

CITY OF KINSTON

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2003

CITY OF KINSTON, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

PREPARED BY
CITY OF KINSTON FINANCE DEPARTMENT

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INTRODUCTORY SECTION

Letter of Transmittal

List of Principal Officials

Organizational Chart

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



City of Kinston

Post Office Box 339
Kinston, North Carolina 28502

Johnnie Mosley

Mayor

Ralph A. Clark

City Manager

March 4, 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, 2003, 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 2002 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, 2003. 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.

ECONOMIC CONDITION AND OUTLOOK

Kinston, located 75 miles east of the City of Raleigh (the State Capitol) and 60 miles west of the Atlantic Coast, is the largest municipality in Lenoir County and serves as the County seat. The City is centrally located to several large and growing cities such as New Bern, Jacksonville, and Greenville, all less than an hour away from each. 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 5.8 percent unemployment rate compared to a statewide rate of 6.1 and a national average of 5.7 percent. The July 2002 population estimates for the City report population as 23,337, a 1.5 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 \$17.5 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 recent floods have had on the physical and economic fabric of the City, the City in the past fiscal year has experienced positive 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.

MAJOR INITIATIVES

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 \$23.2 million in expenditures recorded thru fiscal year 2003. The Hurricane Floyd program consists of seventeen (17) projects, with grant awards totaling over \$30.3 million and expenditures of approximately \$18.8 million thru June 30, 2003. To date the City has acquired 800 properties. There have been 270 homeowners and 400 tenants relocated and approximately 700 structures have been demolished.

Salvage Yard Buyout

Conservation easements were acquired on the Stanleys and Webbs salvage yards. Remaining activities to complete the work at those sites include relocation of materials from the Webbs site, as well as demolition, environmental assessments and any required environmental remediation at both locations. Additional environmental assessments were underway at the Harpers, Strouds and Woodys salvage yards to determine the required level of environmental remediation.

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

The consolidation of administrative and support service functions of the City's Police and Fire Departments was initiated in January 2003. The core functions of both departments including police field operations, investigations, fire suppression, and rescue activities will remain unchanged as separate divisions of the Public Safety Department. The newly consolidated administrative and support service functions were relocated from City Hall into the Alice S. Hannibal Building in May of 2003. The consolidation was reflected in the City's adopted FY 2003-04 Annual Budget.

Sludge Dewatering Facility

The Sludge Dewatering Facility located at the Kinston Regional Water Reclamation Facility was completed in 2003. The purpose of the facility is to speed up the process of sludge disposal by taking the sludge from the treatment plant tanks and processing through machinery which mixes polymers to aid in drying and binding the sludge together. This processing separates the matter which is approximately 98% water from the solid so that there is less waste product to be discarded to the landfill. This method of processing offers a better mixture of cost effective and environmentally friendly solutions than any other alternative experienced in the past. The project was funded by a grant from the Clean Water Management Trust Fund.

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 ungradable in 3 MGD increment expansions. 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.

Grainger Stadium Renovations

Grainger Stadium was completely renovated in 2003 just in time for the opening game in April. This municipal stadium is home to the Kinston Indians, a class A Cleveland Indians minor league farm team. The renovations consisted of a complete renovation of the main grandstand which included all new seating. Also included were new dugouts and restrooms. Additional bleachers and box seats were added for an estimated 400 additional seating capacity. The picnic area was expanded to include playground equipment and dirt to elevate this area. Also, a new food and beverage service building was added and a complete renovation of the main concession stand, bathrooms and souvenir shop. Handicapped accessibility was enhanced along with a retaining wall and concrete pads and walkways.

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.

Workers' Compensation and Safety Costs

Worker's compensation is a growing liability to the City of Kinston just as it is for any other business. The City is continuing in its efforts to control and reduce costs in this area with increased emphasis on safety meetings and programs. In 2003, the City's lost work day cases decreased from 10 to 7. The number of lost work days and the number of restricted work days were significantly reduced. Injuries that occurred during the fiscal 2003, were less severe than in some previous years. The reductions in severity and frequency are helping to reduce the costs of the program even though medical costs continue to increase.

The Neuseway Planetarium, Health and Science Museum

The Neuseway Planetarium, Health and Science Museum was opened in April, 2002. It is a 5,000 square foot museum which features hands on health and science exhibits and programs. Some of these include a "giant" operation game, a miniature replica of Lenoir Memorial Hospital and an underground tunnel that portrays itself as a human blood vessel. A 32 seat planetarium and observation deck is located upstairs along with computers with discovery/educational programs for children to use.

Mock Gymnasium

Mock Gymnasium opened in February, 2003. It was previously an old high school gymnasium with classrooms but has been turned into a completely renovated gymnasium which includes 3 indoor batting cages with pitching machines, an indoor walking track, basketball court, nautilus machines, free weights, meeting rooms, a game room, and a racquetball room. This facility has been very successful with senior citizens and also with local high school baseball/softball teams. The Kinston Indians also use this facility when weather is not permitting them to practice outside.

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. New business and beautification loans are also available to assist interested businesses.

Pride's efforts have spawned several major private investments, including the Themed Development Plan which is a 10 year revitalization and beautification plan for the downtown area, which includes the recent exterior renovation of the Farmer and Merchants Bank building.

IN THE FUTURE

Flood Buyout

The flood buyout program will continue relocating residents from a 100-year flood plain whose homes incurred major damage due to Neuse River flooding as a result of Hurricanes Bertha, Fran and Floyd. The City is taking a proactive role in requesting additional funds and locating suitable relocation housing to avoid erosion of the City's tax base.

Kinston Regional Water Reclamation Facility (KRWRF)

The flooding resulting from Hurricane Berth/Fran and Hurricane Floyd extended to the Peachtree Waste Water Treatment Plant and caused effluent to leak into the Neuse River. FEMA, as part of the disaster relief, recognized the potential environmental health concerns for the residents of Lenoir County, and granted a \$32 million grant to close the Peachtree plant (located in the flood plain) and expand the Northside Waste Water Treatment Plant (renamed Kinston Regional Water Reclamation Facility or KRWRF). Essentially, this project will redirect the flow from the lift station at Peachtree in a 30 inch force main to the KRWRF facility approximately 5 miles away (which is not within the flood plain.) The total project will total approximately \$40 million of which \$32 million will be funded by a federal grant and \$8 million to be paid by the City. The project is broken up into 4 contracts. Essentially, contract 1 covers the infrastructure of the KRWRF treatment plant, contract 2 covers the 30 inch force main, contract 3 encompasses the administration building at KRWRF, and contract 4 will provide for non-FEMA funded portions of the facility. The construction of the administration building in contract 3 is necessary to provide work area for employees from Peachtree and KRWRF as the plant will expand from 4.5 mgd to 13 mgd capacity. Also, the City will take back lab testing that it has subcontracted to third party vendors which will be housed in the administration building. The existing building at KRWRF which dates to the early 1970's will used as a mechanical control facility for the treatment plant. Construction began late 2002 and will continue until mid 2006.

The Neuseway Planetarium, Health and Science Museum

Future plans for the planetarium and science museum include new exhibits, new planetarium shows and a souvenir shop.

Mock Gymnasium

Future plans for Mock Gym include adding additional nautilus equipment, additional parking, and adding additional programs such as aerobics classes.

Employee Health and Wellness

Due to rising health insurance costs for the past 2 fiscal years, in fiscal year 2004 the City will take a proactive approach to managing these costs by implementing an Employee Wellness program. This managed program awards Well Bucks to participating employees through various programs that encourage employees to commit to a healthy life style by encouraging annual checkups with family doctors for physicals, dental care, eye exams; life style changes such as quitting tobacco use or weight loss or exercise programs, and education such as participating in group discussions, seminars and interactive learning. The goal of the program is to help employees and their families become healthy for a lifetime and thus reduce the potential of serious medical problems in the future.

Strategic Planning

In August 2002 a report was submitted to City Council providing detailed information on recommended changes to our organizational structure and the way in which we deliver services. Of the 49 recommendations for organizational structure and service delivery changes that were presented, 45 were approved by City Council.

Through the end of fiscal year 2003, 24 of the approved recommendations were implemented, nine were underway and two were reconsidered and will not be implemented. As a result of the implementation of the recommendations, 36 full-time positions are no longer funded. Estimated annual savings that will result from the organizational structure and service delivery changes is over \$1.3 million.

Significant recommendations that have been implemented include the consolidation Public Works, Public Utilities and Engineering into a Public Services Department, and the consolidation of the administrative and support service functions of the Police and Fire Departments. It is important to note the majority of the recommendations were developed by the City's department heads.

The next step in the process is the development of a Capital Improvements Program (CIP) and a five year financial forecast. City department heads are formulating their CIP requests which will be submitted to the staff Strategic Planning Committee for review and prioritization. The development of the five year financial forecast will begin after the CIP requests have been prioritized. Ultimately, the CIP and five year financial forecast will be submitted to City Council for their consideration and approval.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. 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.

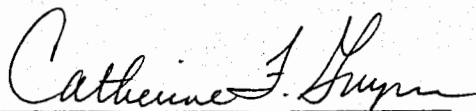
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its transactions. In addition, the Federal Single Audit Act Amendments of 1996 and the State Single Implementation Act require annual independent audits of the City's compliance with 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, 2003

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

SCOTTY HILL
Public Safety
Chief of Administration

SCOTT STEVENS
Director of Public Services

TOMMY LEE
Interim Director of Planning,
Inspections and Code Enforcement

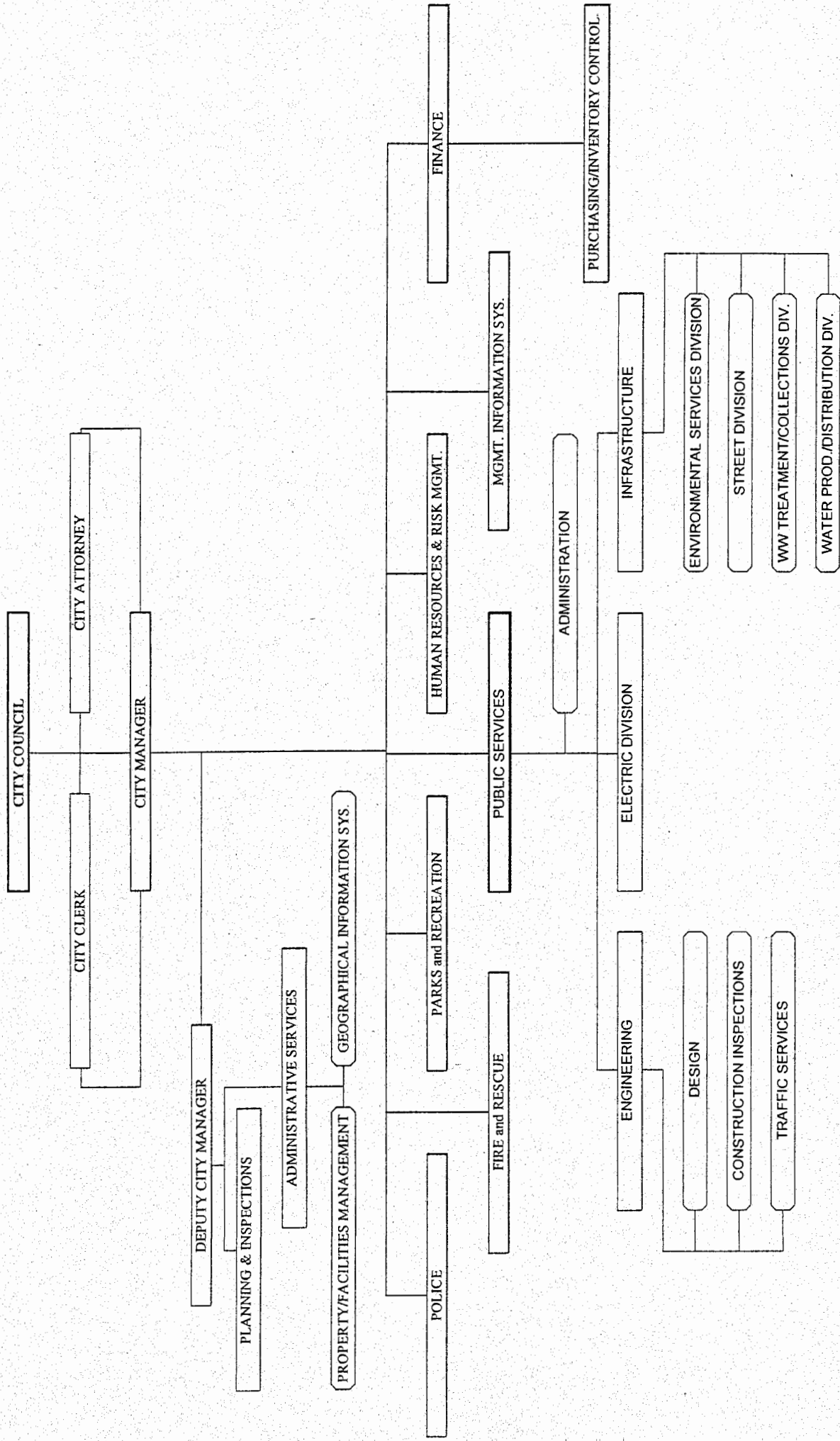
BILL ELLIS
Director of Parks and Recreation

CATHERINE GWYNN
Finance Director

KARL MUNSON
Director of Human Resources

CAROL L. BARWICK
City Clerk

CITY OF KINSTON
APPROVED ORGANIZATIONAL STRUCTURE
FY 2002-2003



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, 2002

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



President

Executive Director



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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Required Supplemental Financial Data

Combining and Individual Fund

Statements and Schedules

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kinston, North Carolina, as of and for the year ended June 30, 2003, which collectively comprise City of Kinston's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of City of Kinston's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the relative financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kinston, North Carolina, as of June 30, 2003, and 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 1 to the financial statements, City of Kinston, North Carolina adopted Governmental Accounting Board Statement Number 34 and related pronouncements during the year ended June 30, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2003 on our consideration of City of Kinston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the pension schedules on pages 3 through 16 and pages 57 through 60 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 statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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

New Bern, North Carolina
September 11, 2003

City of Kinston, North Carolina
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003

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, 2003. 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.

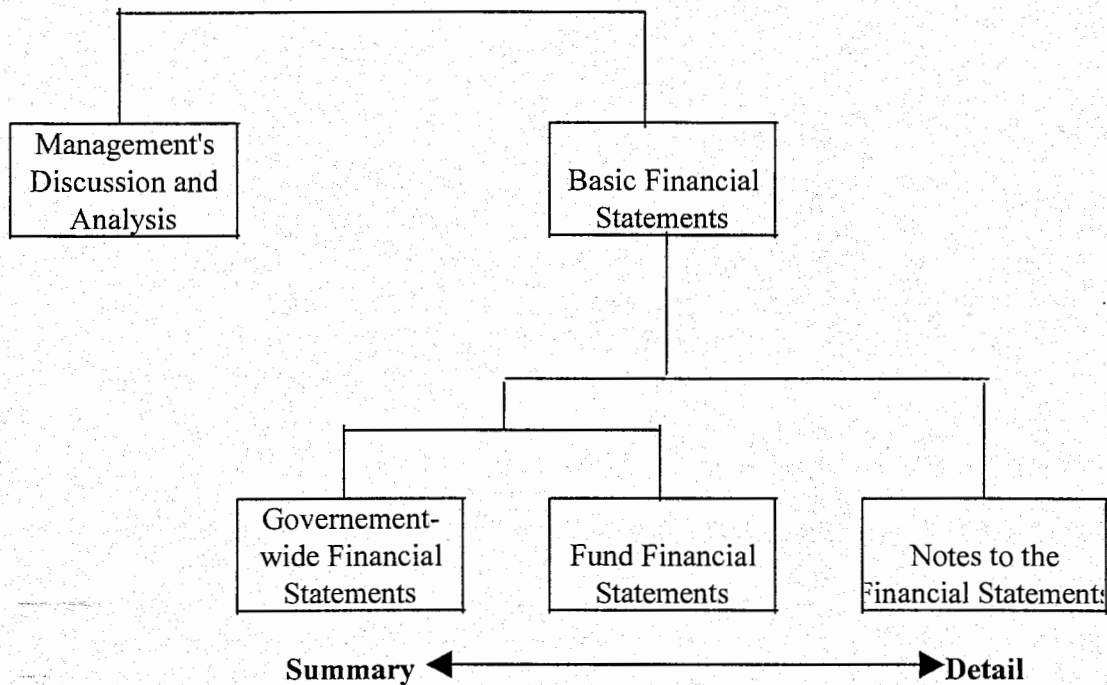
FINANCIAL HIGHLIGHTS

- The overall financial position of the City improved in 2003 as evidenced by an increase in total net assets of \$998 thousand 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 \$60.85 million (net assets). Of this amount, \$9.21 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5.29 million, an increase of \$1.52 million in comparison to the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2.56 million, or 15 percent of total general fund expenditures.
- The City's total debt increased by \$1.3 million during the fiscal year. The key factor in this increase was the issuance of debt for improvements and renovations to Grainger Stadium and issuance of a note to the State Revolving Loan Fund for improvements at the Kinston Regional Water Reclamation Facility.

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.

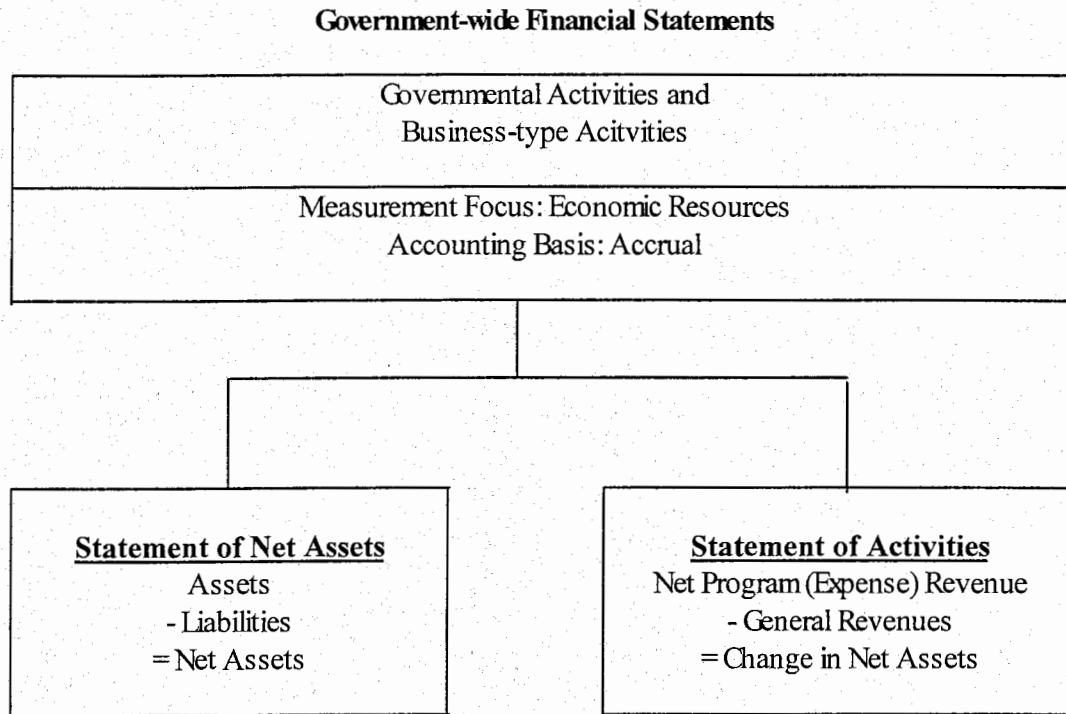
- The *governmental funds statements* tell how general government services like public safety were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.
- *Proprietary funds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



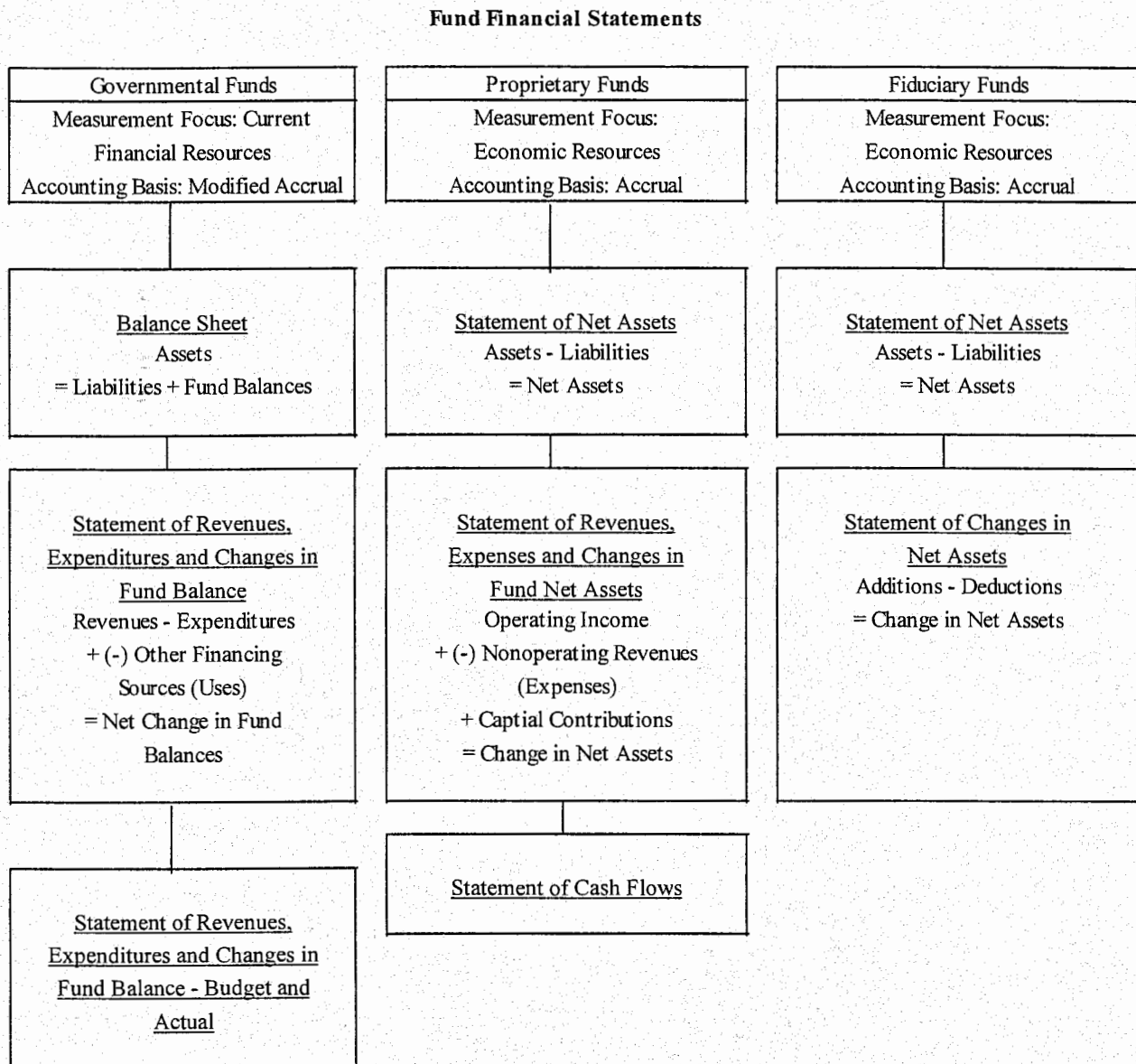
The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and how 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, and streets and environmental protection. 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 and water and sewer system 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government- wide financial statements for the fiscal year ended June 30,2003, are the beginning of a new era in financial reporting for the City and many other units of government across the United States. Prior to this year, the City maintained its governmental and proprietary funds groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34 dictated the changes you see in the City's financial reports as well as those of many other units of government. While the City was required to implement these changes for the fiscal year ended June 30, 2003, other units were required to implement in 2002 and 2004.

