

# **CITY OF KINSTON**

## **NORTH CAROLINA**



**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT  
FISCAL YEAR ENDED  
JUNE 30, 2004**



**McGladrey & Pullen**

Certified Public Accountants

**City of Kinston**

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2004**

**Prepared by City of Kinston Finance Department**





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## **INTRODUCTORY SECTION**

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**Letter of Transmittal**

**List of Principal Officials**

**Organizational Chart**

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

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# City of Kinston

Post Office Box 339  
Kinston, North Carolina 28502

Johnnie Mosley

Mayor

Ralph A. Clark  
City Manager

October 31, 2004

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

The Comprehensive Annual Financial Report of the **CITY OF KINSTON** (the City) for the fiscal year ended June 30, 2004, 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 GFOA's Certificate of Achievement for Excellence in Financial Reporting for our 2003 report. The financial section includes the basic financial statements and the combining and individual fund financial statements and schedules, Management's Discussion and Analysis, and the auditor's report on the financial section contents. 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, 2004. 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 and 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 auditor's reports on the internal control and compliance with applicable laws and regulations, is included in a separate reporting package.

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## **ECONOMIC CONDITION AND OUTLOOK**

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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. The City is easily accessible by US 70, US 258, NC 11 and 55. The Global Transpark is currently recruiting major airlines for daily flight service. The community currently has a 4.2 percent unemployment rate compared to a statewide rate of 4.8 and a national average of 5.4 percent. The July 2003 population estimates for the City report population as 23,139, a 2.3 percent decrease from the April 2000 estimates.

The City is governed by the Council-Manager form of government and has been since the early 1950's. 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. Council appoints the City Manager and 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 \$23.5 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, the City, in the future, will need to explore new methods of obtaining financial resources.

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## **MAJOR INITIATIVES**

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### **FOR THE YEAR**

Fiscal Year 2002-2003 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during previous fiscal years.

#### **Flood Buyout Programs**

The flood buyout programs, funded by the state and federal government, are designed to acquire property in the flood plain and relocate property owners to other locations within the City. The programs were established in response to extensive damage experienced during 1996 from Hurricanes Bertha and Fran and during 1999 from Hurricane Floyd.

There are four (4) projects involved in the Bertha/Fran program, totaling over \$23.9 million in grants, with over \$23.5 million in expenditures recorded thru fiscal year 2004. The Hurricane Floyd program consists of seventeen (17) projects, with grant awards totaling over \$30.3 million and expenditures of approximately \$19 million thru June 30, 2004. To date the City has acquired 800 properties. There have been 270 homeowners and 400 tenants relocated and approximately 700 structures have been demolished.

As of June 30, 2004 the City officially closed the Fran, Bertha and Floyd buy out programs and there will be no more acquisition, relocation or demolition expenditures relating to these programs.

### **Hurricane Isabel**

Hurricane Isabel made landfall September 18, 2003. The City sustained damage resulting from the large amounts of rainfall and wind. FEMA assisted the City in paying for the clean up effort and through June 30, 2004 a total of \$380 thousand was expended for this purpose. The majority of the clean up and repair was completed and closed with FEMA at the end of the fiscal year.

### **Salvage Yard Buyout**

The results of environmental assessments performed at Harpers, Woodys and Strouds salvage yards indicated that at Harpers and Woodys, environmental contamination was minimal and within acceptable levels. However, the owner of the Woody's site has opted to discontinue participation in the program due to an inability to come to terms with the State on the amount of compensation for a conservation easement for the site. Given the results of the assessment and the estimate of the magnitude of the remediation costs for Strouds, the State has determined that it may not be able to proceed with an offer to the owner for a conservation easement. If any money remains after the acquisition, relocation, demolition and remediation of the other sites in the program, this site may be revisited.

The City is working with the owner of the Harpers site in order to proceed with negotiations for the acquisition of a conservation easement and the relocation of inventory and material from the site.

Additional environmental testing at Webbs 1, 2 and 3 salvage yards completed in April 2004 found elevated levels of petroleum hydrocarbons, oil and grease at Webbs 1. At Webbs 2 elevated levels of lead, antimony, thalium, petroleum hydrocarbons, oil and grease were found. Webbs 3 also has elevated levels of petroleum hydrocarbons, oil and grease. Environmental assessments completed in April 2004 at Stanleys found elevated levels of dioxins, antimony, copper, lead, and petroleum hydrocarbons. All three Webbs sites and the Stanleys site required additional environmental assessments. The results will determine whether or not remediation is needed at these sites. If remediation is not needed then demolition of structures on the sites will proceed. If it is determined that remediation is needed then remediation activities will be conducted to be followed by demolition.

### **Public Services Consolidation**

The consolidation the Public Works, Public Utilities and Engineering departments into consolidated Public Services department occurred July 1, 2002. The consolidation was implemented in order to achieve the following objectives:

- Coordination of interrelated functions and manpower to provide more effective and efficient service.
- Reduction of managerial and administrative/clerical overhead costs.
- Greater accountability due to centralized management of a broad range of interrelated functions
- Better coordination of utilization of equipment and facilities

### **Public Safety Consolidation**

During 2004, the consolidation of the Police and Fire and Rescue departments into a Department of Public Safety was finalized. While core functions of both departments remain unchanged as separate divisions within the newly created department, most administrative personnel as well as two Special Response Units have been crossed-trained. The two Special Response Units increase street level patrols by six officers while providing critical response resources during major structural fires or other major incidents.

### **Public Safety Wireless Technology**

The Department of Public Safety finalized the implementation of a cutting-edge, state-of-the-art wireless network during 2004. The wireless network, in conjunction with expanding the number of mobile computers in police vehicles, afforded the agency the ability to automate many paperwork functions while providing officers with critical information at their fingertips. This process reduces the amount of time officers spend in offices and increases their time in their response areas while improving officer safety. The wireless technology also provided the means to bring an outlying fire station into the City's network reducing the amount of time the fire apparatus and personnel were out of the response zone.

### **Public Safety Mobile Office**

Taking your office with you into the field is now possible with the help of the new Department of Public Safety Mobile Office. The mobile office contains nine workstations, each equipped with a radio and access to the city's wireless network, internal network and the internet. The vehicle can be closed into three separate work areas allowing for a diverse group of activities to be conducted simultaneously. While equipped to serve as a Mobile Command Post during major incidents, the unit serves as a temporary office that can be set up in high crime areas for sustained police presence, at major events, and at high intensity crime scenes.

### **Public Safety Car Per Officer Program**

Initiated in 2003, the Car Per Officer Program is in its second year of implementation. Replacing individually assigned vehicles at the appropriate mileage has proven to reduce maintenance cost and increase resale value, all of which is reflected in this year's budget. The program has reduced "downtime" while vehicles are being serviced as well as "downtime" of officers when having to switch vehicles at the beginning of each shift. The program includes special response vehicles which are equipped with police and fire and rescue equipment and are assigned to the Special Response Units.

### **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 2003. This project was contracted to replace 21,000 linear feet of sewer lines and as of fiscal year end approximately 14,000 linear feet had been completed. The Lower Adkin Branch Outfall Rehabilitation project will replace approximately 9,000 linear feet of sewer lines and as of fiscal year end the design work was completed. Funding for the \$6.0 million improvements will come from the following: \$1.6 million Federal Public Works Bill, \$3.0 million Clean Water Management Trust Fund, \$200 thousand Rural Center grant, and \$1.3 million in State Revolving Loan Fund and local funds. These projects should be completed by December 2004.

### **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 III: Administration Building at 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 should be occupied in November 2004.

#### **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 2004, the City decreased its lost work time cases from 7 to 5. 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.

#### **Finance - Central Depository and Lockbox Implementation**

January 2004 the City made the crossover to a new financial institution to handle the City's banking needs. The City committed to a 4 year term with First Citizens Bank to handle the day to day depository, check clearing and direct deposit functions. Included with this proposal was the ability to process the City's mail payments through First Citizen's state of the art lockbox processing system. This system has streamlined a process that often required overtime hours from the entire collection staff to one person less than 2 hours per day. In the past, the City steered away from lockbox processing primarily because the cost was prohibitive. However, through the negotiations with the bank, the City opted for a non-interest bearing certificate of deposit which will cost roughly one third of a full time employee.

#### **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, \$47 million USDA 40 year loan, and \$13 million in combined grant/State Revolving Funds (SRF) loans as approved. Construction of new facility to begin in fiscal year 2006.

#### **Pride of Kinston**

Kinston's business district continues to grow in an on-going revitalization effort, spearheaded by the Pride of Kinston, Inc. Pride is a non-profit organization, charged with revitalizing the downtown

area and sparking renewed interest in supporting Kinston retailers. The City fully supports its purpose, and supplies a majority of the operating budget of for the Pride of Kinston, Inc.

Pride's newest vehicle to accomplish this goal is the Kinston Enterprise Center, located at 327 North Queen Street. The Enterprise Center consists of 30,000 square feet of newly renovated office space, which is available to businessmen and women who would like to do business in Kinston. The Lenoir Community College Small Business Center is also a partner of the Enterprise Center to help new entrepreneurs develop business plans and apply for start up loans.

Pride's efforts have spawned several major private investments based on the downtown Kinston's Themed Development Plan which is a 10 year revitalization and beautification plan for the downtown area. Some achievements include a recent exterior renovation of the Farmer and Merchants Bank building, development of downtown neighborhoods, and a street dance series.

## **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 cost for supervisor radios for all law enforcement agencies in Lenoir County to include 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.

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

The 2004-2005 budget, supported by prior year fund reserves, allowed for the purchase of a new ladder truck. The purchase is necessitated by the decommissioning of the backup ladder which could no longer pass required tests. The new ladder will be 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 will be placed in a primary response status at the main fire station and the current ladder will be placed into reserve status. This transition will help the City maintain its current fire rating.

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

The City Council funded \$110 thousand for the replacement of tennis courts at Fairfield Recreation Center in the fiscal year 2005 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 will be applying 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 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 and will be bid in fiscal year 2005.

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

This will be 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.

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

This project will consist of cleaning and tv monitoring of the project area. 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.

### **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, 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 project 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.

### **CIP and Five Year Financial Forecast**

City department heads have formulated their CIP requests which have been reviewed and prioritized by the staff Strategic Planning Committee. The Public Services Committee, composed of the Mayor and a member of City Council, and the Facilities and Equipment Committee, composed of two City Councilmembers, have met to review the recommendations of the staff Strategic Planning Committee. The next step in the process will be for the Public Services and Facilities and Equipment Committees to meet again to review the revisions they made at their earlier meeting. Next the recommendations of those committees and a Five-Year Financial Forecast will be forwarded to the Finance Committee, composed of the remaining two City Councilmembers, for an evaluation of ability to pay and financing methods.

Ultimately, the CIP and Five-Year financial forecast will be submitted to the full City Council for their consideration and approval.

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### **OTHER INFORMATION**

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**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, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a Government Unit must publish an easily readable and efficiently organized comprehensive annual financial report (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.

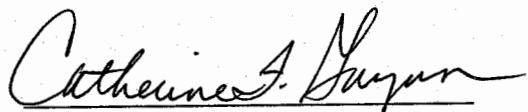
**Independent Audit.** The City is required by the North Carolina General Statutes to have an annual independent audit of its transactions. In addition, the Federal Single Audit Act Amendments of 1996 and the State Single Implementation Act require annual independent audits of the City's compliance with 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.

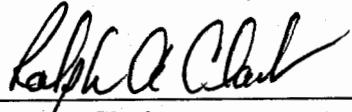
We also acknowledge the valuable professional service provided by the accounting firm of McGladrey & Pullen, LLP and appreciate their assistance in preparing this report.

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 operation of the City in a responsible and progressive manner.

Respectfully submitted,



Catherine F. Gwynn, CPA  
Director of Finance



Ralph A. Clark  
City Manager



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**City of Kinston, North Carolina**

**List of Principal Officers**

**June 30, 2004**

**City Council**

---

**Johnnie Mosley**  
Mayor

**Alice S. Tingle**  
Mayor Pro Tem

**R. Van Braxton**  
**E. Gordon Vermillion**

**Jimmy Cousins**  
**Joseph M. Tyson**

**City Administration**

---

**Ralph Clark**  
City Manager

**Phillip Robey**  
Deputy City Manager

**Greg Smith**  
Public Safety  
Chief of Operations

**Scott Stevens**  
Director of Public Services

**Scotty Hill**  
Public Safety  
Chief of Administration

**Tommy Lee**  
Director of Planning, Inspections and  
Code Enforcement

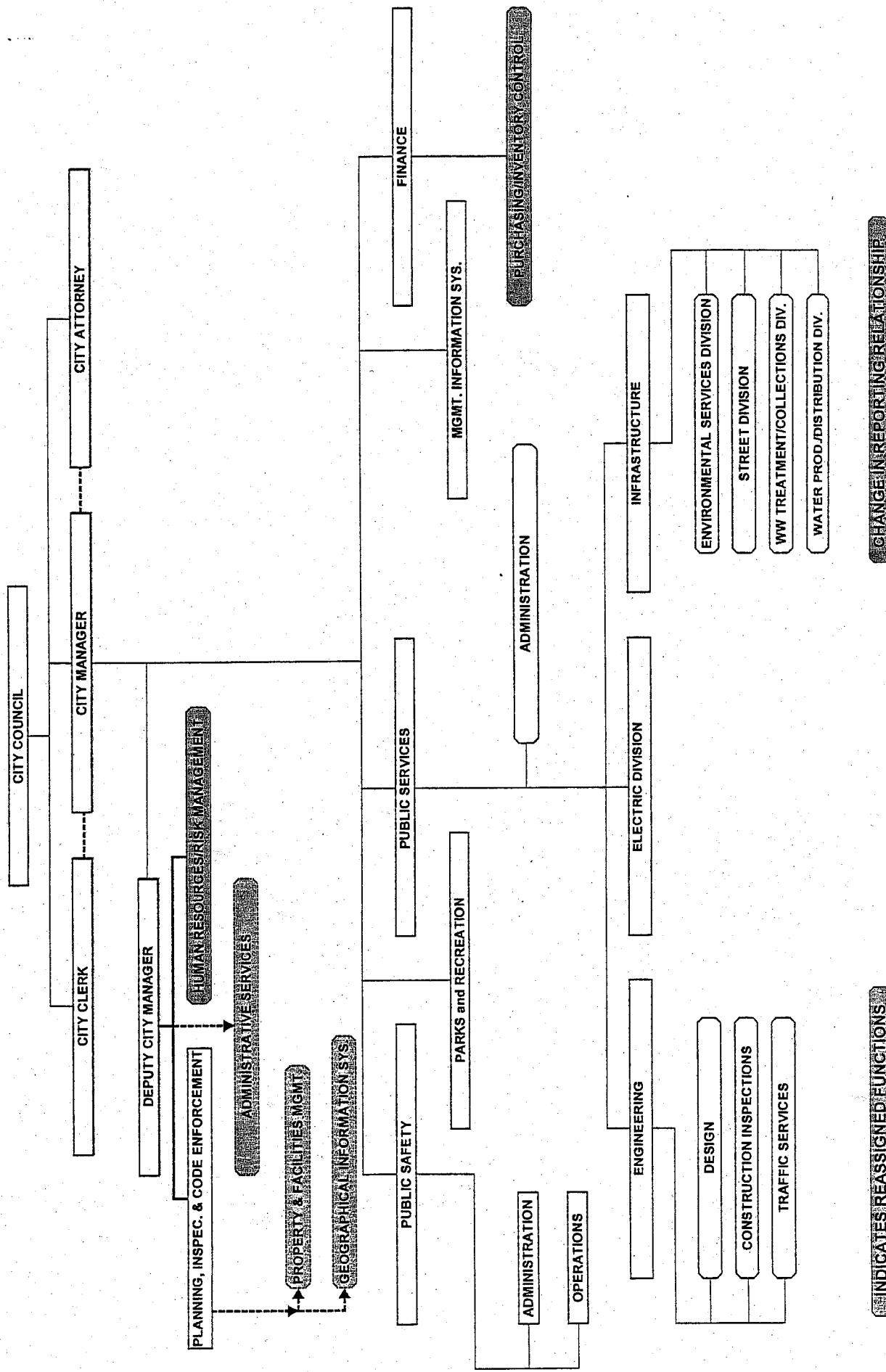
**Bill Ellis**  
Director of Parks and Recreation

**Catherine Gwynn**  
Finance Director

**Brenda Ruffin**  
Director of Human Resources

**Carol L. Barwick**  
City Clerk

**CITY OF KINSTON**  
**APPROVED ORGANIZATIONAL STRUCTURE**  
**FY 2003-2004**



# 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, 2003

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. Zieles*

President

*Jeffrey R. Emen*

Executive Director



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## **FINANCIAL SECTION**

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**Independent Auditor's Report**

**Management's Discussion and Analysis**

**Basic Financial Statements**

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**Combining, Individual Fund Statements and Schedules**

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# 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, 2004, 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 opinion.

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, 2004, 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.

As described in Note 2 to the financial statements, during the year ended June 30, 2004, the City of Kinston, North Carolina changed its method of accounting for recognition of local option sales tax which is collected and distributed by the State of North Carolina.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004 on our consideration of City of Kinston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that 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 Officer's 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 – 17 and 59 – 62 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 introductory section, combining and individual fund financial statements and schedules and statistical section 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 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 section and statistical section of the Comprehensive Annual Financial Report ("CAFR") have 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 17, 2004

**City of Kinston, North Carolina  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004**

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, 2004. 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.

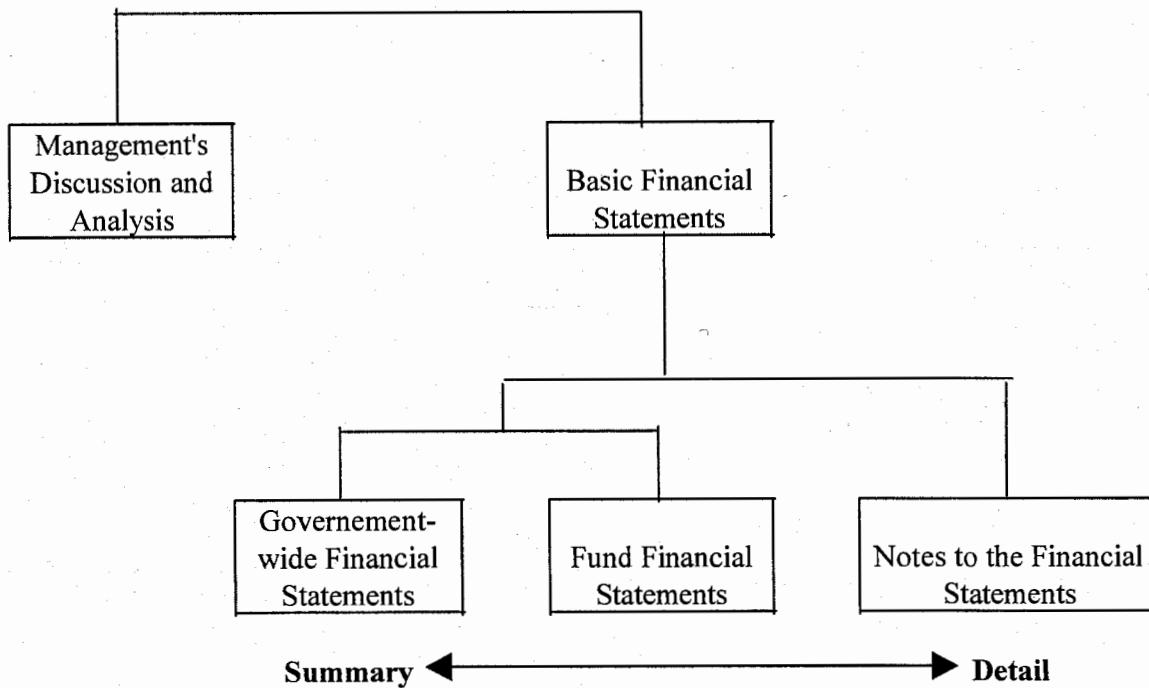
**FINANCIAL HIGHLIGHTS**

- The overall financial position of the City improved in 2004 as evidenced by an increase in total net assets of \$2.25 million primarily due to increases in the business-type activities net assets.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$63.10 million (net assets). Of this amount, \$9.96 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 \$4.71 million, a decrease of \$581 thousand in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2.16 million, or 13 percent of total general fund expenditures.
- The City's total debt increased by \$2.33 million during the fiscal year. The key factor in this increase was the issuance of debt in the form of loans and revenue bonds for construction improvements at the Kinston Regional Water Reclamation Facility, as well as purchase of equipment and vehicles for public safety and public services.

**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. 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**



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.

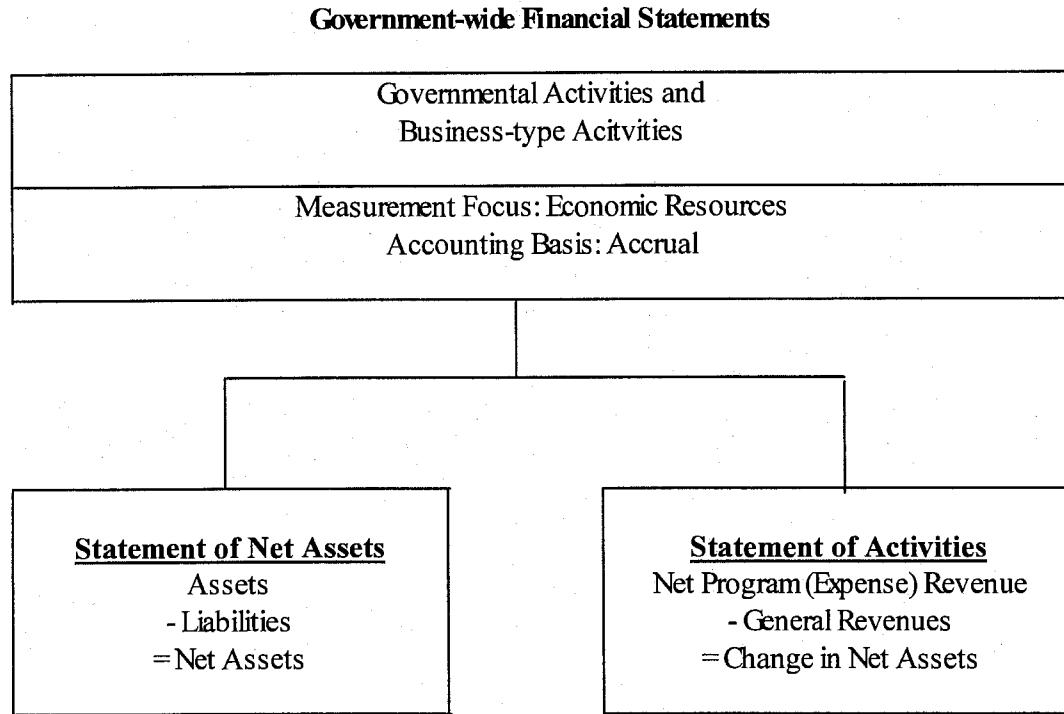
- The *governmental funds statements* tell how general government services like public safety were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.
- *Proprietary funds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



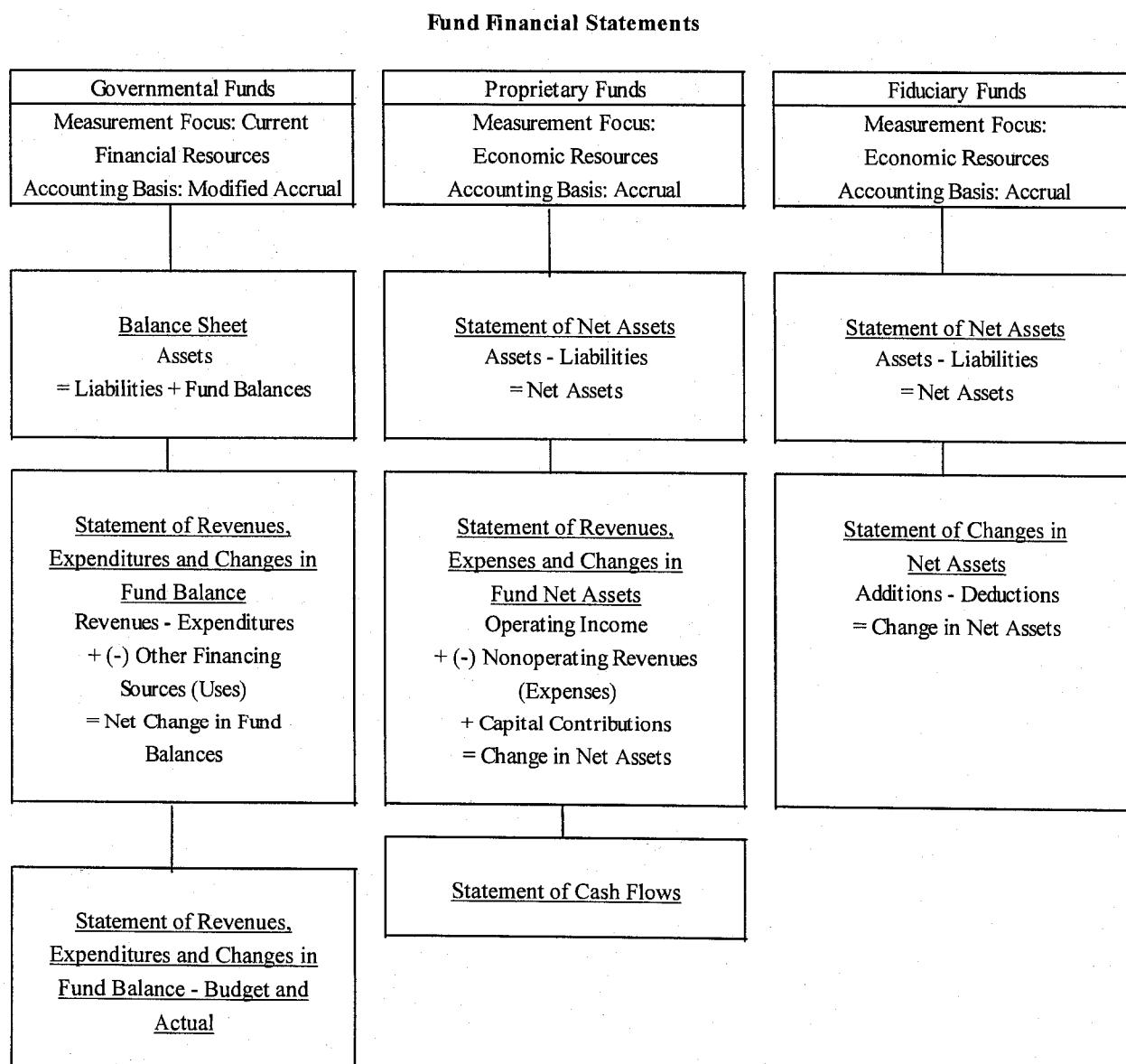
The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are one indicator of whether 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 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 utility, environmental services, and water and wastewater systems are included here.

