

CITY OF KINSTON
NORTH CAROLINA



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 1996

CITY OF KINSTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

**PREPARED BY
CITY OF KINSTON FINANCE DEPARTMENT**



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INTRODUCTORY SECTION

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





City of Kinston

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Kinston, North Carolina 28502

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O. A. RITCH, JR.
Mayor

ANTHONY W. BARRETT
City Manager

VERNON H. ROCHELLE
City Attorney

PEGGY D. BOONE
City Clerk

October 29, 1996

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, 1996, 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 Finance 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 1995 report. The financial sections include 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 funds 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 streets 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 to the city. However, the Kinston-Lenoir 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-128, Audits of State and Local Governments. 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 proposed massive business and manufacturing 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 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 and to have a multiplier effect on jobs in the surrounding region and across the State.

MAJOR INITIATIVES

For the Year. Fiscal Year 1995-1996 included the planning and/or implementation phases of several initiatives as well as the continuation or completion of initiatives begun during the previous fiscal year.

The second major module of the new management information system hardware and software was implemented. On January 1, 1996, the payroll module went "live" providing departments with the authority and responsibility to input "hours worked" information directly into the system. Following a testing period, the City implemented a mandatory "direct deposit" payment system. With this system, employees are paid by having the amount of their paycheck "directly deposited" in the bank(s) and account(s) they desire in lieu of having a check written.

In April 1996, the City sold \$16,960,000 of Combined Enterprise System Revenue Bonds. The bonds financed the refunding of approximately \$4,000,000 in previously higher priced utility debt and \$11,875,000 for new utility capital improvements. These improvements include the following principal projects: 1) renovation of the City's water system through well improvements and construction of an additional elevated storage tank, new wells and improved transmission lines, 2) completion of the electrical transmission loop that will reduce the risk of larger scale power losses, and 3) electrical substation addition and improvements to more adequately service customers throughout the region.

Cultural and recreational facilities continued to be enhanced with additional improvements made at the new Barnet Park on Sand Clay Road; the Neuseway Park, which was recently dedicated; and the continuation of work on developing expanded parking facilities around Grainger Stadium.

The City leased cellular antenna space in the East Street water tank of Bell South, Inc., which will

generate \$168,000 in additional revenue over the next 25 years. Additional leases at other City-owned sites are being explored. The arrangement increases cellular coverage and eliminates the need for a separate tower in the central residential area of the City.

The Planning and Development staff is administering 12 community development projects for the City and Lenoir County. The staff is especially proud of the improvements that have been made at the Lewis Center, a keystone to the revitalization of the Lewis School neighborhood where 30 housing units were rehabilitated; two parking lots built; and a circle driveway, a playground and landscaping were installed at Lewis School. The efforts have eliminated blight conditions and crime and restored pride among citizens living and working in the area. The City initiated this work in partnership with the Eastern NC Poverty Committee, NC Department of Commerce, U.S. Department of Housing and Urban Development, Lenoir County Schools and the Kinston Housing Authority.

Mountain Air Cargo, an aircraft industry-affiliated company, opened its new facility in the Global TransPark, the first industry to locate in the new air cargo complex. Work continues with the environmental assessment study scheduled to be completed in late 1996 or early 1997. When the assessment is completed, marketing of the Global TransPark is expected to intensify.

The City Geographic Information System (GIS) as well as engineering design capabilities were enhanced through acquisition of survey-grade GPS receivers and a robotic total station. These devices provide rapid and precise location and elevations of field data for design projects and GIS development.

The Kinston Police Department, in cooperative efforts with the Kinston Housing Authority, has strategically placed closed circuit monitors in and around public housing. This is an effort to reduce crime and give a sense of security to public housing occupants.

In the Future. The next major module of the new management information system software applications to be installed is the utility billing module. The schedule currently calls for the conversion and implementation process to be completed in the first half of 1997. This module will enable numerous improvements that will enhance the City staff's ability to meet customers' service needs. These improvements include: 1) ability of the customers to select individual "due dates" for payment of their monthly utility bills, 2) enhanced itemized billings for customers distributed in private individual envelopes with return payment envelopes provided, and 3) enhanced historical billing data to assist Customer Service Representatives in handling customer needs.

Department Focus. In late 1995, the Lenoir County/City of Kinston Building Inspections and Code Enforcement staff introduced a new program aimed at helping lower income families achieve the opportunity for home-ownership. The program uses the manpower services of inmates from a minimum security correction facility to construct the houses, which are constructed at a cost of approximately \$25,000, supervised by a construction manager from the Building Inspections staff. The homes are then marketed to low-income families that do not have the ability to obtain necessary financing through traditional sources. Any monies that are received in excess of construction cost are put back into the program to assist in funding the cost of additional homes. To date, one home has been completed, with a pending sale to a family displaced by the recent flooding of the Neuse River in conjunction with Hurricane Fran. Three other homes are in varying stages of completion. A portion of the funding for this project is provided through the H.O.P.E. program, under the auspices of the North Carolina Housing Finance Administration. It is hoped that this program will provide an incentive to the private sector to perform this service sometime in the future.

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 judgements 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 proprietary funds are included in the annual appropriated budget. Project length financial plans are adopted for certain special revenue funds (CDBG multi-year funded projects). The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department 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 sources for general governmental functions (General Fund and Special Revenue Funds) for the fiscal year ended June 30, 1996 and the amount percentage of increases and decreases in relation to prior year revenue.

<u>Revenue and Other Financing Sources</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1995 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
Ad valorem taxes	\$ 5,152	30.1	(73)	(1.4)
Sales and services	2,958	17.2	(208)	(6.6)
Other Taxes	3,536	20.6	241	7.3
Intergovernmental:				
Unrestricted	520	3.0	(5)	(1.0)
Restricted	1,274	7.4	21	1.7
Other Revenues	584	3.4	151	34.9
Proceeds from borrowing	998	5.8	(974)	(49.3)
Transfers in	<u>2,149</u>	<u>12.5</u>	<u>(792)</u>	<u>(26.9)</u>
Total	<u>\$ 17,171</u>	<u>100.0%</u>	<u>\$ (1,639)</u>	

The overall decrease in revenues and other financing sources for fiscal year 1995-1996 was 8.7 percent below the prior year. This decrease primarily reflects the net impact of the City's substantial efforts in reducing the transfer of monies from the Enterprise Funds to support general governmental activities and the reduction of borrowed funds, offset by increases in sales taxes due to the continued rebounding of the economy and in investment earnings reflecting increasing interest rates.

Ad valorem taxes continue to be the principal single source of revenues. However, due to the prudent management of the City's assets, the tax rate has remained at \$.61 per \$100 assessed valuation for the last six years.

Collection for the year were 95.8 percent of the current levy, the fifteenth consecutive year the collection rate has exceeded 95 percent.

<u>Expenditures and Other Financing Uses</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1995 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
General Government	\$ 1,238	6.7	(524)	(29.7)
Public Safety	6,832	36.9	67	1.0
Public Works	4,538	24.5	(161)	(3.4)
Parks and Recreation	2,419	13.1	(173)	(6.7)
Planning and Community Development	3,468	18.8	1,156	50.0
Debt Service				
Principal	-----	-----	(25)	(100.0)
Interest			(2)	(100.0)
← Transfer out	-----	-----	(150)	(100.0)
Total	<u>\$ 18,495</u>	<u>100.0%</u>	<u>\$ 188</u>	

Fiscal year 1995-1996 expenditures and other financing uses exceeded the prior fiscal year amount by only one percent, primarily as the result of the City staff's continued effective cost management while facing goods and services cost increases, and the continuation of high service level provision to the citizens.

The expenditures reflect the acquisition of goods and services valued at \$629,400, which were funded from monies carried over from the prior fiscal year. These monies were included in the fund balance figures shown in the prior year report. In addition, acquisitions totaling approximately \$520,000 were made during the year that will be reimbursed through borrowed proceeds in the following year.

General Fund Balance. Fund balance in the General Fund at June 30, 1996 was \$3,523,594 and 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 slowdowns in the economy.

Enterprise Operations. 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 and Sewer Funds.

Total fund equity of the Electric Fund at June 30, 1996 was \$15,773,278, a 8.5 percent increase over the total fund equity at June 30, 1995. Net income for FY1996 was \$79,703. The net income is primarily the result of management's cost containment efforts and demand side management activities aimed at reducing the overall purchased power costs of the City.

Total fund equity of the Water and Sewer Fund at June 30, 1996 was \$20,029,120, a 6.9 percent increase over the total fund equity at June 30, 1995. Net income for FY1996 was \$1,255,042, which is attributable to the full-year effect of water and sewer rate increases implemented in February 1995 and the initial impact of the water and sewer rate increases implemented in February 1996.

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 deficit for the Internal Service Fund at June 30, 1996 was \$5,926.

Agency Fund. The City maintains one agency fund to account for assets held for City employees in accordances with the provisions of Internal Revenue Code Section 457. The assets of this fund at June 30, 1996, totaled \$49,696.

Debt Administration. There are no outstanding general obligation bonds at June 30, 1996.

The ratio of net bonded debt to assessed valuation and the amount of gross bonded debt per capita as shown within this report are useful indicators to City management, citizens, and investors of the City's debt position. At June 30, 1996, the legal debt margin of the City was \$55,343,331.

Cash Management. During the year, temporarily idle cash was invested in certain U. S. Government Agency securities, certain commercial paper and banker's acceptances, as well as in the North Carolina Capital Management Trust, and SEC registered mutual fund. The average yield on investments was approximately 6.0 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 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 or aggregate claims in excess of \$250,000 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 States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1995. 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. I believe our current report continues to conform to the Certificate of Achievement program requirements, and the City will be submitting it to the GFOA.

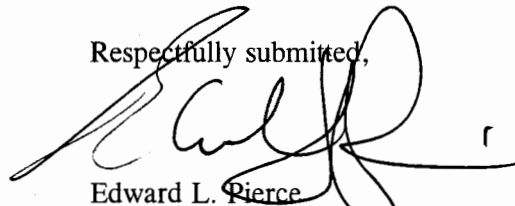
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial transactions. In addition, the Federal Single Audit Act of 1984 and the State Single Audit Implementation Act require annual independent audits of the City's compliance with the applicable laws and regulations related to certain financial assistance received by the City. The independent auditor's report on the 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 Finance Department staff. Each member of the department has my 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.