Because of the new reporting model, comparative data for all facets of the report were not available. When comparative numbers were accessible, they have been included. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

The City of Kinston's Net Assets

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Current and other assets	\$8,889,518	\$9,327,440	\$18,216,958
Capital assets	12,180,929	59,618,827	71,799,756
Total assets	<u>\$21,070,447</u>	<u>\$68,946,267</u>	<u>\$90,016,714</u>
Long-term liabilities outstanding	\$5,335,072	\$17,980,019	\$23,315,091
Other liabilities	1,633,453	4,218,347	5,851,800
Total liabilities	<u>\$6,968,525</u>	<u>\$22,198,366</u>	<u>\$29,166,891</u>
Net assets:			
Invested in capital assets, net of related debt	\$8,194,255	\$43,152,193	\$51,346,448
Restricted	289,314	0	289,314
Unrestricted	5,618,353	3,595,708	9,214,061
Total net assets	<u>\$14,101,922</u>	<u>\$46,747,901</u>	<u>\$60,849,823</u>

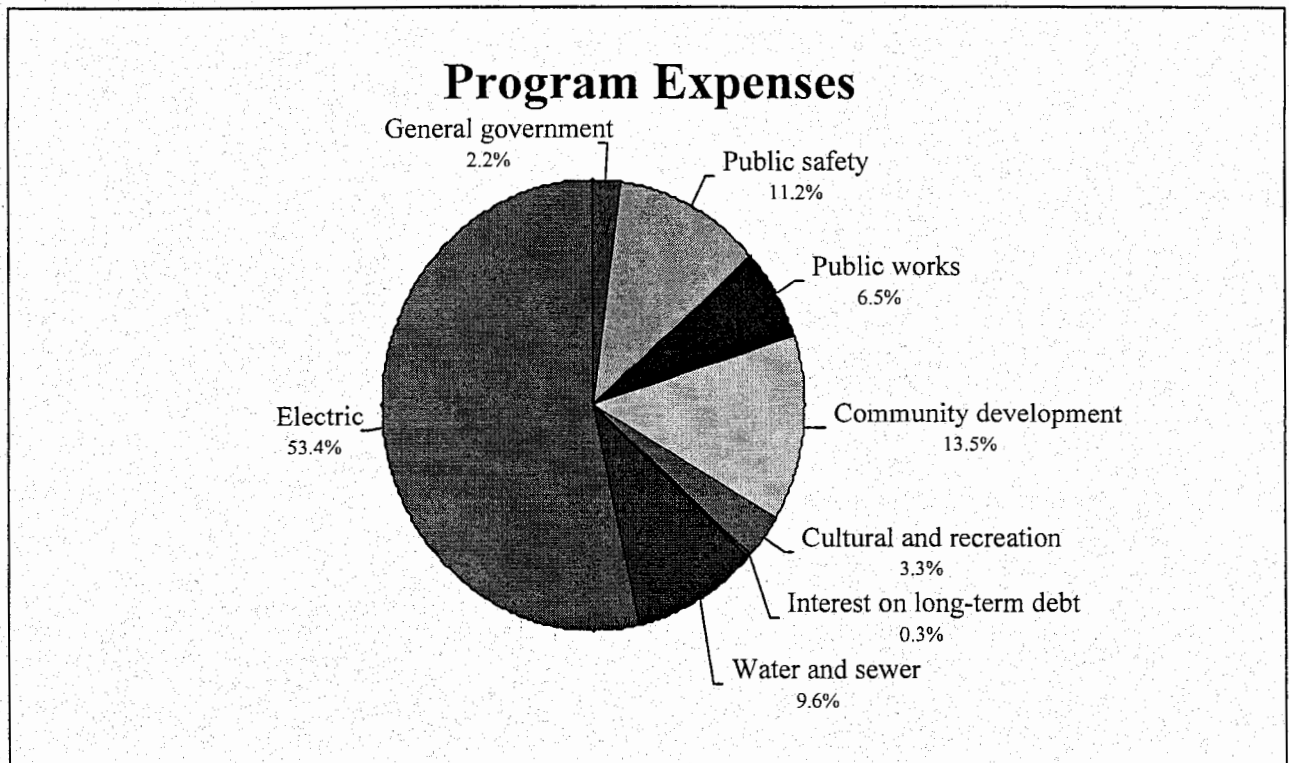
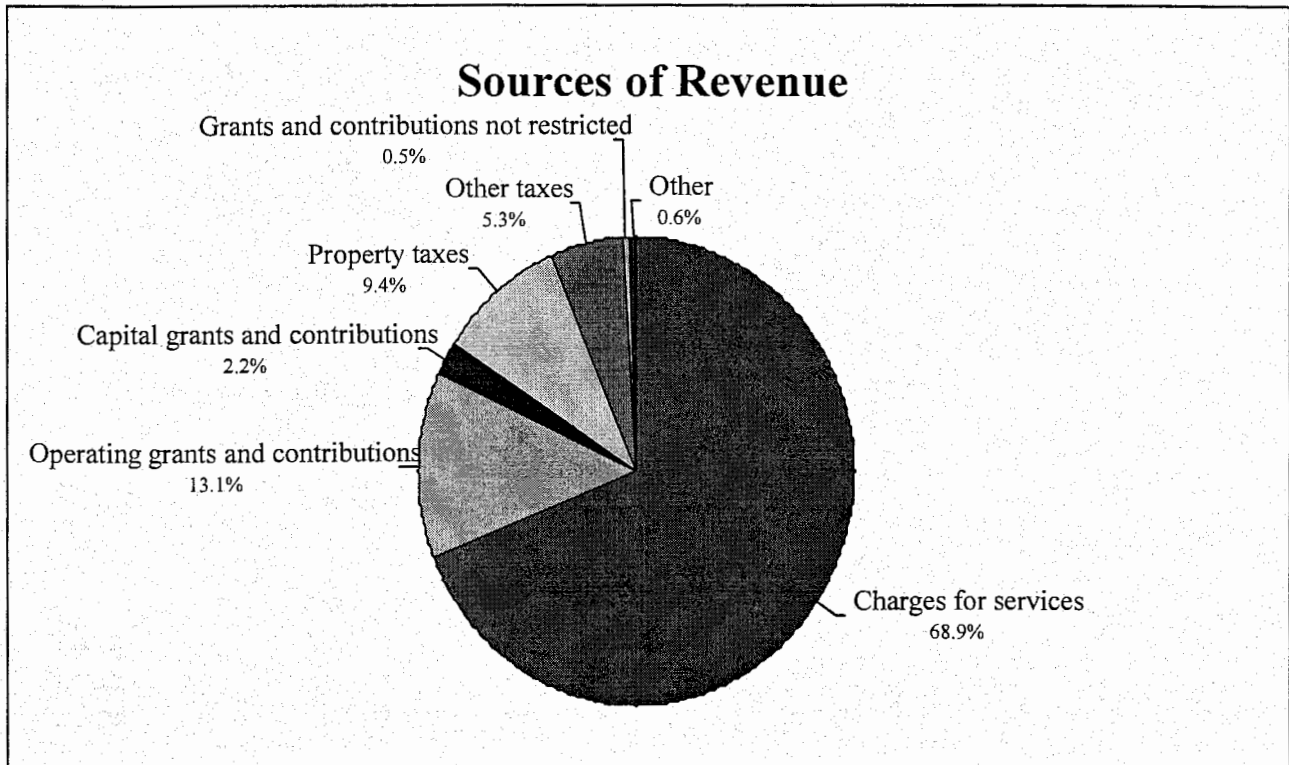
As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Kinston exceed liabilities by \$60.85 million as of June 30, 2003. The City's net assets increased by \$998 thousand for the fiscal year ended June 30, 2003. However, the largest portion (79.8%) 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 (.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9.21 millions is unrestricted.

However, \$289 thousand 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 \$5.62 million. The unrestricted governmental activities' net assets are available primarily to support operation and provide for payment of long-term debt.

City of Kinston Changes in Net Assets

	Governmental Activities 2003	Business-type Activities 2003	Total 2003
Revenues:			
Program revenues:			
Charges for services	\$3,945,323	\$46,178,574	\$50,123,897
Operating grants and contributions	9,443,199		9,443,199
Capital grants and contributions	693,944	930,257	1,624,201
General revenues:			
Property taxes	6,862,613		6,862,613
Other taxes	3,871,618		3,871,618
Grants and contributions not restricted to specific programs	344,373		344,373
Other	466,015	28,716	494,731
Total Revenues	<u>\$25,627,085</u>	<u>\$47,137,547</u>	<u>\$72,764,632</u>
Expenses:			
General government	\$1,543,904		\$1,543,904
Public safety	8,070,686		8,070,686
Public works	4,684,903		4,684,903
Community development	9,685,039		9,685,039
Cultural and recreation	2,362,355		2,362,355
Interest on long-term debt	183,755		183,755
Water and sewer		6,879,646	6,879,646
Electric		38,356,608	38,356,608
Total Expenses	<u>\$26,530,642</u>	<u>\$45,236,254</u>	<u>\$71,766,896</u>
Increase in net assets before transfers	<u>(\$903,557)</u>	<u>\$1,901,293</u>	<u>\$997,736</u>
Transfers	\$955,000	(\$955,000)	\$0
Change in net assets	<u>\$51,443</u>	<u>\$946,293</u>	<u>\$997,736</u>
Net assets, July 1	<u>\$14,050,479</u>	<u>\$45,801,608</u>	<u>\$59,852,087</u>
Net assets, June 30	<u><u>\$14,101,922</u></u>	<u><u>\$46,747,901</u></u>	<u><u>\$60,849,823</u></u>

The following graphically depicts the government-wide sources of revenues and program expenses for the year ended June 30, 2003:



Total government-wide revenue of \$72.8 million was derived primarily from charges for services (68.9 percent). Property taxes of 9.4 percent and other taxes of 5.3 percent mean that 14.7 cents of every dollar come from some type of tax. The remaining primary revenue source of operating grants and contributions make up 16.4 percent.

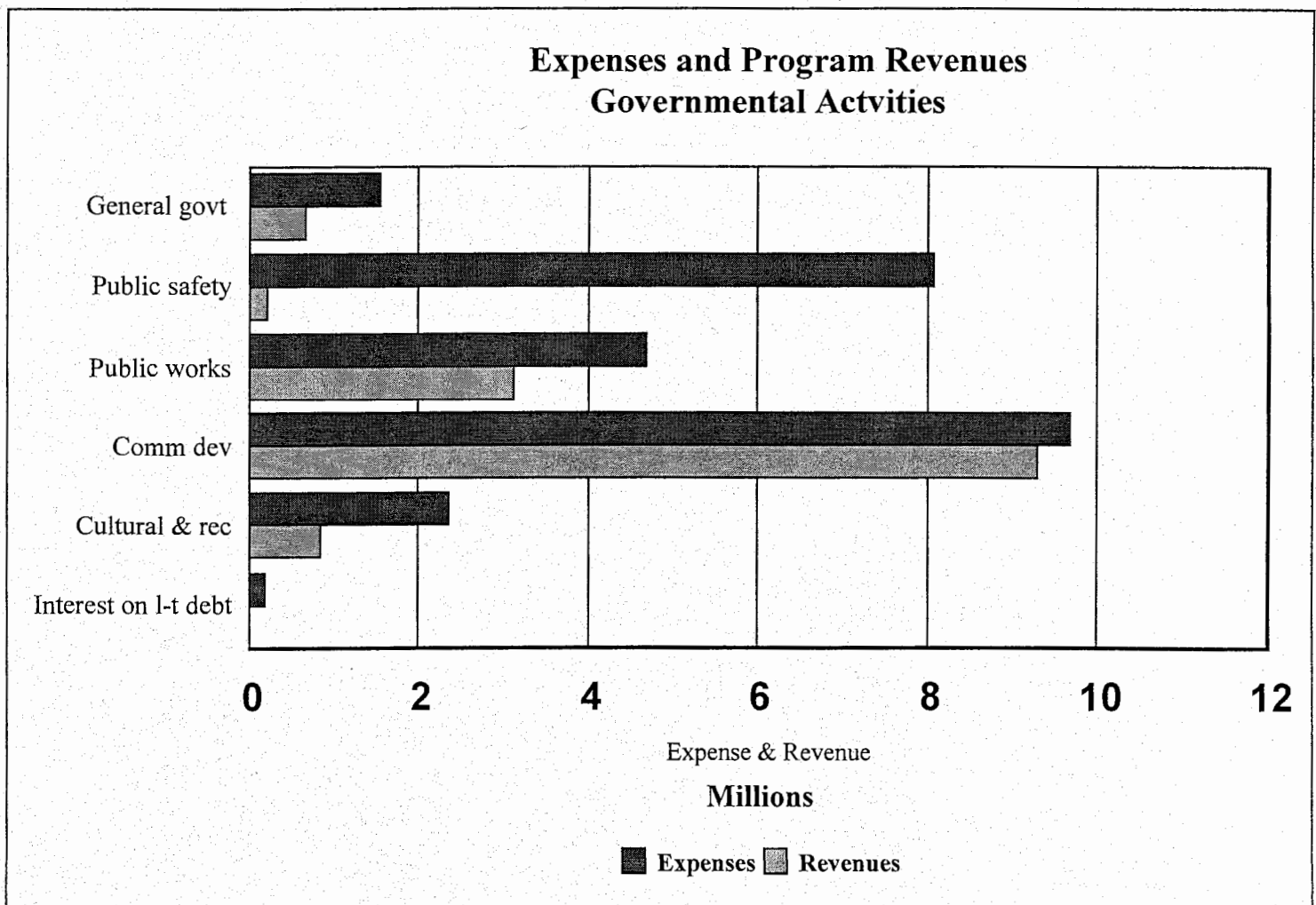
The total expenses of all programs were \$71.8 million. The expenses cover a range of services with the largest being electric for 53.4 percent. The two remaining largest programs are community development which constitutes 13.5 percent and public safety make up another 11.2 percent.

Governmental Activities

Revenues for the governmental activities were \$25.6 million, while total expenses were \$26.5 million. Governmental activities increased the City's net assets by \$51 thousand (after transfers of \$955 thousand), thereby accounting for 5 percent of the total growth in net assets. Key elements of this increase are as follows:

- Other taxes, primarily franchise tax received from the State of North Carolina, were reinstated. The \$650 thousand increase from the prior fiscal year offset other revenues such as sales and services, payments in lieu of taxes and other state restricted intergovernmental revenue which had stagnant growth or were not realized by fiscal year end.
- Property tax rates were unchanged from the prior fiscal year and the City did not realize any significant economic development to increase its tax base.

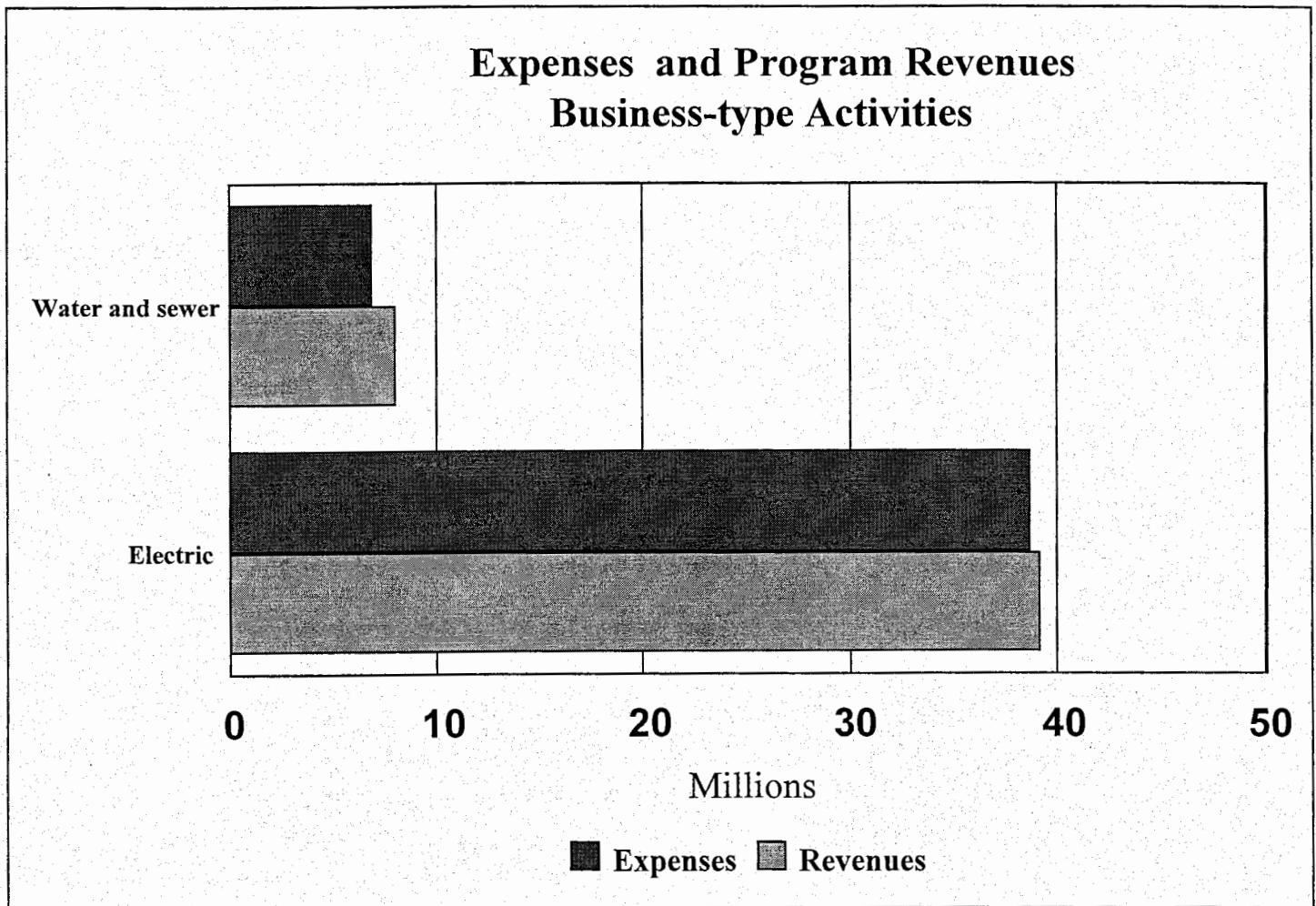
The table below highlights the cost of the City's governmental activities. The largest governmental programs - community development (primarily due to the flood buyout program), and public safety and public works. The graph shows a comparison of each programs's cost and any fees generated by the activities and intergovernmental grants.



