

	<u>Balance July 1, 1997</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1998</u>
By Type of Debt:				
Accrued compensated absences	\$ 661,305	\$ -	\$ 19,509	\$ 641,796
Police separation allowance	14,751	21,255	-	36,006
Separation allowance plan	143,082	-	92,119	50,963
Installment contract obligations	<u>3,778,475</u>	<u>-</u>	<u>1,124,770</u>	<u>2,653,705</u>
	<u>\$ 4,597,613</u>	<u>\$ 21,255</u>	<u>\$ 1,236,398</u>	<u>\$ 3,382,470</u>
By Purpose:				
General government equipment	\$ 266,955	\$ -	\$ 112,259	\$ 154,696
Public safety, equipment	598,924	-	308,469	290,455
Public works, equipment	1,799,717	-	583,356	1,216,361
Recreation, equipment	1,112,879	-	120,686	992,193
Accrued compensated absences, all departments	661,305	-	19,509	641,796
Police separation allowance	14,751	21,255	-	36,006
Separation allowance plan	<u>143,082</u>	<u>-</u>	<u>92,119</u>	<u>50,963</u>
	<u>\$ 4,597,613</u>	<u>\$ 21,255</u>	<u>\$ 1,236,398</u>	<u>\$ 3,382,470</u>



OTHER FINANCIAL INFORMATION

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

CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 1998**

Fiscal Year	Uncollected Balance July 1, 1997	Current Year Gross Levy	Collections Credits and Adjustments	Uncollected Balance June 30, 1998
1997-1998	\$ -	\$ 5,948,636	\$ 5,708,362	\$ 240,274
1996-1997	249,019	-	132,598	116,421
1995-1996	92,145	-	24,726	67,419
1994-1995	55,857	-	10,493	45,364
1993-1994	35,748	-	6,912	28,836
1992-1993	60,606	-	4,829	55,777
1991-1992	38,147	-	1,412	36,735
1990-1991	31,636	-	572	31,064
1989-1990	14,937	-	1,872	13,065
1988-1989	12,419	-	553	11,866
1987 and prior	10,731	-	10,412	319
	<u>\$ 601,245</u>	<u>\$ 5,948,636</u>	<u>\$ 5,902,741</u>	<u>\$ 647,140</u>
Motor vehicle tags receivable				99,040
Total property tax receivable				<u>\$ 746,180</u>

RECONCILIATION WITH REVENUE:

Ad valorem taxes - General Fund	\$ 5,999,000	
Less auto fee	<u>(168,032)</u>	
		\$ 5,830,968
Add credits and adjustments		<u>71,773</u>
		<u>\$ 5,902,741</u>

CITY OF KINSTON, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 1998**

	City wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 971,147,899	\$ 0.595	\$ 5,778,330	\$ 4,987,647	\$ 790,683
Penalties	-		3,950	3,950	-
Total	<u>971,147,899</u>		<u>5,782,280</u>	<u>4,991,597</u>	<u>790,683</u>
Municipal Service District	-	-	44,796	44,796	-
Discoveries:					
Current year taxes	25,368,067	0.595	150,940	150,940	-
Total	<u>25,368,067</u>		<u>150,940</u>	<u>150,940</u>	<u>-</u>
Abatements	(4,937,815)	0.595	(29,380)	(9,797)	(19,583)
Total property valuation	<u>\$ 991,578,151</u>				
Net levy			5,948,636	5,177,536	771,100
Uncollected taxes at June 30, 1998			<u>240,274</u>	<u>124,624</u>	<u>115,650</u>
Current year's taxes collected			<u>\$ 5,708,362</u>	<u>\$ 5,052,912</u>	<u>\$ 655,450</u>
Current levy collection percentage			<u>95.96%</u>	<u>97.59%</u>	<u>85.00%</u>

STATISTICAL SECTION (Unaudited)

Schedules presented in the Statistical Section differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. The Statistical Section reflects social and economic data, financial trends and the fiscal capacity of the County.