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

In closing, I would like to express my appreciation to the Mayor, City Council and the City Manager, for their leadership, interest, and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Edward L. Pierce
Director of Finance & Administration

CITY OF KINSTON, NORTH CAROLINA

**LIST OF PRINCIPAL OFFICERS
JUNE 30, 1996**

CITY COUNCIL

**O.A. RITCH, JR.
Mayor**

JAN BARWICK

JOHNNIE MOSLEY

**ELIZA WORTHINGTON
Mayor Pro Tem**

R. VAN BRAXTON

WAYNE D. MALONE

CITY ADMINISTRATION

**ANTHONY W. BARRETT
City Manager**

**ERVIN KEATON, JR.
Assistant City Manager**

**MICHAEL WIGHTMAN
Police Chief**

**ANTHONY KELLY
Fire Chief**

**RONALD WICKER
Director of Public Utilities**

**JAMES T. PRATT
Director of Public Works**

**JAMES TYER
Director of Recreation**

**ROBERT CLARK
Director of Planning and
Community Development**

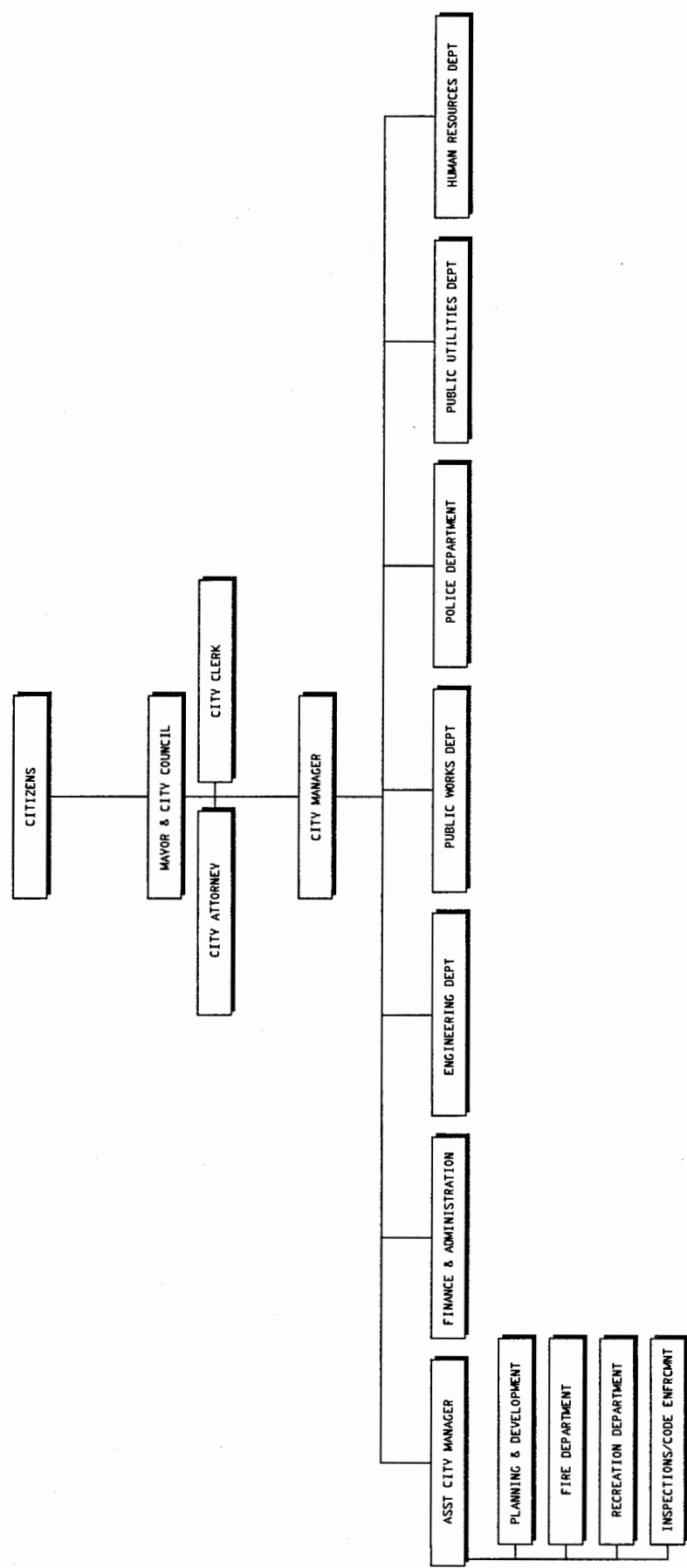
**KARL MUNSON
Director of Human Resources**

**CLARENCE LOCKAMY
City Engineer**

**EDWARD L. PIERCE
Director of Finance and
Administration**

**THOMAS LEE
Director of Inspections**

CITY OF KINSTON, NORTH CAROLINA 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, 1995

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.



Timothy H. Rivdan
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, 1996, 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 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, 1996, 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 a report dated October 11, 1996 on our consideration of City of Kinston's internal control structure and a report dated October 11, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The 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
October 11, 1996

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, 1996

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
ASSETS AND OTHER DEBIT				
Assets:				
Cash and investments	\$ 2,806,827	\$ 201,302	\$ 3,589,038	\$ 80,627
Receivables:				
Due from other funds	-	42,309	-	-
Due from government agencies	-	52,808	-	-
Accounts receivable	1,718,201	-	842,492	948
Taxes receivable	535,213	-	-	-
Customer receivables, net	240,783	-	5,457,296	-
Interest receivable	4,511	-	22,586	-
Inventories	196,153	-	1,564,411	-
Bond issuance costs	-	-	521,116	-
Restricted investments	-	-	12,229,121	-
Investment in direct financing lease	-	-	952,192	-
Fixed assets	-	-	39,131,231	33,004
Other debit:				
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debit	<u>\$ 5,501,688</u>	<u>\$ 296,419</u>	<u>\$ 64,309,483</u>	<u>\$ 114,579</u>
LIABILITIES, EQUITY AND OTHER CREDIT				
Liabilities:				
Due to other funds	\$ -	\$ 42,309	\$ -	\$ -
Accounts payable and accrued liabilities	889,365	-	4,453,088	118,531
Deferred compensation benefits payable	-	-	-	-
Deferred revenue	1,088,729	-	21,475	-
Customer deposits	-	-	549,968	-
Accrued compensated absences	-	-	165,255	1,974
Police separation allowance	-	-	-	-
Long-term debt	-	-	23,317,299	-
Total liabilities	<u>1,978,094</u>	<u>42,309</u>	<u>28,507,085</u>	<u>120,505</u>
Equity and other credit:				
Contributed capital	-	-	2,614,060	-
Investment in general fixed assets	-	-	-	-
Retained earnings (deficit)	-	-	33,188,338	(5,926)
Fund balances:				
Reserved for inventories	196,153	-	-	-
Reserved by State statute	1,418,810	71,550	-	-
Reserved for encumbrances	285,422	-	-	-
Unreserved:				
Designated for subsequent year's expenditures	190,300	-	-	-
Undesignated	1,432,909	182,560	-	-
Total equity and other credit	<u>3,523,594</u>	<u>254,110</u>	<u>35,802,398</u>	<u>(5,926)</u>
Total liabilities, equity, and other credit	<u>\$ 5,501,688</u>	<u>\$ 296,419</u>	<u>\$ 64,309,483</u>	<u>\$ 114,579</u>

See Notes to General Purpose Financial Statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Agency	General Fixed Assets	General Long-Term Debt	
\$ 49,696	\$ -	\$ -	\$ 6,727,490
-	-	-	42,309
-	-	-	52,808
-	-	-	2,561,641
-	-	-	535,213
-	-	-	5,698,079
-	-	-	27,097
-	-	-	1,760,564
-	-	-	521,116
-	-	-	12,229,121
-	-	-	952,192
-	19,271,697	-	58,435,932
-	-	4,299,336	4,299,336
<u>\$ 49,696</u>	<u>\$ 19,271,697</u>	<u>\$ 4,299,336</u>	<u>\$ 93,842,898</u>
\$ -	\$ -	\$ -	\$ 42,309
-	-	-	5,460,984
49,696	-	-	49,696
-	-	-	1,110,204
-	-	-	549,968
-	-	666,534	833,763
-	-	83,126	83,126
-	-	3,549,676	26,866,975
<u>49,696</u>	<u>-</u>	<u>4,299,336</u>	<u>34,997,025</u>
-	-	-	2,614,060
-	19,271,697	-	19,271,697
-	-	-	33,182,412
-	-	-	196,153
-	-	-	1,490,360
-	-	-	285,422
-	-	-	190,300
-	-	-	1,615,469
-	19,271,697	-	58,845,873
<u>\$ 49,696</u>	<u>\$ 19,271,697</u>	<u>\$ 4,299,336</u>	<u>\$ 93,842,898</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, 1996**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memoran- dum Only)</u>
Revenue:			
Ad valorem taxes	\$ 5,152,163	\$ -	\$ 5,152,163
Sales and services	2,957,803	-	2,957,803
Other taxes	3,536,519	-	3,536,519
Intergovernmental revenue:			
Unrestricted	519,967	-	519,967
Restricted	1,024,160	250,138	1,274,298
Other	449,338	134,170	583,508
Total revenue	<u>13,639,950</u>	<u>384,308</u>	<u>14,024,258</u>
Expenditures:			
Current:			
General government	1,237,584	-	1,237,584
Public safety	6,832,396	-	6,832,396
Public works	4,537,956	-	4,537,956
Parks and recreation	2,419,057	-	2,419,057
Planning and community development	3,165,788	302,323	3,468,111
Total expenditures	<u>18,192,781</u>	<u>302,323</u>	<u>18,495,104</u>
Revenue over (under) expenditures	<u>(4,552,831)</u>	<u>81,985</u>	<u>(4,470,846)</u>
Other financing sources (uses):			
Operating transfers in	2,148,900	-	2,148,900
Proceeds from borrowings	997,580	-	997,580
Total other financing sources	<u>3,146,480</u>	<u>-</u>	<u>3,146,480</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>(1,406,351)</u>	<u>81,985</u>	<u>(1,324,366)</u>
Fund balances, beginning	<u>4,929,945</u>	<u>172,125</u>	<u>5,102,070</u>
Fund balances, ending	<u>\$ 3,523,594</u>	<u>\$ 254,110</u>	<u>\$ 3,777,704</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, 1996

	General Fund		Variance, Favorable (Unfavorable)
	Budget	Actual	
Revenue:			
Ad valorem taxes	\$ 5,224,200	\$ 5,152,163	\$ (72,037)
Sales and services	3,096,700	2,957,803	(138,897)
Other taxes	3,512,500	3,536,519	24,019
Intergovernmental revenue:			
Unrestricted	523,300	519,967	(3,333)
Restricted	1,073,400	1,024,160	(49,240)
Other	503,400	449,338	(54,062)
Total revenue	13,933,500	13,639,950	(293,550)
Expenditures:			
Current:			
General government	1,416,600	1,237,584	179,016
Public safety	7,007,100	6,832,396	174,704
Public works	4,946,200	4,537,956	408,244
Parks and recreation	2,452,600	2,419,057	33,543
Planning and community development	3,150,800	3,165,788	(14,988)
Total expenditures	18,973,300	18,192,781	780,519
Revenue over (under) expenditures	(5,039,800)	(4,552,831)	486,969
Other financing sources (uses):			
Operating transfers in	2,683,600	2,148,900	(534,700)
Proceeds from borrowings	1,802,600	997,580	(805,020)
Total other financing sources	4,486,200	3,146,480	(1,339,720)
Revenue and other financing sources over expenditures	\$ (553,600)	(1,406,351)	\$ (852,751)
Fund balances, beginning		4,929,945	
Fund balances, ending		<u>\$ 3,523,594</u>	

See Notes to General Purpose Financial Statements.