The total cost of services of \$26.5 million was supported by \$3.95 million in fees, fines, and charges from those who directly benefitted from the programs. Another \$10.1 million was provided by other government and organizations for specific programs. The remaining amount of \$11.6 million was supported by \$10.7 million in taxes and \$810 thousand in revenues not restricted to specific programs. The result was an excess of revenues over expenses (after transfer of \$955 thousand) of \$51 thousand.

Business-type Activities

Revenues for the business-type activities were \$47.1 million, and expenses were \$45.2 million. Business-type activities increased the City's net assets by \$946 thousand (after transfers of \$955 thousand) accounting for 95 percent of the total growth in the net assets. The table below highlights the cost of the City's business-type activities.



For all business-type activities user rates and fees are established to provide for operating expenses, debt service costs and adequate working capital. Water and sewer rates were increased in July, 2001 7.5 percent to fund a capital reserve program for the repair and replacement of water and sewer infrastructure. The need for a water rate increase and a sewer rate increase is discussed in the "Economic Factor and Next Year's Budgets and Rates Section" of the MD & A. Electric rates were increased in February 2002 by 3 percent to offset an equivalent increase in wholesale power costs and rates had not increased since 1992. Additional wholesale power costs increases effected a rate increase by the City in July, 2002 of 1 percent and January, 2003 of 6 percent.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Kinston uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of the City of Kinston. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2.56 million, while total fund balance reached \$4.52 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.2 percent of total General Fund expenditures, while total fund balance represents 26.9 percent of that same amount. At June 30, 2003, the governmental funds of the City of Kinston reported a combined fund balance of \$5.29 million.

General Fund Budgetary Highlights

During the fiscal year, City Council approved several immaterial budget amendments. The only significant amendments were as follows. An increase in revenue of \$335 thousand for the NC Department of Transportation Railroad reimbursement, which did not fully materialize at the end of the fiscal year. Also, Council approved a transfer of the appropriation for the traffic signal payment (deferred for another fiscal year) to an appropriation in the streets division to pave city streets in an amount of \$240 thousand. Lastly, Council approved an increase in revenue of \$94 thousand from charitable donations, insurance proceeds and appropriated fund balance to fund fire equipment destroyed in the West Company disaster.

Revenue was \$928 thousand below the final budgeted amount. This decrease was attributable to property tax collections that were \$69 thousand less than expected and decreases in payments in lieu of taxes, specifically the inventory tax reimbursement from the State budgeted in the amount of \$320 thousand. Additionally, NC Department of Transportation Railroad reimbursement budgeted in the amount of \$367 thousand was realized in the amount of \$9 thousand for a \$358 thousand negative variance. Finally, investment earnings budgeted at \$150 thousand and realized only \$28 thousand for a \$121 thousand negative variance. The total negative variance of \$868 thousand accounts for 94 percent of the total negative variance of \$928 thousand in revenue.

Proprietary Funds

The City of Kinston's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer fund at the end of the fiscal year amounted to \$28.8 million, and those for the Electric fund amounted to \$17.9 million. The total growth in net assets for the Water and Sewer Fund was \$947 thousand, and total decline in net assets for the Electric Fund was \$405. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Kinston's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

The following is a summary of capital assets at June 30, 2003:

Capital Assets

City of Kinston Capital Assets (net of depreciation)			
	Governmental Activities	Business-type Activities	Total
	<u>2003</u>	<u>2003</u>	<u>2003</u>
Land	\$2,918,681	\$286,352	\$3,205,033
Buildings and other improvements	6,658,544	2,602,059	9,260,603
Equipment	1,922,764	315,765	2,238,529
Distribution system		48,130,065	48,130,065
Infrastructure	680,940		680,940
Construction in progress		8,284,586	8,284,586
	<u>\$12,180,929</u>	<u>\$59,618,827</u>	<u>\$71,799,756</u>

The City of Kinston's investment in capital assets for its governmental and business-type activities as of June 30, 2003, totals \$71.8 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery, equipment, park facilities, and vehicles.

Major capital transactions during the year include the following additions:

- Purchase of equipment and vehicles totaling \$370 thousand. Included in this amount is the purchase of a mini alpha server that supports the City's core applications and information systems infrastructure, a garbage truck side loader and a mobile police command center.
- Completion of various recreation improvements from construction in progress to building and other improvements in the amount of \$1.1 million.
- Completion of Grainger Stadium renovations from construction in progress to building and other improvements of \$591 thousand.
- Completion of Sludge Dewatering water and sewer project from construction in progress to building and other improvements of \$2.6 million.
- Completion of GTP Cargo Facility Utility Extension water and sewer project from construction in progress to building and other improvements of \$536 thousand.
- Completion of Other Fiscal Year 98-99 water and sewer project from construction in progress to building and other improvements of \$3.29 million.
- Completion of Transmission Loop electric project from construction in progress to building and other improvements of \$6.47 million.
- Completion of Crescent Road electric project from construction in progress to building and other improvements of \$589 thousand.
- Completion of CHAF Infrastructure (Uplands, Kingwood and Carr Lyles) project from construction in progress to building and other improvements of \$716 thousand.
- Construction in progress for water and sewer capital assets totaled \$8.3 million.
- 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, 2003, the City had \$21.7 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 2003	Business-type Activities 2003	Total 2003
Revenue bonds	\$0	\$11,845,000	\$11,845,000
Installment contracts	3,986,674	1,084,921	5,071,595
Loans	0	4,793,076	4,793,076
Total	<u>\$3,986,674</u>	<u>\$17,722,997</u>	<u>\$21,709,671</u>

New debt for 2003 resulted from installment purchase for:

- Financing of Grainger Stadium improvements (\$2.26 million).
- Financing of sewer improvements at the Kinston Regional Water Reclamation Facility (\$1.23 million).

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, 2003, was \$88.7 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 2003, 13 nonresidential and 28 residential units were constructed with a value of \$8.17 million.
- Retail sales during 2003 \$863 million.
- The June 2003 unemployment rate was 7.8 percent compared to 6.8 percent for the state and 6.5 percent for the nation.

Property tax receipts remain stable despite a slowdown in the economy. The Council adopted an additional 1/2 cent sales tax (Article 44) effective December 1, 2002; therefore, sales tax revenues are a primary revenue source expected to increase in 2004. The two most significant factors negatively impacting the 2004 budget are the weakened economy and the State withholding a portion of the Powell Bill funds used for street construction to address State budget shortfalls.

The General Fund initial budget for 2004 decreased 8.6 percent from \$18.5 million (2003 adjusted adopted budget) to \$16.9 million. The budgeted revenues and expenditures for Environmental Services and Fleet Maintenance were adopted into separate funds for fiscal year 2004 in the amounts of \$3.2 million and \$868 thousand respectively. The 2003 budget for Environmental Services within the General Fund was \$2.5 million and for Fleet Maintenance within the General Fund was \$580 thousand. The primary projected increase in revenues is \$600 thousand in sales tax from the adoption of the additional Article 44 sale tax and \$951 thousand in proceeds from borrowing. The significant new expenditures are \$951 thousand to fund vehicle and equipment purchases.

The following are highlights for the 2004 budgets for the business-type activities:

- The average residential water rate will increase \$1 per meter per month.
- The \$1 per meter per month surcharge for Neuse Regional Water and Sewer Authority continues unchanged for 2004.
- The average sewer rate will increase 20% minimum charge and in steps.
- Electric rates were not increased in the 2004 budgets.
- Garbage and sanitation fees were increased 12%.

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.

BASIC FINANCIAL STATEMENTS

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

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF NET ASSETS

June 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,835,651	\$ 8,708	\$ 3,844,359
Receivables:			
Due from governmental agencies	3,039,610	55,618	3,095,228
Accounts receivable	476,578	477,037	953,615
Taxes receivable	1,071,409	-	1,071,409
Customer receivables, net	288,898	6,035,698	6,324,596
Inventories	177,372	1,182,871	1,360,243
Bond issuance costs	-	311,145	311,145
Restricted cash and investments	-	1,256,363	1,256,363
Capital assets:			
Land and construction in process	2,918,681	8,570,938	11,489,619
Other capital assets, net of depreciation	9,262,248	51,047,889	60,310,137
Total assets	21,070,447	68,946,267	90,016,714
Liabilities			
Accounts payable and accrued expenses	1,146,921	3,541,380	4,688,301
Accrued interest payable	88,896	-	88,896
Internal balances	255,196	(255,196)	-
Unearned revenue	142,440	16,062	158,502
Customer deposits	-	916,101	916,101
Long-term liabilities:			
Due within one year	1,144,906	1,623,170	2,768,076
Due in more than one year	4,190,166	16,356,849	20,547,015
Total liabilities	6,968,525	22,198,366	29,166,891
Net Assets			
Invested in capital assets, net of related debt	8,194,255	43,152,193	51,346,448
Restricted for:			
Perpetual care			
Expendable	456	-	456
Nonexpendable	75,234	-	75,234
Public works	213,624	-	213,624
Unrestricted	5,618,353	3,595,708	9,214,061
Total net assets	\$ 14,101,922	\$ 46,747,901	\$ 60,849,823

See Notes to Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 1,543,904	\$ 669,842	\$ -	\$ -
Public safety	8,070,686	-	206,557	-
Public works	4,684,903	2,321,232	732,964	-
Community development	9,685,039	109,257	8,503,678	693,944
Cultural and recreation	2,362,355	844,992	-	-
Interest on long-term debt	183,755	-	-	-
Total governmental activities	26,530,642	3,945,323	9,443,199	693,944
Business-type activities:				
Electric	38,356,608	39,124,614	-	482
Water and sewer	6,879,646	7,053,960	-	929,775
	45,236,254	46,178,574	-	930,257
Total primary government	\$ 71,766,896	\$ 50,123,897	\$ 9,443,199	\$ 1,624,201

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Unrestricted intergovernmental

Investment earnings, unrestricted

Miscellaneous, unrestricted

Contributions to permanent fund principal

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets-beginning

Net assets-ending

See Notes to Financial Statements.

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

Governmental Activities	Business-type Activities	Total
\$ (874,062)	\$ -	\$ (874,062)
(7,864,129)	-	(7,864,129)
(1,630,707)	-	(1,630,707)
(378,160)	-	(378,160)
(1,517,363)	-	(1,517,363)
(183,755)	-	(183,755)
(12,448,176)	-	(12,448,176)

-	768,488	768,488
-	1,104,089	1,104,089
-	1,872,577	1,872,577
(12,448,176)	1,872,577	(10,575,599)

6,862,613	-	6,862,613
2,309,906	-	2,309,906
1,561,712	-	1,561,712
344,373	-	344,373
41,581	28,716	70,297
349,200	-	349,200
75,234	-	75,234
955,000	(955,000)	-
12,499,619	(926,284)	11,573,335
51,443	946,293	997,736
14,050,479	45,801,608	59,852,087
\$ 14,101,922	\$ 46,747,901	\$ 60,849,823

CITY OF KINSTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2003

	Major General	Major Floyd Phase III	Total Non-Major Funds	Total
Assets				
Cash and investments	\$ 3,835,651	\$ -	\$ -	\$ 3,835,651
Receivables:				
Due from other funds	532,867	-	23,837	556,704
Due from government agencies	1,035,290	489,708	1,514,612	3,039,610
Accounts receivable	355,640	56	119,945	475,641
Taxes receivable	899,204	-	-	899,204
Customer receivables, net	288,898	-	-	288,898
Inventories	177,372	-	-	177,372
Total assets	<u>\$ 7,124,922</u>	<u>\$ 489,764</u>	<u>\$ 1,658,394</u>	<u>\$ 9,273,080</u>
Liabilities and Fund Balances (Deficits)				
Liabilities				
Due to other funds	\$ -	\$ 506,318	\$ 766,402	\$ 1,272,720
Accounts payable and accrued liabilities	789,002	14	105,225	894,241
Deferred revenue	1,673,392	-	-	1,673,392
Unearned revenue	142,440	-	-	142,440
Total liabilities	<u>2,604,834</u>	<u>506,332</u>	<u>871,627</u>	<u>3,982,793</u>
Fund balances (Deficits)				
Reserved for Powell Bill	213,624	-	-	213,624
Reserved for inventories	177,372	-	-	177,372
Reserved by State statute	1,438,507	489,764	2,983,457	4,911,728
Reserved for encumbrances	128,228	-	-	128,228
Reserved for perpetual care	-	-	75,690	75,690
Unreserved:				
Designated for subsequent year's expenditures	200,000	-	-	200,000
Undesignated (deficit) reported in:				
General fund	2,362,357	-	-	2,362,357
Floyd Phase III	-	(506,332)	-	(506,332)
Nonmajor special revenue	-	-	(2,237,726)	(2,237,726)
Nonmajor capital project	-	-	(34,654)	(34,654)
Total fund balances (deficits)	<u>4,520,088</u>	<u>(16,568)</u>	<u>786,767</u>	<u>5,290,287</u>
Total liabilities and fund balances	<u>\$ 7,124,922</u>	<u>\$ 489,764</u>	<u>\$ 1,658,394</u>	<u>\$ 9,273,080</u>

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 NET ASSETS
June 30, 2003

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

Total fund balances for governmental funds	\$ 5,290,287
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds.	12,180,929
Less adjustment for assets attributable to internal service fund	(15,085)
Other long-term assets are not available to liquidate current-period expenditures and therefore are:	
Deferred revenue	1,673,392
Accrued interest on property taxes - Statement of Net Assets	172,205
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	218,155
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,335,072)
Less adjustment for accrued compensated absences attributable to internal service fund	6,007
Accrued interest payable on long-term liabilities not recorded in the fund statements	(88,896)
Total net assets of governmental activities	\$ 14,101,922
See Notes to Financial Statements.	

CITY OF KINSTON, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003

	Major General Fund	Major Floyd Phase III	Total Non-Major Funds	Totals
Revenue:				
Ad valorem taxes	\$ 6,870,946	\$ -	\$ -	\$ 6,870,946
Sales and services	3,937,476	-	-	3,937,476
Other taxes	3,871,618	-	-	3,871,618
Intergovernmental revenue:				
Unrestricted	343,537	-	-	343,537
Restricted	833,625	4,431,638	4,908,043	10,173,306
Other	195,020	-	236,409	431,429
Total revenue	16,052,222	4,431,638	5,144,452	25,628,312
Expenditures:				
Current:				
General government	1,379,073	-	-	1,379,073
Public safety	7,372,072	-	174,980	7,547,052
Public works	4,317,306	-	-	4,317,306
Parks and recreation	2,164,615	-	-	2,164,615
Community development	883,253	4,445,320	4,314,339	9,642,912
Capital outlay	-	-	1,302,947	1,302,947
Debt service				
Principal	595,015	-	259,799	854,814
Interest	117,630	-	-	117,630
Total expenditures	16,828,964	4,445,320	6,052,065	27,326,349
Revenue under expenditures	(776,742)	(13,682)	(907,613)	(1,698,037)
Other financing source (uses):				
Operating transfers in	955,000	-	171,767	1,126,767
Operating transfers out	(171,767)	-	-	(171,767)
Proceeds from borrowing	-	-	2,259,799	2,259,799
Total other financing sources	783,233	-	2,431,566	3,214,799
Net change in fund balances	6,491	(13,682)	1,523,953	1,516,762
Fund balances (deficit), beginning	4,513,597	(2,886)	(737,186)	3,773,525
Fund balances (deficit), ending	<u>\$ 4,520,088</u>	<u>\$ (16,568)</u>	<u>\$ 786,767</u>	<u>\$ 5,290,287</u>

See Notes to Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES OF GOVERNMENTAL FUNDS
For the Year Ended June 30, 2003**

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

Net changes in fund balances - total governmental funds	\$ 1,516,762
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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	1,746,178
Depreciation expense	(1,452,409)
Adjustment for internal service fund depreciation	487

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net assets:

Loss on sale of capital assets	(118,115)
Donated assets	31,834

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Increase in utility franchise tax	836
Increase in sanitation revenue	7,847
Decrease in deferred special assessment revenue	(36,163)
Decrease in deferred property tax revenue	(8,333)

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	(2,744,611)
Retirement of long-term liabilities	1,219,756
Adjustment for internal service fund change in accrued compensated absences payable	(450)

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

(46,051)

Some expenses 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, interest expense

(66,125)

Total changes in net assets of governmental activities

\$ 51,443

CITY OF KINSTON, NORTH CAROLINA

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ANNUALLY BUDGETED MAJOR FUND - GENERAL FUND
For the Fiscal Year Ended June 30, 2003**

	General Fund Budget - Original	General Fund Budget - Final	General Fund Actual	Variance Positive (Negative)
Revenue:				
Ad valorem taxes	\$ 6,940,200	\$ 6,940,200	\$ 6,870,946	\$ (69,254)
Sales and services	4,026,900	4,026,900	3,937,476	(89,424)
Other taxes	3,843,300	3,843,300	3,871,618	28,318
Intergovernmental revenue:				
Unrestricted	685,500	691,500	343,537	(347,963)
Restricted	854,800	1,189,800	833,625	(356,175)
Other	240,000	288,100	195,020	(93,080)
Total revenue	<u>16,590,700</u>	<u>16,979,800</u>	<u>16,052,222</u>	<u>(927,578)</u>
Expenditures:				
Current:				
General government	2,134,800	2,064,855	1,379,073	685,782
Public safety	7,654,700	7,769,016	7,473,856	295,160
Public works	5,131,200	5,025,400	4,568,820	456,580
Parks and recreation	2,544,600	2,544,600	2,523,962	20,638
Community development	458,800	1,003,600	883,253	120,347
Total expenditures	<u>17,924,100</u>	<u>18,407,471</u>	<u>16,828,964</u>	<u>1,578,507</u>
Revenue over (under) expenditures	<u>(1,333,400)</u>	<u>(1,427,671)</u>	<u>(776,742)</u>	<u>650,929</u>
Other financing source (uses):				
Appropriated fund balance	400,000	654,871	-	(654,871)
Contingency	-	(9,300)	-	9,300
Operating transfers in	955,000	955,000	955,000	-
Operating transfers out	(21,600)	(172,900)	(171,767)	1,133
Total other financing sources	<u>1,333,400</u>	<u>1,427,671</u>	<u>783,233</u>	<u>(644,438)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,491</u>	<u>\$ 6,491</u>
Fund balance, beginning			<u>4,513,597</u>	
Fund balance, ending			<u>\$ 4,520,088</u>	

See Notes to Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003**

	Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Totals	
Assets				
Current assets				
Cash and investments	\$ 4,773	\$ 3,935	\$ 8,708	\$ -
Due from other funds	706,761	-	706,761	460,820
Due from government agencies	-	55,618	55,618	-
Accounts receivable	294,380	182,657	477,037	937
Customer receivables, net	5,166,093	869,605	6,035,698	-
Inventories	919,439	263,432	1,182,871	-
Total current assets	<u>7,091,446</u>	<u>1,375,247</u>	<u>8,466,693</u>	<u>461,757</u>
Noncurrent assets				
Bond issuance costs	189,176	121,969	311,145	-
Restricted cash and investments	725,194	531,169	1,256,363	-
Capital assets:				
Land	202,380	83,972	286,352	-
Buildings	3,671,890	3,534,922	7,206,812	19,468
Distribution system	30,644,697	42,262,544	72,907,241	-
Equipment	1,534,847	2,059,490	3,594,337	-
Accumulated depreciation	(14,805,256)	(17,855,245)	(32,660,501)	(4,383)
Construction in progress	-	8,284,586	8,284,586	-
Total noncurrent assets	<u>22,162,928</u>	<u>39,023,407</u>	<u>61,186,335</u>	<u>15,085</u>
Total assets	<u>29,254,374</u>	<u>40,398,654</u>	<u>69,653,028</u>	<u>476,842</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	3,059,092	482,288	3,541,380	252,680
Due to other funds	-	451,565	451,565	-
Unearned revenue	-	16,062	16,062	-
Total current liabilities	<u>3,059,092</u>	<u>949,915</u>	<u>4,009,007</u>	<u>252,680</u>
Noncurrent liabilities				
Customer deposits	916,101	-	916,101	-
Accrued compensated absences	165,342	91,680	257,022	6,007
Long-term debt	7,195,000	10,527,997	17,722,997	-
Total noncurrent liabilities	<u>8,276,443</u>	<u>10,619,677</u>	<u>18,896,120</u>	<u>6,007</u>
Total liabilities	<u>11,335,535</u>	<u>11,569,592</u>	<u>22,905,127</u>	<u>258,687</u>
Net assets				
Invested in capital assets, net of related debt	14,778,752	28,373,441	43,152,193	-
Unrestricted	3,140,087	455,621	3,595,708	218,155
Total net assets	<u>\$ 17,918,839</u>	<u>\$ 28,829,062</u>	<u>\$ 46,747,901</u>	<u>\$ 218,155</u>