CITY OF KINSTON, NORTH CAROLINA

**GENERAL GOVERNMENTAL (1)
EXPENDITURES BY FUNCTION**

Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government	Public Safety	Public Works	Recreation	Planning & Development	Debt Service	Capital Outlay	Total
1989	\$ 861,849	\$ 4,397,357	\$ 4,105,855	\$ 1,518,135	\$ 1,776,043	\$ 97,263	-	\$ 12,756,502
1990	1,131,145	4,936,323	3,367,420	1,716,122	2,103,760	117,112	-	13,371,882
1991	1,257,882	5,260,246	3,794,562	1,878,150	1,907,452	76,052	-	14,174,344
1992	1,091,584	5,513,816	3,777,559	1,829,086	1,831,158	31,160	-	14,074,363
1993	1,080,042	5,703,579	4,607,689	2,198,167	1,848,171	29,758	-	15,467,406
1994	1,368,327	6,109,920	4,254,386	2,755,956	2,179,809	28,330	-	16,696,728
1995	1,762,566	6,765,199	4,698,604	2,591,703	2,311,865	26,902	-	18,156,839
1996	1,237,584	6,832,396	4,537,956	2,419,057	3,468,111	-	-	18,495,104
1997	820,590	6,397,245	3,781,419	2,248,223	5,517,284	1,285,671	228,131	20,278,563
1998	80,359	6,677,933	3,483,520	2,296,814	4,519,687	1,324,572	330,564	18,713,449

Source: City of Kinston Finance Department

Note: (1) Includes general, special revenue and capital project funds

CITY OF KINSTON, NORTH CAROLINA

GENERAL GOVERNMENT (1) REVENUE BY SOURCE Last Ten Fiscal Years

Fiscal Year Ended June 30	Ad Valorem Taxes (2)	Sales and Services	Other Taxes and Licenses	Inter- Governmental Unrestricted	Inter- Governmental Restricted	Other Revenue	Total
1989	\$ 3,245,859	\$ 2,336,722	\$ 1,728,611	\$ 1,418,485	\$ 1,135,387	\$ 606,584	\$ 10,471,648
1990	3,995,839	2,356,366	1,892,395	1,546,851	1,338,889	511,992	11,642,332
1991	4,201,916	2,719,137	1,742,530	1,451,578	1,287,122	398,498	11,800,781
1992	4,643,265	2,883,661	1,723,474	1,503,899	1,256,132	397,114	12,407,545
1993	4,800,094	3,193,928	1,860,410	1,488,129	1,106,380	217,288	12,666,229
1994	4,966,902	3,048,637	3,085,375	532,090	1,208,362	443,316	13,284,682
1995	5,224,633	3,166,522	3,295,271	524,737	1,253,385	432,649	13,897,197
1996	5,152,163	2,957,803	3,536,519	519,967	1,024,159	449,339	13,639,950
1997	5,201,366	3,118,713	3,748,121	516,784	3,453,455	1,009,342	17,047,781
1998	6,049,670	3,454,623	3,689,204	698,254	2,757,179	586,328	17,235,258

Source: City of Kinston Finance Department

Notes: (1) Includes general, special revenue and capital project funds

(2) Includes municipal service district

CITY OF KINSTON, NORTH CAROLINA

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (1) Last Ten Fiscal Years

Fiscal Year Ended June 30	Other Taxes						Licenses and Permits	Total
	Ad Valorem (2)	Sales	Intangible	Franchise	Occupancy			
1989	\$ 3,245,859	\$ 1,430,723	\$ 250,501	\$ 802,592	-	\$	47,387	\$ 5,777,062
1990	3,995,839	1,559,192	282,655	921,486	-		50,548	6,809,720
1991	4,127,658	1,458,558	229,016	957,150	-		54,956	6,827,338
1992	4,643,265	1,441,880	219,636	933,453	-		61,958	7,300,192
1993	4,800,094	1,577,036	235,709	971,877	-		47,665	7,632,381
1994	4,966,902	1,809,046	221,979	995,684	-		58,666	8,052,277
1995	5,224,633	1,928,391	220,005	1,010,519	72,999		63,357	8,519,904
1996	5,152,163	1,953,386	207,542	1,203,606	106,037		65,948	8,688,682
1997	5,201,366	2,085,067	209,384	1,254,266	134,226		65,178	8,949,487
1998	6,049,670	2,227,640	225,241	1,049,589	122,883		63,851	9,738,874