Certain Special Revenue Funds		
Budget	Actual	Variance, Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	12,379	12,379
150,000	134,170	(15,830)
150,000	146,549	(3,451)
-	-	-
-	-	-
-	-	-
-	-	-
150,000	64,933	85,067
150,000	64,933	85,067
-	81,616	81,616
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	81,616	<u>\$ 81,616</u>
	<u>135,403</u>	
	<u>\$ 217,019</u>	

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, 1996**

	Enterprise Fund	Internal Service Fund	Total (Memoran- dum Only)
Operating Revenue:			
Charges for services	\$ 44,257,967	\$ -	\$ 44,257,967
Other	384,342	431,200	815,542
Total operating revenue	44,642,309	431,200	45,073,509
Operating Expenses:			
Electrical operations	34,681,886	-	34,681,886
Administration	2,689,983	209,360	2,899,343
Depreciation	1,559,112	2,751	1,561,863
Amortization	19,409	-	19,409
Water and sewer operations	784,601	-	784,601
Wastewater plant operations	977,790	-	977,790
Water production	515,971	-	515,971
Claims reimbursements	-	158,049	158,049
Total operating expenses	41,228,752	370,160	41,598,912
Operating income	3,413,557	61,040	3,474,597
Nonoperating Revenue (Expenses):			
Interest earned on investments	486,003	-	486,003
1/2% local sales tax	153,178	-	153,178
Interest on long-term debt	(720,540)	-	(720,540)
Other	151,447	-	151,447
Total nonoperating revenue	70,088	-	70,088
Income before operating transfers	3,483,645	61,040	3,544,685
Operating Transfers:			
Operating transfers in	91,300	-	91,300
Operating transfers out	(2,240,200)	-	(2,240,200)
Total operating transfers	(2,148,900)	-	(2,148,900)
Net income	1,334,745	61,040	1,395,785
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	74,688	-	74,688
Increase in retained earnings	1,409,433	61,040	1,470,473
Retained earnings (deficit), beginning	31,778,905	(66,966)	31,711,939
Retained earnings (deficit), ending	\$ 33,188,338	\$ (5,926)	\$ 33,182,412

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, 1996**

	Enterprise Fund	Internal Service Fund	Total (Memoran- dum Only)
Cash Flows from Operating Activities:			
Operating income	\$ 3,413,557	\$ 61,040	\$ 3,474,597
Adjustments to reconcile operating income to net cash provided by operating activities:			
Other income	304,625	—	304,625
Depreciation	1,559,112	2,751	1,561,863
Amortization	19,409	—	19,409
Change in assets and liabilities:			
Allowance for uncollectible accounts	12,850	—	12,850
Customer receivables	(878,031)	—	(878,031)
Accounts receivable	(560,928)	82	(560,846)
Customer deposits	41,178	—	41,178
Inventories	(322,701)	—	(322,701)
Accounts payable	747,069	458	747,527
Deferred revenue	2,919	—	2,919
Accrued compensated absences	15,940	—	15,940
Net cash provided by operating activities	<u>4,354,999</u>	<u>64,331</u>	<u>4,419,330</u>
Cash Flows from Noncapital Financing Activities:			
Operating transfers from other funds	91,300	—	91,300
Operating transfers to other funds	(2,240,200)	—	(2,240,200)
Net cash used for noncapital financing activities	<u>(2,148,900)</u>	<u>—</u>	<u>(2,148,900)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(9,817,763)	(4,875)	(9,822,638)
Principal paid on general obligation bonds and equipment contracts	(5,288,374)	—	(5,288,374)
Interest paid on general obligation bonds and equipment contracts	(583,035)	—	(583,035)
Proceeds from borrowing	19,982,587	—	19,982,587
Bond issuance costs	(521,116)	—	(521,116)
Net cash provided by (used for) capital and related financing activities	<u>3,772,299</u>	<u>(4,875)</u>	<u>3,767,424</u>

CITY OF KINSTON, NORTH CAROLINA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 1996
(Page 2 of 2)

	Enterprise Fund	Internal Service Fund	Total (Memoran- dum Only)
Cash Flows from Investing Activities:			
Investment in direct financing lease principal received	\$ 136,726	\$ -	\$ 136,726
Interest and dividends on investments	597,497	-	597,497
Net cash provided from investing activities	<u>734,223</u>	<u>-</u>	<u>734,223</u>
Net increase in cash and cash equivalents	6,712,621	59,456	6,772,077
Cash and cash equivalents, beginning (including restricted amounts)	<u>9,105,538</u>	<u>21,171</u>	<u>9,126,709</u>
Cash and cash equivalents, ending (including restricted amounts)	<u>\$ 15,818,159</u>	<u>\$ 80,627</u>	<u>\$ 15,898,786</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 not 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 promoting the general welfare of the citizens of the City of Kinston by 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 for the use and benefit of the general public. Because of its specific purpose, 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 three 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, the Community Development Lewis School Special Grant Fund, the Lewis School Revitalization Project Fund, the Lewis School HD-1 Grant Fund, the Hicks Street Grant Fund, and the SF Rehab Grant Fund are all Special Revenue Funds of the City.

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 Agency Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. The City has one agency fund, the Deferred Compensation Fund, which accounts for assets held for City employees participating in the City's deferred compensation plan created pursuant to Internal Revenue Code Section 457.

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.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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. Principal and interest on general long-term debt are recorded as fund liabilities when due.

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 subsequent 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, 1995 through February, 1996 apply to the fiscal year ended June 30, 1996. 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, 1996 through the fiscal year-end apply to the 1996-97 fiscal year and are not shown as receivables at June 30, 1996. 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, 1996 because they are intended to finance the City's operations during the 1996-1997 fiscal year.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 (CDBG multi-year funded projects) 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 resources of the individual funds are combined to form a pool of cash 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.

North Carolina General Statutes authorize the City to invest in obligations of the U.S 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 mutual fund.

Investments are ~~stated~~ ^{valued} at the lower of cost, amortized cost or market, except for the deferred compensation plan investments which are carried at market value.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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. 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 the 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.

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.

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.

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 acquiring fund. 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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	40 years
Equipment	3 - 15 years

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 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, 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 financed 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 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.

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, 1997.

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 the statement of cash flows, the City considers all of its deposits in the pool (including restricted cash) to be cash equivalents.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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.

Expenditures may not legally exceed appropriations at the functional level for all 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.

Excess of Expenditures Over Appropriations in Individual Funds

The City has overexpended its budget authority at the legal level of control as follows:

General Fund

Planning and development	\$ 23,205
Economic development	4,114
Engineering and public facilities	20,026
	<u>\$ 47,345</u>

Electric Fund

Total expenditures	<u>\$ 2,624,529</u>
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Water and Sewer Fund

Total expenditures	<u>\$ 721,114</u>
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Deficit Balance

The City has a deficit in the Internal Service Fund of \$5,926 as of June 30, 1996. The deficit will be funded by future contribution adjustments from other participating funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 3. Cash and Investments

Cash

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

Petty cash	\$ 3,750
Cash on deposit	583,612
Investments	<u>6,140,128</u>
Cash and investments	6,727,490
Restricted money market funds	<u>12,229,121</u>
Total cash and investments	<u>\$ 18,956,611</u>

Deposits

2279346 At year end, the carrying amount of the City's deposits was \$583,612 and the bank balance was \$505,850. Under North Carolina General Statute, 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, \$100,000 was covered by federal depository insurance and \$405,850 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

2,178,473

200,000

2,078,846

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

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	Carrying Amount	Market Value
U.S. Government Agencies	\$ 2,786,510	\$ 2,786,510	\$ 2,830,000
Commercial Paper	3,172,881	3,172,881	3,172,881
	<u>\$ 5,959,391</u>	5,959,391	6,002,881
Money market funds, held by bond trustee		12,229,121	12,229,121
The North Carolina Capital Management Trust		180,737	180,737
Total investments		<u>\$ 18,369,249</u>	<u>\$ 18,412,739</u>

The North Carolina Capital Management Trust and the money market funds held by the bond trustee are exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of these funds.

Note 4. Interfund Transactions and Balances

The following is a detailed schedule of interfund transfers for the year ended June 30, 1996:

Operating Transfers In	Operating Transfers Out		Total
	Electric Fund	Water and Sewer Fund	
General Fund	\$ 1,831,800	\$ 317,100	\$ 2,148,900
Enterprise Electric Fund	-	91,300	91,300
Total	<u>\$ 1,831,800</u>	<u>\$ 408,400</u>	<u>\$ 2,240,200</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 4. Interfund Transactions and Balances (Continued)

Amounts due from/to other funds at June 30, 1996 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Lewis School Special Grant	\$ 18,742
	Community Development Lewis School HD-1	4,197
	Community Development Hicks Street	19,370
		<u>\$ 42,309</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	\$ 289,417
Water and Sewer Fund	45,618
	<u>\$ 335,035</u>

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 three 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, 1996.

Fiscal Year Ending June 30,	Enterprise Fund
1997	\$ 261,525
1998	261,525
1999	261,525
2000	186,844
2001	90,022
Total Payments	<u>1,061,441</u>
Less: Amount representing interest	109,249
Present value of future minimum lease payments	<u>\$ 952,192</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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, 1995	Additions and Transfers	Disposals	Balance at June 30, 1996
Land and buildings	\$ 8,500,597	\$ 392,924	\$ 9,500	\$ 8,884,021
Equipment and vehicles	10,107,288	995,931	715,543	10,387,676
	<u>\$ 18,607,885</u>	<u>\$ 1,388,855</u>	<u>\$ 725,043</u>	<u>\$ 19,271,697</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 1996:

	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	19,468
Distribution system	15,119,469	23,377,119	38,496,588	-
Equipment	1,765,442	1,782,393	3,547,835	25,128
Construction in progress	3,939,592	5,588,795	9,528,387	-
	24,703,654	34,367,201	59,070,855	44,596
Less accumulated depreciation	(9,119,918)	(10,819,706)	(19,939,624)	(11,592)
Net fixed assets	<u>\$ 15,583,736</u>	<u>\$ 23,547,495</u>	<u>\$ 39,131,231</u>	<u>\$ 33,004</u>

Note 8. Long-Term Debt

Changes in Long-term Liabilities

During the year ended June 30, 1996, the following changes occurred in liabilities reported in the general-long term debt account group and the enterprise funds:

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

General Long-Term Debt Account Group:

	Balance at July 1, 1995	Additions	Reductions	Balance at June 30, 1996
Compensated absences	\$ 649,455	\$ 17,079	\$ -	\$ 666,534
Police separation allowance	68,863	14,263	-	83,126
Installment contracts	3,327,394	997,580	775,298	3,549,676
	<u>\$ 4,045,712</u>	<u>\$ 1,028,922</u>	<u>\$ 775,298</u>	<u>\$ 4,299,336</u>

Enterprise Funds:

	Balance at July 1, 1995	Additions	Reductions	Balance at June 30, 1996
General obligation bonds	\$ 150,000	\$ -	\$ 150,000	\$ -
Revenue bonds	2,815,000	16,960,000	2,815,000	16,960,000
Notes payable	2,478,284	2,371,857	189,692	4,660,449
Installment contracts	3,179,802	650,730	2,133,682	1,696,850
	<u>\$ 8,623,086</u>	<u>\$ 19,982,587</u>	<u>\$ 5,288,374</u>	<u>\$ 23,317,299</u>

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service.

On April 15, 1996, the City issued \$16,960,000 in Combined Enterprise System Revenue Bonds, series 1996, with the interest rates ranging from 3.40% to 5.30%. A portion of the proceeds of the 1996 bonds was applied by the City to refund the entire outstanding principal amount of \$2,635,000 of its Combined Enterprise System Revenue Bonds, Series 1992 at a redemption price of \$265,225. Also, a portion of the proceeds of the 1996 bonds was applied by the City to prepay in full a Utilities Facilities Lease Agreement dated December 1, 1998 in the amount of \$1,660,000. This liability was satisfied through a repayment option amounting to \$1,677,450.