See Notes to Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2003

	Enterprise Funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	Fund
Operating revenue:				
Charges for services	\$ 38,612,808	\$ 6,830,412	\$ 45,443,220	\$ 776,614
Other	511,806	223,548	735,354	-
Total operating revenue	39,124,614	7,053,960	46,178,574	776,614
Operating expenses:				
Administration	2,183,183	1,446,010	3,629,193	620,868
Operations	34,665,557	3,840,402	38,505,959	-
Depreciation	1,068,807	1,137,181	2,205,988	487
Amortization	18,634	12,014	30,648	-
Claims reimbursement	-	-	-	204,065
Total operating expenses	37,936,181	6,435,607	44,371,788	825,420
Operating income (loss)	1,188,433	618,353	1,806,786	(48,806)
Nonoperating revenue (expenses):				
Interest earned on investments	14,607	14,109	28,716	2,755
Interest on long-term debt	(420,427)	(444,039)	(864,466)	-
Total nonoperating income (expense)	(405,820)	(429,930)	(835,750)	2,755
Capital contributions	482	929,775	930,257	-
Income (loss) before operating transfers	783,095	1,118,198	1,901,293	(46,051)
Operating transfers:				
Operating transfers in	171,500	-	171,500	-
Operating transfers out	(955,000)	(171,500)	(1,126,500)	-
Total operating transfers	(783,500)	(171,500)	(955,000)	-
Increase (decrease) in net assets	(405)	946,698	946,293	(46,051)
Net assets, beginning	17,919,244	27,882,364	45,801,608	264,206
Net assets, ending	\$ 17,918,839	\$ 28,829,062	\$ 46,747,901	\$ 218,155

See Notes to Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003
(Page 1 of 2)**

	Enterprise funds			Internal Service Fund
	Electric Fund	Water and Sewer Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 38,364,185	\$ 7,209,678	\$ 45,573,863	\$ -
Cash receipts from quasi-external operating transactions	-	-	-	719,233
Cash payments for quasi-external operating transactions	-	-	-	(812,854)
Cash paid to suppliers for goods and services	(34,831,429)	(3,079,037)	(37,910,466)	-
Cash paid to employees	(2,189,660)	(1,937,980)	(4,127,640)	-
Customer deposits	208,767	-	208,767	-
Net cash provided by (used in) for operating activities	1,551,863	2,192,661	3,744,524	(93,621)
Cash Flows from Noncapital Financing Activities:				
Operating transfers from other funds	171,500	-	171,500	-
Operating transfers to other funds	(955,000)	(171,500)	(1,126,500)	-
Net cash used in noncapital financing	(783,500)	(171,500)	(955,000)	-
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(265,860)	(2,795,766)	(3,061,626)	-
Proceeds from long-term debt	-	1,234,609	1,234,609	-
Principal paid on general obligation bond bond maturities and equipment contracts	(340,000)	(1,152,725)	(1,492,725)	-
Interest paid on bonded indebtedness and equipment contracts	(427,750)	(458,221)	(885,971)	-
Contributed capital	482	929,775	930,257	-
Net cash used in capital and related financing activities	(1,033,128)	(2,242,328)	(3,275,456)	-
Cash Flows from Investing Activities:				
Interest on investments	14,607	14,109	28,716	2,755
Net decrease in cash and cash equivalents	(250,158)	(207,058)	(457,216)	(90,866)
	(Continued)			

CITY OF KINSTON, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003
(Page 2 of 2)**

	Enterprise funds			Internal
	Electric	Water	Total	Service
	Fund	and Sewer		Fund
		Fund		
Cash and cash equivalents, beginning	980,125	742,162	1,722,287	90,866
Cash and cash equivalents, ending	\$ 729,967	\$ 535,104	\$ 1,265,071	\$ -
Reconciliation:				
Cash and investments	\$ 4,773	\$ 3,935	\$ 8,708	\$ -
Restricted cash and investments	725,194	531,169	1,256,363	-
	\$ 729,967	\$ 535,104	\$ 1,265,071	\$ -
Reconciliation of Operating Income (Loss) to Net				
Cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,188,433	\$ 618,353	\$ 1,806,786	\$ (48,806)
Adjustments to reconcile operating income to net				
cash provided by (used in) operating activities:				
Depreciation	1,068,807	1,137,181	2,205,988	487
Amortization	18,634	12,014	30,648	-
Change in assets and liabilities:				
(Increase) decrease in due				
from other funds	(383,045)	423,830	40,785	(60,820)
Increase in allowance				
for uncollectible accounts	19,344	-	19,344	-
(Increase) decrease in				
customer receivables	(719,140)	56,857	(662,283)	-
(Increase) decrease in				
accounts receivable	(60,633)	103,137	42,504	3,439
Increase in customer deposits	208,767	-	208,767	-
(Increase) decrease in inventories	36,717	(39,804)	(3,087)	-
Increase (decrease) in				
accounts payable	152,628	(565,671)	(413,043)	12,529
Increase in due to other funds	-	451,565	451,565	-
Increase (decrease) in				
deferred revenues	-	(4,276)	(4,276)	-
Increase (decrease) in accrued				
compensated absences	21,351	(525)	20,826	(450)
Total adjustments	363,430	1,574,308	1,937,738	(44,815)
Net cash provided by				
(used in) operating activities	\$ 1,551,863	\$ 2,192,661	\$ 3,744,524	\$ (93,621)

See Notes to Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in 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 activities and 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. A separate financial report was not issued for the Corporation.

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 Activities) report information on all of the nonfiduciary 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 and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Separate Fund Financial Statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the Fund Financial Statements.

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, result 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 funds:

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.

Floyd Phase III Fund - The Floyd Phase III Fund accounts for the Floyd Recovery Program funded by the Federal Emergency Management Agency to acquire flooded housing units.

Proprietary Funds include the following major funds.

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

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

Additionally, the City reports the following fund type.

Internal Service Fund - The Internal Service Fund are used to account for the financing of goods or services provided by one department or agency to other department or agencies of the City, on a cost-reimbursement basis. City of Kinston has one internal service fund, the Workers' Compensation Insurance Fund. The was establish 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. This fund receives premium payments from the City and makes payments of claims to employees. The Internal Service Fund is accounted for in the governmental activities in the government-wide financial statements and with proprietary funds in the Fund Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Property taxes are recognized as revenue in the year in which they are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made in the following year.

The City recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The City generally considers revenue as available if it is collected within 60 days after year-end, except for property taxes. The revenue susceptible to accrual is sales taxes, franchise taxes, licenses, interest and charges for services. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore the net receivable amount is offset by a deferred revenue. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lenoir County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County including the City of Kinston. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lenoir County from March, 2002 through February, 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes that were billed during this period are shown as a receivable in these financial

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1, 2003 through the fiscal year-end apply to the 2003-2004 fiscal year and are not shown as receivables at June 30, 2003. 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, 2003 because they are intended to finance the City's operations during the 2003-2004 fiscal year.

Sales taxes 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, other than utility customer receivables, are not susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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.

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

Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 34

The City has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the City (government and business-type activities). The City now reports all capital assets in the Government-wide Statement of Net Assets and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of the City are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The Government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the County has recorded capital and certain other long-term assets and liabilities in the Statement of Net Assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the Statement of Activities.

Governmental Accounting Standards Board Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34, as previously described.

Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Accounting Standards Board Interpretation No. 6

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the Government-wide Financial Statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the Governmental Fund Financial Statements for amounts not considered to be due and payable as of June 30, 2003.

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, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. The financial plan also was entered into the minutes of the governing board. During the year, several changes to the original financial plan 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 can result 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.

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 in the governmental funds balance sheet.

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 inventories of governmental funds are recorded as expenditures when consumed rather than when purchased in the governmental funds financial statement. The amount is recorded as an asset, offset by a reservation of fund balance in an equal amount in the governmental funds financial statements. Inventories of business type activities proprietary 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.

Bond Issuance Costs

Bond issuance costs are deferred and amortized over the terms of the bonds using the interest method in the government-wide statements and in the proprietary fund financial statements. These costs relate to the revenue bonds issued in the Enterprise funds.

Restricted Cash and Investments

Certain debt proceeds are classified as restricted assets on the government wide and proprietary funds statement of net assets because their use is limited by the applicable legal agreements.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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) in the fund financial statements. 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 assets. The following estimated useful lives are used to compute depreciation:

	Estimated Useful Lives
Building and improvements	40 years
Collection and distribution systems	25 - 40 years
Equipment and vehicles	3 - 15 years
Infrastructure	20 years

Compensated Absences

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision for this has been made in the Governmental Fund Financial Statements.

Long-Term Obligations

In the Government-wide Financial Statements and Proprietary 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

Net Assets

Net assets in the government-wide and proprietary fund financial statements are classified as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" above.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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.

Reserved for perpetual care - represents the expendable and unexpendable portion of fund balance restricted for maintenance of the Temple Israel cemetery.

Unreserved:

Designated for subsequent year's expenditures - represents the amount of fund balance of the General Fund appropriated to the budget for the year ending June 30, 2004.

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

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, 2003 as follows:

Special Revenue Fund:	
Disaster Recovery Floyd Fund	\$ 264,134
FEMA-HMGP	63,328
FEMA-HMGP Fran II	166
FEMA Demolition Project II	9,593
Floyd Phase I	244,585
Floyd Phase IB	39,956
FEMA Demolition Project IV	26,652
2000 LLEBG	9
Salvage Yard Buyout	1,937
State Tenant Relocation Assistance	287,516
Floyd IB Demolition Project	43,582
Floyd IC Demolition Project	31,894
Floyd III Demolition Project	234,309
CDBG Microenterprise Fund	4,005
Floyd Phase IV Revisions	116,054
Oaks Apartments	744

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments

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

Petty cash	\$ 4,668
Cash on deposit	1,627,899
Investments	3,468,155
Cash and investments	<u>\$ 5,100,722</u>

Balance sheet reconciliation:

Cash and investments	\$ 3,844,359
Restricted cash and investments	1,256,363
	<u>\$ 5,100,722</u>

Deposits

At year end, the carrying amount of the City's deposits was \$1,627,899 and the bank balance was \$1,794,309. 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, \$265,020 was covered by federal depository insurance and \$1,529,289 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

Investments

At June 30, 2003, 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)	\$ 2,211,792	\$ 2,211,792
NCCMT, held by trustee	1,256,363	1,256,363
Total investments	<u>\$ 3,468,155</u>	<u>\$ 3,468,155</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Transactions and Balances

The following is a detailed schedule of interfund transfers for the year ended June 30, 2003:

Operating Transfers In	Operating Transfers Out			Total
	Major General Fund	Major Water and Sewer Fund	Major Electric Fund	
General Fund	\$ -	\$ -	\$ 955,000	\$ 955,000
Major Electric Fund	-	171,500	-	171,500
Non-Major Capital Project Funds	140,000	-	-	140,000
Non-Major Special Revenue Funds	31,767	-	-	31,767
Total	\$ 171,767	\$ 171,500	\$ 955,000	\$ 1,298,267

Transfers out from the General Fund to the non-major funds were to satisfy matching requirements for grants and fund capital outlay related to Grainger Stadium. Transfers out from the electric fund to the General Fund and from the Water and Sewer Fund to the Electric Fund were made to pay non-allocable administrative expenditures in the receiving funds related to the management of the transferring fund.

Amounts due from/to other funds at June 30, 2003 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 75,000
	Floyd Phase III	152,285
	Non-Major Governmental Funds	305,582
		<u>\$ 532,867</u>
Enterprise Funds: Electric Fund	Water and Sewer Fund	\$ 376,565
	Floyd Phase III	330,196
		<u>\$ 706,761</u>
Internal Service Fund	Non-Major Governmental Funds	<u>\$ 460,820</u>
Non-Major Governmental Funds	Floyd Phase III	<u>\$ 23,837</u>

Amounts loaned between funds were to pay expenditures from reimbursement-type grants for which the corresponding revenue had not been received by year-end. The total amount of due from/to other funds in the Total Non-Major Funds column of the Balance Sheet – Governmental Funds has been reduced by \$1,400,754, the amount of due from/to other funds that were between non-major governmental funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Allowance For Uncollectible Accounts

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

General Fund	\$ 19,869
Special Revenue Fund:	
Crisis Housing Assistance Fund	1,106,703
Enterprise Funds:	
Electric Fund	282,071
Water and Sewer Fund	58,428
	<u>\$ 1,467,071</u>

Note 6. Capital Assets

Capital Asset activity for the year ended June 30, 2003, was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,918,681	\$ -	\$ -	\$ 2,918,681
Construction in progress	1,108,778	5,200	(1,113,978)	-
Total capital assets not being depreciated	4,027,459	5,200	(1,113,978)	2,918,681
Capital assets being depreciated:				
Buildings and improvements	7,968,612	1,704,678	-	9,673,290
Equipment	2,673,346	177,739	(16,800)	2,834,285
Vehicles	9,232,533	255,760	(1,230,195)	8,258,098
Infrastructure	-	716,779	-	716,779
Total capital assets being depreciated	19,874,491	2,854,956	(1,246,995)	21,482,452
Less accumulated depreciation for:				
Buildings and improvements	(2,803,409)	(211,337)	-	(3,014,746)
Equipment	(2,385,925)	(189,727)	16,800	(2,558,852)
Vehicles	(6,739,173)	(1,015,506)	1,143,912	(6,610,767)
Infrastructure	-	(35,839)	-	(35,839)
Total accumulated depreciation	(11,928,507)	(1,452,409)	1,160,712	(12,220,204)
Total capital assets being depreciated, net	7,945,984	1,402,547	(86,283)	9,262,248
Governmental activity capital assets, net	\$ 11,973,443	\$ 1,407,747	\$ (1,200,261)	\$ 12,180,929

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 286,352	\$ -	\$ -	\$ 286,352
Construction in progress	19,591,106	2,713,449	(14,019,969)	8,284,586
Total capital assets not being depreciated	19,877,458	2,713,449	(14,019,969)	8,570,938
Capital assets being depreciated:				
Buildings and improvements	7,206,812	-	-	7,206,812
Equipment	1,038,888	-	-	1,038,888
Vehicles	2,610,783	137,040	(192,374)	2,555,449
Collection and distribution systems	58,539,089	14,368,152	-	72,907,241
Total capital assets being depreciated	69,395,572	14,505,192	(192,374)	83,708,390
Less accumulated depreciation for:				
Buildings and improvements	(4,424,583)	(180,170)	-	(4,604,753)
Equipment	(914,181)	(66,369)	-	(980,550)
Vehicles	(2,122,175)	(231,186)	55,339	(2,298,022)
Distribution system	(23,048,908)	(1,728,268)	-	(24,777,176)
Total accumulated depreciation	(30,509,847)	(2,205,993)	55,339	(32,660,501)
Total capital assets being depreciated, net	38,885,725	12,299,199	(137,035)	51,047,889
Business-type activity capital assets, net:	\$ 58,763,183	\$ 15,012,648	\$ (14,157,004)	\$ 59,618,827

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

Governmental activities:	
General government	\$ 114,723
Public safety	553,108
Public works	554,501
Parks and recreation	187,723
Community development	42,354
	<u>\$ 1,452,409</u>
Business-type activities:	
Electric Fund	\$ 1,068,812
Water and Sewer Fund	1,137,181
	<u>\$ 2,205,993</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations

In the Government-Wide Financial Statements, and Proprietary 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 Statement of Net Assets.

Changes in Long-term Liabilities – Governmental Activities

Long-term liability activity for governmental activities for the year ended June 30, 2003, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Accrued compensated absences	\$ 787,896	\$ 401,804	\$ 335,687	\$ 854,013	\$ 454,173
Police special separation allowance	191,126	83,008	-	274,134	-
Separation allowance plan	249,506	-	29,255	220,251	-
Installment contracts	2,581,689	2,259,799	854,814	3,986,674	690,733
Total	<u>\$ 3,810,217</u>	<u>\$ 2,744,611</u>	<u>\$ 1,219,756</u>	<u>\$ 5,335,072</u>	<u>\$ 1,144,906</u>

Changes in Long-term Liabilities – Business-Type Activities

Long-term liability activity for business-type activities for the year ended June 30, 2003, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Revenue bonds	\$ 12,730,000	\$ -	\$ 885,000	\$ 11,845,000	\$ 915,000
Notes payable	4,036,571	1,234,609	478,104	4,793,076	572,856
Installment contracts	1,214,542	-	129,621	1,084,921	135,314
Accrued compensated absences	236,196	42,026	21,200	257,022	-
Total	<u>\$ 18,217,309</u>	<u>\$ 1,276,635</u>	<u>\$ 1,513,925</u>	<u>\$ 17,980,019</u>	<u>\$ 1,623,170</u>

Revenue Bonds

Revenue bonds outstanding at June 30, 2003 are as follows:

Water and Sewer Fund:

\$6,645,000 – Combined Enterprise System Revenue Bonds, 1996 Series, due in
Semi-annual installments through April 1, 2021; interest at 3.4% to 5.7%. \$ 4,650,000

Electric Fund:

\$10,315,000 – Combined Enterprise System Revenue Bonds, 1996 Series, due in
Semi-annual installments through April 1, 2021, interest at 3.4% to 5.7%. 7,195,000

Total Revenue Bonds \$ 11,845,000

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 915,000	\$ 656,566	\$ 1,571,566
2005	230,000	611,731	841,731
2006	435,000	600,231	1,035,231
2007	455,000	578,046	1,033,046
2008	480,000	554,159	1,034,159
2009-2013	2,830,000	2,342,270	5,172,270
2014-2018	3,720,000	1,448,861	5,168,861
2019-2021	2,780,000	322,905	3,102,905
Total	<u>\$ 11,845,000</u>	<u>\$ 7,114,769</u>	<u>\$ 18,959,769</u>

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

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:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 572,856	\$ 145,539	\$ 718,395
2005	573,668	127,286	700,954
2006	574,520	108,990	683,510
2007	575,414	90,654	666,068
2008	556,353	72,277	628,630
2009-2013	1,645,437	140,830	1,786,267
2014-2017	294,828	33,747	328,575
Total	<u>\$ 4,793,076</u>	<u>\$ 719,323</u>	<u>\$ 5,512,399</u>

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 690,733	\$ 248,231	\$ 135,314	\$ 48,460	\$ 826,047	\$ 296,691
2005	519,239	166,266	141,363	42,411	660,602	208,677
2006	493,834	141,381	147,682	36,093	641,516	177,474
2007	504,592	116,878	154,283	29,491	658,875	146,369
2008	247,931	95,500	161,180	22,595	409,111	118,095
2009-2013	909,655	295,889	345,099	23,253	1,254,754	319,142
2014-2018	620,690	87,672	-	-	620,690	87,672
Total	\$ 3,986,674	\$ 1,151,817	\$ 1,084,921	\$ 202,303	\$ 5,071,595	\$ 1,354,120

Installment contracts of the governmental activities will be repaid from the General Fund. The business-type installment contracts 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, 2003, the legal debt limit for the City was \$92,657,120 providing a legal debt margin of \$88,670,446.

At June 30, 2003, the City has no authorized bonds remaining to be issued.

Note 8. Deferred Revenue/Unearned Revenue

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

	Deferred Revenue	Unearned Revenue
General Fund		
Prepaid property taxes not yet earned	\$ -	\$ 65,946
Property taxes receivable	771,916	-
Property taxes receivable - automobiles	127,288	-
Paving assessments receivable	159,160	-
Refuse fees receivable	301,104	-
Prepaid grant funds	-	65,159
Other prepaids	-	11,335
Franchise fees receivable	313,924	-
	<u>\$ 1,673,392</u>	<u>\$ 142,440</u>
Proprietary Fund - Water and Sewer Fund		
Repayment agreements	\$ -	\$ 16,062

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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 3 of G.S. Chapter 128 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 4.92% and 4.78% respectively, of annual covered payroll. The contribution requirements of members and of the City of Kinston are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$675,328, \$675,328, and \$498,755, 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.

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, 2003 were \$168,523, which consisted of \$138,246 from the City and \$30,277 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, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	73
Total	<u>73</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Employee Retirement Systems (Continued)

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, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9 to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 87,961
Interest on net pension obligation	13,857
Adjustment to annual required contribution	(10,267)
Annual pension cost	91,551
Contributions made	8,543
Increase (decrease) in net pension obligation	83,008
Net pension obligation beginning of year	191,126
Net pension obligation end of year	<u>\$ 274,134</u>

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2001	\$ 60,948	35.12%	\$ 133,598
06/30/2002	76,541	24.84%	191,126
06/30/2003	91,551	9.33%	274,134

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Employee Retirement Systems (Continued)

Separation Allowance Plan

Plan Description. The City of Kinston administers a public employees retirement system (the "Separation Allowance"), 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 13	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, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	53
Total	<u>71</u>

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.

The annual required contribution for the current year was determined as part of the June 30, 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 increase ranging from 4.4% to 8.6% 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

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	\$ 99,470
Interest on net pension obligation	18,089
Adjustment to annual required contribution	(50,920)
Annual pension cost	66,639
Contributions made	(68,227)
Other adjustments	(27,667)
Increase (decrease) in net pension obligation	(29,255)
Net pension obligation beginning of year	249,506
Net pension obligation end of year	\$ 220,251

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2001	\$ 103,205	67.30%	\$ 227,213
06/30/2002	86,425	74.20%	249,506
06/30/2003	66,639	102.40%	220,251

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 \$329,018, which consisted of \$160,343 from the City and \$168,675 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.