Source: City of Kinston Finance Department

Notes: (1) Includes general fund revenue only

(2) Includes penalties and interest

CITY OF KINSTON, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Total Tax Levy
1989	\$ 3,260,872	\$ 3,178,954	97.5%	\$ 43,647	\$ 3,222,601	98.8%
1990	4,003,070	3,917,432	97.9%	79,766	3,997,198	99.9%
1991	4,205,266	4,065,919	96.7%	53,901	4,119,820	98.0%
1992	4,610,004	4,464,606	96.8%	94,120	4,558,726	98.9%
1993	4,733,536	4,583,443	96.8%	109,224	4,692,667	99.1%
1994	4,909,856	4,728,165	96.3%	97,616	4,825,781	98.3%
1995	5,103,866	4,917,585	96.4%	155,890	5,073,475	99.4%
1996	5,034,263	4,823,149	95.8%	165,830	4,988,979	99.1%
1997	5,119,439	4,870,420	95.1%	182,987	5,053,407	98.7%
1998	5,948,636	5,708,362	96.0%	194,379	5,902,741	99.2%

Source: City of Kinston Finance Department

Note: (1) Includes municipal service district

CITY OF KINSTON, NORTH CAROLINA

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Assessed Value (2)	Estimated Actual Value	Percentage of Assessed Value Growth
1989	\$ 542,622,725	(1)	-8.4%
1990	666,678,591	(1)	22.9%
1991	699,827,335	(1)	5.0%
1992	764,925,492	(1)	9.3%
1993	783,182,081	(1)	2.4%
1994	793,302,730	(1)	1.3%
1995	824,872,433	(1)	4.0%
1996	815,628,820	(1)	-1.1%
1997	828,874,289	(1)	1.6%
1998	991,578,151	(1)	19.6%

*Source: City of Kinston Finance Department
Lenoir County Tax Office*

*Notes: (1) Estimated values are 100% of the sound cost value replacement
(2) Citywide values, excluding municipal service district*

CITY OF KINSTON, NORTH CAROLINA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS (PER \$100 OF ASSESSED VALUE)

Last Ten Fiscal Years

Fiscal Year Ended June 30	City Millage	Municipal Service District Millage	Total City Millage	Total County Millage	Total School District Millage
1989	\$ 0.61	\$ 0.27	\$ 0.61	\$ 0.72	\$ 6.50
1990	0.61	0.27	0.61	0.72	6.50
1991	0.61	0.27	0.61	0.77	5.25
1992	0.61	0.27	0.61	0.77	-
1993	0.61	0.27	0.61	0.77	-
1994	0.61	0.27	0.61	0.77	-
1995	0.61	0.27	0.61	0.77	-
1996	0.61	0.27	0.61	0.77	-
1997	0.61	0.27	0.61	0.75	-
1998	0.595	0.27	0.595	0.67	-

Source: City of Kinston Finance Department
Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA

**PROPERTY TAX RATES AND LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Rates			Tax Levies		
	City	County	Total	City	County	Total
1989	\$ 0.61	\$ 0.72	\$ 1.33	\$ 3,260,872	\$ 8,467,230	\$ 11,728,102
1990	0.61	0.72	1.33	4,003,070	11,465,664	15,468,734
1991	0.61	0.77	1.38	4,205,266	13,167,382	17,372,648
1992	0.61	0.77	1.38	4,610,004	14,894,106	19,504,110
1993	0.61	0.77	1.38	4,733,536	14,811,689	19,545,225
1994	0.61	0.77	1.38	4,909,856	15,977,305	20,887,161
1995	0.61	0.77	1.38	5,103,586	17,353,862	22,457,448
1996	0.61	0.77	1.38	5,034,262	18,016,619	23,050,881
1997	0.61	0.75	1.36	5,119,439	18,020,366	23,139,805
1998	0.595	0.67	1.265	5,948,636	18,540,785	24,489,421

Source: *Lenoir County Tax Office*

CITY OF KINSTON, NORTH CAROLINA

PRINCIPAL TAXPAYERS

June 30, 1998

Taxpayer	Nature of Property	Assessed Value	Percentage of Total Assessed Value
VPM, Inc.	Retail	\$ 13,863,969	1.4%
Carolina telephone	Utility	12,827,552	1.3%
Kinston Ham Products, Inc.	Meat Processor	11,390,111	1.1%
Austin Co.	Tobacco Processor	10,246,911	1.0%
Dimon International	Tobacco Processor	10,637,404	1.1%
Excel Realty	Shopping Mall	6,933,119	0.7%
Hampton Industries	Manufacturer	6,573,357	0.7%
Beuhler Products	Manufacturer	6,314,445	0.6%
Barnet Southern Corp	Manufacturer	6,178,927	0.6%
North Carolina Natural Gas Corp	Utility	5,405,063	0.5%
Total Assessed Valuation of Top Ten Taxpayers		90,370,858	9.1%
Balance of Assessed Valuation		901,207,293	90.9%
Total Assessed Valuation		<u>\$ 991,578,151</u>	<u>100.0%</u>

Source: Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1998

Total assessed value		<u>\$ 991,578,151</u>
Debt limitation - 8% of total assessed value		\$ 79,326,252
Debt applicable to limitation:		
Total bonded debt	\$ 15,875,000	
Obligation under notes payable	5,919,766	
Obligation under installment contracts	<u>4,558,136</u>	
Gross debt	26,352,902	
Less - statutory deductions:		
Revenue bonds issued and outstanding for electric purposes	9,655,000	
Revenue bonds issued and outstanding for water purposes	<u>6,220,000</u>	
Total statutory deductions	<u>15,875,000</u>	
Total debt applicable to limitation		<u>10,477,902</u>
Legal debt margin		<u>\$ 68,848,350</u>

CITY OF KINSTON, NORTH CAROLINA

RATIO OF ANNUAL GENERAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest	Total (1)	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Expenditures
1989	\$ 450,000	\$ 137,278	\$ 587,278	\$ 12,756,502	4.60%
1990	450,000	114,203	564,203	13,371,882	4.22%
1991	415,000	90,328	505,328	14,174,344	3.57%
1992	375,000	62,086	437,086	14,074,363	3.11%
1993	360,000	50,228	410,228	15,467,406	2.65%
1994	360,000	31,833	391,833	16,696,728	2.35%
1995	175,000	13,438	188,438	18,156,839	1.04%
1996	150,000	6,000	156,000	18,495,104	0.84%
1997	-	-	-	20,278,563	-
1998	-	-	-	18,713,449	-

Notes: (1) Includes debt service for general obligation bonds for Enterprise Fund and General Long-Term Debt Account group.

(2) Includes General and Special Revenue Funds.

CITY OF KINSTON, NORTH CAROLINA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 1998

<u>Name of Governmental Unit</u>	<u>General Obligation Bonds Outstanding (1)</u>	<u>Percentage Applicable to City of Kinston (2)</u>	<u>City of Kinston's Share of Debt (3)</u>
Direct debt - City of Kinston	\$ -	100.00%	\$ -
Lenoir County debt	<u>10,395,000</u>	35.92%	<u>3,733,884</u>
Total overlapping debt	<u>\$ 10,395,000</u>		<u>\$ 3,733,884</u>

Notes: (1) Includes general obligation bonds for General Long-term Debt Account Group.

(2) Determined by proportion of assessed valuation of property subject to taxation in Lenoir County (\$2,753,654,938) located in City of Kinston (\$991,578,151).

(3) Amount in debt outstanding column multiplied by percentage applicable

CITY OF KINSTON, NORTH CAROLINA

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Value (1)	Construction		Bank Deposits (3)
		Units (2)	Value (2)	
1989	\$ 542,622,725 (4)	280	28,249,535	452,533,000
1990	666,678,591 (4)	293	20,456,346	510,124,000
1991	699,827,335 (4)	219	16,463,698	520,608,000
1992	764,925,492 (4)	242	16,847,253	526,538,000
1993	783,182,081 (4)	264	47,443,108	493,147,000
1994	811,306,805 (4)	456	28,178,970	471,537,000
1995	842,336,146 (4)	490	31,349,949	507,668,000
1996	832,601,605 (4)	271	31,794,645	527,195,000
1997	846,130,255 (4)	265	17,599,789	(5)
1998	1,005,811,456 (4)			(5)

Source: (1) Lenoir County Tax Office
(2) City Inspections Department
(3) First Citizens Bank & Trust - FDIC Summary of Deposit

Notes: (4) Includes municipal service district
(5) Information not presently available

CITY OF KINSTON, NORTH CAROLINA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO
ASSESSED VALUE AND BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Estimated Population (1)	Taxable Property Assessed Value (2)	8% Debt Limit	Gross Bonded Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Property		Per Capita Bonded Debt	
						Assessed Value		Gross	Net
1989	27,400	\$ 542,622,725	\$ 43,409,818	\$ 2,299,000	\$ 265,000	0.05%		\$ 84	\$ 10
1990	27,400	666,678,591	53,334,287	1,849,000	165,000	0.02		67	6
1991	25,295	699,827,335	55,986,187	1,434,000	100,000	0.01		57	4
1992	25,295	764,925,492	61,194,039	1,045,000	75,000	0.001		41	3
1993	25,758	783,182,081	62,654,566	685,000	50,000	0.001		27	2
1994	25,863	811,306,805	64,904,544	325,000	25,000	0.00003		13	1
1995	25,730	842,336,146	67,386,892	150,000	-	-		6	-
1996	25,729	832,601,605	66,608,128	-	-	-		-	-
1997	25,729	813,200,295	65,056,024	-	-	-		-	-
1998	25,729	1,005,811,456	80,464,916	-	-	-		-	-