## 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 following diagram presents the major features of the fund financial statements including the types of information contained therein.



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 readily be converted to cash and (2) the balances left at year-end that are available for spending. 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, 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, a 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 provide supplies and services for the City's other programs and activities. These internal service activities predominately 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 and employee health and insurance funds 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 City of Kinston's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$6,867,539	\$8,889,518	\$13,879,838	\$9,327,440	\$20,747,377	\$18,216,958
Capital assets	11,499,445	12,180,929	64,074,762	59,618,827	75,574,207	71,799,756
Total assets	<b>\$18,366,984</b>	<b>\$21,070,447</b>	<b>\$77,954,600</b>	<b>\$68,946,267</b>	<b>\$96,321,584</b>	<b>\$90,016,714</b>
Long-term liabilities outstanding	\$5,210,840	\$5,335,072	\$20,494,871	\$17,980,019	\$25,705,711	\$23,315,091
Other liabilities	938,291	1,633,453	6,574,915	4,218,347	7,513,206	5,851,800
Total liabilities	<b>\$6,149,131</b>	<b>\$6,968,525</b>	<b>\$27,069,786</b>	<b>\$22,198,366</b>	<b>\$33,218,917</b>	<b>\$29,166,891</b>
Net assets:						
Invested in capital assets, net of						
related debt	\$7,642,027	\$8,194,255	\$45,059,829	\$43,152,193	\$52,701,856	\$51,346,448
Restricted	440,884	289,314	0	0	440,884	289,314
Unrestricted	4,134,942	5,618,353	5,824,985	3,595,708	9,959,927	9,214,061
Total net assets	<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>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Kinston exceeded liabilities by \$63.10 million and \$60.85 million as of June 30, 2004 and 2003 respectively. The City's net assets increased by \$2.25 million and \$998 thousand for the fiscal year ended June 30, 2004 and 2003. However, the largest portion (83.52% for 2004 and 84.38% for 2003) 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 (.70% for 2004 and .48% for 2003) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9.96 million (2004) and \$9.21 million (2003) is unrestricted.

However, \$441 thousand (2004) and \$289 thousand (2003) of these governmental activities' net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, building, machinery, and equipment, building, roads, etc..) and unrestricted governmental activities' net assets total \$4.13 million (2004) and \$5.62 million (2003). The unrestricted governmental activities' net assets are available primarily to support operation and provide for payment of long-term debt.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### City of Kinston Capital Assets (net of depreciation)

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Land	\$2,918,681	\$878,503	\$3,797,184
Buildings and other improvements	6,447,208	3,185,331	9,632,539
Equipment	1,488,455	1,667,845	3,156,300
Distribution system		43,908,551	43,908,551
Infrastructure	645,101		645,101
Construction in progress		14,434,532	14,434,532
	<u>\$11,499,445</u>	<u>\$64,074,762</u>	<u>\$75,574,207</u>

The following is a summary of capital assets at June 30, 2004:

### Capital Assets

The City of Kinston's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totals \$75.6 million (net of accumulated depreciation). These assets include buildings, roads, distribution systems for utilities, land, machinery, equipment, park facilities, equipment and vehicles.

Major capital transactions during the year include the following additions:

- Purchase of equipment and vehicles totaling \$1.09 million. Included in this amount is the purchase of 20 police cars and a hydraulic trash loader. Equipment and software for a wireless communication system for the public safety computer network was also purchased and installed at a cost of \$345 thousand.
- Construction in progress for water and wastewater capital assets totaled \$677 thousand and \$13.8 million respectively.
- No major demolitions were recorded this year.

Additional information on the City's capital assets can be found in note 6 of the financial statements.

## Long-term Debt

At June 30, 2004, the City had \$24.0 million of debt outstanding in bonded debt, installment purchase 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 Bonds, Installment Purchases, and Loans

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue bonds	\$0	\$0	\$13,466,000	\$11,845,000	\$13,466,000	\$11,845,000
Installment contracts	3,857,418	3,986,674	2,076,832	1,084,921	5,934,250	5,071,595
Loans	0	0	4,637,185	4,793,076	4,637,185	4,793,076
Total	<u>\$3,857,418</u>	<u>\$3,986,674</u>	<u>\$20,180,017</u>	<u>\$17,722,997</u>	<u>\$24,037,435</u>	<u>\$21,709,671</u>

New debt for 2004 resulted from issuance of revenue bonds and installment purchase for:

- Financing of engineering costs related to sewer improvements at the Kinston Regional Water Reclamation Facility with 2004 series revenue bonds (\$2.5 million).
- Financing of equipment and vehicle purchase through installment purchase for \$1.7 million.
- Financing of sewer improvements at the Kinston Regional Water Reclamation Facility with loans from the State Revolving Loan Fund for \$405 thousand.

As indicated in the financial highlights, the City's financial condition is evidenced by the continuation of its Aaa bond rating from Moody's Investors Service and AAA rating from Standard & Poor's Rating services. This is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2004, was \$88.4 million.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

- During fiscal year 2004, 22 nonresidential and 19 residential units were constructed with a value of \$7.14 million.
- Retail sales during 2004 were \$914 million.
- The June 2004 unemployment rate was 6.1 percent compared to 5.5 percent for the state and 5.6 percent for the nation.

Property tax receipts remain stable despite a slowdown in the economy. An annexation effective August 1, 2004 resulted in an additional \$100 thousand in property tax revenue. Sales tax revenues have increased due to a full year implementation of the additional 1/2 cent sales tax (Article 44 ) effective December 1, 2002. The most significant factors negatively impacting the 2005 budget are the weakened economy locally and across North Carolina, despite record lows in interest rates.

The General Fund initial budget for 2005 increased 1 percent from \$16.6 million (2004 adjusted adopted budget) to \$16.8 million. The increase in revenues is generated by modest increases in property tax and sales tax. The significant new expenditures are \$1.2 million to fund public safety police vehicles and a ladder truck for the fire department. An additional appropriation of \$130 thousand has been earmarked for construction of a new tennis court for the recreation program.

The following are highlights for the 2005 budgets for the business-type activities:

- The average residential water rate will increase 14 percent to be transferred to the capital reserve account for repair and replacement of the system.
- The \$1 per meter per month surcharge for Neuse Regional Water and Sewer Authority has doubled to \$2 per meter per month beginning July 1, 2004. The City Council has elected to absorb the cost within the rate increase and not pass this cost on to customers as a separately stated charge for 2005.
- The average sewer rate will not increase for 2005. However, a \$3.50 per month per sewer service capital charge will be assessed to fund interest and other costs associated with the construction of the new wastewater treatment plant. A sunset date of June 30, 2009 has been set.
- Electric rates were not increased in the 2005 budgets.
- Garbage and sanitation fees were increased 11%.

## **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 request for additional financial information should be directed to the Director of Finance, City of Kinston, P.O. Box 339, Kinston, NC 28502.



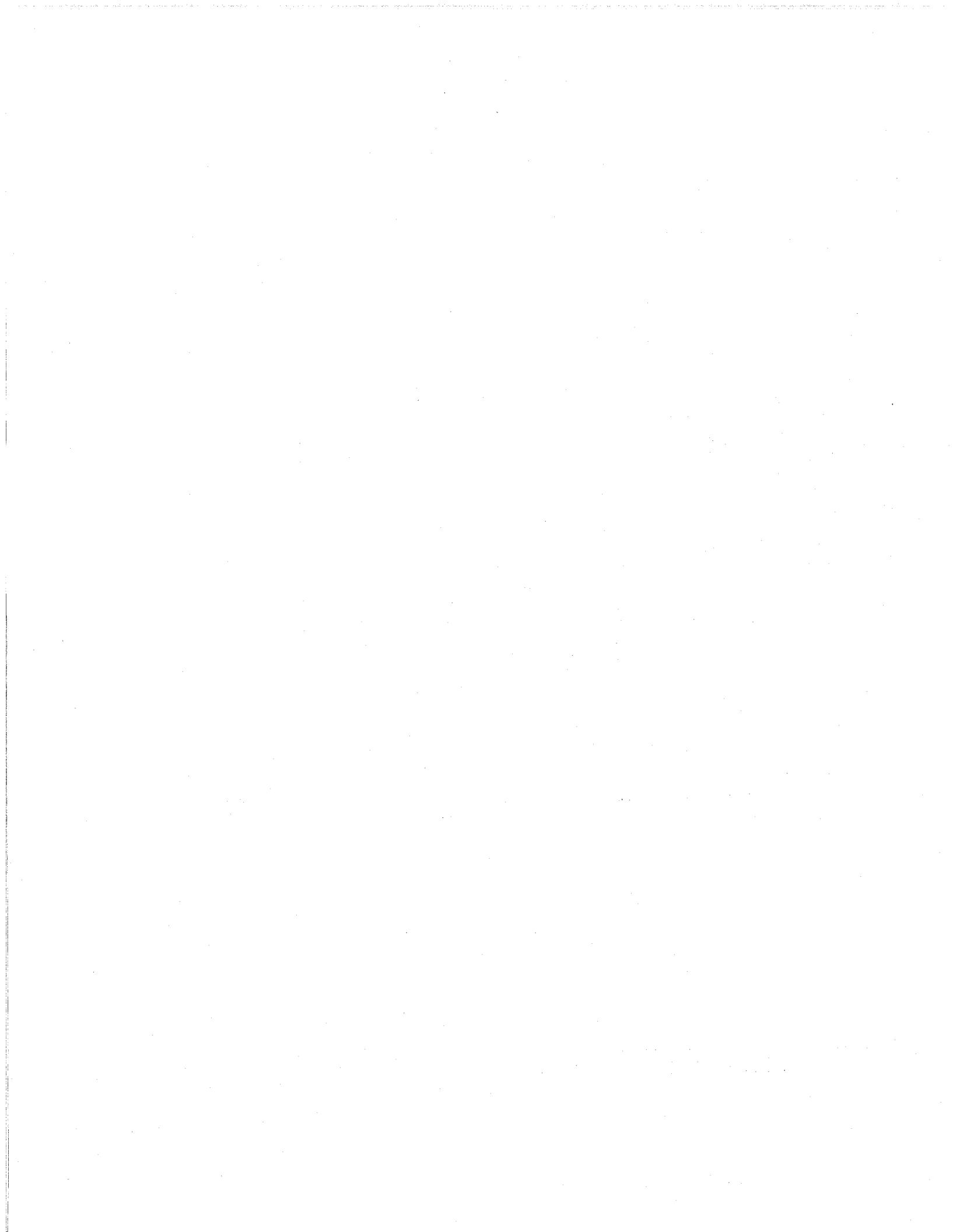
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## **BASIC FINANCIAL STATEMENTS**

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**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.

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**City of Kinston, North Carolina**

**Statement of Net Assets**

June 30, 2004

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,208,607	\$ 1,803,337	\$ 6,011,944
Receivables:			
Due from governmental agencies	1,105,740	2,198,643	3,304,383
Accounts receivable	451,337	509,896	961,233
Taxes receivable	917,347	-	917,347
Customer receivables, net	-	6,691,787	6,691,787
Inventories	184,508	1,208,051	1,392,559
Bond issuance costs	-	303,040	303,040
Restricted cash and investments	-	1,165,084	1,165,084
Capital assets:			
Land and construction in process	2,918,681	15,313,035	18,231,716
Other capital assets, net of depreciation	8,580,764	48,761,727	57,342,491
<b>Total assets</b>	<b>18,366,984</b>	<b>77,954,600</b>	<b>96,321,584</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	826,363	5,591,479	6,417,842
Accrued interest payable	44,452	-	44,452
Unearned revenue	67,476	12,908	80,384
Customer deposits	-	970,528	970,528
Long-term liabilities:			
Due within one year	1,045,844	1,347,904	2,393,748
Due in more than one year	4,164,996	19,146,967	23,311,963
<b>Total liabilities</b>	<b>6,149,131</b>	<b>27,069,786</b>	<b>33,218,917</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,642,027	45,059,829	52,701,856
Restricted for:			
Public works	364,975	-	364,975
Perpetual care:			
Expendable	675	-	675
Nonexpendable	75,234	-	75,234
Unrestricted	4,134,942	5,824,985	9,959,927
<b>Total net assets</b>	<b>\$ 12,217,853</b>	<b>\$ 50,884,814</b>	<b>\$ 63,102,667</b>

See Notes to Financial Statements.

**City of Kinston, North Carolina**

**Statement of Activities**  
**For the Year Ended June 30, 2004**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,917,328	\$ 245,335	\$ -	\$ -
Public safety	8,890,704	-	810,392	-
Public services	1,858,283	115,606	659,146	-
Community development	2,890,594	100,804	1,461,269	-
Cultural and recreation	2,594,715	287,007	498,070	-
Interest on long-term debt	185,904	-	-	-
<b>Total governmental activities</b>	<b>18,337,528</b>	<b>748,752</b>	<b>3,428,877</b>	<b>-</b>
Business-type activities:				
Electric	38,338,927	39,259,547	-	-
Water	3,206,893	3,426,666	-	-
Wastewater	4,391,983	4,189,404	-	3,954,803
Nonmajor funds	2,576,785	2,578,277	-	6,353
<b>Total primary government</b>	<b>\$ 66,852,116</b>	<b>\$ 50,202,646</b>	<b>\$ 3,428,877</b>	<b>\$ 3,961,156</b>

**General revenues:**

**Taxes:**

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

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

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (1,671,993)	\$ -	\$ (1,671,993)	
(8,080,312)	-	(8,080,312)	
(1,083,531)	-	(1,083,531)	
(1,328,521)	-	(1,328,521)	
(1,809,638)	-	(1,809,638)	
(185,904)	-	(185,904)	
<b>(14,159,899)</b>	<b>-</b>	<b>(14,159,899)</b>	
-	920,620	920,620	
-	219,773	219,773	
-	3,752,224	3,752,224	
-	7,845	7,845	
<b>-</b>	<b>4,900,462</b>	<b>4,900,462</b>	
<b>\$ (14,159,899)</b>	<b>\$ 4,900,462</b>	<b>\$ (9,259,437)</b>	
\$ 6,961,891	\$ -	\$ 6,961,891	
3,033,439	-	3,033,439	
1,221,479	-	1,221,479	
159,286	-	159,286	
26,576	16,415	42,991	
93,195	-	93,195	
779,964	(779,964)	-	
<b>12,275,830</b>	<b>(763,549)</b>	<b>11,512,281</b>	
<b>(1,884,069)</b>	<b>4,136,913</b>	<b>2,252,844</b>	
<b>14,101,922</b>	<b>46,747,901</b>	<b>60,849,823</b>	
<b>\$ 12,217,853</b>	<b>\$ 50,884,814</b>	<b>\$ 63,102,667</b>	

**City of Kinston, North Carolina**

**Balance Sheet - Governmental Funds**  
**June 30, 2004**

	<b>Major</b>	<b>Total</b>
	<b>General</b>	<b>Nonmajor</b>
		<b>Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 3,306,187	\$ 521,510 \$ 3,827,697
<b>Receivables:</b>		
Due from government agencies	922,331	183,409 1,105,740
Accounts receivable	359,672	65,823 425,495
Taxes receivable	713,823	- 713,823
Inventories	79,603	- 79,603
<b>Total assets</b>	<b>\$ 5,381,616</b>	<b>\$ 770,742 \$ 6,152,358</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 517,854	\$ 5,269 \$ 523,123
Deferred revenue	853,320	- 853,320
Unearned revenue	67,476	- 67,476
<b>Total liabilities</b>	<b>1,438,650</b>	<b>5,269 1,443,919</b>
<b>Fund balances</b>		
Reserved for Powell Bill	364,975	- 364,975
Reserved for inventories	79,603	- 79,603
Reserved by State statute	1,142,506	244,764 1,387,270
Reserved for encumbrances	191,859	- 191,859
<b>Unreserved:</b>		
Undesignated	2,164,023	520,709 2,684,732
<b>Total fund balances</b>	<b>3,942,966</b>	<b>765,473 4,708,439</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,381,616</b>	<b>\$ 770,742 \$ 6,152,358</b>

See Notes to Financial Statements.

**City of Kinston, North Carolina**

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

**June 30, 2004**

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

Total fund balances for governmental funds	\$ 4,708,439
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds	11,499,445
Less adjustment for assets attributable to internal service fund	(39,650)
Other long-term assets are not available to liquidate current-period expenditures and therefore are:	
Deferred revenue	853,320
Accrued interest on property taxes, Statement of Net Assets	203,524
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	208,542
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,210,840)
Less adjustment for accrued compensated absences attributable to internal service fund	39,525
Accrued interest payable on long-term liabilities not recorded in the fund statements	(44,452)
	<hr/>
	<b>\$ 12,217,853</b>

See Notes to 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, 2004**

	<b>Major General Fund</b>	<b>Total Non-Major Funds</b>	<b>Totals</b>
<b>Revenue:</b>			
Ad valorem taxes	\$ 7,115,953	\$ -	\$ 7,115,953
Sales and services	1,547,926	-	1,547,926
Other taxes	4,568,842	-	4,568,842
Intergovernmental revenue:			
Unrestricted	159,286	-	159,286
Restricted	922,574	2,027,896	2,950,470
Other	171,195	34,711	205,906
<b>Total revenue</b>	<b>14,485,776</b>	<b>2,062,607</b>	<b>16,548,383</b>
<b>Expenditures:</b>			
Current:			
General government	1,884,437	-	1,884,437
Public safety	7,620,636	569,839	8,190,475
Public services	1,621,290	-	1,621,290
Parks and recreation	2,329,509	10,921	2,340,430
Community development	1,268,662	1,518,369	2,787,031
Capital outlay	890,775	-	890,775
Debt service			
Principal	550,208	-	550,208
Interest	230,348	-	230,348
<b>Total expenditures</b>	<b>16,395,865</b>	<b>2,099,129</b>	<b>18,494,994</b>
<b>Revenue under expenditures</b>	<b>(1,910,089)</b>	<b>(36,522)</b>	<b>(1,946,611)</b>
<b>Other financing source (uses):</b>			
Transfers in	957,000	31,796	988,796
Transfers out	(529,147)	-	(529,147)
Proceeds from borrowing	905,114	-	905,114
<b>Total other financing sources</b>	<b>1,332,967</b>	<b>31,796</b>	<b>1,364,763</b>
<b>Net change in fund balances</b>	<b>(577,122)</b>	<b>(4,726)</b>	<b>(581,848)</b>
Fund balances, beginning	4,520,088	770,199	5,290,287
Fund balances, ending	<b>\$ 3,942,966</b>	<b>\$ 765,473</b>	<b>\$ 4,708,439</b>

See Notes to Financial Statements.

**City of Kinston, North Carolina**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance to the Statement of Activities of Governmental Funds  
For the Year Ended June 30, 2004**

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

Net changes in fund balances, total governmental funds	\$ (581,848)
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, net of decrease in construction in progress	890,775
Depreciation expense	(1,035,180)
Adjustment for internal service fund depreciation	17,345
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets:	
Gain on sale of capital assets	(94,827)
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	(313,924)
Decrease in sanitation revenue	(301,104)
Decrease in deferred special assessment revenue	(19,663)
Decrease in deferred property tax revenue	(154,062)
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	(1,414,761)
Retirement of long-term liabilities	1,054,831
Adjustment for internal service fund change in accrued compensated absences payable	33,518
Internal service funds are used to charge the costs of general and workman's compensation insurance to individual funds. The net loss of certain activities of the internal service funds are reported with governmental activities	(9,613)
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	44,444
<b>Total changes in net assets of governmental activities</b>	<b>\$ (1,884,069)</b>

See Notes to 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, 2004**

	<b>General Fund Budget, Original</b>	<b>General Fund Budget, Final</b>	<b>General Fund Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenue:</b>				
Ad valorem taxes	\$ 7,184,783	\$ 7,343,784	\$ 7,115,953	\$ (227,831)
Sales and services	580,921	1,402,824	1,547,926	145,102
Other taxes	4,775,822	4,343,258	4,568,842	225,584
Intergovernmental revenue:				
Unrestricted	244,927	402,391	159,286	(243,105)
Restricted	1,634,207	1,262,296	922,574	(339,722)
Other	2,834,878	285,008	171,195	(113,813)
<b>Total revenue</b>	<b>17,255,538</b>	<b>15,039,561</b>	<b>14,485,776</b>	<b>(553,785)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,687,322	2,146,948	1,891,412	255,536
Public safety	8,632,626	8,760,935	8,508,335	252,600
Public services	2,022,870	2,042,857	1,765,422	277,435
Parks and recreation	2,944,870	2,990,359	2,962,034	28,325
Community development	1,051,943	1,339,963	1,268,662	71,301
<b>Total expenditures</b>	<b>18,339,631</b>	<b>17,281,062</b>	<b>16,395,865</b>	<b>885,197</b>
<b>Revenue over (under) expenditures</b>	<b>(1,084,093)</b>	<b>(2,241,501)</b>	<b>(1,910,089)</b>	<b>331,412</b>
<b>Other financing source (uses):</b>				
Appropriated fund balance	310,000	934,008	-	(934,008)
Transfers in	955,000	957,000	957,000	-
Transfers out	(180,907)	(600,307)	(529,147)	71,160
Proceeds from borrowing	-	950,800	905,114	(45,686)
<b>Total other financing sources</b>	<b>1,084,093</b>	<b>2,241,501</b>	<b>1,332,967</b>	<b>(908,534)</b>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (577,122)</b>	<b>\$ (577,122)</b>
Fund balances, beginning			4,520,088	
Fund balances, ending			<b>\$ 3,942,966</b>	

See Notes to Financial Statements.