Other Post-Employment Benefits

Health Care Benefits

In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement health care benefits to retirees of the City who participate in the North Carolina Local Government Employees' Retirement System (NCLGERS) and have at least twenty (20) years of creditable service under the NCLGERS, provided that last ten years of continuous service were with the City. Each retired participant receives an annual retirement

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 9. Employee Retirement Systems (Continued)

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, forty-four (44) retirees are eligible for post-retirement health benefits. The cost of post-retirement health benefits is recognized as an expenditure when paid. For 2003 those costs totaled \$75,178. 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. All death benefit payments are made for 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. 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, 2003, the City made contributions to the state for death benefits of \$17,237. 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 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 \$204,065 in claims was incurred for benefits during fiscal year 2003.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management (Continued)

Claims Liability

	2003	2002
Unpaid claims, beginning of fiscal year	\$ 231,299	\$ 130,300
Incurred claims (including claims incurred but not reported as of June 30.)	204,065	303,990
Payments and reduction in claims estimates	(191,712)	(202,991)
Unpaid claims, end of fiscal year	\$ 243,652	\$ 231,299

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

Claims and Judgments

At June 30, 2003, 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 refund of grant monies.

Consent Judgment

On August 18, 1998, the City entered into a consent judgment with the State of North Carolina, Department of Environment and Natural Resources (DENR), the purpose of which is to establish an enforceable schedule of the evaluation, construction and completion of improvements to the City's wastewater treatment facilities such as will bring it in compliance with all applicable water quality laws and regulations as soon as possible. The City currently estimates costs to complete the judgment at approximately \$30,000,000. The City expects to use a combination of revenue sources to complete the judgment including Federal and State grants, debt and operational revenue. The judgment specifies the City shall complete construction within twenty-four months after beginning construction.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments and Contingencies (Continued)

Flood Plain Buyout

In conjunction with the federal, State and County governments, the City has tentatively entered into agreements to purchase the property of and relocate approximately 800 citizens from the Neuse River Basin flood plain. As of June 30, 2003, the City had generally completed the agreements. All revenues used for the buyout are expected to come from various federal and State agencies and the City does not expect to incur any expenditures using local revenues.

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 is 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. That report recommended retail choice for all customers by January 1, 2006. Specific recommendations on Municipal Power Agency debt and stranded costs were deferred. The report did state that nothing in the recommendation was intended to preclude municipalities from being able to sell or retain their distribution systems by making a payment against the Municipal Power Agency debt equal to the appraised value of the electric system. In early 2001, the Study Commission placed deregulation on hold. The Study Commission did not present recommendations to the General Assembly in 2002 and none is anticipated in 2003.

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

Although the impact of 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 \$6,520 to the Council during the fiscal year ended June 30, 2003.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 12. Jointly Governed Organizations (Continued)

North Carolina Eastern Municipal Power Agency

The City, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Power Agency ("Agency"). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The thirty-two members, which receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power from the Agency for the fiscal year ended June 30, 2003 were \$32,281,876.

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, 2003.

Lenoir County Tourism Development Authority

The City in conjunction with Lenoir County, established the Lenoir County Tourism Development Authority. The participating governments established the Authority to promote tourism in the County area. The City appoints three members of the seven-member board of directors. The City provided no funding for the Authority for the year ended June 30, 2003.

Neuse River Water and Sewer Authority

The City in conjunction with six other governments and three not for profit entities established the Neuse Regional Water and Sewer Authority (the "Authority"). The participating members established the Authority to develop a regional water treatment facility for customers in Lenoir County and surrounding areas. The City appoints four members of the sixteen-member board of directors. The City provided no funding for the Authority during the year ended June 30, 2003.

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, 2003. During the year ended June 30, 2003, the City provided \$202,100 to the Library. Separate financial statements of the library are available at the library address of 510 North Queen Street, Kinston, North Carolina 28501.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

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.



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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/1995	-	\$ 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%

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
1992	\$ 44,744	109.8 %
1993	43,232	100.9
1994	44,188	80.7
1995	49,259	90.2
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

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	12/31/2002
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	28 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 Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
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%

Note to Required Schedule:

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
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%

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, 2003
Actuarial cost method	Projected unit credit cost
Amortization method	Level dollar open basis
Remaining amortization period	5 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 GOVERNMENTAL FUNDS

-
- General Fund
 - Floyd Phase III Fund
-

GENERAL FUND

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

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

**COMPARATIVE BALANCE SHEETS
June 30, 2003 and 2002**

	2003	2002
Assets		
Cash and investments	\$ 3,835,651	\$ 3,309,576
Receivables:		
Due from other funds	532,867	1,104,445
Due from governmental agencies	1,035,290	947,848
Accounts receivable	355,640	396,799
Taxes receivable	899,204	868,689
Customer receivables, net	288,898	293,257
Interest receivable	-	4,643
Inventories	177,372	165,944
Total assets	<u><u>\$ 7,124,922</u></u>	<u><u>\$ 7,091,201</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable and accrued liabilities	\$ 789,002	\$ 812,466
Unearned revenue	142,440	94,781
Deferred revenue	1,673,392	1,670,357
Total liabilities	<u><u>2,604,834</u></u>	<u><u>2,577,604</u></u>
Fund Balance		
Reserved for Powell Bill	213,624	110,575
Reserved for inventories	177,372	165,944
Reserved by State statute	1,438,507	1,936,824
Reserved for encumbrances	128,228	44,400
Unreserved:		
Designated for subsequent year's expenditures	200,000	400,000
Undesignated	2,362,357	1,855,854
Total fund balance	<u><u>4,520,088</u></u>	<u><u>4,513,597</u></u>
Total liabilities and fund balance	<u><u>\$ 7,124,922</u></u>	<u><u>\$ 7,091,201</u></u>

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

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 1 of 5)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Revenue:				
Ad valorem taxes:				
Taxes	\$ 6,874,200	\$ 6,790,634	\$ (83,566)	\$ 6,880,937
Penalties and interest	66,000	80,312	14,312	82,877
Total ad valorem taxes	6,940,200	6,870,946	(69,254)	6,963,814
Sales and services:				
Garbage collections	2,362,600	2,313,385	(49,215)	2,356,171
Rents, concessions and fees	329,500	363,192	33,692	321,459
Inspection fees	123,000	109,257	(13,743)	129,412
Cemetery fees	172,600	167,810	(4,790)	170,325
Cable franchise	138,900	116,102	(22,798)	139,706
Legal Services	412,700	385,930	(26,770)	448,012
Lenoir County participation:				
Recreation	487,600	481,800	(5,800)	470,037
Total sales and services	4,026,900	3,937,476	(89,424)	4,035,122
Other taxes and licenses:				
Local government sales tax	2,187,100	2,309,906	122,806	2,277,274
Franchise tax	1,238,700	1,327,824	89,124	677,902
Intangible taxes	207,500	-	(207,500)	-
Occupancy tax	125,000	145,193	20,193	133,171
Gross receipts tax	14,000	14,377	377	13,595
Licenses and permits	71,000	74,318	3,318	72,695
Total other taxes and licenses	3,843,300	3,871,618	28,318	3,174,637
Unrestricted intergovernmental revenue:				
Payments in lieu of taxes	574,100	240,135	(333,965)	268,642
Beer and wine	110,900	99,395	(11,505)	-
ABC revenue	6,500	4,007	(2,493)	6,219
Total unrestricted intergovernmental revenue	691,500	343,537	(347,963)	274,861

(Continued)

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

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 2 of 5)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Restricted intergovernmental revenue:				
Powell Bill allocations	\$ 772,600	\$ 750,508	\$ (22,092)	\$ 799,005
NC Health and Sanitation	1,000	9,001	8,001	918
School Resource Officer	49,200	64,498	15,298	885
NC Dept of Transportation	367,000	9,618	(357,382)	1,689
Victims advocate grant	-	-	-	2,000
US Justice Department	-	-	-	13,971
Forfeited drug proceeds	-	-	-	16,554
Total restricted intergovernmental intergovernmental revenue	1,189,800	833,625	(356,175)	835,022
Other revenue:				
Investment income	150,000	28,451	(121,549)	122,947
Sales of surplus materials and assets	73,300	78,879	5,579	76,027
Miscellaneous	64,800	87,690	22,890	37,218
Total other revenue	288,100	195,020	(93,080)	236,192
Total revenue	16,979,800	16,052,222	(927,578)	15,519,648
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits		325,010		303,600
Operating		332,385		311,262
Total governing body	660,300	657,395	2,905	614,862
Executive:				
Salaries and benefits		599,148		587,476
Operating		158,235		174,164
Capital outlay		145,426		24,393
Total executive	1,085,600	902,809	182,791	786,033
Finance:				
Salaries and benefits		437,210		446,101
Operating		191,878		215,580
Capital outlay		-		5,089
Total finance	655,100	629,088	26,012	666,770

(Continued)

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

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 3 of 5)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Human Resources:				
Salaries and benefits	\$	\$ 322,454	\$	\$ 304,977
Operating		110,027		125,672
Total human resources	<u>465,240</u>	<u>432,481</u>	<u>32,759</u>	<u>430,649</u>
Engineering and public facilities:				
Salaries and benefits		638,224		626,407
Operating		364,742		348,324
Capital outlay		534		71,706
Total engineering and public facilities	<u>1,444,915</u>	<u>1,003,500</u>	<u>441,415</u>	<u>1,046,437</u>
Indirect costs reimbursement	<u>(2,246,300)</u>	<u>(2,246,200)</u>	<u>(100)</u>	<u>(2,432,800)</u>
Total general government	<u>2,064,855</u>	<u>1,379,073</u>	<u>685,782</u>	<u>1,111,951</u>
Public safety:				
Police:				
Salaries and benefits		3,820,870		3,835,866
Operating		421,701		543,628
Capital outlay		10,317		234,457
Total police	<u>4,511,010</u>	<u>4,252,888</u>	<u>258,122</u>	<u>4,613,951</u>
Fire:				
Salaries and benefits		2,798,554		2,706,339
Operating		310,672		377,013
Capital outlay		111,742		99,776
Total fire	<u>3,258,006</u>	<u>3,220,968</u>	<u>37,038</u>	<u>3,183,128</u>
Total public safety	<u>7,769,016</u>	<u>7,473,856</u>	<u>295,160</u>	<u>7,797,079</u>
Public works:				
Salaries and benefits		2,626,833		2,755,666
Operating		2,083,548		2,972,285
Capital outlay		199,490		836,625
Less: interdepartment charges		(341,051)		(826,510)
Total public works	<u>5,025,400</u>	<u>4,568,820</u>	<u>456,580</u>	<u>5,738,066</u>

(Continued)

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

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 4 of 5)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Parks and recreation:				
Salaries and benefits	\$	\$ 1,533,398	\$	\$ 1,548,468
Operating		975,811		1,031,580
Capital outlay		14,753		126,595
Total parks and recreation	<u>2,544,600</u>	<u>2,523,962</u>	<u>20,638</u>	<u>2,706,643</u>
Community development:				
Inspections and code enforcement:				
Salaries and benefits		276,761		229,403
Operating		46,254		97,264
Capital outlay		-		3,463
Total inspections and code enforcement	<u>458,800</u>	<u>323,015</u>	<u>135,785</u>	<u>330,130</u>
Economic development:				
Operating		560,238		601,254
Total economic development	<u>544,800</u>	<u>560,238</u>	<u>(15,438)</u>	<u>601,254</u>
Total community development	<u>1,003,600</u>	<u>883,253</u>	<u>120,347</u>	<u>931,384</u>
Total expenditures	<u>18,407,471</u>	<u>16,828,964</u>	<u>1,578,507</u>	<u>18,285,123</u>
Revenue under expenditures	<u>(1,427,671)</u>	<u>(776,742)</u>	<u>650,929</u>	<u>(2,765,475)</u>
	(Continued)			

GENERAL FUND

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 5 of 5)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Other financing sources (uses):				
Appropriated fund balance	\$ 654,871	\$ -	\$ (654,871)	\$ -
Contingency	(9,300)	-	9,300	-
Operating transfers in	955,000	955,000	-	955,000
Operating transfers out	(172,900)	(171,767)	1,133	(364,735)
Proceeds from borrowing	-	-	-	801,140
Total other financing sources	<u>1,427,671</u>	<u>783,233</u>	<u>(644,438)</u>	<u>1,391,405</u>
 Revenue and other financing sources under expenditures	 <u>\$ -</u>	 <u>6,491</u>	 <u>\$ 6,491</u>	 <u>(1,374,070)</u>
 Fund balance, beginning		<u>4,513,597</u>		<u>5,887,667</u>
 Fund balance, ending		<u>\$ 4,520,088</u>		<u>\$ 4,513,597</u>

FLOYD PHASE III GRANT PROJECT

The **Floyd Phase III Grant Project Fund** is used to account for the Floyd Recovery Program funded by the Federal Emergency Management Agency to acquire flooded housing units.

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - FLOYD PHASE III**

**COMPARATIVE BALANCE SHEETS
June 30, 2003 and 2002**

	2003	2002
Assets		
Receivables:		
Due from governmental agencies	\$ 489,708	\$ 185,540
Accounts receivable	56	-
Total assets	<u>\$ 489,764</u>	<u>\$ 185,540</u>
Liabilities and Fund Deficit		
Liabilities		
Due to other funds	\$ 506,318	\$ 172,731
Accounts payable and accrued liabilities	14	15,695
Total liabilities	<u>506,332</u>	<u>188,426</u>
Fund Deficit		
Reserved by State statute	489,764	185,540
Unreserved, Undesignated	(506,332)	(188,426)
Total fund deficit	<u>(16,568)</u>	<u>(2,886)</u>
Total liabilities and fund deficit	<u>\$ 489,764</u>	<u>\$ 185,540</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, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ 4,431,638	\$ 4,638,610	\$ 10,320,634
Expenditures:			
Administration	223,119	268,356	554,739
Acquisition, relocation, demolition of private properties	4,222,201	4,386,822	9,765,895
Total expenditures	4,445,320	4,655,178	10,320,634
Total expenditures over revenue	\$ (13,682)	\$ (16,568)	\$ -

NON-MAJOR GOVERNMENTAL FUNDS

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 the non-major Special Revenue Funds.

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

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

NON-MAJOR GOVERNMENTAL COMBINING STATEMENTS

The **Non-Major Governmental Combining Statements** show a combined total for all non-major Special Revenue, non-major Capital Project and Permanent Funds.

CITY OF KINSTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR FUNDS

June 30, 2003

	Government Fund Types			
	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total Non-Major Governmental Funds
Assets				
Due from governmental agencies	\$ 1,514,612	\$ -	\$ -	\$ 1,514,612
Receivables, net	58,094	61,851	-	119,945
Due from other funds	693,250	655,651	75,690	1,424,591
Total assets	\$ 2,265,956	\$ 717,502	\$ 75,690	\$ 3,059,148
Liabilities and Fund Balance				
Liabilities				
Accounts payable and accrued liabilities	86,921	18,304	-	105,225
Due to other funds	2,150,806	16,350	-	2,167,156
Total liabilities	2,237,727	34,654	-	2,272,381
Fund Balances				
Reserved for perpetual care	-	-	75,690	75,690
Reserved by State statute	2,265,955	717,502	-	2,983,457
Unreserved, undesignated	(2,237,726)	(34,654)	-	(2,272,380)
Total fund balance	28,229	682,848	75,690	786,767
Total liabilities and fund balance	\$ 2,265,956	\$ 717,502	\$ 75,690	\$ 3,059,148

CITY OF KINSTON, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES,
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003**

	Non-Major Special Revenue Funds	Non-Major Capital Projects Funds	Permanent Fund Temple Israel Perpetual Care Fund	Total Non-Major Governmental Funds
Revenue:				
Intergovernmental revenue	\$ 4,214,099	\$ 693,944	\$ -	\$ 4,908,043
Miscellaneous income	79,800	71,000	75,234	226,034
Interest	1,865	8,054	456	10,375
Total revenue	4,295,764	772,998	75,690	5,144,452
Expenditures:				
Current:				
Public safety	174,980	-	-	174,980
Planning and community development	4,314,339	-	-	4,314,339
Capital outlay	-	1,302,947	-	1,302,947
Debt service	-	259,799	-	259,799
Total expenditures	4,489,319	1,562,746	-	6,052,065
Revenue under expenditures	(193,555)	(789,748)	75,690	(907,613)
Other financing sources:				
Proceeds from borrowings	-	2,259,799	-	2,259,799
Transfers in	31,767	140,000	-	171,767
Total other financing sources (uses)	31,767	2,399,799	-	2,431,566
Net change in fund balance	(161,788)	1,610,051	75,690	1,523,953
Fund balances, beginning	190,017	(927,203)	-	(737,186)
Fund balances, ending	\$ 28,229	\$ 682,848	\$ 75,690	\$ 786,767

NON-MAJOR SPECIAL REVENUE FUNDS

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

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

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

DCA/CHAF – Floyd Project - This fund accounts for assistance with the Floyd Recovery Program through the relocation of approximately 420 household and funded by the N.C. Division of Crime and Public Safety, Division of Emergency Management.

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.

NON-MAJOR SPECIAL REVENUE FUNDS

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

2002 Governor's Crime Commission – This fund accounts for a 2002 governor's crime commission grant fund for the purchase of equipment for the police department.

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.

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.

Governor's Highway Safety Program 2000 – This fund accounts for staff and equipment utilized for enforcement of violation located in and around the top ten crash sites targeted by the Crashless in Kinston program. It also partnerships with various organizations to achieve public awareness of underage drinking.

COPSMORE 2000 – This fund accounts for the staffing of two civilian employees to relieve two officers from administrative and clerical duties and return to their Patrol and Investigative Divisions.

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.

NON-MAJOR SPECIAL REVENUE FUNDS

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.

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

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

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

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.

Governor's Highway Safety Program 2001 – This fund accounts for staff and equipment utilized for enforcement of violation located in and around the top ten crash sites targeted by the Crashless in Kinston program. It also partnerships with various organizations to achieve public awareness of underage drinking.

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.

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

Carr-Lyles Subdivision Grant Fund – This fund accounts for assistance with the Floyd Recovery Program through the construction of infrastructure for the relocation of households displaced by hurricane Floyd and funded by the Crisis Housing Assistance Fund, N.C. Division of Crime and Public Safety, Division of Emergency Management.

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.