The City completed the advance refunding to reduce its total debt service payments over the next 8 years by \$138,254, which results in an economic gain (difference between the present values of the old and the new debt service payments) of approximately \$100,000. A loss of \$34,700 was recorded in 1996 which reflected the difference between the amount paid to refund these debts and the liabilities recorded in the financial statements prior to the refunding. This amount was recorded as debt service expense and was not considered material for extraordinary loss presentation.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Revenue bonds outstanding at June 30, 1996 are as follows:

Enterprise Funds:

Water and Sewer Fund:

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

\$ 6,645,000

Electric Fund:

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

10,315,000

Total Revenue Bonds

\$ 16,960,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
1997	\$ 495,000	\$ 853,151	\$ 1,348,151
1998	590,000	870,842	1,460,842
1999	630,000	844,292	1,474,292
2000	770,000	816,571	1,586,571
2001	910,000	781,921	1,691,921
Thereafter	13,565,000	8,555,646	22,120,646
Total	<u>\$ 16,960,000</u>	<u>\$ 12,722,423</u>	<u>\$ 29,682,423</u>

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.

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CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
1997	\$ 349,936	\$ 139,349	\$ 489,285
1998	352,269	126,509	478,778
1999	354,834	115,311	470,145
2000	357,657	103,854	461,511
2001	360,762	92,116	452,878
Thereafter	2,884,991	332,182	3,217,173
Total	<u>\$ 4,660,449</u>	<u>\$ 909,321</u>	<u>\$ 5,569,770</u>

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 7.41 percent.

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
1997	\$ 989,530	\$ 179,010	\$ 432,439	\$ 77,200	\$ 1,421,969	\$ 256,210
1998	875,749	128,389	426,728	55,526	1,302,477	183,915
1999	629,763	88,894	410,818	34,750	1,040,581	123,644
2000	420,773	61,746	287,766	15,093	708,539	76,839
2001	264,741	41,011	139,099	4,882	403,840	45,893
Thereafter	369,120	53,753	-	-	369,120	53,753
	<u>\$ 3,549,676</u>	<u>\$ 552,803</u>	<u>\$ 1,696,850</u>	<u>\$ 187,451</u>	<u>\$ 5,246,526</u>	<u>\$ 740,254</u>

Installment contracts of the general long-term debt account group will be repaid from the general fund. Of the enterprise fund installment contracts, \$491,117 will be repaid from the water and sewer fund and \$1,205,733 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, 1996, the legal debt limit for the City was \$65,250,306 providing a legal debt margin of \$55,343,331.

At June 30, 1996, the City has no authorized bonds remaining to be issued.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 9. Contributed Capital

During the year, contributed capital had the following changes:

<u>Source</u>	<u>Water and Sewer Fund</u>
Contributed capital, July 1, 1995	<u>\$ 2,688,748</u>
Depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction	<u>(74,688)</u>
Contributed capital, June 30, 1996	<u><u>\$ 2,614,060</u></u>

Note 10. Deferred Revenue

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

	<u>General Fund</u>	<u>Enterprise Fund</u>
Prepaid taxes not yet earned	\$ 7,962	\$ -
Prepaid privilege licenses not yet earned	869	-
Property taxes receivable	535,213	-
Property taxes receivable - automobiles	89,439	-
Paving Assessments	214,463	-
Refuse fees receivable	240,783	-
Repayment agreements	-	21,475
	<u>\$ 1,088,729</u>	<u>\$ 21,475</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, 1996, is presented below.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**Note 11. Segment Information (Continued)**

	Electric Fund	Water and Sewer Fund	Total
Operating revenue	\$ 38,620,148	\$ 6,022,161	\$ 44,642,309
Nonoperating revenue	62,685	7,403	70,088
1/2% sales tax refund	-	153,178	153,178
Depreciation	732,711	826,401	1,559,112
Amortization	15,139	4,270	19,409
Operating income	1,757,518	1,656,039	3,413,557
Operating transfers in	91,300	-	91,300
Operating transfers out	(1,831,800)	(408,400)	(2,240,200)
Net income	79,703	1,255,042	1,334,745
Decrease in contributed capital	-	74,688	74,688
Fixed assets:			
Additions	4,444,187	5,373,576	9,817,763
Working capital	10,136,489	7,766,074	17,902,563
Total assets	31,148,790	33,160,693	64,309,483
Bonds and other long-term liabilities			
payable from operating revenue	11,520,733	11,796,566	23,317,299
Total fund equity	15,773,278	20,029,120	35,802,398
	27,294,011		

Note 12. Employee Retirement Systems

The City participates in four retirement systems established by North Carolina General Statutes:

North Carolina Local Governmental Employee's Retirement System

All permanent full-time City of Kinston employees participate in the state-wide North Carolina Local Governmental Employee's Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan. The System is administered by the State. The City's payroll for employees covered by the System for the year ended June 30, 1996 was \$11,154,986; the City's total payroll was \$11,222,208.

The System provides retirement and disability benefits. After five (5) years of creditable service, employees qualify for a vested deferred benefit.

Employees not engaged in law enforcement may retire with unreduced retirement benefits under the following conditions:

- 1) complete 30 years of creditable service, or
- 2) reach age 65 with 5 years of creditable service, or
- 3) reach age 60 with 25 years of creditable service.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

Law enforcement officers may retire with unreduced retirement benefits after completing 30 years of creditable service or after reaching age 55 and completing 5 years of creditable service. Employees retiring under any of these conditions are entitled to annual retirement benefits equal to 1.72 percent of their average final compensation times their years of creditable service. Average final compensation is the average of an employee's four highest paid years in a row.

Employees may retire with reduced benefits under the following conditions:

- 1) employees not engaged in law enforcement who reach age 50 and complete 20 years of creditable service or reach age 60 and complete 5 years of creditable service, or
- 2) law enforcement officers who reach age 50 and complete 15 years of creditable service, or
- 3) firemen who reach age 55 and complete 5 years of creditable service

Covered employees are required by State statute to contribute 6.00 percent of their salary to the System. The City is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 1996, was \$1,212,246, which consisted of \$669,331 from employees and \$542,915 from the City; the City's required contributions for employees not engaged in law enforcement and for law enforcement officers represents 5.00 percent and 4.32 percent of covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation for the System as a whole at December 31, 1995, the date of the System's latest available actuarial valuation, was \$4,913,727,000. The System's net assets available for benefits on that date (at cost) were \$5,411,167,000, leaving net assets in excess of the pension benefit obligation of \$497,440,000. The City's 1996 contribution represented less than one percent of total contributions required of all participating employers.

Ten year historical trend information showing the System's revenue by source and expense by type will be presented in the State of North Carolina's June 30, 1996 Comprehensive Annual Financial Report (CAFR). The State's CAFR also will present prospective trend information showing the System's progress in accumulating sufficient assets to pay benefits when due.

Law Enforcement Officers' Special Separation Allowance

The City is the administrator of a single employer, defined benefit, public employee retirement system (System) established by the City effective January 1, 1987 to provide special separation benefits to law enforcement officers. The City's payroll for employees covered by the System for the year ended June 30, 1996, was \$2,270,736. The City's total payroll was \$11,222,208. The City funds benefit payments when due and records these payments as General Fund expenditures.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

All full-time City law enforcement officers are covered by the System. At June 30, 1996, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	7
Current employees:	
Vested	0
Nonvested	81
	<hr/>
Total	87
	<hr/>

The System provides separation benefits to all full-time City law enforcement officers who meet the following:

- 1) have (i) completed 30 or more years of creditable service or, (ii) have attained 55 years of age and completed 5 or more years of creditable service; and
- 2) have not attained 62 years of age; and
- 3) have completed at least 5 years of continuous service as a law enforcement officer immediately preceding a service retirement.

"Creditable service" means that service for which credit is allowed under the retirement system of which the officer is a member, provided, that at least 50 percent of the service is as a law enforcement officer.

The qualified law enforcement officers are entitled to an annual retirement benefit of .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the covered employee for each year of creditable service. The retirement benefits are paid monthly in equal installments. Payments to retired officers cease at their death or on the last day of the month in which the officer attains 62 years of age or upon the first day of reemployment by any State department, agency or institution.

The City is required by State statute to provide these special separation benefits and has chosen not to fund the amount necessary to cover the benefits earned using the actuarial basis described in the following section; rather, the City is funding benefit payments when due and the difference between the actuarially determined required contribution and the amount actually funded is included as a liability in the General Long-Term Debt Account Group.

The amount shown below as the "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effect of projected salary increases and step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1995. Significant actuarial assumptions used in the valuation include (a) an annual rate of return on the investment of present and future assets of 7.5 percent compounded annually, (b) projected annual salary increases of 5.0 percent compounded annually, attributable to inflation, and (c) additional projected annual salary increases of 4.7 percent to 8.5 percent attributable to merit or seniority.

At December 31, 1995, the unfunded pension benefit obligation was \$417,893 as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 196,733
Current employees:	
Employer - financed - vested	-
Employer - financed - nonvested	221,160
	<hr/>
Total pension benefit obligation	417,893
Net assets available for benefits	-
	<hr/>
Unfunded pension benefit obligation	<u>\$ 417,893</u>

The contribution rate for normal cost is determined using the credited projected unit credit cost actuarial funding method. The System uses the level percent of payroll method to amortize the unfunded liability over a closed 30-year period.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

The actuarially determined required contribution to the System for the year ended June 30, 1996 was \$59,233; the amount funded by the City was \$44,970 (1.98 percent of covered payroll). The cumulative difference as of June 30, 1996 between actuarially determined contributions and the amount funded by the City is included as a liability in the General Long-Term Debt Account Group. The City contributed 100 percent of the contributions to the System.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is being developed in the City's Comprehensive Annual Financial Report and is presented for as many years as the standardized measure of pension benefit obligation is available. For the three years ended June 30, 1996, there were no assets available to fund the pension benefit obligation. The unfunded pension benefit obligation represented 18.41, 15.52 and 14.77 percent of the annual payroll for employees covered by the System for years ended 1994, 1995, and 1996, respectively. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three years ended 1994, 1995 and 1996, the City's contributions to the System, all made to fund benefits when due, were 1.74, 2.03 and 1.98 percent, respectively, of annual covered payroll.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

Supplemental Retirement Income Plan for Law Enforcement Officers

All law enforcement officers employed by the City participate in the Supplemental Retirement Income Plan, a defined contribution 401(K) pension plan. Participation begins at the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. State statute requires that the City contribute each month an amount equal to 5 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.

The City's contributions were calculated using a covered payroll amount of \$2,270,736. Total contributions for the year ended June 30, 1996, were \$190,475 which consisted of \$108,804 from the City and \$81,671 from the law enforcement officers. The City's required contributions and the officers' voluntary contributions represented approximately 4.79 percent and 3.60 percent of the covered payroll amount, respectively.

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, 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.

Subject only to the claims of the City's general creditors, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are - until paid or made available to the employee or other beneficiary - solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of a general creditor of the City in an amount equal to the fair market value of the deferred account for each participant.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the plan's trustee under several investment options, or a combination thereof. The choice of the investment options is made by the participants.

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 \$4 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 1996 those costs totaled \$42,470.

Note 13. Budget to GAAP Reconciliation

For the fiscal year ended June 30, 1996, 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 over expenditures, budgetary basis	\$ 81,616
To record excess of revenues over expenditures for the following fund which has multi-year budgets:	
Special Revenue Fund	
Community Development Lewis School Special Grant	(18,742)
Community Development Lewis School Revitalization	(26,118)
Community Development Lewis School HD-1	3,432
Community Development Hicks Street	2,184
Community Development SF Rehab	39,613
Revenues over expenditures, GAAP basis	\$ 81,985

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 an aggregate in excess of \$250,000. A total of \$158,049 in claims was incurred for benefits during fiscal year 1996.