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

## Proprietary Funds

## **Statement of Net Assets**

June 30, 2004

## Enterprise Funds

See Notes to Financial Statements.

**City of Kinston, North Carolina**

**Proprietary Funds**

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

**For the Fiscal Year Ended June 30, 2004**

	Enterprise Funds						Internal Service Fund
	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Fund	Total		
<b>Operating revenue:</b>							
Charges for services	\$ 38,994,396	\$ 3,352,829	\$ 4,184,846	\$ 2,571,543	\$ 49,103,614	\$ 2,203,053	
Other	265,151	73,837	4,558	6,734	350,280	-	
<b>Total operating revenue</b>	<b>39,259,547</b>	<b>3,426,666</b>	<b>4,189,404</b>	<b>2,578,277</b>	<b>49,453,894</b>	<b>2,203,053</b>	
<b>Operating expenses:</b>							
Administration	-	-	-	-	-	1,202,099	
Public service operations	-	-	-	-	-	922,176	
Electrical operations	36,927,647	-	-	-	36,927,647	-	
Environmental services	-	-	-	2,334,755	2,334,755	-	
Water production	-	1,156,296	-	-	1,156,296	-	
Depreciation	1,017,906	450,815	1,015,053	236,282	2,720,056	26,368	
Amortization	17,458	6,888	7,064	-	31,410	-	
Wastewater collection	-	-	1,177,306	-	1,177,306	-	
Water operations	-	1,453,236	-	-	1,453,236	-	
Wastewater plant operations	-	-	1,937,528	-	1,937,528	-	
Claims reimbursement	-	-	-	-	-	303,460	
<b>Total operating expenses</b>	<b>37,963,011</b>	<b>3,067,235</b>	<b>4,136,951</b>	<b>2,571,037</b>	<b>47,738,234</b>	<b>2,454,103</b>	
<b>Operating income</b>	<b>1,296,536</b>	<b>359,431</b>	<b>52,453</b>	<b>7,240</b>	<b>1,715,660</b>	<b>(251,050)</b>	
<b>Nonoperating revenue (expenses):</b>							
Interest earned on investments	9,280	6,106	1,014	15	16,415	1,360	
Interest on long-term debt	(397,809)	(161,551)	(276,925)	(27,641)	(863,926)	-	
<b>Total nonoperating expense</b>	<b>(388,529)</b>	<b>(155,445)</b>	<b>(275,911)</b>	<b>(27,626)</b>	<b>(847,511)</b>	<b>1,360</b>	
Capital contributions	-	-	3,954,803	6,353	3,961,156	7,335	
<b>Income before operating transfers</b>	<b>908,007</b>	<b>203,986</b>	<b>3,731,345</b>	<b>(14,033)</b>	<b>4,829,305</b>	<b>(242,355)</b>	
Transfers:							
Transfers in	55,041	-	21,461,503	327,426	21,843,970	379,354	
Transfers out	(1,033,154)	(21,472,509)	(62,808)	(56,713)	(22,625,184)	(57,790)	
<b>Total transfers</b>	<b>(978,113)</b>	<b>(21,472,509)</b>	<b>21,398,695</b>	<b>270,713</b>	<b>(781,214)</b>	<b>321,564</b>	
<b>Net income (loss)</b>	<b>(70,106)</b>	<b>(21,268,523)</b>	<b>25,130,040</b>	<b>256,680</b>	<b>4,048,091</b>	<b>79,209</b>	
Net assets, beginning	17,918,839	28,829,062	-	-	-	218,155	
Net assets, ending	\$ 17,848,733	\$ 7,560,539	\$ 25,130,040	\$ 256,680		\$ 297,364	
Adjustment to reflect the consolidation of the Public Services Internal Service Fund activities related to Enterprise Funds.							
					88,822		
					\$ 4,136,913		

See Notes to Financial Statements.

**City of Kinston, North Carolina**

**Proprietary Funds**

**Combined Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2004**

	<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	\$ 39,025,033	\$ 3,818,461	\$ 3,681,057	\$ 2,273,254	\$ 48,797,805	\$ -
Cash receipts from quasi-external operating transactions	-	-	-	-	-	2,524,520
Cash payments for quasi-external operating transactions	-	-	-	-	-	(261,026)
Cash paid to suppliers for goods and services	(35,146,191)	(3,370,808)	(1,413,441)	(1,181,602)	(41,112,042)	(454,434)
Cash paid to employees	(993,942)	(862,991)	(911,584)	(1,009,159)	(3,777,676)	(1,515,207)
Customer deposits	54,427	-	-	-	54,427	-
<b>Net cash provided by (used in) for operating activities</b>	<b>2,939,327</b>	<b>(415,338)</b>	<b>1,356,032</b>	<b>82,493</b>	<b>3,962,514</b>	<b>293,853</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Operating transfers from other funds	55,041	2,196,665	1,121,561	274,510	3,647,777	310,375
Operating transfers to other funds	(1,033,154)	(1,132,567)	(2,259,473)	(56,713)	(4,481,907)	(57,790)
<b>Net cash used for noncapital financing financing</b>	<b>(978,113)</b>	<b>1,064,098</b>	<b>(1,137,912)</b>	<b>217,797</b>	<b>(834,130)</b>	<b>252,585</b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Acquisition and construction of capital assets	(313,791)	(315,436)	(5,861,993)	(83,022)	(6,574,242)	-
Proceeds from long-term debt	77,401	96,752	3,037,717	512,784	3,724,654	-
Loan origination fees paid	-	-	(23,305)	-	(23,305)	-
Principal paid on general obligation bond maturities and equipment contracts	(555,000)	(236,824)	(819,447)	(140,526)	(1,751,797)	-
Interest paid on bonded indebtedness and equipment contracts	(398,245)	(190,499)	(262,059)	(27,641)	(878,444)	-
Contributed capital	-	-	3,881,109	6,353	3,887,462	7,335
<b>Net cash used for capital and related financing activities</b>	<b>(1,189,635)</b>	<b>(646,007)</b>	<b>(47,978)</b>	<b>267,948</b>	<b>(1,615,672)</b>	<b>7,335</b>
<b>Cash Flows Provided By Investing Activities</b>						
Interest on investments	9,280	6,106	1,014	15	16,415	1,360
<b>Net decrease in cash and cash equivalents</b>	<b>780,859</b>	<b>8,859</b>	<b>171,156</b>	<b>568,253</b>	<b>1,529,127</b>	<b>555,133</b>
Cash and cash equivalents, beginning	729,967	535,104	-	-	1,265,071	-
Cash and cash equivalents, ending	<b>\$ 1,510,826</b>	<b>\$ 543,963</b>	<b>\$ 171,156</b>	<b>\$ 568,253</b>	<b>\$ 2,794,198</b>	<b>\$ 555,133</b>

(Continued)

**City of Kinston, North Carolina**

**Proprietary Funds**

**Combined Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2004**

	<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>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In)</b>							
<b>Operating Activities</b>							
Operating income (loss)	\$ 1,296,536	\$ 359,431	\$ 52,453	\$ 7,240	\$ 1,715,660	\$ (251,050)	
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation	1,017,906	450,815	1,015,053	236,282	2,720,056	26,368	
Amortization	17,458	6,888	7,064	-	31,410	-	
(Gain) loss on disposal of capital assets	27,070	-	-	-	27,070	-	
Change in assets and liabilities:							
Due from other funds	706,761	(884,797)	-	-	(178,036)	351,599	
Allowance for uncollectible accounts	-	-	-	-	-	-	
Customer receivables	(234,514)	391,795	(508,347)	(305,023)	(656,089)	-	
Accounts receivable	10,894	98,055	(2,278,815)	(1,381)	(2,171,247)	(29,542)	
Customer deposits	54,427	-	-	-	54,427	-	
Inventories	1,441	(26,621)	-	-	(25,180)	(104,905)	
Accounts payable	123,869	(338,439)	2,143,340	94,592	2,023,362	91,815	
Due to other funds	-	(451,565)	884,797	-	433,232	109,221	
Deferred revenue	-	(3,154)	-	-	(3,154)	-	
Accrued compensated absences	(82,521)	(17,746)	40,487	50,783	(8,997)	100,347	
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 2,939,327</b>	<b>\$ (415,338)</b>	<b>\$ 1,356,032</b>	<b>\$ 82,493</b>	<b>\$ 3,962,514</b>	<b>\$ 293,853</b>	

**Supplemental Disclosure of Noncash Transactions**

Capital asset additions, net of related debt	\$ -	\$ (23,076,046)	\$ 23,076,046	\$ -	\$ -	\$ 68,979
Transfers in	\$ -	\$ -	\$ 22,536,607	\$ 52,916	\$ 22,589,523	\$ 68,979
Transfers out	\$ -	\$ (22,536,607)	\$ -	\$ -	\$ (22,536,607)	\$ -
Donated assets	\$ -	\$ -	\$ 73,694	\$ -	\$ 73,694	\$ -

See Notes to Financial Statements.

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

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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.

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

### **Notes to Financial Statements**

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#### **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 Government Accounting Standards Board Statement No. 14 have been considered and the City has one blended component unit which is described below. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with the data of the primary government.

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

#### **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 non-fiduciary 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 Financial Statements

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#### 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, proprietary funds and fiduciary fund. 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 and state-shared revenue. The primary expenditures are for public safety, public works, 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 35 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 used for the acquisition or construction of major capital facilities. The City has 4 capital project funds, the individual descriptions of which are disclosed in the supplemental non-major fund-types section.

**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.

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

### **Notes to Financial Statements**

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

**Water Enterprise Fund** - The Water Enterprise Fund accounts for the water activities of the city. The primary revenue consists of user charges for services. The primary expenses are for pumping and distribution of water to the City's customers. The Water Capital Project Fund and 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 three internal service funds, the Workers' Compensation Insurance Fund, the Fleet Maintenance 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 Public Services Funds 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 and Fleet Maintenance 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.

**Fiduciary Funds** account 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 the following Fiduciary Fund:

**Temple Israel Perpetual Care Fund** – Fiduciary funds are custodial in nature and do not involve measurement of the City's operations. The Temple Israel Perpetual Care Fund is used to account for unexpended principal funds, the revenue from which is used to maintain the Temple Israel's cemetery grounds.

#### **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 Financial Statements

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#### 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. For this purpose, the government considers 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 2003 through February 2004 apply to the fiscal year ended June 30, 2004. 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, 2004 through the fiscal year-end apply to the 2004-2005 fiscal year and are not shown as receivables at June 30, 2004. 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 both were 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, 2004 because they are intended to finance the City's operations during the 2004-2005 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 Financial Statements**

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#### **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.

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

#### **Budgets**

Budgets are adopted on the legally mandated modified accrual basis of accounting, which is consistent with generally accepted accounting principles for governmental fund types. Annual appropriated budgets are adopted for the general fund, 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 and Public Services fund, intragovernmental service funds, operate under financial plans that was 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 Financial Statements**

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#### **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 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 based on a computerized matrix system and/or appraisals by a pricing service. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

#### **Property 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. 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. 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 Financial Statements**

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

##### **Bond Issuance Costs**

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

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

Certain 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 Governmental-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 and an estimated useful life in excess of one year. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 Financial Statements**

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

##### **Compensated Absences**

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

The vacation policy of the City provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. 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 are reported as deferred charges and amortized over the term of the related 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 source 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 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.

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 statute.

## City of Kinston, North Carolina

### Notes to Financial Statements

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

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:**

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

### Interfund Transactions

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

### Statement of Cash Flows

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

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

##### **Budget**

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

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

### **Notes to Financial Statements**

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#### **Note 2. Stewardship, Compliance and Accountability (Continued)**

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 Balances**

The City has fund balance deficits in individual funds as of June 30, 2004 as follows:

##### **Special Revenue Fund:**

State Tenant Relocation Assistance	\$	8,892
CDBG Microenterprise Fund		4,909
Single Family Rehabilitation		4,310

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

#### **Accounting Change**

During the fiscal year ended June 30, 2004, the State of North Carolina changed the distribution method for local option sales taxes that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than quarterly basis. Taxes on sales for the month of June 2004 will be distributed by the State on or around September 15, 2004. In addition, the State collects utility franchise taxes, piped natural gas taxes and telecommunications taxes for municipalities and distributes them on a quarterly basis. The taxes for the quarter ended June 30, 2004 will be distributed on or around September 15, 2004.

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

### **Notes to Financial Statements**

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#### **Note 2. Stewardship, Compliance and Accountability (Continued)**

In accordance with GASB Statement No. 33, all of these items are considered to be receivables as of June 30, 2004. The County/City will recognize the June, 2004 tax revenues as revenue of the fiscal year ended June 30, 2004 in its government wide statements. The County/City has also decided to consider revenues available for payment of current year-end liabilities if collected within 90 days after year-end, other than property taxes, in its governmental fund statements. The County/City had previously considered only revenues collected within 60 days of year-end as available in the governmental fund statements.

The effect of this change on net assets and revenue over expenditures for the 2003 fiscal year is considered to be insignificant.

#### **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	1,668,324
Investments	5,504,179
Cash and investments	<u>\$ 7,177,028</u>
Balance sheet reconciliation:	
Cash and investments	\$ 6,011,944
Restricted cash and investments	1,165,084
	<u>\$ 7,177,028</u>

#### **Deposits**

At year end, the carrying amount of the City's deposits was \$1,668,324 and the bank balance was \$2,494,068. Under North Carolina General Statutes, depositories must collateralize public deposits in excess of federal depository insurance coverage by using one of two methods. Under the Dedicated Method, a separate escrow account is established by each depository in the name of each local unit, and the responsibility of monitoring collateralization rests with the local unit. Under the Pooling Method, each depository establishes an escrow account in the name of the State Treasurer to secure all its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for 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 deposits in banks using the pooling method. Of the City's bank balances, \$200,000 was covered by federal depository insurance and \$2,294,068 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

## City of Kinston, North Carolina

### Notes to Financial Statements

#### Note 3. Cash and Investments (Continued)

##### Investments

At June 30, 2004, the City's investments are limited to participation in the North Carolina Capital Management Trust. All North Carolina Capital Management Trust amounts are exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the Trust. These investments are considered to be cash equivalents since there is no maturity date.

	Reported Value	Fair Value
North Carolina Capital Management Trust (NCCMT)	\$ 4,339,095	\$ 4,339,095
NCCMT held by trustee	1,165,084	1,165,084
	<b>\$ 5,504,179</b>	<b>\$ 5,504,179</b>

#### Note 4. Interfund Transactions and Balances

The following is a detailed schedule of interfund transfers for the year ended June 30, 2004:

Transfers In	Transfers Out							
	Major General Fund		Major Electric Fund		Major Water Fund		Major Wastewater Fund	
							Non-Major Enterprise Fund	Internal Service Funds
Major General Fund	\$ -	\$ 955,000	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ 957,000
Major Electric Fund	-	-	-	-	-	-	55,041	55,041
Major Wastewater Fund	-	-	-	21,461,503	-	-	-	21,461,503
Nonmajor Governmental Funds	31,796	-	-	-	-	-	-	31,796
Nonmajor Enterprise Funds	327,426	-	-	-	-	-	-	327,426
Internal Service Funds	169,925	78,154	11,006	60,808	56,713	-	-	376,606
Total	\$ 529,147	\$ 1,033,154	\$ 21,472,509	\$ 62,808	\$ 56,713	\$ 55,041	\$ 23,209,372	

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 the initial transfer of assets to the new 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 for the initial transfer of assets to set up the Wastewater Fund. This transfer includes \$11,966,285 which is related to the allocation of the construction-in-progress from the Water Fund to the Wastewater Fund.

## City of Kinston, North Carolina

### Notes to Financial Statements

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#### Note 4. Interfund Transactions and Balances (Continued)

Amounts due from/to other funds at June 30, 2004 were as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor Capital Reserve Fund	Nonmajor Special Revenue Funds	\$ 117,255
Enterprise Funds:		
Water Fund	Wastewater Fund	\$ 884,797
Internal Service Funds:		
Employee Health Fund	Fleet Maintenance Fund	\$ 109,221

Amounts loaned between funds were to pay expenditures from reimbursement-type grants for which the corresponding revenue had not been received by year-end and to fund shortfalls in cash in the case of the Fleet Maintenance Fund.

#### 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:

General Fund, property taxes	\$ 247,390
Enterprise Funds:	
Electric Fund	\$ 292,099
Water Fund	30,998
Wastewater Fund	33,421
Nonmajor Enterprise Fund	20,846
	\$ 377,364

**City of Kinston, North Carolina**

**Notes to Financial Statements**

**Note 6. Capital Assets**

Capital Asset activity for the year ended June 30, 2004, 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	-	-	-	-
Total capital assets not being depreciated	<b>2,918,681</b>	-	-	<b>2,918,681</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	9,673,290	-	-	9,673,290
Equipment	2,834,285	434,508	(432,160)	2,836,633
Vehicles	8,258,098	456,267	(2,839,338)	5,875,027
Infrastructure	716,779	-	-	716,779
Total capital assets being depreciated	<b>21,482,452</b>	<b>890,775</b>	<b>(3,271,498)</b>	<b>19,101,729</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(3,014,746)	(211,336)	-	(3,226,082)
Equipment	(2,558,852)	(188,721)	432,160	(2,315,413)
Vehicles	(6,610,767)	(599,284)	2,302,259	(4,907,792)
Infrastructure	(35,839)	(35,839)	-	(71,678)
Total accumulated depreciation	<b>(12,220,204)</b>	<b>(1,035,180)</b>	<b>2,734,419</b>	<b>(10,520,965)</b>
Total capital assets being depreciated, net	<b>9,262,248</b>	<b>(144,405)</b>	<b>(537,079)</b>	<b>8,580,764</b>
Governmental activity capital assets, net	<b>\$ 12,180,929</b>	<b>\$ (144,405)</b>	<b>\$ (537,079)</b>	<b>\$ 11,499,445</b>

**City of Kinston, North Carolina**

**Notes to 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	\$ 286,352	\$ 592,151	\$ -	\$ 878,503
Construction in progress	8,284,586	6,149,946	-	14,434,532
Total capital assets not being depreciated	<b>8,570,938</b>	<b>6,742,097</b>	<b>-</b>	<b>15,313,035</b>
Capital assets being depreciated:				
Buildings and improvements	7,206,812	783,017	-	7,989,829
Equipment	1,038,888	1,811,723	(35,207)	2,815,404
Vehicles	2,555,449	2,456,893	(194,713)	4,817,629
Distribution system	72,907,241	435,764	(2,822,011)	70,520,994
Total capital assets being depreciated	<b>83,708,390</b>	<b>5,487,397</b>	<b>(3,051,931)</b>	<b>86,143,856</b>
Less accumulated depreciation for:				
Buildings and improvements	(4,604,753)	(199,745)	-	(4,804,498)
Equipment	(980,550)	(721,597)	35,207	(1,666,940)
Vehicles	(2,298,022)	(2,194,939)	194,713	(4,298,248)
Distribution system	(24,777,176)	(1,835,267)	-	(26,612,443)
Total accumulated depreciation	<b>(32,660,501)</b>	<b>(4,951,548)</b>	<b>229,920</b>	<b>(37,382,129)</b>
Total capital assets being depreciated, net	<b>51,047,889</b>	<b>535,849</b>	<b>(2,822,011)</b>	<b>48,761,727</b>
Business-type activity capital assets, net	<b>\$ 59,618,827</b>	<b>\$ 7,277,946</b>	<b>\$ (2,822,011)</b>	<b>\$ 64,074,762</b>

**City of Kinston, North Carolina**

**Notes to Financial Statements**

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

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

Governmental activities:

General government	\$ 81,583
Public safety	545,069
Public works	186,128
Parks and recreation	186,561
Community development	35,839
	<b>\$ 1,035,180</b>

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Business-type activities:

Electric Fund	\$ 1,020,162
Water Fund	453,071
Wastewater Fund	1,017,309
Nonmajor Enterprise Fund	238,537
	<b>\$ 2,729,079</b>

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For business-type activities, capital asset increases and accumulated depreciation increases include assets and related accumulated depreciation transferred to the Non-Major Enterprise Fund from the General Fund in the amount of \$2,759,548 and \$2,222,469, respectively for a net capital asset transfer in of \$537,079.

**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, 2004, is as follows:

	Beginning			Reductions	Ending	Current Portion of Balance	
	Balance	Additions	Balance			Balance	Balance
Accrued compensated absences	\$ 854,013	\$ 422,211	\$ 494,682	\$ 781,542	\$ 480,000		
Police separation allowance	274,134	87,436	-		361,570		
Separation allowance plan	220,251	-	9,941		210,310		
Installment contracts	3,986,674	905,114	1,034,370		3,857,418	565,844	
Total	<b>\$ 5,335,072</b>	<b>\$ 1,414,761</b>	<b>\$ 1,538,993</b>		<b>\$ 5,210,840</b>	<b>\$ 1,045,844</b>	

## City of Kinston, North Carolina

### Notes to Financial Statements

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#### 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, 2004, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Revenue bonds	\$ 11,845,000	\$ 2,536,000	\$ 915,000	\$ 13,466,000	\$ 353,933
Notes payable	4,793,076	404,966	560,857	4,637,185	561,669
Installment contracts	1,084,921	1,267,851	275,940	2,076,832	432,302
Accrued compensated absences	257,022	93,079	35,247	314,854	-
Total	\$ 17,980,019	\$ 4,301,896	\$ 1,787,044	\$ 20,494,871	\$ 1,347,904

#### Revenue Bonds

Revenue bonds outstanding at June 30, 2004 are as follows:

##### *Water Fund:*

\$4,066,740 – Combined Enterprise System Revenue Bonds, 1996 Series, due in  
Semi-annual installments through April 1, 2021; interest at 3.4% to 5.7%.

\$ 2,625,480

##### *Wastewater Fund:*

\$2,578,260 – Combined Enterprise System Revenue Bonds, 1996 Series, due in  
Semi-annual installments through April 1, 2021; interest at 3.4% to 5.7%

1,664,520

\$2,536,000 – Combined Enterprise System Revenue Bonds, 2004 Series, due in  
Semi-annual installments through June 15, 2021; interest at 4.5%

2,536,000

4,200,520

##### *Electric Fund:*

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

6,640,000

Total Revenue Bonds

\$ 13,466,000

## City of Kinston, North Carolina

### Notes to Financial Statements

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#### 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
2005	\$ 353,933	\$ 718,215	\$ 1,072,148
2006	564,256	701,392	1,265,648
2007	589,807	673,655	1,263,462
2008	620,356	644,220	1,264,576
2009	651,626	612,509	1,264,135
2010 - 2014	3,823,000	2,501,554	6,324,554
2015 - 2019	4,958,022	1,362,459	6,320,481
2020 - 2021	1,905,000	164,445	2,069,445
Total	<u>\$ 13,466,000</u>	<u>\$ 7,378,449</u>	<u>\$ 20,844,449</u>

The Series 1996 and 2004 revenue bonds are special obligations of the City, secured solely by the pledge of net revenue of the City's Enterprise Funds. Pursuant to the bond and related agreements, the City has made certain covenants which provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 1.25 for parity indebtedness and 1.00 for parity and subordinated indebtedness. In addition, rates must be set at levels to provide for the payment of current expenses and to provide deposits to meet certain trust fund requirements associated with the Bond agreements. The City has complied with these bond covenants for the year ended June 30, 2004.