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

COMBINING BALANCE SHEETS

June 30, 2003

With Comparative Totals for June 30, 2002
(Page 1 of 5)

	Community Development Administration	Disaster Recovery Floyd	FEMA- HMGP	SARF- DCA	FEMA-HMGP Fran II	FEMA-HMGP Fran III	FEMA- Demo Proj I
Assets							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	282,270	-	-	177,670	-	-	7,621
Due from government agencies	-	-	-	-	-	993,036	-
Accounts and loans receivable	53,505	1	-	24	-	-	-
Interest receivable	-	-	-	-	-	-	-
Total assets	\$ 335,775	\$ 1	\$ -	\$ 177,694	\$ -	\$ 993,036	\$ 7,621
Liabilities and Fund Balances (Deficits)							
Liabilities							
Due to other funds	\$ -	\$ 264,135	\$ 63,328	\$ -	\$ 166	\$ 290,808	\$ -
Accounts payable and accrued liabilities	-	-	-	17	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	-	264,135	63,328	17	166	290,808	-
Fund Balances (Deficits)							
Reserved by State statute	335,775	-	-	177,694	-	993,036	7,621
Unreserved - undesignated	-	(264,134)	(63,328)	(17)	(166)	(290,808)	-
	335,775	(264,134)	(63,328)	177,677	(166)	702,228	7,621
Total liabilities and fund balances	\$ 335,775	\$ 1	\$ -	\$ 177,694	\$ -	\$ 993,036	\$ 7,621

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

COMBINING BALANCE SHEETS

June 30, 2003

With Comparative Totals for June 30, 2002

(Page 2 of 5)

	FEMA- Demo Proj. II	Floyd Phase I	Floyd CHAF	Floyd Phase IB	Floyd Phase IC	Floyd Phase II	2002 GCC
Assets							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	93,429	66,758	-
Due from government agencies	-	-	-	-	-	-	-
Accounts and loans receivable	-	-	1,106,703	-	-	-	2,252
Interest receivable	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 1,106,703	\$ -	\$ 93,429	\$ 66,758	\$ 2,252
Liabilities and Fund Balances (Deficits)							
Liabilities							
Due to other funds	\$ 9,593	\$ 244,585	\$ -	\$ 39,956	\$ -	\$ -	\$ 2,252
Accounts payable and accrued liabilities	-	-	-	-	-	-	-
Deferred revenue	-	-	1,106,703	-	-	-	-
Total liabilities	9,593	244,585	1,106,703	39,956	-	-	2,252
Fund Balances (Deficits)							
Reserved by State statute	-	-	-	-	93,429	66,758	2,252
Unreserved - undesignated	(9,593)	(244,585)	-	(39,956)	-	-	(2,252)
	(9,593)	(244,585)	-	(39,956)	93,429	66,758	-
Total liabilities and fund balances	\$ -	\$ -	\$ 1,106,703	\$ -	\$ 93,429	\$ 66,758	\$ 2,252

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

COMBINING BALANCE SHEETS

June 30, 2003

With Comparative Totals for June 30, 2002
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	FEMA- Demo Proj IV	Bonnie Recovery	2000 LLEBG	Salvage Yard Buyout	State Tenant Relocation Assistance	Floyd IB Demo Proj	Floyd IC Demo Proj
Assets							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	-	-	-
Due from government agencies	-	54,068	-	83,310	-	-	-
Accounts and loans receivable	-	-	59	-	-	20	-
Interest receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 54,068</u>	<u>\$ 59</u>	<u>\$ 83,310</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>
Liabilities and Fund Balances (Deficits)							
Liabilities							
Due to other funds	\$ 26,652	\$ 49,568	\$ 68	\$ 85,247	\$ 287,516	\$ 43,602	\$ 31,894
Accounts payable and accrued liabilities	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	<u>26,652</u>	<u>49,568</u>	<u>68</u>	<u>85,247</u>	<u>287,516</u>	<u>43,602</u>	<u>31,894</u>
Fund Balances (Deficits)							
Reserved by State statute	-	54,068	59	83,310	-	20	-
Unreserved - undesignated	(26,652)	(49,568)	(68)	(85,247)	(287,516)	(43,602)	(31,894)
	<u>(26,652)</u>	<u>4,500</u>	<u>(9)</u>	<u>(1,937)</u>	<u>(287,516)</u>	<u>(43,582)</u>	<u>(31,894)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 54,068</u>	<u>\$ 59</u>	<u>\$ 83,310</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEETS

June 30, 2003

With Comparative Totals for June 30, 2002

(Page 4 of 5)

	Floyd III Demo Proj	CDBG Micro Enterprise	Floyd Phase IV Revisions	Oaks Apartments	2001 LLEBG	2002 LLEBG
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	-	-	-	15,520	46,896
Due from government agencies	-	35,973	287,968	55,269	-	-
Accounts and loans receivable	-	-	7	-	-	-
Interest receivable	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 35,973</u>	<u>\$ 287,975</u>	<u>\$ 55,269</u>	<u>\$ 15,520</u>	<u>\$ 46,896</u>
Liabilities and Fund Balances (Deficits)						
Liabilities						
Due to other funds	\$ 232,345	\$ 14,061	\$ 404,029	\$ 56,013	\$ -	\$ -
Accounts payable and accrued liabilities	1,964	25,917	-	-	12,333	46,690
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>234,309</u>	<u>39,978</u>	<u>404,029</u>	<u>56,013</u>	<u>12,333</u>	<u>46,690</u>
Fund Balances (Deficits)						
Reserved by State statute	-	35,973	287,975	55,269	15,520	46,896
Unreserved - undesignated	(234,309)	(39,978)	(404,029)	(56,013)	(12,333)	(46,690)
	<u>(234,309)</u>	<u>(4,005)</u>	<u>(116,054)</u>	<u>(744)</u>	<u>3,187</u>	<u>206</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 35,973</u>	<u>\$ 287,975</u>	<u>\$ 55,269</u>	<u>\$ 15,520</u>	<u>\$ 46,896</u>

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEETS

June 30, 2003

With Comparative Totals for June 30, 2002

(Page 5 of 5)

	FEMA		Totals	
	Assistance to Firefighters	Carr-Lyles Subdivision	2003	2002
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,941
Due from other funds	3,086	-	693,250	457,769
Due from government agencies	-	4,988	1,514,612	1,319,899
Accounts and loans receivable	2,226	-	1,164,797	82,072
Interest receivable	-	-	-	148
Total assets	<u>\$ 5,312</u>	<u>\$ 4,988</u>	<u>\$ 3,372,659</u>	<u>\$ 1,861,829</u>
Liabilities and Fund Balances (Deficits)				
Liabilities				
Due to other funds	\$ -	\$ 4,988	\$ 2,150,806	\$ 1,522,919
Accounts payable and accrued liabilities	-	-	86,921	148,893
Deferred revenue	-	-	1,106,703	-
Total liabilities			<u>3,344,430</u>	<u>1,671,812</u>
Fund Balances (Deficits)				
Reserved by State statute	5,312	4,988	2,265,955	1,859,888
Unreserved - undesignated	-	(4,988)	(2,237,726)	(1,669,871)
	<u>5,312</u>	<u>-</u>	<u>28,229</u>	<u>190,017</u>
Total liabilities and fund balances	<u>\$ 5,312</u>	<u>\$ 4,988</u>	<u>\$ 3,372,659</u>	<u>\$ 1,861,829</u>

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS)
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002
(Page 1 of 5)**

	Community Development Administration	Disaster Recovery Floyd	FEMA - HGMP	SARF - DCA	FEMA HMGP Fran II	FEMA HMGP Fran III	FEMA- Demo Proj I
Revenue:							
Restricted:							
Intergovernmental revenue	\$ -	\$ 26,318	\$ (63,328)	\$ 1,703	\$ (13,395)	\$ 993,036	\$ (1,972)
Rent and program income	28,961	-	-	-	-	-	-
Other:							
Sale of assets	79,800	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-
Investment earnings	1,551	-	-	-	-	-	-
Total revenue	<u>110,312</u>	<u>26,318</u>	<u>(63,328)</u>	<u>1,703</u>	<u>(13,395)</u>	<u>993,036</u>	<u>(1,972)</u>
Expenditures:							
Planning and community development							
Administration	-	-	-	1,305	-	-	-
Rehabilitation of private properties	9,827	10	-	109,949	(13,229)	290,808	(9,593)
Public safety	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-
Total expenditures	<u>9,827</u>	<u>10</u>	<u>-</u>	<u>111,254</u>	<u>(13,229)</u>	<u>290,808</u>	<u>(9,593)</u>
Total revenue over (under) expenditures	100,485	26,308	(63,328)	(109,551)	(166)	702,228	7,621
Other Financing Sources:							
Operating transfers in	-	-	-	-	-	-	-
Total revenue and other sources over (under) expenditures	100,485	26,308	(63,328)	(109,551)	(166)	702,228	7,621
Fund balances (deficits), beginning	235,290	(290,442)	-	287,228	-	-	-
Fund balances (deficits), ending	<u>\$ 335,775</u>	<u>\$ (264,134)</u>	<u>\$ (63,328)</u>	<u>\$ 177,677</u>	<u>\$ (166)</u>	<u>\$ 702,228</u>	<u>\$ 7,621</u>

CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

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	FEMA- Demo Proj II	Floyd Phase I	Floyd DCA/CHAF	Floyd Phase IB	Floyd Phase IC	Floyd Phase II	2002 GCC
Revenue:							
Restricted:							
Intergovernmental revenue	\$ -	\$ 500	\$ 1,308,546	\$ 141,146	\$ 216,424	\$ (3,155)	\$ 47,496
Rent and program income	-	-	-	-	-	-	-
Other:							
Sale of assets	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-
Total revenue	-	500	1,308,546	141,146	216,424	(3,155)	47,496
Expenditures:							
Planning and community development							
Administration	-	-	(9,772)	-	-	-	-
Rehabilitation of private properties	9,593	231,225	1,318,318	161,828	122,995	(69,913)	-
Public safety	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	63,328
Total expenditures	9,593	231,225	1,308,546	161,828	122,995	(69,913)	63,328
Total revenue over (under) expenditures	(9,593)	(230,725)	-	(20,682)	93,429	66,758	(15,832)
Other Financing Sources:							
Operating transfers in	-	-	-	-	-	-	15,832
Total revenue and other sources over (under) expenditures	(9,593)	(230,725)	-	(20,682)	93,429	66,758	-
Fund balances (deficits), beginning	-	(13,860)	-	(19,274)	-	-	-
Fund balances (deficits), ending	\$ (9,593)	\$ (244,585)	\$ -	\$ (39,956)	\$ 93,429	\$ 66,758	\$ -

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

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	FEMA- Demo Proj IV	Bonnie Recovery	2000 LLEBG	2000 GHSP	2000 COPSMORE	Salvage Yard Buyout	State Tenant Relocation Assistance
Revenue:							
Restricted:							
Intergovernmental revenue	\$ (27,871)	\$ -	\$ -	\$ -	\$ 2,190	\$ 754,210	\$ 166,220
Rent and program income	-	-	-	-	-	-	-
Other:							
Sale of assets	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-
Investment earnings	-	-	2	-	-	-	-
Total revenue	(27,871)	-	2	-	2,190	754,210	166,220
Expenditures:							
Planning and community development							
Administration	-	-	-	-	-	42,210	57,374
Rehabilitation of private properties	(1,219)	-	-	-	-	713,937	396,362
Public safety							
Other services	-	-	939	813	72	-	-
Total expenditures	(1,219)	-	939	813	72	756,147	453,736
Total revenue over (under) expenditures	(26,652)	-	(937)	(813)	2,118	(1,937)	(287,516)
Other Financing Sources:							
Operating transfers in	-	-	-	-	2,866	-	-
Total revenue and other sources over (under) expenditures	(26,652)	-	(937)	(813)	4,984	(1,937)	(287,516)
Fund balances (deficits), beginning	-	4,500	928	813	(4,984)	-	-
Fund balances (deficits), ending	\$ (26,652)	\$ 4,500	\$ (9)	\$ -	\$ -	\$ (1,937)	\$ (287,516)

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

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

For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002
(Page 4 of 5)

	Floyd 1B Demo Proj	Floyd 1C Demo Proj	Floyd IIA Demo Proj	Floyd III Demo Proj	CDBG Micro Enterprise	Floyd Phase IV Revisions	Oaks Apartments
Revenue:							
Restricted:							
Intergovernmental revenue	\$ 1,896	\$ -	\$ (2,530)	\$ (800)	\$ 58,717	\$ 397,814	\$ 79,612
Rent and program income	-	-	-	-	-	-	-
Other:							
Sale of assets	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-
Total revenue	<u>1,896</u>	<u>-</u>	<u>(2,530)</u>	<u>(800)</u>	<u>58,717</u>	<u>397,814</u>	<u>79,612</u>
Expenditures:							
Planning and community development							
Administration	4,405	3,040	750	18,375	2,500	30,468	10,427
Rehabilitation of private properties	41,073	28,854	(3,280)	215,134	37,261	483,400	69,929
Public safety	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-
Total expenditures	<u>45,478</u>	<u>31,894</u>	<u>(2,530)</u>	<u>233,509</u>	<u>39,761</u>	<u>513,868</u>	<u>80,356</u>
Total revenue over (under) expenditures	<u>(43,582)</u>	<u>(31,894)</u>	<u>-</u>	<u>(234,309)</u>	<u>18,956</u>	<u>(116,054)</u>	<u>(744)</u>
Other Financing Sources:							
Operating transfers in	-	-	-	-	-	-	-
Total revenue and other sources over (under) expenditures	<u>(43,582)</u>	<u>(31,894)</u>	<u>-</u>	<u>(234,309)</u>	<u>18,956</u>	<u>(116,054)</u>	<u>(744)</u>
Fund balances (deficits), beginning	-	-	-	-	(22,961)	-	-
Fund balances (deficits), ending	<u>\$ (43,582)</u>	<u>\$ (31,894)</u>	<u>\$ -</u>	<u>\$ (234,309)</u>	<u>\$ (4,005)</u>	<u>\$ (116,054)</u>	<u>\$ (744)</u>

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR SPECIAL REVENUE FUNDS**

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

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	2001	2001	2002	FEMA Assistance to Firefighters	Carr-Lyles Subdivision	Totals
	LLEBG	GHSP	LLEBG			2003 2002
Revenue:						
Restricted:						
Intergovernmental revenue	\$ 3,469	\$ 18,067	\$ 42,021	\$ 28,816	\$ 9,988	\$ 10,051,262
Rent and program income	-	-	-	-	-	34,617
Other:						
Sale of assets	-	-	-	-	-	31,000
Insurance proceeds	-	-	-	-	-	6,553
Investment earnings	106	-	206	-	-	2,205
Total revenue	3,575	18,067	42,227	28,816	9,988	10,125,637
Expenditures:						
Planning and community development						
Administration	-	-	-	-	-	417,535
Rehabilitation of private properties	-	-	-	-	9,988	9,572,763
Public safety						
Other services	17,515	13,719	46,690	31,904	-	474,490
Total expenditures	17,515	13,719	46,690	31,904	9,988	10,464,788
Total revenue over (under) expenditures	(13,940)	4,348	(4,463)	(3,088)	-	(339,151)
Other Financing Sources:						
Operating transfers in	-	-	4,669	8,400	-	64,735
Total revenue and other sources over (under) expenditures	(13,940)	4,348	206	5,312	-	(274,416)
Fund balances (deficits), beginning	17,127	(4,348)	-	-	-	464,433
Fund balances (deficits), ending	\$ 3,187	\$ -	\$ 206	\$ 5,312	\$ -	\$ 190,017

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, 2003

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Rent and program income	\$ 20,000	\$ 28,961	\$ 8,961
Sale of assets	-	79,800	79,800
Investment earnings	-	1,551	1,551
Total revenue	20,000	110,312	90,312
Expenditures:			
Contract services	20,000	9,827	10,173
Total expenditures	20,000	9,827	10,173
Total revenue over expenditures	\$ -	\$ 100,485	\$ 100,485

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, 2003

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue	\$ 26,318	\$ 3,709,730	\$ 5,936,100
Other - insurance proceeds	-	234,569	900,000
Total revenue	26,318	3,944,299	6,836,100
Expenditures:			
Salaries and benefits	-	534,699	416,400
Contract services	10	3,673,734	6,419,700
Total expenditures	10	4,208,433	6,836,100
Total revenue over (under) expenditures	\$ 26,308	\$ (264,134)	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ (63,328)	\$ 10,875,633	\$ 12,301,980
Expenditures:			
Administration	-	291,131	507,152
Acquisition, relocation, demolition of private properties	-	10,647,830	11,794,828
Total expenditures	-	10,938,961	12,301,980
 Total expenditures over revenue	 \$ (63,328)	 \$ (63,328)	 \$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ 1,703	\$ 1,671,029	\$ 1,664,275
Expenditures:			
Administration	1,305	6,244	156,069
Acquisition, relocation, demolition of private properties	109,949	1,487,108	1,508,206
Total expenditures	111,254	1,493,352	1,664,275
Total revenue over (under) expenditures	\$ (109,551)	\$ 177,677	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ (13,395)	\$ 2,640,269	\$ 2,645,922
Expenditures:			
Administration	-	-	164,729
Acquisition, relocation, demolition of private properties	(13,229)	2,640,435	2,481,193
Total expenditures	(13,229)	2,640,435	2,645,922
Total expenditures over revenue	\$ (166)	\$ (166)	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ 993,036	\$ 2,855,584	\$ 4,591,123
Expenditures:			
Administration	-	-	132,988
Acquisition, relocation, demolition of private properties	290,808	2,153,356	4,820,496
Total expenditures	290,808	2,153,356	4,953,484
Total revenue over expenditures	702,228	702,228	(362,361)
Other financing sources:			
Operating transfers in	-	-	362,361
Total revenue and other financing sources over expenditures	\$ 702,228	\$ 702,228	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue- Community development grant project	\$ (1,972)	\$ 191,455	\$ 193,427
Expenditures:			
Demolition of private properties	(9,593)	183,834	193,427
Total revenue over expenditures	\$ 7,621	\$ 7,621	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ -	\$ 110,360	\$ 717,840
Expenditures:			
Administration	-	-	8,200
Demolition of private properties	9,593	119,953	709,640
Total expenditures	9,593	119,953	717,840
Total expenditures over revenue	\$ (9,593)	\$ (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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue- Community development grant project	\$ 500	\$ 3,323,023	\$ 5,122,568
Expenditures:			
Administration	-	-	206,252
Acquisition, relocation, demolition of private properties	231,225	3,567,608	4,916,316
Total expenditures	231,225	3,567,608	5,122,568
Total expenditures over revenue	\$ (230,725)	\$ (244,585)	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND – FLOYD DCA/CHAF PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ 1,308,546	\$ 4,517,081	\$ 19,500,375
Expenditures:			
Administration	(9,772)	266,000	420,000
Acquisition, relocation, demolition of private properties	1,318,318	4,251,081	19,080,375
Total expenditures	1,308,546	4,517,081	19,500,375
Total revenue over expenditures	\$ -	\$ -	\$ -

**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, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ 141,146	\$ 2,537,848	\$ 5,180,880
Expenditures:			
Administration	-	-	162,815
Acquisition, relocation, demolition of private properties	161,828	2,577,804	5,018,065
Total expenditures	161,828	2,577,804	5,180,880
Total expenditures over revenue	\$ (20,682)	\$ (39,956)	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ 216,424	\$ 1,218,634	\$ 1,372,486
Expenditures:			
Administration	-	-	53,486
Acquisition, relocation, demolition of private properties	122,995	1,125,205	1,319,000
Total expenditures	<u>122,995</u>	<u>1,125,205</u>	<u>1,372,486</u>
Total revenue over expenditures	<u>\$ 93,429</u>	<u>\$ 93,429</u>	<u>\$ -</u>

**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, 2003**

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ (3,155)	\$ 97,641	\$ 110,123
Expenditures:			
Administration	-	-	5,500
Acquisition, relocation, demolition of private properties	(69,913)	30,883	104,623
Total expenditures	(69,913)	30,883	110,123
Total revenue over expenditures	\$ 66,758	\$ 66,758	\$ -

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND – 2002 GOVERNOR'S CRIME COMMISSION

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL**
From Grant Inception and For the Fiscal Year Ended June 30, 2003

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant	\$ 47,496	\$ 47,496	\$ 47,496
Expenditures:			
Capital outlay	63,328	63,328	63,328
Total expenditures	63,328	63,328	63,328
Total expenditures over revenue	(15,832)	(15,832)	(15,832)
Other financing sources:			
Operating transfers in	15,832	15,832	15,832
Total other financing sources	15,832	15,832	15,832
Total revenue and other financing sources over expenditures	\$ -	\$ -	\$ -

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, 2003

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ (27,871)	\$ 267,732	\$ 823,749
Expenditures:			
Administration	-	-	14,772
Acquisition, relocation, demolition of private properties	(1,219)	294,384	808,977
Total expenditures	(1,219)	294,384	823,749
Total expenditures over revenue	\$ (26,652)	\$ (26,652)	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ -	\$ 456,735	\$ 452,235
Expenditures:			
Administration	-	45,000	45,000
Acquisition, relocation, demolition of private properties	-	407,235	407,235
Total expenditures	-	452,235	452,235
Total revenue over expenditures	\$ -	\$ 4,500	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ -	\$ 59,125	\$ 59,125
Investment earnings	2	1,596	806
Total revenue	<u>2</u>	<u>60,721</u>	<u>59,931</u>
Expenditures:			
Capital outlay	939	66,447	66,576
Total expenditures	<u>939</u>	<u>66,447</u>	<u>66,576</u>
Total revenue under expenditures	<u>(937)</u>	<u>(5,726)</u>	<u>(6,645)</u>
Other financing sources:			
Operating transfers in	-	5,717	5,717
Total revenue and other financing sources under expenditures	<u>\$ (937)</u>	<u>\$ (9)</u>	<u>\$ (928)</u>

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND – GOVERNOR'S HIGHWAY SAFETY PROGRAM - 2000

SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 2003

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant project	\$ -	\$ 86,108	\$ 88,452
Expenditures:			
Personnel costs	-	42,193	46,878
Capital outlay	813	104,241	101,900
Total expenditures	813	146,434	148,778
Total expenditures over revenue	(813)	(60,326)	(60,326)
Other financing sources:			
Operating transfers in	-	60,326	60,326
Total other financing sources	-	60,326	60,326
Total revenue and other financing sources under expenditures	\$ (813)	\$ -	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND – COPSMORE - 2000**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ 2,190	\$ 50,462	\$ 50,462
Expenditures:			
Personnel costs	72	70,348	70,348
Total expenditures	72	70,348	70,348
Total revenue over (under) expenditures	2,118	(19,886)	(19,886)
Other financing sources:			
Operating transfers in	2,866	19,886	19,886
Total other financing sources	2,866	19,886	19,886
Total revenue and other financing sources over expenditures	\$ 4,984	\$ -	\$ -

**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, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ 754,210	\$ 812,910	\$ 7,341,300
Expenditures:			
Administration	42,210	100,910	273,300
Acquisition, relocation, demolition of private properties	713,937	713,937	7,068,000
Total expenditures	756,147	814,847	7,341,300
Total expenditures over revenue	\$ (1,937)	\$ (1,937)	\$ -

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, 2003

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ 166,220	\$ 692,983	\$ 3,615,178
Expenditures:			
Administration	57,374	103,662	330,253
Acquisition, relocation, demolition of private properties	396,362	876,837	3,284,925
Total expenditures	453,736	980,499	3,615,178
Total expenditures over revenue	\$ (287,516)	\$ (287,516)	\$ -

