

CITY OF KINSTON
NORTH CAROLINA



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 1995

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

**PREPARED BY
CITY OF KINSTON FINANCE DEPARTMENT**



C O N T E N T S

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-7
List of Principal Officials	8
Organizational Chart	9
GFOA Certificate of Achievement	10
FINANCIAL SECTION	
Independent Auditor's Report	11
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	12 - 13
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types	15
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	16 - 17
Combined Statement of Revenue, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	18
Combined Statement of Cash Flows - All Proprietary Fund Types	19 - 20
Notes to Financial Statements	21 - 45
Combining, Individual Fund and Account Group Statements and Schedules:	
General Fund:	
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	47 - 52
Special Revenue Funds:	
Combining Balance Sheet	53
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	54
Grant Project Fund - Lewis School Special Grant - Schedule of Revenue and Expenditures - Budget and Actual	55
Grant Project Fund - Community Development Administration Schedule of Revenue and Expenditures - Budget and Actual	56
Grant Project Fund - Grant Project Fund - Lewis School Revitalization Schedule of Revenue and Expenditures - Budget and Actual	57
Enterprise Funds:	
Combining Balance Sheet	59
Combining Statement of Revenue, Expenses and Changes in Retained Earnings	60
Combining Statement of Cash Flows	61 - 62
Electric Fund:	
Schedule of Revenue and Expenditures - Budget and Actual - Non-GAAP, Modified Accrual Basis	63 - 64
Water and Sewer Fund:	
Schedule of Revenue and Expenditures - Budget and Actual - Non-GAAP, Modified Accrual Basis	65 - 66
Parking Facilities Authority Fund:	
Schedule of Revenue and Expenditures - Budget and Actual - Non-GAAP Modified Accrual Basis	67

CONTENTS

	<u>Page</u>
Internal Service Fund:	
Statement of Revenue, Expenses and Changes in Retained Earnings	69
Schedule of Revenue and Expenditures - Budget and Actual - Non-GAAP Modified Accrual Basis	70
General Fixed Assets Account Group:	
Schedule of General Fixed Assets - By Source	71
Schedule of General Fixed Assets - By Function and Activity	72
Schedule of Changes in General Fixed Assets - By Function and Activity	73
General Long-Term Debt Account Group:	
Schedule of Changes in General Long-Term Debt	75
Other Financial Information:	
Schedule of Ad Valorem Taxes Receivable	77
Analysis of Current Tax Levy	78
Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information:	
Analysis of Funding Progress	79
Revenue by Source and Expense Type	80
 STATISTICAL SECTION	
General Governmental Expenditures by Function	81
General Governmental Revenue by Source	82
General Governmental Tax Revenue by Source	83
Property Tax Levies and Collections	84
Assessed and Estimated Value of Taxable Property	85
Property Tax Rates - Direct and Overlapping (Per \$100) of Assessed Value	86
Property Tax Rates and Levies - Direct and Overlapping Government	87
Principal Taxpayers	88
Computation of Legal Debt Margin	89
Ratio of Annual General Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures	90
Computation of Direct and Overlapping Bonded Debt	91
Property Value, Construction and Bank Deposits	92
Ratio of Net General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita	93
Demographic Statistics	94
Miscellaneous Statistics	95

INTRODUCTORY SECTION

- **Letter of Transmittal**
 - **List of Principal Officers**
 - **Organizational Chart**
 - **GFOA Certificate of Achievement**
-





City of Kinston

P.O. Box 339

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 20, 1995

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, 1995, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, and a list of principal officials, the City's organizational chart, and GFOA's Certificate of Achievement for Excellence in Financial Reporting for our 1994 report. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all 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 of the city. However, the Kinston-Lenoir County Library, the Lenoir County-City of Kinston Airport Commission, the Lenoir County Development Commission, the Lenoir County Tourism Development Authority and the City of Kinston Housing Authority do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-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 reports on the internal control structure and compliance with applicable laws and regulations, is included in a separate report.

ECONOMIC CONDITION AND OUTLOOK

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

(COUNCIL MEMBERS) JOHNNIE MOSLEY - JAN BARWICK - CAREY B. WASHBURN - ELIZA WORTHINGTON - WAYNE D. MALONE

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

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

MAJOR INITIATIVES

For the Year. Fiscal year 1994-1995 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.

A new 800 MHZ radio system, providing improved communications capabilities between all public safety agencies in the City of Kinston and Lenoir County, was implemented enhancing regional fire and police protection systems.

Cultural and recreational facilities were enhanced with the construction of soccer fields at the new Barnet Park on Sand Clay Road, development of the Neuseway Park, a nature-oriented facility, and expanded parking facilities around the renovated Grainger Stadium. Additional development is expected to occur at all three facilities during the coming years.

An employee of the month program was begun during the fiscal year as an employee development initiative. Each month, employees are nominated for employee of the month by their fellow employees in each department. The Employee Benefits Advisory Committee (EBAC), comprised of employee representatives from each department, then selects a City employee of the month from the departmental employees of the month. Each of the monthly winners is recognized at a City Council meeting and receives a savings bond.

Although not specifically a City program, a three percent occupancy tax paid by local motels was implemented during the year. The tax is collected by the City and passed on to the County Tourism Bureau to enhance local tourism activities through improving facilities and programs and increasing public awareness of local tourism opportunities.

The City/County Inspections and Code Enforcement staff was recognized by the Insurance Service Organization (ISO) for flood control efforts. The staff's efforts resulted in receiving an improved ISO rating enabling City and County homeowners and businesses to be eligible for a five percent discount in their flood insurance costs.

A program using the services of inmates from a minimum security correction facility for various maintenance needs around the City (yardwork, painting, general cleanup, etc.) was tested and proved to be successful during the year. The inmates continue to work under the supervision of street, engineering, utilities and public safety personnel. The inmate labor costs the citizens less than three percent of what the costs would be for individuals doing the work at minimum wage.

As anticipated, the initial phase of a revised employee pay plan was implemented. This phase upgraded the compensation levels of lower salaried employees to be competitive with wages paid by other probable area employers. It is hoped that, with future budget funding availability, additional pay plan enhancements can be implemented during future fiscal years for those personnel who provide public services to the citizens of Kinston on a daily basis.

In the Future. The new management information system hardware and software was officially implemented with the July 1, 1995 start up of the financial systems module. Additional modules are scheduled to be implemented over the next 18 months. The new system will provide service personnel with accurate, up-to-date information for more effective and timely problem resolution. The system will also enhance fiscal

reporting capabilities for senior management, elected officials and the citizens.

Ground breaking and construction of the Mountain Air Cargo facility, an aircraft industry-affiliated company, has begun in the Global TransPark, the first industry to locate in the new air cargo complex. With the projected completion of the environmental assessment study in 1996, continued interest and marketing of the Global TransPark is expected in the future.

Work has begun on reviewing the financing alternatives for funding projected infrastructure improvements. These improvements include: 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 large scale power losses, 3) electrical substation addition and improvements to more adequately service customers throughout the region, and 4) establishment of a point of delivery for additional power as the electrical requirements of the City and its surrounding areas continue to grow. It is anticipated that a bond issuance will be required in 1996 to enable the City to effectively make these infrastructure improvements.

Department Focus. During the fiscal year John Wolford, Police Chief from June, 1990 to August, 1994, left to accept the Chief of Police position for Charlottesville, Virginia. During his tenure, Chief Wolford had many accomplishments that improved public safety in the City of Kinston, including: 1) development of strong departmental leadership standards, 2) initiation of the community oriented policing (COP) program, 3) expansion of the department's outreach into the community through the establishment of Police mini-stations in several locations throughout the City, and 4) implementation of new policing programs designed to reduce local crime levels.

Replacing Chief Wolford is Michael J. Wightman. Chief Wightman brings to Kinston years of service as Chief of Police in the cities of Joplin, Missouri and Lawton, Oklahoma. Chief Wightman, who began his tenure with the City of Kinston on March 6, 1995, will continue the good work started by Chief Wolford and plans to expand the community oriented policing activities. He has already announced the formation of two new programs -- Sentinel and FleetWatch. The Sentinel program is designed to involve the community in certain activities previously performed by commissioned police officers (i.e., traffic control, special event control, etc.), allowing the officers to spend more time fighting crime. FleetWatch is a program where City employees that are already on the streets of Kinston each day (i.e., sanitation workers, meter readers, street crews, utility crews, etc.) inform the Police Department of events or occurrences that the Police can subsequently research. This program enhances the eyes and ears of the public safety personnel at no additional cost to the City's citizens.

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, 1995 and the amount and 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 1994 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
Ad valorem taxes	\$ 5,225	27.8	\$ 258	5.2
Sales and services	3,166	16.8	117	3.8
Other taxes	3,295	17.5	210	6.8
Intergovernmental:				
Unrestricted	525	2.8	(7)	(1.3)
Restricted	1,253	6.7	45	3.7
Other Revenues	433	2.3	(10)	(2.3)
Proceeds from borrowing	1,972	10.5	1,028	108.9
Transfers in	<u>2,941</u>	<u>15.6</u>	<u>(2)</u>	<u>(.1)</u>
Total	<u>\$ 18,810</u>	<u>100.0%</u>	<u>\$ 1,639</u>	

The overall increase in revenues in and financing sources fiscal year 1994-1995 was 9.55 percent over the prior fiscal year. This increase reflects the normal annual growth in property taxes, increased sales taxes reflective of the continuation of the economic rebound from fiscal year 1992-1993, the full-year impact of increased fees for certain services (such as, cemetery fees) implemented at the beginning of the fiscal year and the increased use of lease purchase funds for upgrading public safety communications equipment, recreation and cultural equipment, the City's aging fleet including police and fire vehicles and computer hardware and software.

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 seven years.

Collections for the year were 96.4 percent of the current levy, the fourteenth consecutive year the collection rate has exceeded the 96 percent collection level.

<u>Expenditures and Other Financing Uses</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1994 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
General Government	\$ 1,762	9.6	\$ 394	28.8
Public Safety	6,765	37.0	655	10.7
Public Works	4,699	25.7	445	10.5
Parks and Recreation	2,592	14.2	(164)	(6.0)
Planning and Community Development	2,312	12.6	132	6.1
Debt Service:				
Principal	25	.1	—	—
Interest	2	—	(1)	(33.3)
Transfer out	<u>150</u>	<u>.8</u>	<u>60</u>	<u>66.7</u>
 Total	 <u>\$ 18,307</u>	 <u>100.0%</u>	 <u>\$ 1,521</u>	

Fiscal year 1994-1995 expenditures and other financing uses exceeded the prior fiscal year amounts by 9.06 percent, primarily as the result of costs to upgrade the City's aging major equipment, vehicles and computer hardware and software, increased subsidization to other funds principally employee health, and increased personnel costs to cover salary adjustments made primarily as the result of implementing the initial phases of new employee pay plan.

General Fund Balance. Fund balance in the General Fund at June 30, 1995 was \$4,929,945 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 three separate and distinct funds: electric, water and sewer and parking facilities authority. 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, 1995 was \$15,693,575, or 4.2 percent below the prior year. The net loss is primarily the result of the City absorbing all purchased power cost increases during the year without increasing rates and/or fees to City customers. The Electric Fund transfer to the General Fund this fiscal year was decreased by \$188,600 (7.5 percent) from the transfer made in fiscal year 1993-1994.

Total fund equity of the Water and Sewer Fund at June 30, 1995 was \$18,774,078, or 10.2 percent above the prior year. The net increase is attributable to the full year effect of the water and sewer rate increases implemented in January 1994 and the initial impact of the water and sewer rate increases implemented in February 1995. The Parking Facilities Authority Fund was closed at June 30, 1995 with assets transferred to the General Fund.