#### Notes Payable

Notes payable include obligations of the City for various water and sewer fund improvements. These unsecured obligations are for varying annual installments with interest ranging from 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
2005	\$ 561,669	\$ 140,388	\$ 702,057
2006	562,521	122,222	684,743
2007	563,415	103,994	667,409
2008	544,353	94,641	638,994
2009	375,866	68,387	444,253
2010 - 2014	1,291,554	184,355	1,475,909
2015 - 2019	409,893	76,322	486,215
2020 - 2023	327,914	21,806	349,720
Total	<u>\$ 4,637,185</u>	<u>\$ 812,115</u>	<u>\$ 5,449,300</u>

## City of Kinston, North Carolina

### Notes to Financial Statements

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

##### Installment Contracts

The City has entered into a loan agreement 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,	General Long-Term Debt Account Group			Enterprise Fund			Total	
	Principal	Interest	Principal	Interest	Principal	Interest		
2005	\$ 565,844	\$ 172,137	\$ 432,302	\$ 69,452	\$ 998,146	\$ 241,589		
2006	571,883	149,574	407,824	56,301	979,707	205,875		
2007	579,370	124,969	417,380	38,717	996,750	163,686		
2008	428,954	102,597	318,037	28,754	746,991	131,351		
2009	428,953	84,797	325,247	18,034	754,200	102,831		
2010 - 2014	799,655	247,253	176,042	7,869	975,697	255,122		
2015 - 2018	482,759	54,552	-	-	482,759	54,552		
Total	\$ 3,857,418	\$ 935,879	\$ 2,076,832	\$ 219,127	\$ 5,934,250	\$ 1,155,006		

Installment contracts of the general long-term debt account group will be repaid from the General Fund. Of the Enterprise Fund installment contracts, \$1,084,921 will be repaid from the Water and Sewer Fund.

##### 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, 2004, the legal debt limit for the City was \$92,299,722 providing a legal debt margin of \$88,442,304.

At June 30, 2004, the City has no authorized bonds remaining to be issued.

## City of Kinston, North Carolina

### Notes to Financial Statements

#### Note 8. Deferred/Unearned Revenue

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

	Deferred Revenue	Unearned Revenue
<b>General Fund</b>		
Prepaid property taxes not yet earned	\$ -	\$ 62,417
Property taxes receivable	596,769	-
Property taxes receivable, automobiles	117,054	-
Paving assessments receivable	139,497	-
Other prepaids	-	5,059
	<b>\$ 853,320</b>	<b>\$ 67,476</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 benefits pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article of G.S. Chapter assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.43% 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, 2004, 2003, and 2002 were \$638,245, \$675,328, 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 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.

## City of Kinston, North Carolina

### Notes to Financial Statements

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

*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, 2004 were \$183,103, which consisted of \$143,209 from the City and \$39,894 from the law enforcement officers.

#### Law Enforcement Officer's Special Separation Allowance

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

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	72
Total	74

A separate financial report was not issued for the plan.

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

The annual required contribution for the current year was determined as part of the December 31, 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.

## City of Kinston, North Carolina

### Notes to Financial Statements

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

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

Annual required contribution	\$ 91,650
Interest on net pension obligation	19,875
Adjustment to annual required contribution	(15,040)
Annual pension cost	96,485
Contributions made	9,049
Increase (decrease) in net pension obligation	87,436
Net pension obligation beginning of year	274,134
Net pension obligation end of year	<u>\$ 361,570</u>

Fiscal Year Ended June 30,	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 76,541	24.84%	\$ 191,126
2003	91,551	9.33%	274,134
2004	96,485	9.38%	361,570

## City of Kinston, North Carolina

### Notes to Financial Statements

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

##### Separation Allowance Plan

*Plan Description.* The City of Kinston administers a public employees retirement system (the "Separation Allowance"), a single-employer closed defined benefit pension plan that provides retirement benefits to the city employees hired before May 21, 1984. The monthly plan benefits are a percentage (from the table below) of pay at retirement less the sum of monthly benefits received from Social Security, the North Carolina Local Governmental Employees' Retirement System, and the North Carolina Law Enforcement Officers Separation Allowance Plan. No stand-alone report is issued for this 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, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	45
Total	63

A separate financial report was not issued for the plan.

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

## City of Kinston, North Carolina

### Notes to 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	\$ 98,878
Interest on net pension obligation	15,968
Adjustment to annual required contribution	(44,949)
Annual pension cost	<u>69,897</u>
Contributions made	(79,838)
Increase (decrease) in net pension obligation	(9,941)
Net pension obligation beginning of year	220,251
Net pension obligation end of year	<u>\$ 210,310</u>

Fiscal Year Ended June 30,	Trend Information			
	Annual Pension Cost (APC)	APC Contributed	Percentage of APC	Net Pension Obligation
2002	\$ 86,425	76.60	%	\$ 249,506
2003	66,639	102.40		220,251
2004	69,897	114.20		210,310

#### 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. There is a loan provision allowing participants to borrow from their account. Contributions for the year ended June 30, 2003 were \$303,807, which consisted of \$150,645 from the City and \$153,162 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 Financial Statements**

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

##### **Other Post-Employment Benefits**

###### **Health Care Benefits**

In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement health care benefits to retirees of the City who participate in the North Carolina Local Government Employees' Retirement System (NCLGERS) and have at least twenty (20) years of creditable service under the NCLGERS, provided that 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 year plan.

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 2004 those costs totaled \$94,883. 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. 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 \$20,000. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. 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 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, 2004, the City made contributions to the state for death benefits of \$16,972. The contributions to the Death Trust Plan 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 excess of \$250,000 and in aggregate in excess of \$2,000,000. A total of \$78,739 in claims was incurred for benefits during fiscal year 2004.

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

### **Notes to Financial Statements**

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

##### **Claims Liability**

	<b>2004</b>	<b>2003</b>
Unpaid claims, beginning of fiscal year	\$ 243,652	\$ 231,299
Incurred claims (including claims incurred but not reported as of June 30, 2003)	343,812	204,065
Payments and reduction in claims estimates	(303,460)	(191,712)
Unpaid claims, end of fiscal year	<b>\$ 284,004</b>	<b>\$ 243,652</b>

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

##### **Claims and Judgments**

At June 30, 2004, 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 Financial Statements**

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#### **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.

#### **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 \$6,457 to the Council during the fiscal year ended June 30, 2004.

##### **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, 2004 were \$33,854,524.

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

### **Notes to Financial Statements**

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

##### **Lenoir County Development Commission**

The City, in conjunction with Lenoir County, established the Lenoir County Development Commission. The participating governments established the Commission to coordinate economic development activities within the county. The City appoints five members of the fourteen-member board of directors. The City provided no funding to the Commission during the year ended June 30, 2004.

##### **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 \$141,334 of funding for the Authority for the year ended June 30, 2004.

#### **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, 2004. During the year ended June 30, 2004, the City provided \$210,700 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 Financial Statements

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2004 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 Insurance Recoveries*.

GASB Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Additionally, the Government Accounting Standards Board issued a Statement Number 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3* and 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").



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## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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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**

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

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Accrued Liability			UAAL as a Percent of Covered Payroll		
	Actuarial Value of Assets	(AAL)- Projected Unit Credit	Unfunded (AAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
	(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%

**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

**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	
	Actuarial Value of Assets ( a )	( a )	Projected Unit Credit ( b )	( AAL )- ( AAL )	( 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%		

**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%

**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**

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

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## **GENERAL FUND**

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**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.**

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

**Comparative Balance Sheet**  
**June 30, 2004 and 2003**

<b>Assets</b>		<b>2004</b>	<b>2003</b>
Cash and investments		\$ 3,306,187	\$ 3,835,651
Receivables:			
Due from other funds			532,867
Due from governmental agencies		922,331	1,035,290
Accounts receivable		359,672	355,640
Taxes receivable		713,823	899,204
Customer receivables, net			288,898
Inventories		79,603	177,372
<b>Total assets</b>		<b>\$ 5,381,616</b>	<b>\$ 7,124,922</b>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable and accrued liabilities		\$ 517,854	\$ 789,002
Unearned revenue		67,476	142,440
Deferred revenue		853,320	1,673,392
<b>Total liabilities</b>		<b>1,438,650</b>	<b>2,604,834</b>
Fund Balance:			
Reserved for Powell Bill		364,975	213,624
Reserved for inventories		79,603	177,372
Reserved by State statute		1,142,506	1,438,507
Reserved for encumbrances		191,859	128,228
Unreserved:			
Designated for subsequent year's expenditures			200,000
Undesignated		2,164,023	2,362,357
<b>Total fund balance</b>		<b>3,942,966</b>	<b>4,520,088</b>
<b>Total liabilities and fund balance</b>		<b>\$ 5,381,616</b>	<b>\$ 7,124,922</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, 2004**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 1 of 4)**

	2004			2003
	Budget	Actual	Variance, Positive (Negative)	Actual
<b>Revenue:</b>				
Ad valorem taxes:				
Taxes	\$ 7,278,284	\$ 7,047,153	\$ (231,131)	\$ 6,790,634
Penalties and interest	65,500	68,800	3,300	80,312
<b>Total ad valorem taxes</b>	<b>7,343,784</b>	<b>7,115,953</b>	<b>(227,831)</b>	<b>6,870,946</b>
Sales and services:				
Garbage collections	18,600	277,015	258,415	2,313,385
Rents, concessions and fees	293,621	287,007	(6,614)	363,192
Inspection fees	130,000	100,804	(29,196)	109,257
Cemetery fees	169,700	139,695	(30,005)	167,810
Cable franchise	161,000	223,335	62,335	116,102
Legal Services	124,000	22,000	(102,000)	385,930
Lenoir County participation:				
Recreation	505,903	498,070	(7,833)	481,800
<b>Total sales and services</b>	<b>1,402,824</b>	<b>1,547,926</b>	<b>145,102</b>	<b>3,937,476</b>
Other taxes and licenses:				
Local government sales tax	2,786,794	3,033,439	246,645	2,309,906
Franchise tax	1,336,464	1,302,531	(33,933)	1,327,824
Occupancy tax	135,000	148,933	13,933	145,193
Gross receipts tax	14,000	15,524	1,524	14,377
Licenses and permits	71,000	68,415	(2,585)	74,318
<b>Total other taxes and licenses</b>	<b>4,343,258</b>	<b>4,568,842</b>	<b>225,584</b>	<b>3,871,618</b>
Unrestricted intergovernmental revenue:				
Payments in lieu of taxes	285,427	58,706	(226,721)	240,135
Beer and wine	112,564	100,226	(12,338)	99,395.00
ABC revenue	4,400	354	(4,046)	4,007
<b>Total unrestricted intergovernmental revenue</b>	<b>402,391</b>	<b>159,286</b>	<b>(243,105)</b>	<b>343,537</b>
Restricted intergovernmental revenue:				
Powell Bill allocations	681,073	678,809	(2,264)	750,508
NC Health and Sanitation	11,600	6,380	(5,220)	9,001
School Resource Officer	55,000	70,582	15,582	64,498
NC Dept of Transportation	348,523	-	(348,523)	9,618
Victims advocate grant	124,000	116,500	(7,500)	-
Federal grants, miscellaneous	30,500	38,874	8,374	-
Court allocation	1,600	2,521	921	-
Forfeited drug proceeds	10,000	8,908	(1,092)	-
<b>Total restricted intergovernmental revenue</b>	<b>1,262,296</b>	<b>922,574</b>	<b>(339,722)</b>	<b>833,625</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, 2004**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 2 of 4)**

	2004			2003	
			Variance, Positive		Actual
	Budget	Actual	(Negative)		
Other revenue:					
Investment income	\$ 29,000	\$ 21,851	\$ (7,149)	\$ 28,451	
Sales of surplus materials and assets	79,500	50,829	(28,671)	78,879	
Miscellaneous	176,508	98,515	(77,993)	87,690	
<b>Total other revenue</b>	<b>285,008</b>	<b>171,195</b>	<b>(113,813)</b>	<b>195,020</b>	
<b>Total revenue</b>	<b>15,039,561</b>	<b>14,485,776</b>	<b>(553,785)</b>	<b>16,052,222</b>	
Expenditures:					
General Government:					
Governing body:					
Salaries and benefits		349,590		325,010	
Operating		106,306		332,385	
<b>Total governing body</b>	<b>478,420</b>	<b>455,896</b>	<b>22,524</b>	<b>657,395</b>	
Executive:					
Salaries and benefits		500,645		599,148	
Operating		189,337		158,235	
Capital outlay		8,999		145,426	
<b>Total executive</b>	<b>720,742</b>	<b>698,981</b>	<b>21,761</b>	<b>902,809</b>	
Finance:					
Salaries and benefits		427,328		437,210	
Operating		254,910		191,878	
Capital outlay		1,211		-	
<b>Total finance</b>	<b>721,189</b>	<b>683,449</b>	<b>37,740</b>	<b>629,088</b>	
Human Resources:					
Salaries and benefits		283,766		322,454	
Operating		172,122		110,027	
<b>Total human resources</b>	<b>519,661</b>	<b>455,888</b>	<b>63,773</b>	<b>432,481</b>	
Engineering and public facilities:					
Salaries and benefits		542,232		638,224	
Operating		346,480		364,742	
Capital outlay		428		534.00	
Less: interdepartmental charges		(384,995)		-	
<b>Total engineering and public facilities</b>	<b>613,880</b>	<b>504,145</b>	<b>109,735</b>	<b>1,003,500</b>	
Indirect costs reimbursement	(906,944)	(906,947)	3	(2,246,200)	
<b>Total general government</b>	<b>2,146,948</b>	<b>1,891,412</b>	<b>255,536</b>	<b>1,379,073</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, 2004**

**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 3 of 4)**

	2004	Variance, Positive (Negative)	2003
	Budget	Actual	Actual
<b>Public safety:</b>			
Police and fire administration:			
Salaries and benefits	\$	\$	\$
Operating		167,659	
<b>Total police and fire</b>	<b>945,861</b>	<b>850,310</b>	<b>95,551</b>
Police:			
Salaries and benefits		3,459,296	3,820,870
Operating		490,550	421,701
Capital outlay		899,046	10,317
<b>Total police</b>	<b>4,866,797</b>	<b>4,848,892</b>	<b>17,905</b>
Fire:			
Salaries and benefits		2,472,619	2,798,554
Operating		320,174	310,672
Capital outlay		16,340	111,742
<b>Total fire</b>	<b>2,948,277</b>	<b>2,809,133</b>	<b>139,144</b>
<b>Total public safety</b>	<b>8,760,935</b>	<b>8,508,335</b>	<b>252,600</b>
<b>Public works:</b>			
Salaries and benefits		863,015	2,626,833
Operating		820,447	2,083,548
Capital outlay		81,960	199,490
Less: interdepartmental charges			(341,051)
<b>Total public works</b>	<b>2,042,857</b>	<b>1,765,422</b>	<b>277,435</b>
<b>Parks and recreation:</b>			
Salaries and benefits		1,661,889	1,533,398
Operating		1,289,857	975,811
Capital outlay		10,288	14,753
<b>Total parks and recreation</b>	<b>2,990,359</b>	<b>2,962,034</b>	<b>28,325</b>
<b>Community development:</b>			
Inspections and code enforcement:			
Salaries and benefits		304,166	276,761
Operating		84,164	46,254
Capital outlay		7,899	
<b>Total inspections and code enforcement</b>	<b>478,988</b>	<b>396,229</b>	<b>82,759</b>
			323,015

**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, 2004  
With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 4 of 4)**

	2004		2003	
			Variance, Positive (Negative)	Actual
	Budget	Actual		
Economic development:				
Operating	\$ 860,975	\$ 872,433	\$ (11,458)	\$ 560,238
Total economic development				
Total community development	1,339,963	1,268,662	71,301	883,253
Total expenditures	17,281,062	16,395,865	885,197	16,828,964
Revenue under expenditures	(2,241,501)	(1,910,091)	331,410	(776,742)
Other financing sources (uses):				
Appropriated fund balance	934,008	-	(934,008)	-
Operating transfers in	957,000	957,000	-	955,000
Operating transfers out	(600,307)	(529,145)	71,162	(171,767)
Proceeds from borrowing	950,800	905,114	(45,686)	
Total other financing sources	2,241,501	1,332,969	(908,532)	783,233
Revenue and other financing sources under expenditures	\$ -	(577,122)	\$ (577,122)	6,491
Fund balance, beginning		4,520,088		4,513,597
Fund balance, ending		\$ 3,942,966		\$ 4,520,088



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## **ELECTRIC FUND**

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

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**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, 2004**

**(Page 1 of 2)**

	<b>2004</b>		<b>Variance, Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Operating revenue:</b>			
Charges for services, electricity sales	\$ 39,767,192	\$ 39,028,954	\$ (738,238)
Other	321,500	265,151	(56,349)
<b>Total operating revenue</b>	<b>40,088,692</b>	<b>39,294,105</b>	<b>(794,587)</b>
<b>Non operating revenue:</b>			
Interest earned on investments	10,000	9,280	(720)
<b>Total revenue</b>	<b>40,098,692</b>	<b>39,303,385</b>	<b>(795,307)</b>
<b>Expenditures:</b>			
Administration:			
Salaries and benefits			-
Operating			-
Capital outlay			-
Other indirect costs			-
<b>Electrical operations:</b>			
Salaries and benefits		1,076,463	
Operating		1,882,585	
Purchased Power		33,710,865	
Indirect costs		1,067,320	
Capital outlay		313,791	
<b>Total expenditures</b>	<b>39,197,053</b>	<b>38,051,024</b>	<b>1,146,029</b>
<b>Revenue over expenditures</b>	<b>901,639</b>	<b>1,252,361</b>	<b>350,722</b>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	18,727	-	18,727
Contingency	(7,566)	-	(7,566)
Debt issued	80,000	77,401	2,599
Transfers in	55,100	55,041	59
Transfers out	(1,047,900)	(1,033,154)	(14,746)
<b>Total other financing uses</b>	<b>(901,639)</b>	<b>(900,712)</b>	<b>927</b>
<b>Revenue and other sources under expenditures and other uses</b>	<b>\$ -</b>	<b>\$ 351,649</b>	<b>\$ 351,649</b>

**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, 2004**

**(Page 2 of 2)**

	<b>2004</b>		<b>Variance, Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures and other uses	\$ 351,649		
Transfers in	(55,041)		
Transfers out	1,033,154		
Debtor issued	(77,401)		
Capital outlay	313,791		
Payment of debt principal	555,000		
Depreciation	(1,017,906)		
Amortization of debt fees	(17,458)		
Increase (decrease) in accrued unbilled electricity sales	(34,558)		
Capital contributions	-		
Bad debt expense	(143,659)		
Decrease in interest accrual	436		
 <b>Income before operating transfers, accrual basis</b>	 <b>\$ 908,007</b>		

**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, 2004**

	<b>Project Authorization</b>	<b>Actual</b>			
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>	
<b>Expenditures:</b>					
Copper wire replacement	\$ 64,900	\$ -	\$ -	\$ -	
<b>Other financing sources:</b>					
Revenue bond proceeds	64,900	-	-	-	
<b>Total other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	



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## **WATER FUND**

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**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.**

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**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, 2004**

**(Page 1 of 2)**

	<b>2004</b>		<b>Variance, Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Operating revenue:</b>			
Charges for services:			
Water sales	\$ 3,437,300	\$ 3,338,187	\$ (99,113)
Other	83,300	73,837	(9,463)
<b>Total operating revenue</b>	<b>3,520,600</b>	<b>3,412,024</b>	<b>(108,576)</b>
<b>Nonoperating revenue:</b>			
Interest earned on investments	4,200	6,106	1,906
<b>Total nonoperating revenue</b>	<b>4,200</b>	<b>6,106</b>	<b>1,906</b>
<b>Total revenue</b>	<b>3,524,800</b>	<b>3,418,130</b>	<b>(106,670)</b>
<b>Expenditures:</b>			
Water production:			
Salaries and benefits	262,100		
Operating	427,098		
Capital outlay	84,991		
Indirect costs	447,947		
	<b>1,497,511</b>	<b>1,222,136</b>	<b>275,375</b>
Water operations:			
Salaries and benefits	618,637		
Operating	813,975		
Capital outlay	84,991		
Indirect costs	447,947		
	<b>1,991,894</b>	<b>1,965,550</b>	<b>26,344</b>
<b>Total expenditures</b>	<b>3,489,405</b>	<b>3,187,686</b>	<b>301,719</b>
<b>Revenue over (under) expenditures</b>	<b>35,395</b>	<b>230,444</b>	<b>195,049</b>
<b>Other financing sources (uses):</b>			
Appropriated fund balance	9,668,108	-	(9,668,108)
Debt issued	100,000	96,751	(3,249)
Operating transfers out - capital reserve	(289,803)	(289,803)	-
Operating transfers out - other funds	(9,513,700)	(9,506,224)	7,476
<b>Total other financing sources (uses)</b>	<b>(35,395)</b>	<b>(9,699,276)</b>	<b>(9,663,881)</b>
<b>Revenue and other sources under expenditures</b>	<b>\$ -</b>	<b>\$ (9,468,832)</b>	<b>\$ (9,468,832)</b>

**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, 2004**

**(Page 2 of 2)**

	<b>2004</b>		<b>Variance, Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures	\$ (9,468,832)		
Transfers	9,796,027		
Capital outlay	169,982		
Payment of debt principal	236,824		
Debt issued	(96,751)		
Depreciation	(450,815)		
Amortization of debt fees	(6,888)		
Increase in accrued unbilled water sales	14,642		
Bad debt expense	(19,151)		
Decrease in interest accrual	<u>28,948</u>		
<b>Income before operating transfers accrual basis</b>	<b>\$ 203,986</b>		

**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, 2004**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
<b>Expenditures:</b>				
FY 99/00 Capital Projects	\$ 2,411,500	\$ 447,807	\$ -	\$ 447,807
FY 02/05 Capital Projects	<u>235,155</u>	<u>84,155</u>	<u>145,454</u>	<u>229,609</u>
<b>Total expenditures</b>	<b><u>2,646,655</u></b>	<b><u>531,962</u></b>	<b><u>145,454</u></b>	<b><u>677,416</u></b>
<b>Other Financing Sources:</b>				
Debt issued	2,217,000	-	-	-
Transfers in	<u>429,655</u>	<u>278,655</u>	<u>5,932</u>	<u>284,587</u>
<b>Total other financing sources</b>	<b><u>2,646,655</u></b>	<b><u>278,655</u></b>	<b><u>5,932</u></b>	<b><u>284,587</u></b>
<b>Total other financing sources under expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ (253,307)</u></b>	<b><u>\$ (139,522)</u></b>	<b><u>\$ (392,829)</u></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, 2004**

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year		
<b>Other financing sources (uses):</b>					
Transfers out	\$ (947,628)	\$ (510,000)	\$ (65,932)	\$ (575,932)	
Transfers in	<u>947,628</u>	<u>657,825</u>	<u>289,803</u>	<u>947,628</u>	
<b>Total other financing sources</b>	<u>-</u>	<u>147,825</u>	<u>223,871</u>	<u>371,696</u>	
<b>Total revenue and other financing sources over other financing uses</b>	<u>\$ -</u>	<u>\$ 147,825</u>	<u>\$ 223,871</u>	<u>\$ 371,696</u>	

## **WASTEWATER FUND**

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**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.**

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**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, 2004**