Claims liability

	1995	1996
Unpaid claims, beginning of fiscal year	\$ 63,355	\$ 118,073
Incurred claims (including claims incurred but not reported as of June 30, 1996)	172,698	158,507
Payments	(117,980)	(158,049)
Unpaid claims, end of fiscal year	<u>\$ 118,073</u>	<u>\$ 118,531</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 and Contingencies

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 and Contingencies (Continued)

In the opinion of City management, the City will be able to purchase power from the Agency, during the term of the contract, at a price less than it would have been able to purchase power from CP&L.

The City had commitments of approximately \$1,388,000 in the water and sewer fund and approximately \$1,887,000 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 and operating revenues of the respective funds during the 96/97 fiscal year end.

Claims and judgments

At June 30, 1996, the City was a defendant in various lawsuits; 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.

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 \$6,956 to the Council during the fiscal year ended June 30, 1996.

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, 1996 were \$32,257,959.

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 \$52,500 to the Commission during the year ended June 30, 1996.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 16. Jointly Governed Organizations (Continued)

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, 1996.

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, 1996. During the year ended June 30, 1996, the City provided \$171,000 to the Library. Separate financial statements of the library are available at the library address of 510 North Queen Street, Kinston, North Carolina 28501.

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 \$232,300 to the Airport during the fiscal year ended June 30, 1996. 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, 1996. 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.



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**

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

For the Fiscal Year Ended June 30, 1996

(Page 1 of 4)

	Budget	Actual	Variance Favorable (Unfavorable)	
Revenue:				
Ad valorem taxes:				
Taxes	\$ 5,192,700	\$ 5,111,164	\$ (81,536)	
Penalties and interest	31,500	40,999	9,499	
Total ad valorem taxes	<u>5,224,200</u>	<u>5,152,163</u>	<u>(72,037)</u>	+ 49
Sales and services:				
Garbage collections	1,686,000	1,657,130	(28,870)	66
Rents, concessions, and fees	432,400	401,483	(30,917)	
Inspection fees	215,000	232,339	17,339	
Cemetery fees	162,500	188,754	26,254	
Cable franchise	110,000	112,549	2,549	
Lenoir County participation:				
Recreation	303,000 → \$333,000	281,865	(51,135)	
Building inspection	157,800	83,683	(74,117)	113
Total sales and services	<u>3,096,700</u>	<u>2,957,803</u>	<u>(138,897)</u>	+ 161
Other taxes and licenses:				
Local government sales tax	1,995,400	1,953,386	(42,014)	
Franchise tax	1,100,000	1,203,606	103,606	
Intangible taxes	235,700	207,542	(28,158)	
Occupancy tax	110,000	106,037	(3,963)	
Licenses and permits	71,400	65,948	(5,452)	
Total other taxes and licenses	<u>3,512,500</u>	<u>3,536,519</u>	<u>24,019</u>	+ 211
Unrestricted intergovernmental revenue:				
Payments in lieu of taxes	390,800	385,788	(5,012)	
Beer and wine	102,500	107,117	4,617	
ABC revenue	30,000	27,062	(2,938)	
Total unrestricted intergovernmental revenue	<u>523,300</u>	<u>519,967</u>	<u>(3,333)</u>	137
Restricted intergovernmental revenue:				
Powell Bill allocations	766,200	766,158	(42)	
NC Dept of Envir, Health, Nat. Res.	35,000	50,968	15,968	
NC Health and Sanitation	10,000	3,097	(6,903)	
Neuseway Park	50,000	50,000	-	
NC Dept of Cultural Resources	12,600	22,569	9,969	
Domestic Violence Program -				
Victim's Advocate	-	15,651	15,651	
Week End	-	4,951	4,951	
US Justice Department	199,600	74,683	(124,917)	84,000
Forfeited Drug proceeds	-	36,083	36,083	
Total restricted intergovernmental revenue	<u>1,073,400</u>	<u>1,024,160</u>	<u>(49,240)</u>	+ 154

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

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

For the Fiscal Year Ended June 30, 1996

(Page 2 of 4)

	Budget	Actual	Variance Favorable (Unfavorable)	
Other revenue:				
Investment income	\$ 193,000	\$ 207,740	\$ 14,740	
Sales of surplus materials and assets	150,000	149,873	(127)	
Miscellaneous	160,400	91,725	(68,675)	
Total other revenue	503,400	449,338	(54,062)	+133
Total revenue	13,933,500	13,639,950	(293,550)	
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits	-	101,859	-	
Operating	-	427,927	-	
Capital outlay	-	52,179	-	
Total governing body	-95	581,965	-	
Executive:				
Salaries and benefits	-	377,060	-	
Operating	-	369,489	-	
Capital outlay	-	29,929	-	
Total executive	-171,277	776,478	-	
Finance:				
Salaries and benefits	-	723,869	-	
Operating	-	193,960	-	
Capital outlay	-	40,281	-	
Total finance	-82,177	958,110	-	
Human Resources:				
Salaries and benefits	-	238,033	-	
Operating	-	516,463	-	
Capital outlay	-	4,835	-	
Total human resources	-67	759,331	-	
Indirect costs reimbursement	-	(1,838,300)	-	
Total general government	1,416,600	1,237,584	179,016	
Public safety:				
Police:				
Salaries and benefits	-	3,124,702	-	
Operating	-	1,066,520	-	
Capital outlay	-	172,879	-	
Total police	1,421,844	4,364,101	-	

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

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

For the Fiscal Year Ended June 30, 1996

(Page 3 of 4)

		Budget	Actual	Variance Favorable (Unfavorable)
Fire:				
Salaries and benefits		\$ -	\$ 1,988,236	\$ -
Operating		-	360,697	-
Capital outlay		-	119,362	-
Total fire	-251	-	2,468,295	-
Total public safety ✓		7,007,100	6,832,396	174,704
Public works:				
Salaries and benefits		-	2,316,602	-
Operating		-	2,145,717	-
Capital outlay		-	477,959	-
Less: interdepartment charges		-	(402,322)	-
Total public works	-756	4,946,200	4,537,956	408,244
Parks and Recreation:				
Salaries and benefits		-	1,358,135	-
Operating		-	853,262	-
Capital outlay		-	207,660	-
Total parks and recreation		2,452,600	2,419,057	33,543
Planning and community development:				
Planning and development:				
Salaries and benefits		-	252,953	-
Operating		-	59,145	-
Capital outlay		-	4,407	-
Total planning and development		293,300	316,505	(23,205)

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

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

For the Fiscal Year Ended June 30, 1996

(Page 4 of 4)

	Budget	Actual	Variance Favorable (Unfavorable)
Inspections and code enforcement:			
Salaries and benefits	\$ -	\$ 572,492	\$ -
Operating	533 -	116,982	-
Capital outlay	-	12,669	-
Total inspections and code enforcement	734,500	702,143	32,357
007 Economic development:			
Operating	-	1,118,549	-
Capital outlay	-	190,465	-
Total economic development	1,304,900	1,309,014	(4,114)
Engineering and public facilities:			
Salaries and benefits	-	432,471	-
Operating	-	333,759	-
Capital outlay	19 -	71,896	-
Total engineering and public facilities	818,100	838,126	(20,026)
Total planning and community development	3,150,800	3,165,788	(14,988)
Total expenditures	18,973,300	18,192,781	780,519
Revenue over (under) expenditures	(5,039,800)	(4,552,831)	486,969
Other financing sources (uses):			
Operating transfers in	2,683,600	2,148,900	(534,700)
Proceeds from borrowings	1,802,600	997,580	(805,020)
Total other financing sources	4,486,200	3,146,480	(1,339,720)
Revenue and other financing sources under expenditures	\$ (553,600)	(1,406,351)	\$ (852,751)
Fund balance, beginning		4,929,945	
Fund balance, ending		<u>\$ 3,523,594</u>	

SPECIAL REVENUE FUNDS

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

Community Development Lewis School Special Grant Fund - This fund is used to account for the federal grant monies received from the Housing and Urban Development Department for Community Development Special Purpose Grant which includes rehabilitation and relocation of properties.

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

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

Community Development Lewis School HD-1 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.

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.

Community Development SF REHAB 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.



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

**COMBINING BALANCE SHEET
JUNE 30, 1996**

	<u>2500</u>	<u>2100</u>	<u>2900</u>	<u>2501</u>	<u>2502</u>	<u>2503</u>	
	Community Development Lewis School Special Grant	Community Development Lewis School Administration	Community Development Lewis School Revitalization	Community Development Lewis School HD-1	Community Development Hicks Street	Community Development SF Rehab	Total
ASSETS							
Cash and investments	\$ -	\$ 151,085	\$ 10,604	\$ -	\$ -	\$ 39,613	\$ 201,302
Due from other funds	-	42,309	-	-	-	-	42,309
Due from governmental agencies	-	23,625	-	7,629	21,554	-	52,808
Total assets	\$ -	\$ 217,019	\$ 10,604	\$ 7,629	\$ 21,554	\$ 39,613	\$ 296,419

**LIABILITIES AND
FUND BALANCES**

LIABILITIES:

Due to other fund

Total liabilities

FUND BALANCES:

Reserved by state statute
Unreserved - undesignated

**Total liabilities
and fund balances**

\$ 18,742	\$ -	\$ -	\$ 4,197	\$ 19,370	\$ -	\$ 42,309
18,742	-	-	4,197	19,370	-	42,309
-	65,934	-	3,432	2,184	-	71,550
(18,742)	151,085	10,604	-	-	39,613	182,560
(18,742)	217,019	10,604	3,432	2,184	39,613	254,110
\$ -	\$ 217,019	\$ 10,604	\$ 7,629	\$ 21,554	\$ 39,613	\$ 296,419

2506- Free Inventory Grant NO
 2507- C.R. - Printing Grant NO
 2508- C.R. - Phase I NO
 2509- C.R. - Phase II NO

CITY OF KINSTON, NORTH CAROLINA
 SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	2500	2501	2502	2503	Total
Revenue:					
Restricted intergovernmental revenue	\$ 74,000	\$ 12,379	\$ -	\$ -	\$ 86,379
Other - rent and program income	-	134,170	-	-	134,170
Total revenue	74,000	146,549	-	-	320,549
Expenditures:					
Current					
Planning and community development	-	1,349	-	-	1,349
Administration	-	-	-	-	-
Rehabilitation of private properties	92,742	-	26,118	96,897	215,757
Contract services	-	63,584	-	-	63,584
Total expenditures	92,742	64,933	26,118	97,101	302,323
Total revenue over (under) expenditures	(18,742)	81,616	(26,118)	3,432	81,985
Fund balances, beginning	-	135,403	36,722	-	172,125
Fund balances, ending	\$ (18,742)	\$ 217,019	\$ 10,604	\$ 3,432	\$ 254,110

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - LEWIS SCHOOL SPECIAL GRANT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
FROM GRANT INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

2500

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	36,138 74,000	200,000 163,262	200,000
Expenditures:			
Administration	-	21,753	20,000
Rehabilitation of private properties	17,996 92,742	18,247 160,251	180,000
Total expenditures	92,742	200,000 182,004	200,000
Total revenue under expenditures	16,742 (18,742)	(18,742)	-