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, 1995 was (\$66,966).

Debt Administration. Outstanding general obligation bonds at June 30, 1995 totaled \$150,000. All outstanding balances relate to enterprise fund operations and are expected to be repaid from proprietary revenue.

The ratio of net bonded debt to assessed valuation and the amount of gross bonded debt per capita are useful indicators to City management, citizens, and investors of the City's debt position. At June 30, 1995, the ratio of net bonded debt to assessed valuation was zero percent. The gross bonded debt per capita was \$5.83.

North Carolina General Statutes limit the amount of net debt that local governments in the State can have outstanding. This limit is 8 percent of the appraised value of property subject to taxation. At June 30, 1995, the legal debt margin of the City was \$57,004,315.

Cash Management. During the year, temporarily idle cash was invested in certain U.S. Government Agency securities, certain commercial paper and bankers' acceptances, as well as in the North Carolina Capital Management Trust, an SEC registered mutual fund. The average yield on investments was 5.2 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 the structure the investments according to the City's overall financial condition, opportunities, and obligations. All deposits of the City are either insured by federal depository insurance or collateralized as required by North Carolina General Statute.

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

As part of its overall risk management program, the City practices various risk control techniques. 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, 1994. 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. The City of Kinston has received a Certificate of Achievement for the year ended June 30, 1994. 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.

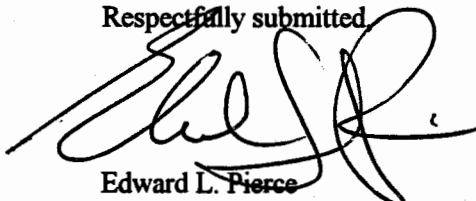
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial transactions. In addition, the Federal Single Audit Act of 1984 and the State Single Audit Implementation Act require annual independent audits of the City's compliance 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 staff of the Finance Department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report.

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, City Manager, Department Heads and all City staff, for their leadership, interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'E. L. Pierce', written over a horizontal line.

Edward L. Pierce
Director of Finance & Administration

CITY OF KINSTON, NORTH CAROLINA

**LIST OF PRINCIPAL OFFICERS
JUNE 30, 1995**

CITY COUNCIL

O. A. RITCH, JR.
Mayor

JAN BARWICK

JOHNNIE MOSLEY

ELIZA WORTHINGTON
Mayor Pro Tem

CAREY B. WASHBURN

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

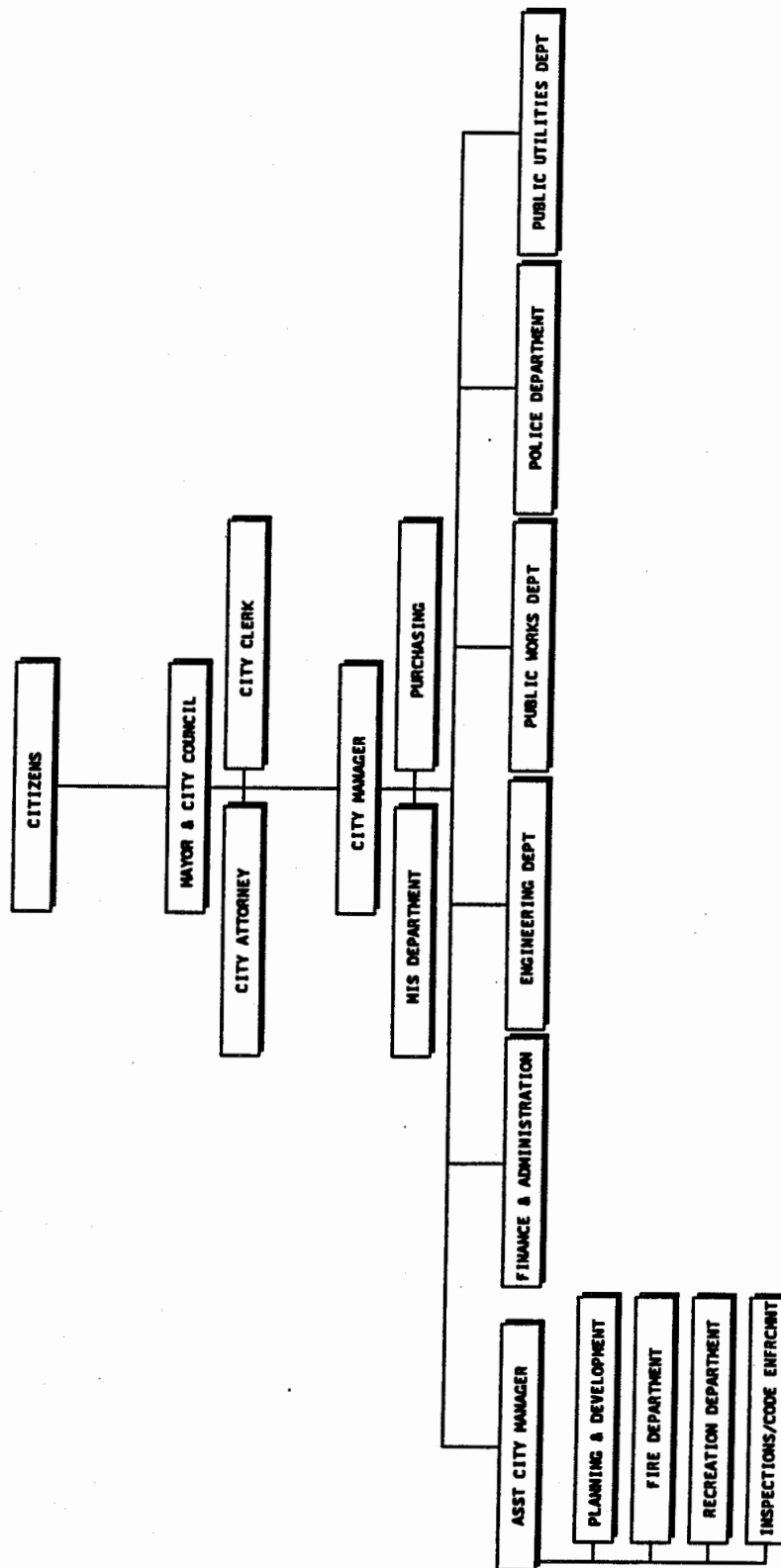
KARL L. MUNSON
Director of Human Resources

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, 1994

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.



President

Executive Director

FINANCIAL SECTION

- **Independent Auditor's Report**
 - **General Purpose Financial Statements**
 - **Notes to the 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, 1995, 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 1995 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 September 30, 1995 on our consideration of City of Kinston's internal control structure and a report dated September 30, 1995 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
September 30, 1995



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, 1995**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Internal Service</u>
ASSETS AND OTHER DEBIT				
Assets:				
Cash and investments	\$ 3,853,157	\$ 132,778	\$ 8,033,707	\$ 21,171
Receivables:				
Due from government agencies	-	44,292	-	-
Accounts receivable	1,407,873	-	281,564	1,030
Taxes receivable	489,930	-	-	-
Customer receivables, net	221,601	-	4,592,114	-
Interest receivable	39,916	-	134,080	-
Inventories	170,964	-	1,241,710	-
Deferred charges - debt issuance fees	-	-	19,409	-
Restricted cash and investments	345,988	-	1,071,831	-
Investment in direct financing lease	-	-	403,916	-
Fixed assets	-	-	31,557,582	30,880
Other debit:				
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debit	<u>\$ 6,529,429</u>	<u>\$ 177,070</u>	<u>\$ 47,335,913</u>	<u>\$ 53,081</u>
LIABILITIES, EQUITY AND OTHER CREDIT				
Liabilities:				
Accounts payable and accrued liabilities	\$ 609,360	\$ 4,945	\$ 3,568,513	\$ 118,073
Deferred revenue	990,124	-	18,556	-
Customer deposits	-	-	508,790	-
Accrued compensated absences	-	-	149,315	1,974
Police separation allowance	-	-	-	-
Long-term debt	-	-	8,623,086	-
Total liabilities	<u>1,599,484</u>	<u>4,945</u>	<u>12,868,260</u>	<u>120,047</u>
Equity and other credit:				
Contributed capital	-	-	2,688,748	-
Investment in general fixed assets	-	-	-	-
Retained earnings (deficit)	-	-	31,778,905	(66,966)
Fund balances:				
Reserved for inventories	170,964	-	-	-
Reserved by State statute	1,194,263	44,292	-	-
Reserved for encumbrances	629,437	-	-	-
Reserved for capital improvements	345,988	-	-	-
Unreserved:				
Designated for subsequent year's expenditures	318,850	-	-	-
Undesignated	<u>2,270,443</u>	<u>127,833</u>	-	-
Total equity and other credit	<u>4,929,945</u>	<u>172,125</u>	<u>34,467,653</u>	<u>(66,966)</u>
Total liabilities, equity, and other credit	<u>\$ 6,529,429</u>	<u>\$ 177,070</u>	<u>\$ 47,335,913</u>	<u>\$ 53,081</u>

See Notes to General Purpose Financial Statements.

Account Groups		
General Fixed Assets	General Long-Term Debt	Total (Memoran- dum Only)
\$ -	\$ -	\$ 12,040,813
-	-	44,292
-	-	1,690,467
-	-	489,930
-	-	4,813,715
-	-	173,996
-	-	1,412,674
-	-	19,409
-	-	1,417,819
-	-	403,916
18,607,885	-	50,196,347
-	4,045,712	4,045,712
<u>\$ 18,607,885</u>	<u>\$ 4,045,712</u>	<u>\$ 76,749,090</u>
\$ -	\$ -	\$ 4,300,891
-	-	1,008,680
-	-	508,790
-	649,455	800,744
-	68,863	68,863
-	3,327,394	11,950,480
-	4,045,712	18,638,448
-	-	2,688,748
18,607,885	-	18,607,885
-	-	31,711,939
-	-	170,964
-	-	1,238,555
-	-	629,437
-	-	345,988
-	-	318,850
-	-	2,398,276
<u>18,607,885</u>	<u>-</u>	<u>58,110,642</u>
<u>\$ 18,607,885</u>	<u>\$ 4,045,712</u>	<u>\$ 76,749,090</u>



CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1995**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total (Memoran- dum Only)</u>
Revenue:			
Ad valorem taxes	\$ 5,224,633	\$ -	\$ 5,224,633
Sales and services	3,166,522	-	3,166,522
Other taxes	3,295,271	-	3,295,271
Intergovernmental revenue:			
Unrestricted	524,737	-	524,737
Restricted	997,505	255,880	1,253,385
Other	<u>311,745</u>	<u>120,904</u>	<u>432,649</u>
Total revenue	<u>13,520,413</u>	<u>376,784</u>	<u>13,897,197</u>
Expenditures:			
Current:			
General government	1,762,566	-	1,762,566
Public safety	6,765,199	-	6,765,199
Public works	4,698,604	-	4,698,604
Parks and recreation	2,591,703	-	2,591,703
Planning and community development	2,022,775	289,090	2,311,865
Debt service:			
Principal	25,000	-	25,000
Interest	<u>1,902</u>	<u>-</u>	<u>1,902</u>
Total expenditures	<u>17,867,749</u>	<u>289,090</u>	<u>18,156,839</u>
Revenue over (under) expenditures	<u>(4,347,336)</u>	<u>87,694</u>	<u>(4,259,642)</u>
Other financing sources (uses):			
Operating transfers in	2,811,300	130,000	2,941,300
Operating transfers out	(150,325)	-	(150,325)
Proceeds from borrowings	<u>1,971,655</u>	<u>-</u>	<u>1,971,655</u>
Total other financing sources	<u>4,632,630</u>	<u>130,000</u>	<u>4,762,630</u>
Revenue and other financing sources over expenditures and other financing uses	285,294	217,694	502,988
Fund balances (deficits), beginning	<u>4,644,651</u>	<u>(45,569)</u>	<u>4,599,082</u>
Fund balances, ending	<u>\$ 4,929,945</u>	<u>\$ 172,125</u>	<u>\$ 5,102,070</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 YEAR ENDED JUNE 30, 1995**

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance, Favorable (Unfavorable)</u>
Revenue:			
Ad valorem taxes	\$ 5,149,300	\$ 5,224,633	\$ 75,333
Sales and services	3,015,400	3,166,522	151,122
Other taxes	3,261,300	3,295,271	33,971
Intergovernmental revenue:			
Unrestricted	511,300	524,737	13,437
Restricted	1,027,600	997,505	(30,095)
Other	<u>258,200</u>	<u>311,745</u>	<u>53,545</u>
Total revenue	<u>13,223,100</u>	<u>13,520,413</u>	<u>297,313</u>
Expenditures:			
Current:			
General government	1,934,900	1,762,566	172,334
Public safety	6,917,000	6,765,199	151,801
Public works	4,861,200	4,698,604	162,596
Parks and recreation	2,545,050	2,591,703	(46,653)
Planning and community development	2,139,000	2,022,775	116,225
Debt service:			
Principal	25,000	25,000	0
Interest	<u>1,700</u>	<u>1,902</u>	<u>(202)</u>
Total expenditures	<u>18,423,850</u>	<u>17,867,749</u>	<u>556,101</u>
Revenue over (under) expenditures	<u>(5,200,750)</u>	<u>(4,347,336)</u>	<u>853,414</u>
Other financing sources (uses):			
Operating transfers in	2,811,300	2,811,300	0
Operating transfers out	(148,200)	(150,325)	(2,125)
Proceeds from borrowings	<u>1,938,800</u>	<u>1,971,655</u>	<u>32,855</u>
Total other financing sources	<u>4,601,900</u>	<u>4,632,630</u>	<u>30,730</u>
Revenue and other financing sources over expenditures	<u>\$ (598,850)</u>	<u>285,294</u>	<u>\$ 884,144</u>
Fund balances, beginning	<u>\$ 598,850</u>	<u>\$ 4,644,651</u>	
Fund balances, ending		<u>\$ 4,929,945</u>	

See Notes to General Purpose Financial Statements.

<u>Certain Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance, Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	12,270	12,270
<u>153,500</u>	<u>120,814</u>	<u>(32,686)</u>
<u>153,500</u>	<u>133,084</u>	<u>(20,416)</u>
-	-	-
-	-	-
-	-	-
183,500	101,393	82,107
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>183,500</u>	<u>101,393</u>	<u>82,107</u>
<u>(30,000)</u>	<u>31,691</u>	<u>61,691</u>
30,000	30,000	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>30,000</u>	<u>30,000</u>	<u>-</u>
<u>\$ -</u>	61,691	<u>\$ 61,691</u>
	<u>73,712</u>	
	<u>\$ 135,403</u>	

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1995**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memoran- dum Only)</u>
Operating Revenue:			
Charges for services	\$ 41,814,266	\$ 323,200	\$ 42,137,466
Other	<u>342,139</u>	<u>-</u>	<u>342,139</u>
Total operating revenue	<u>42,156,405</u>	<u>323,200</u>	<u>42,479,605</u>
Operating Expenses:			
Electrical operations	32,617,068	-	32,617,068
Administration	2,727,329	222,451	2,949,780
Depreciation	1,494,871	2,387	1,497,258
Amortization	2,426	-	2,426
Water and sewer operations	628,262	-	628,262
Wastewater plant operations	790,742	-	790,742
Water production	565,060	-	565,060
Claims reimbursements	<u>-</u>	<u>172,698</u>	<u>172,698</u>
Total operating expenses	<u>38,825,758</u>	<u>397,536</u>	<u>39,223,294</u>
Operating income (loss)	<u>3,330,647</u>	<u>(74,336)</u>	<u>3,256,311</u>
Nonoperating Revenue (Expenses):			
Interest earned on investments	571,019	-	571,019
½ % local sales tax	150,305	-	150,305
Interest on long-term debt	(476,858)	-	(476,858)
Other	<u>276,623</u>	<u>-</u>	<u>276,623</u>
Total nonoperating revenue	<u>521,089</u>	<u>-</u>	<u>521,089</u>
Income (loss) before operating transfers	<u>3,851,736</u>	<u>(74,336)</u>	<u>3,777,400</u>
Operating Transfers:			
Operating transfers in	86,125	-	86,125
Operating transfers out	<u>(2,877,100)</u>	<u>-</u>	<u>(2,877,100)</u>
Total operating transfers	<u>(2,790,975)</u>	<u>-</u>	<u>(2,790,975)</u>
Net income (loss)	1,060,761	(74,336)	986,425
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	<u>74,688</u>	<u>-</u>	<u>74,688</u>
Increase (decrease) in retained earnings	1,135,449	(74,336)	1,061,113
Retained earnings, beginning	30,937,193	7,370	30,944,563
Residual equity transfer	<u>(293,737)</u>	<u>-</u>	<u>(293,737)</u>
Retained earnings (deficit), ending	<u>\$ 31,778,905</u>	<u>\$ (66,966)</u>	<u>\$ 31,711,939</u>

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1995
(Page 1 of 2)**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memoran- dum Only)</u>
Cash Flows from Operating Activities:			
Operating income (loss)	\$ 3,330,647	\$ (74,336)	\$ 3,256,311
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Other income	426,928	-	426,928
Depreciation	1,494,871	2,387	1,497,258
Amortization	2,426	-	2,426
Change in assets and liabilities:			
Due from other funds	122,074	-	122,074
Customer receivables	(71,381)	-	(71,381)
Accounts receivable	176,313	171	176,484
Customer deposits	28,619	-	28,619
Inventories	(258,208)	-	(258,208)
Accounts payable	380,578	54,718	435,296
Deferred revenue	849	-	849
Accrued compensated absences	<u>36,772</u>	<u>909</u>	<u>37,681</u>
Net cash provided by (used for) operating activities	<u>5,670,488</u>	<u>(16,151)</u>	<u>5,654,337</u>
Cash Flows from Noncapital Financing Activities:			
Repayments under revolving loan arrangement	(55,926)	-	(55,926)
Operating transfers from other funds	86,125	-	86,125
Operating transfers to other funds	<u>(2,877,100)</u>	<u>-</u>	<u>(2,877,100)</u>
Net cash used for noncapital financing activities	<u>(2,846,901)</u>	<u>-</u>	<u>(2,846,901)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(2,623,814)	(1,249)	(2,625,063)
Principal paid on general obligation bonds and equipment contracts	(980,328)	-	(980,328)
Interest paid on general obligation bonds and equipment contracts	(484,855)	-	(484,855)
Proceeds from borrowing	<u>1,138,037</u>	<u>-</u>	<u>1,138,037</u>
Net cash used for capital and related financing activities	<u>(2,950,960)</u>	<u>(1,249)</u>	<u>(2,952,209)</u>

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1995
(Page 2 of 2)**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memoran- dum Only)</u>
Cash Flows from Investing Activities:			
Investment in direct financing lease principal received	\$ 53,084	\$ -	\$ 53,084
Interest and dividends on investments	<u>494,745</u>	<u>-</u>	<u>494,745</u>
Net cash provided from investing activities	<u>547,829</u>	<u>-</u>	<u>547,829</u>
Net increase (decrease) in cash and cash equivalents	420,456	(17,400)	403,056
Cash and cash equivalents, beginning	<u>8,685,082</u>	<u>38,571</u>	<u>8,723,653</u>
Cash and cash equivalents, ending	<u>\$ 9,105,538</u>	<u>\$ 21,171</u>	<u>\$ 9,126,709</u>
Noncash investing, capital, and financing activities:			
Investment in direct financing lease	<u>\$ 457,000</u>		
Residual equity transfer of fixed assets to general fixed assets account group	<u>\$ 293,737</u>		

See Notes to General Purpose Financial Statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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



CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The City of Kinston (the City) was incorporated in 1762 and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, water and sewer, electric, planning and zoning, recreation, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

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

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

Blended Component Unit. Kinston Leasing Corporation (KLC) is a nonprofit public benefit corporation organized and operated under the laws of the State of North Carolina. KLC was specifically organized for the purpose of 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 four generic fund types and two broad fund categories as follows:

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 and the Lewis School Revitalization Project 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 three Enterprise Funds: the Electric Fund, the Water and Sewer Fund and the Parking Facilities Authority Fund.

Internal Service Funds - The Internal Service Fund was established in conjunction with the City's decision to provide 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.

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.

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. 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 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 1994 through February 1995 apply to the fiscal year ended June 30, 1995. 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 through the fiscal year-end apply to the 1995-96 fiscal year and are not shown as receivables at June 30, 1995. 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, 1995 because they are intended to finance the City's operations during the 1996 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.

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 recognizes revenue expected to be received in cash and expenditures and accruals for goods and services received which is consistent with generally accepted accounting principles. 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 financial plans are adopted for certain special revenue funds (CDBG multi-year funded projects).

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 include amounts in demand deposits as well as time deposits in the form of NOW, SuperNOW, money market accounts and certificates of deposit.

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 at the lower of cost, amortized cost or market.

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.

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.

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:

	<u>Estimated Useful Life</u>
Buildings	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.

Fund Equity

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

North Carolina General Statutes restrict appropriation of fund balances or fund equity 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.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Reserved for capital improvements - represents the portion of fund balance of the General Fund held in restricted cash accounts to be used only for capital improvements.

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, 1996.

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.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 departmental level for all annually budgeted funds and at the project level for the special revenue 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	
Executive	
Administration	\$ 5,173
Parks and recreation	46,653
Debt service - interest	202
Operating transfers out	<u>2,125</u>
	<u>\$ 54,153</u>
Electric Fund	
Electrical operations	<u>\$ 50,139</u>
Parking Facilities Authority Enterprise Fund	<u>\$ 10</u>
Internal Service Fund	<u>\$ 73,198</u>

Deficit Balance

The City has a deficit in the Internal Service Fund of \$66,966 as of June 30, 1995. The deficit will be funded by future contribution adjustments from other participating funds.

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	\$ 3,500
Cash on deposit	761,030
Investments	<u>11,276,283</u>
Cash and investments	\$ 12,040,813
Restricted cash on deposit	<u>1,417,819</u>
Total cash and investments	<u>\$ 13,458,632</u>

Deposits

At year end, the carrying amount of the City's deposits was \$2,178,849 and the bank balance was \$2,778,323. 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, \$354,661 was covered by federal depository insurance and \$2,423,662 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

Investments

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Government Agencies	\$ 7,650,400	\$ 7,650,400	\$ 7,776,347
Commercial Paper	<u>1,037,003</u>	<u>1,037,003</u>	<u>1,037,003</u>
	<u>\$ 8,687,403</u>	<u>\$ 8,687,403</u>	<u>\$ 8,813,350</u>
The North Carolina Capital Management Trust		<u>2,588,880</u>	<u>2,588,880</u>
Total investments		<u>\$ 11,276,283</u>	<u>\$ 11,402,230</u>

The North Carolina Capital Management Trust is exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the fund.

Note 4. Interfund Transactions

The following is a detailed schedule of interfund transfers for the year ended June 30, 1995:

<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	
General Fund	\$ -	\$ 2,500,000	\$ 311,300	\$ 2,811,300
Special Revenue				
Community Development				
Administration Fund	30,000	-	-	30,000
Lewis School				
Revitalization	100,000	-	-	100,000
Enterprise				
Electric Fund	12,500	-	65,800	78,300
Water & Sewer Fund	5,700	-	-	5,700
Parking Fund	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>2,125</u>
Total	<u>\$ 150,325</u>	<u>\$ 2,500,000</u>	<u>\$ 377,100</u>	<u>\$ 3,027,425</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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	\$ 273,589
Water and Sewer Fund	<u>48,597</u>
	<u>\$ 322,186</u>

Note 6. Investment in Direct Financing Lease

In the Electric Fund, the City has entered into lease agreements as lessor, for financing the sale of peak shaving generators to two 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, 1995.

Fiscal Year Ending June 30	Enterprise Fund
1996	\$ 104,984
1997	104,984
1998	104,984
1999	104,984
2000	52,374
Thereafter	<u>-</u>
Total Payments	\$ 472,310
Less: Amount representing interest	<u>68,394</u>
Present value of future minimum lease payments	<u>\$ 403,916</u>

Note 7. Fixed Assets

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

	Balance at July 1, 1994	Additions and Transfers	Disposals	Balance at June 30, 1995
Land and buildings	\$ 7,557,217	\$ 943,380	\$ -	\$ 8,500,597
Equipment and vehicles	<u>8,217,575</u>	<u>1,889,713</u>	<u>-</u>	<u>10,107,288</u>
	<u>\$ 15,774,792</u>	<u>\$ 2,833,093</u>	<u>\$ -</u>	<u>\$ 18,607,885</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 7. Fixed Assets (Continued)

The following is a summary of proprietary fund-type fixed assets at June 30, 1995:

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>	
Land	\$ 207,261	\$ 83,972	\$ 291,233	\$ -
Buildings	3,671,890	3,534,922	7,206,812	19,468
Distribution system	14,595,831	23,262,094	37,857,925	-
Equipment	1,762,328	1,750,858	3,513,186	20,253
Construction in progress	<u>855,147</u>	<u>422,007</u>	<u>1,277,154</u>	<u>-</u>
	21,092,457	29,053,853	50,146,310	39,721
Less accumulated depreciation	<u>(8,535,195)</u>	<u>(10,053,533)</u>	<u>(18,588,728)</u>	<u>(8,841)</u>
Net fixed assets	<u>\$ 12,557,262</u>	<u>\$ 19,000,320</u>	<u>\$ 31,557,582</u>	<u>\$ 30,880</u>

Note 8. Long-Term Debt

Changes in Long-term Liabilities

During the year ended June 30, 1995, the following changes occurred in liabilities reported in the general-long term debt account group and the enterprise funds:

General Long-Term Debt Account Group:

	<u>Balance at July 1, 1994</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 1995</u>
General obligation bonds	\$ 25,000	\$ -	\$ 25,000	\$ -
Compensated absences	579,233	70,222	-	649,455
Police separation allowance	64,032	4,831	-	68,863
Installment contracts	<u>1,853,451</u>	<u>1,971,655</u>	<u>497,712</u>	<u>3,327,394</u>
	<u>\$ 2,521,716</u>	<u>\$ 2,046,708</u>	<u>\$ 522,712</u>	<u>\$ 4,045,712</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Enterprise Funds:

	Balance at July 1, 1994	Additions	Reductions	Balance at June 30, 1995
General obligation bonds	\$ 300,000	\$ -	\$ 150,000	\$ 150,000
Revenue bonds	3,054,000	-	239,000	2,815,000
Compensated absences	112,544	36,771	-	149,315
Notes payable	2,666,149	-	187,865	2,478,284
Installment contracts	<u>2,445,228</u>	<u>1,138,037</u>	<u>403,463</u>	<u>3,179,802</u>
	<u>\$ 8,577,921</u>	<u>\$ 1,174,808</u>	<u>980,328</u>	<u>\$ 8,772,401</u>

General Obligation Bonds

The City has outstanding general obligation bonds issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds outstanding have been issued for proprietary activities. These bonds are reported in the proprietary funds as they are expected to be repaid from proprietary revenue. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding at June 30, 1995, are as follows:

Enterprise Funds:

\$2,300,000 - 1974 Water and Sewer Improvement serial bonds due in principal installments of \$150,000 through April 1, 1996; interest at 4.0%	<u>\$ 150,000</u>
Total Enterprise Funds Bonds, general obligation	<u>\$ 150,000</u>

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

Fiscal Year Ending June 30,	General Long-Term Debt Account Group	Enterprise Funds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u> <u>Interest</u>
1996	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 150,000</u>	<u>\$ 6,000</u>	<u>\$ 150,000</u> <u>\$ 6,000</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 1995 are as follows:

Enterprise Funds:

Water and Sewer Fund:

\$748,000 - 1992 Combined Revenue serial bonds due in quarterly installments beginning October 1, 1992, through April 1, 2004; interest at 6.35% \$ 619,300

Electric Fund:

\$2,652,000 - 1992 Combined Revenue serial bonds due in quarterly installments beginning October 1, 1992, through April 1, 2004; interest at 6.35% \$ 2,195,700

Total Revenue Bonds \$ 2,815,000

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

Fiscal Year Ending June 30.	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 240,000	\$ 173,037	\$ 413,037
1997	255,000	157,560	412,560
1998	275,000	140,890	415,890
1999	290,000	123,111	413,111
2000	310,000	104,219	414,219
Thereafter	<u>1,445,000</u>	<u>202,407</u>	<u>1,647,407</u>
Total	<u>\$ 2,815,000</u>	<u>\$ 901,224</u>	<u>\$ 3,716,224</u>

Notes Payable

Notes payable include obligations of the City for various water and sewer fund improvements. These obligations are for varying annual installments with interest ranging from 3.7 percent to 10 percent.

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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 189,692	109,837	299,529
1997	191,812	101,482	293,294
1998	194,145	92,916	287,061
1999	196,711	84,117	280,828
2000	199,532	75,060	274,592
Thereafter	<u>1,506,392</u>	<u>265,931</u>	<u>1,772,323</u>
Total	<u>\$ 2,478,284</u>	<u>\$ 729,343</u>	<u>\$ 3,207,627</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,	<u>General Long-Term Debt Account Group</u>		<u>Enterprise Funds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1996	\$ 741,860	\$ 167,931	\$ 473,682	\$ 189,379	\$ 1,215,542	\$ 357,310
1997	778,488	129,477	488,566	161,726	1,267,054	291,203
1998	652,986	90,576	487,031	133,273	1,140,017	223,849
1999	432,809	63,375	480,003	105,125	912,812	168,500
2000	251,519	46,630	365,520	77,521	617,039	124,151
Thereafter	<u>469,732</u>	<u>89,891</u>	<u>885,000</u>	<u>129,752</u>	<u>1,354,732</u>	<u>219,643</u>
Total	<u>\$3,327,394</u>	<u>\$587,880</u>	<u>\$3,179,802</u>	<u>\$796,776</u>	<u>\$6,507,196</u>	<u>\$1,384,656</u>

Installment contracts of the general long-term debt account group will be repaid from general funds. Of the enterprise fund installment contracts, \$1,292,583 will be repaid from the water and sewer fund and \$1,887,219 will be repaid from the electric fund.

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, 1995, the legal debt limit for the City was \$65,989,795 providing a legal debt margin of \$57,004,315.

At June 30, 1995, the City has no authorized bonds remaining to be issued.

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, 1994	\$ 2,763,436
Less:	
Depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction	<u>74,688</u>
Contributed capital, June 30, 1995	<u>\$ 2,688,748</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	\$ 25,067	\$ -
Property taxes receivable	534,303	-
Paving Assessments	205,225	-
Privilege licenses	3,928	-
Refuse fees receivable	221,601	-
Repayment agreements	<u>-</u>	<u>18,556</u>
	<u>\$ 990,124</u>	<u>\$ 18,556</u>

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 11. Segment Information

The City maintains three enterprise funds which provide electric, water and sewer and parking services. Financial segment information as of and for the year ended June 30, 1995, is presented below.

	Electric Fund	Water and Sewer Fund	Parking Facilities Authority Fund	Total
Operating revenue	\$ 36,051,847	\$ 6,104,558	\$ -	\$ 42,156,405
Nonoperating revenue				
(expenses)	477,612	43,687	(210)	521,089
½ % sales tax refund	-	150,305	-	150,305
Depreciation	693,313	801,558	-	1,494,871
Amortization	1,892	534	-	2,426
Operating income	1,258,419	2,072,228	-	3,330,647
Operating transfers in	78,300	5,700	2,125	86,125
Operating transfers out	(2,500,000)	(377,100)	-	(2,877,100)
Net income (loss)	(685,669)	1,744,515	1,915	1,060,761
Decrease in				
contributed capital	-	74,688	-	74,688
Fixed assets:				
Additions	1,804,097	819,717	-	2,623,814
Working capital	6,326,830	3,749,036	-	10,075,866
Total assets	23,803,153	23,532,760	-	47,335,913
Bonds and other long-				
term liabilities				
payable from				
operating revenue	3,594,433	3,975,278	-	7,569,711
Total fund equity	15,693,575	18,774,078	-	34,467,653

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, 1995 was \$10,832,638; the City's total payroll was \$10,917,735.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

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.

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 1.71 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, 1995, was \$1,175,788, which consisted of \$649,888 from employees and \$525,900 from the City; the City's required contributions for employees not engaged in law enforcement and for law enforcement officers represents 4.99 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, 1994, the date of the System's latest available actuarial valuation, was \$4,477,415,000. The System's net assets available for benefits on that date (at cost) were \$4,911,161,000, leaving net assets in excess of the pension benefit obligation of \$433,746,000. The City's 1995 contribution represented .40 percent of total contributions required of all participating employers.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

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, 1995 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, 1995, was \$2,186,421. The City's total payroll was \$10,917,735. The City funds benefit payments when due and records these payments as General Fund expenditures.

All full-time City law enforcement officers are covered by the System. At June 30, 1995, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6
Current employees:	
Vested	0
Nonvested	<u>81</u>
Total	<u>87</u>

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.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

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.

The pension benefit obligation was computed as part of an actuarial valuation performed as of December 31, 1994. 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 6.7 percent to 10.5 percent attributable to merit or seniority.

At December 31, 1994, the unfunded pension benefit obligation was \$337,764 as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 141,215
Current employees:	
Employer - financed - vested	-
Employer - financed - nonvested	<u>196,549</u>
Total pension benefit obligation	\$ 337,764
Net assets available for benefits	<u>-</u>
Unfunded pension benefit obligation	<u>\$ 337,764</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.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

The actuarially determined required contribution to the System for the year ended June 30, 1995 was \$49,259; the amount funded by the City was \$44,428 (2.03 percent of covered payroll). The cumulative difference as of June 30, 1995 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, 1995, there were no assets available to fund the pension benefit obligation. The unfunded pension benefit obligation represented 15.52, 14.77 and 15.45 percent of the annual payroll for employees covered by the System for years ended 1993, 1994, and 1995, 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 1993, 1994 and 1995, the City's contributions to the System, all made to fund benefits when due, were 2.21, 1.74 and 2.03 percent, respectively, of annual covered payroll.

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 \$2,186,421. Total contributions for the year ended June 30, 1995, were \$190,078 which consisted of \$108,393 from the City and \$81,685 from the law enforcement officers. The City's required contributions and the officers' voluntary contributions represented approximately 5.00 percent and 3.74 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.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

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.

Note 13. Budget to GAAP Reconciliation

For the fiscal year ended June 30, 1995, 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 and other financing sources over expenditures, budgetary basis	\$ 61,691
To record excess of revenues and other sources over (under) expenditures and other uses for the following fund which has multi-year budgets:	
Special Revenue Fund	
Community Development Lewis School Special Grant	30,146
Community Development Lewis School Revitalization	<u>125,857</u>
Revenues and other sources over expenditures, GAAP basis	<u>\$ 217,694</u>

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 \$172,698 in claims was incurred for benefits during fiscal year 1995.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 14. Risk Management (Continued)

Claims liability

Unpaid claims as of July 1, 1994	\$ 63,355
Incurring claims (including claims incurred but not reported as of June 30, 1995)	172,698
Payments	<u>117,980</u>
Unpaid claims as of June 30, 1995	<u>\$ 118,073</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.

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 \$730,000 in the water and sewer fund and approximately \$1,090,000 in the electric fund for the purchase of equipment and construction of various capital projects. These commitments are to be funded by operating revenues of the respective funds during the 95/96 fiscal year end.

Claims and judgments

At June 30, 1995, 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.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 16. Jointly Governed Organizations

Neuse River Council of Governments

The City, in conjunction with eight counties and thirty-seven 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, 1995.

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, 1995 were \$30,442,415.

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 \$58,946 to the Commission during the year ended June 30, 1995.

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, 1995.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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, 1995. During the year ended June 30, 1995, the City provided \$160,000 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 \$205,296 to the Airport during the fiscal year ended June 30, 1995. 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, 1995. 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 governments 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, 1995
(Page 1 of 6)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Ad valorem taxes:			
Taxes	\$ 5,118,400	\$ 5,186,938	\$ 68,538
Penalties and interest	<u>30,900</u>	<u>37,695</u>	<u>6,795</u>
Total ad valorem taxes	<u>5,149,300</u>	<u>5,224,633</u>	<u>75,333</u>
Sales and services:			
Garbage collections	1,694,700	1,671,898	(22,802)
Rents, concessions, and fees	295,500	293,511	(1,989)
Inspection fees	175,000	177,008	2,008
Cemetery fees	150,000	155,747	5,747
Cable franchise	101,000	277,583	176,583
Lenoir County participation:			
Recreation	327,500	317,579	(9,921)
Building inspection	208,200	193,853	(14,347)
Miscellaneous	<u>63,500</u>	<u>79,343</u>	<u>15,843</u>
Total sales and services	<u>3,015,400</u>	<u>3,166,522</u>	<u>151,122</u>
Other taxes and licenses:			
Local government sales tax	1,900,000	1,928,391	28,391
Franchise tax	1,000,000	1,010,519	10,519
Intangible taxes	235,700	220,005	(15,695)
Occupancy tax	60,000	72,999	12,999
Licenses and permits	<u>65,600</u>	<u>63,357</u>	<u>(2,243)</u>
Total other taxes and licenses	<u>3,261,300</u>	<u>3,295,271</u>	<u>33,971</u>
Unrestricted intergovernmental revenue:			
Payments in lieu of taxes	378,800	391,585	12,785
Beer and wine	102,500	102,504	4
ABC revenue	<u>30,000</u>	<u>30,648</u>	<u>648</u>
Total unrestricted intergovernmental revenue	<u>511,300</u>	<u>524,737</u>	<u>13,437</u>
Restricted intergovernmental revenue:			
Powell Bill allocations	749,800	749,822	22
National Guard Armory	100,000	100,000	0
NC Health and Sanitation	10,000	18,282	8,282
NC Governor's Highway Safety Program - DWI Task Force	92,800	43,986	(48,814)
Domestic Violence Program - Victim's Advocate	25,000	35,738	10,738
US Justice Department	50,000	34,950	(15,050)
Forfeited Drug proceeds	<u>-</u>	<u>14,727</u>	<u>14,727</u>
Total restricted intergovernmental revenue	<u>\$ 1,027,600</u>	<u>\$ 997,505</u>	<u>\$ (30,095)</u>

**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, 1995
(Page 2 of 6)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other revenue:			
Investment income	\$ 160,000	\$ 219,248	59,248
Sales of surplus materials and assets	22,700	12,582	(10,118)
Miscellaneous	<u>75,500</u>	<u>79,915</u>	<u>4,415</u>
Total other revenue	<u>258,200</u>	<u>311,745</u>	<u>53,545</u>
Total revenue	<u>13,223,100</u>	<u>13,520,413</u>	<u>297,313</u>
Expenditures:			
General Government:			
Governing body:			
Salaries and benefits	-	287,667	-
Operating	-	572,042	-
Capital outlay	<u>-</u>	<u>14,753</u>	<u>-</u>
Total governing body	<u>917,900</u>	<u>874,462</u>	<u>43,438</u>
Executive:			
Administration:			
Salaries and benefits	-	193,725	-
Operating	-	33,520	-
Capital outlay	<u>-</u>	<u>18,428</u>	<u>-</u>
	<u>240,500</u>	<u>245,673</u>	<u>(5,173)</u>
Computer services:			
Salaries and benefits	-	97,046	-
Operating	-	166,090	-
Capital outlay	<u>-</u>	<u>397,866</u>	<u>-</u>
	<u>674,600</u>	<u>661,002</u>	<u>13,598</u>
Purchasing:			
Salaries and benefits	-	100,219	-
Operating	-	16,630	-
Capital outlay	<u>-</u>	<u>3,776</u>	<u>-</u>
	<u>130,500</u>	<u>120,625</u>	<u>9,875</u>
Total executive	<u>1,045,600</u>	<u>1,027,300</u>	<u>18,300</u>
Finance:			
Administration and accounting:			
Salaries and benefits	-	234,645	-
Operating	<u>-</u>	<u>72,136</u>	<u>-</u>
	<u>-</u>	<u>306,781</u>	<u>-</u>

**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, 1995
(Page 3 of 6)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Field service:			
Salaries and benefits	\$ -	172,163	-
Operating	-	30,414	-
Capital outlay	-	28,353	-
	<u>-</u>	<u>230,930</u>	<u>-</u>
Billing and collections:			
Salaries and benefits	-	282,714	-
Operating	-	63,633	-
	<u>-</u>	<u>346,347</u>	<u>-</u>
Warehouse:			
Salaries and benefits	-	36,016	-
Operating	-	18,672	-
	<u>-</u>	<u>54,688</u>	<u>-</u>
Total finance	<u>978,400</u>	<u>938,746</u>	<u>39,654</u>
Human Resources:			
Salaries and benefits	-	220,556	-
Operating	-	132,448	-
Capital outlay	-	5,292	-
Total personnel	<u>391,000</u>	<u>358,296</u>	<u>32,704</u>
Public facilities:			
Municipal hall and annex:			
Operating	-	246,108	-
Capital outlay	-	97,454	-
Total public facilities	<u>381,800</u>	<u>343,562</u>	<u>38,238</u>
Indirect costs reimbursement	<u>(1,779,800)</u>	<u>(1,779,800)</u>	<u>-</u>
Total general government	<u>1,934,900</u>	<u>1,762,566</u>	<u>172,334</u>
Public safety:			
Police:			
Salaries and benefits	-	3,020,825	-
Operating	-	753,990	-
Capital outlay	-	534,573	-
Total police	<u>4,459,800</u>	<u>4,309,388</u>	<u>150,412</u>

**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, 1995
(Page 4 of 6)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire:			
Salaries and benefits	\$ -	\$ 1,889,741	\$ -
Operating	-	412,781	-
Capital outlay	-	153,289	-
Total fire	<u>2,457,200</u>	<u>2,455,811</u>	<u>1,389</u>
Total public safety	<u>6,917,000</u>	<u>6,765,199</u>	<u>151,801</u>
Public works:			
Administration:			
Salaries and benefits	-	146,561	-
Operating	-	33,540	-
Capital outlay	-	25,148	-
Total administration	<u>-</u>	<u>205,249</u>	<u>-</u>
Fleet maintenance:			
Salaries and benefits	-	479,466	-
Operating	-	64,102	-
Capital outlay	-	23,926	-
Less: interdepartment charges	-	(189,962)	-
Total fleet maintenance	<u>-</u>	<u>377,532</u>	<u>-</u>
Streets:			
Salaries and benefits	-	531,061	-
Operating	-	808,155	-
Capital outlay	-	86,528	-
Total streets	<u>-</u>	<u>1,425,744</u>	<u>-</u>
Environmental services:			
Salaries and benefits	-	1,065,653	-
Operating	-	969,700	-
Capital outlay	-	435,722	-
Total environmental services	<u>-</u>	<u>2,471,075</u>	<u>-</u>
Cemetery Services:			
Salaries and benefits	-	93,240	-
Operating	-	118,214	-
Capital outlay	-	7,550	-
Total cemetery services	<u>-</u>	<u>219,004</u>	<u>-</u>
Total public works	<u>4,861,200</u>	<u>4,698,604</u>	<u>162,596</u>

**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, 1995
(Page 5 of 6)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Parks and Recreation:			
Administration:			
Salaries and benefits	\$ -	\$ 118,646	\$ -
Operating	-	40,551	-
Capital outlay	-	11,872	-
Total administration	-	171,069	-
Programs:			
Salaries and benefits	-	597,613	-
Operating	-	109,322	-
Capital outlay	-	22,850	-
Total programs	-	729,785	-
Parks:			
Salaries and benefits	-	391,844	-
Operating	-	245,490	-
Capital outlay	-	43,010	-
Total parks	-	680,344	-
County:			
Salaries and benefits	-	164,374	-
Operating	-	120,966	-
Total county	-	285,340	-
Sponsored activities:			
Salaries and benefits	-	18,746	-
Operating	-	88,157	-
Capital outlay	-	700	-
Total sponsored activities	-	107,603	-
Municipal stadium:			
Salaries and benefits	-	27,077	-
Operating	-	180,010	-
Capital outlay	-	410,475	-
Total municipal stadium	-	617,562	-
Total parks and recreation	<u>2,545,050</u>	<u>2,591,703</u>	<u>(46,653)</u>
Planning and community development:			
Planning and development:			
Salaries and benefits	-	238,913	-
Operating	-	35,446	-
Total planning and development	<u>302,500</u>	<u>274,359</u>	<u>28,141</u>

**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, 1995
(Page 6 of 6)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Inspections and code enforcement:			
Salaries and benefits	\$ -	\$ 497,332	\$ -
Operating	-	139,007	-
Capital outlay	-	71,509	-
Total inspections and code enforcement	<u>752,600</u>	<u>707,848</u>	<u>44,752</u>
Economic development:			
Operating	<u>481,500</u>	<u>462,403</u>	<u>19,097</u>
Engineering:			
Salaries and benefits	-	428,676	-
Operating	-	109,450	-
Capital outlay	-	40,039	-
Total engineering	<u>602,400</u>	<u>578,165</u>	<u>24,235</u>
Total planning and community development	<u>2,139,000</u>	<u>2,022,775</u>	<u>116,225</u>
Debt service:			
Principal	25,000	25,000	-
Interest	<u>1,700</u>	<u>1,902</u>	<u>(202)</u>
Total debt service	<u>26,700</u>	<u>26,902</u>	<u>(202)</u>
Total expenditures	<u>18,423,850</u>	<u>17,867,749</u>	<u>556,101</u>
Revenue over (under) expenditures	<u>\$ (5,200,750)</u>	<u>\$ (4,347,336)</u>	<u>\$ 853,414</u>
Other financing sources (uses):			
Operating transfers in	2,811,300	2,811,300	-
Operating transfers out	(148,200)	(150,325)	(2,125)
Proceeds from borrowings	<u>1,938,800</u>	<u>1,971,655</u>	<u>32,855</u>
Total other financing sources	<u>4,601,900</u>	<u>4,632,630</u>	<u>30,730</u>
Revenue and other financing sources over expenditures	<u>\$ (598,850)</u>	<u>285,294</u>	<u>\$ 884,144</u>
Fund balance, beginning		<u>4,644,651</u>	
Fund balance, ending		<u>\$ 4,929,945</u>	

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures 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.



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

**COMBINING BALANCE SHEET
JUNE 30, 1995**

	Community Development Lewis School Special Grant	Community Development Administration	Community Development Lewis School Revitalization	Total
ASSETS				
Cash and investments	\$ -	\$ 125,059	\$ 7,719	\$ 132,778
Due from governmental agencies	-	15,289	29,003	44,292
Total assets	<u>\$ -</u>	<u>\$ 140,348</u>	<u>\$ 36,722</u>	<u>\$ 177,070</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ 4,945	\$ -	\$ 4,945
Total liabilities	-	4,945	-	4,945
FUND BALANCES:				
Reserved by state statute	-	15,289	29,003	44,292
Unreserved - undesignated	-	120,114	7,719	127,833
	-	135,403	36,722	172,125
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 140,348</u>	<u>\$ 36,722</u>	<u>\$ 177,070</u>

**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, 1995**

	<u>Community Development Lewis School Special Grant</u>	<u>Community Development Administration</u>	<u>Community Development Lewis School Revitalization</u>	<u>Total</u>
Revenue:				
Restricted intergovernmental revenue	\$ 50,882	\$ 12,270	\$ 192,728	\$ 255,880
Other - rent and program income	<u>-</u>	<u>120,814</u>	<u>90</u>	<u>120,904</u>
Total revenue	<u>50,882</u>	<u>133,084</u>	<u>192,818</u>	<u>376,784</u>
Expenditures:				
Current				
Planning and community development				
Administration	11,557	48,700	7,433	67,690
Rehabilitation of private properties	9,179	-	159,528	168,707
Contract services	<u>-</u>	<u>52,693</u>	<u>-</u>	<u>52,693</u>
Total expenditures	<u>20,736</u>	<u>101,393</u>	<u>166,961</u>	<u>289,090</u>
Total revenue over expenditures	30,146	31,691	25,857	87,694
Other Financing Sources:				
Operating transfers in	<u>-</u>	<u>30,000</u>	<u>100,000</u>	<u>130,000</u>
Total revenue and other sources over expenditures	30,146	61,691	125,857	217,694
Fund balances, beginning	<u>(30,146)</u>	<u>73,712</u>	<u>(89,135)</u>	<u>(45,569)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 135,403</u>	<u>\$ 36,722</u>	<u>\$ 172,125</u>

**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, 1995**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	\$ 50,882	\$ 89,262	\$ 200,000
Expenditures:			
Administration	11,557	21,753	20,000
Rehabilitation of private properties	9,179	67,509	180,000
Total expenditures	20,736	89,262	200,000
Total revenue over expenditures	30,146	-	-
Other Financing Sources:			
Operating transfers in	-	-	-
Total revenue and other sources over expenditures	\$ 30,146	\$ -	\$ -

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, 1995**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	\$ -	\$ 12,270	\$ 12,270
Other - rent and program income	<u>153,500</u>	<u>120,814</u>	<u>(32,686)</u>
Total revenue	<u>\$ 153,500</u>	<u>\$ 133,084</u>	<u>\$ (20,416)</u>
Expenditures:			
Administration	-	48,700	-
Contract services	<u>-</u>	<u>52,693</u>	<u>-</u>
Total expenditures	<u>183,500</u>	<u>101,393</u>	<u>82,107</u>
Total revenue over (under) expenditures	(30,000)	31,691	61,691
Other Financing Sources:			
Operating transfers in	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total revenue and other sources over expenditures	<u>\$ -</u>	<u>\$ 61,691</u>	<u>\$ 61,691</u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
FROM GRANT INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue -			
Federal Community Development Grant Project	\$ 192,728	\$ 449,263	\$ 600,000
Other - rent and program income	<u>90</u>	<u>90</u>	<u>2,350</u>
Total revenue	<u>\$ 192,818</u>	<u>\$ 449,353</u>	<u>\$ 602,350</u>
Expenditures:			
Administration	7,433	61,984	90,750
Rehabilitation of private properties	<u>159,528</u>	<u>450,647</u>	<u>611,600</u>
Total expenditures	<u>166,961</u>	<u>512,631</u>	<u>702,350</u>
Total revenue over (under) expenditures	25,857	(63,278)	(100,000)
Other Financing Sources:			
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total revenue and other sources under expenditures	<u>\$ 125,857</u>	<u>\$ 36,722</u>	<u>\$ -</u>



ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body 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 where the government's governing body 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.

Parking Facilities Authority Fund - This fund is used to account for the activities of the Parking Facilities Authority Fund.



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

**COMBINING BALANCE SHEET
JUNE 30, 1995**

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking Facilities Authority Fund</u>	<u>Totals 1995</u>
ASSETS				
Cash and investments	\$ 4,648,282	\$ 3,385,425	\$ -	\$ 8,033,707
Accounts receivable	137,912	143,652	-	281,564
Customer receivables, net	3,940,452	651,662	-	4,592,114
Interest receivable	105,048	29,032	-	134,080
Inventories	1,061,825	179,885	-	1,241,710
Deferred charges	15,139	4,270	-	19,409
Restricted cash and investments	933,317	138,514	-	1,071,831
Investment in direct financing lease	403,916	-	-	403,916
Fixed assets:				
Land	207,261	83,972	-	291,233
Buildings	3,671,890	3,534,922	-	7,206,812
Distribution system	14,595,831	23,262,094	-	37,857,925
Equipment	1,762,328	1,750,858	-	3,513,186
Accumulated depreciation	(8,535,195)	(10,053,533)	-	(18,588,728)
Construction in progress	<u>855,147</u>	<u>422,007</u>	<u>-</u>	<u>1,277,154</u>
Total fixed assets, net	<u>12,557,262</u>	<u>19,000,320</u>	<u>-</u>	<u>31,557,582</u>
Total assets	<u>\$23,803,153</u>	<u>\$23,532,760</u>	<u>\$ -</u>	<u>\$47,335,913</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,420,350	\$ 148,163	\$ -	\$ 3,568,513
Deferred revenue	-	18,556	-	18,556
Customer deposits	508,790	-	-	508,790
Accrued compensated absences	97,519	51,796	-	149,315
Long-term debt	<u>4,082,919</u>	<u>4,540,167</u>	<u>-</u>	<u>8,623,086</u>
Total liabilities	<u>8,109,578</u>	<u>4,758,682</u>	<u>-</u>	<u>12,868,260</u>
Fund equity:				
Contributed capital	-	2,688,748	-	2,688,748
Retained earnings	<u>15,693,575</u>	<u>16,085,330</u>	<u>-</u>	<u>31,778,905</u>
Total fund equity	<u>15,693,575</u>	<u>18,774,078</u>	<u>-</u>	<u>34,467,653</u>
Total liabilities and fund equity	<u>\$23,803,153</u>	<u>\$23,532,760</u>	<u>\$ -</u>	<u>\$47,335,913</u>

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

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

	Electric Fund	Water and Sewer Fund	Parking Facilities Authority Fund	Totals 1995
Operating Revenue:				
Charges for services	\$ 35,806,792	\$ 6,007,474	\$ -	\$ 41,814,266
Other	<u>245,055</u>	<u>97,084</u>	<u>-</u>	<u>342,139</u>
Total operating revenue	<u>36,051,847</u>	<u>6,104,558</u>	<u>-</u>	<u>42,156,405</u>
Operating Expenses:				
Electrical operations	32,617,068	-	-	32,617,068
Administration	1,481,155	1,246,174	-	2,727,329
Depreciation	693,313	801,558	-	1,494,871
Amortization	1,892	534	-	2,426
Water and sewer operations	-	628,262	-	628,262
Wastewater plant operations	-	790,742	-	790,742
Water production	<u>-</u>	<u>565,060</u>	<u>-</u>	<u>565,060</u>
Total operating expenses	<u>34,793,428</u>	<u>4,032,330</u>	<u>-</u>	<u>38,825,758</u>
Operating income	<u>1,258,419</u>	<u>2,072,228</u>	<u>-</u>	<u>3,330,647</u>
Nonoperating Revenue (Expenses):				
Interest earned on investments	447,907	123,112	-	571,019
½ % local sales tax refund	-	150,305	-	150,305
Interest on long-term debt	(244,376)	(232,272)	(210)	(476,858)
Other	<u>274,081</u>	<u>2,542</u>	<u>-</u>	<u>276,623</u>
Total nonoperating revenue (expenses)	<u>477,612</u>	<u>43,687</u>	<u>(210)</u>	<u>521,089</u>
Income (loss) before operating transfers	<u>1,736,031</u>	<u>2,115,915</u>	<u>(210)</u>	<u>3,851,736</u>
Operating Transfers:				
Operating transfers in	78,300	5,700	2,125	86,125
Operating transfers out	<u>(2,500,000)</u>	<u>(377,100)</u>	<u>-</u>	<u>(2,877,100)</u>
Total operating transfers	<u>(2,421,700)</u>	<u>(371,400)</u>	<u>2,125</u>	<u>(2,790,975)</u>
Net income (loss)	(685,669)	1,744,515	1,915	1,060,761
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	<u>-</u>	<u>74,688</u>	<u>-</u>	<u>74,688</u>
Increase (decrease) in retained earnings	(685,669)	1,819,203	1,915	1,135,449
Retained Earnings, beginning	16,379,244	14,266,127	291,822	30,937,193
Residual Equity Transfer	<u>-</u>	<u>-</u>	<u>(293,737)</u>	<u>(293,737)</u>
Retained Earnings, ending	<u>\$ 15,693,575</u>	<u>\$ 16,085,330</u>	<u>\$ -</u>	<u>\$ 31,778,905</u>

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

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

(Page 1 of 2)

	Electric Fund	Water and Sewer Fund	Parking Facilities Authority Fund	Totals
Cash Flows from Operating Activities:				
Operating income	\$ 1,258,419	\$ 2,072,228	\$ -	\$ 3,330,647
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other income	274,081	152,847	-	426,928
Depreciation	693,313	801,558	-	1,494,871
Amortization	1,892	534	-	2,426
Change in assets and liabilities:				
Allowance for uncollectible accounts	12,032	(53)	-	11,979
Due from other funds	122,074	-	-	122,074
Customer receivables	(100,709)	17,349	-	(83,360)
Accounts receivable	(35,833)	212,146	-	176,313
Customer deposits	28,619	-	-	28,619
Inventories	(248,881)	(9,327)	-	(258,208)
Accounts payable	350,978	29,600	-	380,578
Deferred revenue	-	849	-	849
Accrued compensated absences	22,547	14,225	-	36,772
Net cash provided by operating activities	<u>2,378,532</u>	<u>3,291,956</u>	<u>-</u>	<u>5,670,488</u>
Cash Flows from Noncapital Financing Activities:				
Repayments under revolving loan arrangement	(55,926)	-	-	(55,926)
Operating transfers from other funds	78,300	5,700	2,125	86,125
Operating transfers to other funds	<u>(2,500,000)</u>	<u>(377,100)</u>	<u>-</u>	<u>(2,877,100)</u>
Net cash provided by (used for) noncapital financing activities	<u>(2,477,626)</u>	<u>(371,400)</u>	<u>2,125</u>	<u>(2,846,901)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(1,804,097)	(819,717)	-	(2,623,814)
Principal paid on general obligation bond maturities and equipment contracts	(376,937)	(589,391)	(14,000)	(980,328)
Interest paid on bonded indebtedness and equipment contracts	(246,193)	(238,452)	(210)	(484,855)
Proceeds from borrowing	<u>925,737</u>	<u>212,300</u>	<u>-</u>	<u>1,138,037</u>
Net cash used for capital and related financing activities	<u>(1,501,490)</u>	<u>(1,435,260)</u>	<u>(14,210)</u>	<u>(2,950,960)</u>

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

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1995
(Page 2 of 2)**

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking Facilities Authority Fund</u>	<u>Totals</u>
Cash Flows from Investing Activities:				
Investment in direct financing lease - principal received	\$ 53,084	\$ -	\$ -	\$ 53,084
Interest and dividends on investments	<u>391,853</u>	<u>102,892</u>	<u>-</u>	<u>494,745</u>
 Cash flows provided by investing activities	 <u>444,937</u>	 <u>102,892</u>	 <u>-</u>	 <u>547,829</u>
 Net increase (decrease) in cash and cash equivalents	 (1,155,647)	 1,588,188	 (12,085)	 420,456
 Cash and cash equivalents, beginning	 <u>6,737,246</u>	 <u>1,935,751</u>	 <u>12,085</u>	 <u>8,685,082</u>
 Cash and cash equivalents, ending	 <u>\$ 5,581,599</u>	 <u>\$ 3,523,939</u>	 <u>\$ -</u>	 <u>\$ 9,105,538</u>
 Noncash investing, capital, and financing activities:				
 Investment in direct financing lease	 <u>\$ 457,000</u>			 <u>\$ 457,000</u>
 Residual equity transfer of fixed assets to general fixed assets account group			 <u>\$ 293,737</u>	 <u>\$ 293,737</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, 1995**

(Page 1 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Operating Revenue:			
Charges for services, electricity sales	\$ 35,455,100	\$ 35,920,089	\$ 464,989
Other	<u>218,500</u>	<u>245,055</u>	<u>26,555</u>
Total operating revenue	<u>35,673,600</u>	<u>36,165,144</u>	<u>491,544</u>
Nonoperating Revenue:			
Interest earned on investments	513,900	447,907	(65,993)
Other	<u>228,900</u>	<u>274,081</u>	<u>45,181</u>
Total nonoperating revenue	<u>742,800</u>	<u>721,988</u>	<u>(20,812)</u>
Total revenue	<u>36,416,400</u>	<u>36,887,132</u>	<u>470,732</u>
Expenditures:			
Administration:			
Salaries and benefits	-	336,480	-
Operating	-	274,532	-
Capital outlay	-	25,116	-
Indirect costs	<u>-</u>	<u>795,500</u>	<u>-</u>
	<u>1,437,900</u>	<u>1,431,628</u>	<u>6,272</u>
Electrical operations:			
Salaries and benefits	-	1,185,916	-
Operating	-	32,010,643	-
Capital outlay	<u>-</u>	<u>1,321,980</u>	<u>-</u>
	<u>34,468,400</u>	<u>34,518,539</u>	<u>(50,139)</u>
Total expenditures	<u>35,906,300</u>	<u>35,950,167</u>	<u>(43,867)</u>
Revenue over expenditures	<u>510,100</u>	<u>936,965</u>	<u>426,865</u>
Other Financing Sources (uses):			
Proceeds from borrowing	1,116,700	925,737	(190,963)
Operating transfers in	78,300	78,300	-
Operating transfers out	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>-</u>
Total other financing uses	<u>\$ (1,305,000)</u>	<u>\$ (1,495,963)</u>	<u>\$ (190,963)</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, 1995
(Page 2 of 2)**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenue and other sources under expenditures and other uses	\$ (794,900)	\$ (558,998)	\$ 235,902

Reconciliation of modified accrual basis
to full accrual basis:

Revenue and other sources under expenditures and other uses	\$ (558,998)
Transfers	2,421,700
Capital outlay	1,804,096
Capital lease provided, net	(457,000)
Payment of debt principal	376,937
Proceeds from borrowing	(925,737)
Depreciation	(693,313)
Amortization of debt fees	(1,892)
Decrease in accrued unbilled electricity sales	(113,297)
Bad debt expense	(118,282)
Decrease in interest accrual	<u>1,817</u>
Income before operating transfers, accrual basis	<u>\$ 1,736,031</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, 1995**

(Page 1 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Operating Revenue:			
Charges for services:			
Water sales	\$ 2,641,500	\$ 2,704,569	\$ 63,069
Sewer charges	3,272,100	3,338,056	65,956
Other	<u>131,100</u>	<u>97,084</u>	<u>(34,016)</u>
Total operating revenue	<u>6,044,700</u>	<u>6,139,709</u>	<u>95,009</u>
Nonoperating Revenue:			
Interest earned on investments	75,800	123,112	47,312
½ % local sales tax refund	188,800	150,305	(38,495)
Other	<u>2,500</u>	<u>2,542</u>	<u>42</u>
Total nonoperating revenue	<u>267,100</u>	<u>275,959</u>	<u>8,859</u>
Total revenue	<u>6,311,800</u>	<u>6,415,668</u>	<u>103,868</u>
Expenditures:			
Water and Sewer Administration:			
Salaries and benefits	-	126,579	-
Operating	-	135,295	-
Capital outlay	-	59,597	-
Indirect costs	<u>-</u>	<u>984,300</u>	<u>-</u>
	<u>1,319,300</u>	<u>1,305,771</u>	<u>13,529</u>
Water Production:			
Salaries and benefits	-	136,916	-
Operating	-	428,144	-
Capital outlay	<u>-</u>	<u>5,032</u>	<u>-</u>
	<u>612,300</u>	<u>570,092</u>	<u>42,208</u>
Water and sewer operations:			
Salaries and benefits	-	454,782	-
Operating	-	970,205	-
Capital outlay	<u>-</u>	<u>215,235</u>	<u>-</u>
	<u>1,797,500</u>	<u>1,640,222</u>	<u>157,278</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, 1995
(Page 2 of 2)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Wastewater plant operations:			
Salaries and benefits	-	251,995	-
Operating	-	538,747	-
Capital outlay	-	539,853	-
	<u>4,072,900</u>	<u>1,330,595</u>	<u>2,742,305</u>
Total expenditures	<u>7,802,000</u>	<u>4,846,680</u>	<u>2,955,320</u>
Revenue over (under) expenditures	<u>(1,490,200)</u>	<u>1,568,988</u>	<u>3,059,188</u>
Other Financing Sources (uses):			
Proceeds from borrowing	2,792,300	212,300	(2,580,000)
Operating transfers in	5,700	5,700	-
Operating transfers out	<u>(377,100)</u>	<u>(377,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,420,900</u>	<u>(159,100)</u>	<u>(2,580,000)</u>
Revenue and other sources over expenditures	<u>\$ 930,700</u>	<u>\$ 1,409,888</u>	<u>\$ 479,188</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures		\$ 1,409,888	
Transfers		371,400	
Capital outlay		819,717	
Proceeds from borrowing		(212,300)	
Payment of debt principal		589,391	
Depreciation		(801,558)	
Amortization of debt fees		(534)	
Decrease in accrued unbilled water sales		(19,616)	
Decrease in accrued unbilled sewer sales		(15,535)	
Bad debt expense		(18,758)	
Decrease in interest accrual		<u>(6,180)</u>	
Income before operating transfers, accrual basis		<u>\$ 2,115,915</u>	

**CITY OF KINSTON, NORTH CAROLINA
PARKING FACILITIES AUTHORITY 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, 1995**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures - Administration	\$ 14,200	\$ 14,210	\$ (10)
Other Financing Sources:			
Operating transfers in	-	2,125	2,125
Total other financing sources	-	2,125	2,125
Other financing sources under expenditures	\$ (14,200)	\$ (12,085)	\$ 2,115
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		\$ (12,085)	
Transfers		(2,125)	
Payment of debt principal (in expenditures, above)		<u>14,000</u>	
Loss before operating transfers, accrual basis		<u>\$ (210)</u>	



INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

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



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

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

	<u>Actual</u>
Operating Revenue:	
Contribution from various funds	<u>\$ 323,200</u>
Operating Expenses:	
Administration	222,451
Depreciation	2,387
Claims reimbursement	<u>172,698</u>
Total operating expenses	<u>397,536</u>
Net loss	(74,336)
Retained earnings, beginning	<u>7,370</u>
Retained earnings (deficit), ending	<u>\$ (66,966)</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, 1995**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Operating Revenue:			
Contributions from various funds	\$ 323,200	\$ 323,200	\$ -
Nonoperating Revenue:			
Other	-	-	-
Total revenue	<u>323,200</u>	<u>323,200</u>	<u>-</u>
Expenditures:			
Administration:			
Salaries and benefits	-	59,995	-
Insurance	-	110,333	-
Operating	-	52,123	-
Capital outlay	-	1,249	-
Total administration	-	223,700	-
Claim reimbursements, operating	-	172,698	-
Total expenditures	<u>323,200</u>	<u>396,398</u>	<u>(73,198)</u>
Revenue and other sources under expenditures	<u>\$ -</u>	<u>\$ (73,198)</u>	<u>\$ (73,198)</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		\$ (73,198)	
Capital outlay		1,249	
Depreciation		<u>(2,387)</u>	
Net loss, accrual basis		<u>\$ (74,336)</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, 1995

General Fixed Assets:

Land	\$ 3,355,974
Buildings	5,144,623
Equipment and vehicles	<u>10,107,288</u>
Total general fixed assets	<u>\$18,607,885</u>

Investment in General Fixed Assets By Source:

General fund	\$18,202,661
Special revenue funds	<u>405,224</u>
Total investment in general fixed assets	<u>\$18,607,885</u>

CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 1995**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment and Vehicles</u>	<u>Total</u>
General Government:				
Council	\$ -	\$ -	\$ 20,692	\$ 20,692
Manager	173,000	762,266	503,158	1,438,424
Clerk	-	-	9,294	9,294
Human resources	-	-	58,995	58,995
Finance and administration	-	-	667,015	667,015
Other, unclassified	<u>2,581,546</u>	<u>1,153,693</u>	<u>236,680</u>	<u>3,971,919</u>
Total general government	<u>2,754,546</u>	<u>1,915,959</u>	<u>1,495,834</u>	<u>6,166,339</u>
Public Safety:				
Police	-	-	1,586,790	1,586,790
Fire	38,365	365,872	1,844,624	2,248,861
Inspection	<u>-</u>	<u>-</u>	<u>204,089</u>	<u>204,089</u>
Total public safety	<u>38,365</u>	<u>365,872</u>	<u>3,635,503</u>	<u>4,039,740</u>
Public Works:				
Highways and Streets:				
Engineering	-	-	262,698	262,698
Maintenance	<u>-</u>	<u>-</u>	<u>960,656</u>	<u>960,656</u>
Total highways and streets	<u>-</u>	<u>-</u>	<u>1,223,354</u>	<u>1,223,354</u>
Environmental Services	<u>-</u>	<u>-</u>	<u>3,146,526</u>	<u>3,146,526</u>
Parks and Recreation	<u>563,063</u>	<u>2,862,792</u>	<u>606,071</u>	<u>4,031,926</u>
Total general fixed assets	<u>\$ 3,355,974</u>	<u>\$ 5,144,623</u>	<u>\$10,107,288</u>	<u>\$18,607,885</u>

CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

<u>Function and Activity</u>	<u>General Fixed Assets July 1, 1994</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets June 30, 1995</u>
General Government:				
Council	\$ 5,939	\$ 14,753	\$ -	\$ 20,692
Manager	1,018,354	420,070	-	1,438,424
Clerk	9,294	-	-	9,294
Human resources	53,703	5,292	-	58,995
Finance and administration	629,132	37,883	-	667,015
Other, unclassified	<u>3,427,391</u>	<u>544,528</u>	<u>-</u>	<u>3,971,919</u>
Total general government	<u>5,143,813</u>	<u>1,022,526</u>	<u>-</u>	<u>6,166,339</u>
Public Safety:				
Police	1,052,217	534,573	-	1,586,790
Fire	2,086,032	162,829	-	2,248,861
Inspection	<u>132,580</u>	<u>71,509</u>	<u>-</u>	<u>204,089</u>
Total public safety	<u>3,270,829</u>	<u>768,911</u>	<u>-</u>	<u>4,039,740</u>
Highways and Streets:				
Engineering	222,659	40,039	-	262,698
Maintenance	<u>874,128</u>	<u>86,528</u>	<u>-</u>	<u>960,656</u>
Total highways and streets	<u>1,096,787</u>	<u>126,567</u>	<u>-</u>	<u>1,223,354</u>
Environmental Services	<u>2,710,804</u>	<u>435,722</u>	<u>-</u>	<u>3,146,526</u>
Parks and Recreation	<u>3,552,559</u>	<u>479,367</u>	<u>-</u>	<u>4,031,926</u>
Total general fixed assets	<u>\$15,774,792</u>	<u>\$ 2,833,093</u>	<u>\$ -</u>	<u>\$18,607,885</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, 1995**

	General Long-Term Debt <u>July 1, 1994</u>	<u>Additions</u>	<u>Deductions</u>	General Long-Term Debt <u>June 30, 1995</u>
By Type of Debt:				
Bonds payable	\$ 25,000	\$ -	\$ 25,000	\$ -
Accrued compensated absences	579,233	70,222	-	649,455
Police separation allowance	64,032	4,831	-	68,863
Installment contract obligations	<u>1,853,451</u>	<u>1,971,655</u>	<u>497,712</u>	<u>3,327,394</u>
	<u>\$ 2,521,716</u>	<u>\$ 2,046,708</u>	<u>\$ 522,712</u>	<u>\$ 4,045,712</u>
By Purpose:				
General government equipment	\$ -	\$ 1,031,142	\$ 100,668	\$ 930,474
Public safety, equipment	243,007	286,562	115,479	414,090
Public works:				
Street improvement	25,000	-	25,000	-
Equipment	958,444	336,086	221,384	1,073,146
Recreation, equipment	652,000	317,865	60,181	909,684
Accrued compensated absences, all departments	579,233	70,222	-	649,455
Police separation allowance	<u>64,032</u>	<u>4,831</u>	<u>-</u>	<u>68,863</u>
	<u>\$ 2,521,716</u>	<u>\$ 2,046,708</u>	<u>\$ 522,712</u>	<u>\$ 4,045,712</u>



OTHER FINANCIAL INFORMATION

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



CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 1994</u>	<u>Current Year Gross Levy</u>	<u>Collections Credits and Adjustments</u>	<u>Uncollected Balance June 30, 1995</u>
1994 - 1995	\$ -	\$ 5,103,866	\$ 4,917,585	\$ 186,281
1993 - 1994	181,691	-	107,740	73,951
1992 - 1993	98,215	—	16,488	81,727
1991 - 1992	59,864	—	10,154	49,710
1990 - 1991	45,535	—	6,948	38,587
1989 - 1990	21,273	—	4,259	17,014
1988 - 1989	15,305	—	1,213	14,092
1987 - 1988	12,743	—	1,436	11,307
1986 - 1987	10,619	—	582	10,037
1985 - 1986	7,443	—	219	7,224
1984 and prior	<u>6,851</u>	<u>—</u>	<u>6,851</u>	<u>—</u>
	<u>\$ 459,539</u>	<u>\$ 5,103,866</u>	<u>\$ 5,073,475</u>	<u>\$ 489,930</u>

RECONCILIATION WITH REVENUE:

Ad valorem taxes - General Fund	\$ 5,186,938
Less auto fee	<u>(160,854)</u>
	\$ 5,026,084
Add credits and adjustments	<u>47,391</u>
	<u>\$ 5,073,475</u>

CITY OF KINSTON, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 1995**

	<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	\$ 824,872,433	0.61	\$ 5,056,714
Municipal service district	<u>17,463,713</u>	0.27	<u>47,152</u>
Total for year	<u>\$ 842,336,146</u>		5,103,866
Less uncollected tax at June 30, 1995			<u>186,281</u>
Current year taxes collected			<u>\$ 4,917,585</u>
Percent current year collected			<u>96.4 %</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*	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation Percentage of Covered Payroll
1986	\$ —	\$ —	\$ —	\$ —	\$ —	—
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%

* Note: 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	Investment Income	Total	
1986	\$ —	\$ —	\$ —	\$ —	—
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%

Fiscal Year Ended June 30	Expenses by Type			
	Benefits	Administrative Expenses	Refunds	Total
1985	\$ —	\$ —	\$ —	\$ —
1986	—	—	—	—
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

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

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	Non- Departmental	Debt Service	Other	Total
1986	\$ 1,372,971	\$ 3,353,239	\$ 3,212,121	\$ 1,204,458 (1)	\$ 653,226	\$ 1,076,045 (2)	\$ 177,687	\$ —	\$ 11,049,747
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

Source: City of Kinston Finance Department

Notes: (1) Includes general and special revenue funds

(2) Expenses allocated on departmental basis after 1986

**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
1986	\$ 2,885,164	\$ 1,959,731	\$ 1,238,300	\$ 1,426,355	\$ 1,289,870	\$ 402,448	\$ 9,201,868
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

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	Ad Valorem (2)	Other Taxes					Licenses and Permits	Total
		Sales	Intangible	Franchise	Occupancy			
1986	\$ 2,885,164	\$ 963,009	\$ 188,390	\$ 690,833	\$ -	\$ 86,225	\$	4,813,621
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

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)	Percent of		Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
		Current Tax Collections	Current Taxes Collected			
1986	\$ 2,872,421	\$ 2,809,867	\$ 97.8%	\$ 52,336	\$ 2,862,203	\$ 99.6%
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%

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

<u>Fiscal Year Ended June 30</u>	<u>Total Assessed Value (2)</u>	<u>Estimated Actual Value</u>	<u>Percentage of Assessed Value Growth</u>
1986	\$ 532,652,436	(1)	4.4%
1987	539,896,267	(1)	1.4%
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%

Source: *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

<u>Fiscal Year Ended June 30</u>	<u>City Millage</u>	<u>Municipal Service District Millage</u>	<u>Total City Millage</u>	<u>Total County Millage</u>	<u>Total School District Millage</u>
1986	\$ 0.58	\$ 0.30	\$ 0.58	\$ 0.62	\$ 6.50
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	0.00
1993	0.61	0.27	0.61	0.77	0.00
1994	0.61	0.27	0.61	0.77	0.00
1995	0.61	0.27	0.61	0.77	0.00

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

CITY OF KINSTON, NORTH CAROLINA
PROPERTY TAX RATES AND LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Tax Rates			Tax Levies		
	City	County	Total	City	County	Total
1986	\$ 0.58	\$ 0.62	\$ 1.20	\$ 2,872,421	\$ 8,394,045	\$ 11,266,466
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

Source: *Lenoir County Tax Office*

CITY OF KINSTON, NORTH CAROLINA

PRINCIPAL TAXPAYERS

JUNE 30, 1995

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Austin Carolina	Tobacco Processor	\$ 22,367,932	2.7%
VPM, Inc.	Retail	15,069,772	1.8%
Kinston Ham Products, Inc.	Meat Processor	14,636,937	1.8%
Carolina Telephone	Utility	11,733,962	1.4%
Hampton Industries	Manufacturer	9,682,956	1.2%
Buehler Products, Inc.	Manufacturer	7,606,944	0.9%
Barnet Southern	Manufacturer	7,107,035	0.9%
Kinston Point Limited	Retail	6,119,536	0.7%
Glen Raven Mills	Manufacturer	5,683,929	0.7%
Oneita Industries	Manufacturer	<u>5,157,537</u>	<u>0.6%</u>
Total Assessed Valuation of Top 10 Taxpayers		105,166,540	12.7%
Balance of Assessed Valuation		<u>719,705,893</u>	<u>87.3%</u>
Total Assessed Valuation		<u>\$ 824,872,433</u>	<u>100.0%</u>

Source: *Lenoir County Tax Office*

CITY OF KINSTON, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 1995

Total assessed value		<u>\$ 824,872,433</u>
Debt limitation - 8% of total assessed value		\$ 65,989,795
Debt applicable to limitation:		
Total bonded debt	\$ 2,965,000	
Obligation under notes payable	2,478,284	
Obligation under installment contracts	<u>6,507,196</u>	
Gross debt	<u>\$ 11,950,480</u>	
Less - statutory deductions:		
General obligation bonds issued and outstanding for water purposes	\$ 150,000	
Revenue bonds issued and outstanding for electric purposes	2,195,700	
Revenue bonds issued and outstanding for water purposes	<u>619,300</u>	
Total statutory deductions	<u>\$ 2,965,000</u>	
Total debt applicable to limitation		<u>\$ 8,985,480</u>
Legal debt margin		<u>\$ 57,004,315</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

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to General Expenditures (%)</u>
1986	\$ 485,000	\$ 205,645	\$ 690,645	\$ 11,049,747	6.25
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	3.56
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

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, 1995

<u>Name of Governmental Unit</u>	<u>General Obligation Bonds Outstanding (1)</u>	<u>Percentage Applicable to City of Kinston (2)</u>	<u>City of Kinston's Share of Debt (3)</u>
Direct debt - City of Kinston	\$ 150,000	100.00 %	\$ 150,000
Lenoir County debt	<u>11,190,000</u>	36.60 %	<u>4,095,540</u>
Total overlapping debt	<u>\$ 11,340,000</u>		<u>\$ 4,245,540</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 (\$2,253,748,275) City of Kinston (\$824,872,433).*
- (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)	
1986	\$ 532,652,436 (4)	220	\$ 21,919,771	\$ 393,509,000
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	(5)

Source: (1) *Lenoir County Tax Office*
(2) *City Inspections Department*
(3) *Wachovia Bank-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	
							Gross	Net
1986	\$ 26,019	\$ 532,652,436	\$ 42,612,195	\$ 3,693,000	\$ 595,000	0.11%	\$ 142	\$ 23
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	0.01	41	3
1993	25,758	783,182,081	62,654,566	685,000	50,000	0.01	27	2
1994	25,863	811,306,805	63,464,218	325,000	25,000	0.01	13	1
1995	25,730	842,336,146	65,989,795	150,000	0	0	6	0

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

Note: (2) Includes municipal service district

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 Sale (5)	Bank Deposits (6)
1986	26,019	\$ 10,813	9.2%	11,813	\$ 488,073,498	\$ 393,509,000
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	(7)	6.2%	10,451	595,789,426	(7)

Source:

- (1) NC Office of State Planning
- (2) Kinston Lenoir Public Library
- (3) NC Employment Security Commission
- (4) Lenoir County Public School system
- (5) NC Department of Revenue
- (6) Wachovia Bank - FDIC Summary of Deposits

Note:

- (7) Information not presently available

CITY OF KINSTON, NORTH CAROLINA

MISCELLANEOUS STATISTICS

JUNE 30, 1995

Population	25,730
Date of incorporation	1762
Form of government	Council/Manager
Area (Extra-territorial jurisdiction 45.52 sq/miles)	16.71
Miles of paved streets (State maintained 43.63 miles)	109.94
Number of street lights	2,030
Employees	460
Fire protection:	
Number of stations	3
Number of firemen and officers	64
Police Protection:	
Number of stations	5
Number of policemen and officers	69
Electric department:	
Number of consumers	14,541
Average daily usage	12,279 MWH
Miles of distribution lines	350
Water department:	
Number of consumers	11,524
Average daily consumption	5.27 MGD
Miles of water mains	183.16
Sewers:	
Average daily flow	5.51 MGD
Miles of sewer lines	290.14
Parks and recreation:	
Number of parks	16
Park acreage	274.55
Golf courses	1
Swimming pools	3
Tennis courts	20
Museum	1
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium

