

**City of Kinston, North Carolina**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2005**

**Prepared by City of Kinston Finance Department**



## Table of Contents

	Page
<b>Introductory Section</b>	
Letter of Transmittal	i – vii
List of Principal Officials	viii
Organizational Chart	ix
GFOA Certificate of Achievement	x
<b>Financial Section</b>	
Independent Auditor's Report	1 – 2
Management Discussion and Analysis	3 – 11
Basic Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14 – 15
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to Net Assets of Governmental Activities in the Statement of Net Assets	17
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities of Governmental Activities	19
General Fund Annually Budgeted Major Fund Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual	20
Statement of Net Assets – Proprietary Funds	21
Statements of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds	22
Combined Statement of Cash Flows – Proprietary Funds	23 – 24
Notes to Basic Financial Statements	25 – 52
Required Supplemental Financial Data:	
Law Enforcement Officers' Special Separation Allowance:	
Schedule of Funding Progress	53
Schedule of Employer Contributions	54
Separation Allowance Plan:	
Schedule of Funding Progress	55
Schedule of Employer Contributions	56
Other Supplemental Financial Data:	
Major Funds:	
General Fund:	
Comparative Balance Sheet	57
Schedules of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual	58 – 61
Electric Fund:	
Schedules of Revenue, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Non-GAAP, Modified Accrual Basis	63 – 64
Electric Capital Projects Fund:	
Schedule of Revenue and Expenditures, Budget and Actual – (Non-GAAP)	65
Water Fund	
Schedules of Revenue, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Non-GAAP, Modified Accrual Basis	67 – 68
Water Capital Projects Fund:	
Schedule of Revenue and Expenditures, Budget and Actual – (Non-GAAP)	69
Water Capital Reserve Fund:	
Schedule of Revenue and Expenditures, Budget and Actual – (Non-GAAP)	70
Wastewater Fund:	
Schedule of Revenue, Expenditures and Other Financing Sources (Uses) – Budget and Actual – Non-GAAP, Modified Accrual Basis	71 – 72
Wastewater Capital Projects Fund:	
Schedule of Revenue, and Expenditures, Budget and Actual – (Non-GAAP)	73
Wastewater Capital Reserve Fund:	
Schedule of Revenue, and Expenditures, Budget and Actual – (Non-GAAP)	74



## Table of Contents

	Page
<b>Non-major Governmental Combining Statements</b>	
Combined Balance Sheet – Non-major Governmental Fund Types	75
Statement of Revenue, Expenditures and Changes in Fund Balances	
Non-major Governmental Fund Types	76
<hr/>	
<b>Non-major Special Revenue Funds</b>	
Combining Balance Sheets	77 – 79
Combining Statements of Revenue, Expenditures and Changes in Fund Balances (Deficit)	80 – 82
Schedule of Revenue and Expenditures – Budget and Actual:	
Grant Project Fund – Community Development Administration	83
Grant Project Fund – SARF DCA Project	84
Grant Project Fund – Salvage Yard Buyout	85
Grant Project Fund – State Tenant Relocation Assistance	86
Grant Project Fund – CDBG Micro Enterprise Grant	87
Grant Project Fund – Oaks Apartments Project	88
Grant Project Fund – FEMA Assistance to Firefighters	89
Grant Project Fund – CD Capacity	90
Grant Project Fund – Single Family Rehabilitation	91
Grant Project Fund – Hurricane Isabel	92
Grant Project Fund – Flood Close Out	93
Grant Project Fund – LLEBG –2003	94
Grant Project Fund – Governor's Highway Safety Program – 2004	95
Grant Project Fund – LLEBG –2004	96
Grant Project Fund – Governor's Highway Safety Program – 2005	97
Grant Project Fund – Viper Grant	98
Grant Project Fund – Operation Video Impact	99
<hr/>	
<b>Non-major Capital Projects Funds:</b>	
Combining Balance Sheets	101
Combining Statements of Revenue, Expenditures and Changes in Fund Balances	102
Schedule of Revenue, Expenditures and Changes in Fund Balances –	
Budget and Actual	
Fire Station/Public Safety Complex	103
General Fund Small Projects Fund	104
Capital Reserve Fund	105
<hr/>	
<b>Non-major Enterprise Funds:</b>	
Schedules of Revenue, Expenditures and Other Financing Sources (Uses) –	
Budget and Actual – Non-GAAP, Modified Accrual Basis	
Environmental Services Fund	107 – 108
<hr/>	
<b>Internal Service Funds:</b>	
Combining Statement of Net Assets	109
Combining Statements of Revenue, Expenses and Changes in Net Assets	110
Statement of Cash Flows	111 – 112
Schedule of Revenue and Expenditures – Budget and Actual –	
Non-GAAP Modified Accrual Basis	
Employee Health Fund	113
Fleet Maintenance Fund	114
Warehouse Fund	115
Public Services Fund	116



## Table of Contents

	Page
<b>Governmental Funds Capital Assets:</b>	
Capital Assets Used in the Operation of Governmental Funds –	117
Comparative Schedules by Source	117
Schedule by Function and Activity	118
Schedule of Changes by Function and Activity	119
<b>Other Financial Information:</b>	
Schedule of Ad Valorem Taxes Receivable	121
Analysis of Current Tax Levy	122
<b>Statistical Section (Unaudited)</b>	
General Governmental Expenditures by Function	123
General Government Revenue by Source	124
General Governmental Tax Revenue by Source – Last Ten Fiscal Years	125
Property Tax Levies and Collections – Last Ten Fiscal Years	126
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	127
Property Tax Rates – Direct and Overlapping Governments	
(Per \$100 of Assessed Value) – Last Ten Fiscal Years	128
Property Tax Rates and Levies – Direct and Overlapping Governments – Last Ten Fiscal Years	129
Principal Taxpayers	130
Computation of Legal Debt Margin	131
Ratio of Annual General Debt Service Expenditures for General Obligation	
Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years	132
Computation of Direct and Overlapping Bonded Debt	133
Property Value, Construction and Bank Deposits – Last Ten Fiscal Years	134
Ratio of Net General Obligation Bonded Debt to Assessed Value	
and Bonded Debt Per Capita – Last Ten Fiscal Years	135
Revenue Bond Coverage - Combined Enterprise Funds – Last Ten Fiscal Years	136
Demographic Statistics	137
Miscellaneous Statistics	138



## **INTRODUCTORY SECTION**

---

**Letter of Transmittal**

**List of Principal Officials**

**Organizational Chart**

**GFOA Certificate of Achievement for  
Excellence in Financial Reporting**

---





# City of Kinston

Post Office Box 339

Kinston, North Carolina 28502

Phone: (252) 939-3110 Fax: (252) 939-3388

O. A. RITCH, JR.  
Mayor

RALPH A. CLARK  
City Manager

JAMES P. CAULEY III  
City Attorney

CAROL L. BARWICK  
City Clerk

December 21, 2005

To the Honorable Mayor, Members of City Council, and Citizens of the **CITY OF KINSTON**:

The Comprehensive Annual Financial Report of the **CITY OF KINSTON**, North Carolina (the City) for the fiscal year ended June 30, 2005, is hereby submitted. The basic financial statements contained herein have been audited by the independent certified public accounting firm of McGladrey & Pullen, LLP, and their unqualified opinion is included in the financial section. Responsibility for 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 data enclosed is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position and, where applicable, the cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a list of principal officials, the City's organizational chart, and the GFOA's Certificate of Achievement for Excellence in Financial Reporting for our 2004 report. The financial section includes the basic financial statements and the combining and individual fund financial statements and schedules, Management's Discussion and Analysis (MD&A), and the auditor's report on the financial section contents. For a narrative introduction and analytical overview of the City's financial activities, please see the MD&A. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all the funds 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 electric, 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, there was no activity during the fiscal year ended June 30, 2005. The Kinston-Lenoir County Library, the Lenoir County Development Commission, the Lenoir County Tourism Development Authority and the Kinston Housing Authority do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

The City is required to undergo an annual "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and the auditor's reports on the internal control over financial reporting and compliance with applicable laws, regulations, contracts and grant agreements, is included in a separate reporting package.

---

## **ECONOMIC CONDITION AND OUTLOOK**

---

Kinston, located 75 miles east of the City of Raleigh (the State Capitol) and 60 miles west of the Atlantic Coast, is the largest municipality in Lenoir County and serves as the County seat. The City is centrally located to several large and growing cities such as New Bern, Jacksonville, and Greenville, all less than an hour away from each other. The City is easily accessible by US 70, US 258, NC 11 and 55. In April 2005, Delta Airlines commenced daily commercial air service to Atlanta from the Global Transpark. The community currently has a 7.7 percent unemployment rate compared to a statewide rate of 5.3 and a national average of 5.0 percent. The July 2004 population estimates for the City report population as 22,917, a 3.3 percent decrease from the April 2000 estimates.

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

The City has experienced a conservative expansion. Overall, the value of new construction was \$16.4 million. The construction of residential developments, stores, medical and institutional, is consistent with construction in previous years.

All indications are that economic growth will continue at a moderate pace. In light of the effect the floods and some industrial expansion have had on the physical and economic fabric of the City, the City in the past fiscal year has experienced small gains in growth. While having a positive impact, this growth also presents significant challenges for the City. If the present high level of service is to be maintained in the future, the City will need to explore new methods of obtaining financial resources.

---

## **MAJOR INITIATIVES**

---

### **FOR THE YEAR**

Fiscal Year 2004-2005 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during previous fiscal years.

### **Salvage Yard Buyout**

The Salvage Yard Buyout project is just about complete. As of June 30, the relocation of junk from the Harpers site was in progress. Over the course of the project we have acquired conservation easements to the following sites:

- Stanleys - 1 site, on Hwy 70 across from the new Mr. Waffle restaurant, totaling 1.59 acres. Owners received \$30,000 for a conservation easement. There was no relocation.
- Webbs - 3 sites, on Hwy 11/55 north of Skinners Bypass, totaling 56.86 acres. Owner received \$278,600 for a conservation easement and \$596,400 for relocation.
- Harpers - 1 site, on Hwy 11/55 south of Skinners Bypass, totaling 31.1 acres. Owner received \$625,240 for a conservation easement and \$576,714 for relocation.

We are negotiating with the widow of the owner of the Woodys site. That site is composed of 1 parcel located on Hwy 11/55 across from the Nature Center, totaling 10.5 acres.

We will not be able to acquire easements to the other two sites that participated in the program, Wingates and Strouds. The Strouds site, located on Hwy 11/55 between two of the Webbs sites, has groundwater and soil cleanup levels that exceed DENR Division of Water Quality standards. Given these high cleanup levels, DENR would not pay for the conservation easement to this property, but they did agree to pay to relocate Mr. Stroud. Mr. Stroud has refused the State's offer. The Wingate site, located on Old Asphalt Rd just south of Harpers, also has levels of contamination that prevent our being able to get a conservation easement.

All of the sites for which we have acquired conservation easements are still under the ownership of the property owners that granted us easements. They will continue to be responsible for whatever environmental liabilities that may exist on these sites. However, the environmental testing done on these sites, along with the minimal cleanup done at Webbs and Stanleys, leaves all of the sites safe for the purposes for which they can be used. The properties on which we have an easement can only be used for open space, parks, recreation, wilderness and other similar end purposes. For property tax purposes, these sites have been assessed at zero value.

Of the \$3.7 million that the State provided for the project, \$2,739,520 has been spent to date. The only remaining work in the project is the demolition of the two buildings on the Woodys site and whatever the State requires to administratively closeout the project.

### **Engineering - Upper and Lower Adkin Outfall Rehabilitation**

As part of maintaining the sewer infrastructure of the City, work continued on the Upper Adkin Branch Outfall Rehabilitation project in 2005. This project was contracted to replace 21,000 linear feet of sewer lines and as of fiscal year end was approximately 90% complete. The Lower Adkin Branch Outfall Rehabilitation project replaced approximately 9,000 linear feet of sewer lines and as of fiscal year end the work was completed. Funding for the \$6.1 million improvements comes from the following: \$1.6 million Federal Public Works Bill, \$3.0 million Clean Water Management Trust Fund, \$.02 million Rural Center grant, and \$1.3 million in State Revolving Loan Fund and local funds.

### **Engineering - Briery Run Sewer Rehabilitation Phase II:**

This project will consist of cleaning and tv monitoring of the project area, and rehabilitating 2,600 linear feet of 15 inch pipe using a cured-in-place technique. Twenty-eight manholes will be rehabilitated using an epoxy coating technique. This \$450 thousand project will be funded through a \$400 thousand Rural Center grant and \$50 thousand in local funds.

### **Wastewater - Contract I: Wastewater Treatment Facilities at Kinston Regional Water Reclamation Facility (KRWRF)**

Work on this project began in April 2004. It consists of improvements and expansion of the Kinston Regional Water Reclamation Facility to meet effluent discharge permit limits and increase capacity. The work includes: headworks structures; BNR and aeration basins; secondary clarifiers with return and waste sludge facilities; denitrification filters; UV disinfection and post-aeration facilities; aeration and filter blower buildings; methanol storage and feed facility; non-potable plant water supply system; plant drain system; mechanical systems; engine-generator, power distribution system; plant control system; yard piping; site work; modifications to existing aeration basins, clarifiers, sludge pumping station, and chemical storage and feed facilities; demolition of facilities; and all other work included to decommission and demolish the Peachtree Plant. This \$26.5 million project is funded through a FEMA grant and should be completed in the spring of 2006.

### **Wastewater - Contract II: 30-inch Force Main for Kinston Regional Water Reclamation Facility**

The Forrest Street Lift Station currently pumps sewage and sludge from the Peachtree Plant. The existing pumps will be replaced with pumps capable of providing sufficient capability for transporting all of the flow to the Kinston Regional site via 26,000 linear feet of 30-inch force main. The existing emergency generator at the Peachtree Plant will be relocated to the Forrest Street Lift Station. The Briery Run Lift Station, which currently pumps all sewage that flows to the Kinston Regional Facility, will be flood proofed. Also, 2,700 linear feet of 36-inch outfall will be installed to replace the existing effluent ditch that flows from the Kinston Regional Facility to the Neuse River. This \$5.2 million project is funded through a FEMA grant.

### **Wastewater - Contract III: Administration Building at Kinston Regional Water Reclamation Facility**

A new administration building at the Kinston Regional Water Reclamation Facility was constructed. The building includes offices and locker rooms for plant staff, a laboratory with equipment, a multi-purpose training/conference/break room, restrooms, a computer administration control room and a public entrance. The work under this contract also includes the installation of a 6-inch water line to serve the new building, plumbing, heating and air conditioning system and electrical systems and associated site work. This \$1.2 million project is funded through a FEMA grant and was completed in April 2005.

### **Workers' Compensation and Safety Costs**

As with most business entities, the cost of insurance premiums and medical expenses associated with on-the-job injuries are continually an increasing liability. The City's departments work together diligently to control and reduce these costs through Safety Meetings and programs. During Fiscal Year 2005, the City decreased its lost work time cases from 5 to 3. In addition, restricted duty days and lost time days lessened during the fiscal year. The City has successfully closed open claims that could have increased our outstanding liability. Efforts are continuing to completely close all open claims.

### **Neuse Regional Water and Sewer Authority**

The City became a member and owner in the Neuse Regional Water and Sewer Authority (NRWASA) which was formed in 2000. This organization will be responsible for the purchase, construction, maintenance and administration of water supply for Lenoir County and parts of Pitt County. This facility will include: land acquisition, transmission mains, and an initial 12 million gallons per day (MGD) Membrane Filtration Water Treatment Facility expandable in 3 MGD increments. The estimated cost of this facility is \$83 million. The new facility will allow water withdrawal from new sources, necessary to reduce water withdrawal from the Cretaceous Aquifer by 25 percent by 2008, as mandated in the 2002 Capacity Use Regulations. These reductions will continue with a 50 percent reduction in 2013 and a 75 percent reduction in 2018. Funding for this project will be \$30 million in grants from various sources, a \$47 million USDA 40-year loan, and \$13 million in combined grant/State Revolving Funds (SRF) loans as approved. Construction of the new facility is to begin in fiscal year 2006.

### **Public Safety - Ladder Truck**

In October 2005, the City took delivery of a new ladder truck. The purchase was necessitated by the decommissioning of the backup ladder which could no longer pass required tests. The new ladder is equipped with a platform enhancing fire fighters' ability to work for extended periods of time and for more efficient rescue capabilities. The new ladder truck has been placed in a primary response status at the main fire station and the old ladder has been placed into reserve status. This transition will help the City maintain its current fire rating.

## **IN THE FUTURE**

### **Public Safety - VIPER Project**

Kinston Department of Public Safety was awarded \$760 thousand grant to plan and implement VIPER (Voice Interoperability Plan for Emergency Responders) for Lenoir County. These funds allow the purchase of equipment to support efficient and expeditious sharing of information and intelligence across the state. This capability will allow law enforcement responders across the state to communicate with each other in the event of an emergency, major disaster, or terrorist event. The initial phase will consist of all infrastructure needs and component and programming costs for supervisor radios for all law enforcement agencies in Lenoir County, including the Lenoir County 911 Central Communications Center.

### **Public Safety - Fire Station**

Population shifts, flood buyouts, commercial development, apparatus enhancements, and national fire standards such as 1710 have all contributed to the need to build a new primary fire station. In the 2004-2005 budget, appropriations were made to begin the process of planning and building the new station. The intent is to move the main station to a more central location, but still maintaining proximity to the Municipal Service District. The plans will include training capabilities that allow personnel and apparatus to remain in the response area without reducing training opportunities.

### **Recreation - Replacement of Tennis courts**

The City Council funded \$100 thousand for the replacement of tennis courts at Fairfield Recreation Center in the fiscal year 2006 capital improvements budget. The courts are forty years old and have been repaired to the point where it is not economically or physically possible to repair further. The department applied for a \$100 thousand PARTF (Parks & Recreation Trust Fund) Grant in January, 2005 in order to build a spray ground at Fairfield Park.

## **Wastewater - Contract IV: Biosolids Facilities for Kinston Regional Water Reclamation Facility**

This project will consist of construction of improvements at the Kinston Regional Water Reclamation Facility including, but not limited to modifications to existing aerobic digesters; new blowers installed in a building being constructed by others; new septage receiving station; new dewatered biosolids storage building; relocation of an existing pre-engineered metal building; forest land application demonstration facilities using reclaimed water; associated sitework, yard piping, controls and electrical work. Funding for these \$3.4 million improvements will be through State Revolving Fund loans.

## **Electric Division**

The large projects for the foreseeable future are the upgrade of the 504 circuit (Highway 70), replacement of three substation transformers and underground primary replacement in four subdivisions. Also, we anticipate the completion of automated meter reading installation and the construction of a substation for the Highway 70 West Industrial Park. The total estimated cost for these projects is \$4.6 million.

## **Pride of Kinston**

Pride of Kinston will continue to build the necessary partnerships with local and state organizations to help revitalize Kinston's central business district. The Kinston Enterprise Center should start to graduate businesses and assist them with purchasing or leasing market rate office space in downtown. Pride of Kinston will also continue to promote this Main Street Community as a place to shop, visit, work and live.

---

## **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, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a Government Unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and the City will be submitting it to the GFOA to determine its eligibility for another certificate.

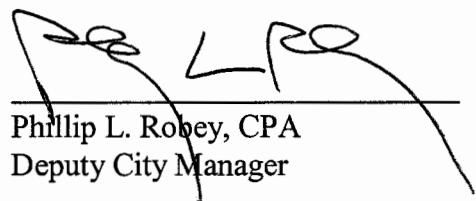
**Independent Audit.** The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State Single Audit Implementation Act require annual independent audits of the City's compliance with the applicable laws and regulations related to certain financial assistance received by the City. The independent auditor's report on management's discussion and analysis, the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditor's reports on the compliance matters are included in a separate reporting package.

The preparation of this comprehensive annual financial report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report and in their continued professional excellence in accounting for the fiscal actions of the City.

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

In closing, we would like to express our appreciation to the Mayor, City Council, Department Heads and all City staff, for their leadership, interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Phillip L. Robey, CPA  
Deputy City Manager



Ralph A. Clark  
City Manager



**City of Kinston, North Carolina**

---

**List of Principal Officers**  
**June 30, 2005**

**City Council**

---

Johnnie Mosley  
Mayor

Joseph M. Tyson  
Mayor Pro Tem

R. Van Braxton  
E. Gordon Vermillion

Jimmy Cousins  
Alice S. Tingle

**City Administration**

---

Ralph Clark  
City Manager

Brenda Ruffin  
Director of Human Resources

Phillip Robey  
Deputy City Manager

Greg Smith  
Director of Public Safety

Scott Stevens  
Director of Public Services

Tommy Lee  
Director of Planning, Inspections and  
Code Enforcement

Bill Ellis  
Director of Parks and Recreation

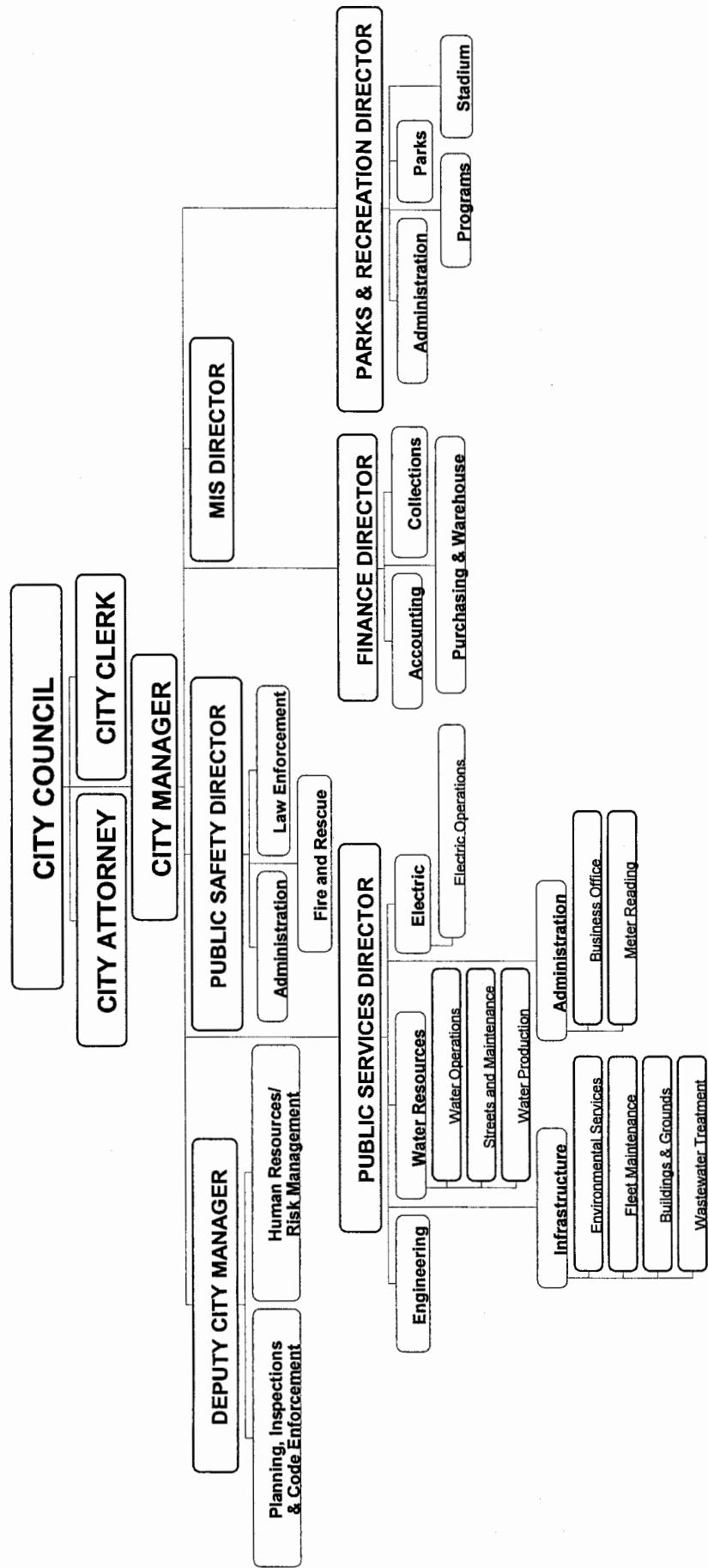
Catherine Gwynn  
Finance Director

Carol L. Barwick  
City Clerk

# City of Kingston

## Organizational Structure

FY 2004-2005



# 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, 2004

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.



*Nancy L. Ziebell*

President

*Jeffrey R. Ecker*

Executive Director



## **FINANCIAL SECTION**

---

**Independent Auditor's Report**

**Management's Discussion and Analysis**

**Basic Financial Statements**

**Notes to Basic Financial Statements**

**Required Supplemental Financial Data**

**Combining, Individual Fund Statements and Schedules**

---



# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Kinston, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of City of Kinston's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the remaining aggregate fund information of the City of Kinston, North Carolina, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions and the Separation Allowance Plan Schedules of Funding Progress and Employer Contributions on pages 3 – 11 and 53 – 56 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kinston's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of City of Kinston, North Carolina. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Morehead City, North Carolina  
September 8, 2005

## **City of Kinston, North Carolina**

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2005**

This section of the City of Kinston's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

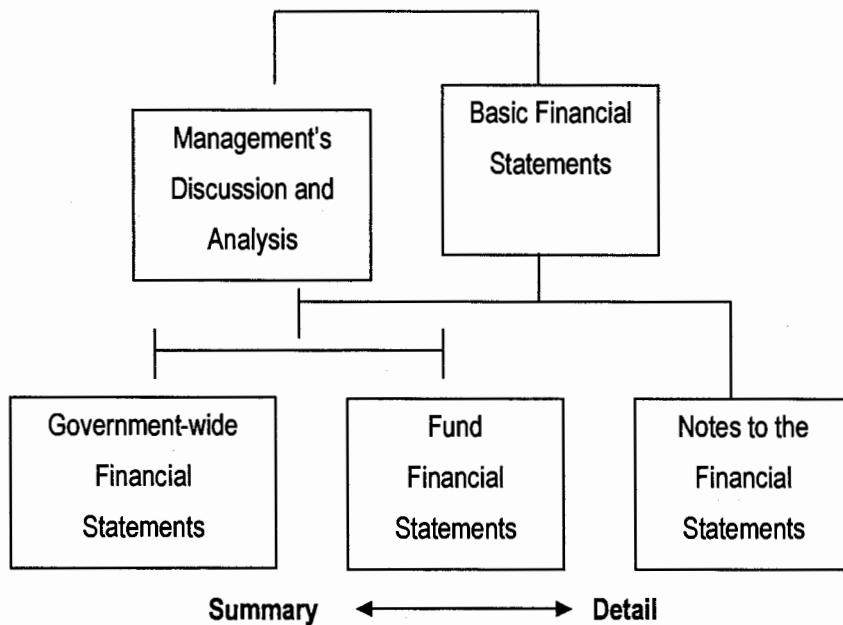
#### **Financial Highlights**

- The overall financial position of the City improved in 2005 as evidenced by an increase in total net assets of \$12.3 million. This increase was from business-type activities (\$12.7 million), while the governmental activities decreased by \$.36 million.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$75.4 million (net assets). Of this amount, \$14.4 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.3 million, an increase of \$.6 million in comparison with the prior year. Approximately 34.1 percent of this total amount, or \$1.8 million, is available for spending at the government's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$1.5 million, or 9.3 percent of total general fund expenditures.
- The City's total debt increased by \$3.0 million during the current fiscal year. Most of the increase came from a \$3.59 million revenue bond in the wastewater fund, which was part of the financing necessary for the new water reclamation plant under construction. In addition, the City borrowed \$1.0 million in the general fund for new vehicles and equipment and \$.86 million from the State Revolving Fund for its continuing wastewater capital projects. These borrowing were offset by approximately \$1.3 million in principal payments made against existing debt. The City borrowed approximately \$10.8 million for the advance refunding of its 1996 combined enterprise system revenue bonds; however, the increase in bonds was largely offset by the retired debt amount.

#### **Overview of the Financial Statements**

This annual report consists primarily of three parts: management's discussion and analysis (this section), the basic financial statements, and a section that presents combining and individual fund statements as well as detailed budgetary comparison schedules. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Kinston. The following diagram shows how the required components of this annual report are arranged and relate to one another.

## Required Components of Annual Financial Report



### Basic Financial Statements

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds statements* tell how general government services, like public safety, were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the electric, water and wastewater systems.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data, and are followed by the required supplemental financial data on the Law Enforcement Officers' Special Separation Allowance and the Separation Allowance Plan. In addition to these required elements, a section is included with combining statements that provide details about nonmajor governmental funds, which are totaled and presented in a single column in the basic financial statements. This section also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets (the difference between assets and liabilities) and how they have changed. Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's roads, must be considered to assess the overall health of the City.

The government-wide financial statements are divided into two categories:

- **Governmental activities** - Most of the City's basic services are included here, such as public safety, community planning and development, streets and culture and recreation. Property taxes, other taxes, and grants and contributions finance most of these activities.
- **Business-type activities** - The City charges fees to customers to cover the costs of certain services provided. The City's electric, water, wastewater and sanitation systems are included here.

The government-wide financial statements are on pages 13 – 15 of this report.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Statutes. Other funds are established to control and manage resources designated for specific purposes.

The City has two kinds of funds:

- **Governmental funds** - Most of the City's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can be readily converted to cash and (2) the balances left at year-end that are available for spending in the next year. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the General Fund, as required by State Statutes. A budgetary comparison statement is presented for the General Fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual resources, changes to appropriations, and ending balances, and (d) the variance between the final budget and actual resources. Because the City's budgetary basis of accounting does not differ from the modified accrual basis used in the funds statements, reconciliation is not necessary at the end of the statement.

- **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the Government-wide Statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that supply and service for the City's other programs and activities. Three of the internal service funds predominantly benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements. The fleet maintenance fund, employee health and insurance fund and warehouse inventory fund are included in governmental activities. The public services fund, which functions as a management group for the enterprise funds is included in the business-type activities.

The fund financial statements are on pages 16 – 24 of this report.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 25 of this report.

## Financial Analysis of the City as a Whole

**Net Assets:** For the City, assets exceeded liabilities by \$75.4 million at the close of the most recent fiscal year. A summary of the City's net assets at June 30, 2005 and 2004 is presented below:

### City of Kinston's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 7,935,654	\$ 6,867,539	\$ 17,121,463	\$ 13,879,838	\$ 25,057,117	\$ 20,747,377
Capital assets	11,053,778	11,499,445	76,485,009	64,074,762	87,538,787	75,574,207
<b>Total assets</b>	<b>18,989,432</b>	<b>18,366,984</b>	<b>93,606,472</b>	<b>77,954,600</b>	<b>112,595,904</b>	<b>96,321,584</b>
Long-term liabilities outstanding	6,154,583	5,210,840	22,592,414	20,494,871	28,746,997	25,705,711
Other liabilities	979,666	938,291	7,441,391	6,574,915	8,421,057	7,513,206
<b>Total liabilities</b>	<b>7,134,249</b>	<b>6,149,131</b>	<b>30,033,805</b>	<b>27,069,786</b>	<b>37,168,054</b>	<b>33,218,917</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	6,747,204	7,642,027	53,715,106	45,059,829	60,462,310	52,701,856
Restricted	590,711	440,884	-	-	590,711	440,884
Unrestricted	4,517,268	4,134,942	9,857,561	5,824,985	14,374,829	9,959,927
<b>Total net assets</b>	<b>\$ 11,855,183</b>	<b>\$ 12,217,853</b>	<b>\$ 63,572,667</b>	<b>\$ 50,884,814</b>	<b>\$ 75,427,850</b>	<b>\$ 63,102,667</b>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The City's net assets increased by \$12.3 million for the fiscal year ended June 30, 2005. However, the largest portion (80.2%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14.4 million is unrestricted.

Net assets of the governmental activities decreased \$.36 million, or 3.0 percent, to \$11.86 million. However, \$7.34 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). The remaining balance of \$4.52 million is unrestricted. The unrestricted net assets are available primarily to support operations and to provide for payment of long-term debt. The primary aspect of the City's financial operations that negatively influenced the total unrestricted net assets was an increase in accrued compensated absences. This was slightly offset by decreased expenditures in most functions and increases in State shared revenue.

The net assets of the business-type activities increased by \$12.7 million, or 24.9 percent, to \$63.6 million. These net assets will be used to finance the operations and expansion of the electric, water, wastewater, and environmental operations. The increase in net assets came primarily from grants related to the construction of the new water reclamation plant.

**Changes in Net Assets:** The following table presents the City's changes in net assets for the fiscal years ended June 30, 2005 and 2004:

**City of Kinston's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,274,966	\$ 748,752	\$ 51,121,987	\$ 49,453,894	\$ 52,396,953	\$ 50,202,646
Operating grants and contributions	2,100,728	3,428,877	-	-	2,100,728	3,428,877
Capital grants and contributions	-	-	13,479,179	3,961,156	13,479,179	3,961,156
General revenues:						
Property taxes	7,574,054	6,961,891	-	-	7,574,054	6,961,891
Other taxes	4,993,274	4,254,918	-	-	4,993,274	4,254,918
Grants and contributions not restricted to specific programs						
426,652	159,286	-	-	-	426,652	159,286
Other	126,718	119,771	77,742	16,415	204,460	136,186
Transfers	992,290	779,964	(992,290)	(779,964)	-	-
<b>Total revenues</b>	<b>17,488,682</b>	<b>16,453,459</b>	<b>63,686,618</b>	<b>52,651,501</b>	<b>81,175,300</b>	<b>69,104,960</b>
<b>Expenses:</b>						
General government	2,351,252	1,917,328	-	-	2,351,252	1,917,328
Public safety	8,675,761	8,890,704	-	-	8,675,761	8,890,704
Highways and streets	1,847,141	1,858,283	-	-	1,847,141	1,858,283
Economic and physical development	2,256,483	2,890,594	-	-	2,256,483	2,890,594
Culture and recreation	2,551,858	2,594,715	-	-	2,551,858	2,594,715
Interest on long-term debt	168,857	185,904	-	-	168,857	185,904
Electric	-	-	40,016,886	38,338,927	40,016,886	38,338,927
Water	-	-	3,771,820	3,206,893	3,771,820	3,206,893
Wastewater	-	-	4,536,399	4,391,983	4,536,399	4,391,983
Non-Major Fund	-	-	2,673,660	2,576,785	2,673,660	2,576,785
<b>Total expenses</b>	<b>17,851,352</b>	<b>18,337,528</b>	<b>50,998,765</b>	<b>48,514,588</b>	<b>68,850,117</b>	<b>66,852,116</b>
<b>Increase in net assets</b>	<b>(362,670)</b>	<b>(1,884,069)</b>	<b>12,687,853</b>	<b>4,136,913</b>	<b>12,325,183</b>	<b>2,252,844</b>
<b>Net assets, July 1</b>	<b>12,217,853</b>	<b>14,101,922</b>	<b>50,884,814</b>	<b>46,747,901</b>	<b>63,102,667</b>	<b>60,849,823</b>
<b>Net assets, June 30</b>	<b>\$ 11,855,183</b>	<b>\$ 12,217,853</b>	<b>\$ 63,572,667</b>	<b>\$ 50,884,814</b>	<b>\$ 75,427,850</b>	<b>\$ 63,102,667</b>

Total government-wide revenues of \$81.2 million were primarily derived from charges for services (64.5%), capital grants and contributions (16.6%) and property taxes (9.3%). The total expenses of all programs were \$68.85 million. The expenses cover a range of services with the two largest being electric services (58.1%) and public safety (fire/EMS and police) (12.6%).

## **Governmental Activities**

Governmental activities decreased the City's net assets by \$.4 million. Key elements of this decrease are as follows:

- Accrued compensated absences increased by \$455,251.
- Garbage collection fees, which were previously reported in governmental activities, are reported under business-type activities for a complete year resulting in a loss of income of \$277,000 to the governmental activities.
- Increase of 2.5% in property tax revenues partially offset the decrease due to growth and continued diligence in the collection of property taxes.

## **Business-type Activities**

Business-type activities increased the City of Kinston's net assets by \$12.7 million, accounting for over 100% of the total growth in the government's net assets. Key elements of this increase are as follows:

- The City received \$13.5 million in capital grants and contributions primarily for the construction of the new water reclamation facility.
- Charges for services increased by approximately \$1.7 million, or 3.3% over the prior year. The increase was the combined result of increased consumption and an electric rate increase. The rate increase in electric was offset by \$1.0 million in additional purchased power costs over the prior year.

## **Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Kinston's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Kinston's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Kinston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,798,422 of which \$300,000 is designated for subsequent year's expenditures, while total fund balance reached \$4,811,961. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.2% of total General Fund expenditures of \$16,043,471, while total fund balance represents 30.0% of that same amount.

At June 30, 2005, the governmental funds of City of Kinston reported a combined fund balance of \$5,305,259, a 12.7% increase over last year. Included in this change in fund balance is a 22.0% increase in the fund balance of the general fund. Contributing factors in this growth include increases in ad valorem, sales tax and other state shared revenue.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts in several categories. The most significant variances were in sales and services and restricted intergovernmental. The variance in restricted governmental was the result of several street projects that were scheduled to be started and were to be paid for on a reimbursement basis but were not started during the year. This variance was offset by a positive variance in the public services function for the lack of expenditures related to these projects. Expenditures were managed as well, and the Town was able to comply with its budgetary requirements.

**Proprietary Funds.** Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amount to \$2.75 million in the Electric fund, \$2.03 million in the Water fund, \$3.91 million in the Wastewater fund and \$.45 million in the Environmental Services fund. The Electric, Water and Environmental Services funds experienced reductions in net assets for the funds of approximately \$1,267,000, \$98,000 and \$59,000, respectively. These were more than offset by the growth in net assets of the Wastewater fund by approximately \$14 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

#### Capital Asset and Debt Administration

**Capital Assets.** At June 30, 2005, the City had \$87.5 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, electric, water and wastewater operating plant and infrastructure and construction in process. This amount represents a net increase of \$11.96 million, or 15.8%, over last year. The summary of capital assets at June 30, 2005 and 2004 is presented below:

#### City of Kinston's Capital Assets (Net of depreciation)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 2,918,681	\$ 2,918,681	\$ 878,503	\$ 878,503	\$ 3,797,184	\$ 3,797,184
Infrastructure	609,262	645,101	-	-	609,262	645,101
Buildings and other improvements	6,197,953	6,447,208	3,000,351	3,185,331	9,198,304	9,632,539
Equipment and vehicles	1,293,827	1,488,455	1,359,303	1,667,845	2,653,130	3,156,300
Operating plant	-	-	42,323,148	43,908,551	42,323,148	43,908,551
Construction in progress	34,055	-	28,914,681	14,434,532	28,948,736	14,434,532
 Total	 \$ 11,053,778	 \$ 11,499,445	 \$ 76,475,986	 \$ 64,074,762	 \$ 87,529,764	 \$ 75,574,207

This year's major capital asset additions included:

- Construction in process – Water Reclamation Facility - \$13.2 million
- Construction in process – wastewater distribution improvements - \$1.0 million
- Equipment and vehicles - \$.96 million

More detailed information about the City's capital assets is presented in Note 6 of the basic financial statements.

**Long-term Debt.** At June 30, 2005, the City had \$26.6 million of debt outstanding in revenue bonds, installment purchases and revolving loans to the State of North Carolina. Details by type of debt are presented in the following table:

### City of Kinston's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Installment contracts	\$ 4,306,574	\$ 3,857,418	\$ 1,644,314	\$ 2,076,832	\$ 5,950,888	\$ 5,934,250
Revenue bonds	-	-	16,367,067	13,466,000	16,367,067	13,466,000
Less deferred amounts	-	-	(564,855)	-	(564,855)	-
Notes payable	-	-	4,801,267	4,637,185	4,801,267	4,637,185
<b>Total</b>	<b>\$ 4,306,574</b>	<b>\$ 3,857,418</b>	<b>\$ 22,247,793</b>	<b>\$ 20,180,017</b>	<b>\$ 26,554,367</b>	<b>\$ 24,037,435</b>

The City of Kinston's total long-term debt increased by \$2.5 million (10.5%) during the past fiscal year, primarily due \$1.0 million in new debt issued in the governmental activities and \$3.59 million in revenue bonds issued in the business-type activities. The City also issued \$10.8 million in revenue bonds for the purpose of advance refunding the 1996 enterprise combined system bonds which were considered defeased and removed from the books. All scheduled debt service payments were made timely.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Kinston is \$89,302,927.

More detailed information about the City's long-term obligations is presented in Note 7 of the basic financial statements.

#### **Economic Factors and Next Year's Budget and Rates**

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

- During fiscal year 2005, 10 residential and 10 nonresidential units were constructed with a value of \$11.36 million
- Retail sales during 2005 were \$78.62 million.
- The June 2005 unemployment rate was 7.7 percent compared to 5.3 percent for the state and 5.0 percent for the nation.

The following are highlights for the 2006 budgets for the governmental activities:

Property tax receipts are expected to remain stable. Estimated sales tax revenue have increased due to an improvement in the local, State and national economies. The most significant factors negatively impacting the 2006 budget is the lack of growth within the City and surrounding area.

The general fund initial budget for 2005-2006 decreased 3.9% from \$17.9 million (2005 adjusted adopted budget) to \$17.2 million. The decrease in the new budget is attributable to the decrease in capital spending from the prior fiscal year. Significant new expenditures include \$290,000 to fund the acquisition of ten new police vehicles.

The following are highlights for the 2006 budgets for the business-type activities:

- The average residential water rate will increase 14%, all of which will be transferred to the capital reserve fund for repair and replacement of the system.
- Sewer rates were not increased in the 2006 budget.
- Electric rates were not increased in the 2006 budget.
- Garbage and other sanitation fees were not increased in the 2006 budget.

#### **Contacting the City's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be directed to the director of Finance, City of Kinston, P.O. Box 339, Kinston NC 28502.

**(This Page Was Intentionally Left Blank)**

## **BASIC FINANCIAL STATEMENTS**

---

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

---



**City of Kinston, North Carolina**

**Statement of Net Assets**

June 30, 2005

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,038,630	\$ 5,684,074	\$ 10,722,704
Receivables:			
Due from governmental agencies	1,128,269	3,068,784	4,197,053
Accounts receivable	391,767	860,570	1,252,337
Taxes receivable	1,195,850	-	1,195,850
Customer receivables, net	-	6,331,145	6,331,145
Inventories	181,138	1,128,145	1,309,283
Restricted cash and investments	-	48,745	48,745
Capital assets:			
Land and construction in process	2,952,736	29,793,184	32,745,920
Other capital assets, net of depreciation	8,101,042	46,691,825	54,792,867
<b>Total assets</b>	<b>18,989,432</b>	<b>93,606,472</b>	<b>112,595,904</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	870,458	6,366,383	7,236,841
Accrued interest payable	41,314	-	41,314
Unearned revenue	67,894	12,908	80,802
Customer deposits	-	1,062,100	1,062,100
Long-term liabilities:			
Due within one year	1,255,737	1,596,566	2,852,303
Due in more than one year	4,898,846	20,995,848	25,894,694
<b>Total liabilities</b>	<b>7,134,249</b>	<b>30,033,805</b>	<b>37,168,054</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,747,204	53,715,106	60,462,310
Restricted for:			
Public works	513,887	-	513,887
Perpetual care:			
Expendable	1,590	-	1,590
Nonexpendable	75,234	-	75,234
Unrestricted	4,517,268	9,857,561	14,374,829
<b>Total net assets</b>	<b>\$ 11,855,183</b>	<b>\$ 63,572,667</b>	<b>\$ 75,427,850</b>

See Notes to Basic Financial Statements.

**City of Kinston, North Carolina**

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

Functions/Programs	Program Revenues					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 2,351,252	\$ 354,781	\$ -	\$ -		
Public safety	8,675,761	24,472	154,281	-		
Public services	1,847,141	15,272	756,882	-		
Community development	2,256,483	104,942	1,189,565	-		
Cultural and recreation	2,551,858	775,499	-	-		
Interest on long-term debt	168,857	-	-	-		
<b>Total governmental activities</b>	<b>17,851,352</b>	<b>1,274,966</b>	<b>2,100,728</b>	<b>-</b>		
Business-type activities:						
Electric	40,016,886	39,727,807	-	-		
Water	3,771,820	4,104,468	-	8,400		
Wastewater	4,536,399	4,705,513	-	13,446,075		
Nonmajor funds	2,673,660	2,584,199	-	24,704		
	<b>50,998,765</b>	<b>51,121,987</b>	<b>-</b>	<b>13,479,179</b>		
<b>Total primary government</b>	<b>\$ 68,850,117</b>	<b>\$ 52,396,953</b>	<b>\$ 2,100,728</b>	<b>\$ 13,479,179</b>		

**General revenues:**

**Taxes:**

Property taxes, levied for general purpose

Local option sales tax

Other taxes

Unrestricted intergovernmental

Investment earnings, unrestricted

Miscellaneous, unrestricted

**Transfers**

**Total general revenues, special items, and transfers**

**Change in net assets**

Net assets-beginning

Net assets-ending

See Notes to Basic Financial Statements.

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (1,996,471)	\$ -	\$ (1,996,471)
(8,497,008)	-	(8,497,008)
(1,074,987)	-	(1,074,987)
(961,976)	-	(961,976)
(1,776,359)	-	(1,776,359)
(168,857)	-	(168,857)
<b>(14,475,658)</b>	<b>-</b>	<b>(14,475,658)</b>
- (289,079)	341,048	(289,079)
- 341,048	13,615,189	341,048
- 13,615,189	(64,757)	13,615,189
- (64,757)	13,602,401	(64,757)
<b>- 13,602,401</b>	<b>13,602,401</b>	<b>13,602,401</b>
<b>\$ (14,475,658)</b>	<b>\$ 13,602,401</b>	<b>\$ (873,257)</b>
7,574,054	-	7,574,054
3,042,893	-	3,042,893
1,950,381	-	1,950,381
426,652	-	426,652
63,365	77,742	141,107
63,353	-	63,353
992,290	(992,290)	-
<b>14,112,988</b>	<b>(914,548)</b>	<b>13,198,440</b>
<b>(362,670)</b>	<b>12,687,853</b>	<b>12,325,183</b>
<b>12,217,853</b>	<b>50,884,814</b>	<b>63,102,667</b>
<b>\$ 11,855,183</b>	<b>\$ 63,572,667</b>	<b>\$ 75,427,850</b>

**City of Kinston, North Carolina**

**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	<b>Major</b>	<b>Total</b>
	<b>General</b>	<b>Nonmajor</b>
		<b>Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 4,006,360	\$ 478,303
Receivables:		
Due from government agencies	1,128,269	-
Accounts receivable	308,980	54,676
Taxes receivable	967,894	-
Inventories	68,965	-
<b>Total assets</b>	<b>\$ 6,480,468</b>	<b>\$ 532,979</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 501,847	\$ 39,681
Deferred revenue	1,098,766	-
Unearned revenue	67,894	-
<b>Total liabilities</b>	<b>1,668,507</b>	<b>39,681</b>
<b>Fund balances:</b>		
Reserved for Powell Bill	513,887	-
Reserved for inventories	68,965	-
Reserved by State statute	1,306,377	182,905
Reserved for encumbrances	1,126,903	-
Unreserved:		
Designated for subsequent year's expenditures	300,000	-
Undesignated, reported in		
General Fund	1,495,829	-
Permanent Fund	-	76,824
Special Revenue Funds	-	142,252
Capital Project Funds	-	91,317
<b>Total fund balances</b>	<b>4,811,961</b>	<b>493,298</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,480,468</b>	<b>\$ 532,979</b>

See Notes to Basic Financial Statements.

**City of Kinston, North Carolina**

**Reconciliation of the Governmental Funds Balance Sheet to Net Assets of  
Governmental Activities in the Statement of Net Assets**

**June 30, 2005**

---

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

Total fund balances for governmental funds	\$ 5,305,259
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds	11,053,778
Less adjustment for assets attributable to internal service fund	(30,159)
Other long-term assets are not available to liquidate current-period expenditures and therefore are:	
Deferred revenue	1,098,766
Accrued interest on property taxes, Statement of Net Assets	227,957
Internal service fund is used to charge the cost of general insurance and workman's compensation to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets	359,635
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,154,583)
Less adjustment for accrued compensated absences attributable to internal service fund	35,844
Accrued interest payable on long-term liabilities not recorded in the fund statements	(41,314)
Net assets of governmental activities	<u>\$ 11,855,183</u>

See Notes to Basic Financial Statements.

**City of Kinston, North Carolina**

**Statement of Revenue, Expenditures and Changes in Fund Balance**

**Governmental Funds**

**For the Fiscal Year Ended June 30, 2005**

	<b>Major General Fund</b>	<b>Total Non-Major Funds</b>	<b>Totals</b>
<b>Revenue:</b>			
Ad valorem taxes	\$ 7,295,551	\$ -	\$ 7,295,551
Sales and services	1,274,966	-	1,274,966
Other taxes	4,993,274	-	4,993,274
Intergovernmental revenue:			
Unrestricted	426,652	-	426,652
Restricted	884,641	1,209,306	2,093,947
Other	157,224	22,056	179,280
<b>Total revenue</b>	<b>15,032,308</b>	<b>1,231,362</b>	<b>16,263,670</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,820,443	-	1,820,443
Public safety	8,288,713	42,601	8,331,314
Public services	1,817,529	19,000	1,836,529
Parks and recreation	2,425,258	-	2,425,258
Community development	953,689	1,225,324	2,179,013
<b>Debt service:</b>			
Principal	565,844	-	565,844
Interest	171,995	-	171,995
<b>Total expenditures</b>	<b>16,043,471</b>	<b>1,286,925</b>	<b>17,330,396</b>
<b>Revenue under expenditures</b>	<b>(1,011,163)</b>	<b>(55,563)</b>	<b>(1,066,726)</b>
<b>Other financing sources (uses):</b>			
Transfers in	1,174,247	22,004	1,196,251
Transfers out	(309,089)	(238,616)	(547,705)
Proceeds from borrowing	1,015,000	-	1,015,000
<b>Total other financing sources (uses)</b>	<b>1,880,158</b>	<b>(216,612)</b>	<b>1,663,546</b>
<b>Net change in fund balances</b>	<b>868,995</b>	<b>(272,175)</b>	<b>596,820</b>
Fund balances, beginning	3,942,966	765,473	4,708,439
Fund balances, ending	<b>\$ 4,811,961</b>	<b>\$ 493,298</b>	<b>\$ 5,305,259</b>

See Notes to Basic Financial Statements.

**City of Kinston, North Carolina**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund  
Balance of Governmental Funds to the Statement of Activities of Governmental Activities  
For the Fiscal Year Ended June 30, 2005**

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

Net changes in fund balances, total governmental funds	\$ 596,820
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Increase in purchased capital assets	570,787
Depreciation expense	(969,994)
Adjustment for internal service fund depreciation	15,692
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets:	
Loss on sale of capital assets	(52,662)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Decrease in utility franchise tax	
Decrease in sanitation revenue	
Decrease in deferred special assessment revenue	(8,625)
Increase in deferred property tax revenue	278,503
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Additions to long-term liabilities	(1,971,365)
Retirement of long-term liabilities	1,027,622
Adjustment for internal service fund change in accrued compensated absences payable	(3,681)
Internal service funds are used to charge the costs of general and workman's compensation insurance to individual funds. The net income of certain activities of the internal service funds are reported with governmental activities	151,094
Some expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	3,139
<b>Total changes in net assets of governmental activities</b>	<b>\$ (362,670)</b>

See Notes to Basic Financial Statements.

**City of Kinston, North Carolina**

**General Fund Annually Budgeted Major Fund**

**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2005**

	<b>General Fund</b> <b>Budget, Original</b>	<b>General Fund</b> <b>Budget, Final</b>	<b>General Fund, Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenue:</b>				
Ad valorem taxes	\$ 7,192,736	\$ 7,353,735	\$ 7,295,551	\$ (58,184)
Sales and services	700,071	1,420,626	1,274,966	(145,660)
Other taxes	5,051,879	4,601,461	4,993,274	391,813
Intergovernmental revenue:				
Unrestricted	400,446	400,446	426,652	26,206
Restricted	1,543,468	1,493,323	884,641	(608,682)
Other	1,318,880	231,588	157,224	(74,364)
<b>Total revenue</b>	<b>16,207,480</b>	<b>15,501,179</b>	<b>15,032,308</b>	<b>(468,871)</b>
<b>Expenditures:</b>				
Current:				
General government	1,993,190	2,287,726	1,820,443	467,283
Public safety	9,124,094	9,428,780	8,575,274	853,506
Public services	1,917,657	2,379,891	1,884,143	495,748
Parks and recreation	2,732,970	2,848,012	2,809,922	38,090
Community development	965,883	995,933	953,689	42,244
<b>Total expenditures</b>	<b>16,733,794</b>	<b>17,940,342</b>	<b>16,043,471</b>	<b>1,896,871</b>
<b>Revenue over (under) expenditures</b>	<b>(526,314)</b>	<b>(2,439,163)</b>	<b>(1,011,163)</b>	<b>1,428,000</b>
<b>Other financing source (uses):</b>				
Appropriated fund balance	175,817	541,049	-	(541,049)
Transfers in	1,260,000	1,160,000	1,174,247	14,247
Transfers out	(909,503)	(306,886)	(309,089)	(2,203)
Proceeds from borrowing	-	1,045,000	1,015,000	(30,000)
<b>Total other financing sources</b>	<b>526,314</b>	<b>2,439,163</b>	<b>1,880,158</b>	<b>(559,005)</b>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 868,995</b>	<b>\$ 868,995</b>
Fund balances, beginning			\$ 3,942,966	
Fund balances, ending			<b>\$ 4,811,961</b>	

See Notes to Basic Financial Statements.

City of Kinston, North Carolina

Proprietary Funds

Statement of Net Assets

June 30, 2005

Assets	Enterprise Funds					Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Fund	Totals	
<b>Current Assets</b>						
Cash and investments	\$ 1,145,800	\$ 1,244,939	\$ 2,729,641	\$ 310,788	\$ 5,431,168	\$ 806,873
Due from government agencies	-	-	3,068,784	-	3,068,784	-
Accounts receivable	396,052	137,378	320,030	1,736	855,196	33,485
Customer receivables, net	4,960,312	567,456	513,407	289,970	6,331,145	-
Inventories	855,762	272,383	-	-	1,128,145	112,173
<b>Total current assets</b>	<b>7,357,926</b>	<b>2,222,156</b>	<b>6,631,862</b>	<b>602,494</b>	<b>16,814,438</b>	<b>952,531</b>
<b>Noncurrent assets</b>						
Restricted cash and investments	36,711	-	12,034	-	48,745	-
Capital assets:						
Land	202,380	66,605	609,518	-	878,503	-
Buildings	3,671,890	577,040	3,759,351	-	8,008,281	19,468
Distribution system	30,891,907	13,354,303	26,332,928	-	70,579,138	-
Equipment	1,586,283	1,839,437	1,559,363	2,758,383	7,743,466	282,211
Accumulated depreciation	(16,560,147)	(8,701,993)	(11,992,721)	(2,393,222)	(39,648,083)	(262,497)
Construction in progress	94,776	677,416	28,142,489	-	28,914,681	-
<b>Total noncurrent assets</b>	<b>19,923,800</b>	<b>7,812,808</b>	<b>48,422,962</b>	<b>365,161</b>	<b>76,524,731</b>	<b>39,182</b>
<b>Total assets</b>	<b>27,281,726</b>	<b>10,034,964</b>	<b>55,054,824</b>	<b>967,655</b>	<b>93,339,169</b>	<b>991,713</b>
<b>Liabilities</b>						
Current Liabilities						
Accounts payable and accrued liabilities	3,469,826	82,348	2,664,928	96,490	6,313,592	381,722
Current portion of long-term debt	229,084	122,416	1,040,277	204,789	1,596,566	-
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	12,908	-	-	12,908	-
<b>Total current liabilities</b>	<b>3,698,910</b>	<b>217,672</b>	<b>3,705,205</b>	<b>301,279</b>	<b>7,923,066</b>	<b>381,722</b>
Noncurrent liabilities						
Customer deposits	1,062,100	-	-	-	1,062,100	-
Accrued compensated absences	76,724	95,689	57,958	55,043	285,414	95,051
Long-term debt	5,862,638	2,259,479	12,115,452	413,658	20,651,227	-
<b>Total noncurrent liabilities</b>	<b>7,001,462</b>	<b>2,355,168</b>	<b>12,173,410</b>	<b>468,701</b>	<b>21,998,741</b>	<b>95,051</b>
<b>Total liabilities</b>	<b>10,700,372</b>	<b>2,572,840</b>	<b>15,878,615</b>	<b>769,980</b>	<b>29,921,807</b>	<b>476,773</b>
Net Assets						
Invested in capital assets, net of related debt	13,832,078	5,430,913	35,267,233	(253,286)	54,276,938	39,182
Unrestricted	2,749,276	2,031,211	3,908,976	450,961	9,140,424	475,758
<b>Total net assets</b>	<b>\$ 16,581,354</b>	<b>\$ 7,462,124</b>	<b>\$ 39,176,209</b>	<b>\$ 197,675</b>	<b>63,417,362</b>	<b>\$ 514,940</b>
Adjustment to reflect the consolidation of the Public Services Admin Internal Service Fund activities related to Enterprise Funds.						
					155,305	
See Notes to Basic Financial Statements.						
					\$ 63,572,667	

**City of Kinston, North Carolina**

**Proprietary Funds**

**Statements of Revenue, Expenses and Changes in Fund Net Assets**

**For the Fiscal Year Ended June 30, 2005**

	Enterprise Funds					Internal Service Fund
	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Fund	Total	
<b>Operating revenue:</b>						
Charges for services	\$ 39,269,411	\$ 4,053,480	\$ 4,699,442	\$ 2,583,404	\$ 50,605,737	\$ 2,520,357
Other	458,396	50,988	6,071	795	516,250	3,796
<b>Total operating revenue</b>	<b>39,727,807</b>	<b>4,104,468</b>	<b>4,705,513</b>	<b>2,584,199</b>	<b>51,121,987</b>	<b>2,524,153</b>
<b>Operating expenses:</b>						
Administration	-	-	-	-	-	1,183,168
Public service operations	-	-	-	-	-	998,560
Warehouse operations	-	-	-	-	-	277,312
Electrical operations	38,722,156	-	-	-	38,722,156	-
Environmental services	-	-	-	2,396,336	2,396,336	-
Water production	-	1,823,314	-	-	1,823,314	-
Depreciation	854,541	413,583	1,010,406	274,501	2,553,031	24,715
Amortization	252,426	104,568	72,125	-	429,119	-
Wastewater collection	-	-	1,128,777	-	1,128,777	-
Water operations	-	1,384,437	-	-	1,384,437	-
Wastewater plant operations	-	-	2,002,716	-	2,002,716	-
Claims reimbursement	-	-	-	-	-	180,475
<b>Total operating expenses</b>	<b>39,829,123</b>	<b>3,725,902</b>	<b>4,214,024</b>	<b>2,670,837</b>	<b>50,439,886</b>	<b>2,664,230</b>
<b>Operating income</b>	<b>(101,316)</b>	<b>378,566</b>	<b>491,489</b>	<b>(86,638)</b>	<b>682,101</b>	<b>(140,077)</b>
<b>Nonoperating revenue (expenses):</b>						
Interest earned on investments	22,442	8,092	43,788	3,420	77,742	9,504
Interest on long-term debt	(204,783)	(62,937)	(339,395)	(19,842)	(626,957)	-
<b>Total nonoperating expense</b>	<b>(182,341)</b>	<b>(54,845)</b>	<b>(295,607)</b>	<b>(16,422)</b>	<b>(549,215)</b>	<b>9,504</b>
Capital contributions	-	8,400	13,446,075	24,704	13,479,179	6,000
<b>Income before transfers</b>	<b>(283,657)</b>	<b>332,121</b>	<b>13,641,957</b>	<b>(78,356)</b>	<b>13,612,065</b>	<b>(124,573)</b>
<b>Transfers:</b>						
Transfers in	14,778	4,212	422,738	62,101	503,829	344,244
Transfers out	(998,500)	(434,748)	(18,526)	(42,750)	(1,494,524)	(2,095)
<b>Total transfers</b>	<b>(983,722)</b>	<b>(430,536)</b>	<b>404,212</b>	<b>19,351</b>	<b>(990,695)</b>	<b>342,149</b>
<b>Net income (loss)</b>	<b>(1,267,379)</b>	<b>(98,415)</b>	<b>14,046,169</b>	<b>(59,005)</b>	<b>12,621,370</b>	<b>217,576</b>
Net assets, beginning	17,848,733	7,560,539	25,130,040	256,680	-	297,364
Net assets, ending	<b>\$ 16,581,354</b>	<b>\$ 7,462,124</b>	<b>\$ 39,176,209</b>	<b>\$ 197,675</b>	<b>\$ 514,940</b>	
Adjustment to reflect the consolidation of the Public Services Admin Internal Service Fund activities related to Enterprise Funds.						
					66,483	
See Notes to Basic Financial Statements.						
					<b>\$ 12,687,853</b>	

**City of Kinston, North Carolina**

**Proprietary Funds**

**Combined Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2005**

	<b>Enterprise Funds</b>					<b>Internal Service Funds</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>	
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 40,168,102	\$ 4,014,822	\$ 4,700,453	\$ 2,599,252	\$ 51,482,629	\$ 2,546,667
Cash paid to suppliers for goods and services	(37,320,281)	(1,350,888)	(3,649,124)	(1,418,319)	(43,738,612)	(1,012,853)
Cash paid to employees	(1,171,021)	(927,778)	(952,972)	(972,214)	(4,023,985)	(1,633,526)
Customer deposits	91,572	-	-	-	91,572	-
<b>Net cash provided by (used in) for operating activities</b>	<b>1,768,372</b>	<b>1,736,156</b>	<b>98,357</b>	<b>208,719</b>	<b>3,811,604</b>	<b>(99,712)</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Transfers from other funds	14,778	4,212	422,738	62,101	503,829	344,244
Transfers to other funds	(998,500)	(434,748)	(18,526)	(42,750)	(1,494,524)	(2,095)
<b>Net cash used for noncapital financing activities</b>	<b>(983,722)</b>	<b>(430,536)</b>	<b>404,212</b>	<b>19,351</b>	<b>(990,695)</b>	<b>342,149</b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Acquisition and construction of capital assets	(224,257)	(126,505)	(14,400,270)	(255,843)	(15,006,875)	(6,201)
Proceeds from long-term debt	6,545,880	2,596,950	6,012,170	-	15,155,000	-
Deferred amounts from advance refunding	(333,114)	(268,205)	(101,629)	-	(702,948)	-
Principal paid on general obligation bond maturities and equipment contracts	(6,919,133)	(2,760,439)	(2,604,823)	(237,974)	(12,522,369)	-
Interest paid on bonded indebtedness and equipment contracts	(204,783)	(62,937)	(339,395)	(19,842)	(626,957)	-
Contributed capital	-	8,400	13,446,075	24,704	13,479,179	6,000
<b>Net cash used for capital and related financing activities</b>	<b>(1,135,407)</b>	<b>(612,736)</b>	<b>2,012,128</b>	<b>(488,955)</b>	<b>(224,970)</b>	<b>(201)</b>
<b>Cash Flows Provided By Investing Activities</b>						
Interest on investments	22,442	8,092	43,788	3,420	77,742	9,504
<b>Net decrease in cash and cash equivalents</b>	<b>(328,315)</b>	<b>700,976</b>	<b>2,558,485</b>	<b>(257,465)</b>	<b>2,673,681</b>	<b>251,740</b>
Cash and cash equivalents, beginning	1,510,826	543,963	171,156	568,253	2,794,198	555,133
Cash and cash equivalents, ending	<b>\$ 1,182,511</b>	<b>\$ 1,244,939</b>	<b>\$ 2,729,641</b>	<b>\$ 310,788</b>	<b>\$ 5,467,879</b>	<b>\$ 806,873</b>

(Continued)

**City of Kinston, North Carolina**

**Proprietary Funds**

**Combined Statement of Cash Flows (Continued)**

**For the Fiscal Year Ended June 30, 2005**

	<b>Enterprise Funds</b>					
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Reconciliation of Operating Income (Loss)</b>						
<b>to Net Cash Provided By (Used In)</b>						
<b>Operating Activities</b>						
Operating income (loss)	<b>\$ (101,316)</b>	<b>\$ 378,566</b>	<b>\$ 491,489</b>	<b>\$ (86,638)</b>	<b>\$ 682,101</b>	<b>\$ (140,077)</b>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	854,541	413,583	1,010,406	274,501	2,553,031	24,715
Amortization	252,426	104,568	72,125	-	429,119	-
(Gain) loss on disposal of capital assets	-	34,574	-	-	34,574	-
Change in assets and liabilities:						
Due from other funds	-	884,797	-	-	884,797	(16,597)
Allowance for uncollectible accounts	-	-	-	-	-	-
Customer receivables	440,295	(89,646)	(5,060)	15,053	360,642	-
Accounts receivable	(112,586)	2,842	(1,109,999)	(355)	(1,220,098)	(3,006)
Customer deposits	91,572	-	-	-	91,572	-
Inventories	62,236	17,670	-	-	79,906	(7,268)
Accounts payable	287,301	(32,553)	506,722	1,898	763,368	37,227
Due to other funds	-	(884,797)	-	-	(884,797)	16,597
Deferred revenue	-	-	-	-	-	-
Accrued compensated absences	(6,097)	21,755	17,471	4,260	37,389	(11,303)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,768,372</b>	<b>\$ 1,736,156</b>	<b>\$ 98,357</b>	<b>\$ 208,719</b>	<b>\$ 3,811,604</b>	<b>\$ (99,712)</b>

See Notes to Basic Financial Statements.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

---

---

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

---

---



## **City of Kinston, North Carolina**

### **Notes to Basic 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 accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### **Reporting Entity**

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

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of 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 GASB Statement No. 14, *The Financial Reporting Entity*, 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, thus data from these units are combined with the data of the primary government.

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

#### **Basis of Presentation**

#### **Government-wide and Fund Financial Statements**

The Government-wide Financial Statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenue and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific segment or function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenue are reported as general revenue.

Separate Fund Financial Statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the Fund Financial Statements. All remaining governmental and enterprise funds are aggregated by fund category and reported as non-major funds.

The accounts of the City are organized on the basis of funds, 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). Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance- related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Proprietary fund operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenue, such as subsidies and investment earnings, results from non- exchange transactions or ancillary activities.

**Governmental Funds** are used to account for the City's general governmental activities. The City reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes and state-shared revenue. The primary expenditures are for public safety, public services, parks and recreation, planning and community economic development and general government services.

The City reports the following non-major governmental funds:

**Special Revenue Funds** - The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City has 17 special revenue funds, the individual descriptions of which are disclosed in the supplemental non-major fund-types section.

**Capital Project Funds** - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City has 3 capital project funds, the individual descriptions of which are disclosed in the supplemental non-major fund-types section.

**Permanent Fund** accounts for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City has one permanent fund, the Temple Israel Perpetual Care Fund, that is used to account for unexpendable principal funds, the revenue from which is used to maintain the Temple Israel's cemetery grounds.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Proprietary Funds** include the following major funds:

**Electric Enterprise Fund** - The Electric Enterprise Fund accounts for the electric activities of the City. The primary revenue consists of user charges for services. The primary expenses are for purchase, transmission and distribution of electrical power to the City's customers. The Electric Capital Project Fund is consolidated with the Electric Enterprise Fund (the operating fund) for financial reporting purposes.

**Water Enterprise Fund** - The Water Enterprise Fund accounts for the water activities of the City. The primary revenue consists of user charges for services. The primary expenses are for pumping and distribution of water to the City's customers. The Water Capital Project Fund and Water Capital Reserve Fund are consolidated with the Water Enterprise Fund (the operating fund) for financial reporting purposes.

**Wastewater Enterprise Fund** - The Wastewater Enterprise Fund accounts for the sewer activities of the City. The primary revenue consists of user charges for services. The primary expenses are for treatment and collection of sewer for the City's customers. The Wastewater Capital Project Fund is consolidated with the Wastewater Enterprise Fund (the operating fund) for financial reporting purposes.

The City reports the following non-major enterprise fund:

**Environmental Services Fund** - The Environmental Services Enterprise Fund accounts for the sanitation collection and disposal activities of the City. The primary revenue consists of user charges for services. The primary expenses are for collection and disposal of solid waste for the City's customers.

Additionally, the government reports the following fund types:

**Internal Service Funds** - The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. City of Kinston has four internal service funds, the Workers' Compensation Insurance Fund, the Fleet Maintenance Fund, the Warehouse Inventory Fund and the Public Services Fund. The Workers' Compensation Fund is used to account for the City's decision to finance workers' compensation insurance coverage internally rather than through a private insurance carrier because of anticipated cost savings. The Fleet Maintenance Fund is used to account for the accumulation and allocation of costs associated with the City's central garage. The Warehouse Inventory Fund is used to account for the purchases of fuel and fleet maintenance inventory. The Public Services Fund is used to account for the accumulation and allocation of costs associated with the management of utility and engineering services and also utility billing and customer service. The Workers' Compensation, Fleet Maintenance and Warehouse Inventory Internal Service Funds are accounted for in the governmental activities in the government-wide financial statements and the individual fund data is provided in the Internal Service Fund Section of the report. The Public Services Fund is accounted for in the business-type activities in the government-wide financial statements and the individual fund data is provided in the Internal Service Fund Section of the report.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes are recognized as revenue in the year in which they are levied. Revenue from grants and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenue to be available if it is collected within 90 days of the end of the current fiscal period, except for property taxes. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest from long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore, the net receivable amount is offset by a deferred revenue. 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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes that were billed during this period are shown as a receivable in these statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1, 2005 through the fiscal year-end apply to the 2005-2006 fiscal year and are not shown as receivables at June 30, 2005. 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, 2005 because they are intended to finance the City's operations during the 2005-2006 fiscal year.

Sales taxes and certain intergovernmental revenue, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Certain other intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenue. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general revenue.

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

Receivables for un-billed Electric and Water and Sewer Fund utility services are recorded at year-end. As permitted by GAAP, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations to the extent those standards do not conflict with or contradict guidance of the GASB.

The City reports deferred revenue on its balance sheet for governmental funds. Deferred revenue arises when 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 balance sheet for governmental funds and revenue is recognized.

#### **Budgetary Data**

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

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

Also as required by State law, the City's Workers' Compensation Fund, Fleet Maintenance Fund, Warehouse Inventory Fund and Public Services fund, (internal service funds) operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved. The financial plans also were entered into the minutes of the governing board. During the year, several changes to the original financial plans were necessary, the effects of which were not material.

#### **Cash and Investments**

Cash and investment resources of the individual funds are combined to form a pool of cash and investments in order to maximize investment opportunities. As part of the City's investment policy, all available cash is invested each night to generate investments earnings. Although this results in a negative cash on deposit per books, the City, per agreement with a financial institution, is alerted to and pays all checks presented for payment the following day.

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.

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

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

North Carolina General Statutes [G.S. 159-30(c)] authorize the City to invest in obligations of the US Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) money market mutual fund.

Any City investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

#### **Ad Valorem Taxes Receivable**

Property (other than registered motor vehicles) is assessed for tax purposes as of January 1. The value at that date determines the basis for the tax levy for the fiscal year beginning July 1. In accordance with State laws [G.S. 105-347 and G.S. 139-13(a)] property taxes are not formally levied until the budget adoption (July 1) and are not due until September 1 (lien date). Taxes are past due on the following January 6. By the following June 30, taxes receivable are delinquent and are not considered a resource to finance current year operations and are recorded as deferred revenue until collected.

Registered motor vehicles taxes are described elsewhere in Note 1.

#### **Inventories**

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

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Restricted Cash and Investments**

Certain debt 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.

##### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances".

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for the appropriation and are not expendable available financial resources.

##### **Capital Assets**

Capital assets, which included land, buildings, equipment and infrastructure assets (e.g. roads, bridges, traffic signals and other similar items) are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 for equipment, vehicles, buildings and other improvements and \$100,000 for infrastructure and an estimated useful life in excess of one year. All purchased capital assets are valued at cost 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 assets' lives are not capitalized.

Costs associated with construction in progress are recorded in their respective capital asset category upon approval by the City Council, which approximates the completion date.

It is the City's policy not to provide for depreciation in the first year of service, but to take a full year's depreciation in the year of disposal. Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The following estimated useful lives are used to compute depreciation:

	<b>Estimated Useful Lives</b>
Building and improvements	40 years
Collection and distribution systems	25 - 40 years
Equipment	3 - 15 years
Infrastructure	20 years

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Compensated Absences**

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Upon termination of employment, accumulated sick leave is forfeited. Upon retirement, a certain portion of accumulated sick leave may be used in the determination of length of service for retirement 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. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences, and the salary related payments, are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of the accumulated vacation pay that is estimated to be used within the next fiscal year has been designated as a current liability in the Government-wide Financial Statements.

##### **Long-Term Obligations**

In the Government-wide Financial Statements and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and deferred refunding costs are reported as deferred charges and amortized over the term of the related debt. The unamortized portion of the difference between the reacquisition price and the net carrying value of the old bonds is deferred and amortized over the shorter of the life of the new bonds or the remaining life of the old bonds. The unamortized charge is reported as a deduction from long-term debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **Net Assets/Fund Balances**

In the Fund Financial Statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

North Carolina General Statutes [G.S. 159-13(b)(16)] restrict appropriation of fund balances to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statutes.

The governmental fund types classify fund balances as follows:

#### Reserved:

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

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

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

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

#### Unreserved:

*Designated for subsequent year's expenditures* - represents the amount of fund balance that is available for appropriation that has been adopted for the 2005 - 2006 budget ordinance.

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

#### Interfund Transactions

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 are reported as transfers.

#### Statement of Cash Flows

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

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 2. Stewardship, Compliance and Accountability**

##### **Budget**

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

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

Expenditures may not legally exceed appropriations at the functional level in the General Fund and/or department level for all other annually budgeted funds and at the object total level for all project funds. Any revisions that alter total expenditures of any department must be approved by 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, the effects of which were not material.

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

April 30 Each department head will transmit to the budget officer the departmental budget requests and revenue estimates for the budget year.

June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

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

##### **Deficit in Fund Balance or Net Assets of Individual Funds**

The City has fund balance deficits in individual funds at June 30, 2005 as follows:

Non-Major Governmental Funds		
Salvage Yard Buyout	\$	32,223
State Tenant Relocation Assistance		8,982
CDBG Microenterprise Fund		6,711
Single Family Rehabilitation		77,623
2005 GHSP		1,460
Fire Station Public Safety Complex		15,055
Internal Service Fund:		
Warehouse Inventory		98,605

These deficits are expected to be funded by grant revenue and other financing sources.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 3. Cash and Investments

Total cash and investments per the total column of the Government-wide Statement of Net Assets reconciles to the total cash and investments as follows:

Petty cash	\$ 4,525
Cash on deposit	6,137,560
Investments	4,629,364
Cash and investments	<u>\$ 10,771,449</u>
Statement of net assets reconciliation:	
Cash and investments	\$ 10,722,704
Restricted cash and investments	48,745
	<u>\$ 10,771,449</u>

#### Deposits

At year end, the carrying amount of the City's deposits was \$6,137,560 and the bank balance was \$6,837,300. Under North Carolina General Statutes, depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two methods. Under the Dedicated Method, a separate escrow account is established by each depository in the name of each local unit, and the responsibility of monitoring collateralization rests with the local unit. Under the Pooling Method, which is a collateral pool, 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 under collateralization, 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 no policy regarding custodial credit risk for deposits.

At year end, the City has deposits in banks using the pooling method. Of the City's bank balances, \$300,000 was covered by federal depository insurance and \$6,537,300 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

#### Investments

At June 30, 2005, the City had \$4,629,364 in investments invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAA by Standard and Poor's. The City has no policy regarding credit risk, interest rate risk, concentration of credit risk or custodial credit risk.

**City of Kinston, North Carolina**

**Notes to Basic Financial Statements**

**Note 4. Interfund Transactions and Balances**

The following is a detailed schedule of interfund transfers for the year ended June 30, 2005:

Transfers In	Transfers Out								Totals
	Major General Fund	Major Electric Fund	Major Water Fund	Major Wastewater Fund	Non-Major Enterprise Fund	Non-Major Governmental Funds	Internal Service Funds		
Major General Fund	\$ -	\$ 955,000	\$ -	\$ -	\$ -	\$ 219,247	\$ -	\$ -	\$ 1,174,247
Major Electric Fund	-	-	-	-	-	14,778	-	-	14,778
Major Water Fund	-	-	-	4,212	-	-	-	-	4,212
Major Wastewater Fund	-	-	420,248	-	-	2,490	-	-	422,738
Non-major Governmental Funds	22,004	-	-	-	-	-	-	-	22,004
Non-major Enterprise Funds	60,000	-	-	-	-	2,101	-	-	62,101
Internal Service Funds	227,085	43,500	14,500	14,314	42,750	-	2,095	-	344,244
Total	\$ 309,089	\$ 998,500	\$ 434,748	\$ 18,526	\$ 42,750	\$ 238,616	\$ 2,095	\$ -	\$ 2,044,324

Transfers out from the General Fund to the non-major governmental funds were to satisfy matching requirements for grants. Transfers out from the General Fund to the non-major enterprise fund was for transfer of assets to the Environmental Services Fund. Transfers from all funds to the Internal Service Funds were for shortfalls in Internal Service Fund charges for services. Transfers out from the Electric Fund to the General Fund were made to pay non-allocable administrative expenditures in the receiving fund related to the management of the transferring fund. The transfer from the Water Fund to the Wastewater Fund was funding of capital projects. Transfers from the Non-Major Governmental Funds to all other funds were for reimbursement of expenses associated with hurricane clean up.

**Note 5. Allowance For Uncollectible Accounts**

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

Enterprise Funds:			
Electric Fund		\$ 79,252	
Water Fund		30,998	
Wastewater Fund		33,421	
Nonmajor Enterprise Fund		20,846	
		\$ 164,517	

**City of Kinston, North Carolina**

**Notes to Basic Financial Statements**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2005, was as follows:

**Primary Government**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,918,681	\$ -	\$ -	\$ 2,918,681
Construction in progress	-	34,055	-	34,055
Total capital assets not being depreciated	<b>2,918,681</b>	<b>34,055</b>	-	<b>2,952,736</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	9,673,290	-	(100,729)	9,572,561
Equipment	2,836,633	110,507	(185,589)	2,761,551
Vehicles	5,875,027	432,426	(283,057)	6,024,396
Infrastructure	716,779	-	-	716,779
Total capital assets being depreciated	<b>19,101,729</b>	<b>542,933</b>	<b>(569,375)</b>	<b>19,075,287</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(3,226,082)	(209,407)	60,881	(3,374,608)
Equipment	(2,315,413)	(166,199)	160,885	(2,320,727)
Vehicles	(4,907,792)	(558,549)	294,948	(5,171,393)
Infrastructure	(71,678)	(35,839)	-	(107,517)
Total accumulated depreciation	<b>(10,520,965)</b>	<b>(969,994)</b>	<b>516,714</b>	<b>(10,974,245)</b>
Total capital assets being depreciated, net	<b>8,580,764</b>			<b>8,101,042</b>
Governmental activity capital assets, net	<b>\$ 11,499,445</b>			<b>\$ 11,053,778</b>

**City of Kinston, North Carolina**

**Notes to Basic Financial Statements**

**Note 6. Capital Assets (Continued)**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 878,503	\$ -	\$ -	\$ 878,503
Construction in progress	14,434,532	14,480,149	-	28,914,681
Total capital assets not being depreciated	<b>15,313,035</b>	<b>14,480,149</b>	-	<b>29,793,184</b>
Capital assets being depreciated:				
Buildings and improvements	7,989,829	18,452	-	8,008,281
Equipment	2,815,404	86,106	(44,455)	2,857,055
Vehicles	4,817,629	564,472	(450,573)	4,931,528
Distribution system	70,520,994	100,041	(41,898)	70,579,137
Total capital assets being depreciated	<b>86,143,856</b>	<b>769,071</b>	<b>(536,926)</b>	<b>86,376,001</b>
Less accumulated depreciation for:				
Buildings and improvements	(4,804,498)	(203,432)	-	(5,007,930)
Equipment	(1,666,940)	(362,731)	44,455	(1,985,216)
Vehicles	(4,298,248)	(587,365)	450,573	(4,435,040)
Distribution system	(26,612,443)	(1,654,023)	10,476	(28,255,990)
Total accumulated depreciation	<b>(37,382,129)</b>	<b>(2,807,551)</b>	<b>505,504</b>	<b>(39,684,176)</b>
Total capital assets being depreciated, net	<b>48,761,727</b>			<b>46,691,825</b>
Business-type activities capital assets, net	<b>\$ 64,074,762</b>			<b>\$ 76,485,009</b>

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 6. Capital Assets (Continued)

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

##### Governmental activities:

General government	\$ 76,176
Public safety	545,765
Public works	125,659
Parks and recreation	170,863
Community development	35,839
	<hr/>
	\$ 954,302

##### Business-type activities:

Electric Fund	\$ 854,541
Water Fund	413,583
Wastewater Fund	1,010,406
Non-major Enterprise Fund	274,501
	<hr/>
	\$ 2,553,031

#### Note 7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets.

#### Changes in Long-Term Liabilities – Governmental Activities

Long-term liability activity for governmental activities for the year ended June 30, 2005, is as follows:

	Beginning			Ending	Current Portion of Balance	
	Balance	Additions	Reductions		Balance	
Accrued compensated absences	\$ 781,542	\$ 871,099	\$ 445,615	\$ 1,207,026	\$ 480,000	
Police separation allowance	361,570	85,266	-	446,836		-
Separation allowance plan	210,310	-	16,163	194,147		-
Installment contracts	3,857,418	1,015,000	565,844	4,306,574	775,737	
Total	<hr/>	\$ 5,210,840	\$ 1,971,365	\$ 1,027,622	\$ 6,154,583	\$ 1,255,737

**City of Kinston, North Carolina**

**Notes to Basic Financial Statements**

**Note 7. Long-Term Obligations (Continued)**

**Changes in Long-Term Liabilities – Business-Type Activities**

Long-term liability activity for business-type activities for the year ended June 30, 2005, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Accrued compensated absences	\$ 314,854	\$ 71,472	\$ 41,705	\$ 344,621	\$ -
Notes payable	4,637,185	765,000	600,918	4,801,267	600,771
Installment contracts	2,076,832	-	432,518	1,644,314	406,539
Revenue bonds	13,466,000	14,390,000	11,488,933	16,367,067	589,256
Less deferred amounts on refunding	-	(993,974)	(429,119)	(564,855)	-
<b>Total</b>	<b>\$ 20,494,871</b>	<b>\$ 14,232,498</b>	<b>\$ 12,134,955</b>	<b>\$ 22,592,414</b>	<b>\$ 1,596,566</b>

**Revenue Bonds**

Revenue bonds outstanding at June 30, 2005 are as follows:

*Water Fund:*

\$1,392,161 – Combined Enterprise System Revenue Bonds, Series 2004, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	\$ 1,363,232
\$1,211,360 – Combined EnterpriseRevenue Refunding Bonds, Series 2005, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	1,135,425
	<b>2,498,657</b>

*Wastewater Fund:*

\$882,612 – Combined Enterprise System Revenue Bonds, Series 2004, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	864,272
\$767,987 – Combined EnterpriseRevenue Refunding Bonds, Series 2005, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	719,844
\$2,536,000 – Combined Enterprise System Revenue Bonds, 2004 Series, due in Semi-annual installments through June 15, 2021; interest at 4.5%	2,412,067
\$3,590,000 – Combined Enterprise System Revenue Bonds, 2005 Series, due in Semi-annual installments through June 15, 2019; interest at 4.25%	3,590,000
	<b>7,586,183</b>

*Electric Fund:*

\$3,500,227 – Combined Enterprise System Revenue Bonds, Series 2004, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	3,427,496
\$3,045,653 – Combined EnterpriseRevenue Refunding Bonds, Series 2005, due in Semi-annual installments through April 1, 2014; interest at 3.39% .	2,854,731
	<b>6,282,227</b>
<b>Total Revenue Bonds</b>	<b>\$ 16,367,067</b>

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

#### Note 7. Long-Term Obligations (Continued)

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

##### Fiscal Year Ending

June 30,	Principal	Interest	Total
2006	\$ 589,256	\$ 585,435	\$ 1,174,691
2007	609,807	564,246	1,174,053
2008	834,800	674,023	1,508,823
2009	856,071	638,155	1,494,226
2010	887,368	602,408	1,489,776
2011 - 2015	4,796,001	2,442,589	7,238,590
2016 - 2020	5,881,542	1,277,513	7,159,055
2021 - 2025	1,912,222	205,500	2,117,722
Total	\$ 16,367,067	\$ 6,989,869	\$ 23,356,936

The Series 2004 and 2005 revenue bonds are special obligations of the City, secured solely by the pledge of net revenue of the City's Enterprise Funds. Pursuant to the bond and related agreements, the City has made certain covenants that provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 1.25 for parity indebtedness and 1.00 for parity and subordinated indebtedness. In addition, rates must be set at levels to provide for the payment of current expenses and to provide deposits to meet certain trust fund requirements associated with the Bond agreements. The City has complied with these bond covenants for the year ended June 30, 2005.

#### Notes Payable

Notes payable include obligations of the City for various water and sewer fund improvements. These unsecured obligations are for varying annual installments with interest rates ranging from 2.66 percent to 6.0 percent.

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

##### Fiscal Year Ending

June 30,	Principal	Interest	Total
2006	\$ 600,771	\$ 141,553	\$ 742,324
2007	601,665	122,308	723,973
2008	582,603	103,018	685,621
2009	414,116	84,667	498,783
2010	414,116	72,549	486,665
2011 - 2015	1,188,917	207,740	1,396,657
2016 - 2020	601,143	101,030	702,173
2021 - 2023	397,936	23,258	421,194
Total	\$ 4,801,267	\$ 856,123	\$ 5,657,390

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

#### Note 7. Long-Term Obligations (Continued)

##### Installment Contracts

The City has entered into 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 3.83 to 5.65 percent.

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 775,737	\$ 178,140	\$ 406,539	\$ 56,320	\$ 1,182,276	\$ 234,460
2007	782,549	151,940	417,087	44,063	1,199,636	196,003
2008	631,971	123,454	317,900	31,039	949,871	154,493
2009	631,903	99,545	325,173	20,764	957,076	120,309
2010	450,931	72,976	177,615	7,863	628,546	80,839
2011 - 2015	689,655	204,569	-	-	689,655	204,569
2016 - 2018	343,828	29,224	-	-	343,828	29,224
Total	\$ 4,306,574	\$ 859,848	\$ 1,644,314	\$ 160,049	\$ 5,950,888	\$ 1,019,897

Installment contracts of the government activities will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$885,545 will be repaid from the Wastewater Fund, \$61,921 from the Electric Fund, \$77,401 from the Water Fund and \$619,447 from the Environmental Services Fund.

##### Advance Refunding

On August 12, 2004 and January 13, 2005, the City issued revenue refunding bonds in the amounts of \$5,025,000 and \$5,775,000, respectively to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$10,930,000 of the Combined Enterprise Revenue System Bond Series 1996. In addition the City placed an additional \$1,038,644 of its funds into the same trust to compete the refunding.

As a result, the refunded bonds are considered to be defeased and the liability for the refunded bonds has been removed from the proprietary fund financial statements and the business-type activities column of the Statement of Net Assets.

The advance refunding resulted in an unamortized charge of \$993,974, which is recorded in the proprietary funds. The unamortized charge is reported as a reduction in long-term liabilities and amortized over the shorter of the life of the new bonds or the remaining life of the old bonds. The advance refunding was undertaken to reduce total debt service payments over the next 17 years by \$2,262,742 and resulted in an economic gain of \$694,825.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 7. Long-Term Obligations (Continued)

##### Other Long-Term Debt Disclosures

North Carolina General Statutes limit certain 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, 2005, the legal debt limit for the City was \$93,609,501 providing a legal debt margin of \$89,302,927.

At June 30, 2005, the City has no authorized bonds remaining to be issued.

#### Note 8. Deferred/Unearned Revenue

The balance in deferred revenue on the fund financial statements and unearned revenue on the fund and government-wide financial statements at year-end is composed of the following:

	Deferred Revenue	Unearned Revenue
<b>General Fund</b>		
Prepaid property taxes not yet earned	\$ -	\$ 59,612
Property taxes receivable	844,531	-
Property taxes receivable, automobiles	123,363	-
Paving assessments receivable	130,872	-
Other prepaids	-	8,282
	<b>\$ 1,098,766</b>	<b>\$ 67,894</b>
<b>Proprietary Fund - Water and Sewer Fund</b>		
Repayment agreements	\$ -	\$ 12,908

#### Note 9. Employee Retirement Systems

##### Local Governmental Employees' Retirement System

*Plan Description.* The City of Kinston contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 9. Employee Retirement Systems (Continued)

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.92% and 4.78% respectively, of annual covered payroll. The contribution requirements of members and of the City of Kinston are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2005, 2004 and 2003 were \$633,525, \$638,245, and \$675,328, respectively. The contributions made by the City equaled the required contributions for each year.

#### Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2005 were \$194,118, which consisted of \$150,943 from the City and \$43,175 from the law enforcement officers.

#### Law Enforcement Officers Special Separation Allowance

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	74
Total	76

A separate financial report was not issued for the plan.

#### *Summary of Significant Accounting Policies*

*Basis of Accounting.* The City has chosen to fund the separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

#### Note 9. Employee Retirement Systems (Continued)

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9 to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 99,787
Interest on net pension obligation	26,214
Adjustment to annual required contribution	(20,283)
Annual pension cost	105,718
Contributions made	20,452
Increase (decrease) in net pension obligation	85,266
Net pension obligation beginning of year	361,570
Net pension obligation end of year	\$ 446,836

#### Three Year Trend Information

Fiscal Year Ended June 30,	Percentage of		
	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
2003	\$ 91,551	9.33%	\$ 274,134
2004	96,485	9.38%	381,570
2005	105,718	19.35%	446,836

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 9. Employee Retirement Systems (Continued)

##### Separation Allowance Plan

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

Years of Employment	Percentage of Pay
Less than 10	0 %
10 but less than 15	30
15 but less than 20	40
20 or more	50

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

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

At December 31, 2004, the Separation Allowance - Employees' membership consisted of:

Retirees receiving benefits	16
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	40
Total	56

A separate financial report was not issued for the plan.

*Basis of Accounting.* The City has chosen to fund the Separation Allowance - Employees on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

#### Note 9. Employee Retirement Systems (Continued)

The annual required contribution for the current year was determined as part of the June 30, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.4% to 11.9% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 86,557
Interest on net pension obligation	15,247
Adjustment to annual required contribution	(42,920)
Annual pension cost	<u>58,884</u>
Contributions made	(75,047)
Increase (decrease) in net pension obligation	(16,163)
Net pension obligation beginning of year	210,310
Net pension obligation end of year	<u>\$ 194,147</u>

Fiscal Year Ended June 30,	Three Year Trend Information			
	Annual Pension Cost (APC)	APC Contributed	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 66,639	102.40	% \$ 220,251	
2004	69,897	114.20		210,310
2005	58,884	127.40		194,147

#### Supplemental Retirement Income Plan

The City offers its employees optional participation in the Supplemental Retirement Income Plan of North Carolina, a tax deferred investment program created in accordance with Internal Revenue Code Section 401(k). The plan, available to all permanent employees not engaged in law enforcement, permits them to defer a portion of their salary until future years. The City also contributes an amount equal to 1.5 percent of the employees' compensation and all 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. The Plan has a loan provision that allows participants to borrow from their account. Contributions for the year ended June 30, 2005 were \$308,433, which consisted of \$165,363 from the City and \$143,070 from the employees.

The Department of the State Treasurer and the Board of Trustees contracts with a third party to administer the plan and to manage the investments of the participants. The choice of the investment options is made by the participants.

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 9. Employee Retirement Systems (Continued)

##### Other Post-Retirement Benefits

###### Health Care Benefits

In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement health care benefits to retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (NCLGERS) and have at least twenty (20) years of creditable service under the NCLGERS, provided that the last ten years of continuous service were with the City. Each retired participant receives an annual retirement medical allowance, until he reaches age sixty-five (65), of \$7.67 per year of creditable service, not to exceed thirty (30) years, for each month of the medical plan year.

Currently, thirty-two (32) retirees are eligible for post-retirement health benefits. The cost of post-retirement health benefits is recognized as an expenditure when paid. For 2005 those costs totaled \$167,288. The City obtains healthcare coverage through private insurers.

The City has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Governmental Employee's Retirement System (Death Trust Plan), a multiple-employer State-administered, cost-sharing plan funded on a one year-term cost basis. The beneficiaries of employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Trust Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State.

Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Trust Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the City made contributions to the State for death benefits of \$16,162. The City's required contributions to the Death Trust Plan for employees not engaged in law enforcement and for law enforcement officers represented .12 percent and .14 percent of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

#### Note 10. 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 Employee Health 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

## City of Kinston, North Carolina

### Notes to Basic Financial Statements

---

#### Note 10. Risk Management (Continued)

excess of \$250,000 and in aggregate in excess of \$2,000,000. A total of \$185,471 in claims were incurred for benefits during fiscal year 2005.

##### Claims Liability

	2005	2004
Unpaid claims, beginning of fiscal year	\$ 284,004	\$ 243,652
Incurred claims (including claims incurred but not reported as of June 30, 2005)	185,471	343,812
Payments and reduction in claims estimates	(180,475)	(303,460)
Unpaid claims, end of fiscal year	<u>\$ 289,000</u>	<u>\$ 284,004</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 11. 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 to its customers at a level such that sufficient electrical revenue is generated to meet the City's obligations to the Agency. The Agency furnishes power to the City by purchasing an undivided interest in some of 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.

##### Claims and Judgments

At June 30, 2005, the City was a defendant in various lawsuits and other claims; however, no provision was made in the financial statements for any contingent liabilities. In the opinion of management and the City attorney, the ultimate outcome of these legal matters will not have a material adverse affect on the City's financial position.

##### Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the possible refund of grant monies.

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 11. Commitments and Contingencies (Continued)**

##### **Electric Deregulation**

In 1997, the General Assembly appointed the Study Commission on the Future of Electric Service in North Carolina ("Study Commission") to examine the cost, adequacy, availability and pricing of electric rates in North Carolina, in order to determine whether legislation was necessary to assure an adequate and reliable source of electricity and economical, fair and equitable rates for all consumers in North Carolina.

The Study Commission submitted its report to the 2000 General Assembly on May 16, 2000, which included a recommendation that fully competitive electric retail service be available to all North Carolina electric consumers by January 1, 2006, but no definitive legislation was proposed. In the time since the Study Commission made its recommendations, there have been several developments outside of North Carolina, particularly the electric power outages occurring in late 2000 and 2001 in California. While the Study Commission has not withdrawn its 2000 recommendations, these outside events make it likely that any action toward electric deregulation in North Carolina will proceed slowly. Also, the Study Commission has not met since 2002.

The City and the Electric Agency are unable to predict the ultimate results of the recommendations made by the Study Commission or other interested parties, or whether any recommendations to the General Assembly will eventually be enacted into law.

Although the impact of any retail electric competition cannot be measured at this time, if such competition becomes applicable to the City, it may cause significant changes in (i) the number of customers, (ii) the costs to the customers, (iii) revenues, (iv) financing costs, and (v) debt ratings.

##### **Long-Term Loan Receivables**

The City has entered into several financing arrangements with unrelated third parties for the renovation and rehab of certain structures within the City limits, which have resulted in long-term loan receivables for the City. These receivables are collateralized by deeds of trust on the underlying property, however the City has considered the possibility of receiving these funds as remote and accordingly have not recorded them as part of the City's financial statements. These notes include a promissory note collateralized by a deed of trust on Grainger Place Apartments in the amount of \$612,000 due in 12/31/2033 at 0% interest, and a promissory note from Floyd II, LLC collateralized by a deed of trust for Kinston Oaks Apartments in the amount of \$99,355 with payments due to start on the 31<sup>st</sup> anniversary of the completion date in the amount of 1/10 of the outstanding principal,

#### **Note 12. Jointly Governed Organizations**

##### **Eastern Carolina Council of Governments**

The City, in conjunction with seven counties and twenty-eight other municipalities, established the Eastern Carolina 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 \$6,418 to the Council during the fiscal year ended June 30, 2005.

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 12. Jointly Governed Organizations (Continued)**

##### **North Carolina Eastern Municipal Power Agency**

The City, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Power Agency ("Agency"). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The thirty-two members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power from the Agency for the fiscal year ended June 30, 2005 were \$34,767,117.

##### **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 provided no funding to the Commission during the year ended June 30, 2005.

##### **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 \$118,879 of funding for the Authority for the year ended June 30, 2005.

#### **Note 13. 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, 2005. During the year ended June 30, 2005, the City provided \$193,890 to the Library. Separate financial statements of the library are available at the library address of 510 North Queen Street, Kinston, North Carolina 28501.

#### **Note 14. 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. The City of Kinston is also disclosed as a related organization in the notes of the financial statements for the City of Kinston Housing Authority.

## **City of Kinston, North Carolina**

### **Notes to Basic Financial Statements**

---

#### **Note 15. Pronouncements Issued, Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the City of Kinston.

- GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."
- GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."
- GASB Statement Number 46, "Net Assets Restricted by Enabling Legislation"
- GASB Statement Number 47 "Accounting for Termination Benefits"

Additionally, the GASB issued Statement Number 44, "Economic Condition Reporting: The Statistical Section" which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

---

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

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



**City of Kinston, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation	Actuarial		Actuarial Accrued Liability		UAAL as a Percent of Covered Payroll	
	Actuarial Value of Assets	(AAL)- Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	Percent of Covered Payroll ((b-a)/c)
	Date	(a)	(b)	(b-a)	(a/b)	(c) ((b-a)/c)
12/31/1995	-	\$ 417,893	\$ 417,893	0.00%	\$ 2,093,043	19.97%
12/31/1996	-	402,620	402,620	0.00%	2,306,243	17.44%
12/31/1997	-	422,196	422,196	0.00%	2,333,064	18.10%
12/31/1998	-	321,925	321,925	0.00%	2,150,376	14.97%
12/31/1999	-	367,921	367,921	0.00%	2,550,453	14.43%
12/31/2000	-	548,684	548,684	0.00%	2,393,727	22.92%
12/31/2001	-	653,364	653,364	0.00%	2,758,523	23.69%
12/31/2002	-	697,832	697,832	0.00%	2,742,798	25.44%
12/31/2003	-	788,802	788,802	0.00%	2,728,417	28.91%
12/31/2004	-	1,020,283	1,020,283	0.00%	2,971,406	34.34%

**City of Kinston, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

**Schedule of Employer Contributions**

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
1996	\$ 59,223	75.9 %
1997	59,186	80.5
1998	59,331	63.8
1999	63,699	55.7
2000	53,672	39.9
2001	62,878	33.7
2002	73,890	25.7
2003	87,961	9.7
2004	91,650	9.9
2005	99,787	20.5

**Notes to the Required Schedule**

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

Valuation date	12/31/2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 - 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A

**City of Kinston, North Carolina**  
**Separation Allowance Plan**  
**Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial		Actuarial Accrued Liability		Unfunded		UAAL as a Percent of Covered Payroll	
	Value of Assets (a)	Projected Unit Credit (b)	(AAL)- (a)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	((b-a)/c)	
7/1/1997	\$ -	\$ 628,797	\$ 628,797	0.00%	\$ 2,555,325	24.6%		
7/1/1998	-	749,238	749,238	0.00%	2,373,338	31.6%		
7/1/1999	-	533,936	533,936	0.00%	2,418,620	22.1%		
7/1/2000	-	566,768	566,768	0.00%	2,585,194	21.9%		
7/1/2001	-	519,603	519,603	0.00%	2,281,938	22.8%		
7/1/2002	-	448,700	448,700	0.00%	2,328,759	19.3%		
7/1/2003	-	457,699	457,699	0.00%	1,991,664	23.0%		
7/1/2004	-	403,950	403,950	0.00%	1,743,007	23.2%		
7/1/2005	-	341,549	341,549	0.00%	1,573,188	21.7%		

**City of Kinston, North Carolina**  
**Separation Allowance Plan**  
**Required Supplementary Information**

**Schedule of Employer Contributions**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1998	\$ 143,082	64.5%
1999	165,026	56.2%
2000	121,488	50.7%
2001	128,662	50.5%
2002	116,322	55.1%
2003	99,470	68.6%
2004	98,878	80.7%
2005	86,557	86.7%

**Notes to the Required Schedule**

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

Valuation date	June 30, 2004
Actuarial cost method	Projected unit credit cost
Amortization method	Level dollar open basis
Remaining amortization period	4 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.4 - 11.9%
Includes inflation at	3.75%
Cost of living adjustments	N/A

## **MAJOR FUNDS**

---

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



## **GENERAL FUND**

---

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

---



**City of Kinston, North Carolina**  
**General Fund**

**Comparative Balance Sheet**  
**June 30, 2005 and 2004**

<b>Assets</b>	<b>2005</b>	<b>2004</b>
Cash and investments	\$ 4,006,360	\$ 3,306,187
Receivables:		
Due from governmental agencies	1,128,269	922,331
Accounts receivable	308,980	359,672
Taxes receivable	967,894	713,823
Inventories	68,965	79,603
Total assets	<b>\$ 6,480,468</b>	<b>\$ 5,381,616</b>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 501,847	\$ 517,854
Unearned revenue	67,894	67,476
Deferred revenue	1,098,766	853,320
<b>Total liabilities</b>	<b>1,668,507</b>	<b>1,438,650</b>
Fund Balance:		
Reserved for Powell Bill	513,887	364,975
Reserved for inventories	68,965	79,603
Reserved by State statute	1,306,377	1,142,506
Reserved for encumbrances	1,126,903	191,859
Unreserved:		
Designated for subsequent year's expenditures	300,000	-
Undesignated	1,495,829	2,164,023
<b>Total fund balance</b>	<b>4,811,961</b>	<b>3,942,966</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,480,468</b>	<b>\$ 5,381,616</b>

**City of Kinston, North Carolina  
General Fund**

**Schedules of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual  
For the Fiscal Year Ended June 30, 2005  
With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 1 of 4)**

	2005		2004	
			Variance, Positive (Negative)	Actual
	Budget	Actual		
<b>Revenue:</b>				
Ad valorem taxes:				
Taxes	\$ 7,287,935	\$ 7,212,272	\$ (75,663)	\$ 7,047,153
Penalties and interest	65,800	83,279	17,479	68,800
<b>Total ad valorem taxes</b>	<b>7,353,735</b>	<b>7,295,551</b>	<b>(58,184)</b>	<b>7,115,953</b>
Sales and services:				
Garbage collections				277,015
Rents, concessions and fees	275,871	283,739	7,868	287,007
Inspection fees	107,000	104,942	(2,058)	100,804
Cemetery fees	153,000	208,075	55,075	139,695
Cable franchise	170,165	130,743	(39,422)	223,335
Legal Services	200,000		(200,000)	22,000
Lenoir County participation:				
Recreation	514,590	547,467	32,877	498,070
<b>Total sales and services</b>	<b>1,420,626</b>	<b>1,274,966</b>	<b>(145,660)</b>	<b>1,547,926</b>
Other taxes and licenses:				
Local government sales tax	2,971,286	3,042,893	71,607	3,033,439
Franchise tax	1,389,075	1,692,762	303,687	1,302,531
Occupancy tax	149,000	137,392	(11,608)	148,933
Gross receipts tax	16,000	15,297	(703)	15,524
Licenses and permits	76,100	104,930	28,830	68,415
<b>Total other taxes and licenses</b>	<b>4,601,461</b>	<b>4,993,274</b>	<b>391,813</b>	<b>4,568,842</b>
Unrestricted intergovernmental revenue:				
Payments in lieu of taxes	281,193	323,985	42,792	58,706
Beer and wine	119,253	102,420	(16,833)	100,226
ABC revenue		247	247	354
<b>Total unrestricted intergovernmental revenue</b>	<b>400,446</b>	<b>426,652</b>	<b>26,206</b>	<b>159,286</b>
Restricted intergovernmental revenue:				
Powell Bill allocations	731,119	746,506	15,387	678,809
NC Health and Sanitation	15,381		(15,381)	6,380
School Resource Officer	60,000	69,917	9,917	70,582
NC Dept of Transportation	673,523		(673,523)	-
Victims advocate grant	7,500	7,500	-	116,500
Federal grants, miscellaneous	5,800	5,780	(20)	38,874
Court allocation		49,634	49,634	2,521
Forfeited drug proceeds		5,304	5,304	8,908
<b>Total restricted intergovernmental revenue</b>	<b>1,493,323</b>	<b>884,641</b>	<b>(608,682)</b>	<b>922,574</b>

(continued)

**City of Kinston, North Carolina  
General Fund**

**Schedules of Revenue, Expenditures and Changes in Fund Balance -  
Budget and Actual  
For the Fiscal Year Ended June 30, 2005  
With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 2 of 4)**

	<b>2005</b>		<b>2004</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance, Positive (Negative)</b>
<b>Other revenue:</b>			
Investment income	\$ 33,600	\$ 47,209	\$ 13,609
Sales of surplus materials and assets	30,000	59,623	29,623
Miscellaneous	167,988	50,392	(117,596)
<b>Total other revenue</b>	<b>231,588</b>	<b>157,224</b>	<b>(74,364)</b>
<b>Total revenue</b>	<b>15,501,179</b>	<b>15,032,308</b>	<b>(468,871)</b>
<b>Expenditures:</b>			
General Government:			
Governing body:			
Salaries and benefits		201,085	349,590
Operating		80,052	106,306
<b>Total governing body</b>	<b>282,313</b>	<b>281,137</b>	<b>1,176</b>
Executive:			
Salaries and benefits		521,284	500,645
Operating		175,295	189,337
Capital outlay		461	8,999
<b>Total executive</b>	<b>745,954</b>	<b>697,040</b>	<b>48,914</b>
Finance:			
Salaries and benefits		443,095	427,328
Operating		289,622	254,910
Capital outlay		2,387	1,211
<b>Total finance</b>	<b>754,376</b>	<b>735,104</b>	<b>19,272</b>
Human Resources:			
Salaries and benefits		257,840	283,766
Operating		190,136	172,122
<b>Total human resources</b>	<b>468,881</b>	<b>447,976</b>	<b>20,905</b>
Engineering and public facilities:			
Salaries and benefits		559,970	542,232
Operating		395,044	346,480
Capital outlay		609	428.00
Less: interdepartmental charges		(369,400)	(384,995)
<b>Total engineering and public facilities</b>	<b>963,238</b>	<b>586,223</b>	<b>377,015</b>
Indirect costs reimbursement	<b>(927,036)</b>	<b>(927,037)</b>	<b>1</b>
<b>Total general government</b>	<b>2,287,726</b>	<b>1,820,443</b>	<b>467,283</b>
			<b>1,891,412</b>

(continued)

**General Fund**

**Schedules of Revenue, Expenditures and Changes in Fund Balance -**

**Budget and Actual**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 3 of 4)**

	<b>2005</b>		<b>Variance, Positive (Negative)</b>	<b>2004</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Public safety:</b>				
Police and fire administration:				
Salaries and benefits	\$ 920,102	\$ 920,102	\$ 682,651	
Operating		194,370		167,659
Operating		6,550		-
<b>Total police and fire admin</b>	<b>1,203,048</b>	<b>1,121,022</b>	<b>82,026</b>	<b>850,310</b>
Police:				
Salaries and benefits		3,320,376		3,459,296
Operating		742,604		490,550
Capital outlay		531,976		899,046
<b>Total police</b>	<b>4,643,593</b>	<b>4,594,956</b>	<b>48,637</b>	<b>4,848,892</b>
Fire:				
Salaries and benefits		2,511,354		2,472,619
Operating		285,534		320,174
Capital outlay		62,408		16,340
<b>Total fire</b>	<b>3,582,139</b>	<b>2,859,296</b>	<b>722,843</b>	<b>2,809,133</b>
<b>Total public safety</b>	<b>9,428,780</b>	<b>8,575,274</b>	<b>853,506</b>	<b>8,508,335</b>
<b>Public services:</b>				
Salaries and benefits		903,102		863,015
Operating		949,897		820,447
Capital outlay		31,144		81,960
<b>Total public services</b>	<b>2,379,891</b>	<b>1,884,143</b>	<b>495,748</b>	<b>1,765,422</b>
<b>Parks and recreation:</b>				
Salaries and benefits		1,675,225		1,661,889
Operating		1,084,980		1,289,857
Capital outlay		49,717		10,288
<b>Total parks and recreation</b>	<b>2,848,012</b>	<b>2,809,922</b>	<b>38,090</b>	<b>2,962,034</b>
<b>Community development:</b>				
Inspections and code enforcement:				
Salaries and benefits		308,958		304,166
Operating		91,513		84,164
Capital outlay		-		7,899
<b>Total inspections and code enforcement</b>	<b>416,631</b>	<b>400,471</b>	<b>16,160</b>	<b>396,229</b>

(continued)

**City of Kinston, North Carolina  
General Fund**

**Schedules of Revenue, Expenditures and Changes in Fund Balance -**

**Budget and Actual**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 4 of 4)**

	<b>2005</b>		<b>2004</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance, Positive (Negative)</b>	<b>Actual</b>
<b>Economic development:</b>				
Operating	\$ 579,302	\$ 553,218	\$ 26,084	\$ 872,435
<b>Total economic development</b>				
<b>Total community development</b>	<b>995,933</b>	<b>953,689</b>	<b>42,244</b>	<b>1,268,664</b>
<b>Total expenditures</b>	<b>17,940,342</b>	<b>16,043,471</b>	<b>1,896,871</b>	<b>16,395,867</b>
<b>Revenue under expenditures</b>	<b>(2,439,163)</b>	<b>(1,011,163)</b>	<b>1,428,000</b>	<b>(1,910,091)</b>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	541,049	-	(541,049)	-
Operating transfers in	1,160,000	1,174,247	14,247	957,000
Operating transfers out	(306,886)	(309,089)	(2,203)	(529,145)
Proceeds from borrowing	1,045,000	1,015,000	(30,000)	905,114
<b>Total other financing sources</b>	<b>2,439,163</b>	<b>1,880,158</b>	<b>(559,005)</b>	<b>1,332,969</b>
<b>Revenue and other financing sources under expenditures</b>	<b>\$ -</b>	<b>868,995</b>	<b>\$ 868,995</b>	<b>(577,122)</b>
<b>Fund balance, beginning</b>		<b>3,942,966</b>		<b>4,520,088</b>
<b>Fund balance, ending</b>		<b>\$ 4,811,961</b>		<b>\$ 3,942,966</b>

**(This Page Was Intentionally Left Blank)**

## **ELECTRIC FUND**

---

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

---



**City of Kinston, North Carolina  
Electric Fund**

**Schedules of Revenue, Expenditures and Other Financing Sources (Uses) -**

**Budget and Actual -**

**Non-GAAP - Modified Accrual Basis**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 1 of 2)**

	2005		Variance, Positive (Negative)	2004 Actual
	Budget	Actual		
<b>Operating revenue:</b>				
Charges for services, electricity sales	\$ 39,565,053	\$ 39,324,779	\$ (240,274)	\$ 39,028,954
Other	376,300	458,396	82,096	265,151
<b>Total operating revenue</b>	<b>39,941,353</b>	<b>39,783,175</b>	<b>(158,178)</b>	<b>39,294,105</b>
<b>Non operating revenue:</b>				
Interest earned on investments	7,000	22,442	15,442	9,280
<b>Total revenue</b>	<b>39,948,353</b>	<b>39,805,617</b>	<b>(142,736)</b>	<b>39,303,385</b>
<b>Expenditures:</b>				
<b>Electrical operations:</b>				
Salaries and benefits		1,164,924		1,076,463
Operating		1,904,064		1,882,585
Purchased Power		34,767,117		33,710,865
Indirect costs		1,146,892		1,067,320
Capital outlay		139,306		313,791
<b>Total expenditures</b>	<b>39,451,436</b>	<b>39,122,303</b>	<b>329,133</b>	<b>38,051,024</b>
<b>Revenue over expenditures</b>	<b>496,917</b>	<b>683,314</b>	<b>186,397</b>	<b>1,252,361</b>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	1,100,553	-	(1,100,553)	-
Debt issued	6,545,881	6,545,880	1	77,401
Payments to escrow agents - refunding	(7,144,851)	(7,144,851)	-	-
Transfers in	-	14,778	(14,778)	55,041
Transfers out	(998,500)	(998,500)	-	(1,033,154)
<b>Total other financing uses</b>	<b>(496,917)</b>	<b>(1,582,693)</b>	<b>(1,085,776)</b>	<b>(900,712)</b>
<b>Revenue and other sources under expenditures and other uses</b>	<b>\$ -</b>	<b>\$ (899,379)</b>	<b>\$ (899,379)</b>	<b>\$ 351,649</b>

(Continued)

**City of Kinston, North Carolina  
Electric Fund**

**Schedules of Revenue, Expenditures and Other Financing Sources (Uses) -  
Budget and Actual -  
Non-GAAP - Modified Accrual Basis (Continued)  
For the Fiscal Year Ended June 30, 2005  
With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 2 of 2)**

		<b>2005</b>	<b>2004</b>		
		<b>Budget</b>	<b>Actual</b>	<b>Variance, Positive (Negative)</b>	<b>Actual</b>
<b>Reconciliation of modified accrual basis to full accrual basis:</b>					
Revenue and other sources under expenditures and other uses		\$ (899,379)	\$ 351,649		
Transfers in		(14,778)	(55,041)		
Transfers out		998,500	1,033,154		
Debt issued		(6,545,880)	(77,401)		
Capital outlay		129,481	313,791		
Payment of debt principal		279,134	555,000		
Payments to escrow agents - refunding		7,144,851	-		
Depreciation		(854,541)	(1,017,906)		
Amortization of deferred debit		(252,426)	(17,458)		
Decrease in accrued unbilled electricity sales		(55,368)	(34,558)		
Bad debt expense		(213,267)	(143,659)		
Decrease in interest accrual		<u>16</u>	<u>436</u>		
 <b>Income before operating transfers, accrual basis</b>		 <u>\$ (283,657)</u>	 <u>\$ 908,007</u>		

**City of Kinston, North Carolina  
Electric Capital Projects Fund**

**Schedule of Revenue and Expenditures -  
Budget and Actual - (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
<b>Expenditures:</b>				
Smithfield expansion	\$ 1,755,000	\$ -	\$ 94,776	\$ 94,776
Copper wire replacement	64,900	-	-	-
<b>Total expenditures</b>	<b>1,819,900</b>	<b>-</b>	<b>94,776</b>	<b>94,776</b>
<b>Other financing sources:</b>				
Debt issued	1,819,900	-	-	-
<b>Total other financing sources under expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (94,776)</b>	<b>\$ (94,776)</b>

**(This Page Was Intentionally Left Blank)**

## **WATER FUND**

---

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

---



**City of Kinston, North Carolina  
Water Fund**

**Schedules of Revenue, Expenditures and Other Financing Sources (Uses) -**

**Budget and Actual -**

**Non-GAAP - Modified Accrual Basis**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 1 of 2)**

	2005		Variance, Positive (Negative)	2004
	Budget	Actual		
<b>Operating revenue:</b>				
Charges for services:				
Water sales	\$ 3,973,792	\$ 3,968,907	\$ (4,885)	\$ 3,338,187
Other	113,100	93,963	(19,137)	73,837
<b>Total operating revenue</b>	<b>4,086,892</b>	<b>4,062,870</b>	<b>(24,022)</b>	<b>3,412,024</b>
<b>Nonoperating revenue:</b>				
Interest earned on investments	10,550	8,092	(2,458)	6,106
<b>Total nonoperating revenue</b>	<b>10,550</b>	<b>8,092</b>	<b>(2,458)</b>	<b>6,106</b>
<b>Total revenue</b>	<b>4,097,442</b>	<b>4,070,962</b>	<b>(26,480)</b>	<b>3,418,130</b>
<b>Expenditures:</b>				
Water production:				
Salaries and benefits		316,084		262,100
Operating		1,146,675		427,098
Capital outlay		63,253		84,991
Indirect costs		474,033		447,947
<b>Total expenditures</b>	<b>2,219,306</b>	<b>2,000,045</b>	<b>219,261</b>	<b>1,222,136</b>
Water operations:				
Salaries and benefits		633,449		618,637
Operating		390,433		813,975
Capital outlay		63,252		84,991
Indirect costs		474,033		447,947
<b>Total expenditures</b>	<b>1,689,869</b>	<b>1,561,167</b>	<b>128,702</b>	<b>1,965,550</b>
<b>Revenue over expenditures</b>	<b>3,909,175</b>	<b>3,561,212</b>	<b>347,963</b>	<b>3,187,686</b>

**(Continued)**

**City of Kinston, North Carolina  
Water Fund**

**Schedules of Revenue, Expenditures and Other Financing Sources (Uses) -**

**Budget and Actual -**

**Non-GAAP - Modified Accrual Basis (Continued)**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 2 of 2)**

	2005		2004	
	Budget	Actual	Variance, Positive (Negative)	Actual
Other financing sources (uses):				
Appropriated fund balance	731,109	-	(731,109)	-
Debt issued	2,596,951	2,596,950	(1)	96,751
Payments to escrow agents - refunding	(2,834,616)	(2,834,616)	-	-
Transfers in	4,212	4,212	-	-
Transfers out - capital reserve	(339,000)	(339,000)	-	(289,803)
Transfers out - other funds	(346,923)	(346,923)	-	(9,506,224)
<b>Total other financing sources (uses)</b>	<b>(188,267)</b>	<b>(919,377)</b>	<b>(731,110)</b>	<b>(9,699,276)</b>
<b>Revenue and other sources under expenditures</b>	<b>\$ -</b>	<b>\$ (409,627)</b>	<b>\$ (409,627)</b>	<b>\$ (9,468,832)</b>

**Reconciliation of modified accrual basis**

**to full accrual basis:**

**Revenue and other sources over**

**expenditures**

**\$ (409,627)** **\$ (9,468,832)**

**Transfers out**

**685,923** **9,796,027**

**Transfers in**

**(4,212)** **-**

**Capital outlay**

**126,505** **169,982**

**Payment of debt principal**

**141,530** **236,824**

**Payments to escrow agents - refunding**

**2,834,616** **-**

**Debt issued**

**(2,596,950)** **(96,751)**

**Depreciation**

**(413,583)** **(450,815)**

**Amortization of deferred debit**

**(104,568)** **(6,888)**

**Increase in accrued unbilled water sales**

**84,573** **14,642**

**Bad debt expense**

**-** **(19,151)**

**Loss on sale/transfer of assets**

**(34,574)** **-**

**Decrease in interest accrual**

**22,488** **28,948**

**Income before operating transfers  
accrual basis**

**\$ 332,121** **\$ 203,986**

**City of Kinston, North Carolina  
Water Capital Projects Fund**

**Schedule of Revenue and Expenditures -  
Budget and Actual - (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2005**

	Project Authorization		Prior Years		Current Year		Actual Total To Date	
<b>Expenditures:</b>								
FY 99/00 Capital Projects	\$ 2,411,500		\$ 447,807	\$ -	\$ -		\$ 447,807	
FY 02/05 Capital Projects		235,155	229,609			-		229,609
<b>Total expenditures</b>	<b>2,646,655</b>		<b>677,416</b>			-		<b>677,416</b>
<b>Other Financing Sources:</b>								
Debt issued		2,217,000		-		-		-
Transfers in		429,655	284,587			-		284,587
<b>Total other financing sources</b>	<b>2,646,655</b>		<b>284,587</b>			-		<b>284,587</b>
<b>Total other financing sources under expenditures</b>	<b>\$ -</b>		<b>\$ (392,829)</b>	<b>\$ -</b>			<b>\$ (392,829)</b>	

**City of Kinston, North Carolina  
Water Capital Reserve Fund**

**Schedule of Revenue and Expenditures -  
Budget and Actual - (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Other financing sources (uses):</b>				
Transfers out	\$ (947,628)	\$ (575,932)	\$ (87,825)	\$ (663,757)
Transfers in	<u>947,628</u>	<u>947,628</u>	<u>339,000</u>	<u>1,286,628</u>
<b>Total other financing sources</b>	<b>-</b>	<b>371,696</b>	<b>251,175</b>	<b>622,871</b>
<b>Total revenue and other financing sources over other financing uses</b>	<b>\$ -</b>	<b>\$ 371,696</b>	<b>\$ 251,175</b>	<b>\$ 622,871</b>

## **WASTEWATER FUND**

---

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

---



**City of Kinston, North Carolina  
Wastewater 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, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 1 of 2)**

	2005		2004	
	Budget	Actual	Variance, Positive (Negative)	
			Actual	
<b>Operating revenue:</b>				
Charges for services:				
Sewer charges	\$ 4,728,098	\$ 4,656,989	\$ (71,109)	\$ 4,169,425
Other	18,700	6,071	(12,629)	4,558
<b>Total operating revenue</b>	<b>4,746,798</b>	<b>4,663,060</b>	<b>(83,738)</b>	<b>4,173,983</b>
<b>Nonoperating revenue:</b>				
Interest earned on investments	2,100	41,805	39,705	1,014
<b>Total nonoperating revenue</b>	<b>2,100</b>	<b>41,805</b>	<b>39,705</b>	<b>1,014</b>
<b>Total revenue</b>	<b>4,748,898</b>	<b>4,704,865</b>	<b>(44,033)</b>	<b>4,174,997</b>
<b>Expenditures:</b>				
Wastewater collections:				
Salaries and benefits		278,602		242,916
Operating		1,020,516		169,303
Capital outlay		7,448		56,720
Indirect costs		479,923		459,861
	<b>1,949,281</b>	<b>1,786,489</b>	<b>162,792</b>	<b>928,800</b>
Wastewater plant operations:				
Salaries and benefits		691,841		628,181
Operating		1,481,217		1,954,298
Capital outlay		7,449		23,703
Indirect costs		479,923		459,861
	<b>2,788,227</b>	<b>2,660,430</b>	<b>127,797</b>	<b>3,066,043</b>
<b>Total expenditures</b>	<b>4,737,508</b>	<b>4,446,919</b>	<b>290,589</b>	<b>3,994,843</b>
<b>Revenue over expenditures</b>	<b>11,390</b>	<b>257,946</b>	<b>246,556</b>	<b>180,154</b>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	1,201,790	-	(1,201,790)	-
Debt issued	1,657,169	1,657,170	1	96,752
Payments to escrow agents -refunding bonds	(1,808,771)	(1,808,771)	-	-
Transfers in - capital projects	-	-	-	126,787
Transfers in - other funds	74,700	77,190	2,490	9,495,218
Transfers out	(1,136,278)	(1,136,278)	-	(62,808)
<b>Total other financing sources (uses)</b>	<b>(11,390)</b>	<b>(1,210,689)</b>	<b>(1,199,299)</b>	<b>9,655,949</b>
<b>Revenue and other sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (952,743)</b>	<b>\$ (952,743)</b>	<b>\$ 9,836,103</b>

**(Continued)**

**City of Kinston, North Carolina  
Wastewater Fund**

**Schedule of Revenue, Expenditures and Other Financing Sources (Uses) -**

**Budget and Actual -**

**Non-GAAP - Modified Accrual Basis (Continued)**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 2 of 2)**

	<b>2005</b>	<b>2004</b>
	<b>Budget</b>	<b>Variance, Positive (Negative)</b>
Reconciliation of modified accrual basis to full accrual basis:		
Revenue and other sources over (under) expenditures	\$ (952,743)	\$ 9,836,103
Transfers in - other funds	(77,190)	(9,495,218)
Transfers in - sewer capital projects	-	(126,787)
Transfers out	1,136,278	62,808
Loan origination fees	-	23,305
Capital outlay	14,897	80,423
Payment of debt principal	933,731	819,448
Payments to escrow agents - refunding bonds	1,808,771	-
Debt issued	(1,657,170)	(96,752)
Depreciation	(1,010,406)	(1,015,053)
Amortization of deferred charges	(72,125)	(7,064)
Capital contributions	13,446,075	3,881,109
Donated assets	-	73,694
Interest from capital project funds	1,983	-
Repairs and maintenance expense from capital project fund	-	(280,712)
Increase in accrued unbilled sewer sales	42,453	15,421
Bad debt expense	-	(24,514)
(Increase) decrease in interest accrual	<u>27,403</u>	<u>(14,866)</u>
 Income before operating transfers, accrual basis	 <u>\$ 13,641,957</u>	 <u>\$ 3,731,345</u>

**City of Kinston, North Carolina  
Wastewater Capital Projects Fund**

**Schedule of Revenue and Expenditures -  
Budget and Actual - (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2005**

	Project Authorization	Actual		
		Prior Years	Current Year	Total To Date
<b>Expenditures:</b>				
Northside WWTP Expansion	\$ 53,681,554	\$ 5,044,127	\$ 13,266,081	\$ 18,310,208
FY 98/99 Capital Projects	6,445,922	6,445,922	-	6,445,922
FY 99/00 Capital Projects	11,379,019	8,712,990	1,029,702	9,742,692
FY 02/05 Capital Projects	653,574	580,835	320	581,155
GTP Cargo Facility	536,332	536,322	-	536,322
FY 05/08 Capital Projects	76,400	-	63,021	63,021
Smithfield Sewer Capital Project	<u>644,219</u>	<u>-</u>	<u>26,250</u>	<u>26,250</u>
<b>Total expenditures</b>	<b><u>73,417,020</u></b>	<b><u>21,320,196</u></b>	<b><u>14,385,374</u></b>	<b><u>35,705,570</u></b>
<b>Other financing sources (uses):</b>				
Federal and/or State grants	46,285,910	10,841,848	13,446,075	24,287,923
Proceeds from borrowings	23,506,000	5,715,575	4,355,000	10,070,575
County participation	896,949	893,123	-	893,123
Interest income	-	-	1,983	1,983
Transfers in	2,854,948	2,099,428	1,375,475	3,474,903
Transfers out	<u>(126,787)</u>	<u>(126,787)</u>	<u>-</u>	<u>(126,787)</u>
<b>Total other financing sources</b>	<b><u>73,417,020</u></b>	<b><u>19,423,187</u></b>	<b><u>19,178,533</u></b>	<b><u>38,601,720</u></b>
<b>Total other financing sources over (under) expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ (1,897,009)</u></b>	<b><u>\$ 4,793,159</u></b>	<b><u>\$ 2,896,150</u></b>

**City of Kinston, North Carolina  
Wastewater Capital Reserve Fund**

**Schedule of Revenue and Expenditures -  
Budget and Actual - (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Other financing sources (uses):</b>				
Transfers out	\$ (87,825)	\$ -	\$ -	\$ -
Transfers in	<u>87,825</u>	<u>-</u>	<u>87,825</u>	<u>87,825</u>
<b>Total other financing sources</b>		<b>-</b>	<b>87,825</b>	<b>87,825</b>
<b>Total revenue and other financing sources over other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 87,825</b>	<b>\$ 87,825</b>

## **NON-MAJOR FUND TYPES**

---

**Non-Major Special Revenue Funds** – Descriptions for individual non-major special revenue funds are provided on the title pages located at the front of the section for non-major special revenue funds.

**Non-Major Capital Project Funds** – Descriptions for individual non-major capital project funds are provided on the title pages located at the front of the section for non-major capital project funds.

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

---



**City of Kinston, North Carolina**

**Combined Balance Sheet - Nonmajor Fund Types**  
**June 30, 2005 and 2004**

	<b>Government Fund Types</b>			
	<b>Nonmajor</b>	<b>Nonmajor</b>	<b>Permanent Fund</b>	<b>Total</b>
	<b>Special</b>	<b>Capital</b>	<b>Temple Israel</b>	<b>Nonmajor</b>
	<b>Revenue</b>	<b>Project</b>	<b>Perpetual Care</b>	<b>Governmental</b>
	<b>Funds</b>	<b>Funds</b>	<b>Fund</b>	<b>Funds</b>
<b>Assets:</b>				
Cash and investments	\$ 310,162	\$ 91,317	\$ 76,824	\$ 478,303
Receivables, net	54,676	-	-	54,676
Due from other funds	128,139	15,055	-	143,194
<b>Total assets</b>	<b>\$ 492,977</b>	<b>\$ 106,372</b>	<b>\$ 76,824</b>	<b>\$ 676,173</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 39,681	\$ -	\$ -	\$ 39,681
Due to other funds	128,139	15,055	-	143,194
<b>Total liabilities</b>	<b>167,820</b>	<b>15,055</b>	<b>-</b>	<b>182,875</b>
<b>Fund balances:</b>				
Reserved by State statute	182,905	-	-	182,905
Unreserved, undesignated	142,252	91,317	76,824	310,393
<b>Total fund balance</b>	<b>325,157</b>	<b>91,317</b>	<b>76,824</b>	<b>493,298</b>
<b>Total liabilities and fund balance</b>	<b>\$ 492,977</b>	<b>\$ 106,372</b>	<b>\$ 76,824</b>	<b>\$ 676,173</b>

**Reconciliation of non-major fund due to / due from other funds to the Balance Sheet - Governmental Funds**

Due from other funds from above	\$ 143,194	Due to other funds from above	\$ 143,194
Less amounts between non-major funds	(143,194)	Less amounts between non-major funds	(143,194)
Net due from other funds	\$ -	Net due to other funds	\$ -

**City of Kinston, North Carolina**

**Statement of Revenue, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Fund Types  
For the Fiscal Year Ended June 30, 2005**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Permanent Fund Temple Israel Perpetual Care Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenue</b>				
Intergovernmental revenue	\$ 1,190,306	\$ 19,000	\$ -	\$ 1,209,306
Miscellaneous income	15,405	-	-	15,405
Interest	2,275	3,461	915	6,651
<b>Total revenue</b>	<b>1,207,986</b>	<b>22,461</b>	<b>915</b>	<b>1,231,362</b>
<b>Expenditures</b>				
Current:				
Public safety	27,546	15,055	-	42,601
Community development	1,225,324	-	-	1,225,324
Public services	-	19,000	-	19,000
<b>Total expenditures</b>	<b>1,252,870</b>	<b>34,055</b>	<b>-</b>	<b>1,286,925</b>
<b>Revenue under expenditures</b>	<b>(44,884)</b>	<b>(11,594)</b>	<b>915</b>	<b>(55,563)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	22,004	-	-	22,004
Transfers out	(33,616)	(205,000)	-	(238,616)
<b>Total other financing sources (uses)</b>	<b>(11,612)</b>	<b>(205,000)</b>	<b>-</b>	<b>(216,612)</b>
<b>Net change in fund balance</b>	<b>(56,496)</b>	<b>(216,594)</b>	<b>915</b>	<b>(272,175)</b>
<b>Fund Balances, beginning</b>	<b>381,653</b>	<b>307,911</b>	<b>75,909</b>	<b>765,473</b>
<b>Fund Balances, ending</b>	<b>\$ 325,157</b>	<b>\$ 91,317</b>	<b>\$ 76,824</b>	<b>\$ 493,298</b>

**Reconciliation of nonmajor fund transfers to Statement of Revenue Expenditures and Changes in Fund Balance**

Transfer in from above	\$ 22,004	Transfers out from above	\$ 238,616
Less transfers between nonmajor funds	-	Less transfers between nonmajor funds	-
Net transfers in	<b>\$ 22,004</b>	Net transfers out	<b>\$ 238,616</b>

## NON-MAJOR SPECIAL REVENUE FUNDS

---

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

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

**SARF – DCA Project** - This fund accounts for proceeds from the State Acquisition and Relocation Fund Project funded by NC Department of Commerce, Division of Community Assistance and awarded to assist the flood recovery program by providing relocation assistance to flood clients.

**Salvage Yard Buyout Grant Fund** – This fund accounts for the North Carolina Department of Environment and Natural Resources program to purchase junkyards damaged by Hurricane Floyd.

**State Tenant Relocation Assistance Grant Fund** – This fund accounts for assistance with the Floyd Recovery Program through the relocation of rental units and tenants households and is funded by the N.C. Division of Crime and Public Safety, Redevelopment Center.

**CDBG Micro Enterprise Grant** – This fund accounts for the Community Development Block Grant funds for the micro enterprise project.

**Oaks Apartments** – This fund accounts for the Community Development Block Grant funds for the oaks apartments project.

**FEMA Assistance to Firefighters Grant Fund** – This fund accounts for a hazard mitigation grant from the Federal Emergency Management Agency to purchase equipment for the fire department.

**CD Capacity Grant Fund** - This fund accounts for assistance in the administration of the various relocation and development projects of the City.

**Single Family Rehabilitation Grant Fund** - This fund accounts for the Federal Emergency Management Agency's Single Family Rehabilitation Grant for the repair and rehabilitation of single family homes in the flood plain.

**Hurricane Isabel Fund** - This fund is used to account for federal grant monies received from Federal Emergency Management Agency for recovery assistance after hurricane Isabel in 2003.

**Flood Close Out Fund** – This fund accounts for the close out and related overages and underages of the Fran and Floyd hazard mitigation buyout funds.

**Local Law Enforcement Block Grant 2003** - This fund accounts for a Local Law Enforcement Block Grant funded by the US Department of Justice, Bureau of Justice Assistance to purchase equipment for the police department.

**Governor's Highway Safety Program 2004** - This fund accounts for staff and equipment utilized for enforcement of violations located in and around the top ten crash sites targeted by the Crashless in Kinston program.



## **NON-MAJOR SPECIAL REVENUE FUNDS**

---

***Local Law Enforcement Block Grant 2004*** - This fund accounts for a Local Law Enforcement Block Grant funded by the US Department of Justice, Bureau of Justice Assistance to purchase equipment for the police department.

***Governor's Highway Safety Program 2005*** - This fund accounts for staff and equipment utilized for enforcement of violations located in and around the top ten crash sites targeted by the Crashless in Kinston program.

***Viper Grant Program*** - This fund accounts for grant monies used to purchase equipment for the police department.

***Operation Video Impact Grant*** - This fund accounts for grant monies used to purchase equipment for the police department.



**City of Kinston, North Carolina  
Nonmajor Special Revenue Funds**

**Combining Balance Sheets**

**June 30, 2005**

**With Comparative Totals for June 30, 2004**

**(Page 1 of 3)**

	<b>Community Development Administration</b>	<b>SARF DCA</b>	<b>Salvage Yard Buyout</b>	<b>State Tenant Relocation Assistance</b>	<b>CDBG Micro Enterprise</b>
<b>Assets</b>					
Cash and investments	\$ 21,351	\$ 9,167	\$ -	\$ -	\$ -
Due from other funds	128,139	-	-	-	-
Due from government agencies	-	-	-	-	-
Accounts and loans receivable	<u>53,401</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b>\$ 202,891</b>	<b>\$ 9,197</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances (Deficits)</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ 32,233	\$ 8,892	\$ 6,711
Accounts payable and accrued liabilities	<u>39,681</u>	<u>-</u>	<u>32,233</u>	<u>8,892</u>	<u>6,711</u>
<b>Total liabilities</b>	<b><u>39,681</u></b>	<b><u>-</u></b>	<b><u>32,233</u></b>	<b><u>8,892</u></b>	<b><u>6,711</u></b>
<b>Fund Balances (Deficits)</b>					
Reserved by State statute	181,630	30	-	-	-
Unreserved - undesignated	(18,420)	<u>9,167</u>	<u>(32,233)</u>	<u>(8,892)</u>	<u>(6,711)</u>
	<u>163,210</u>	<u>9,197</u>	<u>(32,233)</u>	<u>(8,892)</u>	<u>(6,711)</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 202,891</u></b>	<b><u>\$ 9,197</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**City of Kinston, North Carolina  
Nonmajor Special Revenue Funds**

**Combining Balance Sheets  
June 30, 2005  
With Comparative Totals for June 30, 2004**

**(Page 2 of 3)**

	<b>Oaks Apartments</b>	<b>FEMA Assistance to Firefighters</b>	<b>Single Family Rehabilitation</b>	<b>Flood Close Out</b>	<b>2003 LLEBG</b>
<b>Assets</b>					
Cash and investments	\$ 7,143	\$ 958	\$ -	\$ 256,657	\$ -
Due from other funds	-	-	-	-	-
Due from government agencies	-	-	-	-	-
Accounts and loans receivable	-	-	-	-	43
<b>Total assets</b>	<b>\$ 7,143</b>	<b>\$ 958</b>	<b>\$ -</b>	<b>\$ 256,657</b>	<b>\$ 43</b>
<b>Liabilities and Fund Balances (Deficits)</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ 77,623	\$ -	\$ 18
Accounts payable and accrued liabilities	-	-	77,623	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>
<b>Fund Balances (Deficits)</b>					
Reserved by State statute	-	-	-	-	43
Unreserved - undesignated	7,143	958	(77,623)	256,657	(18)
<b>Total liabilities and fund balances</b>	<b>7,143</b>	<b>958</b>	<b>(77,623)</b>	<b>256,657</b>	<b>25</b>

**City of Kinston, North Carolina  
Nonmajor Special Revenue Funds**

**Combining Balance Sheets  
June 30, 2005  
With Comparative Totals for June 30, 2004**

**(Page 3 of 3)**

	2004		2005		Operation Video Impact	Totals	
	LLEBG	GHSP				2005	2004
<b>Assets</b>							
Cash and investments	\$ 12,683	\$ -	\$ -	\$ 2,203	\$ 310,162	\$ 254,945	
Due from other funds	-	-	-	-	128,139		
Due from government agencies	-	-	-	-		183,409	
Accounts receivable	-	1,202	-	-	54,676		65,823
<b>Total assets</b>	<b>\$ 12,683</b>	<b>\$ 1,202</b>	<b>\$ 2,203</b>	<b>\$ 492,977</b>	<b>\$ 504,177</b>		
<b>Liabilities and Fund Balances (Deficits)</b>							
<b>Liabilities</b>							
Due to other funds	\$ -	\$ 2,662	\$ -	\$ -	\$ 128,139	\$ 117,255	
Accounts payable and accrued liabilities	-	-	-	-	39,681		5,269
<b>Total liabilities</b>	<b>-</b>	<b>2,662</b>	<b>-</b>	<b>-</b>	<b>167,820</b>	<b>122,524</b>	
<b>Fund Balances (Deficits)</b>							
Reserved by State statute	-	1,202	-	-	182,905	244,764	
Unreserved - undesignated	12,683	(2,662)	2,203	-	142,252	136,889	
<b>Total liabilities and fund balances</b>	<b>\$ 12,683</b>	<b>\$ 1,202</b>	<b>\$ 2,203</b>	<b>\$ 325,157</b>	<b>\$ 381,653</b>		
						<b>\$ 504,177</b>	

**City of Kinston, North Carolina  
Nonmajor Special Revenue Funds**

**Combining Statements of Revenue, Expenditures and  
Changes in Fund Balances (Deficit)**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 1 of 3)**

	Community Development Administration	SARF - DCA	Salvage Yard Buyout	State Tenant Relocation Assistance	CDBG Micro Enterprise	Oaks Apartments	FEMA Assistance to Firefighters
<b>Revenue:</b>							
Restricted:							
Intergovernmental revenue	\$ 3,197	\$ 264	\$ 828,998	\$ -	\$ -	\$ -	\$ -
Other:							
Miscellaneous revenue	7,980	-	-	-	-	-	-
Investment earnings	2,190	-	-	-	-	-	-
<b>Total revenue</b>	<b>13,367</b>	<b>264</b>	<b>828,998</b>				
<b>Expenditures:</b>							
Planning and community development							
Administration	-	153	1,912	-	-	1,802	-
Rehabilitation of private properties	117,051	17,783	864,763	-	-	-	-
Public safety	-	-	-	-	-	-	-
Other services							
<b>Total expenditures</b>	<b>117,051</b>	<b>17,936</b>	<b>866,675</b>			<b>1,802</b>	
<b>Total revenue over (under) expenditures</b>	<b>(103,684)</b>	<b>(17,672)</b>	<b>(37,677)</b>			<b>(1,802)</b>	
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total financing sources (uses)</b>							
<b>Total revenue and other sources over (under) expenditures</b>							
Fund balances (deficits), beginning	(103,684)	(17,672)	(37,677)	-	(8,892)	(4,909)	-
Fund balances (deficits), ending	266,894	26,869	5,444	-	(6,711)	7,143	958
	<b>\$ 163,210</b>	<b>\$ 9,197</b>	<b>\$ (32,233)</b>	<b>\$ (8,892)</b>	<b>\$ (6,711)</b>	<b>\$ 7,143</b>	<b>\$ 958</b>

**City of Kinston, North Carolina  
Nonmajor Special Revenue Funds**

**Combining Statements of Revenue, Expenditures and  
Changes in Fund Balances (Deficit)**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 2 of 3)**

	<b>Single Family Rehabilitation</b>	<b>Hurricane Isabel</b>	<b>Flood Close Out</b>	<b>2003 LLEBG</b>	<b>2004 GHSP</b>	<b>2004 LLEBG</b>	<b>2005 GHSP</b>
<b>Revenue:</b>							
Restricted:							
Intergovernmental revenue	\$ 148,547	\$ -	\$ 193,154	\$ -	\$ 4,798	\$ 11,348	\$ -
Other:				7,425	-	-	-
Miscellaneous revenue	-	-	-	-	11	-	74
Investment earnings	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>148,547</b>		<b>200,579</b>	<b>11</b>	<b>4,798</b>	<b>11,422</b>	
<b>Expenditures:</b>							
Planning and community development							
Administration	11,095	-	-	-	-	-	-
Rehabilitation of private properties	210,765	-	-	-	-	-	-
Public safety							
Other services	(1,447)	-	-	2,595	6,398	-	20,000
<b>Total expenditures</b>	<b>221,860</b>	<b>(1,447)</b>		<b>2,595</b>	<b>6,398</b>		<b>20,000</b>
<b>Total revenue over (under) expenditures</b>	<b>(73,313)</b>	<b>1,447</b>	<b>200,579</b>	<b>(2,584)</b>	<b>(1,600)</b>	<b>11,422</b>	<b>(20,000)</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	1,261	18,540
Transfers out	-	(33,616)	-	-	-	-	-
<b>Total financing sources (uses)</b>		<b>(33,616)</b>				<b>1,261</b>	<b>18,540</b>
<b>Total revenue and other sources over (under) expenditures</b>							
Fund balances (deficits), beginning	(73,313)	(32,169)	200,579	(2,584)	(1,600)	12,683	(1,460)
Fund balances (deficits), ending	(4,310)	32,169	56,078	2,609	1,600	-	-
<b>\$ (77,623) \$</b>		<b>\$ -</b>	<b>\$ 256,657</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ 12,683</b>	<b>\$ (1,460)</b>

**City of Kinston, North Carolina  
Nonmajor Special Revenue Funds**

**Combining Statements of Revenue, Expenditures and  
Changes in Fund Balances (Deficit)**

**For the Fiscal Year Ended June 30, 2005**

**With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 3 of 3)**

	Operation Video Impact	2005	Totals 2004
<b>Revenue:</b>			
Restricted:			
Intergovernmental revenue	\$ -	\$ 1,190,306	\$ 2,026,212
Other:			
Miscellaneous revenue	-	15,405	19,030
Investment earnings	-	2,275	873
<b>Total revenue</b>	<b>-</b>	<b>1,207,986</b>	<b>2,046,115</b>
 <b>Expenditures:</b>			
Planning and community development			
Administration	-	14,962	48,163
Rehabilitation of private properties	-	1,210,362	1,464,858
Public safety			
Other services	-	27,546	569,839
<b>Total expenditures</b>	<b>-</b>	<b>1,252,870</b>	<b>2,082,860</b>
<b>Total revenue over (under) expenditures</b>	<b>-</b>	<b>(44,884)</b>	<b>(36,745)</b>
Other financing sources (uses):			
Transfers in	2,203	22,004	1,292,750
Transfers out	-	(33,616)	(886,013)
<b>Total financing sources (uses)</b>	<b>2,203</b>	<b>(11,612)</b>	<b>406,737</b>
 <b>Total revenue and other sources over (under) expenditures</b>			
Fund balances (deficits), beginning	2,203	(56,496)	369,992
Fund balances (deficits), ending	-	381,653	11,661
	<b>\$ 2,203</b>	<b>\$ 325,157</b>	<b>\$ 381,653</b>

**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, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b> <b>Positive</b> <b>(Negative)</b>
<b>Revenue:</b>			
Rent and program income	\$ 20,000	\$ 3,197	\$ (16,803)
Other revenue	-	7,980	7,980
Investment earnings	1,600	2,190	590
<b>Total revenue</b>	<b>21,600</b>	<b>13,367</b>	<b>(8,233)</b>
<b>Expenditures:</b>			
Contract services	138,700	117,051	21,649
<b>Total expenditures</b>	<b>138,700</b>	<b>117,051</b>	<b>21,649</b>
<b>Total revenue under expenditures</b>	<b>(117,100)</b>	<b>(103,684)</b>	<b>13,416</b>
<b>Other financing sources:</b>			
Appropriated fund balance	117,100	-	(117,100)
<b>Total revenue and other financing sources under expenditures</b>	<b>\$ -</b>	<b>\$ (103,684)</b>	<b>\$ (103,684)</b>

**City of Kinston, North Carolina  
Grant Project Fund - SARF DCA Project**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, State grant project	\$ 264	\$ 1,671,557	\$ 1,664,275
<b>Expenditures:</b>			
Administration	153	11,038	156,069
Acquisition, relocation, demolition of private properties	17,783	1,651,322	1,508,206
<b>Total expenditures</b>	<b>17,936</b>	<b>1,662,360</b>	<b>1,664,275</b>
<b>Total revenue over (under) expenditures</b>	<b>\$ (17,672)</b>	<b>\$ 9,197</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - Salvage Yard Buyout**

**Schedule of Revenue and Expenditures -**  
**Budget and Actual**  
**From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, State grant project	\$ 828,998	\$ 1,948,410	\$ 3,700,000
<b>Expenditures:</b>			
Administration	1,912	142,356	188,174
Acquisition, relocation, demolition of private properties	864,763	1,838,287	3,511,826
<b>Total expenditures</b>	<b>866,675</b>	<b>1,980,643</b>	<b>3,700,000</b>
<b>Total revenue over expenditures</b>	<b>\$ (37,677)</b>	<b>\$ (32,233)</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - State Tenant Relocation Assistance**

**Schedule of Revenue and Expenditures -**  
**Budget and Actual**  
**From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, State grant project	\$ -	\$ 972,457	\$ 2,070,970
<b>Expenditures:</b>			
Administration	-	103,662	188,270
Acquisition, relocation, demolition of private properties	-	877,687	1,882,700
<b>Total expenditures</b>	-	<b>981,349</b>	<b>2,070,970</b>
<b>Total revenue over (under) expenditures</b>	\$ -	\$ (8,892)	\$ -

**City of Kinston, North Carolina  
Grant Project Fund - CDBG Micro Enterprise Grant**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue,			
State grants	\$ -	\$ 93,278	\$ 100,000
<b>Expenditures:</b>			
Administration	1,802	6,802	5,000
Acquisition, relocation, demolition of private properties	-	93,187	95,000
<b>Total expenditures</b>	<b>1,802</b>	<b>99,989</b>	<b>100,000</b>
<b>Total revenue under expenditures</b>	<b>\$ (1,802)</b>	<b>\$ (6,711)</b>	<b>\$ -</b>

**City of Kinston, North Carolina  
Grant Project Fund - Oaks Apartments Project**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>			<b>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>		
<b>Revenue:</b>				
Restricted intergovernmental revenue, Federal and State grants	\$ -	\$ 92,458	\$ 144,000	
<b>Expenditures:</b>				
Administration	-	11,915	14,400	
Acquisition, relocation, demolition of private properties	-	73,400	129,600	
<b>Total expenditures</b>	-	<b>85,315</b>	<b>144,000</b>	
<b>Total revenue over expenditures</b>	<b>\$ -</b>	<b>\$ 7,143</b>	<b>\$ -</b>	

**City of Kinston, North Carolina  
Grant Project Fund - FEMA Assistance to Firefighters**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, Federal grant	\$ -	\$ 74,982	\$ 74,982
<b>Expenditures:</b>			
Capital outlay	-	82,424	83,382
<b>Total expenditures</b>	-	<b>82,424</b>	<b>83,382</b>
<b>Total expenditures over revenue</b>	-	<b>(7,442)</b>	<b>(8,400)</b>
<b>Other financing sources:</b>			
Transfers in	-	8,400	8,400
<b>Total other financing sources</b>	-	<b>8,400</b>	<b>8,400</b>
<b>Total revenue and other financing sources over (under) expenditures</b>	\$ -	\$ 958	\$ -

**City of Kinston, North Carolina  
Grant Project Fund - CD Capacity**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, State grant project	\$ -	\$ -	\$ 50,000
<b>Expenditures:</b>			
Administration	-	-	50,000
<b>Total expenditures</b>	-	-	50,000
<b>Total revenue over expenditures</b>	\$ -	\$ -	\$ -

**City of Kinston, North Carolina**  
**Grant Project Fund - Single Family Rehabilitation**

**Schedule of Revenue and Expenditures -  
 Budget and Actual  
 From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, Federal grants	<u>\$ 148,547</u>	<u>\$ 148,547</u>	<u>\$ 300,000</u>
<b>Expenditures:</b>			
Administration	<u>11,095</u>	<u>11,095</u>	<u>19,149</u>
Acquisition, relocation, demolition of private properties	<u>210,765</u>	<u>215,075</u>	<u>280,851</u>
<b>Total expenditures</b>	<u>221,860</u>	<u>226,170</u>	<u>300,000</u>
<b>Total revenue under expenditures</b>	<u>\$ (73,313)</u>	<u>\$ (77,623)</u>	<u>\$ -</u>

**City of Kinston, North Carolina  
Grant Project Fund - Hurricane Isabel**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2004**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue,			
Federal grants	\$ -	\$ 413,011	\$ 413,011
<b>Expenditures:</b>			
Salaries and benefits	(891)	85,156	85,156
Contract services	(556)	294,239	294,239
<b>Total expenditures</b>	<b>(1,447)</b>	<b>379,395</b>	<b>379,395</b>
<b>Revenue over expenditures</b>	<b>1,447</b>	<b>33,616</b>	<b>33,616</b>
<b>Other financing uses</b>			
Transfers out	33,616	33,616	33,616
<b>Total revenue and other financing sources under expenditures</b>	<b>\$ (32,169)</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina  
Grant Project Fund - Flood Close Out**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>			
	<b>Current Year</b>	<b>Total to Date</b>		<b>Project Authorization</b>
<b>Revenue:</b>				
Restricted intergovernmental revenue,				
Federal grants	\$ 193,154	\$ 277,084	\$ -	
Miscellaneous revenue	7,425	7,425		-
<b>Total revenue</b>	<b>200,579</b>	<b>284,509</b>		-
 <b>Other financing sources (uses):</b>				
Transfers in	-	616,551	700,481	
Transfers out	-	(644,403)	(700,481)	
<b>Total other financing sources</b>	<b>-</b>	<b>(27,852)</b>		-
 <b>Total revenue and other financing sources over other financing uses</b>	<b>\$ 200,579</b>	<b>\$ 256,657</b>	<b>\$ -</b>	

**City of Kinston, North Carolina  
Grant Project Fund - LLEBG - 2003**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>			
	<b>Current Year</b>	<b>Total to Date</b>		<b>Project Authorization</b>
<b>Revenue:</b>				
Restricted intergovernmental revenue,				
Federal grant	\$ -	\$ 31,757	\$ 31,757	
Investment earnings	<u>11</u>	<u>25</u>		-
<b>Total revenue</b>	<b><u>11</u></b>	<b><u>31,782</u></b>		<b><u>31,757</u></b>
<b>Expenditures:</b>				
Capital outlay	<u>2,595</u>	<u>35,286</u>		<u>35,286</u>
<b>Total expenditures</b>	<b><u>2,595</u></b>	<b><u>35,286</u></b>		<b><u>35,286</u></b>
<b>Total expenditures over revenue</b>	<b><u>(2,584)</u></b>	<b><u>(3,504)</u></b>		<b><u>(3,529)</u></b>
<b>Other financing sources:</b>				
Transfers in	-	<u>3,529</u>		<u>3,529</u>
<b>Total other financing sources</b>	<b>-</b>	<b><u>3,529</u></b>		<b><u>3,529</u></b>
<b>Total revenue and other financing sources over (under) expenditures</b>	<b><u>\$ (2,584)</u></b>	<b><u>\$ 25</u></b>		<b><u>\$ -</u></b>

**City of Kinston, North Carolina**  
**Grant Project Fund - Governor's Highway Safety Program - 2004**

**Schedule of Revenue and Expenditures -  
 Budget and Actual  
 From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue,			
Federal grant	<u>\$ 4,798</u>	<u>\$ 36,008</u>	<u>\$ 36,008</u>
<b>Expenditures:</b>			
Personnel costs	<u>2,752</u>	<u>10,324</u>	<u>10,160</u>
Capital outlay	<u>3,646</u>	<u>37,687</u>	<u>37,851</u>
<b>Total expenditures</b>	<u>6,398</u>	<u>48,011</u>	<u>48,011</u>
<b>Total expenditures over revenue</b>	<u>(1,600)</u>	<u>(12,003)</u>	<u>(12,003)</u>
<b>Other financing sources:</b>			
Transfers in	<u>-</u>	<u>12,003</u>	<u>12,003</u>
<b>Total other financing sources</b>	<u>-</u>	<u>12,003</u>	<u>12,003</u>
<b>Total revenue and other financing sources over expenditures</b>	<u>\$ (1,600)</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Kinston, North Carolina  
Grant Project Fund - LLEBG - 2004**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>			
	<b>Current Year</b>	<b>Total to Date</b>		<b>Project Authorization</b>
<b>Revenue:</b>				
Restricted intergovernmental revenue,				
Federal grant	\$ 11,348	\$ 11,348	\$ 11,348	
Investment earnings	74	74	-	
<b>Total revenue</b>	<b>11,422</b>	<b>11,422</b>	<b>11,348</b>	
<b>Expenditures:</b>				
Capital outlay	-	-		12,609
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>12,609</b>	
<b>Total expenditures over revenue</b>	<b>11,422</b>	<b>11,422</b>	<b>(1,261)</b>	
<b>Other financing sources:</b>				
Transfers in	1,261	1,261	1,261	
<b>Total other financing sources</b>	<b>1,261</b>	<b>1,261</b>	<b>1,261</b>	
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ 12,683</b>	<b>\$ 12,683</b>	<b>\$ -</b>	

**City of Kinston, North Carolina**  
**Grant Project Fund - Governor's Highway Safety Program - 2005**

**Schedule of Revenue and Expenditures -**  
**Budget and Actual**  
**From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue,			
Federal grant	\$ -	\$ -	\$ 18,540
Investment earnings	-	-	-
<b>Total revenue</b>	-	-	<b>18,540</b>
<b>Expenditures:</b>			
Personnel costs	2,831	2,831	4,860
Capital outlay	17,169	17,169	32,220
<b>Total expenditures</b>	<b>20,000</b>	<b>20,000</b>	<b>37,080</b>
<b>Total expenditures over revenue</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(18,540)</b>
<b>Other financing sources:</b>			
Transfers in	18,540	18,540	18,540
<b>Total other financing sources</b>	<b>18,540</b>	<b>18,540</b>	<b>18,540</b>
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ (1,460)</b>	<b>\$ (1,460)</b>	<b>\$ -</b>

**City of Kinston, North Carolina  
Grant Project Fund - Viper Grant**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>			<b>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>		
<b>Revenue:</b>				
Restricted intergovernmental revenue,				
Federal grant	\$ -	\$ -	\$ 101,200	
Investment earnings	-	-	-	
<b>Total revenue</b>	-	-	<b>101,200</b>	
<b>Expenditures:</b>				
Capital outlay	-	-	<b>101,200</b>	
<b>Total expenditures</b>	-	-	<b>101,200</b>	
<b>Total revenue over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**City of Kinston, North Carolina**  
**Grant Project Fund - Operation Video Impact**

**Schedule of Revenue and Expenditures -**  
**Budget and Actual**  
**From Grant Inception and For the Fiscal Year Ended June 30, 2005**

	<b>Actual</b>			<b>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>		
<b>Revenue:</b>				
Restricted intergovernmental revenue,				
Federal grant	\$ -	\$ -	\$ 19,831	
Investment earnings	-	-	-	
<b>Total revenue</b>	-	-	<b>19,831</b>	
<b>Expenditures:</b>				
Capital outlay	-	-	<b>22,034</b>	
<b>Total expenditures</b>	-	-	<b>22,034</b>	
<b>Total expenditures over revenue</b>	-	-	<b>(2,203)</b>	
<b>Other financing sources:</b>				
Transfers in	<b>2,203</b>	<b>2,203</b>	<b>2,203</b>	
<b>Total other financing sources</b>	<b>2,203</b>	<b>2,203</b>	<b>2,203</b>	
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ 2,203</b>	<b>\$ 2,203</b>	<b>\$ -</b>	

**(This Page Was Intentionally Left Blank)**

## NON-MAJOR CAPITAL PROJECTS FUND

---

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

**Fire Station / Public Safety Complex** – This fund accounts for funds to be used to construct a new fire station and public safety complex.

**General Fund Small Projects Fund** – This fund accounts for funds to be used for various governmental-type construction activities.

**Capital Reserve** – This fund accounts for funds to be used for future capital improvements.

---



**City of Kinston, North Carolina  
Nonmajor Capital Project Funds**

**Combining Balance Sheets  
June 30, 2005  
With Comparative Totals for June 30, 2004**

	<b>Fire Station Public Safety Complex</b>	<b>Capital Reserve</b>	<b>Totals</b>	
			<b>2005</b>	<b>2004</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ 91,317	\$ 91,317	\$ 190,656
Due from other funds	-	15,055	15,055	117,255
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 106,372</b>	<b>\$ 106,372</b>	<b>\$ 307,911</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Due to other funds	\$ 15,055	\$ -	\$ 15,055	\$ -
<b>Total liabilities</b>	<b>15,055</b>	<b>-</b>	<b>15,055</b>	<b>-</b>
<b>Fund Balances (Deficits)</b>				
Unreserved - undesignated	(15,055)	106,372	91,317	307,911
	(15,055)	106,372	91,317	307,911
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 106,372</b>	<b>\$ 106,372</b>	<b>\$ 307,911</b>

**City of Kinston, North Carolina  
Capital Project Funds**

**Combining Statements of Revenue, Expenditures and  
Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2005  
With Comparative Totals for the Fiscal Year Ended June 30, 2004**

	Fire Station Public Safety Complex	General Small Projects	Capital Reserve	Totals	
				2005	2004
<b>Revenues:</b>					
Interest income	\$ -	\$ -	\$ 3,461	\$ 3,461	\$ 2,273
State grants	-	19,000	-	19,000	-
Sale of property	-	-	-	-	14,000
<b>Total revenue</b>	<b>-</b>	<b>19,000</b>	<b>3,461</b>	<b>22,461</b>	<b>16,273</b>
<b>Expenditures:</b>					
Capital outlay	15,055	19,000	-	34,055	16,269
Debt service	-	-	-	-	-
<b>Total expenditures</b>	<b>15,055</b>	<b>19,000</b>	<b>-</b>	<b>34,055</b>	<b>16,269</b>
<b>Total revenue over (under) expenditures</b>	<b>(15,055)</b>	<b>-</b>	<b>3,461</b>	<b>(11,594)</b>	<b>4</b>
<b>Other financing sources:</b>					
Transfers out	-	-	(205,000)	(205,000)	(374,941)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>(205,000)</b>	<b>(205,000)</b>	<b>(374,941)</b>
<b>Total revenue and other financing sources under expenditures</b>	<b>(15,055)</b>	<b>-</b>	<b>(201,539)</b>	<b>(216,594)</b>	<b>(374,937)</b>
Fund balances (deficits), beginning	-	-	307,911	307,911	682,848
<b>Fund balances (deficits), ending</b>	<b>\$ (15,055)</b>	<b>\$ -</b>	<b>\$ 106,372</b>	<b>\$ 91,317</b>	<b>\$ 307,911</b>

**City of Kinston, North Carolina  
Capital Project Funds - Fire Station/Public Safety Complex**

**Schedule of Revenue, Expenditures and  
Changes in Fund Balances  
Budget and Actual  
From Inception and For the Year Ended June 30, 2005**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Expenditures:</b>				
Capital outlay:				
Construction costs	<u>\$ 8,700,000</u>	<u>\$ -</u>	<u>\$ 15,055</u>	<u>\$ 15,055</u>
<b>Total expenditures</b>	<b><u>8,700,000</u></b>	<b><u>-</u></b>	<b><u>15,055</u></b>	<b><u>15,055</u></b>
<b>Other financing sources:</b>				
Debt issued - short term financing	<u>4,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt issued - community facilities loan	<u>4,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources</b>	<b><u>8,700,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total other financing sources over (under) expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (15,055)</u></b>	<b><u>\$ (15,055)</u></b>

**City of Kinston, North Carolina**  
**Capital Project Funds - General Fund Small Projects Fund**

**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**From Inception and For the Year Ended June 30, 2005**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenue:</b>				
State grants	\$ 25,000	\$ -	\$ 19,000	\$ 19,000
<b>Total revenue</b>	<b>25,000</b>	<b>-</b>	<b>19,000</b>	<b>19,000</b>
<b>Expenditures:</b>				
Capital outlay:				
Upper catfish branch - design	25,000	-	19,000	19,000
<b>Total expenditures</b>	<b>25,000</b>	<b>-</b>	<b>19,000</b>	<b>19,000</b>
<b>Revenue under expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina  
Capital Project Fund - Capital Reserve**

**Schedule of Revenue and Expenditures -  
Budget and Actual  
For the Fiscal Year Ended June 30, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
			Positive (Negative)
<b>Revenue:</b>			
Investment earnings	\$ -	\$ 3,461	\$ 3,461
<b>Total revenue</b>	<b>-</b>	<b>3,461</b>	<b>3,461</b>
 <b>Other financing sources (uses):</b>			
Appropriated fund balance	205,000	-	(205,000)
Transfers out	(205,000)	(205,000)	-
 <b>Total other financing sources (uses)</b>	<b>-</b>	<b>(205,000)</b>	<b>(205,000)</b>
 <b>Total revenue and other financing sources under expenditures</b>	<b>\$ -</b>	<b>\$ (201,539)</b>	<b>\$ (201,539)</b>

**(This Page Was Intentionally Left Blank)**

## **NON-MAJOR ENTERPRISE FUND**

---

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

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

---



**City of Kinston, North Carolina  
Environmental Services**

**Schedules of Revenue, Expenditures and Other Financing Sources (Uses) -  
Budget and Actual - Non-GAAP - Modified Accrual Basis  
For the Fiscal Year Ended June 30, 2005  
With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 1 of 2)**

	<b>2005</b>		<b>Variance, Positive (Negative)</b>	<b>2004</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Operating revenue:</b>				
Charges for services:	\$ 2,662,500	\$ 2,585,000	\$ (77,500)	\$ 2,568,664
Other	2,180	795	(1,385)	6,734
<b>Total operating revenue</b>	<b>2,664,680</b>	<b>2,585,795</b>	<b>(78,885)</b>	<b>2,575,398</b>
Interest earned on investments	-	3,420	3,420	15
<b>Total nonoperating revenue</b>	<b>-</b>	<b>3,420</b>	<b>3,420</b>	<b>15</b>
<b>Total revenue</b>	<b>2,664,680</b>	<b>2,589,215</b>	<b>(75,465)</b>	<b>2,575,413</b>
<b>Expenditures:</b>				
Bulk leaf collection:				
Operating	29,100	28,133	967	31,151
Commercial solid waste:				
Salaries and benefits		242,089		226,847
Operating		708,205		604,117
Capital outlay		122,838		-
Indirect costs		185,433		160,365
<b>1,260,269</b>	<b>1,258,565</b>	<b>1,704</b>	<b>991,329</b>	
Residential solid waste				
Salaries and benefits		646,679		645,099
Operating		516,412		496,869
Capital outlay		108,301		83,022
Indirect costs		185,433		160,365
<b>1,466,401</b>	<b>1,456,825</b>	<b>9,576</b>	<b>1,385,355</b>	
Recycling				
Salaries and benefits		87,706		86,430
Operating		51,134		67,322
<b>167,287</b>	<b>138,840</b>	<b>28,447</b>	<b>153,752</b>	
<b>Total expenditures</b>	<b>2,923,057</b>	<b>2,882,363</b>	<b>40,694</b>	<b>2,561,587</b>
<b>Revenue over (under) expenditures</b>	<b>(258,377)</b>	<b>(293,148)</b>	<b>(34,771)</b>	<b>13,826</b>
<b>Other financing sources (uses):</b>				
Debt issued	-	-	-	512,784
Fund balance appropriated	241,127	-	(241,127)	-
Transfers in	60,000	62,101	2,101	327,426
Transfers out	(42,750)	(42,750)	-	(56,713)
<b>Total other financing sources</b>	<b>258,377</b>	<b>19,351</b>	<b>(239,026)</b>	<b>783,497</b>
<b>Revenue and other sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (273,797)</b>	<b>\$ (273,797)</b>	<b>\$ 797,323</b>

(Continued)

**City of Kinston, North Carolina  
Environmental Services**

**Schedules of Revenue, Expenditures and Other Financing Sources (Uses) -  
Budget and Actual - Non-GAAP - Modified Accrual Basis (Continued)  
For the Fiscal Year Ended June 30, 2005  
With Comparative Totals for the Fiscal Year Ended June 30, 2004**

**(Page 2 of 2)**

	<b>2005</b>	<b>2004</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance, Positive (Negative)</b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures	\$ (273,797)	\$ 797,323	
Transfers in	(62,101)	(327,426)	
Transfers out	42,750	56,713	
Capital contributions	24,704	6,353	
Capital outlay	231,139	83,022	
Debt issued	-	(512,784)	
Payment of debt principal	236,975	140,526	
Depreciation	(274,501)	(236,282)	
Increase in accrued interest payable	(1,929)	(9,786)	
Increase (decrease) in accrued unbilled sales	(1,596)	2,879	
Bad debt expense	-	(14,571)	
<b>Income before operating transfers, accrual basis</b>	<b><u>\$ (78,356)</u></b>	<b><u>\$ (14,033)</u></b>	

## **INTERNAL SERVICE FUNDS**

---

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

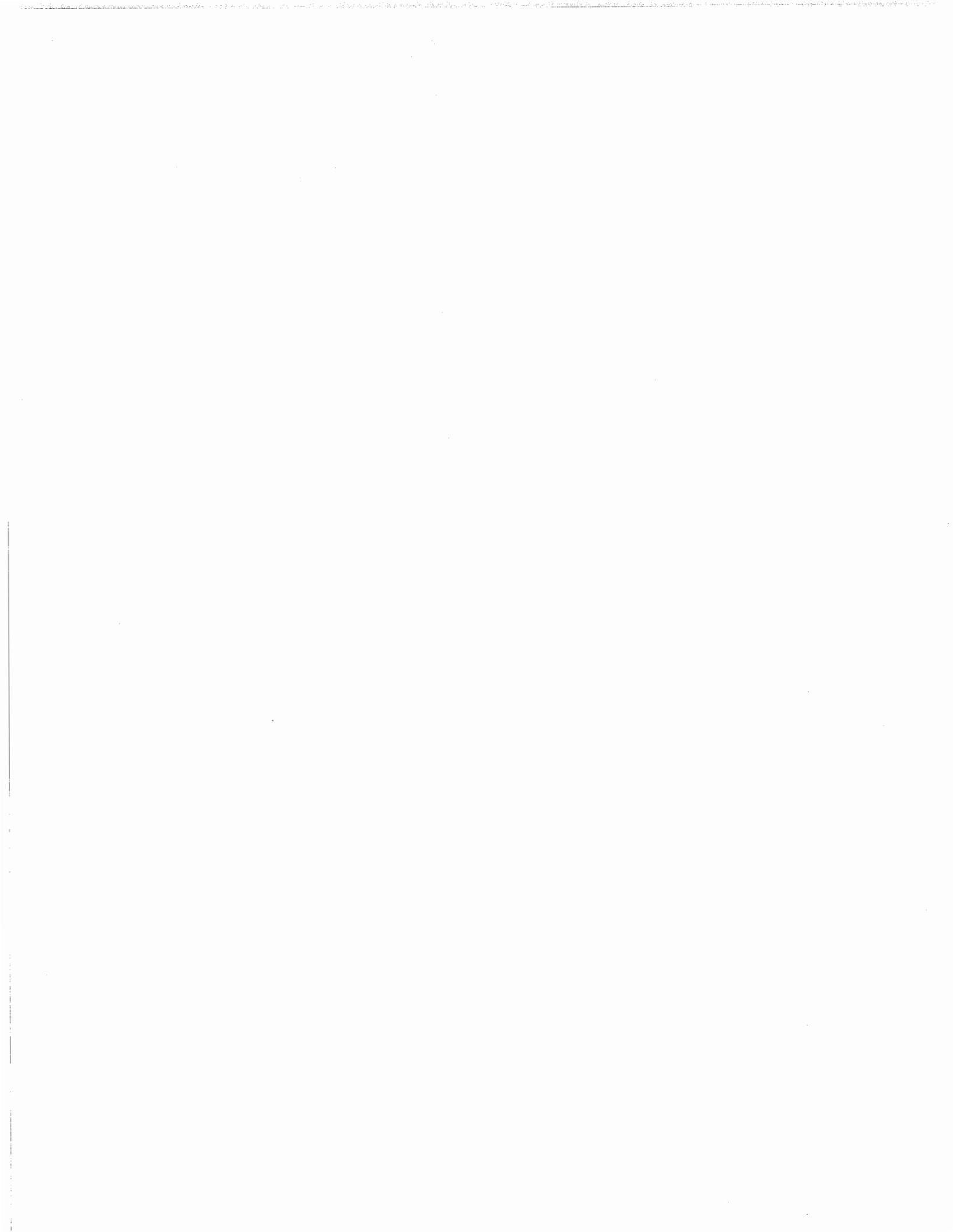
**Employee Health Internal Service Fund** - This fund is used to finance and account for the City's workers' compensation insurance program.

**Fleet Maintenance Internal Service Fund** - This fund is used to finance and account for the City's garage operations.

**Warehouse Internal Service Fund** - This fund is used to finance and account for the City's purchases of inventory for fleet and fuel.

**Public Services Administration Internal Service Fund** - This fund is used to finance and account for the salaries and operating costs associated with the public utility and engineering functions of the City.

---



**City of Kinston, North Carolina  
Internal Service Funds**

**Combining Statement of Net Assets  
June 30, 2005**

	<b>Employee Health</b>	<b>Fleet Maintenance</b>	<b>Warehouse</b>	<b>Public Services</b>	<b>Total</b>
<b>Assets</b>					
Cash and investments	\$ 553,967	\$ -	\$ -	\$ 252,906	\$ 806,873
Due from other funds	125,818	-	-	-	125,818
Accounts receivable	801	1,790	25,520	5,374	33,485
Capital assets					
Buildings	19,468	-	-	-	19,468
Equipment	-	237,095	-	45,116	282,211
Accumulated depreciation	(5,356)	(221,048)	-	(36,093)	(262,497)
Inventory	590	111,583	-	-	112,173
<b>Total assets</b>	<b>695,288</b>	<b>129,420</b>	<b>25,520</b>	<b>267,303</b>	<b>1,117,531</b>
<b>Liabilities</b>					
Due to other funds	-	25,188	100,630	-	125,818
Accounts payable and accrued liabilities	293,437	11,999	23,495	52,791	381,722
Accrued compensated absences	11,398	24,446	-	59,207	95,051
<b>Total liabilities</b>	<b>304,835</b>	<b>61,633</b>	<b>124,125</b>	<b>111,998</b>	<b>602,591</b>
<b>Net assets</b>					
Invested in capital assets	14,112	16,047	-	9,023	39,182
Unrestricted	376,341	51,740	(98,605)	146,282	475,758
<b>Total net assets</b>	<b>\$ 390,453</b>	<b>\$ 67,787</b>	<b>\$ (98,605)</b>	<b>\$ 155,305</b>	<b>\$ 514,940</b>

Reconciliation of non-major fund due to / due from other funds to the Balance Sheet - Governmental Funds

Due from other funds from above	\$ 125,818	Due to other funds from above	\$ 125,818
Less amounts between internal service funds	(125,818)	Less amounts between internal service funds	(125,818)
Net due from other funds	\$ -	Net due to other funds	\$ -

**City of Kinston, North Carolina  
Internal Service Funds**

**Combining Statements of Revenue, Expenses and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2005**

	<b>Employee Health</b>	<b>Fleet Maintenance</b>	<b>Warehouse</b>	<b>Public Services</b>	<b>Totals</b>
<b>Operating revenue:</b>					
Contributions from various funds	\$ 548,875	\$ 75,679	\$ 178,637	\$ 1,717,166	\$ 2,520,357
Other income	3,654	-	70	72	3,796
	<b>552,529</b>	<b>75,679</b>	<b>178,707</b>	<b>1,717,238</b>	<b>2,524,153</b>
<b>Operating expenses:</b>					
Administration	203,126	338,465	-	641,577	1,183,168
Operations	-	-	277,312	998,560	1,275,872
Depreciation	487	15,205	-	9,023	24,715
Claims reimbursement	180,475	-	-	-	180,475
	<b>384,088</b>	<b>353,670</b>	<b>277,312</b>	<b>1,649,160</b>	<b>2,664,230</b>
<b>Operating income (loss)</b>	<b>168,441</b>	<b>(277,991)</b>	<b>(98,605)</b>	<b>68,078</b>	<b>(140,077)</b>
<b>Nonoperating revenue:</b>					
Interest earned on investments	9,504	-	-	-	9,504
Capital contributions	6,000	-	-	-	6,000
	<b>15,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,504</b>
<b>Other financing sources (uses):</b>					
Transfers in	-	343,744	-	500	344,244
Transfers out	-	-	-	(2,095)	(2,095)
	<b>-</b>	<b>343,744</b>	<b>-</b>	<b>(1,595)</b>	<b>342,149</b>
<b>Net income (loss)</b>	<b>183,945</b>	<b>65,753</b>	<b>(98,605)</b>	<b>66,483</b>	<b>217,576</b>
Net assets, beginning	206,508	2,034	-	88,822	297,364
Net assets, ending	<b>\$ 390,453</b>	<b>\$ 67,787</b>	<b>\$ (98,605)</b>	<b>\$ 155,305</b>	<b>\$ 514,940</b>

**City of Kinston, North Carolina**

**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2005**  
**(Page 1 of 2)**

	<b>Employee Health</b>	<b>Fleet Maintenance</b>	<b>Warehouse</b>	<b>Public Services</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 553,028	\$ 98,431	\$ 178,707	\$ 1,716,501	\$ 2,546,667
Cash paid to suppliers for goods and services	(279,257)	(140,916)	(178,707)	(413,973)	(1,012,853)
Cash paid to or on behalf of employees for services	(116,218)	(295,058)	-	(1,222,250)	(1,633,526)
<b>Net cash provided by (used in) for operating activities</b>	<b>157,553</b>	<b>(337,543)</b>	-	<b>80,278</b>	<b>(99,712)</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers from other funds	-	343,744	-	500	344,244
Transfers to other funds	-	-	-	(2,095)	(2,095)
<b>Net cash used in noncapital financing</b>	<b>-</b>	<b>343,744</b>	-	<b>(1,595)</b>	<b>342,149</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital contributions	6,000	-	-	-	6,000
Acquisition and construction of capital assets	-	(6,201)	-	-	(6,201)
<b>Net cash used in capital and related financing activities</b>	<b>6,000</b>	<b>(6,201)</b>	-	-	<b>(201)</b>
<b>Cash Flows From Investing Activities</b>					
Interest on investments	9,504	-	-	-	9,504
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>173,057</b>	-	-	<b>78,683</b>	<b>251,740</b>

(Continued)

**City of Kinston, North Carolina**

**Statement of Cash Flows (Continued)**

**Internal Service Funds**

**For the Fiscal Year Ended June 30, 2005**

**(Page 2 of 2)**

	<b>Employee Health</b>	<b>Fleet Maintenance</b>	<b>Warehouse</b>	<b>Public Services</b>	<b>Total</b>
Cash and cash equivalents, beginning	\$ 380,910	\$ -	\$ -	\$ 174,223	\$ 555,133
Cash and cash equivalents, ending	<u>\$ 553,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,906</u>	<u>\$ 806,873</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>					
Operating income (loss)	\$ 168,441	\$ (277,991)	\$ (98,605)	\$ 68,078	\$ (140,077)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	487	15,205	-	9,023	24,715
Change in assets and liabilities:					
(Increase) decrease in due from other funds	(16,597)	-	-	-	(16,597)
(Increase) decrease in accounts receivable	499	22,752	(25,520)	(737)	(3,006)
(Increase) decrease in inventories	-	(7,268)	-	-	(7,268)
Increase (decrease) in accounts payable	2,223	(27)	23,495	11,536	37,227
Increase (decrease) in due to other funds	-	(84,033)	100,630	-	16,597
Increase (decrease) in accrued compensated absences	2,500	(6,181)	-	(7,622)	(11,303)
<b>Total adjustments</b>	<b>(10,888)</b>	<b>(59,552)</b>	<b>98,605</b>	<b>12,200</b>	<b>40,365</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 157,553</b>	<b>\$ (337,543)</b>	<b>\$ -</b>	<b>\$ 80,278</b>	<b>\$ (99,712)</b>

**City of Kinston, North Carolina**  
**Internal Service Fund - Employee Health**

**Schedule of Revenue and Expenditures**  
**Budget and Actual - Non-GAAP - Modified Accrual Basis**  
**For the Fiscal Year Ended June 30, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
			<b>Positive</b>
			<b>(Negative)</b>
Operating revenue:			
Contributions from various funds	\$ 548,879	\$ 548,875	\$ 4
Restricted intergovernmental	6,000	6,000	-
Miscellaneous income	-	3,654	3,654
Insurance proceeds	<u>5,500.00</u>	-	(5,500)
	<u>560,379</u>	<u>558,529</u>	<u>(1,842)</u>
Nonoperating revenue:			
Interest earned on investments	<u>2,600.00</u>	<u>9,504</u>	<u>6,904</u>
<b>Total revenue</b>	<b><u>562,979</u></b>	<b><u>568,033</u></b>	<b><u>5,054</u></b>
Expenditures:			
Administration:			
Salaries and benefits		118,718	
Operating		<u>84,409</u>	
<b>Total administration</b>		<u>203,127</u>	
Claim reimbursements, operating		180,475	
<b>Total expenditures</b>	<u>564,175</u>	<u>383,602</u>	<u>180,573</u>
<b>Total revenue under expenditures</b>	<b><u>(1,196)</u></b>	<b><u>184,431</u></b>	<b><u>185,627</u></b>
Other financing sources:			
Appropriated fund balance	<u>1,196</u>	-	<u>(1,196)</u>
<b>Total other financing sources</b>	<b><u>1,196</u></b>	<b>-</b>	<b><u>(1,196)</u></b>
<b>Revenue and other sources under expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ 184,431</u></b>	<b><u>\$ 184,431</u></b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures		\$ 184,431	
Depreciation		(487)	
Net loss, accrual basis		<u>\$ 183,944</u>	

**City of Kinston, North Carolina  
Internal Service Fund - Fleet Maintenance**

**Schedule of Revenue and Expenditures  
Budget and Actual - Non-GAAP - Modified Accrual Basis  
For the Fiscal Year Ended June 30, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenue:			
Contributions from various funds	\$ 132,026	\$ 75,679	\$ (56,347)
Miscellaneous income	200	-	(200)
	<u>132,226</u>	<u>75,679</u>	<u>(56,547)</u>
<b>Total revenue</b>	<b>132,226</b>	<b>75,679</b>	<b>(56,547)</b>
Expenditures:			
Administration:			
Salaries and benefits		288,877	
Operating		49,587	
Capital outlay		6,201	
	<u>304,470</u>	<u>344,665</u>	<u>40,195</u>
<b>Total expenditures</b>	<b>(172,244)</b>	<b>(268,986)</b>	<b>(96,742)</b>
Other financing sources:			
Fund balance appropriated	2,000	-	(2,000)
Transfers in	170,244	343,744	173,500
	<u>172,244</u>	<u>343,744</u>	<u>171,500</u>
<b>Revenue and other sources over expenditures</b>	<b>\$ -</b>	<b>\$ 74,758</b>	<b>\$ 74,758</b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures	\$ 74,758		
Capital outlay	6,201		
Depreciation	(15,205)		
<b>Net income, accrual basis</b>	<b>\$ 65,754</b>		

**City of Kinston, North Carolina  
Internal Service Fund - Warehouse**

**Schedule of Revenue and Expenditures  
Budget and Actual - Non-GAAP - Modified Accrual Basis  
For the Fiscal Year Ended June 30, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenue:			
Contributions from various funds	\$ 1,509,000	\$ 178,637	\$ (1,330,363)
Miscellaneous income	-	70.00	70
	<u>1,509,000</u>	<u>178,707</u>	<u>(1,330,293)</u>
<b>Total revenue</b>	<b><u>1,509,000</u></b>	<b><u>178,707</u></b>	<b><u>(1,330,293)</u></b>
Expenditures:			
Operations			
Fuel purchased		226,281	
Fleet maintenance inventory		51,031	
	<u>1,509,000</u>	<u>277,312</u>	<u>(1,231,688)</u>
<b>Total revenue under expenditures</b>	<b><u>\$ -</u></b>	<b><u>(98,605)</u></b>	<b><u>\$ (98,605)</u></b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		<u>\$ (98,605)</u>	
Net income, accrual basis		<u>\$ (98,605)</u>	

**City of Kinston, North Carolina  
Internal Service Fund - Public Services**

**Schedule of Revenue and Expenditures -  
Budget and Actual - Non-GAAP - Modified Accrual Basis  
For the Fiscal Year Ended June 30, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenue:			
Contributions from various funds	\$ 1,717,166	\$ 1,717,166	\$ -
Miscellaneous income	-	72	72
<b>Total operating revenue</b>	<b>1,717,166</b>	<b>1,717,238</b>	<b>72</b>
Expenditures:			
Administration:			
Salaries and benefits		395,026	
Operating		109,743	
Indirect Charges		136,808	
<b>Total administration</b>	<b>684,315</b>	<b>641,577</b>	<b>42,738</b>
Operations			
Salaries and benefits		819,602	
Operating		178,958	
<b>Total operations</b>	<b>1,038,877</b>	<b>998,560</b>	<b>40,317</b>
<b>Total expenditures</b>	<b>1,723,192</b>	<b>1,640,137</b>	<b>83,055</b>
<b>Total revenue under expenditures</b>	<b>(6,026)</b>	<b>77,101</b>	<b>83,127</b>
Other financing sources (uses):			
Appropriated fund balance	7,621	-	(7,621)
Transfers in	500	500	-
Transfers out	(2,095)	(2,095)	-
<b>Total other financing sources</b>	<b>6,026</b>	<b>(1,595)</b>	<b>(7,621)</b>
<b>Revenue and other sources over expenditures</b>	<b>\$ -</b>	<b>\$ 75,506</b>	<b>\$ 75,506</b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures		\$ 75,506	
Depreciation		(9,023)	
Net income, accrual basis		<b>\$ 66,483</b>	

## **GOVERNMENTAL FUNDS CAPITAL ASSETS**

---

The Governmental Funds Capital Assets account for the capital assets used in the operation of the Governmental Funds, other than those accounted for in the Proprietary Funds

---



**City of Kinston, North Carolina**

**Capital Assets Used in the Operation of Governmental Funds**

**Comparative Schedules by Source**

**June 30, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>Governmental funds capital assets:</b>		
Land	\$ 2,918,681	\$ 2,918,681
Buildings	9,553,092	9,653,822
Equipment and vehicles	8,548,852	8,474,403
Infrastructure	716,779	716,779.00
<b>Total governmental funds capital assets</b>	<b>\$ 21,737,404</b>	<b>\$ 21,763,685</b>
<b>Investment in governmental funds capital assets:</b>		
General Fund	\$ 18,834,306	\$ 18,860,587
Special Revenue Funds	481,641	481,641
Capital Project Funds	2,421,457	2,421,457
<b>Total investment in governmental funds capital assets</b>	<b>\$ 21,737,404</b>	<b>\$ 21,763,685</b>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Employee Health and Fleet maintenance Internal Service Funds are included as governmental activities in the statement of net assets.

**City of Kinston, North Carolina**

**Capital Assets Used in the Operation of Governmental Funds**

**Schedule by Function and Activity**

**June 30, 2005**

<u>Function and Activity:</u>	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
<b>General Government:</b>						
Manager	\$ -	\$ -	\$ 131,009	\$ -	\$ -	\$ 131,009
Clerk	-	-	12,258	-	-	12,258
Human resources	-	-	5,292	-	-	5,292
Finance and administration	-	-	57,924	-	-	57,924
Management information systems	-	-	548,777	-	-	548,777
Other, unclassified	<u>2,336,253</u>	<u>2,465,740</u>	<u>63,568</u>	<u>-</u>	<u>-</u>	<u>4,865,561</u>
<b>Total general government</b>	<b><u>2,336,253</u></b>	<b><u>2,465,740</u></b>	<b><u>818,828</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,620,821</u></b>
<b>Public Safety:</b>						
Police	-	87,049	2,933,067	-	-	3,020,116
Fire	<u>19,365</u>	<u>604,604</u>	<u>2,331,057</u>	<u>-</u>	<u>-</u>	<u>2,955,026</u>
<b>Total public safety</b>	<b><u>19,365</u></b>	<b><u>691,653</u></b>	<b><u>5,264,124</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,975,142</u></b>
<b>Public Works:</b>						
<b>Highways and Streets:</b>						
Engineering	-	-	191,084	-	-	191,084
Maintenance	-	-	<u>1,662,414</u>	<u>-</u>	<u>-</u>	<u>1,662,414</u>
<b>Total public works</b>	<b>-</b>	<b>-</b>	<b><u>1,853,498</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,853,498</u></b>
<b>Community Development:</b>						
	-	-	<u>75,798</u>	<u>716,779</u>	<u>-</u>	<u>792,577</u>
<b>Parks and Recreation</b>	<b><u>563,063</u></b>	<b><u>6,395,699</u></b>	<b><u>536,604</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>7,495,366</u></b>
<b>Total general fixed assets</b>	<b><u>\$ 2,918,681</u></b>	<b><u>\$ 9,553,092</u></b>	<b><u>\$ 8,548,852</u></b>	<b><u>\$ 716,779</u></b>	<b><u>\$ 21,737,404</u></b>	

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Employee Health and Fleet Maintenance Internal Service Funds are included in as governmental activities in the Statement of Net Assets.

**City of Kinston, North Carolina**

**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Fiscal Year Ended June 30, 2005**

	<b>Capital Assets 2004</b>		<b>Transfers and Deductions</b>	<b>Capital Assets 2005</b>
		<b>Additions</b>		
<b>Function and Activity:</b>				
General Government:				
Manager	\$ 157,566	\$ -	\$ 26,557	\$ 131,009
Clerk	12,258	-	-	12,258
Human resources	5,292	-	-	5,292
Finance and administration	42,750	26,557	11,383	57,924
Management information systems	576,582	-	27,805	548,777
Other, unclassified	4,865,561	-	-	4,865,561
<b>Total general government</b>	<b>5,660,009</b>	<b>26,557</b>	<b>65,745</b>	<b>5,620,821</b>
Public Safety:				
Police	2,838,327	443,704	261,915	3,020,116
Fire	2,980,054	13,862.00	38,890	2,955,026
<b>Total public safety</b>	<b>5,818,381</b>	<b>457,566</b>	<b>300,805</b>	<b>5,975,142</b>
Public Works:				
Highways and Streets:				
Engineering	210,288	29,158	48,362	191,084
Maintenance	1,722,455	94,418	154,459	1,662,414
<b>Total highways and streets</b>	<b>1,932,743</b>	<b>123,576</b>	<b>202,821</b>	<b>1,853,498</b>
Community Development	792,577	-	-	792,577
Parks and Recreation	7,559,975	85,894	150,503	7,495,366
<b>Total general fixed assets</b>	<b>\$ 21,763,685</b>	<b>\$ 693,593</b>	<b>\$ 719,874</b>	<b>\$ 21,737,404</b>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Employee Health and Fleet Maintenance Internal Service Funds are included as governmental activities in the Statement of Net Assets.

**(This Page Was Intentionally Left Blank)**

## **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, 2005**

Fiscal Year	Uncollected Balance July 1, 2004	Current Year Gross Levy	Collections Credits and Adjustments	Uncollected Balance June 30, 2005
2004-2005	\$ -	\$ 7,088,728	\$ 6,677,323	\$ 411,405
2003-2004	393,099	-	254,445	138,654
2002-2003	148,369	-	76,732	71,637
2001-2002	84,900	-	35,701	49,199
2000-2001	52,005	-	16,257	35,748
1999-2000	33,303	-	7,528	25,775
1998-1999	37,874	-	1,710	36,164
1997-1998	26,932	-	1,266	25,666
1996-1997	32,169	-	1,293	30,876
1995-1996	20,181	-	774	19,407
1994-1995	15,327	-	15,327	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/> <u>\$ 844,159</u>	<hr/> <u>\$ 7,088,728</u>	<hr/> <u>\$ 7,088,356</u>	<hr/> <u>\$ 844,531</u>
Motor vehicle tags receivable				
				123,363
Total property tax receivable				
				<hr/> <u>\$ 967,894</u>
Ad valorem taxes - General Fund				
		<hr/> <u>\$ 7,212,272</u>		
Less auto fee				
		<hr/> <u>(159,547)</u>		
			<hr/> <u>\$ 7,052,725</u>	
Add credits and adjustments				
			<hr/> <u>35,631</u>	
			<hr/> <u>\$ 3,333</u>	

**City of Kinston, North Carolina**

**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2005**

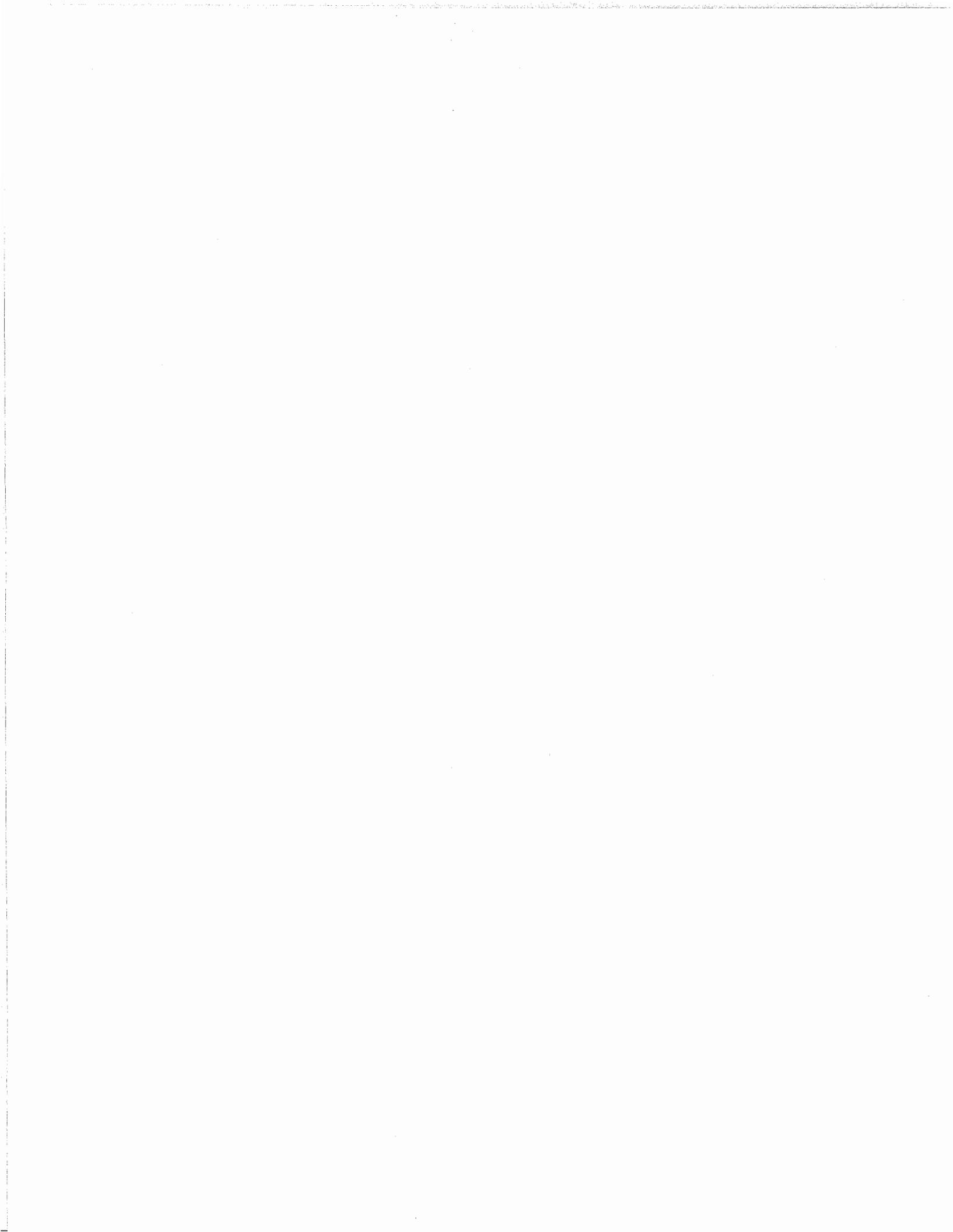
	City Wide		Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles
Original levy:				Registered Motor Vehicles
Property taxed at current	\$ 1,135,004,062	\$ 0.600	\$ 6,810,024	\$ 6,030,295
Penalties	-		15,737	15,737
Total	<u>1,135,004,062</u>		<u>6,825,761</u>	<u>6,046,032</u>
Municipal Service District			<u>52,279</u>	<u>52,279</u>
Discoveries:				
Current year taxes	<u>43,543,312</u>	<u>0.600</u>	<u>261,260</u>	<u>261,018</u>
Total	<u>43,543,312</u>		<u>261,260</u>	<u>261,018</u>
Abatements:				
Current year taxes	<u>(8,428,617)</u>	<u>0.600</u>	<u>(50,572)</u>	<u>(33,309)</u>
	<u>(8,428,617)</u>		<u>(50,572)</u>	<u>(33,309)</u>
Total property valuation	<u>\$ 1,170,118,757</u>			
Net levy			<u>7,088,728</u>	<u>6,326,020</u>
Uncollected taxes at June 30, 2004			<u>411,405</u>	<u>267,297</u>
Current year's taxes collected			<u>\$ 6,677,323</u>	<u>\$ 6,058,723</u>
Current levy collection percentage			<u>94.20%</u>	<u>95.77%</u>
				<u>\$ 618,600</u>
				<u>81.11%</u>

## **STATISTICAL SECTION (Unaudited)**

---

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

---



**City of Kinston, North Carolina**

**General Governmental (1)  
Expenditures by Function  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Government	Public Safety	Public Services	Parks & Recreation	Community Development	Debt Service	Capital Outlay	Total
1996	\$ 1,237,584	\$ 6,832,396	\$ 4,537,956	\$ 2,419,057	\$ 3,468,111	\$ -	\$ -	\$ 18,495,104
1997	820,590	6,397,245	3,781,419	2,248,223	5,517,284	1,285,671	228,131	20,278,563
1998	80,359	6,677,932	3,483,520	2,296,814	4,519,688	1,324,572	330,564	18,713,449
1999	1,129,435	7,277,306	4,390,167	2,698,258	8,372,446	-	-	23,867,612
2000	1,041,340	7,077,340	4,215,536	2,081,602	12,756,775	753,394	501,697	28,427,684
2001	1,139,790	7,757,768	4,660,841	2,263,251	13,006,858	900,225	1,502,389	31,231,122
2002	1,106,747	7,705,335	5,570,632	2,315,358	11,603,199	658,498	2,188,162	31,147,931
2003	1,379,073	7,547,052	4,317,306	2,164,615	9,642,912	972,444	1,302,947	27,326,349
2004	1,884,437	8,190,475	1,621,290	2,340,430	2,787,031	780,556	890,775	18,494,994
2005	1,820,443	8,331,314	1,836,529	2,425,258	2,179,013	737,839	-	17,330,396

Source: City of Kinston Finance Department

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

**City of Kinston, North Carolina**

**General Government  
Revenue by Source  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Ad Valorem Taxes	Sales and Services	Other Taxes and Licenses	Inter- Governmental Unrestricted	Inter- Governmental Restricted	Other Revenue	Total
1996	\$ 5,152,163	\$ 2,957,803	\$ 3,536,519	\$ 519,967	\$ 1,024,159	\$ 449,339	\$ 13,639,950
1997	5,201,366	3,118,713	3,748,121	516,784	3,453,455	1,009,342	17,047,781
1998	6,049,670	3,454,623	3,689,204	698,254	2,757,179	586,328	17,235,258
1999	6,331,104	3,638,114	3,907,272	700,488	8,074,639	375,980	23,027,597
2000	6,343,842	3,879,629	4,105,684	718,442	11,538,652	353,422	26,939,671
2001	6,428,254	3,870,712	4,058,658	732,106	13,887,344	542,322	29,519,396
2002	6,963,814	4,035,122	3,174,637	274,861	11,874,767	1,248,001	27,571,202
2003	6,870,946	3,937,476	3,871,618	343,537	10,173,306	355,739	25,552,622
2004	7,115,953	1,547,926	4,568,842	159,286	2,950,470	205,906	16,548,383
2005	7,295,551	1,274,966	4,993,274	426,652	2,093,947	179,280	16,263,670

Source: City of Kinston Finance Department

**City of Kinston, North Carolina**

**General Governmental  
Tax Revenue by Source (1)  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Other Taxes and Licenses							Licenses		Total
	Ad Valorem (2)	Sales	Intangible	Franchise	Occupancy	Gross Receipts	and Permits			
1996	\$ 5,152,163	\$ 1,953,386	\$ 207,542	\$ 1,203,606	\$ 106,037	\$ -	\$ 65,948	\$ 8,688,682		
1997	5,201,366	2,085,067	209,384	1,254,266	134,226	-	65,178	8,949,487		
1998	6,049,670	2,227,640	225,241	1,049,589	122,883	-	63,851	9,738,874		
1999	6,331,104	2,436,314	231,319	1,025,225	137,977	-	76,437	10,238,376		
2000	6,343,842	2,498,830	216,331	1,174,775	138,857	-	76,891	10,449,526		
2001	6,428,254	2,375,702	224,300	1,237,055	142,410	10,488	68,703	10,486,912		
2002	6,963,814	2,277,274	-	677,902	133,171	13,595	72,695	10,138,451		
2003	6,870,946	2,309,906	-	1,327,824	145,193	14,377	74,318	10,742,564		
2004	7,115,953	3,033,439	-	1,302,531	148,933	15,524	68,415	11,684,795		
2005	7,295,551	3,042,893	-	1,692,762	137,392	15,297	104,930	12,288,825		

Source: City of Kinston Finance Department

Notes: (1) Includes general fund revenue only  
(2) Includes penalties and interest

**City of Kinston, North Carolina**

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Total Tax Levy
1996	\$ 5,034,263	\$ 4,823,149	95.8%	\$ 165,830	\$ 4,988,979	99.1%
1997	5,119,439	4,870,420	96.3%	182,987	5,053,407	98.7%
1998	5,948,636	5,708,362	96.4%	194,379	5,902,741	99.2%
1999	6,124,500	5,876,450	95.9%	241,935	6,118,385	99.9%
2000	6,229,391	5,926,159	95.1%	214,986	6,141,145	98.6%
2001	6,191,672	5,905,952	95.4%	284,139	6,190,091	98.5%
2002	6,754,997	6,395,037	94.7%	350,109	6,745,146	99.9%
2003	6,716,562	6,332,715	94.3%	364,864	6,697,579	99.7%
2004	6,980,033	6,586,934	94.4%	320,856	6,907,790	99.0%
2005	7,088,728	6,677,323	94.2%	411,033	7,088,356	100.0%

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**

<b>Fiscal Year Ended June 30</b>		<b>Total Assessed Value (2)</b>	<b>Estimated Actual Value</b>	<b>Percentage of Assessed Value Growth</b>
1996	\$	815,628,820	(1)	-1.1%
1997		828,874,289	(1)	1.6%
1998		991,578,151	(1)	16.4%
1999		1,018,705,392	(1)	2.7%
2000		1,035,974,119	(1)	1.7%
2001		1,029,064,782	(1)	-0.5%
2002		1,162,058,976	(1)	12.9%
2003		1,158,213,998	(1)	-0.3%
2004		1,153,746,529	(1)	-0.4%
2005		1,170,118,757	(1)	1.4%

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**

Fiscal Year Ended June 30	Municipal Service		Total City Millage	Total County Millage		Total School District Millage
	City Millage	District Millage		City Millage	County Millage	
1996	\$ 0.61	\$ 0.27	\$ 0.61	\$ 0.77	\$ -	
1997	0.61	0.27	0.61	0.77	-	
1998	0.60	0.27	0.60	0.77	-	
1999	0.60	0.27	0.60	0.77	-	
2000	0.60	0.27	0.60	0.77	-	
2001	0.60	0.27	0.60	0.77	-	
2002	0.58	0.27	0.58	0.75	-	
2003	0.58	0.27	0.58	0.75	-	
2004	0.60	0.27	0.60	0.775	-	
2005	0.60	0.27	0.60	0.79	-	

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**

<b>Fiscal Year Ended</b>	<b>Tax Rates</b>			<b>Tax Levies</b>		
	<b>June 30</b>	<b>City</b>	<b>County</b>	<b>Total</b>	<b>City</b>	<b>County</b>
1996	0.61	0.77	1.38	5,034,262	18,016,619	23,050,881
1997	0.61	0.77	1.38	5,119,439	18,020,366	23,139,805
1998	0.595	0.77	1.37	5,948,636	18,540,785	24,489,421
1999	0.595	0.77	1.37	6,124,500	18,667,338	24,791,838
2000	0.595	0.77	1.37	6,229,391	21,783,836	28,013,227
2001	0.595	0.77	1.37	6,191,672	20,942,511	27,134,183
2002	0.575	0.75	1.33	6,754,997	24,036,411	30,791,408
2003	0.575	0.75	1.33	6,716,562	23,698,371	30,414,933
2004	0.60	0.775	1.38	6,980,033	24,795,427	31,775,460
2005	0.60	0.775	1.38	7,088,728	24,575,425	31,664,153

Source: Lenoir County Tax Office

**City of Kinston, North Carolina**

**Prinicpal Taxpayers**

June 30, 2005

<b>Taxpayer</b>	<b>Nature of Property</b>	<b>Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Masterbrand Cabinets, Inc.	Manufacturer	27,920,016	2.4%
Smithfield Packing	Meat Processor	17,712,238	1.5%
Carolina Telephone	Utility	\$ 15,050,743	1.3%
Excel Realty Trust NC	Shopping Mall	10,730,931	0.9%
Barnet Southern Corp	Manufacturer	8,570,473	0.7%
Perry, Inc.	Real Estate	6,695,657	0.6%
Piedmont Natural Gas	Utility	6,560,765	0.6%
Lowes Home Centers Inc	Shopping	6,529,476	0.6%
Poole Walter Realty, Inc.	Real Estate	6,510,604	0.6%
Smith Investment Properties	Shopping Mall	6,077,132	0.5%
<b>Total Assessed Valuation of Top Ten Taxpayers</b>		<b>84,438,019</b>	<b>7.2%</b>
<b>Balance of Assessed Valuation</b>		<b>1,085,680,738</b>	<b>92.8%</b>
<b>Total Assessed Valuation</b>		<b>\$ 1,170,118,757</b>	<b>100.0%</b>

**City of Kinston, North Carolina**

**Computation of Legal Debt Margin**

June 30, 2005

Total assessed value	\$ <u>1,170,118,757</u>
Debt limitation - 8% of total assessed value	\$ <u>93,609,501</u>
<b>Debt applicable to limitation:</b>	
Total bonded debt	\$ <u>16,367,067</u>
Obligation under notes payable	<u>4,801,267</u>
Obligation under installment contracts	<u>5,950,888</u>
<b>Gross debt</b>	<b><u>27,119,222</u></b>
<b>Less - statutory deductions:</b>	
Revenue bonds issued and outstanding for electric purposes	<u>6,282,227</u>
Obligations under notes payable attributable to enterprise funds	<u>4,801,267</u>
Obligation under installment contracts attributable to enterprise funds	<u>1,644,314</u>
Revenue bonds issued and outstanding for water purposes	<u>2,498,657</u>
Revenue bonds issued and outstanding for wastewater purposes	<u>7,586,183</u>
<b>Total statutory deductions</b>	<b><u>22,812,648</u></b>
<b>Total debt applicable to limitation</b>	<b><u>4,306,574</u></b>
<b>Legal debt margin</b>	<b><u>\$ 89,302,927</u></b>

**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**

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Expenditures</b>
1996	\$ 150,000	\$ 6,000	\$ 156,000	\$ 18,495,104	0.84
1997	-	-	-	20,278,563	-
1998	-	-	-	18,713,449	-
1999	-	-	-	23,867,612	-
2000	-	-	-	28,427,684	-
2001	-	-	-	31,231,122	-
2002	-	-	-	31,147,931	-
2003	-	-	-	27,326,349	-
2004	-	-	-	18,494,994	-
2005	-	-	-	17,330,396	-

**City of Kinston, North Carolina**

**Computation of Direct and Overlapping Bonded Debt**  
**June 30, 2005**

<b>Name of Governmental Unit</b>	<b>General Obligation Bonds Outstanding (1)</b>	<b>Percentage Applicable to City of Kinston (2)</b>	<b>City of Kinston's Share of Debt (3)</b>
Direct debt - City of Kinston	\$ -	100.00%	\$ -
Lenoir County debt	<u>2,095,000</u>	36.61%	<u>766,980</u>
Total overlapping debt	<u>\$ 2,095,000</u>		<u>\$ 766,980</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 (\$3,196,120,150).
- (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)	
1996	832,601,605	(4)	271	31,974,645
1997	846,130,255	(4)	456	28,178,970
1998	1,005,811,456	(4)	207	22,348,955
1999	1,035,578,586	(4)	145	18,165,316
2000	1,054,593,492	(4)	204	48,959,642
2001	1,029,064,782	(4)	129	29,960,815
2002	1,162,058,976	(4)	100	16,666,270
2003	1,158,213,998	(4)	147	12,374,362
2004	1,153,746,529	(4)	135	14,540,108
2005	1,170,118,757	(4)	122	16,423,622

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

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	Estimated Population (1)	June 30	Taxable			8% Debt Limit	Gross Bonded Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Property Assessed Value		Per Capita Bonded Debt Gross Net
			Property Assessed	Value (2)	Debt Limit				Property Assessed	Value	
1996	25,729	\$ 832,601,605	\$ 66,608,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1997	25,729	846,130,255	65,056,024	-	-	-	-	-	-	-	-
1998	25,729	1,005,811,456	80,464,916	-	-	-	-	-	-	-	-
1999	24,974	1,035,578,586	81,496,431	-	-	-	-	-	-	-	-
2000	24,974	1,054,593,492	82,877,930	-	-	-	-	-	-	-	-
2001	23,688	1,029,064,782	82,325,183	-	-	-	-	-	-	-	-
2002	23,688	1,162,058,976	92,964,718	-	-	-	-	-	-	-	-
2003	23,688	1,158,213,998	92,657,120	-	-	-	-	-	-	-	-
2004	23,238	1,153,746,529	92,299,722	-	-	-	-	-	-	-	-
2005	22,917	1,170,118,757	93,609,501	-	-	-	-	-	-	-	-

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

Note: (2) Includes municipal service district

**City of Kinston, North Carolina**

**Revenue Bond Coverage  
Combined Enterprise Funds  
Last Ten Fiscal years**

Fiscal Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Total	Coverage
				Principal	Interest	Total		
1996	\$ 45,432,937	\$ 39,669,640	\$ 5,763,297	\$ 240,000	\$ 137,038	\$ 377,038	15.29	
1997	41,849,213	37,489,507	4,359,706	495,000	853,151	1,348,151	3.23	
1998	43,234,423	39,231,141	4,003,282	590,000	870,462	1,460,462	2.74	
1999	43,830,191	38,993,599	4,836,592	630,000	844,292	1,474,292	3.28	
2000	41,024,124	38,102,716	2,921,408	770,000	816,571	1,586,571	1.84	
2001	43,477,825	40,341,061	3,136,764	910,000	781,921	1,691,921	1.85	
2002	42,461,360	39,216,493	3,244,867	835,000	740,061	1,575,061	2.06	
2003	46,207,290	42,135,152	4,072,138	885,000	700,816	1,585,816	2.57	
2004	49,470,309	45,850,694	3,619,615	353,933	1,217,633	1,571,566	2.30	
2005	51,199,729	47,457,736	3,741,993	589,256	585,435	1,174,691	3.20	

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

**City of Kinston, North Carolina**

**Demographic Statistics**  
**Last Ten Fiscal years**

Fiscal Year Ended	City Population	County Per Capita Income	County Unemployment Rate	City and County School Enrollment	County Retail Sales	County Bank Deposits
June 30	(1)	(2)	(3)	(4)	(5)	(6)
1996	25,729	\$ 19,889	7.0%	10,470	\$ 671,296,492	\$ 527,195,000
1997	25,729	20,350	6.5%	10,200	792,179,860	524,052,000
1998	25,729	21,707	6.2%	10,326	795,347,821	531,440,000
1999	24,974	21,212	6.3%	10,062	781,517,297	537,398,000
2000	24,974	16,744	4.8%	10,275	770,936,181	572,749,000
2001	23,688	16,744	7.2%	9,950	779,130,587	590,235,000
2002	23,688	23,936	9.1%	10,260	770,196,021	602,845,000
2003	23,688	17,779	7.1%	11,347	862,763,372	585,208,000
2004	23,238	(7)	6.1%	10,099	921,306,305	610,244,000
2005	22,917	(7)	6.7%	9,876	1,032,201,888	(7)

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

Note: (7) *Information not presently available*

## City of Kinston, North Carolina

### Miscellaneous Statistics

June 30, 2005

---

Population	22,917
Date of incorporation	1762
Form of Government	Council/Manager
Area (Extra-territorial jurisdiction 45.52sq/mi)	17.19
Miles of paved street (state maintained 43.63)	115.4
Number of street lights	2,064
Employees	381
<b>Public Safety</b>	
Administration:	
Public safety officers	8
Fire Protection:	
Number of stations	3
Number of firemen/officers	48
Police Department:	
Number of stations	4
Number of police/officers	69
<b>Public Services</b>	
Electric Department:	
Number of consumers	12,300
Average daily usage	1,258,457 KWH
Miles of distribution lines	425
Water Department:	
Number of consumers	11,003
Average daily consumption	3.71 MGD
Miles of water mains	212.3
Sewers:	
Average daily flow	5.24 MGD
Miles of sewer lines	183.2
Parks/Recreation:	
Number of parks	14
Park acreage	245
Golf courses	1
Swimming pools	2
Tennis courts	16
Museum	2
Baseball Fields (outside)	17
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium
Indoor Batting Facility	1