2100

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, 1996**

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenue:			
Restricted intergovernmental revenue			
Federal Community Development Grant Project			
Other Rent and program income			
<i>Investment earnings</i>			
Total revenue	219,000 150,000	186,713 170	(15,830) 1867
		81,238	(137,962)
		146,549	(3,451)
Expenditures:			
Administration		1,349	-
Contract services		111,555 63,584	-
Total expenditures	219,000 150,000	111,555 64,933	107,445 85,067
		64,933	85,067
		(30,317)	(30,317)
Total revenue over expenditures	\$ -	\$ 81,616	\$ 81,616

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - LEWIS SCHOOL REVITALIZATION

2900

**SCHEDULE OF REVENUE AND EXPENDITURES,
 BUDGET AND ACTUAL
 FROM GRANT INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	\$ 150,937	\$ 600,000	\$ 600,000
Other - rent and program income	14,906	14,996 90	2,350 14,996
Total revenue	165,643	614,996	602,350 614,996
Expenditures:			
Administration	29,166	91,150	90,750 91,150
Rehabilitation of private properties	147,081	623,846	611,600 623,846
Total expenditures	176,247	714,996	702,350 714,996
Total revenue under expenditures	(10,604)	(100,000)	(100,000)
Other Financing Sources:			
Operating transfers in	-	100,000	100,000
Total revenue and other sources over (under) expenditures	(10,604)	10,604	-

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - LEWIS SCHOOL HD-1

7501

**SCHEDULE OF REVENUE AND EXPENDITURES,
 BUDGET AND ACTUAL
 FROM GRANT INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	\$ <u>7,784</u> <u>100,533</u>	\$ <u>108,317</u> <u>100,533</u>	\$ 108,317
Expenditures:			
Administration	<u>9,978</u> <u>204</u>	<u>10,182</u> <u>204</u>	10,182
Rehabilitation of private properties	<u>1238</u> <u>96,897</u>	<u>98,135</u> <u>96,897</u>	98,135
Total expenditures	<u>11216</u> <u>97,101</u>	<u>108,317</u> <u>97,101</u>	108,317
Total revenue over expenditures	<u><3,432></u>	<u>3,432</u>	-
Other Financing Sources:			
Operating transfers in	<u>-</u>	<u>-</u>	-
Total revenue and other sources over expenditures	\$ <u><3,432></u>	\$ <u>3,432</u>	\$ -

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

2502

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
FROM GRANT INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	\$ 21,463	\$ 21,463	\$ 1,065,000
other			850,000
			5,000
Expenditures:	20,170	39,449	855,000
Administration	19,279	19,279	142,620
Rehabilitation of private properties	90,289	90,289	922,380
	110,459	129,138	862,380
	19,279	19,279	
Total expenditures			1,065,000
			1,005,000
Total revenue over expenditures	<110,459>	<108,275>	<150,000>
	\$ 2,184	\$ 2,184	

Other Financing Sources
Operating Transfers in

—	—	150,000
---	---	---------

Total revenue and other
sources over (under) expenditures

<110,459>	<108,275>	\$ —
\$	\$	\$

Rev 21,463.25
Exp 19,279.08

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - SF REHAB**

2503

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
FROM GRANT INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

	<u>Actual</u>		
	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenue:			
Restricted intergovernmental revenue -	125,291	167,054	
Federal Community Development Grant Project	\$ 41,763	\$ 41,763	\$ 167,054
Expenditures:			
Administration	17,061	19,211	19,211
Rehabilitation of private properties	2,150	2,150	147,843
	147,843	147,843	
Total expenditures	164,904	167,054	167,054
Total revenue over expenditures	\$ <39,613>	\$ 39,613	\$ -

76 Rev 21,463.25
76 Expended 19,219.08

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 SHEET
JUNE 30, 1996**

	Electric Fund	Water and Sewer Fund	Totals 1996
ASSETS			
Cash and investments ✓	\$ 656,340	\$ 2,932,698	\$ 3,589,038
Accounts receivable	301,222	541,270	842,492
Customer receivables, net ✓	4,752,969	704,327	5,457,296
Interest receivable	15,183	7,403	22,586
Inventories	1,345,634	218,777	1,564,411
Bond issuance costs	331,597	189,519	521,116
Restricted cash and investments	7,209,917	5,019,204	12,229,121
Investment in direct financing lease	952,192	-	952,192
Fixed assets:			
Land	207,261	83,972	291,233
Buildings	3,671,890	3,534,922	7,206,812
Distribution system	15,119,469	23,377,119	38,496,588
Equipment	1,765,442	1,782,393	3,547,835
Accumulated depreciation	(9,119,918)	(10,819,706)	(19,939,624)
Construction in progress	3,939,592	5,588,795	9,528,387
Total fixed assets, net	15,583,736	23,547,495	39,131,231
Total assets	\$ 31,148,790	\$ 33,160,693	\$ 64,309,483
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable			
and accrued liabilities	\$ 3,201,341	\$ 1,251,747	\$ 4,453,088
Deferred revenue	-	21,475	21,475
Customer deposits	549,968	-	549,968
Accrued compensated absences	103,470	61,785	165,255
Long-term debt	11,520,733	11,796,566	23,317,299
Total liabilities	15,375,512	13,131,573	28,507,085
Fund equity:			
Contributed capital	-	2,614,060	2,614,060
Retained earnings	15,773,278	17,415,060	33,188,338
Total fund equity	15,773,278	20,029,120	35,802,398
Total liabilities and fund equity	\$ 31,148,790	\$ 33,160,693	\$ 64,309,483

Bond Power 32,312 96
 28,689 97
 3,623

CITY OF KINSTON, NORTH CAROLINA
 ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1996

			Electric Fund	Water and Sewer Fund	Totals 1996
125 45 77	Operating Revenue:				
	Charges for services	30	\$ 38,331,753	\$ 5,926,214	\$ 44,257,967
	Other		288,395	95,947	384,342
	Total operating revenue	35,808 (28,2)	38,620,148	6,022,161	44,642,309
	Operating Expenses:				
	Electrical operations	3,739	34,681,886	-	34,681,886
	Administration	309	1,432,894	1,257,089	2,689,983
	Depreciation	(4)	732,711	826,401	1,559,112
	Amortization	23	15,139	4,270	19,409
	Water and sewer operations	2	-	784,601	784,601
	Wastewater plant operations		-	977,790	977,790
	Water production		-	515,971	515,971
	Total operating expenses	4,044 32,818	36,862,630	4,366,122	41,228,752
	Operating income	1,232 2,990	1,757,518	1,656,039	3,413,557
	Nonoperating Revenue (Expenses):				
	Interest earned on investments	389,445	337,390	148,613	486,003
	1/2% local sales tax refund		-	153,178	153,178
	Interest on long-term debt	640,729	(400,569)	(319,971)	(720,540)
	Other	174,790	125,864	25,583	151,447
	Total nonoperating revenue	1,194,964 70,088	62,685	7,403	70,088
	Income before operating transfers	2,1912	1,820,203	1,663,442	3,483,645
	Operating Transfers:				
	Operating transfers in		91,300	-	91,300
	Operating transfers out		(1,831,800)	(408,400)	(2,240,200)
	Total operating transfers	4621 (2,362)	(1,740,500)	(408,400)	(2,148,900)
	Net income	674	79,703	1,255,042	1,334,745
	Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction		-	74,688	74,688
	Increase (decrease) in retained earnings		79,703	1,329,730	1,409,433
	Retained Earnings, beginning		15,693,575	16,085,330	31,778,905
	Retained Earnings, ending		\$ 15,773,278	\$ 17,415,060	\$ 33,188,338

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

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(Page 1 of 2)**

	Electric Fund	Water and Sewer Fund	Totals
Cash Flows from Operating Activities:			
Operating income	\$ 1,757,518	\$ 1,656,039	\$ 3,413,557
Adjustments to reconcile operating income to net cash provided by operating activities:			
Other income	125,864	178,761	304,625
Depreciation	732,711	826,401	1,559,112
Amortization	15,139	4,270	19,409
Change in assets and liabilities:			
Allowance for uncollectible accounts	15,829	(2,979)	12,850
Customer receivables	(828,345)	(49,686)	(878,031)
Accounts receivable	(163,310)	(397,618)	(560,928)
Customer deposits	41,178	-	41,178
Inventories	(283,809)	(38,892)	(322,701)
Accounts payable	(302,043)	1,049,112	747,069
Deferred revenue	-	2,919	2,919
Accrued compensated absences	5,951	9,989	15,940
Net cash provided by operating activities	<u>1,116,683</u>	<u>3,238,316</u>	<u>4,354,999</u>
Cash Flows from Noncapital Financing Activities:			
Operating transfers from other funds	91,300	-	91,300
Operating transfers to other funds	(1,831,800)	(408,400)	(2,240,200)
Net cash used for noncapital financing activities	<u>(1,740,500)</u>	<u>(408,400)</u>	<u>(2,148,900)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(4,444,187)	(5,373,576)	(9,817,763)
Principal paid on general obligation bond maturities and equipment contracts	(3,277,186)	(2,011,188)	(5,288,374)
Interest paid on bonded indebtedness and equipment contracts	(317,536)	(265,499)	(583,035)
Proceeds from borrowing	10,715,000	9,267,587	19,982,587
Bond issuance costs	(331,597)	(189,519)	(521,116)
Net cash provided by capital and related financing activities	<u>2,344,494</u>	<u>1,427,805</u>	<u>3,772,299</u>

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

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

(Page 2 of 2)

	Electric Fund	Water and Sewer Fund	Totals
Cash Flows from Investing Activities:			
Investment in direct financing lease - principal received	\$ 136,726	\$ -	\$ 136,726
Interest and dividends on investments	427,255	170,242	597,497
Net cash flows provided by investing activities	<u>563,981</u>	<u>170,242</u>	<u>734,223</u>
Net increase in cash and cash equivalents	2,284,658	4,427,963	6,712,621
Cash and cash equivalents, beginning	<u>5,581,599</u>	<u>3,523,939</u>	<u>9,105,538</u>
Cash and cash equivalents, ending	<u>\$ 7,866,257</u>	<u>\$ 7,951,902</u>	<u>\$ 15,818,159</u>
Noncash investing, capital and financing activities:			
Investment in direct financing lease	<u>\$ 685,000</u>		<u>\$ 685,000</u>

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

**SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

(Page 1 of 2)

		Budget	Actual	Variance - Favorable (Unfavorable)
Operating Revenue:				
Charges for services, electricity sales		\$ 37,955,400	\$ 38,178,544	\$ 223,144
Other	31	221,000	288,395	67,395
Total operating revenue		38,176,400	38,466,939	290,539
Nonoperating Revenue:				
Interest earned on investments	45	286,000	337,390	51,390
Other	55	88,700	125,864	37,164
Total nonoperating revenue		374,700	463,254	88,554
Total revenue		38,551,100	38,930,193	379,093
Expenditures:				
Administration:				
Salaries and benefits	69	-	357,753	-
Operating	83	-	200,173	-
Capital outlay	91	-	38,756	-
Indirect costs	93	-	793,500	-
		1,388,900	1,390,182	(1,282)
Electrical operations:				
Salaries and benefits	104	-	1,129,831	-
Operating	130	-	37,128,185	-
Capital outlay	138	-	4,405,431	-
	141	1,505,500	3,769,446	2,263,946
		40,040,200	42,663,447	(2,623,247)
Total expenditures		41,429,100	44,053,629	(2,624,529)
Revenue under expenditures		(2,878,000)	(5,123,436)	(2,245,436)
Other Financing Sources (uses):				
Proceeds from borrowing	6-154	3,490,900	10,715,000	7,224,100
Operating transfers in	6-152, 153	91,300	91,300	-
Operating transfers out	6-150, 151	(1,831,800)	(1,831,800)	-
Total other financing sources		\$ 1,750,400	\$ 8,974,500	\$ 7,224,100