Source: (1) Provided by North Carolina Office of State Planning

Note: (2) Includes municipal service district

CITY OF KINSTON, NORTH CAROLINA

REVENUE BOND COVERAGE COMBINED ENTERPRISE FUNDS

Last Ten Fiscal years

Fiscal Year Ended June 30			Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
	Gross Revenues (1)	Operating Expenses (2)		Principal	Interest	Total	
1989	\$ 30,571,337	\$ 25,249,728	\$ 5,321,609	-	\$ -	\$ -	-
1990	33,738,520	28,302,308	5,436,212	-	-	-	-
1991	36,508,539	30,997,731	5,510,808	-	-	-	-
1992	38,087,934	33,113,106	4,974,828	-	-	-	-
1993	39,906,505	34,910,008	4,996,497	150,000	200,925	350,925	14.24
1994	43,398,900	36,809,185	6,589,715	210,000	201,533	411,533	16.01
1995	43,154,442	37,330,887	5,823,555	225,000	187,801	412,801	14.11
1996	45,432,937	39,669,640	5,763,297	240,000	137,038	377,038	15.29
1997	41,849,213	37,489,507	4,359,706	495,000	853,151	1,348,151	3.23
1998	43,234,423	39,231,141	4,003,282	590,000	870,462	1,460,462	2.74

Notes: (1) Total revenues including interest.
(2) Total operating expenses exclusive of depreciation.
(3) Includes principal and interest of revenue bonds only.

CITY OF KINSTON, NORTH CAROLINA

DEMOGRAPHIC STATISTICS Last Ten Fiscal years

Fiscal Year Ended June 30	City Population (1)	County Per Capita Income (2)	County Unemployment Rate (3)	City and County School Enrollment (4)	County Retail Sales (5)	Bank Deposits (6)
1989	27,400	\$ 13,343	4.2%	11,097	\$ 513,204,047	\$ 452,533,000
1990	27,400	15,443	3.8%	11,076	498,572,117	510,124,000
1991	25,295	16,257	7.7%	11,023	504,222,805	520,608,000
1992	25,295	18,325	6.7%	10,654	519,024,495	526,538,000
1993	25,758	18,290	7.0%	10,713	545,002,712	493,147,000
1994	25,863	18,255	6.5%	10,400	628,638,734	471,537,000
1995	25,730	18,036	6.2%	10,451	595,789,426	507,668,000
1996	25,729	19,889	6.3%	10,470	671,296,492	527,195,000
1997	25,729	(7)	5.4%	10,200	792,179,860	524,052,000
1998	25,729	(7)	5.3%	10,326	795,347,821	(7)

Source: (1) NC Office of State Planning
 (2) NC Bureau of Economic Analysis
 (3) NC Employment Security Commission
 (4) Lenoir County Board of Education
 (5) NC Department of Revenue - Tax Research Division
 (6) First Citizens Bank & Trust - FDIC Summary of Deposits

Note: (7) Information not presently available

CITY OF KINSTON, NORTH CAROLINA

MISCELLANEOUS STATISTICS

June 30, 1998

Population	25,729
Date of incorporation	1762
Form of Government	Council/Manager
Area (Extra-territorial jurisdiction 45.52sq/mi)	17
Miles of paved street (state maintained 43.63)	115.32
Number of street lights	2,055
Employees	460
Fire Protection:	
Number of stations	3
Number of firemen/officers	65
Police Department:	
Number of stations	3
Number of police/officers	83
Electric Department:	
Number of consumers	12,957
Average daily usage	1580 MWH
Miles of distribution lines	365
Water Department:	
Number of consumers	11,530
Average daily consumption	5.38 MGD
Miles of water mains	199
Sewers:	
Average daily flow	5.5 MGD
Miles of sewer lines	2.98
Parks/Recreation:	
Number of parks	13
Park acreage	278
Golf courses	1
Swimming pools	3
Tennis courts	19
Museum	1
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium
Airport theater	300 seat theater