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, 2003

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ 1,896	\$ 84,214	\$ 799,682
Expenditures:			
Administration	4,405	21,000	25,405
Acquisition, relocation, demolition of private properties	41,073	106,796	774,277
Total expenditures	45,478	127,796	799,682
Total expenditures over revenue	\$ (43,582)	\$ (43,582)	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ -	\$ 99,795	\$ 319,155
Expenditures:			
Administration	3,040	9,975	13,015
Acquisition, relocation, demolition of private properties	28,854	121,714	306,140
Total expenditures	31,894	131,689	319,155
Total expenditures over revenue	\$ (31,894)	\$ (31,894)	\$ -

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, 2003

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ (2,530)	\$ 7,317	\$ 23,230
Expenditures:			
Administration	750	788	1,538
Acquisition, relocation, demolition of private properties	(3,280)	6,529	21,692
Total expenditures	(2,530)	7,317	23,230
Total revenue over expenditures	\$ -	\$ -	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ (800)	\$ 1,970	\$ 669,755
Expenditures:			
Administration	18,375	18,375	32,025
Acquisition, relocation, demolition of private properties	215,134	217,904	637,730
Total expenditures	233,509	236,279	669,755
Total expenditures over revenue	\$ (234,309)	\$ (234,309)	\$ -

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, 2003

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grants	\$ 58,717	\$ 93,895	\$ 164,822
Expenditures:			
Administration	2,500	2,500	10,000
Acquisition, relocation, demolition of private properties	37,261	95,400	154,822
Total expenditures	39,761	97,900	164,822
Total revenue over (under) expenditures	\$ 18,956	\$ (4,005)	\$ -

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, 2003

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ 397,814	\$ 440,187	\$ 1,264,745
Expenditures:			
Administration	30,468	54,640	92,646
Acquisition, relocation, demolition of private properties	483,400	501,601	1,172,099
Total expenditures	513,868	556,241	1,264,745
Total expenditures over revenue	\$ (116,054)	\$ (116,054)	\$ -

**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, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal and State grants	\$ 79,612	\$ 83,083	\$ 284,529
Expenditures:			
Administration	10,427	10,427	55,300
Acquisition, relocation, demolition of private properties	69,929	73,400	229,229
Total expenditures	80,356	83,827	284,529
Total expenditures over revenue	\$ (744)	\$ (744)	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ 3,469	\$ 54,179	\$ 50,710
Investments earnings	106	518	800
	<u>3,575</u>	<u>54,697</u>	<u>51,510</u>
Expenditures:			
Capital outlay	<u>17,515</u>	<u>57,144</u>	<u>57,144</u>
Total expenditures	<u>17,515</u>	<u>57,144</u>	<u>57,144</u>
Total revenue over (under) expenditures	<u>(13,940)</u>	<u>(2,447)</u>	<u>(5,634)</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>5,634</u>	<u>5,634</u>
Total other financing sources	<u>-</u>	<u>5,634</u>	<u>5,634</u>
Total expenditures revenue and other financing sources over (under) expenditures	<u>\$ (13,940)</u>	<u>\$ 3,187</u>	<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND – GOVERNOR'S HIGHWAY SAFETY PROGRAM - 2001

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL**
From Grant Inception and For the Fiscal Year Ended June 30, 2003

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant	\$ 18,067	\$ 37,817	\$ 37,817
Expenditures:			
Personnel costs	13,719	74,006	74,006
Capital outlay	-	3,256	3,256
Total expenditures	13,719	77,262	77,262
Total expenditures over revenue	4,348	(39,445)	(39,445)
Other financing sources:			
Operating transfers in	-	39,445	39,445
Total other financing sources	-	39,445	39,445
Total revenue and other financing sources over expenditures	\$ 4,348	\$ -	\$ -

**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, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant	\$ 42,021	\$ 42,021	\$ 42,021
Investment earnings	206	206	-
Total revenue	42,227	42,227	42,021
Expenditures:			
Capital outlay	46,690	46,690	46,690
Total expenditures	46,690	46,690	46,690
Total expenditures over revenue	(4,463)	(4,463)	(4,669)
Other financing sources:			
Operating transfers in	4,669	4,669	4,669
Total other financing sources	4,669	4,669	4,669
Total revenue and other financing sources over expenditures	\$ 206	\$ 206	\$ -

**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, 2003**

	Actual		
	Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grant	\$ 28,816	\$ 28,816	\$ 74,982
Expenditures:			
Capital outlay	31,904	31,904	83,382
Total expenditures	31,904	31,904	83,382
Total expenditures over revenue	(3,088)	(3,088)	(8,400)
Other financing sources:			
Operating transfers in	8,400	8,400	8,400
Total other financing sources	8,400	8,400	8,400
Total revenue and other financing sources over expenditures	\$ 5,312	\$ 5,312	\$ -

**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, 2003**

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

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND – CARR LYLES SUBDIVISION**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
State grant project	\$ 9,988	\$ 110,000	\$ 110,000
Expenditures:			
Acquisition, relocation, demolition of private			
properties	9,988	110,000	110,000
Total expenditures	9,988	110,000	110,000
Total revenue over expenditures	\$ -	\$ -	\$ -

**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, 2003**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue-			
Federal grants	\$ -	\$ -	\$ 300,000
Expenditures:			
Administration	-	-	19,149
Acquisition, relocation, demolition of private properties	-	-	280,851
Total expenditures	-	-	300,000
Total revenue over expenditures	\$ -	\$ -	\$ -



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NON-MAJOR CAPITAL PROJECTS FUND

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

Recreation Improvements – This fund accounts for funds to be used for improvements to various buildings and facilities in the City's recreation department.

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.

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR CAPITAL PROJECT FUNDS**

COMBINING BALANCE SHEETS

June 30, 2003

With Comparative Totals for June 30, 2002

	Uplands Park	Kingwood Forest	Grainger Stadium Renovation	Capital Reserve	Totals	
					2003	2002
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,599
Due from other funds	326,951	-	21,679	307,021	655,651	540,335
Accounts receivable	7,673	47,250	6,928	-	61,851	93,717
Total assets	<u>\$ 334,624</u>	<u>\$ 47,250</u>	<u>\$ 28,607</u>	<u>\$ 307,021</u>	<u>\$ 717,502</u>	<u>\$ 674,651</u>
Liabilities and Fund Balances						
Liabilities						
Due to other funds	\$ -	\$ 16,350	\$ -	\$ -	\$ 16,350	\$ 1,554,445
Accounts payable and accrued liabilities	58	-	18,246	-	18,304	47,409
Total liabilities	<u>58</u>	<u>16,350</u>	<u>18,246</u>	<u>-</u>	<u>34,654</u>	<u>1,601,854</u>
Fund Balances						
Reserved by state statute	334,624	47,250	28,607	307,021	717,502	634,052
Unreserved	(58)	(16,350)	(18,246)	-	(34,654)	(1,561,255)
	<u>334,566</u>	<u>30,900</u>	<u>10,361</u>	<u>307,021</u>	<u>682,848</u>	<u>(927,203)</u>
Total liabilities and fund balances	<u>\$ 334,624</u>	<u>\$ 47,250</u>	<u>\$ 28,607</u>	<u>\$ 307,021</u>	<u>\$ 717,502</u>	<u>\$ 674,651</u>

**CITY OF KINSTON, NORTH CAROLINA
NON-MAJOR CAPITAL PROJECT FUNDS**

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Granger				Totals	
	Recreation Improvements	Uplands Park	Kingwood Forest	Stadium Renovation	Capital Reserve	2003
						2002
Revenues:						
Interest income	\$ -	\$ 2,481	\$ -	\$ 3,579	\$ 1,994	\$ 8,054
State grants	-	578,081	115,863	-	-	693,944
Sale of property	-	71,000	-	-	-	71,000
Total revenue	-	651,562	115,863	3,579	1,994	772,998
Expenditures:						
Capital outlay	5,200	538,294	168,497	590,956	-	1,302,947
Debt service	-	-	-	259,799	-	259,799
Total expenditures	5,200	538,294	168,497	850,755	-	1,562,746
Total revenue over (under) expenditures	(5,200)	113,268	(52,634)	(847,176)	1,994	(789,748)
Other financing sources:						
Proceeds from borrowing	-	-	-	2,259,799	-	2,259,799
Operating transfers in	-	-	-	140,000	-	140,000
Total other financing sources	-	-	-	2,399,799	-	2,399,799
Total revenue and other financing sources under expenditures	(5,200)	113,268	(52,634)	1,552,623	1,994	1,610,051
Fund balances (deficits), beginning	5,200	221,298	83,534	(1,542,262)	305,027	(927,203)
Fund balances (deficits), ending	\$ -	\$ 334,566	\$ 30,900	\$ 10,361	\$ 307,021	\$ 682,848

CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS – RECREATION IMPROVEMENTS PROJECT

SCHEDULE OF REVENUE, EXPENDITURES,
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2003

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Expenditures:				
Capital outlay:				
Construction cost	\$ 1,226,000	\$ 1,220,800	\$ 5,200	\$ 1,226,000
Total expenditures	<u>1,226,000</u>	<u>1,220,800</u>	<u>5,200</u>	<u>1,226,000</u>
Other financing sources:				
Proceeds from borrowing	1,100,000	1,100,000	-	1,100,000
Operating transfers in	126,000	126,000	-	126,000
Total other financing sources	<u>1,226,000</u>	<u>1,226,000</u>	<u>-</u>	<u>1,226,000</u>
Total other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 5,200</u>	<u>\$ (5,200)</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS – UPLANDS PARK**

**SCHEDULE OF REVENUE, EXPENDITURES,
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2003**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenue:				
Interest income	\$ -	\$ -	\$ 2,481	\$ 2,481
State grants	1,251,000	672,919	578,081	1,251,000
Sale of property	980,000	936,224	71,000	1,007,224
Total revenue	2,231,000	1,609,143	651,562	2,260,705
Expenditures:				
Capital outlay:				
Construction cost	2,831,000	1,387,845	538,294	1,926,139
Total expenditures	2,831,000	1,387,845	538,294	1,926,139
Total revenue over (under) expenditures	(600,000)	221,298	113,268	334,566
Other financing sources:				
Operating transfers in	600,000	-	-	-
Total other financing sources	600,000	-	-	-
Total revenue and other financing sources over expenditures	\$ -	\$ 221,298	\$ 113,268	\$ 334,566

**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS – KINGWOOD FOREST**

**SCHEDULE OF REVENUE, EXPENDITURES,
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2003**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenue:				
State grants	\$ 91,000	\$ 73,975	\$ 115,863	\$ 189,838
Sale of surplus property	30,000	30,800	-	30,800
Donations	20,000	20,100	-	20,100
Total revenue	141,000	124,875	115,863	240,738
Expenditures:				
Capital outlay:				
Construction cost	141,000	41,341	168,497	209,838
Total expenditures	141,000	41,341	168,497	209,838
Total revenue over (under) expenditures	\$ -	\$ 83,534	\$ (52,634)	\$ 30,900

CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS – GRAINGER STADIUM RENOVATION FUND

SCHEDULE OF REVENUE, EXPENDITURES,
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2003

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenue:				
Interest income	\$ -	\$ -	\$ 3,579	\$ 3,579
Total revenue	-	-	3,579	3,579
Expenditures:				
Capital outlay:				
Construction cost	2,480,000	1,542,262	590,956	2,133,218
Debt service	-	-	259,799	259,799
Total expenditures	2,480,000	1,542,262	850,755	2,393,017
Revenue under expenditures	(2,480,000)	(1,542,262)	(847,176)	(2,389,438)
Other financing sources:				
Proceeds from borrowing	2,340,000	-	2,259,799	2,259,799
Operating transfers in	140,000	-	140,000	140,000
Total other financing sources	2,480,000	-	2,399,799	2,399,799
Total revenue and other financing sources over (under) expenditures	\$ -	\$ (1,542,262)	\$ 1,552,623	\$ 10,361

**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS – CAPITAL RESERVE FUND**

**SCHEDULE OF REVENUE, EXPENDITURES,
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 2003**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenue:				
Interest income	\$ -	\$ 5,027	\$ 1,994	\$ 7,021
Total revenue	-	5,027	1,994	7,021
Other financing sources (uses):				
Operating transfers out	(600,000)	-	-	-
Operating transfers in	600,000	300,000	-	300,000
Total other financing sources	-	300,000	-	300,000
Total revenue & other financing financing sources over other financing uses	\$ -	\$ 305,027	\$ 1,994	\$ 307,021



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ENTERPRISE FUNDS

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

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

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

**CITY OF KINSTON, NORTH CAROLINA
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, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 1 of 2)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Operating revenue:				
Charges for services, electricity sales	\$ 38,231,000	\$ 37,938,106	\$ (292,894)	\$ 35,148,534
Other	434,600	512,288	77,688	375,427
Total operating revenue	<u>38,665,600</u>	<u>38,450,394</u>	<u>(215,206)</u>	<u>35,523,961</u>
Non operating revenue:				
Principal received on direct lease financing	-	-	-	25,924
Interest earned on investments	114,000	14,607	(99,393)	28,824
Total nonoperating revenue	<u>114,000</u>	<u>14,607</u>	<u>(99,393)</u>	<u>54,748</u>
Total revenue	<u>38,779,600</u>	<u>38,465,001</u>	<u>(314,599)</u>	<u>35,578,709</u>
Expenditures:				
Administration:				
Salaries and benefits		796,119		743,532
Operating		250,063		379,662
Capital outlay		209,586		-
Indirect costs		1,137,000		1,266,900
	<u>2,368,700</u>	<u>2,392,768</u>	<u>(24,068)</u>	<u>2,390,094</u>
Electrical operations:				
Salaries and benefits		1,414,893		1,424,230
Operating		34,036,624		30,858,828
Capital outlay		-		481,355
	<u>35,625,000</u>	<u>35,451,517</u>	<u>173,483</u>	<u>32,764,413</u>
Total expenditures	<u>37,993,700</u>	<u>37,844,285</u>	<u>149,415</u>	<u>35,154,507</u>
Revenue over (under) expenditures	<u>785,900</u>	<u>620,716</u>	<u>(165,184)</u>	<u>424,202</u>

(Continued)

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

**SCHEDULES OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,**

NON-GAAP, MODIFIED ACCRUAL BASIS

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 2 of 2)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Other financing sources (uses):				
Appropriated fund balance	\$ 13,000	\$ -	\$ 13,000	\$ -
Contingency	(15,400)	-	(15,400)	-
Operating transfers in	171,500	171,500	-	104,000
Operating transfers out - general fund	(955,000)	(955,000)	-	(955,000)
Total other financing uses	(785,900)	(783,500)	2,400	(851,000)
 Revenue and other sources under expenditures and other uses	 \$ -	 \$ (162,784)	 \$ (162,784)	 \$ (426,798)
Reconciliation of modified accrual basis to full accrual basis:				
Revenue and other sources under expenditures and other uses		\$ (162,784)		\$ (426,798)
Transfers in		(171,500)		(104,000)
Transfers out		955,000		955,000
Capital outlay		209,586		481,355
Payment of debt principal		540,000		549,917
Depreciation		(1,068,807)		(988,784)
Amortization of debt fees		(18,634)		(19,192)
Lease purchase principal received		-		(25,924)
Increase (decrease) in accrued unbilled electricity sales		674,702		(77,067)
Capital contributions		-		109,380
Bad debt expense		(181,791)		(261,196)
Decrease in interest accrual		7,323		6,216
Income before operating transfers, accrual basis		<u>\$ 783,095</u>		<u>\$ 198,907</u>

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

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

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

(Page 1 of 3)

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Operating revenue:				
Charges for services:				
Water sales	\$ 3,503,000	\$ 3,352,174	\$ (150,826)	\$ 3,268,514
Sewer charges	3,593,200	3,473,583	(119,617)	3,428,094
Other	171,800	223,548	51,748	135,606
Total operating revenue	7,268,000	7,049,305	(218,695)	6,832,214
Nonoperating revenue:				
Interest earned on investments	38,500	14,109	(24,391)	44,784
Total nonoperating revenue	38,500	14,109	(24,391)	44,784
Total revenue	7,306,500	7,063,414	(243,086)	6,876,998
Expenditures:				
Water and sewer administration:				
Salaries and benefits		99,536		86,581
Operating		197,985		170,290
Capital outlay		-		4,524
Indirect costs		1,109,200		1,165,900
	1,480,900	1,406,721	74,179	1,427,295
Water production:				
Salaries and benefits		252,386		252,804
Operating		509,384		559,743
Capital outlay		-		14,599
	773,100	761,770	11,330	827,146
Water and sewer operations:				
Salaries and benefits		906,955		851,821
Operating		1,547,074		1,816,074
Capital outlay		138,597		134,487
	2,758,700	2,592,626	166,074	2,802,382

(Continued)

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

**SCHEDULES OF REVENUE, EXPENDITURES AND OTHER FINANCING SOURCES (USES),
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 2003**

**With Comparative Totals for the Fiscal Year Ended June 30, 2002
(Page 2 of 3)**

	2003			2002
	Budget	Actual	Variance, Positive (Negative)	Actual
Wastewater plant operations:				
Salaries and benefits	\$	\$ 678,579	\$	\$ 713,432
Operating		965,350		1,064,140
Capital outlay		-		12,636
	<u>1,872,300</u>	<u>1,643,929</u>	<u>228,371</u>	<u>1,790,208</u>
Total expenditures	<u>6,885,000</u>	<u>6,405,046</u>	<u>479,954</u>	<u>6,847,031</u>
 Revenue over (under) expenditures	 <u>421,500</u>	 <u>658,368</u>	 <u>236,868</u>	 <u>29,967</u>
Other financing sources (uses):				
Appropriated fund balance	134,100	-	(134,100)	-
Operating transfers out	<u>(555,600)</u>	<u>(555,583)</u>	<u>17</u>	<u>(511,825)</u>
Total other financing sources (uses)	<u>(421,500)</u>	<u>(555,583)</u>	<u>(134,083)</u>	<u>(511,825)</u>
 Revenue and other sources under expenditures	 <u>\$ -</u>	 <u>\$ 102,785</u>	 <u>\$ 102,785</u>	 <u>\$ (481,858)</u>
	(Continued)			

**BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002
(Page 3 of 3)**

Reconciliation of modified accrual basis

to full accrual basis:

Revenue and other sources over expenditures	\$ 102,785	\$ (481,858)
Transfers	555,583	511,825
Capital outlay	138,597	166,246
Payment of debt principal	952,725	963,130
Depreciation	(1,137,181)	(1,392,155)
Amortization of debt fees	(12,014)	(3,625)
Capital contributions in capital projects subfund	929,775	3,370,726
Repairs and maintenance expense from capital project fund	(391,620)	-
Increase in accrued unbilled water sales	5,123	39,844
Decrease in accrued unbilled sewer sales	(468)	68,800
Bad debt expense	(39,289)	(73,497)
Decrease in interest accrual	14,182	15,142
Income before operating transfers, accrual basis	<u>\$ 1,118,198</u>	<u>\$ 3,184,578</u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2003**

	Project Authorization	Prior Years	Actual Current Year	Total To Date
Revenues:				
NC DOT Reimbursement	\$ 668,000	\$ 589,051	\$ -	\$ 589,051
Total revenue	<u>668,000</u>	<u>589,051</u>	<u>-</u>	<u>589,051</u>
Expenditures:				
230KV POD/115KV Transmission Loop	5,838,027	5,716,764	56,279	5,773,043
Crescent Road	668,000	589,051	-	589,051
Total expenditures	<u>6,506,027</u>	<u>6,305,815</u>	<u>56,279</u>	<u>6,362,094</u>
Revenue under expenditures	<u>(5,838,027)</u>	<u>(5,716,764)</u>	<u>(56,279)</u>	<u>(5,773,043)</u>
Other financing sources:				
Revenue bond proceeds	5,838,027	5,840,414	-	5,840,414
Total other financing sources	<u>5,838,027</u>	<u>5,840,414</u>	<u>-</u>	<u>5,840,414</u>
Total revenue and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 123,650</u>	<u>\$ (56,279)</u>	<u>\$ 67,371</u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2003**

	Project Authorization	Prior Years	Actual Current Year	Total To Date
Revenues:				
Federal and/or State grants	\$ 43,669,000	\$ 6,176,461	\$ 784,253	\$ 6,960,714
County participation	896,949	747,626	145,522	893,148
Total revenue	<u>44,565,949</u>	<u>6,924,087</u>	<u>929,775</u>	<u>7,853,862</u>
Expenditures:				
Northside WWTP Expansion	51,200,000	1,094,718	1,749,526	2,844,244
FY 98/99 Capital Projects	6,565,400	6,511,431	(157,005)	6,354,426
FY 99/00 Capital Projects	13,559,500	4,486,190	830,271	5,316,461
FY 02/05 Capital Projects	882,800	161,310	503,419	664,729
GTP Cargo Facility	536,332	413,752	122,580	536,332
Total expenditures	<u>72,744,032</u>	<u>12,667,401</u>	<u>3,048,791</u>	<u>15,716,192</u>
Revenue under expenditures	(28,178,083)	(5,743,314)	(2,119,016)	(7,862,330)
Other Financing Sources:				
Proceeds from borrowings	24,420,000	1,450,000	1,234,609	2,684,609
Transfers in	3,758,083	2,024,000	384,083	2,408,083
Total other financing sources	<u>28,178,083</u>	<u>3,474,000</u>	<u>1,618,692</u>	<u>5,092,692</u>
Total revenue and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (2,269,314)</u>	<u>\$ (500,324)</u>	<u>\$ (2,769,638)</u>

**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, 2003**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenue:				
Interest income	\$ -	\$ -	\$ -	\$ -
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Operating transfers out	(657,825)	(260,000)	(250,000)	(510,000)
Operating transfers in	657,825	407,825	250,000	657,825
Total other financing sources	<u>-</u>	<u>147,825</u>	<u>-</u>	<u>147,825</u>
Total revenue & other financing sources over other financing uses	<u>\$ -</u>	<u>\$ 147,825</u>	<u>\$ -</u>	<u>\$ 147,825</u>

INTERNAL SERVICE FUND

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

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

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

**COMPARATIVE BALANCE SHEETS
June 30, 2003
With Comparative Totals for June 30, 2002**

	<u>2003</u>	<u>2002</u>
Assets		
Cash and investments	\$ -	\$ 90,866
Due from other funds	460,820	400,000
Accounts receivable	937	4,104
Interest receivable	-	272
Buildings	19,468	19,468
Accumulated depreciation	<u>(4,383)</u>	<u>(3,896)</u>
Total assets	<u><u>\$ 476,842</u></u>	<u><u>\$ 510,814</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 252,680	\$ 240,151
Accrued compensated absences	<u>6,007</u>	<u>6,457</u>
Total liabilities	<u>258,687</u>	<u>246,608</u>
Net assets	<u>218,155</u>	<u>264,206</u>
Total liabilities and net assets	<u><u>\$ 476,842</u></u>	<u><u>\$ 510,814</u></u>

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

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002**

	<u>2003</u>	<u>2002</u>
Operating revenue:		
Contributions from various funds	\$ 776,614	\$ 564,852
Operating expenses:		
Administration	620,868	512,965
Depreciation	487	487
Claims reimbursement	204,065	303,990
Total operating expenses	<u>825,420</u>	<u>817,442</u>
Operating loss	<u>(48,806)</u>	<u>(252,590)</u>
Nonoperating revenue:		
Interest earned on investments	2,755	7,059
Total nonoperating revenue	<u>2,755</u>	<u>7,059</u>
Net income (loss)	(46,051)	(245,531)
Net assets, beginning	<u>264,206</u>	<u>509,737</u>
Net assets, ending	<u>\$ 218,155</u>	<u>\$ 264,206</u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 2003**

	Budget	Actual	Variance Positive (Negative)
Operating revenue:			
Contributions from various funds	\$ 770,100	\$ 770,100	\$ -
Restricted intergovernmental	6,000	6,000	-
Insurance proceeds	6,000	514	(5,486)
	<u>782,100</u>	<u>776,614</u>	<u>(5,486)</u>
Nonoperating revenue:			
Interest earned on investments	-	2,755	2,755
	<u>-</u>	<u>2,755</u>	<u>2,755</u>
Total revenue	<u>782,100</u>	<u>779,369</u>	<u>(2,731)</u>
Expenditures:			
Administration:			
Salaries and benefits		104,988	
Insurance		431,239	
Operating		84,641	
		<u>620,868</u>	
Total administration		<u>620,868</u>	
Claim reimbursements, operating		204,065	
		<u>204,065</u>	
Total expenditures	<u>909,700</u>	<u>824,933</u>	<u>84,767</u>
Total revenue under expenditures	<u>(127,600)</u>	<u>(45,564)</u>	<u>82,036</u>
Other financing sources:			
Appropriated retained earnings	127,600	-	(127,600)
	<u>127,600</u>	<u>-</u>	<u>(127,600)</u>
Revenue and other sources over expenditures	<u>\$ -</u>	<u>\$ (45,564)</u>	<u>\$ (45,564)</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		(45,564)	
Depreciation		(487)	
		<u>(46,051)</u>	
Net loss, accrual basis		<u>\$ (46,051)</u>	



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GOVERNMENTAL FUNDS CAPITAL ASSETS

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

CITY OF KINSTON, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
June 30, 2003 and 2002

	2003	2002
Governmental funds capital assets:		
Land	\$ 2,918,681	\$ 2,918,681
Buildings	9,653,822	7,949,144
Equipment and vehicles	11,092,383	11,905,879
Construction in progress	-	1,108,778
Infrastructure	716,779	-
	<hr/>	<hr/>
Total governmental funds capital assets	\$ 24,381,665	\$ 23,882,482
	<hr/> <hr/>	<hr/> <hr/>
Investment in governmental funds capital assets:		
General fund	21,478,567	22,292,063
Special revenue funds	481,641	481,641
Capital project funds	2,421,457	1,108,778
	<hr/>	<hr/>
Total investment in governmental funds capital assets	\$ 24,381,665	\$ 23,882,482
	<hr/> <hr/>	<hr/> <hr/>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Fund (\$19,468) are excluded from the above amounts. Generally, the capital assets of the 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, 2003**

<u>Function and Activity:</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Total</u>
General Government:					
Council	\$ -	\$ -	\$ -	\$ -	\$ -
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	-	569,607
Other, unclassified	2,336,253	2,465,740	63,568	-	4,865,561
Total general government	<u>2,336,253</u>	<u>2,465,740</u>	<u>851,041</u>	<u>-</u>	<u>5,653,034</u>
Public Safety:					
Police	-	87,049	2,343,071	-	2,430,120
Fire	19,365	604,604	2,340,286	-	2,964,255
Total public safety	<u>19,365</u>	<u>691,653</u>	<u>4,683,357</u>	<u>-</u>	<u>5,394,375</u>
Public Works:					
Highways and Streets:					
Engineering	-	-	236,175	-	236,175
Maintenance	-	-	1,912,564	-	1,912,564
Environmental Services	-	-	2,790,430	-	2,790,430
Total public works	<u>-</u>	<u>-</u>	<u>4,939,169</u>	<u>-</u>	<u>4,939,169</u>
Community Development:	-	-	84,644	716,779	801,423
Parks and Recreation	563,063	6,496,429	534,172	-	7,593,664
Total general fixed assets	<u>\$ 2,918,681</u>	<u>\$ 9,653,822</u>	<u>\$ 11,092,383</u>	<u>\$ 716,779</u>	<u>\$ 24,381,665</u>

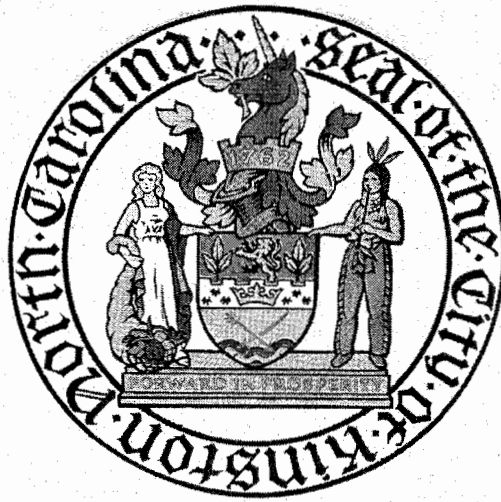
Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Fund are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included in as governmental activities 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, 2003**

<u>Function and Activity:</u>	<u>Capital Assets 2002</u>	<u>Additions</u>	<u>Transfers and Deductions</u>	<u>Capital Assets 2003</u>
General Government:				
Council	\$ -	\$ -	\$ -	\$ -
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	455,016	114,591	-	569,607
Other, unclassified	5,081,201	-	215,640	4,865,561
Total general government	<u>5,754,083</u>	<u>114,591</u>	<u>215,640</u>	<u>5,653,034</u>
Public Safety:				
Police	2,413,103	122,243	105,226	2,430,120
Fire	2,731,387	-	(232,868)	2,964,255
Total public safety	<u>5,144,490</u>	<u>122,243</u>	<u>(127,642)</u>	<u>5,394,375</u>
Public Works:				
Highways and Streets:				
Engineering	271,859	-	35,684	236,175
Maintenance	1,592,628	12,150	(377,942)	1,982,720
Environmental Services	3,922,251	184,515	1,386,492	2,720,274
Total highways and streets	<u>5,786,738</u>	<u>196,665</u>	<u>1,044,234</u>	<u>4,939,169</u>
Community Development	<u>1,193,422</u>	<u>721,979</u>	<u>1,113,978</u>	<u>801,423</u>
Parks and Recreation	<u>6,003,749</u>	<u>1,704,678</u>	<u>114,763</u>	<u>7,593,664</u>
Total general fixed assets	<u>\$ 23,882,482</u>	<u>\$ 2,860,156</u>	<u>\$ 2,360,973</u>	<u>\$ 24,381,665</u>

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



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OTHER FINANCIAL INFORMATION

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

CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2003**

Fiscal Year	Uncollected Balance July 1, 2002	Current Year Gross Levy	Collections Credits and Adjustments	Uncollected Balance June 30, 2003
2002-2003	\$ -	\$ 6,716,562	\$ 6,332,715	\$ 383,847
2001-2002	359,960	-	229,518	130,442
2000-2001	93,578	-	32,209	61,369
1999-2000	53,762	-	15,058	38,704
1998-1999	61,437	-	18,827	42,610
1997-1998	39,744	-	10,184	29,560
1996-1997	41,215	-	6,758	34,457
1995-1996	25,807	-	4,241	21,566
1994-1995	19,442	-	3,040	16,402
1993-1994	15,800	-	2,841	12,959
1992-1993	42,188	-	42,188	-
	<u>\$ 752,933</u>	<u>\$ 6,716,562</u>	<u>\$ 6,697,579</u>	<u>\$ 771,916</u>
Motor vehicle tags receivable (collected by County)				127,288
Total property tax receivable				<u>\$ 899,204</u>

RECONCILIATION WITH REVENUE:

Ad valorem taxes - General Fund	\$ 6,790,634	
Less auto fee	<u>(156,178)</u>	
		\$ 6,634,456
Add credits and adjustments		<u>63,123</u>
		<u>\$ 6,697,579</u>

CITY OF KINSTON, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2003**

	City Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current	\$ 1,175,780,702	\$ 0.575	\$ 6,760,739	\$ 5,867,695	\$ 893,044
Penalties	-		5,516	5,516	-
Total	<u>1,175,780,702</u>		<u>6,766,255</u>	<u>5,873,211</u>	<u>893,044</u>
Municipal Service District			<u>51,315</u>	<u>51,315</u>	<u>-</u>
Discoveries:					
Current year taxes	<u>27,549,374</u>	0.575	<u>158,409</u>	<u>157,301</u>	<u>1,108</u>
Total	<u>27,549,374</u>		<u>158,409</u>	<u>157,301</u>	<u>1,108</u>
Abatements:					
Current year taxes	<u>(45,116,078)</u>	0.575	<u>(259,417)</u>	<u>(97,262)</u>	<u>(162,155)</u>
	<u>(45,116,078)</u>		<u>(259,417)</u>	<u>(97,262)</u>	<u>(162,155)</u>
Total property valuation	<u>\$ 1,158,213,998</u>				
Net levy			6,716,562	5,984,565	731,997
Uncollected taxes at June 30, 2003			<u>383,847</u>	<u>247,404</u>	<u>136,443</u>
Current year's taxes collected			<u>\$ 6,332,715</u>	<u>\$ 5,737,161</u>	<u>\$ 595,554</u>
Current levy collection percentage			<u>94.29%</u>	<u>95.87%</u>	<u>81.36%</u>

STATISTICAL SECTION (Unaudited)

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

CITY OF KINSTON, NORTH CAROLINA

GENERAL GOVERNMENTAL (1)
EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government	Public Safety	Public Works	Parks & Recreation	Community Development	Debt Service	Capital Outlay	Total
1994	\$ 1,368,327	\$ 6,109,920	\$ 4,254,386	\$ 2,755,956	\$ 2,179,809	\$ 28,330	\$ -	\$ 16,696,728
1995	1,762,566	6,765,199	4,698,604	2,591,703	2,311,865	26,902	-	18,156,839
1996	1,237,584	6,832,396	4,537,956	2,419,057	3,468,111	-	-	18,495,104
1997	820,590	6,397,245	3,781,419	2,248,223	5,517,284	1,285,671	228,131	20,278,563
1998	80,359	6,677,932	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

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		Inter- Governmental Restricted	Other Revenue	Total
				Unrestricted				
1994	\$ 4,966,902	\$ 3,048,637	\$ 3,085,375	\$ 532,090	\$	1,208,362	\$ 443,316	\$ 13,284,682
1995	5,224,633	3,166,522	3,295,271	524,737		1,253,385	432,649	13,897,197
1996	5,152,163	2,957,803	3,536,519	519,967		1,024,159	449,339	13,639,950
1997	5,201,366	3,118,713	3,748,121	516,784		3,453,455	1,009,342	17,047,781
1998	6,049,670	3,454,623	3,689,204	698,254		2,757,179	586,328	17,235,258
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	431,429	25,628,312

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							Total
	Ad Valorem (2)	Sales	Intangible	Franchise	Occupancy	Gross Receipts	Licenses and Permits	
1994	\$ 4,966,902	\$ 1,809,046	\$ 221,979	\$ 995,684	\$ -	\$ -	\$ 58,666	\$ 8,052,277
1995	5,224,633	1,928,391	220,005	1,010,519	72,999	-	63,357	8,519,904
1996	5,152,163	1,953,386	207,542	1,203,606	106,037	-	65,948	8,688,682
1997	5,201,366	2,085,067	209,384	1,254,266	134,226	-	65,178	8,949,487
1998	6,049,670	2,227,640	225,241	1,049,589	122,883	-	63,851	9,738,874
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

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

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections To Total Tax Levy</u>
1994	\$ 4,909,856	\$ 4,728,165	96.3%	\$ 97,616	\$ 4,825,781	98.3%
1995	5,103,866	4,917,585	96.4%	155,890	5,073,475	99.4%
1996	5,034,263	4,823,149	95.8%	165,830	4,988,979	99.1%
1997	5,119,439	4,870,420	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%

Source: City of Kinston Finance Department

Note: (1) Includes municipal service district

CITY OF KINSTON, NORTH CAROLINA

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

<u>Fiscal Year Ended June 30</u>	<u>Total Assessed Value (2)</u>	<u>Estimated Actual Value</u>	<u>Percentage of Assessed Value Growth</u>
1994	\$ 793,302,730	(1)	1.3%
1995	824,872,433	(1)	4.0%
1996	815,628,820	(1)	-1.1%
1997	828,874,289	(1)	1.6%
1998	991,578,151	(1)	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%

Source: City of Kinston Finance Department
Lenoir County Tax Office

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

CITY OF KINSTON, NORTH CAROLINA

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>City Millage</u>	<u>Municipal Service District Millage</u>	<u>Total City Millage</u>	<u>Total County Millage</u>	<u>Total School District Millage</u>
1994	\$ 0.61	\$ 0.27	\$ 0.61	\$ 0.77	\$ -
1995	0.61	0.27	0.61	0.77	-
1996	0.61	0.27	0.61	0.77	-
1997	0.61	0.27	0.61	0.77	-
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	-

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
1994	\$ 0.61	\$ 0.77	\$ 1.38	\$ 4,909,856	\$ 15,977,305	\$ 20,887,161
1995	0.61	0.77	1.38	5,103,586	17,353,862	22,457,448
1996	0.61	0.77	1.38	5,034,262	18,016,619	23,050,881
1997	0.61	0.77	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

Source: Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA

PRINCIPAL TAXPAYERS

June 30, 2003

Taxpayer	Nature of Property	Assessed Value	Percentage of Total Assessed Value
Carolina Telephone	Utility	\$ 23,442,567	2.0%
Masterbrand Cabinets, Inc.	Manufacturer	19,177,740	1.7%
Poole Walter Realty, Inc.	Real estate	16,005,611	1.4%
Smithfield Packing	Meat Processor	15,398,484	1.3%
Excel Realty Trust NC	Shopping Mall	10,730,931	0.9%
Dwight C. and Patricia Howard	Manufacturer	8,714,722	0.8%
Barnet Southern Corp	Manufacturer	8,698,224	0.8%
VPM Inc	Shopping Mall	8,566,852	0.7%
NC Natural Gas	Utility	7,015,089	0.6%
Beuhler Products, Inc.	Manufacturer	6,991,908	0.6%
Total Assessed Valuation of Top Ten Taxpayers		124,742,128	10.8%
Balance of Assessed Valuation		1,033,471,870	89.2%
Total Assessed Valuation		<u>\$ 1,158,213,998</u>	<u>100.0%</u>

Source: Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2003

Total assessed value		\$ 1,158,213,998
Debt limitation - 8% of total assessed value		\$ 92,657,120
Debt applicable to limitation:		
Total bonded debt	\$ 11,845,000	
Obligation under notes payable	4,793,076	
Obligation under installment contracts	5,071,595	
Gross debt	21,709,671	
Less - statutory deductions:		
Revenue bonds issued and outstanding for electric purposes	7,195,000	
Obligations under notes payable attributable to enterprise funds	4,793,076	
Obligation under installment contracts attributable to enterprise funds	1,084,921	
Revenue bonds issued and outstanding for water purposes	4,650,000	
Total statutory deductions	17,722,997	
Total debt applicable to limitation		3,986,674
Legal debt margin		\$ 88,670,446

CITY OF KINSTON, NORTH CAROLINA

**RATIO OF ANNUAL GENERAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL
GOVERNMENTAL EXPENDITURES**

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to General Expenditures</u>
1994	\$ 360,000	\$ 31,833	\$ 391,833	\$ 16,696,728	2.35
1995	175,000	13,438	188,438	18,156,839	1.04
1996	150,000	6,000	156,000	18,495,104	0.84
1997	-	-	-	20,278,563	-
1998	-	-	-	18,713,449	-
1999	-	-	-	23,867,612	-
2000	-	-	-	28,427,684	-
2001	-	-	-	31,231,122	-
2002	-	-	-	31,147,931	-
2003	-	-	-	27,326,349	-

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

(2) Includes General, Special Revenue and Capital Projects Funds.

CITY OF KINSTON, NORTH CAROLINA

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2003**

<u>Name of Governmental Unit</u>	<u>General Obligation Bonds Outstanding (1)</u>	<u>Percentage Applicable to City of Kinston (2)</u>	<u>City of Kinston's Share of Debt (3)</u>
Direct debt - City of Kinston	\$ -	100.00%	\$ -
Lenoir County debt	<u>3,450,000</u>	37.36%	<u>1,288,920</u>
Total overlapping debt	<u>\$ 3,450,000</u>		<u>\$ 1,288,920</u>

- Notes: (1) Includes general obligation bonds for Enterprise Fund and General Long-term Debt Account Group.
- (2) Determined by ratio of assessed valuation of property subject to taxation in Lenoir County (\$2,868,837,138).
- (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)	
1994	\$	811,306,805	(4)	456	\$ 28,178,970	\$ 471,537,000
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	(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	Net
1994	25,863	\$ 811,306,805	\$ 64,904,544	\$ 325,000	\$ 25,000	0.00003	\$ 13	\$ 1
1995	25,730	842,336,146	67,386,892	150,000	-	-	6	-
1996	25,729	832,601,605	66,608,128	-	-	-	-	-
1997	25,729	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	-	-	-	-	-

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

Note: (2) Includes municipal service district

CITY OF KINSTON, NORTH CAROLINA

**REVENUE BOND COVERAGE
COMBINED ENTERPRISE FUNDS
Last Ten Fiscal years**

Fiscal Year Ended June 30	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
1994	\$ 43,398,900	\$ 36,809,185	\$ 6,589,715	\$ 210,000	\$ 201,533	\$ 411,533	16.01
1995	43,154,442	37,330,887	5,823,555	225,000	187,801	412,801	14.11
1996	45,432,937	39,669,640	5,763,297	240,000	137,038	377,038	15.29
1997	41,849,213	37,489,507	4,359,706	495,000	853,151	1,348,151	3.23
1998	43,234,423	39,231,141	4,003,282	590,000	870,462	1,460,462	2.74
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

- Notes: (1) Total revenues including gross interest
 (2) Total operating expenses exclusive of depreciation
 (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)
1994	25,863	\$ 18,255	6.5%	10,400	\$ 628,638,734	\$ 471,537,000
1995	25,730	18,036	6.2%	10,451	595,789,426	507,668,000
1996	25,729	19,889	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	(7)	9.1%	10,260	770,196,021	602,845,000
2003	23,688	(7)	7.1%	11,347	862,763,372	(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, 2003

Population	23,688
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)	114.6
Number of street lights	2,061
Employees	382
Fire Protection:	
Number of stations	3
Number of firemen/officers	63
Police Department:	
Number of stations	6
Number of police/officers	75
Electric Department:	
Number of consumers	12,550
Average daily usage	1,215,678 KWH
Miles of distribution lines	375
Water Department:	
Number of consumers	11,442
Average daily consumption	4.09MGD
Miles of water mains	208.2
Sewers:	
Average daily flow	4.09 MGD
Miles of sewer lines	180.2
Parks/Recreation:	
Number of parks	14
Park acreage	245
Golf courses	1
Swimming pools	3
Tennis courts	15
Museum	2
Baseball Courts (outside)	16
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium
Indoor Batting Facility	1