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

**SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(Page 2 of 2)**

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenue and other sources (under) expenditures and other uses	<u>\$ (1,127,600)</u>	<u>\$ 3,851,064</u>	<u>\$ 4,978,664</u>

Reconciliation of modified accrual basis
to full accrual basis:

Revenue and other sources under expenditures and other uses	\$ 3,851,064
Transfers	1,740,500
Capital outlay	4,444,187
Payment of debt principal	3,277,186
Proceeds from borrowing	(10,715,000)
Depreciation	(732,711)
Amortization of debt fees	(15,139)
Increase in accrued unbilled electricity sales	153,209
Bad debt expense	(100,060)
Increase in interest accrual	<u>(83,033)</u>
Income before operating transfers, accrual basis	<u><u>\$ 1,820,203</u></u>

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

**SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP MODIFIED ACCRUAL BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996
(Page 1 of 2)**

		Budget	Actual	Variance - Favorable (Unfavorable)
Operating Revenue:				
Charges for services:				
Water sales		\$ 2,731,600	\$ 2,652,737	\$ (78,863)
Sewer charges		3,259,000	3,277,614	18,614
Other		95,900	95,947	47
Total operating revenue		<u>6,086,500</u>	<u>6,026,298</u>	<u>(60,202)</u>
Nonoperating Revenue:				
Interest earned on investments	52	121,900	148,613	26,713
1/2% local sales tax refund		155,900	153,178	(2,722)
Other	38	18,000	25,583	7,583
Total nonoperating revenue		<u>295,800</u>	<u>327,374</u>	<u>31,574</u>
Total revenue		<u>6,382,300</u>	<u>6,353,672</u>	<u>(28,628)</u>
Expenditures:				
Water and Sewer Administration:				
Salaries and benefits	74	-	168,150	-
Operating	85	-	44,139	-
Capital outlay	87	-	1,469	-
Indirect costs	94	-	1,044,800	-
	w 96	<u>1,282,600</u>	<u>1,258,558</u>	<u>24,042</u>
Water Production:				
Salaries and benefits	105	-	148,720	-
Operating	112	-	367,251	-
Capital outlay	118	-	6,097	-
	120	<u>641,400</u>	<u>522,068</u>	<u>119,332</u>
Water and sewer operations:				
Salaries and benefits	129	-	572,028	-
Operating	148	-	2,473,760	-
Capital outlay	153	-	5,299,099	-
	155	<u>7,551,200</u>	<u>8,344,887</u>	<u>(793,687)</u>

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

**SCHEDULE OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP MODIFIED ACCRUAL BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

(Page 2 of 2)

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Wastewater plant operations:			
Salaries and benefits 104	-	273,839	-
Operating 171	-	703,951	-
Capital outlay 173	-	66,911	-
	<u>973,900</u>	<u>1,044,701</u>	<u>(70,801)</u>
<i>W 175</i>			
Total expenditures	<u>10,449,100</u>	<u>11,170,214</u>	<u>(721,114)</u>
Revenue over (under) expenditures	<u>(4,066,800)</u>	<u>(4,816,542)</u>	<u>(749,742)</u>
Other Financing Sources (uses):			
Proceeds from borrowing 182	5,331,800	9,267,587	3,935,787
Operating transfers out 184	(408,400)	(408,400)	-
Total other financing sources	<u>4,923,400</u>	<u>8,859,187</u>	<u>3,935,787</u>
Revenue and other sources over expenditures	<u>\$ 856,600</u>	<u>\$ 4,042,645</u>	<u>\$ 3,186,045</u>

Reconciliation of modified accrual basis
to full accrual basis:

Revenue and other sources over expenditures	\$ 4,042,645
Transfers	408,400
Capital outlay 33,41,48,60	5,373,576
Proceeds from borrowing	(9,267,587)
Payment of debt principal	2,011,188
Depreciation	(826,401)
Amortization of debt fees	(4,270)
Increase in accrued unbilled water sales	5,345
Decrease in accrued unbilled sewer sales	(9,482)
Bad debt expense	(15,500)
Increase in interest accrual	(54,472)
Income before operating transfers, accrual basis	<u>\$ 1,663,442</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
(DEFICIT)
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

Operating Revenue:	<u>Actual</u>
Contribution from various funds	<u>\$ 431,200</u>
Operating Expenses:	
Administration	209,360
Depreciation	2,751
Claims reimbursement	<u>158,049</u>
Total operating expenses	<u>370,160</u>
Net income	61,040
Retained earnings (deficit), beginning	<u>(66,966)</u>
Retained earnings (deficit), ending	<u><u>\$ (5,926)</u></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, 1996**

	Budget	Actual	Variance - Favorable (Unfavorable)
Operating Revenue:			
Contributions from various funds	\$ 1,216,800	\$ 431,200	\$ (785,600)
Nonoperating Revenue:			
Other			
Total revenue	<u>1,216,800</u>	<u>431,200</u>	<u>(785,600)</u>
Expenditures:			
Administration:			
Salaries and benefits		56,924	
Insurance		88,751	
Operating		63,685	
Capital outlay		4,875	
Total administration	-	214,235	-
Claim reimbursements, operating		158,049	
Total expenditures	<u>1,216,800</u>	<u>372,284</u>	<u>844,516</u>
Revenue and other sources over expenditures	<u>\$ -</u>	<u>\$ 58,916</u>	<u>\$ 58,916</u>

Reconciliation of modified accrual basis
to full accrual basis:

Revenue and other sources under expenditures	\$ 58,916
Capital outlay	4,875
Depreciation	<u>(2,751)</u>
Net income, accrual basis	<u>\$ 61,040</u>

AGENCY FUND

An Agency Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

Deferred Compensation Fund - accounts for assets held for City employees in accordance with the provisions of Internal Revenue Code Section 457.



CITY OF KINSTON, NORTH CAROLINA

**AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 1996**

	<u>Balance</u> <u>July 1, 1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 1996</u>
ASSETS				
Cash and investments	<u>\$ —</u>	<u>\$ 50,792</u>	<u>\$ 1,096</u>	<u>\$ 49,696</u>
LIABILITIES				
Deferred compensation benefits payable	<u>\$ —</u>	<u>\$ 50,792</u>	<u>\$ 1,096</u>	<u>\$ 49,696</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, 1996**

General Fixed Assets:

Land	\$ 3,589,118
Buildings	5,294,903
Equipment and vehicles	<u>10,387,676</u>

Total general fixed assets	<u>\$ 19,271,697</u>
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Investment in General Fixed Assets By Source:

General fund	\$ 18,866,473
Special revenue funds	<u>405,224</u>

Total investment in general fixed assets	<u>\$ 19,271,697</u>
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CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

June 30, 1996

Function and Activity	Land	Buildings	Equipment and Vehicles	Total
General Government:				
Council	\$ -	\$ -	\$ 20,692	\$ 20,692
Manager	173,000	762,266	533,087	1,468,353
Clerk	-	-	9,294	9,294
Human resources	-	-	63,830	63,830
Finance and administration	-	-	699,680	699,680
Other, unclassified	<u>2,814,690</u>	<u>1,153,693</u>	<u>245,421</u>	<u>4,213,804</u>
Total general government	<u>2,987,690</u>	<u>1,915,959</u>	<u>1,572,004</u>	<u>6,475,653</u>
Public Safety:				
Police	-	-	1,609,989	1,609,989
Fire	38,365	365,872	1,927,069	2,331,306
Inspection	-	-	186,913	186,913
Total public safety	<u>38,365</u>	<u>365,872</u>	<u>3,723,971</u>	<u>4,128,208</u>
Public Works:				
Highways and Streets:				
Engineering	-	-	316,370	316,370
Maintenance	-	-	947,136	947,136
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,263,506</u>	<u>1,263,506</u>
Environmental Services	<u>-</u>	<u>-</u>	<u>3,188,887</u>	<u>3,188,887</u>
Parks and Recreation	<u>563,063</u>	<u>3,013,072</u>	<u>639,308</u>	<u>4,215,443</u>
Total general fixed assets	<u>\$ 3,589,118</u>	<u>\$ 5,294,903</u>	<u>\$ 10,387,676</u>	<u>\$ 19,271,697</u>

CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY For the Fiscal Year Ended June 30, 1996

Function and Activity	General Fixed Assets July 1, 1995	Additions	Deductions	General Fixed Assets June 30, 1996
General Government:				
Council	\$ 20,692	\$ -	\$ -	\$ 20,692
Manager	1,438,424	29,929	-	1,468,353
Clerk	9,294	-	-	9,294
Human resources	58,995	4,835	-	63,830
Finance and administration	667,015	40,281	7,616	699,680
Other, unclassified	3,971,919	251,385	9,500	4,213,804
Total general government	<u>6,166,339</u>	<u>326,430</u>	<u>17,116</u>	<u>6,475,653</u>
Public Safety:				
Police	1,586,790	172,879	149,680	1,609,989
Fire	2,248,861	119,362	36,917	2,331,306
Inspection	204,089	12,669	29,845	186,913
Total public safety	<u>4,039,740</u>	<u>304,910</u>	<u>216,442</u>	<u>4,128,208</u>
Public Works:				
Highways and Streets:				
Engineering	262,698	71,896	18,224	316,370
Maintenance	960,656	112,954	126,474	947,136
Total highways and streets	<u>1,223,354</u>	<u>184,850</u>	<u>144,698</u>	<u>1,263,506</u>
Environmental Services	<u>3,146,526</u>	<u>365,005</u>	<u>322,644</u>	<u>3,188,887</u>
Parks and Recreation	<u>4,031,926</u>	<u>207,660</u>	<u>24,143</u>	<u>4,215,443</u>
Total general fixed assets	<u>\$ 18,607,885</u>	<u>\$ 1,388,855</u>	<u>\$ 725,043</u>	<u>\$ 19,271,697</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 JUNE 30, 1996

		General Long-Term Debt July 1, 1995	Additions	Deductions	General Long-Term Debt June 30, 1996
By Type of Debt:		<i>E</i>	<i>G</i>	<i>I</i>	<i>K</i>
Accrued compensated absences	19	\$ 649,455	\$ 17,079	\$	\$ 666,534
Police separation allowance	22	68,863	14,263		83,126
Installment contract obligations	25	3,327,394	997,580	775,298	3,549,676
		<u>\$ 4,045,712</u>	<u>\$ 1,028,922</u>	<u>\$ 775,298</u>	<u>\$ 4,299,336</u>
By Purpose:					
General government equipment	33	\$ 930,474	\$ 113,400	\$ 206,891	\$ 836,983
Public safety, equipment	36	414,090	230,980	239,717	405,353
Public works: Equipment	40	1,073,146	533,200	258,026	1,348,320
Recreation, equipment		909,684	120,000	70,664	959,020
Accrued compensated absences, all departments	Above	649,455	17,079	-	666,534
Police separation allowance	"	68,863	14,263	-	83,126
		<u>\$ 4,045,712</u>	<u>\$ 1,028,922</u>	<u>\$ 775,298</u>	<u>\$ 4,299,336</u>

Cell + Debt. Wk 1



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 30, 1996

Fiscal Year	Uncollected Balance July 1, 1995	Current Year Gross Levy	Collections Credits and Adjustments	Uncollected Balance June 30, 1996
1995-1996	\$	\$ 5,034,262	\$ 4,823,149	\$ 211,113
1994-1995	186,281	—	100,864	85,417
1993-1994	73,951	—	27,495	46,456
1992-1993	81,727	—	14,806	66,921
1991-1992	49,710	—	8,654	41,056
1990-1991	38,587	—	5,355	33,232
1989-1990	17,014	—	812	16,202
1988-1989	14,092	—	302	13,790
1987-1988	11,307	—	279	11,028
1986-1987	10,037	—	39	9,998
1985 and prior	7,224	—	7,224	—
	<u>\$ 489,930</u>	<u>\$ 5,034,262</u>	<u>\$ 4,988,979</u>	<u>\$ 535,213</u>

RECONCILIATION WITH REVENUE:

Ad valorem taxes - General Fund	\$ 5,111,164	
Less auto fee	<u>(154,798)</u>	
		\$ 4,956,366
Add credits and adjustments		<u>32,613</u>
		<u>\$ 4,988,979</u>

Note: Levy and collections exclude vehicle taxes billed and collected for the City by Lenoir County.