**(Page 1 of 2)**

	<b>2004</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance, Positive (Negative)</b>
Operating revenue:			
Charges for services:			
Sewer charges	\$ 4,333,054	\$ 4,169,425	\$ (163,629)
Other	7,900	4,558	(3,342)
<b>Total operating revenue</b>	<b>4,340,954</b>	<b>4,173,983</b>	<b>(166,971)</b>
Nonoperating revenue:			
Interest earned on investments	6,700	1,014	(5,686)
<b>Total nonoperating revenue</b>	<b>6,700</b>	<b>1,014</b>	<b>(5,686)</b>
<b>Total revenue</b>	<b>4,347,654</b>	<b>4,174,997</b>	<b>(172,657)</b>
Expenditures:			
Wastewater collections:			
Salaries and benefits		242,916	
Operating		169,303	
Capital outlay		56,720	
Indirect costs		459,861	
<b>Total wastewater collections</b>	<b>1,130,681</b>	<b>928,800</b>	<b>201,881</b>
Wastewater plant operations:			
Salaries and benefits		628,181	
Operating		1,954,298	
Capital outlay		23,703	
Indirect costs		459,861	
<b>Total wastewater plant operations</b>	<b>3,300,159</b>	<b>3,066,043</b>	<b>234,116</b>
<b>Total expenditures</b>	<b>4,430,840</b>	<b>3,994,843</b>	<b>435,997</b>
<b>Revenue over (under) expenditures</b>	<b>(83,186)</b>	<b>180,154</b>	<b>263,340</b>
Other financing sources (uses):			
Appropriated fund balance	76,900	-	(76,900)
Contingency expense	(9,616,812)	-	9,616,812
Debt issue	100,000	96,752	(3,248)
Transfers in - capital projects	126,812	126,787	(25)
Transfers in - water fund	9,495,700	9,495,218	(482)
Transfers out	(99,414)	(62,808)	36,606
<b>Total other financing sources (uses)</b>	<b>83,186</b>	<b>9,655,949</b>	<b>9,572,763</b>
<b>Revenue and other sources under expenditures</b>	<b>\$ -</b>	<b>\$ 9,836,103</b>	<b>\$ 9,836,103</b>

**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, 2004**

**(Page 2 of 2)**

	<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		\$ 9,836,103		
Transfers in - other funds		(9,495,218)		
Transfers in - sewer capital projects		(126,787)		
Transfers out		62,808		
Loan origination fees		23,305		
Capital outlay		80,423		
Payment of debt principal		819,448		
Debt issued		(96,752)		
Depreciation		(1,015,053)		
Amortization of debt fees		(7,064)		
Capital contributions		3,881,109		
Donated assets		73,694		
Repairs and maintenance expense from capital project fund		(280,712)		
Increase in accrued unbilled sewer sales		15,421		
Bad debt expense		(24,514)		
Increase in interest accrual		<u>(14,866)</u>		
 <b>Income before operating transfers, accrual basis</b>		 <b>\$ 3,731,345</b>		

**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, 2004**

	<b>Project Authorization</b>			<b>Actual</b>
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total To Date</b>
<b>Expenditures:</b>				
Northside WWTP Expansion	\$ 53,663,000	\$ 2,844,244	\$ 2,199,883	\$ 5,044,127
FY 98/99 Capital Projects	6,445,922	6,354,426	91,496	6,445,922
FY 99/00 Capital Projects	11,688,000	4,868,654	3,844,336	8,712,990
FY 02/05 Capital Projects	653,574	580,574	261	580,835
GTP Cargo Facility	<u>536,332</u>	<u>536,332</u>	-	<u>536,332</u>
<b>Total expenditures</b>	<b><u>72,986,828</u></b>	<b><u>15,184,230</u></b>	<b><u>6,135,976</u></b>	<b><u>21,320,206</u></b>
<b>Other financing sources:</b>				
Federal and/or State grants	45,855,718	6,960,714	3,881,134	10,841,848
Proceeds from borrowings	23,506,000	2,774,609	2,940,966	5,715,575
County participation	896,949	893,148	(25)	893,123
Transfers in	2,854,948	2,039,428	60,000	2,099,428
Transfers out	<u>(126,787)</u>	-	<u>(126,787)</u>	<u>(126,787)</u>
<b>Total other financing sources</b>	<b><u>72,986,828</u></b>	<b><u>12,667,899</u></b>	<b><u>6,755,288</u></b>	<b><u>19,423,187</u></b>
<b>Total other financing sources under expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ (2,516,331)</u></b>	<b><u>\$ 619,312</u></b>	<b><u>\$ (1,897,019)</u></b>



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## **NON-MAJOR FUND TYPES**

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**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** – Only the Capital Reserve Fund has a balance sheet for 2004 which is presented in this section. The combining Statement of Revenue, Expenditures and Changes in Fund Balances and 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

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**City of Kinston, North Carolina**

**Combined Balance Sheet - Nonmajor Fund Types**  
**June 30, 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>Reserve</b>	<b>Perpetual Care</b>		<b>Governmental</b>
	<b>Funds</b>	<b>Fund</b>	<b>Fund</b>		<b>Funds</b>
<b>Assets:</b>					
Cash and investments	\$ 254,945	\$ 190,656	\$ 75,909	\$ 521,510	
Due from governmental agencies	183,409	-	-	183,409	
Receivables, net	65,823	-	-	65,823	
Due from other funds	-	117,255	-	117,255	
<b>Total assets</b>	<b>\$ 504,177</b>	<b>\$ 307,911</b>	<b>\$ 75,909</b>	<b>\$ 887,997</b>	
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 5,269	\$ -	\$ -	\$ 5,269	
Due to other funds	117,255	-	-	117,255	
Deferred revenue	-	-	-	-	
<b>Total liabilities</b>	<b>122,524</b>	<b>-</b>	<b>-</b>	<b>122,524</b>	
<b>Fund balances:</b>					
Reserved by State statute	244,764	-	-	244,764	
Unreserved, undesignated	136,889	307,911	75,909	520,709	
<b>Total fund balance</b>	<b>381,653</b>	<b>307,911</b>	<b>75,909</b>	<b>765,473</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 504,177</b>	<b>\$ 307,911</b>	<b>\$ 75,909</b>	<b>\$ 887,997</b>	

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

Due from other funds from above	\$ 117,255	Due to other funds from above	\$ 117,255
Less amounts between non-major funds	(117,255)	Less amounts between non-major funds	(117,255)
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, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total Nonmajor Governmental Funds
<b>Revenue</b>				
Intergovernmental revenue	\$ 2,027,896	\$ -	\$ -	\$ 2,027,896
Miscellaneous income	(1,684)	-	-	(1,684)
Sale of property	19,030	14,000	-	33,030
Interest	873	2,273	219	3,365
<b>Total revenue</b>	<b>2,046,115</b>	<b>16,273</b>	<b>219</b>	<b>2,062,607</b>
<b>Expenditures</b>				
Current:				
Public safety	569,839	-	-	569,839
Planning and community development	1,513,021	5,348	-	1,518,369
Culture and recreation	-	10,921	-	10,921
<b>Total expenditures</b>	<b>2,082,860</b>	<b>16,269</b>	<b>-</b>	<b>2,099,129</b>
<b>Revenue under expenditures</b>	<b>(36,745)</b>	<b>4</b>	<b>219</b>	<b>(36,522)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,292,750	-	-	1,292,750
Transfers out	(886,013)	(374,941)	-	(1,260,954)
<b>Total other financing sources (uses)</b>	<b>406,737</b>	<b>(374,941)</b>	<b>-</b>	<b>31,796</b>
<b>Net change in fund balance</b>	<b>369,992</b>	<b>(374,937)</b>	<b>219</b>	<b>(4,726)</b>
<b>Fund Balances, beginning</b>	<b>11,661</b>	<b>682,848</b>	<b>75,690</b>	<b>770,199</b>
<b>Fund Balances, ending</b>	<b>\$ 381,653</b>	<b>\$ 307,911</b>	<b>\$ 75,909</b>	<b>\$ 765,473</b>

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

Transfer in from above	\$ 1,292,750	Transfers out from above	\$ 1,260,954
Less transfers between nonmajor funds	(1,260,954)	Less transfers between nonmajor funds	(1,260,954)
Net transfers in	<b>\$ 31,796</b>	Net transfers out	<b>\$ -</b>

## NON-MAJOR SPECIAL REVENUE FUNDS

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

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

**Disaster Recovery Project Fund** - This fund is used to account for federal grant monies received from Federal Emergency Management Agency for recovery assistance after hurricane Floyd in 1999.

**FEMA – HMGP Project** - This fund accounts for the Federal Emergency Management Agency hazard mitigation grant program for the acquisition of property in the flood plain.

**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.

**FEMA – HMGP Fran Phase II** – This fund accounts for the Federal Emergency Management Agency's Hazard Mitigation Grant Program Buy-Out Project for the acquisition and demolition of property in the flood plain

**FEMA – HMGP Fran Phase III** – This fund accounts for the Federal Emergency Management Agency's Hazard Mitigation Grant Program Buy-Out Project funded by FEMA for the acquisition and demolition of property in the flood plain

**FEMA Demolition Project I** – This fund accounts for the demolition of 36 houses acquired through the Fran-HMGP Buy-Out Project funded by FEMA Public Assistance.

**FEMA Demolition Project II** - This fund accounts for the demolition of 85 houses acquired through the Fran-HMGP Buy-Out Project funded by FEMA Public Assistance.

**FEMA – HMGP Floyd Phase I** – This fund accounts for the Federal Emergency Management Agency's Hazard Mitigation Grant Program Buy-Out Project for the acquisition and demolition of 100 properties in the flood plain

**FEMA-HMGP-Floyd Phase 1B** – This fund accounts for the Floyd Recovery Program funded by FEMA to acquire approximately 113 flooded housing units.

**FEMA – HMGP – Floyd Phase 1C** – This fund accounts for the Floyd Recovery Program funded by FEMA to acquire approximately 39 flooded housing units.

**FEMA – HMGP – Floyd Phase II** – This fund accounts for the Floyd Recovery Program funded by FEMA to acquire approximately 3 flooded housing units.

**FEMA-Demolition Project IV** – This fund accounts for the Floyd Recovery Program funded by FEMA to acquire approximately 320 flooded housing units.

**Bonnie Disaster Recovery** – This fund accounts for the Bonnie Recovery Program funded by HUD and administered by the NC Dept. of Commerce (DCA). The grant was awarded to acquire and relocate approximately 7 flooded housing units.

## NON-MAJOR SPECIAL REVENUE FUNDS

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**Local Law Enforcement Block Grant 2000** - 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.

**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.

**FEMA-Floyd 1B Demolition Project** - This fund accounts for the demolition of houses acquired through the Floyd-HMGP Buy-Out Project funded by FEMA Public Assistance.

**FEMA-Floyd 1C Demolition Project** - This fund accounts for the demolition of houses acquired through the Floyd-HMGP Buy-Out Project funded by FEMA Public Assistance.

**FEMA-Floyd IIA Demolition Project** - This fund accounts for the demolition of houses acquired through the Floyd-HMGP Buy-Out Project funded by FEMA Public Assistance.

**FEMA-Floyd III Demolition Project** - This fund accounts for the demolition of houses acquired through the Floyd-HMGP Buy-Out Project funded by FEMA Public Assistance.

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

**FEMA Floyd Phase III** - This fund accounts for the Floyd Recovery program funded by FEMA Public Assistance.

**FEMA Floyd Phase IV Revisions** - This fund accounts for the Federal Emergency Management Agency's Hazard Mitigation Grant Program Buy-Out Project funded by FEMA for the acquisition and demolition of property in the flood plain not covered by other portions of the grants program.

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

**Local Law Enforcement Block Grant 2001** - 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.

**Local Law Enforcement Block Grant 2002** - 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.

**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.

## NON-MAJOR SPECIAL REVENUE FUNDS

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**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.

**2003 GCC Computers on Patrol Fund** - This fund accounts for a 2003 Governor's Crime Commission grant fund for the purchase of equipment for the police department.

**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.



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

**Combining Balance Sheets  
June 30, 2004  
With Comparative Totals for June 30, 2003**

**(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	\$ 213,536	\$ 26,826	\$ 5,444	\$ -	\$ -
Due from other funds	-	-	-	-	-
Due from government agencies	-	-	-	-	-
Accounts and loans receivable	<u>53,358</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 266,894</u></b>	<b><u>\$ 26,869</u></b>	<b><u>\$ 5,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Liabilities and Fund Balances (Deficits)</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 8,892	\$ 4,909
Accounts payable and accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,892</b>	<b>4,909</b>
<b>Fund Balances (Deficits)</b>					
Reserved by State statute	<u>53,358</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unreserved - undesignated	<u>213,536</u>	<u>26,826</u>	<u>5,444</u>	<u>(8,892)</u>	<u>(4,909)</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 266,894</u></b>	<b><u>\$ 26,869</u></b>	<b><u>\$ 5,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

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

**Combining Balance Sheets**

June 30, 2004

With Comparative Totals for June 30, 2003

**(Page 2 of 3)**

	<b>Oaks Apartments</b>	<b>FEMA Assistance to Firefighters</b>	<b>Single Family Rehabilitation</b>	<b>Hurricane Isabel</b>	<b>Flood Close Out</b>	<b>2003 GCC Computers on Patrol</b>
<b>Assets</b>						
Cash and investments	\$ 7,143	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	66,209	85,990
Due from government agencies	-	2,866	-	-	566	-
Accounts and loans receivable	-	-	-	-	-	4,468
<b>Total assets</b>	<b>\$ 7,143</b>	<b>\$ 2,866</b>	<b>\$ -</b>	<b>\$ 66,775</b>	<b>\$ 85,990</b>	<b>\$ 4,468</b>
<b>Liabilities and Fund Balances (Deficits)</b>						
<b>Liabilities</b>						
Due to other funds	\$ -	\$ 1,039	\$ 4,220	\$ 34,606	\$ 29,912	\$ 4,468
Accounts payable and accrued liabilities	-	869	90	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1,908</b>	<b>4,310</b>	<b>34,606</b>	<b>29,912</b>	<b>4,468</b>
<b>Fund Balances (Deficits)</b>						
Reserved by State statute	-	2,866	-	66,775	85,990	-
Unreserved - undesignated	7,143	(1,908)	(4,310)	(34,606)	(29,912)	-
	7,143	958	(4,310)	32,169	56,078	-
<b>Total liabilities and fund balances</b>	<b>\$ 7,143</b>	<b>\$ 2,866</b>	<b>\$ -</b>	<b>\$ 66,775</b>	<b>\$ 85,990</b>	<b>\$ 4,468</b>

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

**Combining Balance Sheets**

June 30, 2004

With Comparative Totals for June 30, 2003

(Page 3 of 3)

	2003 LLEBG	2004 GHSP	<b>Totals</b>	
			2004	2003
<b>Assets</b>				
Cash and investments	\$ 1,996	\$ -	\$ 254,945	\$ 693,250
Due from other funds	-	31,210	183,409	2,004,320
Due from government agencies	-	2,234	65,823	1,164,853
Accounts receivable	<u>2,288</u>	<u>33,444</u>	<u>\$ 504,177</u>	<u>\$ 3,862,423</u>
<b>Total assets</b>	<b>\$ 4,284</b>	<b>\$ 33,444</b>		
<b>Liabilities and Fund Balances (Deficits)</b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 29,209	\$ 117,255	\$ 2,657,124
Accounts payable and accrued liabilities	1,675	2,635	5,269	86,935
Deferred revenue	-	-	-	1,106,703
<b>Total liabilities</b>	<b>1,675</b>	<b>31,844</b>	<b>122,524</b>	<b>3,850,762</b>
<b>Fund Balances (Deficits)</b>				
Reserved by State statute	2,288	33,444	244,764	2,755,719
Unreserved - undesignated	321	(31,844)	136,889	(2,744,058)
	<u>2,609</u>	<u>1,600</u>	<u>381,653</u>	<u>11,661</u>
<b>Total liabilities and fund balances</b>	<b>\$ 4,284</b>	<b>\$ 33,444</b>	<b>\$ 504,177</b>	<b>\$ 3,862,423</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, 2004  
With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 1 of 6)**

	Community Development Administration	Disaster Recovery Floyd	FEMA - HGMP	SARF - DCA	FEMA HMGP Fran II	FEMA HMGP Fran III	FEMA- Demo Proj I
<b>Revenue:</b>							
Restricted:							
Intergovernmental revenue	\$ -	\$ (1,684)	\$ (3)	\$ -	\$ 264	\$ -	\$ 328,622
Rent and program income							
Other:							
Sale of assets	19,030	-	-	-	-	-	-
Investment earnings	816	-	-	-	-	-	-
<b>Total revenue</b>	<b>18,162</b>	<b>(3)</b>		<b>264</b>		<b>328,622</b>	
 Expenditures:							
Planning and community development							
Administration	-	-	-	4,641	-	-	-
Rehabilitation of private properties	87,043	-	-	146,431	-	968,720	131
Public safety	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>87,043</b>			<b>151,072</b>		<b>968,720</b>	<b>131</b>
<b>Total revenue over (under) expenditures</b>	<b>(68,881)</b>	<b>(3)</b>		<b>(150,808)</b>		<b>(640,098)</b>	<b>(131)</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, 2004**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 2 of 6)**

	<b>FEMA- Demo Proj II</b>	<b>Floyd Phase I</b>	<b>Floyd Phase IB</b>	<b>Floyd Phase IC</b>	<b>Floyd Phase II</b>	<b>FEMA- Demo Proj IV</b>	<b>Bonnie Recovery</b>
<b>Revenue:</b>							
<b>Restricted:</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rent and program income							
Other:							
Sale of assets							
Investment earnings							
<b>Total revenue</b>						<b>26,649</b>	
<b>Expenditures:</b>							
Planning and community development							
Administration							
Rehabilitation of private properties							
Public safety							
Other services							
<b>Total expenditures</b>							
<b>Total revenue over (under) expenditures</b>						<b>26,649</b>	
<b>Other financing sources (uses):</b>							
Transfers in	9,593	244,585	39,956				3
Transfers out				(93,429)	(66,758)		(4,500)
<b>Total financing sources (uses)</b>	<b>9,593</b>	<b>244,585</b>	<b>39,956</b>	<b>(93,429)</b>	<b>(66,758)</b>	<b>3</b>	<b>(4,500)</b>
<b>Total revenue and other sources over (under) expenditures</b>	<b>9,593</b>	<b>244,585</b>	<b>39,956</b>	<b>(93,429)</b>	<b>(66,758)</b>	<b>26,652</b>	<b>(4,500)</b>
<b>Fund balances (deficits), beginning</b>							
<b>Fund balances (deficits), ending</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, 2004**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

(Page 3 of 6)

Revenue:	2000 LLEBG	Salvage Yard Buyout	State Tenant Relocation Assistance	Floyd 1B Demo Proj	Floyd 1C Demo Proj	Floyd IIA Demo Proj
Restricted:						
Intergovernmental revenue	\$ -	\$ 306,502	\$ 279,474	\$ 49,429	\$ 31,894	\$ -
Rent and program income						
Other:						
Sale of assets						
Investment earnings						
<b>Total revenue</b>	<b>-</b>	<b>306,502</b>	<b>279,474</b>	<b>49,429</b>	<b>31,894</b>	<b>-</b>

Expenditures:

Planning and community development						
Administration		39,534	-	-	-	
Rehabilitation of private properties		259,587	850	-	-	(1)
Public safety		-	-	-	-	
Other services		-	-	-	-	
<b>Total expenditures</b>	<b>-</b>	<b>299,121</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>(1)</b>

<b>Total revenue over (under)</b>	
<b>expenditures</b>	

Other financing sources (uses):

Transfers in	9	-	-	-	-	
Transfers out						
<b>Total financing sources (uses)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>(5,847)</b>	<b>-</b>	<b>(1)</b>
<b>Total revenue and other sources</b>	<b>9</b>	<b>7,381</b>	<b>278,624</b>	<b>43,582</b>	<b>31,894</b>	<b>-</b>
<b>over (under) expenditures</b>						
<b>Fund balances (deficits), beginning</b>	<b>(9)</b>	<b>(1,937)</b>	<b>(287,516)</b>	<b>(43,582)</b>	<b>(31,894)</b>	<b>-</b>
<b>Fund balances (deficits), ending</b>	<b>\$ -</b>	<b>\$ 5,444</b>	<b>\$ (8,892)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</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, 2004**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

(Page 4 of 6)

	CDBG	Micro	Floyd	Floyd	Oaks	2001	2002	
	Floyd III	Enterprise	Phase III	Phase IV	Revisions	Apartments	LLEBG	LLEBG
<b>Revenue:</b>								
Restricted:								
Intergovernmental revenue	\$ 235,764	\$ (617)	\$ -	\$ 109,986	\$ 9,375	\$ (3,469)	\$ -	\$ -
Rent and program income	-	-	-	-	-	-	-	-
Other:								
Sale of assets	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>235,764</b>	<b>(617)</b>		<b>109,986</b>	<b>9,375</b>	<b>(3,457)</b>	<b>31</b>	
<b>Expenditures:</b>								
Planning and community development								
Administration	-	2,500	-	-	-	1,488	-	-
Rehabilitation of private properties	-	(2,213)	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-	237
<b>Total expenditures</b>	<b>-</b>	<b>287</b>				<b>1,488</b>		<b>237</b>
<b>Total revenue over (under) expenditures</b>	<b>235,764</b>	<b>(904)</b>		<b>109,986</b>	<b>7,887</b>	<b>(3,457)</b>	<b>(206)</b>	
<b>Other financing sources (uses):</b>								
Transfers in	-	-	16,568	6,068	-	-	270	-
Transfers out	<b>(1,455)</b>	-	-	-	-	-	-	-
<b>Total financing sources (uses)</b>	<b>(1,455)</b>		<b>16,568</b>	<b>6,068</b>			<b>270</b>	
<b>Total revenue and other sources over (under) expenditures</b>								
Fund balances (deficits), beginning	234,309	(904)	16,568	116,054	7,887	(3,187)	(206)	
Fund balances (deficits), ending	<b>\$ (234,309)</b>	<b>(4,005)</b>	<b>(16,568)</b>	<b>(116,054)</b>	<b>(744)</b>	<b>3,187</b>	<b>206</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, 2004  
With Comparative Totals for the Fiscal Year Ended June 30, 2003**

(Page 5 of 6)

	FEMA Assistance to Firefighters	Single Family Rehabilitation	Hurricane Isabel	Flood Close Out	2003 GCC Computers on Patrol	2003 LLEBG	2004 GHSP
Revenue:							
Restricted:							
Intergovernmental revenue							
Rent and program income							
Other:							
Sale of assets							
Investment earnings							
<b>Total revenue</b>	<b>46,166</b>		<b>413,011</b>	<b>83,930</b>	<b>47,952</b>	<b>31,757</b>	<b>\$ 31,210</b>

## Expenditures:

Planning and community development				
Administration	4,310			
Rehabilitation of private properties				
Public safety	50,520	4,310	380,842	63,936
Other services				32,691
<b>Total expenditures</b>	<b>50,520</b>	<b>4,310</b>	<b>380,842</b>	<b>63,936</b>
<b>Total revenue over (under) expenditures</b>	<b>(4,354)</b>	<b>(4,310)</b>	<b>32,169</b>	<b>83,930</b>
				<b>(15,984)</b>
				<b>(920)</b>
				<b>(10,403)</b>

### Other financing sources (uses):

Transfers in	-	616,551	15,984	3,529	12,003
Transfers out	-	(644,403)	-	-	-
<b>Total financing sources (uses)</b>	<b>-</b>	<b>(27,852)</b>	<b>15,984</b>	<b>3,529</b>	<b>12,003</b>
<b>Total revenue and other sources over (under) expenditures</b>	<b>(4,354)</b>	<b>(4,310)</b>	<b>32,169</b>	<b>56,078</b>	<b>2,609</b>
					<b>1,600</b>

Fund balances (deficits), beginning	<b>5,312</b>						
Fund balances (deficit), ending	<b>958</b>	\$	<b>(4,310)</b>	\$	<b>32,169</b>	\$	<b>56,078</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, 2004**  
**With Comparative Totals for the Fiscal Year Ended June 30, 2003**

**(Page 6 of 6)**

	<b>Totals</b>	
	<b>2004</b>	<b>2003</b>
<b>Revenue:</b>		
<b>Restricted:</b>		
Intergovernmental revenue	\$ 2,027,896	\$ 8,616,776
Rent and program income	(1,684)	28,961
<b>Other:</b>		
Sale of assets	19,030	79,800
Investment earnings	873	1,865
<b>Total revenue</b>	<b>2,046,115</b>	<b>8,727,402</b>
<b>Expenditures:</b>		
Planning and community development:		
Administration	48,163	384,201
Rehabilitation of private properties	1,464,858	8,375,458
Public safety:		
Other services	569,839	174,980
<b>Total expenditures</b>	<b>2,082,860</b>	<b>8,934,639</b>
<b>Total revenue over (under) expenditures</b>	<b>(36,745)</b>	<b>(207,237)</b>
<b>Other financing sources (uses):</b>		
Transfers in	1,292,750	31,767
Transfers out	(886,013)	
<b>Total financing sources (uses)</b>	<b>406,737</b>	<b>31,767</b>
<b>Total revenue and other sources over (under) expenditures</b>	<b>369,992</b>	<b>(175,470)</b>
<b>Fund balances (deficits), beginning</b>	<b>11,661</b>	<b>187,131</b>
<b>Fund balances (deficit), ending</b>	<b>\$ 381,653</b>	<b>\$ 11,661</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, 2004**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
			<b>Positive</b>
			<b>(Negative)</b>
<b>Revenue:</b>			
Rent and program income	\$ 20,000	\$ (1,684)	\$ (21,684)
Sale of assets	-	19,030	19,030
Investment earnings	-	816	816
<b>Total revenue</b>	<b>20,000</b>	<b>18,162</b>	<b>(1,838)</b>
 <b>Expenditures:</b>			
Contract services	101,000	87,043	13,957
 <b>Total expenditures</b>	<b>101,000</b>	<b>87,043</b>	<b>13,957</b>
 <b>Total revenue under expenditures</b>	<b>(81,000)</b>	<b>(68,881)</b>	<b>12,119</b>
 <b>Other financing sources:</b>			
Appropriated fund balance	81,000	-	(81,000)
 <b>Total revenue and other financing sources under expenditures</b>	<b>\$ -</b>	<b>\$ (68,881)</b>	<b>\$ (68,881)</b>

**City of Kinston, North Carolina  
Grant Project Fund - Disaster Recovery Project Fund**

**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	\$ -	\$ 3,709,729	\$ 3,709,729
Other, insurance proceeds	(3)	234,565	234,568
<b>Total revenue</b>	<b>(3)</b>	<b>3,944,294</b>	<b>3,944,297</b>
<b>Expenditures:</b>			
Salaries and benefits	-	534,699	534,699
Contract services	-	3,673,732	3,673,735
<b>Total expenditures</b>	<b>-</b>	<b>4,208,431</b>	<b>4,208,434</b>
<b>Total revenue under expenditures</b>	<b>(3)</b>	<b>(264,137)</b>	<b>(264,137)</b>
<b>Other financing sources:</b>			
Transfers in	264,137	264,137	264,137
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ 264,134</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina  
Grant Project Fund - FEMA HMGP Project**

**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 Grant Project	\$ -	\$ 10,875,633	\$ 10,875,633
<b>Expenditures:</b>			
Administration	-	291,131	296,663
Acquisition, relocation, demolition of private properties	-	10,647,830	10,642,298
<b>Total expenditures</b>	-	<b>10,938,961</b>	<b>10,938,961</b>
<b>Total expenditures over revenue</b>	-	<b>(63,328)</b>	<b>(63,328)</b>
<b>Other financing sources:</b>			
Transfers in	63,328	63,328	63,328
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ 63,328</b>	<b>\$ -</b>	<b>\$ -</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, 2004**

	<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	<u>\$ 264</u>	<u>\$ 1,671,293</u>	<u>\$ 1,664,275</u>
<b>Expenditures:</b>			
Administration	<u>4,641</u>	<u>10,885</u>	<u>156,069</u>
Acquisition, relocation, demolition of private properties	<u>146,431</u>	<u>1,633,539</u>	<u>1,508,206</u>
<b>Total expenditures</b>	<u><b>151,072</b></u>	<u><b>1,644,424</b></u>	<u><b>1,664,275</b></u>
<b>Total revenue over (under) expenditures</b>	<u><b>\$ (150,808)</b></u>	<u><b>\$ 26,869</b></u>	<u><b>\$ -</b></u>

**City of Kinston, North Carolina**  
**Grant Project Fund - FEMA HMGP Fran Phase II**

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

	<b>Actual</b>			<b>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>		
<b>Revenue:</b>				
Restricted intergovernmental revenue, Federal grant project	\$ -	\$ 2,640,269	\$ 2,640,269	
<b>Expenditures:</b>				
Acquisition, relocation, demolition of private properties	-	2,640,435	2,640,435	
<b>Total expenditures</b>	-	<b>2,640,435</b>	<b>2,640,435</b>	
<b>Total expenditures over revenue</b>	-	<b>(166)</b>	<b>(166)</b>	
<b>Other financing sources:</b>				
Transfers in	166	166	166	
<b>Total revenue and other financing          sources over expenditures</b>	<b>\$ 166</b>	<b>\$ -</b>	<b>\$ -</b>	

**City of Kinston, North Carolina**  
**Grant Project Fund - FEMA HMGP Fran Phase III**

**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 grant project	\$ 328,622	\$ 3,184,206	\$ 3,184,206
<b>Expenditures:</b>			
Acquisition, relocation, demolition of private properties	968,720	3,122,076	3,122,076
<b>Total expenditures</b>	<b>968,720</b>	<b>3,122,076</b>	<b>3,122,076</b>
<b>Total revenue over (under) expenditures</b>	<b>(640,098)</b>	<b>62,130</b>	<b>62,130</b>
<b>Other financing uses:</b>			
Transfers out	(62,130)	(62,130)	(62,130)
<b>Total revenue under expenditures and other financing uses</b>	<b>\$ (702,228)</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - FEMA Demolition Project I**

**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, Community development grant project	\$ -	\$ 191,455	\$ 191,455
<b>Expenditures:</b>			
Demolition of private properties	131	183,965	183,965
<b>Total revenue over (under) expenditures</b>	<b>(131)</b>	<b>7,490</b>	<b>7,490</b>
<b>Other financing uses:</b>			
Transfers out	(7,490)	(7,490)	(7,490)
<b>Total revenue and other financing uses under expenditures</b>	<b>\$ (7,621)</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - FEMA Demolition Project II**

**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 grant project	\$ -	\$ 110,360	\$ 110,360
<b>Expenditures:</b>			
Demolition of private properties	-	119,953	119,953
<b>Total expenditures</b>	-	119,953	119,953
<b>Total expenditures over revenue</b>	-	(9,593)	(9,593)
<b>Other financing sources:</b>			
Transfers in	9,593	9,593	9,593
<b>Total revenue and other financing sources over expenditures</b>	\$ 9,593	\$ -	\$ -

**City of Kinston, North Carolina**  
**Grant Project Fund - FEMA HMGP Floyd Phase I**

**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, Community development grant project	\$ -	\$ 3,323,023	\$ 3,323,023
<b>Expenditures:</b>			
Administration	-	-	4,053
Acquisition, relocation, demolition of private properties	-	3,567,608	3,563,555
<b>Total expenditures</b>	-	3,567,608	3,567,608
<b>Total expenditures over revenue</b>	-	(244,585)	(244,585)
<b>Other financing sources:</b>			
Transfers in	244,585	244,585	244,585
<b>Total revenue and other financing sources over expenditures</b>	\$ 244,585	\$ -	\$ -

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd Phase IB Project**

**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 grant project	\$ -	\$ 2,537,848	\$ 2,537,848
<b>Expenditures:</b>			
Administration	-		241,451
Acquisition, relocation, demolition of private properties	-	2,577,804	2,336,353
<b>Total expenditures</b>	-	<b>2,577,804</b>	<b>2,577,804</b>
<b>Total expenditures over revenue</b>	-	<b>(39,956)</b>	<b>(39,956)</b>
<b>Other financing sources:</b>			
Transfers in	39,956	39,956	39,956
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ 39,956</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd Phase IC Project**

**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 grant project	\$ -	\$ 1,218,084	\$ 1,218,084
<b>Expenditures:</b>			
Administration	-	-	104,405
Acquisition, relocation, demolition of private properties	-	1,124,655	1,020,250
<b>Total expenditures</b>	-	1,124,655	1,124,655
<b>Total revenue over expenditures</b>	-	93,429	93,429
<b>Other financing uses:</b>			
Transfers out	(93,429)	(93,429)	(93,429)
<b>Total revenue under other financing uses and expenditures</b>	\$ (93,429)	\$ -	\$ -

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd Phase II Project**

**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 grant project	\$ -	\$ 97,641	\$ 97,641
<b>Expenditures:</b>			
Administration	-	-	5,180
Acquisition, relocation, demolition of private properties	-	30,883	25,703
<b>Total expenditures</b>	-	<b>30,883</b>	<b>30,883</b>
<b>Total revenue over expenditures</b>	-	<b>66,758</b>	<b>66,758</b>
<b>Other financing uses:</b>			
Transfers out	(66,758)	(66,758)	(66,758)
<b>Total revenue under other financing uses and expenditures</b>	<b>\$ (66,758)</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - FEMA Demolition Project IV**

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

	<b>Actual</b>		<b>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>	
<b>Revenue:</b>			
Restricted intergovernmental revenue, Federal grant project	<u>\$ 26,649</u>	<u>\$ 294,381</u>	<u>\$ 294,381</u>
<b>Expenditures:</b>			
Administration			<u>26,651</u>
Acquisition, relocation, demolition of private properties		<u>294,384</u>	<u>267,734</u>
<b>Total expenditures</b>		<u>294,384</u>	<u>294,385</u>
<b>Total revenue over (under) expenditures</b>	<u>26,649</u>	<u>(3)</u>	<u>(4)</u>
<b>Other financing sources:</b>			
Transfers in	<u>3</u>	<u>3</u>	<u>4</u>
<b>Total revenue and other financing sources over expenditures</b>	<u>\$ 26,652</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Kinston, North Carolina**  
**Grant Project Fund - Bonnie Recovery Project**

**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 grant project	\$ -	\$ 456,735	\$ 456,735
<b>Expenditures:</b>			
Administration	-	45,000	45,000
Acquisition, relocation, demolition of private properties	-	407,235	407,235
<b>Total expenditures</b>	-	<b>452,235</b>	<b>452,235</b>
<b>Total revenue over expenditures</b>	-	<b>4,500</b>	<b>4,500</b>
<b>Other financing uses:</b>			
Transfers out	(4,500)	(4,500)	(4,500)
<b>Total revenue under other financing uses and expenditures</b>	<b>\$ (4,500)</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina  
Grant Project Fund - LLEBG 2000**

**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,			
State grant project	\$ -	\$ 51,457	\$ 51,457
Investment earnings	<u>-</u>	<u>1,596</u>	<u>1,700</u>
<b>Total revenue</b>	<u>-</u>	<u>53,053</u>	<u>53,157</u>
<b>Expenditures:</b>			
Capital outlay	<u>-</u>	<u>58,779</u>	<u>58,874</u>
<b>Total expenditures</b>	<u>-</u>	<u>58,779</u>	<u>58,874</u>
<b>Total revenue under expenditures</b>	<u>-</u>	<u>(5,726)</u>	<u>(5,717)</u>
<b>Other financing sources:</b>			
Transfers in	<u>9</u>	<u>5,726</u>	<u>5,717</u>
<b>Total revenue and other financing sources over expenditures</b>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2004**

	<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	<u>\$ 306,502</u>	<u>\$ 1,119,412</u>	<u>\$ 3,700,000</u>
<b>Expenditures:</b>			
Administration	39,534	140,444	188,174
Acquisition, relocation, demolition of private properties	<u>259,587</u>	<u>973,524</u>	<u>3,511,826</u>
<b>Total expenditures</b>	<u>299,121</u>	<u>1,113,968</u>	<u>3,700,000</u>
<b>Total revenue over expenditures</b>	<u>\$ 7,381</u>	<u>\$ 5,444</u>	<u>\$ -</u>

**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, 2004**

	<b>Actual</b>			<b>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>		
<b>Revenue:</b>				
Restricted intergovernmental revenue, State grant project	<u>\$ 279,474</u>	<u>\$ 972,457</u>	<u>\$ 2,070,970</u>	
<b>Expenditures:</b>				
Administration		<u>103,662</u>	<u>188,270</u>	
Acquisition, relocation, demolition of private properties	<u>850</u>	<u>877,687</u>	<u>1,882,700</u>	
<b>Total expenditures</b>	<u>850</u>	<u>981,349</u>	<u>2,070,970</u>	
<b>Total revenue over (under) expenditures</b>	<u>\$ 278,624</u>	<u>\$ (8,892)</u>	<u>\$ -</u>	

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd 1B Demolition Project**

**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	<u>\$ 49,429</u>	<u>\$ 133,643</u>	<u>\$ 133,643</u>
<b>Expenditures:</b>			
Administration	-	21,000	21,000
Acquisition, relocation, demolition of private properties	-	<u>106,796</u>	<u>106,796</u>
<b>Total expenditures</b>	-	<u>127,796</u>	<u>127,796</u>
<b>Total revenue over expenditures</b>	<u>49,429</u>	<u>5,847</u>	<u>5,847</u>
<b>Other financing uses:</b>			
Transfers out	<u>(5,847)</u>	<u>(5,847)</u>	<u>(5,847)</u>
<b>Total revenue and other financing uses over expenditures</b>	<u>\$ 43,582</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd 1C Demolition Project**

**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	<u>\$ 31,894</u>	<u>\$ 131,689</u>	<u>\$ 131,690</u>
<b>Expenditures:</b>			
Administration	-	9,975	9,975
Acquisition, relocation, demolition of private properties	-	<u>121,714</u>	<u>121,715</u>
<b>Total expenditures</b>	-	<u>131,689</u>	<u>131,690</u>
<b>Total revenue over expenditures</b>	<u>\$ 31,894</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd IIA Demolition Project**

**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	\$ -	\$ 7,317	\$ 7,317
<b>Expenditures:</b>			
Administration	-	788	788
Acquisition, relocation, demolition of private properties	(1)	6,528	6,528
<b>Total expenditures</b>	(1)	7,316	7,316
<b>Total revenue over expenditures</b>	1	1	1
<b>Other financing uses:</b>			
Transfers out	(1)	(1)	(1)
<b>Total revenue over other financing uses and expenditures</b>	\$ -	\$ -	\$ -

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd III Demolition Project**

**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	<u>\$ 235,764</u>	<u>\$ 237,734</u>	<u>\$ 237,734</u>
<b>Expenditures:</b>			
Administration	-	18,375	18,375
Acquisition, relocation, demolition of private properties	-	<u>217,904</u>	<u>217,904</u>
<b>Total expenditures</b>	-	<u>236,279</u>	<u>236,279</u>
<b>Total revenue over expenditures</b>	<u>235,764</u>	<u>1,455</u>	<u>1,455</u>
<b>Other financing uses:</b>			
Transfers out	<u>(1,455)</u>	<u>(1,455)</u>	<u>(1,455)</u>
<b>Total revenue and other financing uses over expenditures</b>	<u>\$ 234,309</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2004**

	<b>Actual</b>			
	<b>Current Year</b>	<b>Total to Date</b>		<b>Project Authorization</b>
<b>Revenue:</b>				
Restricted intergovernmental revenue,				
State grants	<u>\$ (617)</u>	<u>\$ 93,278</u>	<u>\$ 100,000</u>	
<b>Expenditures:</b>				
Administration	2,500	5,000		5,000
Acquisition, relocation, demolition of private properties	<u>(2,213)</u>	<u>93,187</u>		<u>95,000</u>
<b>Total expenditures</b>	<u>287</u>	<u>98,187</u>		<u>100,000</u>
<b>Total revenue under expenditures</b>	<u>\$ (904)</u>	<u>\$ (4,909)</u>	<u>\$ -</u>	

**City of Kinston, North Carolina  
Grant Project Fund - Floyd Phase III**

**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	\$ -	\$ 4,638,610	\$ 4,638,610
<b>Expenditures:</b>			
Administration	-	268,356	268,356
Acquisition, relocation, demolition of private properties	-	4,386,822	4,386,822
<b>Total expenditures</b>	-	<b>4,655,178</b>	<b>4,655,178</b>
<b>Total expenditures over revenue</b>	-	<b>(16,568)</b>	<b>(16,568)</b>
<b>Other financing sources:</b>			
Transfers in	16,568	16,568	16,568
<b>Total revenue and other financing sources over expenditures</b>	<b>\$ 16,568</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - Floyd Phase IV Revisions**

**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	<u>\$ 109,986</u>	<u>\$ 550,173</u>	<u>\$ 550,173</u>
<b>Expenditures:</b>			
Administration	-	54,640	54,640
Acquisition, relocation, demolition of private properties	-	<u>501,601</u>	<u>501,601</u>
<b>Total expenditures</b>	-	<u>556,241</u>	<u>556,241</u>
<b>Total revenue over (under) expenditures</b>	<u>109,986</u>	<u>(6,068)</u>	<u>(6,068)</u>
<b>Other financing sources:</b>			
Transfers in	<u>6,068</u>	<u>6,068</u>	<u>6,068</u>
<b>Total revenue and other financing sources over expenditures</b>	<u>\$ 116,054</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2004**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
<b>Revenue:</b>			
Restricted intergovernmental revenue, Federal and State grants	<u>\$ 9,375</u>	<u>\$ 92,458</u>	<u>\$ 144,000</u>
<b>Expenditures:</b>			
Administration	1,488	11,915	14,400
Acquisition, relocation, demolition of private properties	<u>-</u>	<u>73,400</u>	<u>129,600</u>
<b>Total expenditures</b>	<u>1,488</u>	<u>85,315</u>	<u>144,000</u>
<b>Total revenue over expenditures</b>	<u>\$ 7,887</u>	<u>\$ 7,143</u>	<u>\$ -</u>

**City of Kinston, North Carolina**  
**Grant Project Fund - LLEBG - 2001**

**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	\$ (3,469)	\$ 50,710	\$ 50,710	
Investments earnings	12	530		530
<b>Total revenue</b>	<b>(3,457)</b>	<b>51,240</b>		<b>51,240</b>
<b>Expenditures:</b>				
Capital outlay		57,144		57,144
<b>Total expenditures</b>	<b>-</b>	<b>57,144</b>		<b>57,144</b>
<b>Total revenue under expenditures</b>	<b>(3,457)</b>	<b>(5,904)</b>		<b>(5,904)</b>
<b>Other financing sources:</b>				
Transfers in	270	5,904		5,904
<b>Total other financing sources</b>	<b>270</b>	<b>5,904</b>		<b>5,904</b>
<b>Total revenue and other financing sources under expenditures</b>	<b>\$ (3,187)</b>	<b>\$ -</b>		<b>\$ -</b>

**City of Kinston, North Carolina**  
**Grant Project Fund - LLEBG - 2002**

**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 grant	\$ -	\$ 42,021	\$ 42,021	
Investment earnings	31	237		250
<b>Total revenue</b>	<b>31</b>	<b>42,258</b>		<b>42,271</b>
<b>Expenditures:</b>				
Capital outlay	237	46,927		46,940
<b>Total expenditures</b>	<b>237</b>	<b>46,927</b>		<b>46,940</b>
<b>Total expenditures over revenue</b>	<b>(206)</b>	<b>(4,669)</b>		<b>(4,669)</b>
<b>Other financing sources:</b>				
Transfers in	-	4,669		4,669
<b>Total other financing sources</b>	<b>-</b>	<b>4,669</b>		<b>4,669</b>
<b>Total revenue and other financing sources over (under) expenditures</b>	<b>\$ (206)</b>	<b>\$ -</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, 2004**

	<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>\$ 46,166</u>	<u>\$ 74,982</u>	<u>\$ 74,982</u>
<b>Expenditures:</b>			
Capital outlay	<u>50,520</u>	<u>82,424</u>	<u>83,382</u>
<b>Total expenditures</b>	<u>50,520</u>	<u>82,424</u>	<u>83,382</u>
<b>Total expenditures over revenue</b>	<u>(4,354)</u>	<u>(7,442)</u>	<u>(8,400)</u>
<b>Other financing sources:</b>			
Transfers in	<u>-</u>	<u>8,400</u>	<u>8,400</u>
<b>Total other financing sources</b>	<u>-</u>	<u>8,400</u>	<u>8,400</u>
<b>Total revenue and other financing      sources over (under) expenditures</b>	<u>\$ (4,354)</u>	<u>\$ 958</u>	<u>\$ -</u>

**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, 2004**

	<b>Actual</b>		
	<b>Current Year</b>	<b>Total to Date</b>	<b>Project Authorization</b>
Revenue:			
Restricted intergovernmental revenue, State grant project	\$ -	\$ -	\$ 50,000
Expenditures:			
Administration	-	-	50,000
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>Total revenue over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</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, 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	\$ -	\$ -	\$ 300,000
<b>Expenditures:</b>			
Administration	-	-	19,149
Acquisition, relocation, demolition of private properties	4,310	4,310	280,851
<b>Total expenditures</b>	<b>4,310</b>	<b>4,310</b>	<b>300,000</b>
<b>Total revenue under expenditures</b>	<b>\$ (4,310)</b>	<b>\$ (4,310)</b>	<b>\$ -</b>

**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>Project Authorization</b>
	<b>Current Year</b>	<b>Total to Date</b>		
<b>Revenue:</b>				
Restricted intergovernmental revenue, Federal grants	<u>\$ 413,011</u>	<u>\$ 413,011</u>	<u>\$ 417,800</u>	
<b>Expenditures:</b>				
Salaries and benefits	<u>86,047</u>	<u>86,047</u>	<u>100,300</u>	
Contract services	<u>294,795</u>	<u>294,795</u>	<u>317,500</u>	
<b>Total expenditures</b>	<b><u>380,842</u></b>	<b><u>380,842</u></b>	<b><u>417,800</u></b>	
<b>Total revenue over expenditures</b>	<b><u>\$ 32,169</u></b>	<b><u>\$ 32,169</u></b>	<b><u>\$</u></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, 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	<u>\$ 83,930</u>	<u>\$ 83,930</u>	<u>\$ -</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>616,551</u>	<u>616,551</u>	<u>700,481</u>
Transfers out	<u>(644,403)</u>	<u>(644,403)</u>	<u>(700,481)</u>
<b>Total other financing sources</b>	<u>(27,852)</u>	<u>(27,852)</u>	<u>-</u>
<b>Total revenue and other financing sources over other financing uses</b>	<u>\$ 56,078</u>	<u>\$ 56,078</u>	<u>\$ -</u>

**City of Kinston, North Carolina**  
**Grant Project Fund - 2003 GCC Computers on Patrol**

**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 grant	<u>\$ 47,952</u>	<u>\$ 47,952</u>	<u>\$ 47,952</u>
<b>Expenditures:</b>			
Capital outlay	<u>63,936</u>	<u>63,936</u>	<u>63,936</u>
<b>Total expenditures</b>	<u>63,936</u>	<u>63,936</u>	<u>63,936</u>
<b>Total expenditures over revenue</b>	<u>(15,984)</u>	<u>(15,984)</u>	<u>(15,984)</u>
<b>Other financing sources:</b>			
Transfers in	<u>15,984</u>	<u>15,984</u>	<u>15,984</u>
<b>Total other financing sources</b>	<u>15,984</u>	<u>15,984</u>	<u>15,984</u>
<b>Total revenue and other financing sources over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2004**

	<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	\$ 31,757
Investment earnings	<u>14</u>	<u>14</u>	-
<b>Total revenue</b>	<b><u>31,771</u></b>	<b><u>31,771</u></b>	<b><u>31,757</u></b>
<b>Expenditures:</b>			
Capital outlay	<u>32,691</u>	<u>32,691</u>	<u>35,286</u>
<b>Total expenditures</b>	<b><u>32,691</u></b>	<b><u>32,691</u></b>	<b><u>35,286</u></b>
<b>Total expenditures over revenue</b>	<b><u>(920)</u></b>	<b><u>(920)</u></b>	<b><u>(3,529)</u></b>
<b>Other financing sources:</b>			
Transfers in	<u>3,529</u>	<u>3,529</u>	<u>3,529</u>
<b>Total other financing sources</b>	<b><u>3,529</u></b>	<b><u>3,529</u></b>	<b><u>3,529</u></b>
<b>Total revenue and other financing sources over expenditures</b>	<b><u>\$ 2,609</u></b>	<b><u>\$ 2,609</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, 2004**

	<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>\$ 31,210</u>	<u>\$ 31,210</u>	<u>\$ 36,008</u>
<b>Expenditures:</b>			
Personnel costs	<u>7,572</u>	<u>7,572</u>	<u>10,160</u>
Capital outlay	<u>34,041</u>	<u>34,041</u>	<u>37,851</u>
<b>Total expenditures</b>	<u>41,613</u>	<u>41,613</u>	<u>48,011</u>
<b>Total expenditures over revenue</b>	<u>(10,403)</u>	<u>(10,403)</u>	<u>(12,003)</u>
<b>Other financing sources:</b>			
Transfers in	<u>12,003</u>	<u>12,003</u>	<u>12,003</u>
<b>Total other financing sources</b>	<u>12,003</u>	<u>12,003</u>	<u>12,003</u>
<b>Total revenue and other financing sources over expenditures</b>	<u>\$ 1,600</u>	<u>\$ 1,600</u>	<u>\$ -</u>

## NON-MAJOR CAPITAL PROJECTS FUND

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

**Uplands Park** – This fund accounts for funds to be used to provide infrastructure to housing development for flood Buy-Out properties.

**Kingwood Forest** – This fund accounts for funds to be used for the purchase of land to provide development for flood Buy-Out participants.

**Grainger Stadium Renovation** – This fund accounts for funds to be used for improvements to Grainger Stadium.

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

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**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, 2004  
With Comparative Totals for the Fiscal Year Ended June 30, 2003**

	Uplands Park	Kingwood Forest	Grainger Stadium	Capital Reserve	2004	Totals 2003
<b>Revenues:</b>						
Interest income	\$ 823	\$ -	\$ 560	\$ 890	\$ 2,273	\$ 8,054
State grants	-	-	-	-	-	693,944
Sale of property	14,000	-	-	-	14,000	71,000
<b>Total revenue</b>	<b>14,823</b>		<b>560</b>	<b>890</b>	<b>16,273</b>	<b>772,998</b>
<b>Expenditures:</b>						
Capital outlay	5,348	-	10,921	-	16,269	1,302,947
Debt service	-	-	-	-	-	259,799
<b>Total expenditures</b>	<b>5,348</b>		<b>10,921</b>		<b>16,269</b>	<b>1,562,746</b>
<b>Total revenue over (under) expenditures</b>	<b>9,475</b>		<b>(10,361)</b>	<b>890</b>	<b>4</b>	<b>(789,748)</b>
<b>Other financing sources:</b>						
Debt issued	-	-	-	-	-	2,259,799
Transfers out	(344,041)	(30,900)	-	-	(374,941)	140,000
<b>Total other financing sources</b>	<b>(344,041)</b>	<b>(30,900)</b>			<b>(374,941)</b>	<b>2,399,799</b>
<b>Total revenue and other financing sources under expenditures</b>	<b>(334,566)</b>	<b>(30,900)</b>	<b>(10,361)</b>	<b>890</b>	<b>(374,937)</b>	<b>1,610,051</b>
Fund balances (deficits), beginning	334,566	30,900	10,361	307,021	682,848	(927,203)
Fund balances (deficits), ending	\$ -	\$ -	\$ -	\$ 307,911	\$ 307,911	\$ 682,848

**City of Kinston, North Carolina  
Capital Project Funds - Uplands Park**

**Schedule of Revenue, Expenditures and  
Changes in Fund Balances  
Budget and Actual  
From Grant Inception and For the Year Ended June 30, 2004**

					<b>Actual</b>
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	
<b>Revenue:</b>					
Interest income	\$ 3,305	\$ 2,481	\$ 823	\$ 3,304	
State grants	1,251,000	1,251,000	-	1,251,000	
Sale of property	<u>1,021,224</u>	<u>1,007,224</u>	<u>14,000</u>	<u>1,021,224</u>	
<b>Total revenue</b>	<b><u>2,275,529</u></b>	<b><u>2,260,705</u></b>	<b><u>14,823</u></b>	<b><u>2,275,528</u></b>	
<b>Expenditures:</b>					
Capital outlay:					
Construction cost	2,828,689	1,926,139	5,348	1,931,487	
<b>Total expenditures</b>	<b><u>2,828,689</u></b>	<b><u>1,926,139</u></b>	<b><u>5,348</u></b>	<b><u>1,931,487</u></b>	
<b>Total revenue over (under) expenditures</b>	<b><u>(553,160)</u></b>	<b><u>334,566</u></b>	<b><u>9,475</u></b>	<b><u>344,041</u></b>	
<b>Other financing sources (uses):</b>					
Transfers in	897,201	-	-	-	
Transfers out	<u>(344,041)</u>	<u>-</u>	<u>(344,041)</u>	<u>(344,041)</u>	
<b>Total other financing sources (uses)</b>	<b><u>553,160</u></b>	<b><u>-</u></b>	<b><u>(344,041)</u></b>	<b><u>(344,041)</u></b>	
<b>Total revenue and other financing sources (uses) over (under) expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ 334,566</u></b>	<b><u>\$ (334,566)</u></b>	<b><u>\$ -</u></b>	

**City of Kinston, North Carolina  
Capital Project Funds - Kingwood Forest**

**Schedule of Revenue, Expenditures and  
Changes in Fund Balances  
Budget and Actual  
From Inception and For the Year Ended June 30, 2004**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
Revenue:				
State grants	\$ 189,838	\$ 189,838	\$ -	\$ 189,838
Sale of surplus property	30,800	30,800	-	30,800
Donations	20,100	20,100	-	20,100
<b>Total revenue</b>	<b>240,738</b>	<b>240,738</b>	<b>-</b>	<b>240,738</b>
Expenditures:				
Capital outlay:				
Construction cost	209,838	209,838	-	209,838
<b>Total expenditures</b>	<b>209,838</b>	<b>209,838</b>	<b>-</b>	<b>209,838</b>
<b>Total revenue over (under) expenditures</b>	<b>30,900</b>	<b>30,900</b>	<b>-</b>	<b>30,900</b>
Other financing uses:				
Transfers out	(30,900)	-	(30,900)	(30,900)
<b>Total revenue over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 30,900</b>	<b>\$ (30,900)</b>	<b>\$ -</b>

**City of Kinston, North Carolina**  
**Capital Project Funds - Grainger Stadium Renovation Fund**

**Schedule of Revenue, Expenditures, and Changes in Fund Balances**

**Budget and Actual**

**From Inception and For the Year Ended June 30, 2004**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenue:</b>				
Interest income	\$ -	\$ 3,579	\$ 560	\$ 4,139
<b>Total revenue</b>	<b>-</b>	<b>3,579</b>	<b>560</b>	<b>4,139</b>
<b>Expenditures:</b>				
Capital outlay:				
Construction cost	2,399,799	2,133,218	10,921	2,144,139
Debt service	-	259,799	-	259,799
<b>Total expenditures</b>	<b>2,399,799</b>	<b>2,393,017</b>	<b>10,921</b>	<b>2,403,938</b>
<b>Revenue under expenditures</b>	<b>(2,399,799)</b>	<b>(2,389,438)</b>	<b>(10,361)</b>	<b>(2,399,799)</b>
<b>Other financing sources:</b>				
Debt issued	2,259,799	2,259,799	-	2,259,799
Transfers in	140,000	140,000	-	140,000
<b>Total other financing sources</b>	<b>2,399,799</b>	<b>2,399,799</b>	<b>-</b>	<b>2,399,799</b>
<b>Total revenue and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 10,361</b>	<b>\$ (10,361)</b>	<b>\$ -</b>

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

**Schedule of Revenue, Expenditures, and Changes in Fund Balances**

**Budget and Actual**

**From Inception and For the Year Ended June 30, 2004**

	<b>Project Authorization</b>	<b>Actual</b>		
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenue:</b>				
Interest income	\$ -	\$ 7,021	\$ 890	\$ 7,911
<b>Total revenue</b>	<b>-</b>	<b>7,021</b>	<b>890</b>	<b>7,911</b>
<b>Other financing sources (uses):</b>				
Transfers out	(600,000)	-	-	-
Transfers in	600,000	300,000	-	300,000
<b>Total other financing sources</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>300,000</b>
<b>Total revenue and other financing sources over other financing uses</b>	<b>\$ -</b>	<b>\$ 307,021</b>	<b>\$ 890</b>	<b>\$ 307,911</b>



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## **NON-MAJOR ENTERPRISE FUND**

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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.

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**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, 2004**

**(Page 1 of 2)**

	<b>2004</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance, Positive (Negative)</b>
Operating revenue:			
Charges for services:	\$ 2,609,600	\$ 2,568,664	\$ (40,936)
Other	6,600	6,734	134
<b>Total operating revenue</b>	<b>2,616,200</b>	<b>2,575,398</b>	<b>(40,802)</b>
Interest earned on investments	-	15	15
<b>Total nonoperating revenue</b>	<b>-</b>	<b>15</b>	<b>15</b>
<b>Total revenue</b>	<b>2,616,200</b>	<b>2,575,413</b>	<b>(40,787)</b>
Expenditures:			
Bulk leaf collection:			
Operating	21,700	31,151	(9,451)
Commercial solid waste:			
Salaries and benefits		226,847	
Operating		604,117	
Indirect costs		160,365	
	<b>1,315,412</b>	<b>991,329</b>	<b>324,083</b>
Residential solid waste			
Salaries and benefits		645,099	
Operating		496,869	
Capital outlay		83,022	
Indirect costs		160,365	
	<b>1,579,647</b>	<b>1,385,355</b>	<b>194,292</b>
Recycling			
Salaries and benefits		86,430	
Operating		67,322	
	<b>165,484</b>	<b>153,752</b>	<b>11,732</b>
<b>Total expenditures</b>	<b>3,082,243</b>	<b>2,561,587</b>	<b>520,656</b>
<b>Revenue over (under) expenditures</b>	<b>(466,043)</b>	<b>13,826</b>	<b>479,869</b>
Other financing sources (uses):			
Contingency	(33,824)	-	33,824
Debt issued	530,000	512,784	(17,216)
Transfers in	62,617	327,426	264,809
Transfers out	(92,750)	(56,713)	36,037
<b>Total other financing sources</b>	<b>466,043</b>	<b>783,497</b>	<b>317,454</b>
<b>Revenue and other sources over expenditures</b>	<b>\$ -</b>	<b>\$ 797,323</b>	<b>\$ 797,323</b>

**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, 2004**

**(Page 2 of 2)**

	<b>2004</b>	<b>Variance, Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>
Reconciliation of modified accrual basis to full accrual basis:		
Revenue and other sources over expenditures	\$ 797,323	
Transfers in	(327,426)	
Transfers out	56,713	
Capital contributions	6,353	
Capital outlay	83,022	
Debt issued	(512,784)	
Payment of debt principal	140,526	
Depreciation	(236,282)	
Increase in accrued interest payable	(9,786)	
Increase in accrued unbilled sales	2,879	
Bad debt expense	<u>(14,571)</u>	
<b>Income before operating transfers, accrual basis</b>	<b>\$ (14,033)</b>	

## **INTERNAL SERVICE FUNDS**

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**Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency 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 Health Internal Service Fund** - This fund is used to finance and account for the City's garage operations.

**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.

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

**Combining Statement of Net Assets**

**June 30, 2004**

**With Comparative Totals for June 30, 2003**

	<b>Employee</b>	<b>Fleet</b>	<b>Public</b>	<b>Totals</b>	
	<b>Health</b>	<b>Maintenance</b>	<b>Services</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>					
Cash and investments	\$ 380,910	\$ -	\$ 174,223	\$ 555,133	\$ -
Due from other funds	109,221	-	-	109,221	460,820
Accounts receivable	1,300	24,542	4,637	30,479	937
<b>Capital assets</b>					
Buildings	19,468	-	-	19,468	19,468
Equipment	-	237,258	55,109	292,367	-
Accumulated depreciation	(4,869)	(212,207)	(37,063)	(254,139)	(4,383)
Inventory	590	104,315	-	104,905	-
<b>Total assets</b>	<b>506,620</b>	<b>153,908</b>	<b>196,906</b>	<b>857,434</b>	<b>476,842</b>
<b>Liabilities</b>					
Due to other funds	-	109,221	-	109,221	-
Accounts payable and accrued liabilities	291,214	12,026	41,255	344,495	252,680
Accrued compensated absences	8,898	30,627	66,829	106,354	6,007
<b>Total liabilities</b>	<b>300,112</b>	<b>151,874</b>	<b>108,084</b>	<b>560,070</b>	<b>258,687</b>
<b>Net assets</b>					
Invested in capital assets	14,599	25,051	18,046	57,696	15,085
Unrestricted	191,909	(23,017)	70,776	239,668	203,070
<b>Total net assets</b>	<b>\$ 206,508</b>	<b>\$ 2,034</b>	<b>\$ 88,822</b>	<b>\$ 297,364</b>	<b>\$ 218,155</b>

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

Due from other funds from above	\$ 109,221	Due to other funds from above	\$ 109,221
Less amounts between internal service funds	(109,221)	Less amounts between internal service funds	(109,221)
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, 2004  
With Comparative Totals for the Fiscal Year Ended June 30, 2003**

	Employee Health	Fleet Maintenance	Public Services	Totals	
				2004	2003
<b>Operating revenue:</b>					
Contributions from various funds	<b>\$ 471,343</b>	<b>\$ 69,245</b>	<b>1,662,465</b>	<b>\$ 2,203,053</b>	<b>\$ 776,614</b>
<b>Operating expenses:</b>					
Administration	198,204	360,200	643,695	1,202,099	620,868
Operations	-	-	922,176	922,176	-
Depreciation	486	16,859	9,023	26,368	487
Claims reimbursement	303,460	-	-	303,460	204,065
<b>Total operating expenses</b>	<b>502,150</b>	<b>377,059</b>	<b>1,574,894</b>	<b>2,454,103</b>	<b>825,420</b>
<b>Operating loss</b>	<b>(30,807)</b>	<b>(307,814)</b>	<b>87,571</b>	<b>(251,050)</b>	<b>(48,806)</b>
<b>Nonoperating revenue:</b>					
Interest earned on investments	1,360	-	-	1,360	2,755
Capital contributions	-	7,335	-	7,335	-
<b>Total nonoperating revenue</b>	<b>1,360</b>	<b>7,335</b>	<b>-</b>	<b>8,695</b>	<b>2,755</b>
<b>Other financing sources (uses):</b>					
Transfers in	17,800	302,513	59,041	379,354	-
Transfers out	-	-	(57,790)	(57,790)	-
<b>Total other financing sources</b>	<b>17,800</b>	<b>302,513</b>	<b>1,251</b>	<b>321,564</b>	<b>-</b>
<b>Net income (loss)</b>	<b>(11,647)</b>	<b>2,034</b>	<b>88,822</b>	<b>79,209</b>	<b>(46,051)</b>
Net assets, beginning	218,155	-	-	218,155	264,206
Net assets, ending	<b>\$ 206,508</b>	<b>\$ 2,034</b>	<b>\$ 88,822</b>	<b>\$ 297,364</b>	<b>\$ 218,155</b>

**City of Kinston, North Carolina**

**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(Page 1 of 2)**

	<b>Employee Health</b>	<b>Fleet Maintenance</b>	<b>Public Services</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>				
Cash receipts from quasi-external operating transactions	\$ 821,989	\$ 44,703	\$ 1,657,828	\$ 2,524,520
Cash payments for quasi-external operating transactions	(261,026)	-	-	(261,026)
Cash paid to suppliers for goods and services	(90,684)	(30,575)	(333,175)	(454,434)
Cash paid to employees	(108,529)	(282,066)	(1,124,612)	(1,515,207)
<b>Net cash provided by (used in) for operating activities</b>	<b>361,750</b>	<b>(267,938)</b>	<b>200,041</b>	<b>293,853</b>
<b>Cash Flows From Noncapital Financing Activities</b>				
Capital contributions	-	7,335	-	7,335
Transfers from other funds	17,800	260,603	31,972	310,375
Transfers to other funds	-	-	(57,790)	(57,790)
<b>Net cash used in noncapital financing</b>	<b>17,800</b>	<b>267,938</b>	<b>(25,818)</b>	<b>259,920</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	-	-	-	-
<b>Net cash used in capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>				
Interest on investments	1,360	-	-	1,360
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>380,910</b>	<b>-</b>	<b>174,223</b>	<b>555,133</b>

(Continued)

**City of Kinston, North Carolina**

**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(Page 2 of 2)**

	<b>Employee Health</b>	<b>Fleet Maintenance</b>	<b>Public Services</b>	<b>Total</b>
Cash and cash equivalents, beginning	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents, ending	<b>\$ 380,910</b>	<b>\$ -</b>	<b>\$ 174,223</b>	<b>\$ 555,133</b>
Reconciliation:				
Cash and investments	\$ 380,910	\$ -	\$ 174,223	\$ 555,133
Restricted cash and investments	<b>\$ 380,910</b>	<b>\$ -</b>	<b>\$ 174,223</b>	<b>\$ 555,133</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Operating income (loss)	\$ (30,807)	\$ (307,814)	\$ 87,571	\$ (251,050)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	486	16,859	9,023	26,368
Change in assets and liabilities:				
(Increase) decrease in due from other funds	351,599	-	-	351,599
(Increase) decrease in accounts receivable	(363)	(24,542)	(4,637)	(29,542)
(Increase) decrease in inventories	(590)	(104,315)	-	(104,905)
Increase (decrease) in accounts payable	38,534	12,026	41,255	91,815
Increase in due to other funds	-	109,221	-	109,221
Increase (decrease) in accrued compensated absences	2,891	30,627	66,829	100,347
<b>Total adjustments</b>	<b>392,557</b>	<b>39,876</b>	<b>112,470</b>	<b>544,903</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 361,750</b>	<b>\$ (267,938)</b>	<b>\$ 200,041</b>	<b>\$ 293,853</b>
Supplemental Disclosure of Non-cash Transactions:				
Capital asset additions, net	\$ -	\$ 41,910	\$ 27,069	\$ 68,979
Transfer in	\$ -	\$ 41,910	\$ 27,069	\$ 68,979

**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, 2004**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenue:			
Contributions from various funds	\$ 450,047	\$ 450,046	\$ 1
Restricted intergovernmental	6,000	6,000	-
Miscellaneous income	-	15,000	15,000
Insurance proceeds	-	297	297
	<b>456,047</b>	<b>471,343</b>	<b>15,298</b>
Nonoperating revenue:			
Interest earned on investments	-	1,360	1,360
	<b>456,047</b>	<b>472,703</b>	<b>16,656</b>
Expenditures:			
Administration:			
Salaries and benefits		108,529	
Operating		89,675	
	<b>486,847</b>	<b>198,204</b>	
Claim reimbursements, operating		303,460	
	<b>(30,800)</b>	<b>501,664</b>	<b>(14,817)</b>
	<b>(30,800)</b>	<b>(28,961)</b>	<b>1,839</b>
Total administration			
Total revenue under expenditures			
Other financing sources:			
Appropriated fund balance	13,000	-	(13,000)
Transfers in	17,800	17,800	-
	<b>30,800</b>	<b>17,800</b>	<b>(13,000)</b>
	<b>\$ -</b>	<b>\$ (11,161)</b>	<b>\$ (11,161)</b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		\$ (11,161)	
Depreciation		(486)	
Net loss, accrual basis		<b>\$ (11,647)</b>	

**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, 2004**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenue:			
Contributions from various funds	\$ 29,821	\$ 66,745	\$ (36,924)
Miscellaneous income	2,500	2,500	-
	<u>32,321</u>	<u>69,245</u>	<u>(36,924)</u>
<b>Total revenue</b>	<b>32,321</b>	<b>69,245</b>	<b>36,924</b>
Expenditures:			
Administration:			
Salaries and benefits		312,694	
Operating		47,506	
	<u>385,070</u>	<u>360,200</u>	<u>(24,870)</u>
<b>Total expenditures</b>	<b>(352,749)</b>	<b>(290,955)</b>	<b>61,794</b>
<b>Total revenue under expenditures</b>			
Other financing sources:			
Transfers in			
	<u>352,749</u>	<u>302,513</u>	<u>(50,236)</u>
<b>Revenue and other sources over expenditures</b>	<b>\$ -</b>	<b>\$ 11,558</b>	<b>\$ 11,558</b>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures		\$ 11,558	
Capital contributions		7,335	
Depreciation		(16,859)	
Net income, accrual basis		<u>\$ 2,034</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, 2004**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenue:			
Contributions from various funds	<u>\$ 1,662,465</u>	<u>\$ 1,662,465</u>	<u>\$ -</u>
Expenditures:			
Administration:			
Salaries and benefits		387,478	
Operating		125,123	
Indirect Charges		131,094	
<b>Total administration</b>	<u>675,572</u>	<u>643,695</u>	<u>31,877</u>
Operations			
Salaries and benefits		803,963	
Operating		118,213	
<b>Total operations</b>	<u>990,195</u>	<u>922,176</u>	<u>68,019</u>
<b>Total expenditures</b>	<u>1,665,767</u>	<u>1,565,871</u>	<u>99,896</u>
<b>Total revenue under expenditures</b>	<u>(3,302)</u>	<u>96,594</u>	<u>99,896</u>
Other financing sources (uses):			
Appropriated fund balance	3,797	-	(3,797)
Transfers in	4,000	59,041	55,041.00
Transfers out	(4,495)	(57,790)	(53,295)
<b>Total other financing sources</b>	<u>3,302</u>	<u>1,251</u>	<u>(2,051)</u>
<b>Revenue and other sources over expenditures</b>	<u>\$ -</u>	<u>\$ 97,845</u>	<u>\$ 97,845</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources over expenditures		\$ 97,845	
Depreciation		(9,023)	
Net income, accrual basis		<u>\$ 88,822</u>	



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## **GOVERNMENTAL FUNDS CAPITAL ASSETS**

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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

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**City of Kinston, North Carolina**

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

**Comparative Schedules by Source**

**June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>Governmental funds capital assets:</b>		
Land	\$ 2,918,681	\$ 2,918,681
Buildings	9,653,822	9,653,822
Equipment and vehicles	8,474,403	11,092,383
Infrastructure	716,779	716,779.00
 <b>Total governmental funds capital assets</b>	 <b>\$ 21,763,685</b>	 <b>\$ 24,381,665</b>
 <b>Investment in governmental funds capital assets:</b>		
General Fund	\$ 18,860,587	\$ 21,478,567
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>\$ 21,763,685</b>	 <b>\$ 24,381,665</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, 2004**

	<b>Land</b>	<b>Buildings</b>	<b>Equipment and Vehicles</b>	<b>Infrastructure</b>	<b>Total</b>
<b>Function and Activity:</b>					
General Government:					
Manager	\$ -	\$ -	\$ 157,566	\$ -	\$ 157,566
Clerk	-	-	12,258	-	12,258
Human resources	-	-	5,292	-	5,292
Finance and administration	-	-	42,750	-	42,750
Management information systems	-	-	576,582	-	576,582
Other, unclassified	<u>2,336,253</u>	<u>2,465,740</u>	<u>63,568</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>858,016</u></b>	<b>-</b>	<b><u>5,660,009</u></b>
Public Safety:					
Police	-	87,049	2,751,278	-	2,838,327
Fire	<u>19,365</u>	<u>604,604</u>	<u>2,356,085</u>	-	<u>2,980,054</u>
<b>Total public safety</b>	<b><u>19,365</u></b>	<b><u>691,653</u></b>	<b><u>5,107,363</u></b>	<b>-</b>	<b><u>5,818,381</u></b>
Public Works:					
Highways and Streets:					
Engineering	-	-	210,288	-	210,288
Maintenance	-	-	<u>1,722,455</u>	-	<u>1,722,455</u>
<b>Total public works</b>	<b>-</b>	<b>-</b>	<b><u>1,932,743</u></b>	<b>-</b>	<b><u>1,932,743</u></b>
Community Development:					
Parks and Recreation	-	-	<u>75,798</u>	<u>716,779</u>	<u>792,577</u>
<b>Total general fixed assets</b>	<b><u>563,063</u></b>	<b><u>6,496,429</u></b>	<b><u>500,483</u></b>	<b>-</b>	<b><u>7,559,975</u></b>
	<b><u>\$ 2,918,681</u></b>	<b><u>\$ 9,653,822</u></b>	<b><u>\$ 8,474,403</u></b>	<b><u>\$ 716,779</u></b>	<b><u>\$ 21,763,685</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, 2004**

	Capital Assets 2003	Additions	Transfers and Deductions	Capital Assets 2004
<u><b>Function and Activity:</b></u>				
General Government:				
Manager	\$ 157,566	\$ -	\$ -	\$ 157,566
Clerk	12,258	-	-	12,258
Human resources	5,292	-	-	5,292
Finance and administration	42,750	-	-	42,750
Management information systems	569,607	6,975	-	576,582
Other, unclassified	4,865,561	-	-	4,865,561
<b>Total general government</b>	<b>5,653,034</b>	<b>6,975</b>	<b>-</b>	<b>5,660,009</b>
Public Safety:				
Police	2,430,120	770,116	361,909	2,838,327
Fire	2,964,255	15,799.00	-	2,980,054
<b>Total public safety</b>	<b>5,394,375</b>	<b>785,915</b>	<b>361,909</b>	<b>5,818,381</b>
Public Works:				
Highways and Streets:				
Engineering	236,175	-	25,887	210,288
Maintenance	1,982,720	91,287	351,552	1,722,455
Environmental Services	2,720,274	-	2,720,274	-
<b>Total highways and streets</b>	<b>4,939,169</b>	<b>91,287</b>	<b>3,097,713</b>	<b>1,932,743</b>
Community Development	801,423	-	8,846	792,577
Parks and Recreation	7,593,664	6,598	40,287	7,559,975
<b>Total general fixed assets</b>	<b>\$ 24,381,665</b>	<b>\$ 890,775</b>	<b>\$ 3,508,755</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.



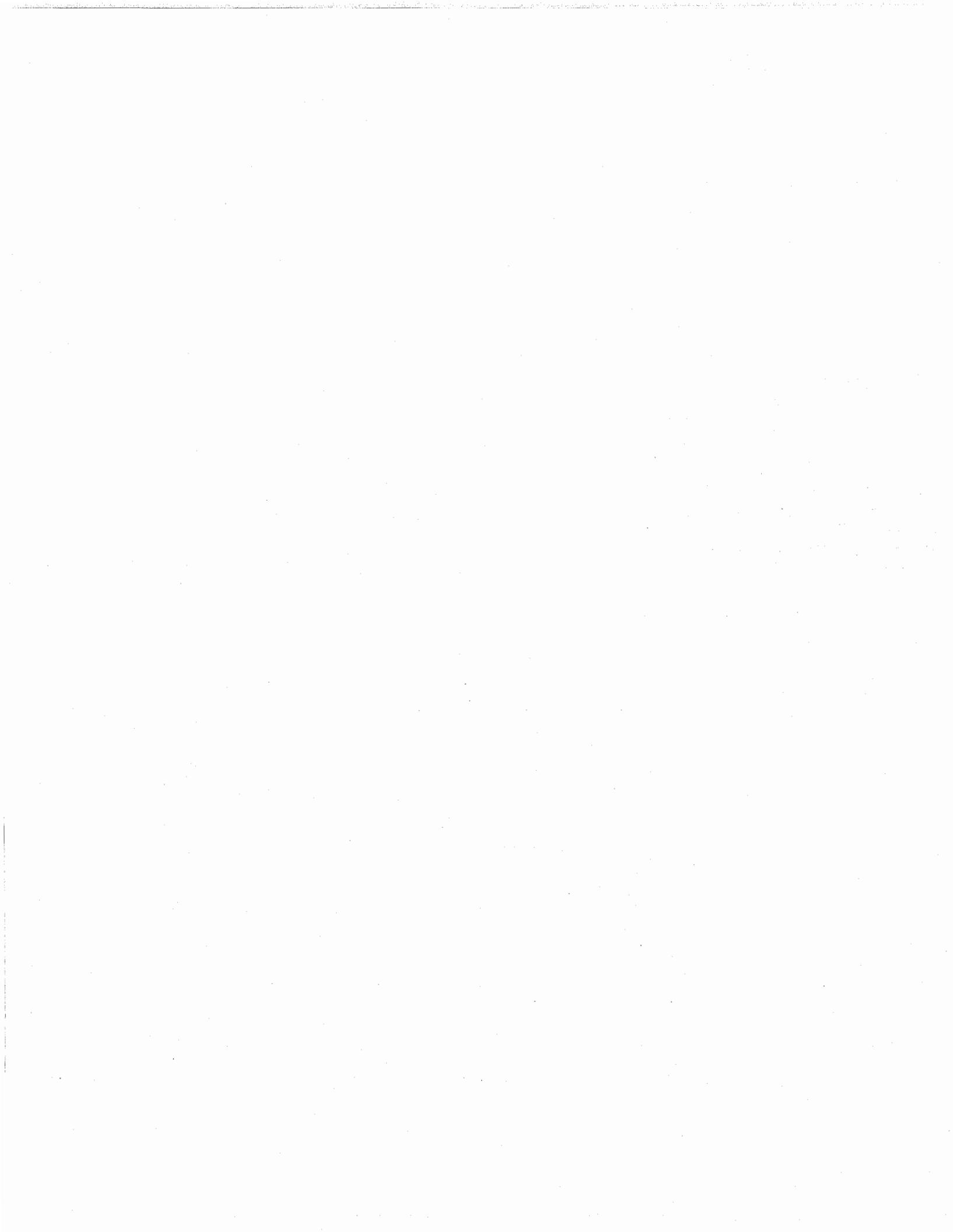
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## **OTHER FINANCIAL INFORMATION**

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

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**City of Kinston, North Carolina**

**Schedule of Ad Valorem Taxes Receivable  
For the Fiscal Year Ended June 30, 2004**

Fiscal Year	Uncollected Balance July 1, 2003	Current Year Gross Levy	Collections Credits and Adjustments	Uncollected Balance June 30, 2004
2003-2004	\$ -	\$ 6,980,033	\$ 6,586,934	\$ 393,099
2002-2003	383,847	-	235,478	148,369
2001-2002	130,442	-	45,542	84,900
2000-2001	61,369	-	9,364	52,005
1999-2000	38,704	-	5,401	33,303
1998-1999	42,610	-	4,736	37,874
1997-1998	29,560	-	2,628	26,932
1996-1997	34,457	-	2,288	32,169
1995-1996	21,566	-	1,385	20,181
1994-1995	16,402	-	1,075	15,327
1993-1994	12,959	-	12,959	-
	<b>\$ 771,916</b>	<b>\$ 6,980,033</b>	<b>\$ 6,907,790</b>	<b>\$ 844,159</b>
Motor vehicle tags receivable				117,054
Total property tax receivable				961,213
Less: Allowance for doubtful accounts				(247,390)
				<b>\$ 713,823</b>
Reconciliation With Revenue:				
Ad valorem taxes - General Fund	\$ 7,047,153			
Less auto fee	<u>(153,948)</u>			
		\$ 6,893,205		
Add credits and adjustments		<u>14,585</u>		
			<b>\$ 6,907,790</b>	

**City of Kinston, North Carolina**

**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2004**

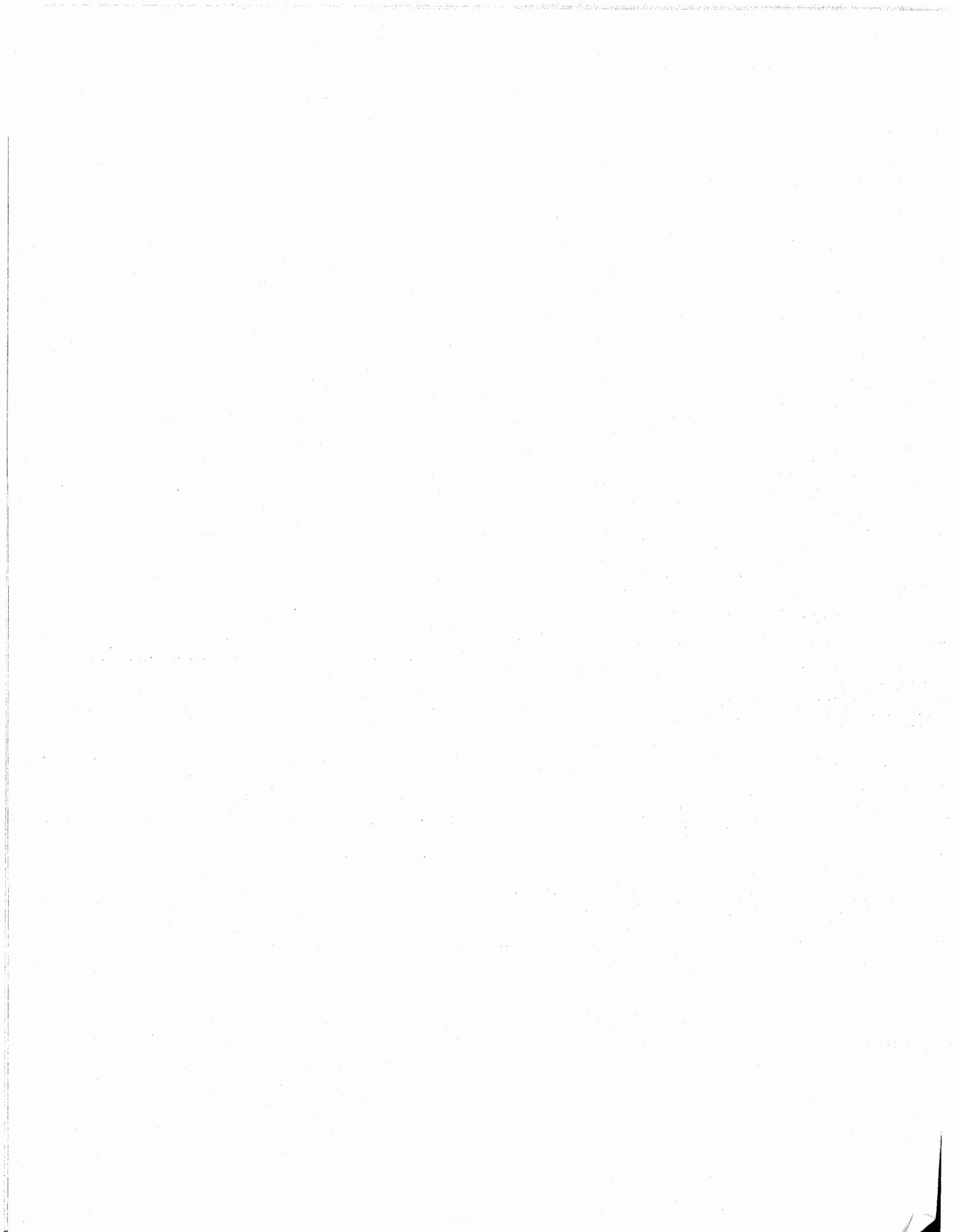
						<b>Total Levy</b>
	<b>City Wide</b>			<b>Property Excluding Registered</b>	<b>Registered</b>	
	<b>Property Valuation</b>	<b>Rate</b>	<b>Total Levy</b>	<b>Motor Vehicles</b>	<b>Motor Vehicles</b>	
<b>Original levy:</b>						
Property taxed at current	\$ 1,138,974,862	\$ 0.600	\$ 6,833,849	\$ 6,095,827	\$ 738,022	
Penalties	-		4,435	4,435	-	
<b>Total</b>	<b>1,138,974,862</b>		<b>6,838,284</b>	<b>6,100,262</b>	<b>738,022</b>	
 <b>Municipal Service District</b>						
			<b>53,119</b>	<b>53,119</b>		-
 <b>Discoveries:</b>						
Current year taxes	24,015,840	0.600	144,095	143,930	165	
<b>Total</b>	<b>24,015,840</b>		<b>144,095</b>	<b>143,930</b>	<b>165</b>	
 <b>Abatements:</b>						
Current year taxes	(9,244,173)	0.600	(55,465)	(41,643)	(13,822)	
	<b>(9,244,173)</b>		<b>(55,465)</b>	<b>(41,643)</b>	<b>(13,822)</b>	
<b>Total property valuation</b>	<b>\$ 1,153,746,529</b>					
 <b>Net levy</b>						
			<b>6,980,033</b>	<b>6,255,668</b>	<b>724,365</b>	
<b>Uncollected taxes at June 30, 2004</b>			<b>393,099</b>	<b>252,116</b>	<b>140,983</b>	
<b>Current year's taxes collected</b>			<b>\$ 6,586,934</b>	<b>\$ 6,003,552</b>	<b>\$ 583,382</b>	
<b>Current levy collection percentage</b>			<b>94.37%</b>	<b>95.97%</b>	<b>80.54%</b>	

## **STATISTICAL SECTION (Unaudited)**

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- 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.

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**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
1995	\$ 1,762,566	\$ 6,765,199	\$ 4,698,604	\$ 2,591,703	\$ 2,311,865	\$ 26,902	\$ -	\$ 18,156,839
1996	1,237,584	6,832,396	4,537,956	2,419,057	3,468,111	-	-	18,495,104
1997	820,590	6,397,245	3,781,419	2,248,223	5,517,284	1,285,671	228,131	20,278,563
1998	80,359	6,677,932	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

Source: City of Kinston Finance Department

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

**City of Kinston, North Carolina**

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

Fiscal Year Ended June 30,	Ad Valorem Taxes (2)	Sales and Services	Other Taxes and Licenses	Inter- Governmental Unrestricted	Inter- Governmental Restricted	Other Revenue	Total
1995	\$ 5,224,633	\$ 3,166,522	\$ 3,295,271	\$ 524,737	\$ 1,253,385	\$ 432,649	\$ 13,897,197
1996	5,152,163	2,957,803	3,536,519	519,967	1,024,159	449,339	13,639,950
1997	5,201,366	3,118,713	3,748,121	516,784	3,453,455	1,009,342	17,047,781
1998	6,049,670	3,454,623	3,689,204	698,254	2,757,179	586,328	17,235,258
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

Source: City of Kinston Finance Department

Notes: (1) Includes general, special revenue and capital project funds  
(2) Includes municipal service district

**City of Kinston, North Carolina**

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

Fiscal Year Ended June 30	Other Taxes and Licenses						Gross Receipts	Licenses and Permits	Total
	Ad Valorem (2)	Sales	Intangible	Franchise	Occupancy				
1995	\$ 5,224,633	\$ 1,928,391	\$ 220,005	\$ 1,010,519	\$ 72,999	\$ -	\$ 63,357	\$ 8,519,904	
1996	5,152,163	1,953,386	207,542	1,203,606	106,037	-	65,948	8,688,682	
1997	5,201,366	2,085,067	209,384	1,254,266	134,226	-	65,178	8,949,487	
1998	6,049,670	2,227,640	225,241	1,049,589	122,883	-	63,851	9,738,874	
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	

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	
						Total Tax Collections	To Total Tax Levy
1995	\$ 5,103,866	\$ 4,917,585	96.4%	\$ 155,890	\$ 5,073,475		99.4%
1996	5,034,263	4,823,149	95.8%	165,830	4,988,979		99.1%
1997	5,119,439	4,870,420	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%

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>
1995	\$ 824,872,433	(1)	4.0%
1996	815,628,820	(1)	-1.1%
1997	828,874,289	(1)	1.6%
1998	991,578,151	(1)	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%

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		Total		Total School District Millage
	City Millage	District Millage	City Millage	County Millage	City Millage	County Millage	
1995	\$ 0.61	\$ 0.27	\$ 0.61	\$ 0.77	\$ -	\$ -	
1996	0.61	0.27	0.61	0.77			
1997	0.61	0.27	0.61	0.77			
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			

Source: City of Kinston Finance Department  
Lenoir County Tax Office

**City of Kinston, North Carolina**

**Property Tax Rates and Levies -  
Direct and Overlapping Governments  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Rates			Tax Levies		
	City	County	Total	City	County	Total
1995	\$ 0.61	\$ 0.77	\$ 1.38	\$ 5,103,586	\$ 17,353,862	\$ 22,457,448
1996	0.61	0.77	1.38	5,034,262	18,016,619	23,050,881
1997	0.61	0.77	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

Source: Lenoir County Tax Office

**City of Kinston, North Carolina**

**Prinicpal Taxpayers**

June 30, 2004

<b>Taxpayer</b>	<b>Nature of Property</b>	<b>Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Masterbrand Cabinets, Inc.	Manufacturer	28,869,170	2.5%
Carolina Telephone	Utility	\$ 22,655,340	2.0%
Smithfield Packing	Meat Processor	18,495,911	1.6%
Poole Walter Realty, Inc.	Real Estate	15,878,529	1.4%
Excel Realty Trust NC	Shopping Mall	10,730,931	0.9%
Barnet Southern Corp	Manufacturer	9,406,417	0.8%
Dwight C. and Patricia Howard	Manufacturer	7,840,093	0.7%
NC Natural Gas	Utility	7,595,925	0.7%
Perry, Inc.	Real Estate	6,797,657	0.6%
Smith Investment Properties	Shopping Mall	6,082,611	0.5%
<b>Total Assessed Valuation of Top Ten Taxpayers</b>		<b>134,352,584</b>	<b>11.6%</b>
<b>Balance of Assessed Valuation</b>		<b>1,019,393,945</b>	<b>88.4%</b>
<b>Total Assessed Valuation</b>		<b>\$ 1,153,746,529</b>	<b>100.0%</b>

**City of Kinston, North Carolina**

**Computation of Legal Debt Margin**

June 30, 2004

Total assessed value	\$ <u>1,153,746,529</u>
Debt limitation - 8% of total assessed value	\$ <u>92,299,722</u>
<b>Debt applicable to limitation:</b>	
Total bonded debt	\$ <u>13,466,000</u>
Obligation under notes payable	<u>4,637,185</u>
Obligation under installment contracts	<u>5,934,250</u>
<b>Gross debt</b>	<b><u>24,037,435</u></b>
<b>Less - statutory deductions:</b>	
Revenue bonds issued and outstanding for electric purposes	<u>6,640,000</u>
Obligations under notes payable attributable to enterprise funds	<u>4,637,185</u>
Obligation under installment contracts attributable to enterprise funds	<u>2,076,832</u>
Revenue bonds issued and outstanding for water purposes	<u>2,625,480</u>
Revenue bonds issued and outstanding for wastewater purposes	<u>4,200,520</u>
<b>Total statutory deductions</b>	<b><u>20,180,017</u></b>
<b>Total debt applicable to limitation</b>	<b><u>3,857,418</u></b>
<b>Legal debt margin</b>	<b><u>\$ 88,442,304</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**

Fiscal Year Ended June 30	Principal	Interest	Total (1)	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Expenditures
1995	\$ 175,000	\$ 13,438	\$ 188,438	\$ 18,156,839	1.04
1996	150,000	6,000	156,000	18,495,104	0.84
1997	-	-	-	20,278,563	-
1998	-	-	-	18,713,449	-
1999	-	-	-	23,867,612	-
2000	-	-	-	28,427,684	-
2001	-	-	-	31,231,122	-
2002	-	-	-	31,147,931	-
2003	-	-	-	27,326,349	-
2004	-	-	-	18,494,994	-

*Notes: (1)*  
*Long-term Debt Account group.*

*(2)*

**City of Kinston, North Carolina**

**Computation of Direct and Overlapping Bonded Debt**

**June 30, 2004**

<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>2,595,000</u>	36.78%	<u>954,441</u>
Total overlapping debt	<u>\$ 2,595,000</u>		<u>\$ 954,441</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 (\$3,137,102,306).
- (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)	
1995	\$ 842,336,146 (4)	490	\$ 31,349,949	\$ 507,688,000
1996	832,601,605 (4)	271	31,974,645	527,195,000
1997	846,130,255 (4)	456	28,178,970	471,537,000
1998	1,005,811,456 (4)	207	22,348,955	531,440,000
1999	1,035,578,586 (4)	145	18,165,316	537,398,000
2000	1,054,593,492 (4)	204	48,959,642	572,749,000
2001	1,029,064,782 (4)	129	29,960,815	590,235,000
2002	1,162,058,976 (4)	100	16,666,270	602,845,000
2003	1,158,213,998 (4)	147	12,374,362	585,208,000
2004	1,153,746,529 (4)	135	14,540,108	(5)

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 June 30	Estimated Population (1)	Taxable Property Assessed Value (2)	8% Debt Limit	Gross Bonded Debt	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Property Assessed Value		Per Capita Bonded Debt	
						Gross Assessed Value	Net Assessed Value	Gross Bonded Debt	Net Bonded Debt
1995	25,730	\$ 842,336,146	\$ 67,386,892	\$ 150,000	-	\$ -	\$ -	\$ 6	\$ -
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	-	-	-	-	-	-

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)				Coverage
				Principal	Interest	Total		
1995	\$ 43,154,442	\$ 37,330,887	\$ 5,823,555	\$ 225,000	\$ 187,801	\$ 412,801	14.11	
1996	45,432,937	39,669,640	5,763,297	240,000	137,038	377,038	15.29	
1997	41,849,213	37,489,507	4,359,706	495,000	853,151	1,348,151	3.23	
1998	43,234,423	39,231,141	4,003,282	590,000	870,462	1,460,462	2.74	
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	

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 June 30	City Population (1)	County Per Capita Income (2)	County Unemployment Rate (3)	City and County School Enrollment (4)	County Retail Sales (5)	Bank Deposits (6)
1995	25,730	\$ 18,036	6.2%	10,451	\$ 595,789,426	\$ 507,668,000
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	(7)	7.1%	11,347	862,763,372	585,208,000
2004	23,238	(7)	6.1%	10,099	(7)	(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, 2004**

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Population	23,238
Date of incorporation	1762
Form of Government	Council/Manager
Area (Extra-territorial jurisdiction 45.52sq/mi)	17
Miles of paved street (state maintained 43.63)	114.7
Number of street lights	2,062
Employees	378
<b>Public Safety</b>	
Administration:	
Public safety officers	6
Firemen/officers	1
Fire Protection:	
Number of stations	3
Number of firemen/officers	56
Police Department:	
Number of stations	4
Number of police/officers	74
<b>Public Services</b>	
Electric Department:	
Number of consumers	12,450
Average daily usage	1,226,817 KWH
Miles of distribution lines	425
Water Department:	
Number of consumers	11,060
Average daily consumption	4.50MGD
Miles of water mains	211.7
Sewers:	
Average daily flow	3.50 MGD
Miles of sewer lines	182.3
Parks/Recreation:	
Number of parks	14
Park acreage	245
Golf courses	1
Swimming pools	3
Tennis courts	14
Museum	2
Baseball Courts (outside)	16
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium
Indoor Batting Facility	1