CITY OF KINSTON, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 1996**

	<u>Total Property Valuation</u>	<u>Tax Rate Per \$100 Valuation</u>	<u>Amount of Tax Levy</u>
Tax Levy:			
City-wide, including motor vehicle tax	\$ 815,628,820	0.61	\$ 4,988,435
Municipal service district	<u>16,972,785</u>	0.27	<u>45,827</u>
Total for year	<u>\$ 832,601,605</u>		5,034,262
Less uncollected tax at June 30, 1996			<u>211,113</u>
Current year taxes collected			<u>\$ 4,823,149</u>
Percent current year collected			<u>95.81%</u>

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

ANALYSIS OF FUNDING PROGRESS

Fiscal Year Ended June 30,	Net Assets Available for Benefits	Pension Benefit Obligation (1)	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation Percentage of Covered Payroll
1987	\$ -	\$ N/A	\$ -	\$ N/A	\$ N/A	\$ N/A
1988	-	N/A	-	N/A	N/A	N/A
1989	-	451,644	-	451,644	1,384,350	32.6%
1990	-	284,087	-	284,087	1,331,757	21.3%
1991	-	312,210	-	312,210	1,541,377	20.3%
1992	-	344,640	-	344,640	1,734,249	19.9%
1993	-	306,196	-	306,196	1,972,854	15.5%
1994	-	302,501	-	302,501	2,047,789	14.8%
1995	-	337,764	-	337,764	2,186,421	15.5%
1996	-	417,893	-	417,893	2,270,736	18.4%

Note: (1) The Law Enforcement Officers' Special Separation Allowance was established in 1987.

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

REVENUE BY SOURCE AND EXPENSES BY TYPE

Fiscal Year Ended June 30	Revenue by Source				Employer Contributions as a Percentage of Covered Payroll
	Employee Contributions	Employer Contributions(1)	Investment Income	Total	
1987	\$ -	\$ 5,047	\$ -	\$ 5,047	N/A
1988	-	15,350	-	15,350	N/A
1989	-	18,430	-	18,430	1.3%
1990	-	29,887	-	29,887	2.2%
1991	-	36,943	-	36,943	2.4%
1992	-	49,120	-	49,120	2.8%
1993	-	43,652	-	43,652	2.2%
1994	-	35,669	-	35,669	1.7%
1995	-	44,428	-	44,428	2.0%
1996	-	44,970	-	44,970	

Fiscal Year Ended June 30	Expenses by Type			
	Benefits	Administrative Expenses	Refunds	Total
1987	\$ 5,047	\$ -	\$ -	\$ 5,047
1988	15,350	-	-	15,350
1989	18,430	-	-	18,430
1990	29,887	-	-	29,887
1991	36,943	-	-	36,943
1992	49,120	-	-	49,120
1993	43,652	-	-	43,652
1994	35,669	-	-	35,669
1995	44,428	-	-	44,428
1996	44,970			44,970

Note: The Law Enforcement Officers' Special Separation Allowance was established in 1987.

(1) Benefits paid on a pay as you go basis.

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	Total
1987	\$ 2,233,689	\$ 4,054,023	\$ 2,885,717	\$ 1,492,481	\$ 1,894,996	\$ 80,688	\$ 12,641,594
1988	1,334,659	4,205,705	3,384,442	1,550,937	2,365,490	102,413	12,943,646
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	26 1,237,584	27 6,832,396	28 4,537,956	29 2,419,057	30 3,468,111	31 2,433	32 18,495,104

Source: City of Kinston Finance Department

Notes: (1) Includes general and special revenue 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
1987	\$ 3,075,741	\$ 2,074,103	\$ 1,456,358	\$ 1,072,534	\$ 959,514	\$ 444,116	\$ 9,082,366
1988	3,351,972	2,184,221	1,590,920	1,041,643	1,181,926	318,073	9,668,755
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	1,274,298	583,508	14,024,258

Source: City of Kinston Finance Department

Notes: (1) Includes general and special revenue 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			
1987	\$ 3,075,741	\$ 1,200,465	\$ 210,599	\$ 714,510	\$ -	\$ 45,294	\$	5,246,609
1988	3,351,972	1,324,196	216,762	741,408	-	49,962		5,684,300
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

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
1987	\$ 3,071,452	\$ 3,003,206	97.8%	\$ 52,912	3,056,118	99.5%
1988	3,379,868	3,307,489	97.9%	51,203	3,358,692	99.4%
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	5,034,262	4,823,149	95.8%	165,830	4,988,979	99.1%

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
1987	\$ 539,896,267	(1)	4.4%
1988	592,392,161	(1)	9.7%
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%

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

*Notes: (1) Estimated values are 100% of the sound cost value replacement
(2) City-wide 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
1987	\$	0.58	\$	0.30	\$	0.58	\$	0.62	\$	6.50
1988		0.61		0.29		0.61		0.62		6.50
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		-

Sources: 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
1987	\$ 0.58	\$ 0.62	\$ 1.20	\$ 3,071,452	\$ 8,963,568	\$ 12,035,020
1988	0.61	0.62	1.23	3,379,868	9,201,457	12,581,325
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

Source: *Lenoir County Tax Office*

CITY OF KINSTON, NORTH CAROLINA

PRINCIPAL TAXPAYERS

June 30, 1996

Name of Taxpayer	Nature of Property	Assessed Value	Percentage of Total Assessed Value
Monk Austin Int.	Tobacco Processor	\$ 22,847,084	2.8%
VPM, Inc.	Retail	14,981,271	1.8%
Carolina Telephone	Utility	11,837,191	1.5%
Kinston Ham Products, Inc.	Meat Processor	11,207,614	1.4%
Barnet Southern Corp	Manufacturer	8,364,177	1.0%
Hampton Industries	Manufacturer	8,209,256	1.0%
Buehler Products	Manufacturer	7,171,136	0.9%
Kinston Point Limited	Retail	6,119,536	0.8%
Glen Raven Mills	Manufacturer	5,348,219	0.7%
S C Associates	Apartments	4,617,348	0.5%
Total Assessed Valuation of Top 10 Taxpayers		100,702,832	12.4%
Balance of Assessed Valuation		714,925,988	87.6%
Total Assessed Valuation		<u>\$ 815,628,820</u>	<u>100.0%</u>

Source. Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 1996

Total assessed value		<u>\$ 815,628,820</u>
Debt limitation - 8% of total assessed value		\$ 65,250,306
Debt applicable to limitation:		
Total bonded debt	\$ 16,960,000	
Obligation under notes payable	4,660,449	
Obligation under installment contracts	<u>5,246,526</u>	
Gross debt	26,866,975	
Less - statutory deductions:		
Revenue bonds issued and outstanding for electric purposes	10,315,000	
Revenue bonds issued and outstanding for water purposes	<u>6,645,000</u>	
Total statutory deductions	<u>\$ 16,960,000</u>	
Total debt applicable to limitation		<u>\$ 9,906,975</u>
Legal debt margin		<u>\$ 55,343,331</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
1987	\$ 475,000	\$ 183,188	\$ 658,188	12,641,594	5.21%
1988	465,000	160,453	625,453	12,943,656	4.83%
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%

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, 1996

Name of Governmental Unit	General Obligation Bonds Outstanding (1)	Percentage Applicable to City of Kinston (2)	City of Kinston's Share of Debt (3)
Direct debt - City of Kinston	\$ -	100.00%	-
Lenoir County debt	<u>13,315,000</u>	34.86%	<u>4,641,609</u>
Total overlapping debt	<u>\$ 13,315,000</u>		<u>\$ 4,641,609</u>

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

(2) Determined by ratio of assessed valuation of property subject to taxation in Lenoir County (\$2,339,820,687) City of Kinston (\$815,628,820).

(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)	
1987	\$ 539,896,261 (4)	207	\$ 24,069,550	\$ 402,995,000
1988	592,392,161 (4)	213	27,460,174	421,264,000
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	(5)

Source:

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

Note:

- (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 Assessed Value	Per Capital Bonded Debt	
							Gross	Net
1987	\$ 25,718	\$ 539,896,267	\$ 43,191,701	\$ 3,214,000	\$ 475,000	0.09 %	\$ 125	\$ 18
1988	27,400	592,392,161	47,391,373	2,749,000	365,000	0.06	100	13
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	63,464,218	325,000	25,000	0.00003	13	1
1995	25,730	842,336,146	65,989,795	150,000	-	-	6	-
1996	25,729	832,601,605	65,250,306	-	-	-	-	-

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	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)		
				Principal	Interest	Total Coverage
1987	\$ 26,322,124	\$ 20,935,593	\$ 5,386,831	\$ -	\$ -	\$ -
1988	27,381,651	22,715,248	4,666,403	-	-	-
1989	30,571,337	25,249,728	5,321,609	-	-	-
1990	33,738,520	38,302,308	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
1994	43,398,900	36,809,185	6,589,715	210,000	201,533	411,533
1995	43,154,442	37,330,887	5,823,555	225,000	187,801	412,801
1996	45,432,937	39,669,640	5,763,297	240,000	137,038	377,038

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)
1987	25,718 \$	11,529	6.6%	11,273 \$	522,000,231 \$	402,995,000
1988	27,400	13,209	5.2%	11,243	513,507,557	421,264,000
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	(7)	6.3%	10,470	671,296,492	(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, 1996

Population	25,729
Date of incorporation	1,762
Form of government	Council/Manager
Area (Extra-territorial jurisdiction 45.52 sp/miles)	16.85
Miles of paved streets (State maintained 43.63)	115.84
Number of street lights	2,035
Employees	431
Fire Protection:	
Number of stations	3
Number of fireman/officers	58
Police Protection:	
Number of stations	5
Number of police/officers	77
Electric Department:	
Number of consumers	15,342
Average daily usage	1338 MWH
Miles of distribution lines	350
Water Department:	
Number of consumers	12,872
Average daily consumption	6.00MGD
Miles of water mains	194
Sewers:	
Average daily flow	5.00 MGD
Miles of sewer lines	290
Parks/Recreation:	
Number of parks	14
Park acreage	220
Golf courses	1
Swimming pools	3
Tennis courts	19
Museum	1
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium