

CITY OF KINSTON

NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
JUNE 30, 1999**

CITY OF KINSTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

**PREPARED BY
CITY OF KINSTON FINANCE DEPARTMENT**



TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i - viii
List of Principal Officials	ix
Organizational Chart	x
GFOA Certificate of Achievement	xi
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4 - 5
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types	7
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds for Which Annual Budgets Have Been Adopted	8
Combined Statement of Revenue, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	9
Combined Statement of Cash Flows - All Proprietary Fund Types	10 - 11
Notes to General Purpose Financial Statements	13 - 39
Required Supplemental Financial Data:	
Law Enforcement Officers' Special Separation Allowance	
Schedule of Funding Progress	41
Schedule of Employer Contributions	42
Separation Allowance Plan	
Schedule of Funding Progress	43
Schedule of Employer Contributions	44
Year 2000 Issue	45
Other Supplemental Financial Data:	
General Fund:	
Comparative Balance Sheet	47
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	48 - 51
Special Revenue Funds:	
Combining Balance Sheet	53 - 54
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	55 - 56
Schedule of Revenue and Expenditures - Budget and Actual	
Grant Project Fund - Community Development Administration	57
Grant Project Fund - Disaster Recovery Fund	58
Grant Project Fund - Hicks Street	59
Grant Project Fund - Tree Inventory Grant	60
Grant Project Fund - Cultural Resources Printing	61
Grant Project Fund - Cultural Resources Phase I	62
Grant Project Fund - Cultural Resources Phase II	63
Grant Project Fund - Lead Abatement Project	64
Grant Project Fund - Urgent Needs Project	65
Grant Project Fund - FEMA/HGMP	66
Grant Project Fund - SARF/DCA	67
Grant Project Fund - HUD/DRI	68
Grant Project Fund - Domestic Violence Intervention	69
Grant Project Fund - HUD Acquisition - DRI	70



TABLE OF CONTENTS

	Page
Grant Project Fund - LLEBG	71
Grant Project Fund - COPS/KHA	72
Capital Projects Funds:	
Combining Balance Sheet	73
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	74
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	
Fire Station	75
Enterprise Funds:	
Combining Balance Sheets	77
Combining Statement of Revenue, Expenses and Changes in Retained Earnings	78
Combining Statement of Cash Flows	79 - 80
Schedule of Revenue and Expenditures and Other Financing Sources (Uses) - Budget and Actual - Non-GAAP, Modified Accrual Basis	
Electric Fund	81 - 82
Water and Sewer Fund	83 - 84
Schedule of Revenue and Expenditures - Budget and Actual, (Non-GAAP)	
Electric Capital Projects Fund	85
Water and Sewer Capital Projects Fund	86
Internal Service Fund:	
Statement of Revenue, Expenses and Changes in Retained Earnings	87
Schedule of Revenue and Expenditures - Budget and Actual - Non-GAAP Modified Accrual Basis	88
General Fixed Assets Account Group:	
Schedule of General Fixed Assets - by Source	89
Schedule of Changes in General Fixed Assets - by Function and Activity	90
Schedule of General Fixed Assets - by Function and Activity	91
General Long-Term Debt Account Group:	
Schedule of Changes in General Long-Term Debt	93
Other Financial Information:	
Schedule of Ad Valorem Taxes Receivable	95
Analysis of Current Tax Levy	96
 STATISTICAL SECTION	
General Governmental Expenditures by Function	97
General Governmental Revenue by Source	98
General Governmental Tax Revenue by Source	99
Property Tax Levies and Collections	100
Assessed and Estimated Actual Value of Taxable Property	101
Property Tax Rates - Direct and Overlapping Governments (Per \$100 of Assessed Value)	102
Property Tax Rates and Levies - Direct and Overlapping Governments	103
Principal Taxpayers	104
Computation of Legal Debt Margin	105
Ratio of Annual General Debt Service Expenditures for General Obligation	
Bonded Debt to Total General Government Expenditures	106
Computation of Direct and Overlapping Bonded Debt	107
Property Value, Construction and Bank Deposits	108
Ratio of Net General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita	109
Revenue Bond Coverage - Combined Enterprise Funds	110
Demographic Statistics	111
Miscellaneous Statistics	112



INTRODUCTORY SECTION

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





City of Kinston

P.O. Box 339
Kinston, North Carolina 28502
Phone: (252) 939-3115 Fax: (252) 939-3126

Johnnie Mosley

Mayor

Ralph A. Clark

City Manager

October 25, 1999

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, 1999, is hereby submitted. 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 enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a list of principal officials, the City's organizational chart, and GFOA's Certificate of Achievement for Excellence in Financial Reporting for our 1998 report. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all fund and account groups of the City. The City provides a full range of services including police and fire protection; sanitation services; construction and maintenance of street and other infrastructure; planning and zoning services; and parks and recreational services. In addition to general governmental activities, the City owns and operates electrical, water and wastewater utilities; therefore, these activities are included in the reporting entity. Kinston Leasing Corporation is considered a blended component unit of the City; however, there was no activity during the fiscal year ended June 30, 1999. 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 of 1984 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 federal and state financial assistance, findings and recommendations, and auditor's report on the internal control structure and compliance with applicable laws and regulations, is included in a separate report.

BLUEPRINT FOR THE FUTURE

The City Council on October 5, 1998, adopted the Greater Kinston Area Growth Plan, thus establishing a blueprint for development of the City. The plan further establishes a strategy for encouraging new economic development and revitalization of the City in a way that takes advantage of existing infrastructure, such as streets, utilities, and investments in other public facilities and private real estate

ECONOMIC CONDITION AND OUTLOOK

Kinston, located 75 miles east of the City of Raleigh (the State Capital) and 60 miles west of the Atlantic Coast, is the largest municipality in Lenoir County and serves as the County seat.

In what promises to be the single most significant and dramatic economic development project ever in Eastern North Carolina, the Lenoir County-Kinston Regional Jetport competed with scores of cities and counties across North Carolina in the Spring of 1992 and was chosen as the site of the North Carolina Global TransPark. The Master Plan was completed two years later and environmental studies were launched.

The development of the massive 15,000 acre Global TransPark and business complex will define the future environment for successful global manufacturing and distribution facilities in North Carolina and the nation. The complex will function as an international air cargo airport integrating "state-of-the-art" manufacturing systems with air freight and other transport modes.

A big boost in the early stages of development of the GTP occurred in December of 1998, when the City of Kinston and Lenoir County turned over the deed and operations of the Kinston Regional Jetport to the NC Global TransPark Authority. The Authority, has secured all necessary permits for development of the GTP under an approved Environmental Impact Statement. The main runway is being extended from eighty-six hundred to ten thousand six hundred feet. The NC Department of Transportation is acquiring right-of way for the first leg of the new controlled access highway (Crescent Road). Construction of the first section of the \$110 million road is to begin in 2000. This road will link to US 70 and to I-95. It was recently announced Segrave Aviation, Inc. will build a new Hanger and bring sixteen aircraft to its maintenance facility headquarters at the GTP. Segrave will join the Mountain Air Cargo Company as the second new aircraft operations company to locate at the GTP. The Global TransPark is expected, eventually, to generate several thousands of jobs and have a multiplier effect on jobs in the surrounding region and across the State.

Kinston was designated a NC State Development Zone #002, on November 5, 1998 by the NC Department of Commerce. This designation encourages corporations and private taxpayers to contribute towards projects which improve chances for new economic development by providing State tax credits for qualifying businesses.

- \$4,000 per qualified job in addition to the \$3,000 per job under the Enterprise Tier incentives created by the William S. Lee Act
- \$1,000 per employee for worker training
- 7% for machinery & equipment with no minimum

These State incentives along with an aggressive County-wide Economic Development Program supported by the City of Kinston and the Lenoir County Committee of 100 has been helpful in securing the recently announced addition of MasterBrand Cabinets, a Fortune 500 company that will mean two hundred sixty million to the tax base and seven hundred jobs.

Older sections of the City are not being ignored. The City fully supports the operating budget for Pride of Kinston, Inc., a not-for-profit downtown revitalization organization that has spawned several major private investments. Completion of the Cypress Crossings complex, opposite the Neuseway Park, is a new center of professional offices and retail shops representing approximately \$900,000 in private investments and 60 jobs.

One of the biggest challenges and opportunities facing the City in the next several years has resulted from the devastating flooding from the aftermath of Hurricane Floyd's arrival in September 1999. The massive flooding surpassed that experienced three years earlier following Hurricane Fran. Nearly 400 homes in southeast Kinston were substantially damaged or destroyed and the Peachtree Wastewater Treatment Plant was flooded. City Council and administration took immediate steps to not only help people and businesses recover from the disaster, but began an aggressive new housing construction program. The program will offer all citizens a chance to locate outside the flood plain while remaining within the City limits. The City is optimistic about obtaining as much as forty million in Federal and State financial assistance for relocating whole neighborhoods and building houses. The Governor has announced his support for Federal and State funds to relocate the Peachtree Plant. Ultimately, the City will be safer from future floods and stronger as new development is spawned.

MAJOR INITIATIVES

For the Year

Fiscal Year 1998-1999 included the planning and /or implementation phases of several initiatives as well as the continuation or completion of projects begun during previous fiscal years.

The flood buyout program, funded by the state and federal government, is designed to acquire property in the flood plain and relocate property owners to other locations within the City. The program was established in response to extensive damage experienced during 1996 from Hurricanes Bertha and Fran. During fiscal year 98/99 over \$6,000,000 in expenditures were administered and recorded in this program. Approximately seventy-seven households were relocated.

The Public Information Director's position enabled the City to create regular and special programming on the City's government access channel, create special marketing videos for recreational events, and promote the City's services through City Hall in the Mall, a public relations event. The Public Information Director also initiated and implemented the development of a City web page.

In an effort to avoid a duplication of service, a contractual agreement was approved with Lenoir County for collection of the City's taxes for fiscal year 99/00 for a collection fee of 1.5 percent.

The City's customer service function was reviewed and changes were implemented to prepare the City for a deregulated utility market. The phone system was modified to offer twenty-four hour utility customer service, and the collections and customer service office areas were renovated to present a more professional image of the City's utility operation.

The playing surface of the Grainger Stadium field (home to the Kinston Indians baseball team, a

professional Class A minor league team) was renovated to comply with major league standards. During the summer of 2000, the stadium will host the Amateur Athletic Union's national thirteen year old Championship Series. Approximately fifty-five teams from across the nation will participate.

Water and sewer capital projects were initiated to address short-term needs related to the sewer moratorium that was imposed by the State. All deadlines for the individual projects were met. The City was awarded a Federal Public Works Bill Grant of \$1,550,000, a Clean Water Bond Grant for sewer improvements of \$3,000,000 and a Clean Water Management Trust Fund Grant of \$920,000.

Electric projects included the continued construction of a 115 KV transmission loop and substation improvements. The transmission loop project will improve service reliability and allow maintenance on the system without power outages. The project will be completed in fiscal year 99/00.

In the Future

The flood buyout program will continue relocating residents from a 100-year flood plain who incurred major damage to their property due to Neuse River flooding as a result of Hurricanes Bertha and Fran. Hurricane Floyd, which occurred on September 16, 1999, is expected to result in additional funding being made available through the Federal Emergency Management Agency. The City is taking a proactive role in requesting additional funds and locating suitable relocation housing in order to avoid erosion of the City's tax base. This is a combined city and county effort with the City presently administering approximately fifteen million in grants.

Due to heavy rains during fiscal year 97/98, the City's wastewater plant could not treat the entire amount of flow it received. This resulted in the release of solids into the wetlands. The City is currently under a Special Order of Consent to make certain improvements to the sewer system by December 31, 2001. The City is pursuing an aggressive schedule to correct the system's problems and has several studies currently underway to identify and prioritize the system's needs. Short-term capital improvement needs were addressed in fiscal year 98/99 and additional capital projects have begun during fiscal year 99/00. Approved capital projects at this time total \$16,060,700, with funding coming from a combination of fund balance, grant proceeds, loan proceeds and participation from Lenoir County.

In the aftermath of Hurricane Floyd, the Mayor requested that F.E.M.A. consider the relocation of the City's Peachtree sewer plant to a location outside the flood plain. The severe flooding after the hurricane caused approximately \$2,500,000 in damage at the current plant site. The City is optimistic about the possibility of relocating the plant under a hazard mitigation project with assistance from the state and federal government.

The City plans to finance recreation capital improvements of \$1,100,000 during fiscal year 99/00. This project includes the renovation of various city recreation facilities and the purchase of new playground equipment to comply with today's safety standards.

FINANCIAL INFORMATION

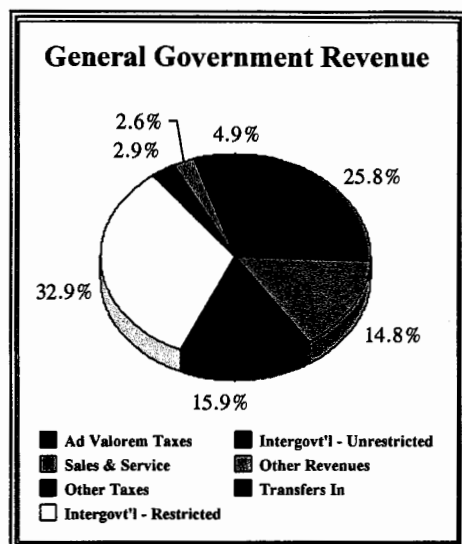
City management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the City are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Budgetary Controls. In addition to the internal control system, the City maintains a system of budgetary controls. These budgetary controls are designed to insure compliance with the annual budget ordinance adopted by the City Council as well as compliance with the North Carolina General Statutes as they relate to budgetary procedures for local governments. Activities of the general fund, certain special revenue funds, and all proprietary funds are included in the annual appropriated budget. Project length financial plans are adopted for certain special revenue funds and capital projects. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the program level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year end are reported as reservations of fund balances as these commitments will be honored during the subsequent year.

The City continues to demonstrate its adherence to sound financial management principles and fiscal responsibility as evidenced by the statements and schedules included in this report.

General Government Functions. The following schedule presents a summary of the revenue and other financing sources for general governmental functions (General Fund, Capital Projects Funds and Special Revenue Funds) for the fiscal year ended June 30, 1999 and the amount and percentage of increase and decrease in relation to prior year.

<u>Revenue and Other Financing Sources</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1998 (Thousands)</u>	<u>Percent of Increase (Decrease)</u>
Ad valorem taxes	\$ 6,331	25.8%	\$ 281	4.6%
Sales and services	3,638	14.9%	183	5.3%
Other taxes	3,907	15.9%	218	5.9%
Intergovernmental:				
Restricted	8,075	32.9%	5,318	192.9%
Unrestricted	703	2.9%	5	.7%
Other Revenues	649	2.7%	63	10.8%
Transfers in	<u>1,206</u>	<u>4.9%</u>	<u>(1,400)</u>	<u>(53.7)%</u>
Total	\$ <u>24,509</u>	<u>100.0%</u>	\$ <u>4,668</u>	

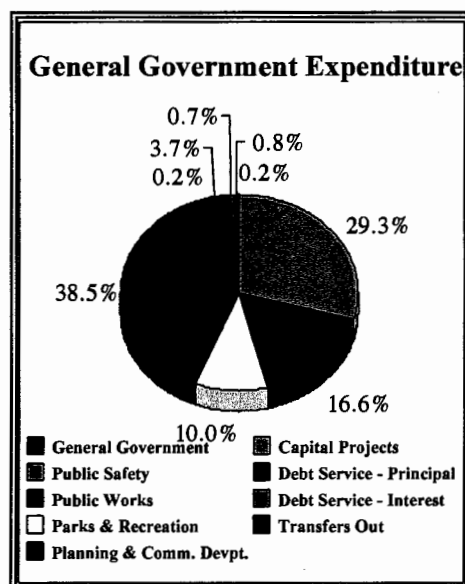


The overall increase in revenues and other financing sources for fiscal year 1998-1999 was 23.5 percent. This increase reflects the receipt of funds from FEMA and HUD for the flood buyout program, and an increase of property tax revenues and sales and service revenues.

Ad valorem taxes continue to be an important source of revenues. Total assessed property values increased by 3 percent resulting in additional revenue of \$281,000. Tax collections for the year were 95.95 percent of the current levy, the eighteenth consecutive year the collection rate has exceeded the 95 percent collection level.

<u>Expenditures and Other Financing Uses</u>	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Percent of from 1998 Increase (Thousands) (Decrease)</u>	
General Government	\$ 45	.2%	(35)	(43.8)%
Public Safety	7,077	29.3%	399	6.0 %
Public Works	4,002	16.6%	519	14.9 %
Parks & Recreation	2,422	10.0%	125	5.4 %
Planning & Community Development	9,280	38.5%	4760	105.3 %
Capital Projects	51	.2%	(279)	(84.5)%
Debt Service				
Principal	889	3.7%	(236)	(20.9)%
Interest	156	.7%	(44)	(22.0) %
Transfers Out	197	.8%	(46)	(18.9) %
Total	<u>\$ 24,119</u>	<u>100.0%</u>	<u>5,157</u>	

Fiscal year 1998-1999 expenditures and other financing uses increased over the prior year amount by approximately 27.2 percent. The increase is largely attributed to expenditures related to the flood buyout program within the Planning and Community Development category. Public Works expenditures increased due to an increase in street maintenance projects and fleet maintenance costs. Expenditures for Public Safety increased by 6.0 percent and included the purchase of an additional fire pumper. Expenditures for Parks and Recreation increased by 5.4 percent and included improvements to the Grainger Stadium field. Cost reductions were seen in general government, capital projects, debt service and transfers out. The decrease in general government is due to an increase in reimbursements from the utility funds. Capital Project expenditures decreased due to the completion of the fire station construction project. Transfers out decreased due to the fact that fewer grant matches were necessary to special revenue funds.



General Fund Balance. Fund balance in the General Fund at June 30, 1999 was \$4,742,448. This is a decrease of \$24,966 or .5 percent under June 30, 1998. Fund balance available for appropriation represents 18.33 percent of the General fund expenditures and is approximately 10.33 percent in excess of the minimum recommended level of available fund balance. It continues to remain at a level that complements the City's financial position, maintains credit worthiness, and provides a resource for unforeseen emergencies and revenue fluctuations due to recessions or slowdown in the economy. Fund balance available for appropriation includes \$704,957 which is reserved for Powell Bill street projects. Excluding that amount leaves fund balance available for appropriation at 14.1 percent of general fund expenditures.

Enterprise Funds. The government's enterprise operations are comprised of two separate and distinct funds: Electric and Water and Sewer. Several of the City's major initiatives directly relate to the Electric and Water & Sewer Funds.

Total fund equity of the combined system at June 30, 1999 was \$40,816,925 or a 4 percent increase over the total fund equity at June 30, 1998. Net income for FY 1999 was \$1,511,516 for the Electric Fund as savings from the load management program continued and a wholesale rate decrease was implemented. The Water & Sewer Fund posted a loss of \$244,629 due to an appropriation from fund reserves of \$2,194,800. This appropriation funded capital projects related to the sewer moratorium and cushioned a revenue shortfall created by the closing of the Bassett Walker manufacturing plant.

Internal Service Fund. The City maintains one internal service fund to account for the City's entire risk management program. The fund accounts for expenses associated with the City's worker's compensation program, general property and liability insurance, and employee health. The fund equity for the Internal Service Fund at June 30, 1999 was \$512,206.

Debt Administration. There are no outstanding general obligation bonds at June 30, 1999. The ratio of net bonded debt to assessed valuation and the amount of gross bonded debt per capital are useful indicators to City management, citizens, and investors of the City's debt position. At June 30, 1999, the legal debt margin of the City was \$79,731,148.

Cash Management. During the year, temporarily idle cash was invested in certain U.S. Government Agency securities, certain commercial paper and bankers' acceptances, as well as in the North Carolina Capital Management Trust, an SEC registered mutual fund. The average yield on investments was 5.1 percent.

The City utilizes the pooled concept in its cash and investments program. The goal in selecting investments is to secure the highest return possible taking into consideration the safety and liquidity of the investments and to structure the investments according to the city's overall financial condition, opportunities, and obligations. All deposits of the City are either insured by federal depository insurance or collateralized as required by North Carolina General Statute.

Risk Management. The City utilizes commercial insurance carriers to provide coverage for the majority of its insurable risks. However, a limited risk self-insurance program is used for worker's compensation benefits. Resources are paid from other funds to the Internal Service Fund to pay benefit claims and administrative costs of the program. Individual claims in excess of \$250,000 or aggregate claims in excess of \$1.7 million are covered by reinsurance policies with third parties. The risk management program includes an aggressive employee health program and an employee safety program emphasizing accident prevention to minimize losses.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kinston for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1998. 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 awarded a Certificate of Achievement, a Government Unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. 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.

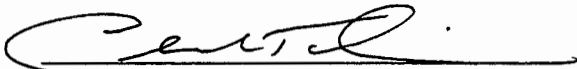
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its transactions. In addition, the Federal Single Audit Act of 1984 and the State Single Implementation Act require annual independent audits of the City's compliance with the applicable laws and regulations related to certain financial assistance received by the City. The independent auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditor's reports on the compliance matters are included in a separate report.

The preparation of this comprehensive annual financial report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has 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 services provided by the accounting firm of McGladrey & Pullen, LLP and appreciate their assistance in preparing this report.

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

Respectfully submitted,



Glenda Tomlinson
Director of Finance



Ralph A. Clark
City Manager

CITY OF KINSTON, NORTH CAROLINA

**LIST OF PRINCIPAL OFFICERS
JUNE 30, 1999**

CITY COUNCIL

JOHNNIE MOSLEY
Mayor

ELIZA WORTHINGTON
Mayor Pro Tem

R. VAN BRAXTON

WAYNE D. MALONE

E. GORDON VERMILLION

JOSEPH M. TYSON

CITY ADMINISTRATION

DAVID WALKER
City Manager

MICHAEL WIGHTMAN
Police Chief

GREG SMITH
Fire Chief

RONALD WICKER
Director of Public Utilities

JAMES T. PRATT
Director of Public Works

BILL ELLIS
Director of Recreation

ROBERT CLARK
Director of Planning and
Community Development

KARL MUNSON
Director of Human Resources

SCOTT STEVENS
City Engineer

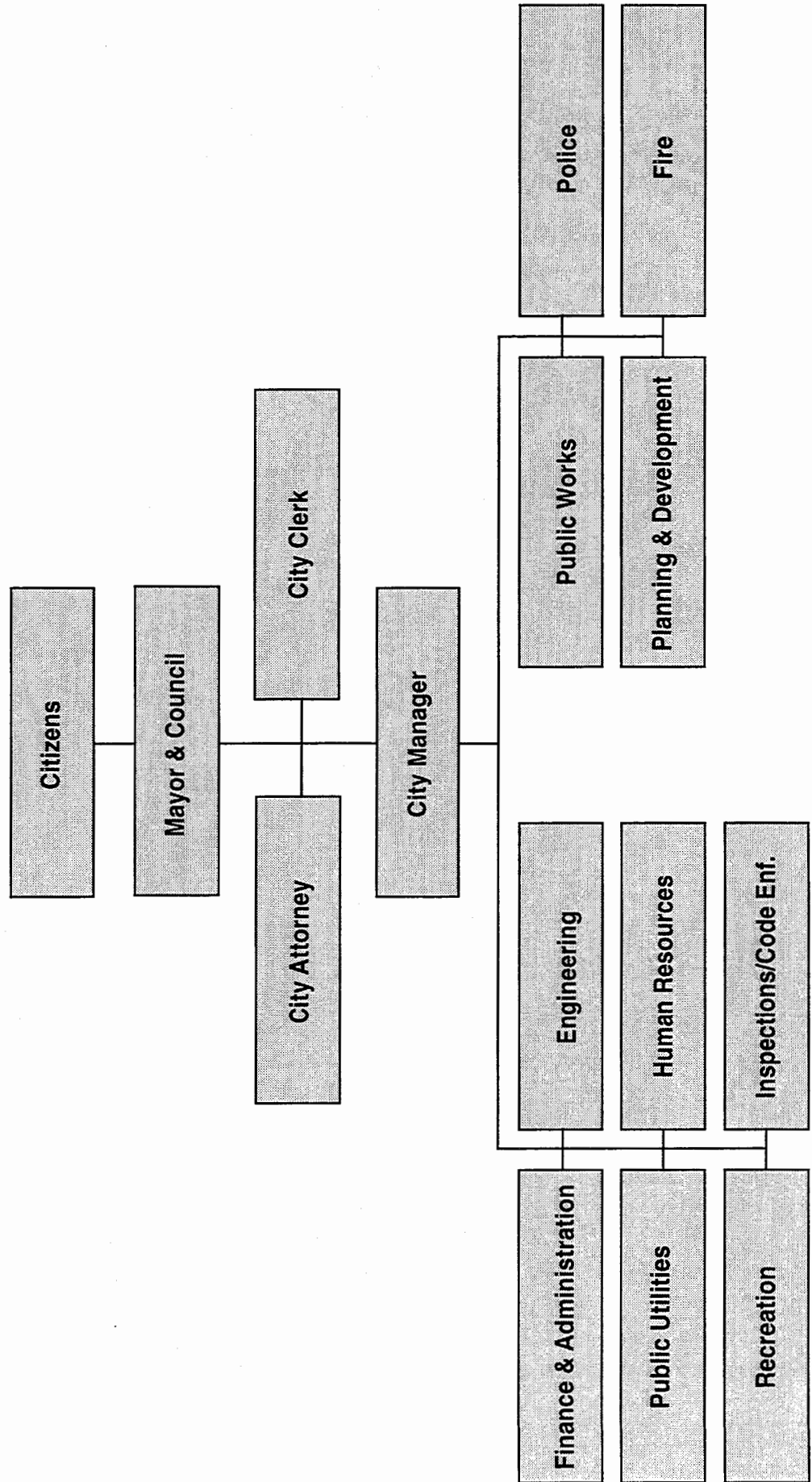
GLENDA TOMLINSON
Director of Finance and
Administration

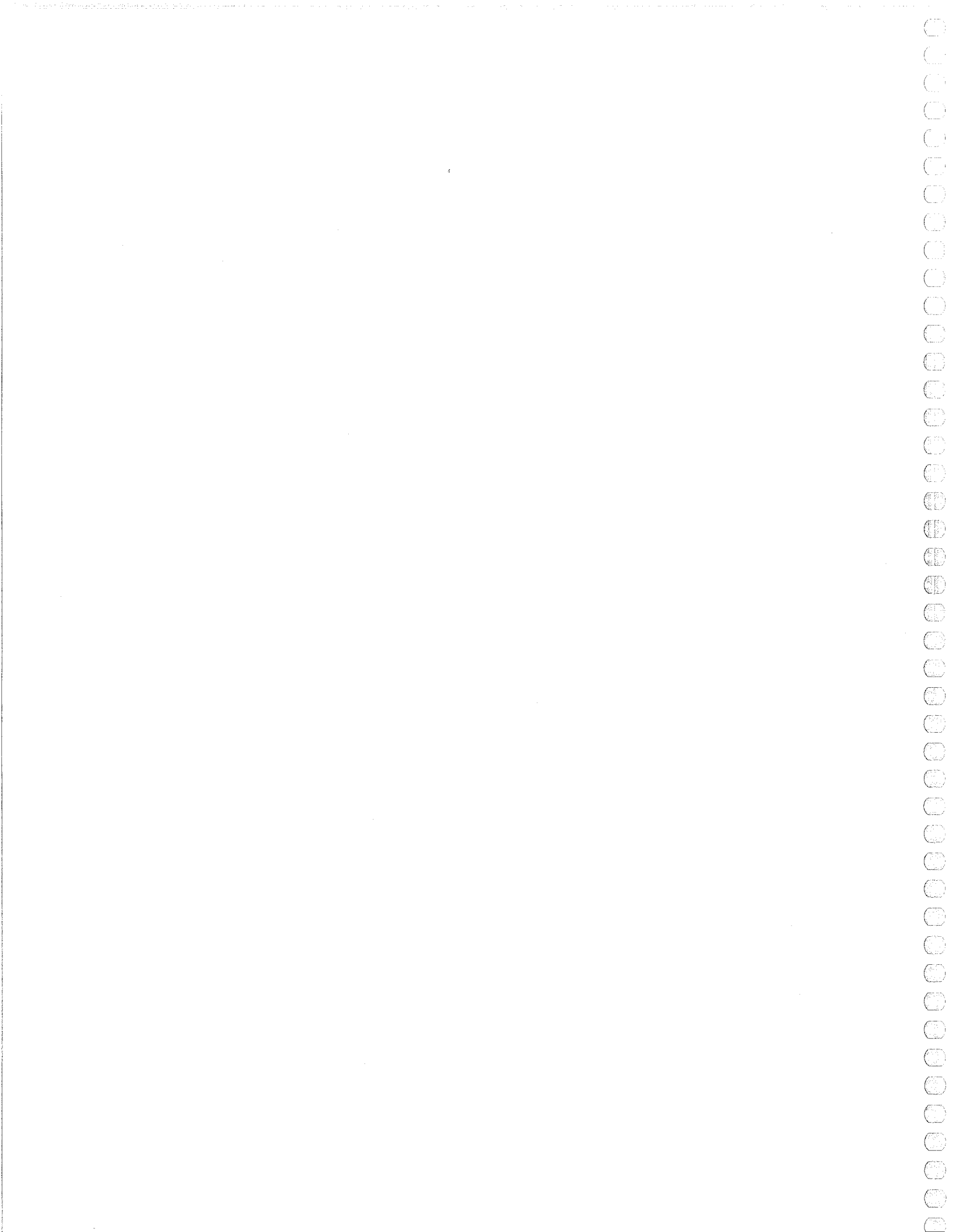
THOMAS LEE
Director of Inspections



City of Kinston

Organizational Chart





Certificate of Achievement for Excellence in Financial Reporting

Presented to

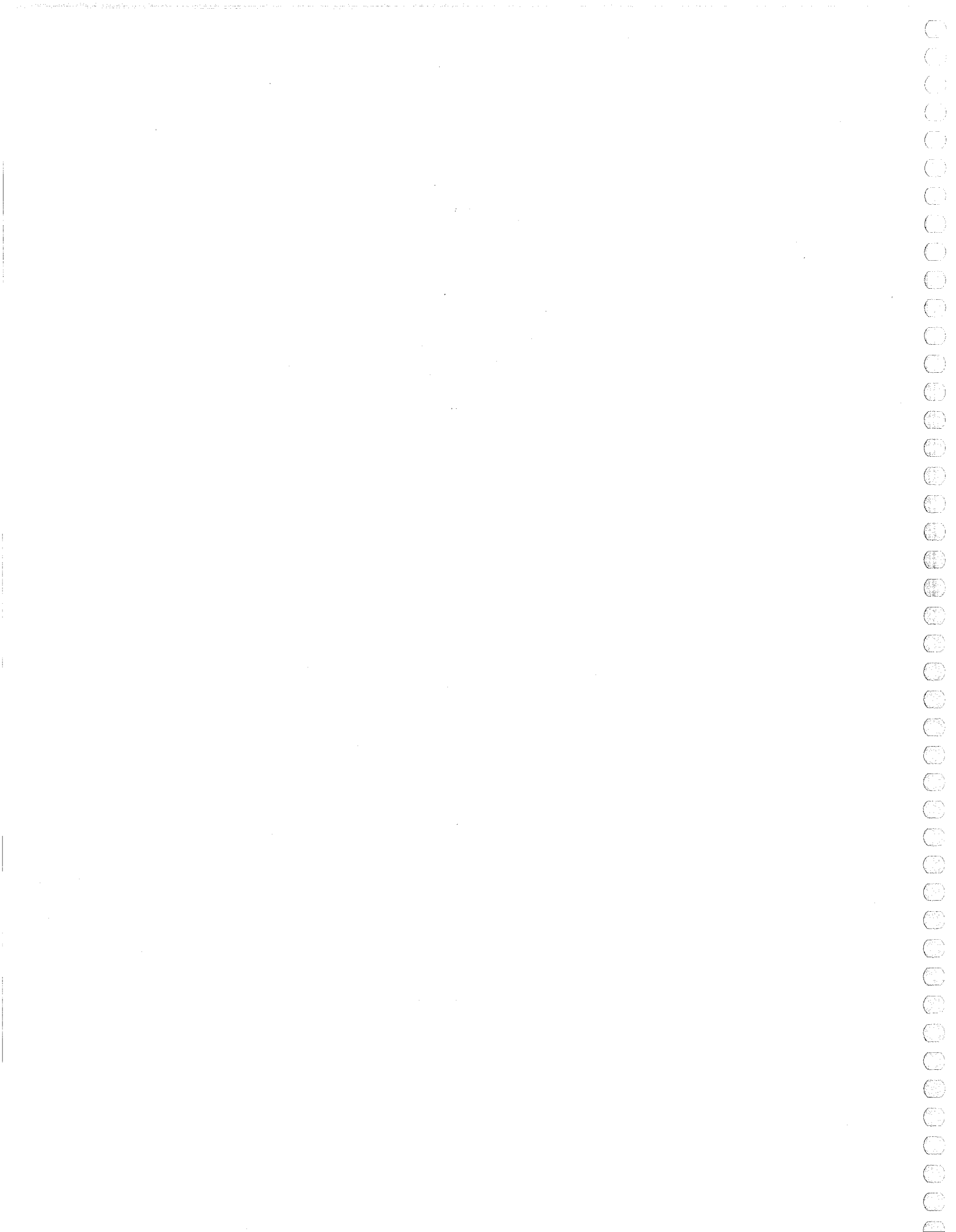
City of Kinston,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

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.



Cary Bruebach
President
Jeffrey L. Essler
Executive Director



FINANCIAL
SECTION

FINANCIAL SECTION

- **Independent Auditor's Report**
 - **General Purpose Financial Statements**
 - **Notes to General Purpose Financial Statements**
 - **Required Supplemental Financial Data**
 - **Other Supplemental Financial Data**
-





INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of City of Kinston, North Carolina, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of City of Kinston's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Kinston, North Carolina, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 1999 on our consideration of City of Kinston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Year 2000 supplementary information labeled "Year 2000 Issue" in the required supplemental financial data section of the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and therefore do not express an opinion on it. In addition, we do not provide assurance that City of Kinston is or will become Year 2000 compliant, that City of Kinston's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which City of Kinston does business are or will become Year 2000 compliant.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of City of Kinston, North Carolina, taken as a whole. The accompanying statements and schedules listed under the other supplemental financial data section of the table of contents, the Law Enforcement Officers' Special Separation Allowance and Separation Allowance Plan exhibits as listed in the required supplemental financial data section of the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Kinston, North Carolina. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The introductory and statistical sections of the Comprehensive Annual Financial Report (CAFR) have not been audited by us and, accordingly, we express no opinion on their contents.

McGladrey & Pullen, LLP

New Bern, North Carolina
October 6, 1999

**General Purpose
Financial Statements**

GENERAL PURPOSE FINANCIAL STATEMENTS

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



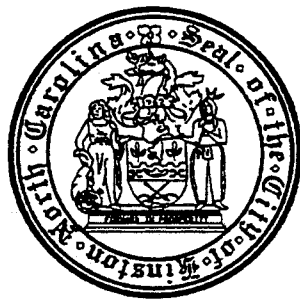


CITY OF KINSTON, NORTH CAROLINA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBIT			
Assets:			
Cash and investments	\$ 4,287,917	\$ 56,321	\$ -
Receivables:			
Due from other funds	-	201,038	-
Due from government agencies	996,311	665,021	-
Accounts receivable	419,037	50,657	-
Taxes receivable	758,208	-	-
Customer receivables, net	369,767	-	-
Interest receivable	31,076	345	-
Inventories	204,743	-	-
Bond issuance costs	-	-	-
Restricted cash and investments	69,074	-	-
Investment in direct financing lease	-	-	-
Fixed assets	-	-	-
Other debit:			
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debit	<u>\$ 7,136,133</u>	<u>\$ 973,382</u>	<u>\$ -</u>
LIABILITIES, EQUITY AND OTHER CREDIT			
Liabilities:			
Due to other funds	\$ -	\$ 691,046	\$ -
Accounts payable and accrued liabilities	983,712	7,851	-
Deferred revenue	1,409,973	-	-
Customer deposits	-	-	-
Accrued compensated absences	-	-	-
Police separation allowance	-	-	-
Separation allowance plan	-	-	-
Long-term debt	-	-	-
Total liabilities	<u>2,393,685</u>	<u>698,897</u>	<u>-</u>
Equity and other credit:			
Contributed capital	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings	-	-	-
Fund balances:			
Reserved for Powell Bill	704,957	-	-
Reserved for inventories	204,743	-	-
Reserved by State statute	1,271,012	917,061	-
Reserved for encumbrances	190,936	-	-
Unreserved:			
Undesignated (deficit)	2,370,800	(642,576)	-
Total equity and other credit	<u>4,742,448</u>	<u>274,485</u>	<u>-</u>
Total liabilities, equity and other credit	<u>\$ 7,136,133</u>	<u>\$ 973,382</u>	<u>\$ -</u>

See Notes to General Purpose Financial Statements.

Proprietary Fund Types		Account Groups		
Enterprise	Internal Service	General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
\$ 4,515,391	\$ 552,770	\$ -	\$ -	\$ 9,412,399
490,008	-	-	-	691,046
-	-	-	-	1,661,332
458,266	1,621	-	-	929,581
-	-	-	-	758,208
6,199,236	-	-	-	6,569,003
65,169	3,082	-	-	99,672
1,431,238	-	-	-	1,635,981
436,444	-	-	-	436,444
4,436,870	-	-	-	4,505,944
877,966	-	-	-	877,966
49,523,797	25,153	21,340,272	-	70,889,222
-	-	-	2,631,069	2,631,069
<u>\$ 68,434,385</u>	<u>\$ 582,626</u>	<u>\$ 21,340,272</u>	<u>\$ 2,631,069</u>	<u>\$ 101,097,867</u>
-	-	-	-	\$ 691,046
3,275,352	66,426	-	-	4,333,341
23,126	-	-	-	1,433,099
746,048	-	-	-	746,048
177,219	3,994	-	649,035	830,248
-	-	-	62,947	62,947
-	-	-	153,804	153,804
23,395,715	-	-	1,765,283	25,160,998
<u>27,617,460</u>	<u>70,420</u>	<u>-</u>	<u>2,631,069</u>	<u>33,411,531</u>
3,403,537	-	-	-	3,403,537
-	-	21,340,272	-	21,340,272
37,413,388	512,206	-	-	37,925,594
-	-	-	-	704,957
-	-	-	-	204,743
-	-	-	-	2,188,073
-	-	-	-	190,936
-	-	-	-	1,728,224
<u>40,816,925</u>	<u>512,206</u>	<u>21,340,272</u>	<u>-</u>	<u>67,686,336</u>
<u>\$ 68,434,385</u>	<u>\$ 582,626</u>	<u>\$ 21,340,272</u>	<u>\$ 2,631,069</u>	<u>\$ 101,097,867</u>



CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 1999**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total (Memorandum Only)
Revenue:				
Ad valorem taxes	\$ 6,331,104	\$ -	\$ -	\$ 6,331,104
Sales and services	3,638,114	-	-	3,638,114
Other taxes	3,907,272	-	-	3,907,272
Intergovernmental revenue:				
Unrestricted	702,860	-	-	702,860
Restricted	1,011,596	7,063,043	-	8,074,639
Other	273,009	100,599	275,000	648,608
Total revenue	<u>15,863,955</u>	<u>7,163,642</u>	<u>275,000</u>	<u>23,302,597</u>
Expenditures:				
Current:				
General government	45,062	-	-	45,062
Public safety	7,077,312	-	-	7,077,312
Public works	4,001,927	-	-	4,001,927
Parks and recreation	2,422,189	-	-	2,422,189
Planning and community development	2,187,796	7,092,373	-	9,280,169
Capital outlay	-	-	51,374	51,374
Debt service:				
Principal	888,422	-	-	888,422
Interest	155,479	-	-	155,479
Total expenditures	<u>16,778,187</u>	<u>7,092,373</u>	<u>51,374</u>	<u>23,921,934</u>
Revenue over (under) expenditures	<u>(914,232)</u>	<u>71,269</u>	<u>223,626</u>	<u>(619,337)</u>
Other financing source (uses):				
Operating transfers in	1,009,400	196,808	-	1,206,208
Operating transfers out	(196,808)	-	-	(196,808)
Total other financing sources	<u>812,592</u>	<u>196,808</u>	<u>-</u>	<u>1,009,400</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>(101,640)</u>	<u>268,077</u>	<u>223,626</u>	<u>390,063</u>
Fund balances (deficit), beginning	4,767,414	83,082	(223,626)	4,626,870
Equity transfers	<u>76,674</u>	<u>(76,674)</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 4,742,448</u>	<u>\$ 274,485</u>	<u>\$ -</u>	<u>\$ 5,016,933</u>

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
FOR WHICH ANNUAL BUDGETS HAVE BEEN ADOPTED**

For the Fiscal Year Ended June 30, 1999

	General Fund			Certain Special Revenue Funds		
	Budget	Actual	Variance, Favorable (Unfavorable)	Budget	Actual	Variance, Favorable (Unfavorable)
Revenue:						
Ad valorem taxes	\$ 6,115,000	\$ 6,331,104	\$ 216,104	\$ -	\$ -	\$ -
Sales and services	3,718,800	3,638,114	(80,686)	-	-	-
Other taxes	3,948,900	3,907,272	(41,628)	-	-	-
Intergovernmental revenue:						
Unrestricted	709,500	702,860	(6,640)	-	-	-
Restricted	934,800	1,011,596	76,796	116,000	98,682	(17,318)
Other	254,400	273,009	18,609	-	1,917	1,917
Total revenue	<u>15,681,400</u>	<u>15,863,955</u>	<u>182,555</u>	<u>116,000</u>	<u>100,599</u>	<u>(15,401)</u>
Expenditures:						
Current:						
General government	278,300	194,250	84,050	-	-	-
Public safety	7,337,300	7,277,306	59,994	-	-	-
Public works	4,609,100	4,390,167	218,933	-	-	-
Parks and recreation	2,698,300	2,698,258	42	-	-	-
Planning and community development	2,331,500	2,218,206	113,294	116,000	21,042	94,958
Total expenditures	<u>17,254,500</u>	<u>16,778,187</u>	<u>476,313</u>	<u>116,000</u>	<u>21,042</u>	<u>94,958</u>
Revenue over (under) expenditures	<u>(1,573,100)</u>	<u>(914,232)</u>	<u>658,868</u>	<u>-</u>	<u>79,557</u>	<u>79,557</u>
Other financing source (uses):						
Appropriated fund balance	776,000	-	(776,000)	-	-	-
Operating transfers in	1,009,400	1,009,400	-	-	-	-
Operating transfers out	(212,300)	(196,808)	15,492	-	-	-
Total other financing sources (uses)	<u>1,573,100</u>	<u>812,592</u>	<u>(760,508)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(101,640)</u>	<u>\$ (101,640)</u>	<u>\$ -</u>	<u>79,557</u>	<u>\$ 79,557</u>
Fund balances, beginning		4,767,414			173,316	
Residual equity transfers		<u>76,674</u>			<u>-</u>	
Fund balances, ending		<u>\$ 4,742,448</u>			<u>\$ 252,873</u>	

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 1999**

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
Operating revenue:			
Charges for services	\$ 42,917,361	\$ 796,700	\$ 43,714,061
Other	278,515	-	278,515
Total operating revenue	<u>43,195,876</u>	<u>796,700</u>	<u>43,992,576</u>
Operating expenses:			
Electrical operations	31,851,243	-	31,851,243
Administration	3,490,256	459,319	3,949,575
Depreciation	1,975,806	3,066	1,978,872
Amortization	36,289	-	36,289
Water and sewer operations	945,664	-	945,664
Wastewater plant operations	1,781,358	-	1,781,358
Water production	888,789	-	888,789
Claims reimbursements	-	(148,451)	(148,451)
Total operating expenses	<u>40,969,405</u>	<u>313,934</u>	<u>41,283,339</u>
Operating income	<u>2,226,471</u>	<u>482,766</u>	<u>2,709,237</u>
Nonoperating revenue (expenses):			
Interest earned on investments	634,315	14,430	648,745
Interest on long-term debt	(584,499)	-	(584,499)
Total nonoperating revenue	<u>49,816</u>	<u>14,430</u>	<u>64,246</u>
Income before operating transfers	<u>2,276,287</u>	<u>497,196</u>	<u>2,773,483</u>
Operating transfers:			
Operating transfer out	<u>(1,009,400)</u>	<u>-</u>	<u>(1,009,400)</u>
Net income	1,266,887	497,196	1,764,083
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	<u>89,538</u>	<u>-</u>	<u>89,538</u>
Increase in retained earnings	1,356,425	497,196	1,853,621
Retained earnings, beginning	<u>36,056,963</u>	<u>15,010</u>	<u>36,071,973</u>
Retained earnings, ending	<u>\$ 37,413,388</u>	<u>\$ 512,206</u>	<u>\$ 37,925,594</u>

See Notes to General Purpose Financial Statements.

CITY OF KINSTON, NORTH CAROLINA

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended June 30, 1999

(Page 1 of 2)

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memorandum Only)</u>
Cash Flows form Operating Activities:			
Operating income	\$ 2,226,471	\$ 482,766	\$ 2,709,237
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,975,806	3,066	1,978,872
Amortization	36,289	-	36,289
Allowance for uncollectible accounts	132,620	-	132,620
Change in assets and liabilities:			
Due from other funds	(490,008)	-	(490,008)
Customer receivables	(1,307,402)	-	(1,307,402)
Accounts receivable and due from government agency	40,850	(1,815)	39,035
Customer deposits	75,418	-	75,418
Inventories	(18,119)	-	(18,119)
Accounts payable and accrued liabilities	(192,636)	(217,898)	(410,534)
Deferred revenue	(996)	-	(996)
Accrued compensated absences	(3,926)	596	(3,330)
Net cash provided by operating activities	<u>2,474,367</u>	<u>266,715</u>	<u>2,741,082</u>
Cash Flows from Noncapital Financing Activities:			
Operating transfers to other funds	<u>(1,009,400)</u>	<u>-</u>	<u>(1,009,400)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(7,193,330)	-	(7,193,330)
Principal paid on bonds, notes and equipment contracts	(1,869,764)	-	(1,869,764)
Interest paid on general obligation bonds and equipment contracts	(598,281)	-	(598,281)
Proceeds from borrowing	1,566,282	-	1,566,282
Contributed capital	349,116	-	349,116
Net cash used in capital and related financing activities	<u>(7,745,977)</u>	<u>-</u>	<u>(7,745,977)</u>
Cash Flows from Investing Activities:			
Principal received on direct financing leases	510,784	-	510,784
Interest and dividends on investments	650,394	14,430	664,824
Net cash provided by investing activities	<u>1,161,178</u>	<u>14,430</u>	<u>1,175,608</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,119,832)</u>	<u>281,145</u>	<u>(4,838,687)</u>

CITY OF KINSTON, NORTH CAROLINA

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 1999
(Page 2 of 2)**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memorandum Only)</u>
Cash and cash equivalents, beginning (including restricted amounts of \$7,111,045)	<u>\$ 14,072,093</u>	<u>\$ 271,625</u>	<u>\$ 14,343,718</u>
Cash and cash equivalents, ending (including restricted amounts of \$4,436,870)	<u>\$ 8,952,261</u>	<u>\$ 552,770</u>	<u>\$ 9,505,031</u>

See Notes to General Purpose Financial Statements.



NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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



CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

Reporting Entity

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

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

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

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures (expenses). Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements, into five generic fund types and broad fund categories as follows:

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Community Development Administration Fund, Disaster Recovery Project, the Hicks Street Grant Fund, Cultural Resources Printing Grant, Cultural Resources Phase II Grant, Lead Abatement Project Fund, FEMA-HMGP Project Fund, SARF-DCA Project Fund, HUD-DRI Project Fund, Domestic Violence Intervention Grant, Tree Inventory Grant, Urgent Needs Project Fund, Kinston HUD Acquisition - DRI Project Fund, Local Law Enforcement Block Grant Fund and the COPS/KHA Grant Fund are all Special Revenue Funds of the City.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or nonexpendable trust funds). The City has one (1) Capital Project Fund within the Governmental Fund Types to account for a new firehouse.

Proprietary Fund Types

Enterprise Funds - The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where it is the intent of the City that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenue, expenses and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has two Enterprise Funds: the Electric Fund and the Water and Sewer Fund. For financial reporting purposes, The Water and Sewer Capital Project Fund and the Electric Capital Project Fund have been consolidated with the Water and Sewer Fund and Electric Fund respectively.

Internal Service Funds - The Internal Service Fund was established in conjunction with the City's decision to finance workers' compensation insurance coverage internally rather than through a private insurance carrier because of anticipated cost savings. This fund receives premium payments from the City and makes payments of claims to employees.

Account Groups

The general fixed assets account group is used to account for fixed assets not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenue and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenue) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due and certain compensated absences and claims and judgments (if any), which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City considers revenue as available if it is collected within 60 days after year-end. The revenue susceptible to accrual is sales taxes, franchise taxes, licenses, interest and charges for services. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Lenoir County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County including the City of Kinston. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Lenoir County from March, 1998 through February, 1999 apply to the fiscal year ended June 30, 1999. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1, 1999 through the fiscal year-end apply to the 1999-2000 fiscal year and are not shown as receivables at June 30, 1999. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenue because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 1999 because they are intended to finance the City's operations during the 1999-2000 fiscal year.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 are not susceptible to accrual.

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

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

Budgets

Budgets are adopted on the legally mandated modified accrual basis of accounting, which is consistent with generally accepted accounting principles for governmental fund types. Annual appropriated budgets are adopted for the general fund, community development administration and all proprietary operating funds. All annual appropriations lapse at fiscal year-end. Project length budgets are adopted for certain special revenue funds and 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.

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. 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 GENERAL PURPOSE 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 money market 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 nonparticipating 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 (lien date). The value at that date determines the basis for the tax levy for the fiscal year beginning July 1. Property taxes are not formally levied until the budget adoption (July 1) and are not due until September 1. Taxes are past due on the following January 6. By the following June 30, taxes receivable are delinquent and are not considered a resource to finance current year operations and are recorded as deferred revenue until collected.

Registered motor vehicles taxes are described elsewhere in Note 1.

Inventories

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs

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

Restricted Cash and Investments

Certain proceeds, as well as certain resources, set aside for the repayment of debt or acquisition or repair of capital assets, are classified as restricted assets on the combined balance sheet because their use is limited by the applicable legal agreements.

Investment in Direct Financing Lease

The City's leasing operations consist of the leasing of peak shaving generators to industrial utility customers. These leases are classified as direct financing leases. Under the direct financing method of accounting for leases, the total net rentals receivable under the lease contracts, initial direct costs (net of fees), and the estimated unguaranteed residual value of the leased equipment, net of unearned income, are recorded as a net investment in direct financing leases, and the unearned income on each lease is recognized each month at a constant periodic rate of return on the unrecovered investment.

Fixed Assets

General Fixed Assets are not capitalized in governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets acquired by or used in proprietary fund types are capitalized in the proprietary fund type. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of fixed assets in the proprietary fund types is computed using the straight-line method.

It is the City's policy not to provide for depreciation in the first year of service, but to take a full year's depreciation in the year of disposal.

In proprietary funds, the following estimated useful lives are used to compute depreciation:

	Estimated Useful Lives
Buildings and improvements	40 years
Distribution system	25 - 40 years
Equipment	3 - 15 years

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

The vacation policy of the City provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. Accrued compensated absences (including salary related payments) of the governmental funds are recorded in the General Long-Term Debt Account Group while the liabilities of the proprietary type funds are recorded in those funds. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision for this has been made in the accompanying financial statements.

Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations serviced by governmental funds, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group. Long-term liabilities expected to be repaid from proprietary fund operations are accounted for in those funds.

Equity

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

North Carolina General Statutes restrict appropriation of fund balances to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenue arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2000.

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

Interfund Transactions

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

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Statement of Cash Flows

For purposes of 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.

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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 2. Stewardship, Compliance and Accountability (Continued)

Expenditures may not legally exceed appropriations at the functional level in the General Fund and or object summary level for all other annually budgeted funds and at the project total level for the project funds. Any revisions that alter total expenditures of any department must be approved by City Council. The City Council has the authority to amend the budget as they deem appropriate during the year to reflect the economic circumstances of the City. During the year several amendments to the original general fund budget were necessary, 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, 1999 as follows:

Special Revenue Funds:

COPS/KHA Grant	\$ 2,948
Domestic Violence Intervention Grant	58,624

These deficits will be funded by future grants and other revenue.

As shown on Exhibit C, the City has chosen for budgetary purposes to include debt service payments at the functional level of expenditures in the general fund departments from which the underlying obligation arose. Exhibit B separately designates those expenditures as debt service in accordance with generally accepted accounting principles (GAAP) as applied to governmental units.

Note 3. Cash and Investments

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

Petty cash	\$ 4,750
Cash on deposit	37,512
Investments	13,876,081
Cash and investments	<u>\$ 13,918,343</u>

Balance sheet reconciliation:

Cash and investments	\$ 9,412,399
Restricted cash and investments	4,505,944
	<u>\$ 13,918,343</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

Deposits

At year end, the carrying amount of the City's deposits was \$37,512 and the bank balance was \$394,391. 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 undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has deposits in banks using the pooling method. Of the City's bank balances, \$170,843 was covered by federal depository insurance and \$223,548 was covered by collateral held by the State Treasurer under the pooling method on behalf of the City.

Investments

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

	Category 2	Reported Value	Fair Value
US Government Agencies	\$ 5,489,705	\$ 5,489,705	\$ 5,489,705
Commercial Paper	2,164,630	2,164,630	2,165,868
	<u>\$ 7,654,335</u>	7,654,335	7,655,573
North Carolina Capital Management Trust (NCCMT)		1,784,876	1,784,876
NCCMT, held by trustee		4,436,870	4,436,870
Total investments		<u>\$ 13,876,081</u>	<u>\$ 13,877,319</u>

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 these funds.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 4. Interfund Transactions and Balances

The following is a detailed schedule of interfund transfers for the year ended June 30, 1999:

Operating Transfers In	Operating Transfers Out		Total
	General Fund	Electric Fund	
General Fund	\$ -	\$ 1,009,400	\$ 1,009,400
Special Revenue Funds	196,808	-	196,808
Total	\$ 196,808	\$ 1,009,400	\$ 1,206,208

Amounts due from/to other funds at June 30, 1999 were as follows:

Receivable Fund	Payable Fund	Amount
Community Development - Admin	Kinston HUD Acquisition - DRI Project Fund.	\$ 25,802
	Urgent Needs Project Fund	39,908
	SARF - DCA Project Fund	1,235
	HUD/DRI Project Fund	77,953
	Domestic Violence Grant	55,437
	COPS/KHA Grant	703
		<u>201,038</u>
Water Resources Fund	FEMA - HMGP Project Fund	490,008
		<u>\$ 691,046</u>

Note 5. Allowance For Uncollectible Accounts

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

Enterprise Funds:	
Electric Fund	\$ 300,977
Water and Sewer Fund	<u>52,673</u>
	<u>\$ 353,650</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 6. Investment in Direct Financing Leases

In the Electric Fund, the City has entered into lease agreements as lessor, for financing the sale of peak shaving generators to industrial utility customers. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, the City's investment has been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 1999.

<u>Fiscal Year Ending June 30,</u>	<u>Enterprise Fund</u>
2000	\$ 499,905
2001	402,561
2002	26,045
Total Payments	928,511
Less: Amount representing interest	50,545
Present value of future minimum lease payments	<u>\$ 877,966</u>

Note 7. Fixed Assets

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

	Balance at July 1, 1998	Additions and Transfers	Disposals	Balance at June 30, 1999
Land and buildings	\$ 9,455,161	\$ 449,734	\$ -	\$ 9,904,895
Equipment and vehicles	10,902,200	533,177	-	11,435,377
	<u>\$ 20,357,361</u>	<u>\$ 982,911</u>	<u>\$ -</u>	<u>\$ 21,340,272</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 1999:

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Electric</u>	<u>Water and Sewer</u>	<u>Total</u>	
Land	\$ 207,261	\$ 83,972	\$ 291,233	\$ -
Buildings and improvements	3,671,890	3,534,922	7,206,812	19,468
Distribution system	20,988,664	34,769,973	55,758,637	26,654
Equipment	1,822,022	2,306,022	4,128,044	-
Construction in progress	5,132,521	2,147,674	7,280,195	-
	<u>31,822,358</u>	<u>42,842,563</u>	<u>74,664,921</u>	<u>46,122</u>
Less accumulated depreciation	11,457,927	13,683,197	25,141,124	20,969
Net fixed assets	<u>\$ 20,364,431</u>	<u>\$ 29,159,366</u>	<u>\$ 49,523,797</u>	<u>\$ 25,153</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt

Changes in Long-term Liabilities

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general-long term debt account group and the enterprise funds:

General Long-Term Debt Account Group:

	Balance at July 1, 1998	Additions	Reductions	Balance at June 30, 1999
Compensated absences	\$ 641,796	\$ 7,239	\$ -	\$ 649,035
Police separation allowance	36,006	26,941	-	62,947
Separation allowance plan	50,963	102,841	-	153,804
Installment contracts	2,653,705	-	888,422	1,765,283
	<u>\$ 3,382,470</u>	<u>\$ 137,021</u>	<u>\$ 888,422</u>	<u>\$ 2,631,069</u>

Enterprise Funds:

	Balance at July 1, 1998	Additions	Reductions	Balance at June 30, 1999
Revenue bonds	\$ 15,875,000	\$ -	\$ 630,000	\$ 15,245,000
Notes payable	5,919,766	116,282	509,592	5,526,456
Installment contracts	1,904,431	1,450,000	730,172	2,624,259
	<u>\$ 23,699,197</u>	<u>\$ 1,566,282</u>	<u>\$ 1,869,764</u>	<u>\$ 23,395,715</u>

Revenue Bonds

Revenue bonds outstanding at June 30, 1999 are as follows:

Enterprise Funds:

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%. \$ 5,975,000

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%. 9,270,000

Total Revenue Bonds \$ 15,245,000

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$ 770,000	\$ 816,571	\$ 1,586,571
2001	910,000	781,921	1,691,921
2002	835,000	740,061	1,575,061
2003	885,000	700,816	1,585,816
2004	915,000	656,566	1,571,566
Thereafter	10,930,000	6,458,203	17,388,203
Total	<u>\$ 15,245,000</u>	<u>\$ 10,154,138</u>	<u>\$ 25,399,138</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 3.035 percent to 10 percent.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$ 493,420	\$ 191,013	\$ 684,433
2001	496,525	172,755	669,280
2002	499,940	154,186	654,126
2002	503,696	135,277	638,973
2004	507,829	115,990	623,819
Thereafter	3,025,046	383,441	3,408,487
Total	<u>\$ 5,526,456</u>	<u>\$ 1,152,662</u>	<u>\$ 6,679,118</u>

Installment Contracts

The City has entered into a number of loan agreements for financing various land, building, building improvements and equipment purchases, which principally serves as collateral for these obligations. These obligations are for varying annual installments with interest rates ranging from 3.78 percent to 8.5 percent.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	General Long-Term Debt Account Group		Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$ 663,495	\$ 100,045	\$ 625,003	\$ 47,978	\$ 1,288,498	\$ 148,023
2001	487,029	66,008	606,607	91,407	1,093,636	157,415
2002	258,741	39,606	178,107	60,639	436,848	100,245
2003	189,820	22,838	129,621	54,290	319,441	77,128
2004	166,198	7,476	135,415	48,496	301,613	55,972
Thereafter	-	-	949,506	153,957	949,506	153,957
	<u>\$ 1,765,283</u>	<u>\$ 235,973</u>	<u>\$ 2,624,259</u>	<u>\$ 456,767</u>	<u>\$ 4,389,542</u>	<u>\$ 692,740</u>

Installment contracts of the general long-term debt account group will be repaid from the general fund. Of the Enterprise Fund installment contracts, \$1,655,721 will be repaid from the Water and Sewer Fund and \$968,538 will be repaid from the Electric Fund.

Other Long-Term Debt Disclosures

North Carolina General Statutes limit the total bonded indebtedness of the City to an amount not greater than eight percent (8%) of the appraised value of property subject to taxation by the City. At June 30, 1999, the legal debt limit for the City was \$81,496,431 providing a legal debt margin of \$79,731,148.

At June 30, 1999, the City has no authorized bonds remaining to be issued.

Note 9. Contributed Capital

During the year, contributed capital had the following changes:

Source	Water and Sewer Fund
Contributed capital, July 1, 1998	\$ 3,143,959
Contribution from County for prior year completed project	349,116
Depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction	(89,538)
Contributed capital, June 30, 1999	<u>\$ 3,403,537</u>

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 10. Deferred Revenue

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

	General Fund	Enterprise Fund
Prepaid taxes not yet earned	\$ 106,587	\$ -
Property taxes receivable	653,255	-
Property taxes receivable - automobiles	104,953	-
Paving assessments receivable	186,656	-
Refuse fees receivable	358,522	-
Repayment agreements	-	23,126
	<u>\$ 1,409,973</u>	<u>\$ 23,126</u>

Note 11. Segment Information

The City maintains two enterprise funds which provide electric and water and sewer services. Financial segment information as of and for the year ended June 30, 1999, is presented below.

	Electric Fund	Water and Sewer Fund	Total
Operating revenue	\$ 37,288,987	\$ 5,906,889	\$ 43,195,876
Nonoperating revenue (expenses)	168,320	(118,504)	49,816
Depreciation	892,854	1,082,952	1,975,806
Amortization	22,427	13,862	36,289
Operating income	2,352,596	(126,125)	2,226,471
Operating transfers out	(1,009,400)	-	(1,009,400)
Net income (loss)	1,511,516	(244,629)	1,266,887
Increase in contributed capital (net)	-	259,578	259,578
Fixed assets: Additions	3,978,975	3,214,355	7,193,330
Working capital	7,146,149	4,776,305	11,922,454
Total assets	33,172,347	35,262,038	68,434,385
Bonds and other long-term liabilities			
payable from operating revenue	10,238,538	13,157,177	23,395,715
Total fund equity	19,133,042	21,683,883	40,816,925

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems

Local Governmental Employees' Retirement System

Plan Description. The City of Kinston contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefits pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article of G.S. Chapter assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, Bush Street, Raleigh, North Carolina 27609, 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 4.93% and 4.47% 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, 1999, 1998, and 1997 were \$568,547, \$537,580, and \$561,385, respectively. The contributions made by the City equaled the required contributions for each year.

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 1999 were \$156,858, which consisted of \$126,030 from the City and \$30,828 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.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

All full-time law enforcement officers of the City are covered by the Special Separation Allowance. At December 31, 1998, the Special Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	72
Total	<u>75</u>

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, 1998 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 4.4 to 8.5% 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 Special Separation Allowance for the current year were as follows:

Annual required contribution	\$ 63,699
Interest on net pension obligation	2,559
Adjustment to annual required contribution	<u>(3,149)</u>
Annual pension cost	63,109
Contributions made	<u>(36,168)</u>
Increase (decrease) in net pension obligation	26,941
Net pension obligation beginning of year	36,006
Net pension obligation end of year	<u>\$ 62,947</u>

Trend Information

Fiscal year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/97	\$ 59,186	80.5%	\$ 14,751
6/30/98	59,094	64.03%	36,006
6/30/99	63,109	56.19%	62,947

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. 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.

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

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

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

At December 31, 1998, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	77
Total	<u>89</u>

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, 1999 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 4.4% to 11.9% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. 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	\$ 165,026
Interest on net pension obligation	3,688
Adjustment to annual required contribution	(10,380)
Annual pension cost	158,334
Contributions made	(55,493)
Increase (decrease) in net pension obligation	102,841
Net pension obligation beginning of year	50,963
Net pension obligation end of year	<u>\$ 153,804</u>

Trend Information

<u>Fiscal year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/98	\$143,082	64.5%	\$50,963
6/30/99	\$158,334	35.0%	\$153,804

Supplemental Retirement Income Plan

The City offers its employees optional participation in the Supplemental Retirement Income Plan of North Carolina, a tax deferred investment program created in accordance with Internal Revenue Code Section 401 (K). The plan, available to all permanent employees not engaged in law enforcement, permits them to defer a portion of their salary until future years. The employees' contributions and investment earnings are 100 percent vested immediately and are not tied to years of service. However, the funds are not available to employees until termination, retirement, death or unforeseeable emergency. There is a loan provision allowing participants to borrow from their account.

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

The City does not make any contributions to this Plan.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The City has complied with changes in the laws which govern the City's Deferred Compensation Plan, requiring all assets of the plan to be held in an external trust for the exclusive benefit of the participants and their beneficiaries.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 12. Employee Retirement Systems (Continued)

Other Post-Employment Benefits

Health Care Benefits

In addition to providing pension benefits, the City of Kinston has elected to provide post-retirement health care benefits to retirees of the City who participate in the North Carolina Local Government Employees' Retirement System (NCLGERS) and have at least twenty (20) years of creditable service under the NCLGERS, provided that last ten years of continuous service were with the City. Each retired participant receives an annual retirement medical allowance, until he reaches age sixty-five (65), of \$5.33 per year of creditable service, not to exceed thirty (30) years, for each month of the medical year plan.

Currently, forty-one (41) retirees are eligible for post-retirement health benefits. The cost of post-retirement health benefits is recognized as an expenditure when paid. For 1999 those costs totaled \$63,331. The City obtains healthcare coverage through private insurers.

Note 13. Budget to GAAP Reconciliation

For the fiscal year ended June 30, 1999, the following adjustments are needed to reconcile the operating statements of the special revenue funds between combined statements on a GAAP basis and combined statements on a budgetary basis:

	Special Revenue Funds
Revenues over expenditures, budgetary basis	\$ 79,557
To record excess of revenues over expenditures for the following funds which have multi-year budgets:	
Special Revenue Fund	
Disaster Recovery Project	86,588
Community Development Hicks Street	(127,733)
Cultural Resources Printing	(9,543)
LLEBG Grant	15,582
Urgent Needs Project	116,455
FEMA - HMGP Project	69,916
HUD - DRI	(68,746)
Domestic Violence Intervention	(97,859)
COPS/KHA Grant	(2,948)
Tree Inventory Grant	10,000
Revenues under expenditures, GAAP basis	\$ 71,269

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 14. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City's Internal Service Fund was established to account for a limited risk, self-insurance program to provide workers' compensation benefits to City employees. Premiums are paid in to the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon the claims experience of the insured funds. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. An excess coverage insurance policy provides for individual claims in excess of \$250,000 and in aggregate in excess of \$2,000,000. A total of \$296,349 in claims were incurred for benefits during fiscal year 1999. Additionally, during the year the City significantly changed the method of estimating future claims liabilities including claims incurred but not reported. This change in a significant accounting estimate resulted in a one-time net reduction of claims expense of \$444,800

Claims liability

	1999	1998
Unpaid claims, beginning of fiscal year	\$ 284,324	\$ 167,851
Incurred claims (including claims incurred but not reported as of June 30, 1999)	296,349	255,660
Payments and reduction in claims estimates	(525,473)	(139,187)
Unpaid claims, end of fiscal year	<u>\$ 55,200</u>	<u>\$ 284,324</u>

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Note 15. Commitments and Contingencies

Purchase Commitments

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

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies

The City had commitments of approximately \$952,500 in the Water and Sewer Fund and approximately \$772,500 in the Electric Fund for the purchase of equipment and construction of various capital projects. These commitments are to be funded by additional loan drawdowns, bond proceeds and operating revenues of the respective funds during the 1999-2000 fiscal year end.

Claims and judgments

At June 30, 1999, the City was a defendant in various lawsuits and other claims; however, no provision was made in the financial statements for any contingent liabilities. Although amounts sought by claimants are sizable, 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.

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 judgment specifies the City shall complete construction on or before December 31, 2003, or on or before twenty-four months after beginning construction, whichever is later. As of the balance sheet date, the City was still assessing the various revenue sources to be used to complete the judgment. Additionally, the consent judgment imposes a moratorium on additional sewer system extensions without prior written approval from the Department of Environment and Natural Resources.

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 300 citizens from the Neuse River Basin flood plain. As of the balance sheet date, the City had completed approximately 85% of the cases. 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.

Deregulation

Electric fund revenues comprise approximately 86% of total enterprise fund type revenues, and approximately 55% of combined proprietary and governmental type revenue. It is expected that the contemplated deregulation of electrical utility industry in North Carolina will have an significant impact on the City's electric fund's results of operations and the results of the operations of the City's primary power provider, North Carolina Eastern Municipal Power Agency (See Note 16).

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 16. Jointly Governed Organizations

Neuse River Council of Governments

The City, in conjunction with seven counties and twenty-eight other municipalities, established the Neuse River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$7,075 to the Council during the fiscal year ended June 30, 1999.

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, 1999 were \$29,283,244. (See also Note 15.)

Lenoir County Development Commission

The City, in conjunction with Lenoir County, established the Lenoir County Development Commission. The participating governments established the Commission to coordinate economic development activities within the county. The City appoints five members of the fourteen-member board of directors. The City paid \$14,450 to the Commission during the year ended June 30, 1999.

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, 1999.

Note 17. Joint Ventures

Kinston-Lenoir County Library

The City participates in a joint venture with Lenoir County to operate the Kinston/Lenoir County Library. The City appoints three board members of the six-member board. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 1998. During the year ended June 30, 1999, the City provided \$196,900 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 GENERAL PURPOSE FINANCIAL STATEMENTS

Note 17. Joint Ventures (Continued)

Lenoir County - City of Kinston Airport Commission

Until December of 1998, the City, in conjunction with Lenoir County and the Global TransPark Authority, participated in a regional airport. During December 1998, and pursuant to an intergovernmental agreement between the parties listed above, the Global TransPark Authority assumed all ongoing financial responsibility and all equity interest in the airport. Prior to the Authority's assumption of financial responsibility, the City contributed \$103,893 to the Airport for the current year. As of the end of the year, the City no longer has an ongoing financial responsibility for the airport and is not obligated for future contributions to supplement operating or capital deficits of the airport. Separate financial statements for the Commission are available at the Commission address of Stallings Field, Route 7, Box 89-B, Kinston, North Carolina 28501.

Note 18. Related Organization

City of Kinston Housing Authority

The Board of the City of Kinston Housing Authority is appointed by the City of Kinston. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

Note 19. Pending GASB Statements

At June 30, 1999, the Governmental Accounting Standards Board (GASB) had issued two statements not yet implemented by City of Kinston. The statements which might impact City of Kinston are as follows:

No. 33, "Accounting and Financial reporting for Nonexchange Transaction," issued December, 1998, will be effective for the fiscal year ending June 30, 2000. Statement No. 33 imposes new standards for the timing of the recognition of revenue in certain nonexchange transaction. Nonexchange transaction types affected are: derived tax revenues such as sales tax, imposed nonexchange revenues such as property taxes, government-mandated nonexchange transaction such as federal- or state-mandated programs and voluntary nonexchange transactions such as certain grants or private contributions. Management of City of Kinston continues to study the statement provisions, and has not yet determined what effect, if any, Statement No. 33 will have on the financial condition or recognition and presentation of nonexchange transactions.

No. 34, "Basic Financial Statements - and Management Discussion and Analysis - For State and Local Governments," issued June, 1999, will be effective for City of Kinston, based on its revenues, for June 30, 2003. Statement No. 34, summarized below, imposes new standards for financial reporting. Management has not yet completed their assessment of this statement; however, it will have a material effect on the overall financial statement presentation for City of Kinston.

The new financial statement guidelines embodies in Statement No. 34 are the culmination of many years of study and deliberation by the GASB.

For the first time, financial managers will be required to share their insights in management's discussion and analysis (MD&A) that gives readers an analysis of the government's overall financial position and results of the previous year's operations.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 19. Pending GASB Statements

Financial statements will be presented under a dual perspective - a government-wide perspective (new) and a fund level perspective. For the first time, the annual report will include government-wide financial statements prepared using full accrual accounting for all of the government's activities, not just those that cover costs by charging a fee for services, as was previously required. Governments will report all capital assets, including infrastructure, in a government-wide statement of net assets and will report depreciation expense, the cost of using up capital assets, in the statement of activities. Infrastructure assets will be reported, but may not be required to be depreciated under certain circumstances. The net assets of a government will be broken down into three categories: invested in capital assets, net of related debt; restricted; and unrestricted. A statement of activities will be presented in at least the same level of detail provided in the governmental fund statements - generally, expenses and program revenues by function. Program expenses will include all direct expenses; governments that allocate overhead and other indirect expenses to individual programs will show the allocation in a separate column. Special and extraordinary items will be reported separately from other revenues and expenses. This way, users will see if the government's conventional, recurring revenues and expenses balanced.

Statement 34 requires governments to continue to present fund level financial statement with information about funds. The focus of these fund-based statements has been sharpened; however, by requiring governments to report information about their most important or major funds (those whose revenues, expenditure/expenses, assets or liabilities are at least ten (10%) percent of the total for their fund category or type (governmental or enterprise) and at least five (5%) percent of the aggregate amount for all governmental and enterprise funds), including a government's general fund. Fund-based statements for governmental activities (generally, those supported by tax revenues) will continue to report the flow of current financial resources (generally, cash and other assets that can easily be converted to cash.)

To help users understand and assess the relationship between fund-based and government-wide financial statements, governments will present a summary reconciliation that will show the interplay between the two types of statements.

Governments will continue to provide budgetary comparison information in their annual reports as required supplementary information. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

Note 20. Subsequent Event

In September of 1999, Hurricane Floyd left a path of devastation throughout eastern North Carolina. Many rivers and creeks already swollen by Hurricane Dennis, flooded well in excess of the 100 year flood plain due to the significant amount of rainfall generated by the storms. Although Floyd swept over the area in one day, the resultant flooding lasted for several weeks. Damages and cleanup costs resulting from the hurricane and associated flooding have been estimated to exceed \$6,000,000 for the City. The President of the United States declared 66 counties in North Carolina, including Lenoir County, as federal disaster areas. Federal disaster areas are automatically qualified to obtain reimbursements for repairs and cleanup costs from the Federal Emergency Management Agency (FEMA) for damages incurred that are either in excess of insurance coverages or are not covered by insurance.

CITY OF KINSTON, NORTH CAROLINA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Note 20. Subsequent Event (Continued)

While it is not possible to determine what portion of the damages and cleanup costs related to the hurricanes will be covered by either insurance or FEMA, the City expects all material costs associated with the hurricanes and subsequent flooding to be reimbursed from the combination of insurance coverage or FEMA grants. Additionally, the City's wastewater treatment facilities which were flooding during and subsequent to the hurricane may qualify for hazardous mitigation assistance from FEMA to relocate these facilities to a less flood prone location. The City has requested this assistance and if it qualifies and receives funding estimated at approximately \$40,000,000 , it may impact certain estimated costs to the City under its consent judgment agreement with the Department of Environment and Natural Resources noted in Note 15.



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
 - Year 2000 Issue
-



**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)
12/31/94	\$ -	\$ 337,764	\$ 334,764	-	\$ 2,078,440	16.25%
12/31/95	-	417,893	417,893	-	2,093,043	19.97%
12/31/96	-	402,620	402,620	-	2,308,243	17.44%
12/31/97	-	422,196	422,196	-	2,333,064	18.10%
12/31/98	-	321,925	321,925	-	2,150,376	14.97%

Note to Required Schedule:

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1992	44,744	109.8
1993	43,232	100.9
1994	44,188	80.7
1995	49,259	90.2
1996	59,233	75.9
1997	59,186	80.5
1998	59,331	63.8
1999	\$ 63,699	55.7

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	12/31/98
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed basis
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.4% to 8.5%
Includes inflation at	3.75%
Cost of living adjustments	None

**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)
6/30/97	-	\$ 628,797	\$ 628,797	-	\$ 2,555,532	24.61%
6/30/98	-	749,238	749,238	-	2,373,338	31.57%
6/30/99	-	533,936	533,936	-	2,418,620	22.08%

Note to Required Schedule:

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1998	143,082	64.5%
1999	165,026	56.2%

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	6/30/99
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed basis
Remaining amortization period	5 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.4% to 11.9%
Includes inflation at	3.75%
Cost of living adjustments	None

**CITY OF KINSTON, NORTH CAROLINA
YEAR 2000 ISSUE
REQUIRED SUPPLEMENTARY INFORMATION**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's future operations. Because many software programs eliminate the first two digits from a year reference in most applications, the data processing system may not be able to distinguish between the year 2000 and the year 1900 which may cause the programs to process data incorrectly or stop processing data altogether. There are other possible complications as well.

The following stages have been identified as necessary to implement a Year 2000 compliant system:

Awareness Stage - encompasses establishing a budget and project plan for dealing with the Year 2000 issue.

Assessment Stage - When the government actually begins the process of identifying all of its mission critical systems and individual components of those systems.

Remediation Stage - When the government actually makes changes to systems and equipment.

Validation/Testing Stage - When the government validates and tests the changes made during the conversion/remediation process.

In January, 1998, City of Kinston began the process to identify and convert its mission critical computer systems to be Year 2000 compliant. City of Kinston's plan includes a risk assessment process which requires identification and conversion of those systems determined to be crucial for the uninterrupted procession of services to the residents of the City. The City plans to have all mission critical system conversions completed through the validation/testing stage by December 31, 1999. Following is a summary of the stages of the work in process or completed as of June 30, 1999 to make computer systems and other electronic equipment critical to conducting operations Year 2000 compliant:

Mission critical systems completed through the remediation stage and currently in the validation/testing stage are financial application software, customer service, electrical power delivery systems, communication systems.

Mission critical systems completed through the validation/testing stage are embedded chip hardware systems, financial application hardware.

The total amount of funds committed to Year 2000 issue are immaterial.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the remediation efforts will not be fully known until the Year 2000 and thereafter. Management cannot assure that the City is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be Year 2000 compliant.



General Fund

GENERAL FUND

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



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

**COMPARATIVE BALANCE SHEET
June 30, 1999 and 1998**

ASSETS	1999	1998
Cash and investments	\$ 4,287,917	\$ 2,713,514
Receivables:		
Due from other funds	-	898,547
Due from governmental agencies	996,311	914,220
Accounts receivable	419,037	478,492
Taxes receivable	758,208	746,180
Customer receivables, net	369,767	282,792
Interest receivable	31,076	32,841
Inventories	204,743	212,292
Restricted investments	69,074	649,822
Total assets	<u>\$ 7,136,133</u>	<u>\$ 6,928,700</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 983,712	\$ 829,778
Deferred revenue	1,409,973	1,331,508
Total liabilities	<u>2,393,685</u>	<u>2,161,286</u>
Fund Balances:		
Reserved for Powell Bill	704,957	502,384
Reserved for inventories	204,743	212,292
Reserved by State statute	1,271,012	2,103,103
Reserved for encumbrances	190,936	81,254
Unreserved:		
Designated for subsequent year's expenditures	-	366,800
Undesignated	2,370,800	1,501,581
Total fund balances	<u>4,742,448</u>	<u>4,767,414</u>
 Total liabilities and fund balance	 <u>\$ 7,136,133</u>	 <u>\$ 6,928,700</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, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

(Page 1 of 4)

	1999			1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Revenue:				
Ad valorem taxes:				
Taxes	\$ 6,074,500	\$ 6,262,667	\$ 188,167	\$ 5,999,000
Penalties and interest	40,500	68,437	27,937	50,670
Total ad valorem taxes	6,115,000	6,331,104	216,104	6,049,670
Sales and services:				
Garbage collections	2,286,600	2,184,760	(101,840)	2,061,036
Rents, concessions and fees	351,600	422,094	70,494	430,292
Inspection fees	95,000	102,448	7,448	183,866
Cemetery fees	195,000	226,060	31,060	190,320
Cable franchise	127,000	147,225	20,225	139,684
Legal Services	229,300	121,527	(107,773)	-
Lenoir County participation:				
Recreation	434,300	434,000	(300)	380,348
Building inspection	-	-	-	69,077
Total sales and services	3,718,800	3,638,114	(80,686)	3,454,623
Other taxes and licenses:				
Local government sales tax	2,465,600	2,436,314	(29,286)	2,227,640
Franchise tax	1,081,500	1,025,225	(56,275)	1,049,589
Intangible taxes	210,000	231,319	21,319	225,241
Occupancy tax	120,000	137,977	17,977	122,883
Licenses and permits	71,800	76,437	4,637	63,851
Total other taxes and licenses	3,948,900	3,907,272	(41,628)	3,689,204
Unrestricted intergovernmental revenue:				
Payments in lieu of taxes	573,900	577,186	3,286	563,274
Beer and wine	110,600	107,293	(3,307)	106,793
ABC revenue	25,000	18,381	(6,619)	28,187
Total unrestricted intergovernmental revenue	709,500	702,860	(6,640)	698,254
Restricted intergovernmental revenue:				
Powell Bill allocations	814,000	823,906	9,906	803,600
NC Health and Sanitation	3,000	6,168	3,168	6,309
NC Dept of Cultural Resources	-	75,158	75,158	10,646
Domestic Violence Program				
Victim's Advocate	-	-	-	29,310
Week End	54,600	56,155	1,555	25,209
US Justice Department	45,000	36,470	(8,530)	147,015
Forfeited drug proceeds	18,200	13,739	(4,461)	66,740
Total restricted intergovernmental revenue	934,800	1,011,596	76,796	1,088,829

**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, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

(Page 2 of 4)				
		1999		1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Other revenue:				
Investment income	\$ 175,000	\$ 193,943	\$ 18,943	\$ 237,365
Sales of surplus materials and assets	25,000	7,756	(17,244)	120,045
Miscellaneous	54,400	71,310	16,910	36,681
Total other revenue	254,400	273,009	18,609	394,091
Total revenue	15,681,400	15,863,955	182,555	15,374,671
Expenditures:				
General Government:				
Governing body:				
Salaries and benefits		360,473		298,365
Operating		557,037		289,312
Capital outlay		-		2,185
Total governing body		917,510		589,862
Executive:				
Salaries and benefits		360,957		372,141
Operating		360,254		247,624
Capital outlay		33,940		22,075
Total executive		755,151		641,840
Finance:				
Salaries and benefits		679,801		581,370
Operating		159,424		138,939
Capital outlay		-		17,637
Total finance		839,225		737,946
Human Resources:				
Salaries and benefits		289,902		281,178
Operating		102,462		448,313
Capital outlay		-		1,422
Total human resources		392,364		730,913
Indirect costs reimbursement		(2,710,000)		(2,620,202)
Total general government	278,300	194,250	84,050	80,359

**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, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

(Page 3 of 4)

	1999			1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Public safety:				
Police:				
Salaries and benefits	\$	\$ 3,216,490	\$	\$ 3,301,352
Operating		886,425		760,929
Capital outlay		268,646		370,004
Total police		<u>4,371,561</u>		<u>4,432,285</u>
Fire:				
Salaries and benefits		2,341,142		1,989,917
Operating		412,008		231,661
Capital outlay		152,595		24,070
Total fire		<u>2,905,745</u>		<u>2,245,648</u>
Total public safety	<u>7,337,300</u>	<u>7,277,306</u>	<u>59,994</u>	<u>6,677,933</u>
Public works:				
Salaries and benefits		2,273,597		2,176,457
Operating		2,872,274		2,102,992
Capital outlay		32,478		37,884
Less: interdepartment charges		(788,182)		(833,813)
Total public works	<u>4,609,100</u>	<u>4,390,167</u>	<u>218,933</u>	<u>3,483,520</u>
Parks and recreation:				
Salaries and benefits		1,427,274		1,404,859
Operating		1,095,395		799,268
Capital outlay		175,589		92,687
Total parks and recreation	<u>2,698,300</u>	<u>2,698,258</u>	<u>42</u>	<u>2,296,814</u>
Planning and community development:				
Planning and development:				
Salaries and benefits		219,043		67,695
Operating		-		323,904
Total planning and development		<u>219,043</u>		<u>391,599</u>
Inspections and code enforcement:				
Salaries and benefits		201,617		453,602
Operating		122,569		32,554
Capital outlay		13,501		2,480
Total inspections and code enforcement		<u>337,687</u>		<u>488,636</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, 1999
With Comparative Totals for the Fiscal Year Ended June 30, 1998**

	(Page 4 of 4)			1998
	1999		Variance, Favorable (Unfavorable)	
	Budget	Actual		Actual
Economic development:				
Operating	\$	\$ 726,291	\$	\$ 877,296
Total economic development		726,291		877,296
Engineering and public facilities:				
Salaries and benefits		470,556		403,763
Operating		449,327		445,580
Capital outlay		15,302		11,101
Total engineering and public facilities		935,185		860,444
Total planning and community development	2,331,500	2,218,206	113,294	2,617,975
Debt Service:				
Principal		-		1,124,770
Interest		-		199,802
Total debt service		-		1,324,572
Total expenditures	17,254,500	16,778,187	476,313	16,481,173
Revenue over (under) expenditures	(1,573,100)	(914,232)	658,868	(1,106,502)
Other financing sources (uses):				
Appropriated fund balance	776,000	-	(776,000)	-
Operating transfers in	1,009,400	1,009,400	-	1,662,895
Operating transfers out	(212,300)	(196,808)	15,492	(242,788)
Total other financing sources	1,573,100	812,592	(760,508)	1,420,107
Revenue and other financing sources over (under) expenditures and other uses	\$ -	(101,640)	\$ (101,640)	\$ 313,605
Fund balance, beginning		4,767,414		4,267,234
Equity transfers		76,674		186,575
Fund balance, ending		\$ 4,742,448		\$ 4,767,414



**Special Revenue
Funds**

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 hurricanes Bertha and Fran in 1996. This fund was closed during the fiscal year.

Community Development Hicks Street Fund - This fund is used to account for the federal grant monies received from the Housing and Urban Development Department for Community Block Development and Block Grants for residential rehabilitation. This fund was closed during the fiscal year.

Tree Inventory Grant Fund - This fund is used to account for the estate grant monies received from North Carolina Department of Environment, Health and Natural Resources to inventory the number of trees within the public right of way. This fund was closed during the fiscal year.

Cultural Resources Funds - These funds are used to account for grant money received from the NC Department of Cultural Resources for the preparation and publishing of an architectural history of Lenoir County. This fund was closed during the fiscal year.

Lead Abatement - This fund accounts for grant proceeds received from the Housing Finance Agency to assist one family with lead abatement.

Urgent Needs Project Fund - This fund is used to account for State grant monies received from NC Department of Commerce to acquire and relocate residential housing units.

FEMA - HGMP - This fund accounts for the hazard mitigation program funded by FEMA for the acquisition of property in the flood plain.

SARF - DCA - This fund accounts for proceeds from the State Acquisition and Relocation Fund Project funded by HUD and awarded to assist the flood recovery program by providing relocation assistance to flood clients.

HUD - DRI - This fund accounts for the Disaster Recovery Initiative funded by HUD and awarded to the City to assist with flood recovery by the relocation of flood clients.

Domestic Violence - This fund accounts for grant proceeds received from the Governor's Crime Commission and supports technological equipment and salaries for four employees.

HUD Acquisition - DRI Project - This fund accounts for proceeds from the Acquisition and Relocation Fund Project funded by HUD and awarded to assist the flood recovery program by providing relocation assistance to flood clients.

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

COPS/KHA Grant Fund - This fund accounts for a community oriented police services grant funded by the US Department of Justice and passed through to the City by the Kinston Housing Authority.

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

COMBINING BALANCE SHEETS

June 30, 1999

With Comparative Totals for June 30, 1998

(Page 1 of 2)

	Community Development Administration	Lead Abatement	Urgent Needs	FEMA - HGMP	SARF - DCA	HUD - DRI	Domestic Violence Intervention
ASSETS							
Cash and investments	\$ 5,468	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	201,038	-	-	-	-	-	-
Due from government agencies	-	-	39,908	491,258	1,235	106,818	-
Accounts receivable	46,022	-	-	571	-	17	2,057
Interest receivable	345	-	-	-	-	-	-
Total assets	\$ 252,873	\$ 30,000	\$ 39,908	\$ 491,829	\$ 1,235	\$ 106,835	\$ 2,057
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ 39,908	\$ 490,008	\$ 1,235	\$ 77,953	\$ 55,437
Accounts payable and accrued liabilities	-	-	-	323	-	-	5,244
Total liabilities	-	-	39,908	490,331	1,235	77,953	60,681
FUND BALANCES							
Reserved by State statute	247,405	-	39,908	491,829	1,235	106,835	2,057
Unreserved - undesignated	5,468	30,000	(39,908)	(490,331)	(1,235)	(77,953)	(60,681)
	252,873	30,000	-	1,498	-	28,882	(58,624)
Total liabilities and fund balances	\$ 252,873	\$ 30,000	\$ 39,908	\$ 491,829	\$ 1,235	\$ 106,835	\$ 2,057

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

COMBINING BALANCE SHEETS

June 30, 1999

**With Comparative Totals for June 30, 1998
(Page 2 of 2)**

	HUD Acquisition DRI Project	LLEBG Grant	COPS/KHA Grant	Total	
		1999	1998		
ASSETS					
Cash and investments	\$ -	\$ 20,853	\$ -	\$ 56,321	\$ 67,342
Due from other funds	-	-	-	201,038	122,607
Due from government agencies	25,802	-	-	665,021	641,387
Accounts receivable	-	1,951	39	50,657	59,258
Interest receivable	-	-	-	345	1,014
Total assets	\$ 25,802	\$ 22,804	\$ 39	\$ 973,382	\$ 891,608

LIABILITIES AND FUND BALANCES

LIABILITIES					
Due to other funds	\$ 25,802	\$ -	\$ 703	\$ 691,046	\$ 803,730
Accounts payable and accrued liabilities	-	-	2,284	7,851	4,796
Total liabilities	25,802	-	2,987	698,897	808,526
FUND BALANCES					
Reserved by State statute	25,802	1,951	39	917,061	824,266
Unreserved - undesignated	(25,802)	20,853	(2,987)	(642,576)	(741,184)
	-	22,804	(2,948)	274,485	83,082
Total liabilities and fund balances	\$ 25,802	\$ 22,804	\$ 39	\$ 973,382	\$ 891,608

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

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

**For the Fiscal Year Ended June 30, 1999
With Comparative Totals for the Fiscal Year Ended June 30, 1998
(Page 1 of 2)**

	Community Development Admin	Disaster Recovery Project	Community Development Hicks Street	Tree Inventory Grant	Cultural Resources Printing	Cultural Resources Phase II	Lead Abatement	Urgent Needs	FEMA - HGMP
Revenue:									
Restricted intergovernmental revenue	\$ -	\$ 100,491	\$ 432,263	\$ 10,000	\$ -	\$ -	\$ -	\$ 342,795	\$ 4,410,993
Insurance proceeds	-	-	-	-	-	-	-	-	-
Other - rent and program income	98,682	-	-	-	-	-	-	-	-
Investment earnings	1,917	-	-	-	-	-	-	-	-
Total revenue	100,599	100,491	432,263	10,000	-	-	-	342,795	4,410,993
Expenditures:									
Current:									
Planning and community development:									
Administration	-	-	-	-	-	-	-	-	-
Rehabilitation of private properties	-	-	559,996	-	-	-	-	-	4,341,077
Contract services	21,042	13,903	-	-	9,543	-	-	226,340	-
Total expenditures	21,042	13,903	559,996	-	9,543	-	-	226,340	4,341,077
Total revenue over (under) expenditures	79,557	86,588	(127,733)	10,000	(9,543)	-	-	116,455	69,916
Other financing sources:									
Operating transfers in	-	-	100,000	8,995	-	3,291	-	-	-
Total revenue and other sources over (under) expenditures	79,557	86,588	(27,733)	18,995	(9,543)	3,291	-	116,455	69,916
Fund balances, beginning	173,316	(9,914)	27,733	(18,995)	9,543	(3,291)	30,000	(116,455)	(68,418)
Less equity transfers	-	(76,674)	-	-	-	-	-	-	-
Fund balances, ending	\$ 252,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ -	\$ 1,498

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

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

For the Fiscal Year Ended June 30, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

(Page 2 of 2)

	SARF - DCA	HUD - DRI	Domestic Violence Intervention	HUD Acquisition DRI Project	LLEBG	COPS/ KHA	Total 1999	1998
Revenue:								
Restricted intergovernmental revenue	\$ 1,235	\$ 1,521,655	\$ 98,662	\$ 79,937	\$ 65,012	\$ -	\$ 7,063,043	\$ 1,668,350
Insurance proceeds	-	-	-	-	-	-	-	83,848
Other - rent and program income	-	-	-	-	-	-	98,682	102,071
Investment earnings	-	-	-	-	-	-	1,917	6,318
Total revenue	1,235	1,521,655	98,662	79,937	65,012	-	7,163,642	1,860,587
Expenditures:								
Current:								
Planning and community development								
Administration	-	-	-	-	-	2,284	2,284	-
Rehabilitation of private properties	1,235	1,590,401	-	-	-	664	6,493,373	983,674
Contract services	-	-	196,521	79,937	49,430	-	596,716	918,038
Total expenditures	1,235	1,590,401	196,521	79,937	49,430	2,948	7,092,373	1,901,712
Total revenue over (under) expenditures	-	(68,746)	(97,859)	-	15,582	(2,948)	71,269	(41,125)
Other financing sources:								
Operating transfers in	-	-	77,300	-	7,222	-	196,808	70,288
Total revenue and other sources over (under) expenditures	-	(68,746)	(20,559)	-	22,804	(2,948)	268,077	29,163
Fund balances, beginning	-	97,628	(38,065)	-	-	-	83,082	53,919
Less equity transfers	-	-	-	-	-	-	(76,674)	-
Fund balances, ending	\$ -	\$ 28,882	\$ (58,624)	\$ -	\$ 22,804	\$ (2,948)	\$ 274,485	\$ 83,082

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, 1999**

	<u>Budget</u>	<u>Actual</u>	<u>Variance, Favorable (Unfavorable)</u>
Revenue:			
Restricted intergovernmental revenue:			
Rent and program income	\$ 116,000	\$ 98,682	\$ (17,318)
Other - investment earnings	<u>-</u>	<u>1,917</u>	<u>1,917</u>
Total revenue	<u>116,000</u>	<u>100,599</u>	<u>(15,401)</u>
Expenditures:			
Contract services	<u>116,000</u>	<u>21,042</u>	<u>94,958</u>
Total expenditures	<u>116,000</u>	<u>21,042</u>	<u>94,958</u>
Total revenue over expenditures	<u><u>\$ -</u></u>	<u><u>\$ 79,557</u></u>	<u><u>\$ 79,557</u></u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - DISASTER RECOVERY FUND**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL**

From Grant Inception and For the Fiscal Year Ended June 30, 1999

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue	\$ 100,491	\$ 2,109,060	\$ 2,200,000
Other - insurance proceeds	-	488,043	300,000
Total revenue	<u>100,491</u>	<u>2,597,103</u>	<u>2,500,000</u>
Expenditures:			
Salaries and benefits	-	516,411	-
Landfill fees	-	157,665	-
Contract services	13,903	1,846,353	2,500,000
Total expenditures	<u>13,903</u>	<u>2,520,429</u>	<u>2,500,000</u>
Total revenue over expenditures	<u>\$ 86,588</u>	<u>\$ 76,674</u>	<u>\$ -</u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	<u>Actual</u>		
	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ 432,263	\$ 732,011	\$ 732,011
Expenditures:			
Administration	-	39,449	39,449
Rehabilitation of private properties	559,996	842,562	842,562
Total expenditures	<u>559,996</u>	<u>882,011</u>	<u>882,011</u>
Total revenues under expenditures	(127,733)	(150,000)	(150,000)
Other financing sources:			
Operating transfers in	<u>100,000</u>	<u>150,000</u>	<u>150,000</u>
Total revenue and other sources under expenditures	<u>\$ (27,733)</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - TREE INVENTORY GRANT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL**

From Grant Inception and For the Fiscal Year Ended June 30, 1999

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue:			
State Resources Grant Project	\$ 10,000	\$ 10,000	\$ 10,000
Expenditures:			
Professional services	-	18,995	24,250
Total expenditures	-	18,995	24,250
Total revenue over (under) expenditures	10,000	(8,995)	(14,250)
Other financing sources:			
Operating transfers in	8,995	8,995	14,250
Total revenue and other sources over expenditures	\$ 18,995	\$ -	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - CULTURAL RESOURCES PRINTING**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ -	\$ 1,000	\$ 1,000
Expenditures:			
Professional services	9,543	11,000	11,000
Total revenue under expenditures	(9,543)	(10,000)	(10,000)
Other financing sources:			
Operating transfers in	-	10,000	10,000
Total revenue and other sources			
under expenditures	<u>\$ (9,543)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - CULTURAL RESOURCES PHASE I

SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ -	\$ -	\$ 6,000
Expenditures:			
Administration	-	-	9,500
Professional services	-	-	-
Total expenditures	-	-	9,500
Total revenue under expenditures	-	-	(3,500)
Other financing sources:			
Operating transfers in	-	-	3,500
Total revenue and other sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - CULTURAL RESOURCES PHASE II**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ -	\$ 4,800	\$ 4,800
Expenditures:			
Administration			
Professional services	-	8,091	9,600
Total expenditures	-	8,091	9,600
Total revenue under expenditures	-	(3,291)	(4,800)
Other financing sources:			
Operating transfers in	3,291	3,291	4,800
Total revenue and other sources over expenditures	<u>\$ 3,291</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - LEAD ABATEMENT PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ -	\$ 30,000	\$ 30,000
Total revenue	-	30,000	30,000
Expenditures:			
Administration	-	-	30,000
Total revenue over expenditures	\$ -	\$ 30,000	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - URGENT NEEDS PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	<u>Actual</u>		<u>Project</u>
	<u>Current</u>	<u>Total</u>	<u>Authorization</u>
	<u>Year</u>	<u>to Date</u>	
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ 342,795	\$ 600,000	\$ 600,000
Total revenue	<u>342,795</u>	<u>600,000</u>	<u>600,000</u>
Expenditures:			
Administration	60,000	60,000	60,000
Rehabilitation of private properties	166,340	540,000	540,000
Total expenditures	<u>226,340</u>	<u>600,000</u>	<u>600,000</u>
Total revenue over cexpenditures	<u>\$ 116,455</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - FEMA/HGMP PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ 4,410,993	\$ 4,788,599	\$ 8,270,471
Total revenue	<u>4,410,993</u>	<u>4,788,599</u>	<u>8,270,471</u>
Expenditures:			
Administration	72,009	72,009	76,968
Rehabilitation of private properties	4,269,068	4,715,092	8,193,503
Total expenditures	<u>4,341,077</u>	<u>4,787,101</u>	<u>8,270,471</u>
Total revenue over expenditures	<u>\$ 69,916</u>	<u>\$ 1,498</u>	<u>\$ -</u>

**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, 1999**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
State Community Development Grant Project	\$ 1,235	\$ 1,235	\$ 814,275
Total revenue	<u>1,235</u>	<u>1,235</u>	<u>814,275</u>
Expenditures:			
Rehabilitation of private properties	<u>1,235</u>	<u>1,235</u>	<u>814,275</u>
Total revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - HUD/DRI PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual		Project Authorization
	Current Year	Total to Date	
Revenue:			
Restricted intergovernmental revenue:			
Federal Community Development Grant Project	\$ 1,521,655	\$ 1,981,125	\$ 5,461,466
Total revenue	<u>1,521,655</u>	<u>1,981,125</u>	<u>5,461,466</u>
Expenditures:			
Administration	314,987	314,987	780,942
Rehabilitation of private properties	<u>1,275,414</u>	<u>1,637,256</u>	<u>4,680,524</u>
Total expenditures	<u>1,590,401</u>	<u>1,952,243</u>	<u>5,461,466</u>
Total revenue over (under) expenditures	<u>\$ (68,746)</u>	<u>\$ 28,882</u>	<u>\$ -</u>

CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - DOMESTIC VIOLENCE INTERVENTION

**SCHEDULE OF REVENUE AND EXPENDITURES,
 BUDGET AND ACTUAL**
From Grant Inception and For the Fiscal Year Ended June 30, 1999

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal Grant Project	\$ 98,662	\$ 139,273	\$ 261,600
Total revenue	98,662	139,273	261,600
Expenditures:			
Personnel costs	141,746	202,647	287,300
Operating costs	54,775	72,550	90,300
Total expenditures	196,521	275,197	377,600
Total revenue under expenditures	(97,859)	(135,924)	(116,000)
Other financing sources:			
Operating transfers in	77,300	77,300	116,000
Total revenue and other sources under expenditures	\$ (20,559)	\$ (58,624)	\$ -

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - HUD ACQUISITION - DRI PROJECT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual Current Year	Total to Date	Project Authorization
Revenue:			
Restricted intergovernmental revenue			
Federal grant project	\$ 79,937	\$ 79,937	\$ 94,062
Total revenue	<u>79,937</u>	<u>79,937</u>	<u>94,062</u>
Expenditures:			
Acquisition of properties	<u>79,937</u>	<u>79,937</u>	<u>94,062</u>
Total revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - LLEBG GRANT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal grant project	\$ 65,012	\$ 65,012	\$ 65,012
Total revenue	<u>65,012</u>	<u>65,012</u>	<u>65,012</u>
Expenditures:			
Capital outlay	<u>49,430</u>	<u>49,430</u>	<u>72,234</u>
Total revenue over (under) expenditures	15,582	15,582	(7,222)
Other financing sources:			
Operating transfers in	<u>7,222</u>	<u>7,222</u>	<u>7,222</u>
Total revenue and other sources over expenditures	<u>\$ 22,804</u>	<u>\$ 22,804</u>	<u>\$ -</u>

**CITY OF KINSTON, NORTH CAROLINA
GRANT PROJECT FUND - COPS/KHA GRANT**

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL
From Grant Inception and For the Fiscal Year Ended June 30, 1999**

	Actual		Project
	Current Year	Total to Date	Authorization
Revenue:			
Restricted intergovernmental revenue:			
Federal grant project	\$ -	\$ -	\$ 261,824
Total revenue	-	-	261,824
Expenditures:			
Administration	2,284	2,284	349,256
Operating expenses	664	664	50,000
Total expenditures	2,948	2,948	399,256
Total revenue under expenditures	(2,948)	(2,948)	(137,432)
Other financing sources:			
Operating transfers in	-	-	137,432
Total revenue and other sources under expenditures	<u>\$ (2,948)</u>	<u>\$ (2,948)</u>	<u>\$ -</u>

Capital Project
Funds

CAPITAL PROJECTS FUND

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

Fire Station - This fund accounts for funds to be used to construct a new firehouse station.



**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUND**

**COMPARATIVE BALANCE SHEETS
June 30, 1999 and 1998**

	Fire Station	Totals	
		1999	1998
ASSETS			
Cash and investments	\$ -	\$ -	\$ 1,629
Accounts receivable	-	-	6,764
Total assets	-	\$ -	\$ 8,393
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Due to other funds	\$ -	\$ -	\$ 217,424
Accounts payable and accrued liabilities	-	-	14,595
Total liabilities	-	-	232,019
FUND BALANCES:			
Reserved by State statute	-	-	6,764
Unreserved	-	-	(230,390)
	-	-	(223,626)
Total liabilities and fund balances	\$ -	\$ -	\$ 8,393

**CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS**

**COMPARATIVE STATEMENTS OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 1999 and 1998**

	Fire Station	Totals	
		1999	1998
Revenue:			
Sale of Property	275,000	275,000	-
Expenditures:			
Capital outlay	\$ 51,374	\$ 51,374	\$ 330,564
Total expenditures	51,374	51,374	330,564
Total revenue over (under) expenditures	223,626	223,626	(330,564)
Other financing sources:			
Operating transfer in	-	-	172,500
Total revenue and other sources over (under) expenditures	223,626	223,626	(158,064)
Fund balances (deficit), beginning	(223,626)	(223,626)	121,013
Equity transfer	-	-	(186,575)
Fund balances (deficit), ending	\$ -	\$ -	\$ (223,626)

CITY OF KINSTON, NORTH CAROLINA
CAPITAL PROJECT FUNDS
FIRE STATION
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
From Inception and For the Year Ended June 30, 1999

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Sale of property	\$ 275,000	\$ -	\$ 275,000	\$ 275,000
Total revenues	275,000	-	275,000	275,000
Expenditures:				
Capital outlay:				
Construction cost	-	223,626	51,374	275,000
Total expenditures	275,000	223,626	51,374	275,000
Total revenues over (under) expenditures	\$ -	\$ (223,626)	223,626	\$ -
Fund Balance (deficit), beginning			(223,626)	
Fund Balance, ending			<u>\$ -</u>	



ENTERPRISE FUNDS

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

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

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



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

COMBINING BALANCE SHEETS

June 30, 1999

With Comparative Totals for June 30, 1998

	Electric Fund	Water and Sewer Fund	Totals	
			1999	1998
ASSETS				
Cash and investments	\$ 1,372,277	\$ 3,143,114	\$ 4,515,391	\$ 6,961,048
Due from other funds	-	490,008	490,008	-
Accounts receivable	296,300	161,966	458,266	499,117
Customer receivables, net	5,318,212	881,024	6,199,236	5,024,454
Interest receivable	37,940	27,229	65,169	81,248
Inventories	1,165,147	266,091	1,431,238	1,413,119
Bond issuance costs	270,677	165,767	436,444	472,732
Restricted cash and investments	3,469,397	967,473	4,436,870	7,111,045
Investment in direct financing lease	877,966	-	877,966	1,388,750
Fixed assets:				
Land	207,261	83,972	291,233	291,233
Buildings	3,671,890	3,534,922	7,206,812	7,206,812
Distribution system	20,988,664	34,769,973	55,758,637	52,645,632
Equipment	1,822,022	2,306,022	4,128,044	3,985,667
Accumulated depreciation	(11,457,927)	(13,683,197)	(25,141,124)	(23,165,319)
Construction in progress	5,132,521	2,147,674	7,280,195	3,342,247
Total assets	\$ 33,172,347	\$ 35,262,038	\$ 68,434,385	\$ 67,257,785
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,952,860	\$ 322,492	\$ 3,275,352	\$ 3,481,769
Deferred revenue	-	23,126	23,126	24,122
Customer deposits	746,048	-	746,048	670,630
Accrued compensated absences	101,859	75,360	177,219	181,145
Long-term debt	10,238,538	13,157,177	23,395,715	23,699,197
Total liabilities	14,039,305	13,578,155	27,617,460	28,056,863
Fund equity:				
Contributed capital	-	3,403,537	3,403,537	3,143,959
Retained earnings	19,133,042	18,280,346	37,413,388	36,056,963
Total fund equity	19,133,042	21,683,883	40,816,925	39,200,922
Total liabilities and fund equity	\$ 33,172,347	\$ 35,262,038	\$ 68,434,385	\$ 67,257,785

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

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

For the Fiscal Year Ended June 30, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

	Electric Fund	Water and Sewer Fund	Totals	
			1999	1998
Operating revenue:				
Charges for services	\$ 37,078,630	\$ 5,838,731	\$ 42,917,361	\$ 42,618,448
Other	210,357	68,158	278,515	615,975
Total operating revenue	37,288,987	5,906,889	43,195,876	43,234,423
Operating expenses:				
Electrical operations	31,851,243	-	31,851,243	32,306,794
Administration	2,169,867	1,320,389	3,490,256	3,328,811
Depreciation	892,854	1,082,952	1,975,806	1,694,340
Amortization	22,427	13,862	36,289	37,430
Water and sewer operations	-	945,664	945,664	873,643
Wastewater plant operations	-	1,781,358	1,781,358	1,850,718
Water production	-	888,789	888,789	833,745
Total operating expenses	34,936,391	6,033,014	40,969,405	40,925,481
Operating income (loss)	2,352,596	(126,125)	2,226,471	2,308,942
Nonoperating revenue (expenses):				
Interest earned on investments	481,685	152,630	634,315	879,058
Interest on long-term debt	(313,365)	(271,134)	(584,499)	(826,550)
Total nonoperating revenue (expenses)	168,320	(118,504)	49,816	52,508
Income (loss) before operating transfers	2,520,916	(244,629)	2,276,287	2,361,450
Operating transfers:				
Operating transfers out	(1,009,400)	-	(1,009,400)	(1,662,895)
Net income (loss)	1,511,516	(244,629)	1,266,887	698,555
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction	-	89,538	89,538	80,163
Increase (decrease) in retained earnings	1,511,516	(155,091)	1,356,425	778,718
Retained Earnings, beginning	17,621,526	18,435,437	36,056,963	35,278,245
Retained Earnings, ending	<u>\$ 19,133,042</u>	<u>\$ 18,280,346</u>	<u>\$ 37,413,388</u>	<u>36,056,963</u>

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

**COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 1999
With Comparative Totals for the Fiscal Year Ended June 30, 1998
(Page 1 of 2)**

	Electric Fund	Water and Sewer Fund	Totals	
			1999	1998
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 2,352,596	\$ (126,125)	\$ 2,226,471	\$ 2,308,942
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other income	-	-	-	-
Depreciation	892,854	1,082,952	1,975,806	1,694,340
Amortization	22,427	13,862	36,289	37,431
Allowance for uncollectible accounts	110,744	21,876	132,620	(33,298)
Change in assets and liabilities:				
Due from other funds	-	(490,008)	(490,008)	-
Customer receivables	(1,062,612)	(244,790)	(1,307,402)	(201,368)
Accounts receivable	7,367	33,483	40,850	2,104
Customer deposits	75,418	-	75,418	44,906
Inventories	(2,580)	(15,539)	(18,119)	125,726
Accounts payable	(229,054)	36,418	(192,636)	(37,940)
Deferred revenue	-	(996)	(996)	2,959
Accrued compensated absences	(5,227)	1,301	(3,926)	21,451
Net cash provided by operating activities	2,161,933	312,434	2,474,367	3,965,253
Cash Flows from Noncapital Financing Activities:				
Operating transfers to other funds	(1,009,400)	-	(1,009,400)	(1,662,895)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(3,978,975)	(3,214,355)	(7,193,330)	(3,783,447)
Principal paid on general obligation bond maturities and equipment contracts	(983,920)	(885,844)	(1,869,764)	(1,778,846)
Interest paid on bonded indebtedness and equipment contracts	(328,411)	(269,870)	(598,281)	(822,440)
Contributed capital	-	349,116	349,116	568,338
Proceeds from borrowing	-	1,566,282	1,566,282	465,750
Net cash used for capital and related financing activities	(5,291,306)	(2,454,671)	(7,745,977)	(5,350,645)
Cash Flows from Investing Activities:				
Principal received on direct financing leases	510,784	-	510,784	484,429
Interest and dividends on investments	489,915	160,479	650,394	824,831
Net cash provided by investing activities	1,000,699	160,479	1,161,178	1,309,260
Net decrease in cash and cash equivalents	(3,138,074)	(1,981,758)	(5,119,832)	(1,739,027)

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

**COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 1999
With Comparative Totals for the Fiscal Year Ended June 30, 1998
(Page 2 of 2)**

	Electric Fund	Water and Sewer Fund	Totals	
			1999	1998
Cash and cash equivalents, beginning	\$ 7,979,748	\$ 6,092,345	\$ 14,072,093	\$ 15,811,120
Cash and cash equivalents, ending	\$ 4,841,674	\$ 4,110,587	\$ 8,952,261	\$ 14,072,093

**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, 1999
With Comparative Totals for the Fiscal Year Ended June 30, 1998
(Page 1 of 2)**

	1999			1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Operating revenue:				
Charges for services, electricity sales	\$ 36,148,600	\$ 35,734,589	\$ (414,011)	\$ 36,635,991
Other	326,700	210,357	(116,343)	542,119
Total operating revenue	<u>36,475,300</u>	<u>35,944,946</u>	<u>(530,354)</u>	<u>37,178,110</u>
Nonoperating revenue:				
Principal received on direct lease financing	-	510,784	510,784	484,429
Interest earned on investments	1,011,000	481,685	(529,315)	639,352
Total nonoperating revenue	<u>1,011,000</u>	<u>992,469</u>	<u>(18,531)</u>	<u>1,123,781</u>
Total revenue	<u>37,486,300</u>	<u>36,937,415</u>	<u>(548,885)</u>	<u>38,301,891</u>
Expenditures:				
Administration:				
Salaries and benefits		144,230		130,466
Operating		240,637		246,870
Indirect costs		1,785,000		1,785,000
	<u>2,441,300</u>	<u>2,169,867</u>	<u>271,433</u>	<u>2,162,336</u>
Electrical operations:				
Salaries and benefits		1,388,169		1,329,156
Operating		31,930,592		32,423,189
Capital outlay		404,206		254,041
	<u>34,297,400</u>	<u>33,722,967</u>	<u>574,433</u>	<u>34,006,386</u>
Total expenditures	<u>36,738,700</u>	<u>35,892,834</u>	<u>845,866</u>	<u>36,168,722</u>
Revenue over expenditures	<u>747,600</u>	<u>1,044,581</u>	<u>296,981</u>	<u>2,133,169</u>
Other financing sources (uses):				
Appropriated fund balance	261,800	-	(261,800)	-
Operating transfers out - general fund	(1,009,400)	(1,009,400)	-	(1,342,895)
Total other financing uses	<u>(747,600)</u>	<u>(1,009,400)</u>	<u>(261,800)</u>	<u>(1,342,895)</u>
Revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>35,181</u>	<u>\$ 35,181</u>	<u>\$ 790,274</u>

**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, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

(Page 2 of 2)

	1999			1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Reconciliation of modified accrual basis to full accrual basis:				
Revenue and other sources over expenditures and other uses		\$ 35,181		\$ 790,274
Transfers		1,009,400		1,342,895
Capital outlay		404,206		254,041
Capitalized interest		260,117		177,005
Payment of debt principal		983,920		946,424
Depreciation		(892,854)		(727,380)
Amortization of debt fees		(22,427)		(23,132)
Increase in accrued unbilled electricity sales		1,344,041		210,507
Lease purchase principal received		(510,784)		(484,429)
Bad debt expense		(104,930)		(134,833)
Increase in interest accrual		15,046		7,805
Income before operating transfers, accrual basis		<u>\$ 2,520,916</u>		<u>\$ 2,359,177</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, 1999
With Comparative Totals for the Fiscal Year Ended June 30, 1998**

(Page 1 of 2)

	1999			1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Operating revenue:				
Charges for services:				
Water sales	\$ 2,855,700	\$ 2,601,580	\$ (254,120)	\$ 2,660,464
Sewer charges	3,208,000	2,979,548	(228,452)	3,072,859
Other	54,000	68,158	14,158	73,856
Total operating revenue	6,117,700	5,649,286	(468,414)	5,807,179
Nonoperating revenue:				
Interest earned on investments	180,500	152,630	(27,870)	239,706
Total nonoperating revenue	180,500	152,630	(27,870)	239,706
Total revenue	6,298,200	5,801,916	(496,284)	6,046,885
Expenditures:				
Water and sewer administration:				
Salaries and benefits		185,723		219,744
Operating		209,666		191,731
Indirect costs		925,000		755,000
	<u>1,301,800</u>	<u>1,320,389</u>	<u>(18,589)</u>	<u>1,166,475</u>
Water production:				
Salaries and benefits		242,819		265,113
Operating		645,970		568,632
Capital outlay		24,306		-
	<u>963,950</u>	<u>913,095</u>	<u>50,855</u>	<u>833,745</u>
Water and sewer operations:				
Salaries and benefits		652,511		555,858
Operating		1,733,600		1,763,452
Capital outlay		420,170		441,931
	<u>2,809,150</u>	<u>2,806,281</u>	<u>2,869</u>	<u>2,761,241</u>
Wastewater plant operations:				
Salaries and benefits		574,389		466,216
Operating		1,206,969		1,384,502
Capital outlay		46,584		-
	<u>2,018,100</u>	<u>1,827,942</u>	<u>190,158</u>	<u>1,850,718</u>
Total expenditures	7,093,000	6,867,707	225,293	6,612,179
Revenue under expenditures	(794,800)	(1,065,791)	(270,991)	(565,294)

**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, 1999

With Comparative Totals for the Fiscal Year Ended June 30, 1998

(Page 2 of 2)

	1999			1998
	Budget	Actual	Variance, Favorable (Unfavorable)	Actual
Other financing sources (uses):				
Appropriated fund balance	\$ 2,194,800	\$ -	\$ (2,194,800)	\$ -
Proceeds from borrowing	-	1,566,282	1,566,282	-
Operating transfers out	(1,400,000)	(1,400,000)	-	(941,400)
Total other financing sources (uses)	794,800	166,282	(628,518)	(941,400)
 Revenue and other sources under expenditures and other uses	 \$ -	 (899,509)	 \$ (899,509)	 \$ (1,506,694)

Reconciliation of modified accrual basis
to full accrual basis:

Revenue and other sources under expenditures and other uses	\$ (899,509)	\$ (1,506,694)
Transfers	1,400,000	941,400
Capital outlay	491,060	441,931
Capitalized interest	305,583	266,962
Payment of debt principal	885,844	832,422
Proceeds from borrowing	(1,566,282)	-
Depreciation	(1,082,952)	(966,960)
Amortization of debt fees	(13,862)	(14,298)
Increase in accrued unbilled water sales	121,073	9,830
Increase in accrued unbilled sewer sales	136,530	28,797
Bad debt expense	(20,850)	(19,202)
Increase in interest accrual	(1,264)	(11,915)
 Income (loss) before operating transfers, accrual basis	 \$ (244,629)	 \$ 2,273

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

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
For the Fiscal Year Ended June 30, 1999**

	Project	Actual		Total
	Authorization	Prior Years	Current Year	To Date
Expenditures:				
230KV POD/115KV Transmission Loop	5,197,500	1,065,020	2,677,241	3,742,261
Fuse Installations	263,600	85,395	77,390	162,785
Sectionalizing Switches-Transmission	288,800	-	-	-
Substations Improvements	693,000	76,505	518,079	594,584
Airport/Western Tie	239,100	32,497	9,825	42,322
Briery Subdivision Project	69,100	12,160	42,735	54,895
Old Farm Subdivision	40,000	12,473	2,136	14,609
Less: Completed Project	(40,000)	(12,473)	(2,136)	(14,609)
Industrial Park Electric Feeder	219,400	140,796	1,855	142,651
Less: Completed Project	(219,400)	(140,796)	(1,855)	(142,651)
Total expenditures	<u>6,751,100</u>	<u>1,271,577</u>	<u>3,325,270</u>	<u>4,596,847</u>
Other financing sources:				
Revenue bond proceeds	7,010,500	7,010,500	-	7,010,500
Less: Completed Projects	(259,400)	(157,260)	-	(157,260)
Total other financing sources	<u>6,751,100</u>	<u>6,853,240</u>	<u>-</u>	<u>6,853,240</u>
Total other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 5,581,663</u>	<u>\$ (3,325,270)</u>	<u>\$ 2,256,393</u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES,
BUDGET AND ACTUAL, (NON-GAAP)
For the Fiscal Year Ended June 30, 1999**

		Actual		
	Project Authorization	Prior Years	Current Year	Total To Date
Expenditures:				
Kennedy Home - Water/Sewer Lines	1,000,700	567,201	311,545	878,746
Less: Completed Project	(1,000,700)	(567,201)	(311,545)	(878,746)
Daly Waldrop Road/Hwy 258 N.	620,000	540,534	71,077	611,611
Less: Completed Project	(620,000)	(540,534)	(71,077)	(611,611)
Well Generation Projects - 3 sites	350,000	170,513	-	170,513
Less: Completed Project	(350,000)	(170,513)	-	(170,513)
GTP Training Center	5,100,000	40,240	2,107,434	2,147,674
Total expenditures	5,100,000	40,240	2,107,434	2,147,674
Other financing sources:				
Federal and State grants	1,775,000	-	-	-
Revenue bond proceeds	975,700	975,700	-	975,700
Loan proceeds	1,450,000	-	1,450,000	1,450,000
County participation	475,000	-	349,116	349,116
Customer participation	380,000	375,000	-	375,000
Transfers in	1,890,000	490,000	1,400,000	1,890,000
Sub Total	6,945,700	1,840,700	3,199,116	5,039,816
Less: Completed Projects	(1,845,700)	(1,840,700)	-	(1,840,700)
Total other financing sources	5,100,000	-	3,199,116	3,199,116
Total other financing sources over (under) expenditures	\$ -	\$ (40,240)	\$ 1,091,682	\$ 1,051,442

Internal Service
Fund

Internal Service
Fund

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 risk management activities.



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

**COMPARATIVE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED
EARNINGS**

For the Fiscal Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating revenue:		
Contributions	\$ 796,700	\$ 463,200
Operating expenses:		
Administration	459,319	205,043
Depreciation	3,066	3,072
Claims reimbursement	(148,451)	255,660
Total operating expenses	<u>313,934</u>	<u>463,775</u>
Operating income (loss)	<u>482,766</u>	<u>(575)</u>
Nonoperating Revenue:		
Interest earned on investments	14,430	8,945
Total nonoperating revenue	<u>14,430</u>	<u>8,945</u>
Net income	497,196	8,370
Retained earnings, beginning	<u>15,010</u>	<u>6,640</u>
Retained earnings, ending	<u><u>\$ 512,206</u></u>	<u><u>\$ 15,010</u></u>

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

**SCHEDULE OF REVENUE AND EXPENDITURES
BUDGET AND ACTUAL,
NON-GAAP, MODIFIED ACCRUAL BASIS
For the Fiscal Year Ended June 30, 1999**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue:			
Contributions from various funds	\$ 795,500	\$ 796,700	\$ 1,200
Nonoperating Revenue:			
Other	1,000	14,430	13,430
Total revenue	<u>796,500</u>	<u>811,130</u>	<u>14,630</u>
Expenditures:			
Administration:			
Salaries and benefits		89,567	
Insurance		296,349	
Operating		<u>73,403</u>	
Total administration		459,319	
Claim reimbursements, operating		<u>(148,451)</u>	
Total expenditures	<u>796,500</u>	<u>310,868</u>	<u>485,632</u>
Revenue and other sources over expenditures	<u>\$ -</u>	<u>500,262</u>	<u>\$ 500,262</u>
Reconciliation of modified accrual basis to full accrual basis:			
Revenue and other sources under expenditures		\$ 500,262	
Depreciation		<u>(3,066)</u>	
Net income, accrual basis		<u>\$ 497,196</u>	

**General Fixed Assets
Account Group**

General Fixed Assets
Account Group

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for the cost of fixed assets of the City that are used in the performance of general government functions and that are not accounted for in the Enterprise or Internal Service Funds of the City.



CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
General Fixed Assets:		
Land	\$ 3,684,496	\$ 3,684,496
Buildings	6,220,399	5,770,665
Equipment and vehicles	<u>11,435,377</u>	<u>10,902,200</u>
Total general fixed assets	<u>\$ 21,340,272</u>	<u>\$ 20,357,361</u>
Investment in General Fixed Assets by Source:		
General Fund	\$ 20,858,631	\$ 19,875,720
Special Revenue Funds	<u>481,641</u>	<u>481,641</u>
Total investment in general fixed assets	<u>\$ 21,340,272</u>	<u>\$ 20,357,361</u>

CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended 30, 1999

Function and Activity	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
General Government:				
Council	\$ 22,877	\$ -	\$ -	\$ 22,877
Manager	1,498,993	-	-	1,498,993
Clerk	11,704	-	-	11,704
Human resources	75,686	-	-	75,686
Finance and administration	675,378	-	-	675,378
Other, unclassified	4,436,036	33,940	-	4,469,976
Total general government	<u>6,720,674</u>	<u>33,940</u>	<u>-</u>	<u>6,754,614</u>
Public Safety:				
Police	1,975,230	268,646	-	2,243,876
Fire	2,331,903	443,455	-	2,775,358
Inspection	153,157	13,501	-	166,658
Total public safety	<u>4,460,290</u>	<u>725,602</u>	<u>-</u>	<u>5,185,892</u>
Public Works:				
Highways and Streets:				
Engineering	346,551	15,302	-	361,853
Maintenance	999,269	24,627	-	1,023,896
Total highways and streets	<u>1,345,820</u>	<u>39,929</u>	<u>-</u>	<u>1,385,749</u>
Environmental Services	<u>3,208,676</u>	<u>7,851</u>	<u>-</u>	<u>3,216,527</u>
Parks and Recreation	<u>4,621,901</u>	<u>175,589</u>	<u>-</u>	<u>4,797,490</u>
Total general fixed assets	<u>\$ 20,357,361</u>	<u>\$ 982,911</u>	<u>\$ -</u>	<u>\$ 21,340,272</u>

CITY OF KINSTON, NORTH CAROLINA

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 1999

Function and Activity	Land	Buildings	Equipment and Vehicles	Total
General Government:				
Council	\$ -	\$ -	\$ 22,877	\$ 22,877
Manager	173,000	762,266	563,727	1,498,993
Clerk	-	-	11,704	11,704
Human resources	-	-	75,686	75,686
Finance and administration	-	-	675,378	675,378
Other, unclassified	2,910,068	1,294,337	265,571	4,469,976
Total general government	3,083,068	2,056,603	1,614,943	6,754,614
Public Safety:				
Police	-	-	2,243,876	2,243,876
Fire	38,365	656,732	2,080,261	2,775,358
Inspection	-	-	166,658	166,658
Total public safety	38,365	656,732	4,490,795	5,185,892
Public Works:				
Highways and Streets:				
Engineering	-	-	361,853	361,853
Maintenance	-	-	1,023,896	1,023,896
Total highways and streets	-	-	1,385,749	1,385,749
Environmental Services	-	-	3,216,527	3,216,527
Parks and Recreation	563,063	3,507,064	727,363	4,797,490
Total general fixed assets	\$ 3,684,496	\$ 6,220,399	\$ 11,435,377	\$ 21,340,272

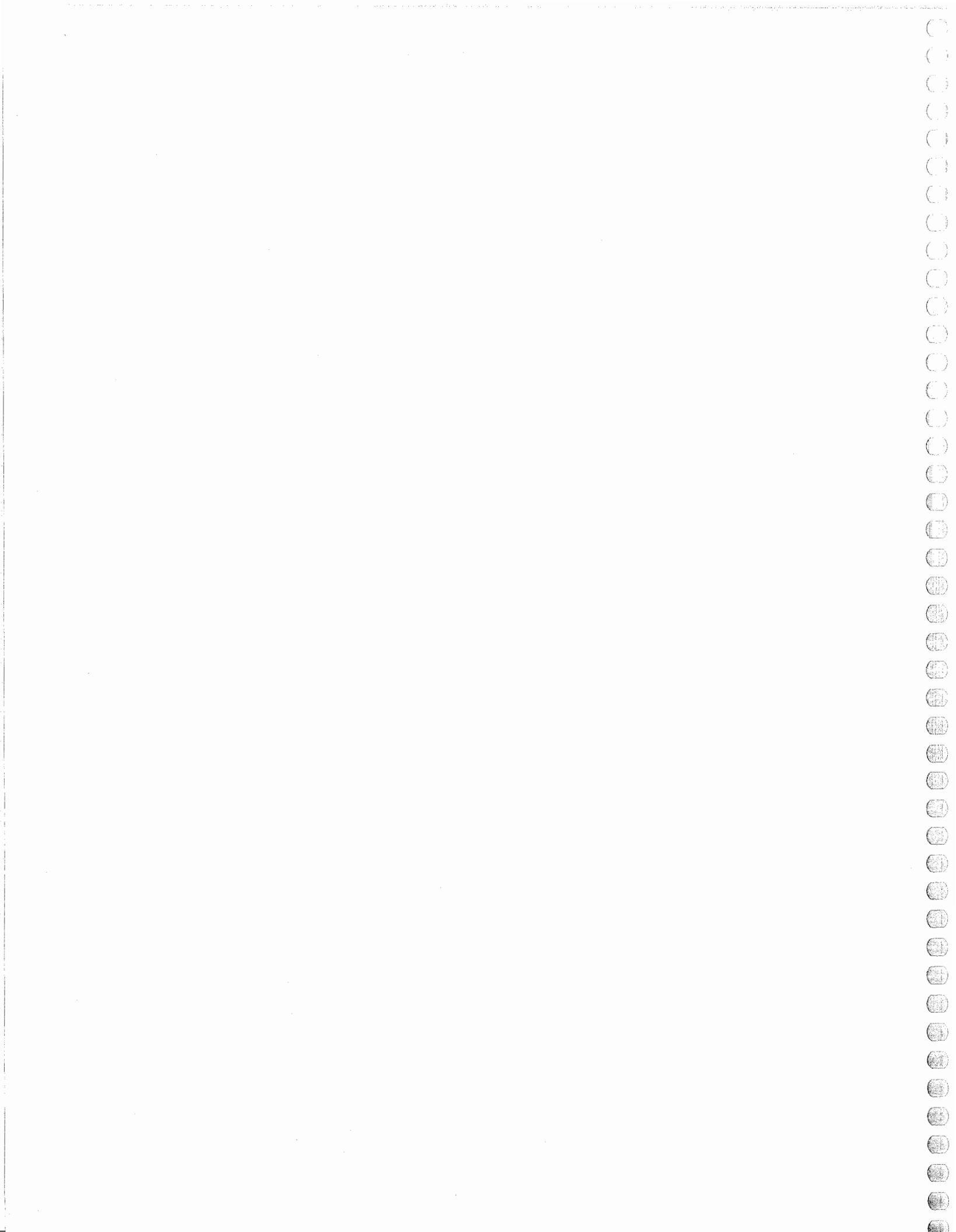


General Long-Term
Debt Account Group

General Long-Term
Debt Account Group

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The General Long-Term Debt Account Group is used to account for the City's unmatured long-term indebtedness that is not accounted for as a specific fund liability of the Enterprise or Internal Service Funds of the City.



CITY OF KINSTON, NORTH CAROLINA

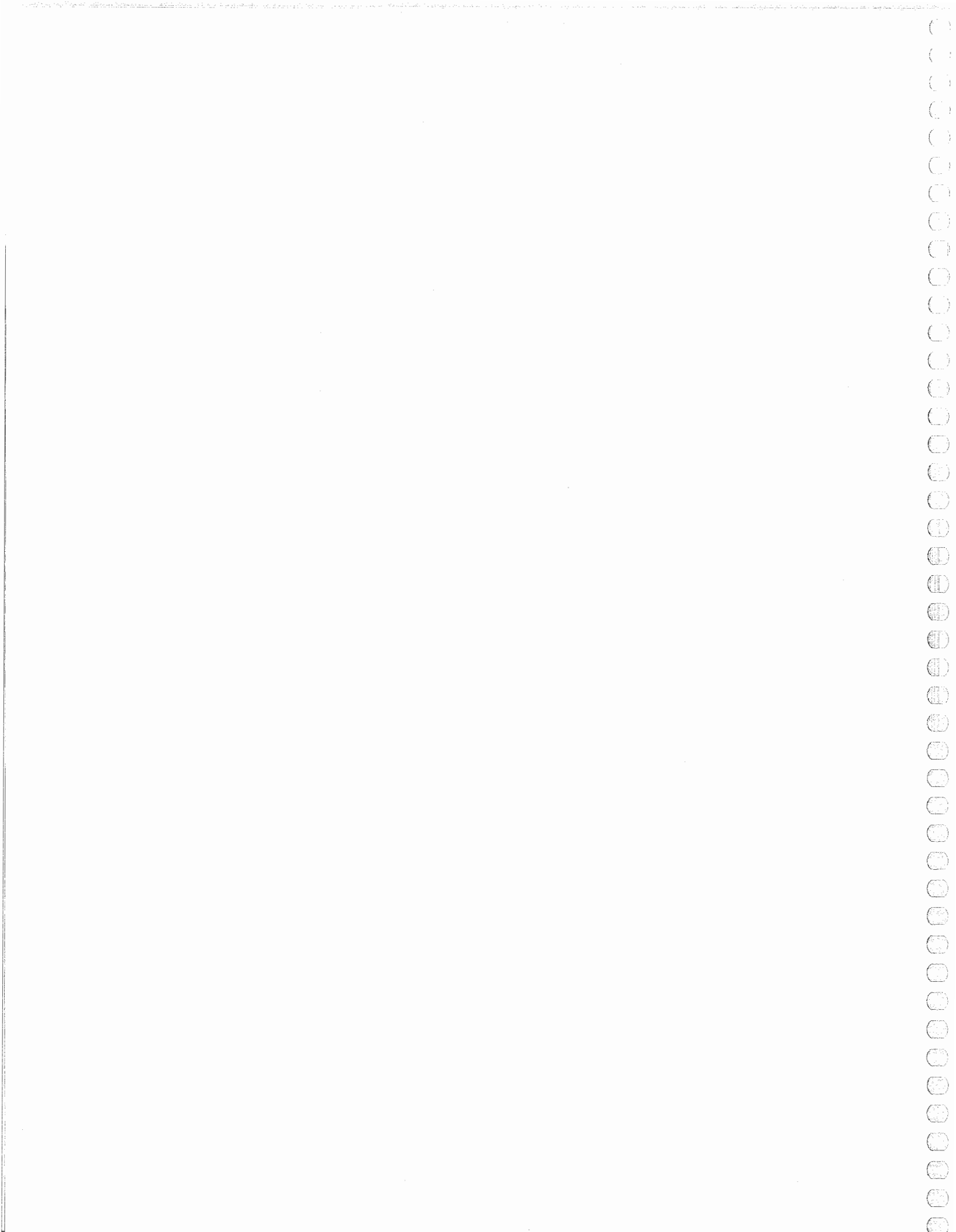
SCHEDULE OF CHANGES IN GENERAL LONG-TERM DEBT For the Fiscal Year Ended 30, 1999

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
By Type of Debt:				
Accrued compensated absences	\$ 641,796	\$ 7,239	\$ -	\$ 649,035
Police separation allowance	36,006	26,941	-	62,947
Separation allowance plan	50,963	102,841	-	153,804
Installment contract obligations	2,653,705	-	888,422	1,765,283
	<u>\$ 3,382,470</u>	<u>\$ 137,021</u>	<u>\$ 888,422</u>	<u>\$ 2,631,069</u>
By Purpose:				
General government equipment	\$ 154,696	\$ -	\$ 102,121	\$ 52,575
Public safety, equipment	290,455	-	222,298	68,157
Public works, equipment	1,216,361	-	413,369	802,992
Recreation, equipment	992,193	-	150,634	841,559
Accrued compensated absences, all departments	641,796	7,239	-	649,035
Police separation allowance	36,006	26,941	-	62,947
Separation allowance plan	50,963	102,841	-	153,804
	<u>\$ 3,382,470</u>	<u>\$ 137,021</u>	<u>\$ 888,422</u>	<u>\$ 2,631,069</u>



OTHER FINANCIAL INFORMATION

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



CITY OF KINSTON, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 1999**

Fiscal Year	Uncollected Balance July 1, 1998	Current Year Gross Levy	Collections Credits and Adjustments	Uncollected Balance June 30, 1998
1998-1999	\$ -	\$ 6,124,500	\$ 5,876,450	\$ 248,050
1997-1998	240,274	-	140,579	99,695
1996-1997	116,421	-	38,682	77,739
1995-1996	67,419	-	19,300	48,119
1994-1995	45,364	-	13,274	32,090
1993-1994	28,836	-	6,062	22,774
1992-1993	55,777	-	5,573	50,204
1991-1992	36,735	-	3,514	33,221
1990-1991	31,064	-	2,357	28,707
1989-1990	13,065	-	409	12,656
1988 and prior	12,185	-	12,185	-
	<u>\$ 647,140</u>	<u>\$ 6,124,500</u>	<u>\$ 6,118,385</u>	<u>\$ 653,255</u>
Motor vehicle tags receivable				104,953
Total property tax receivable				<u>\$ 758,208</u>

RECONCILIATION WITH REVENUE:

Ad valorem taxes - General Fund	\$ 6,262,667	
Less auto fee	<u>(165,883)</u>	
		\$ 6,096,784
Add credits and adjustments		<u>21,601</u>
		<u>\$ 6,118,385</u>

CITY OF KINSTON, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 1999**

	City wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,001,440,003	\$ 0.595	\$ 5,958,587	\$ 5,200,127	\$ 758,460
Penalties			3,237	3,237	-
Total	<u>1,001,440,003</u>		<u>5,961,824</u>	<u>5,203,364</u>	<u>758,460</u>
Municipal Service District	-	-	45,558	45,558	-
Discoveries:					
Current year taxes	24,206,902	0.595	158,420	144,066	14,354
Total	<u>24,206,902</u>		<u>158,420</u>	<u>144,066</u>	<u>14,354</u>
Abatements	(6,941,513)	0.595	(41,302)	(17,960)	(23,342)
Total property valuation	<u>\$ 1,018,705,392</u>				
Net levy			6,124,500	5,375,028	749,472
Uncollected taxes at June 30, 1999			<u>248,050</u>	<u>137,612</u>	<u>110,438</u>
Current year's taxes collected			<u>\$ 5,876,450</u>	<u>\$ 5,237,416</u>	<u>\$ 639,034</u>
Current levy collection percentage			<u>95.95%</u>	<u>97.44%</u>	<u>85.26%</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 City.



CITY OF KINSTON, NORTH CAROLINA

GENERAL GOVERNMENTAL (1) EXPENDITURES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government	Public Safety	Public Works	Recreation	Planning & Development	Debt Service	Capital Outlay	Total
1990	\$ 1,131,145	\$ 4,936,323	\$ 3,367,420	\$ 1,716,122	\$ 2,103,760	\$ 117,112	-	\$ 13,371,882
1991	1,257,882	5,260,246	3,794,562	1,878,150	1,907,452	76,052	-	14,174,344
1992	1,091,584	5,513,816	3,777,559	1,829,086	1,831,158	31,160	-	14,074,363
1993	1,080,042	5,703,579	4,607,689	2,198,167	1,848,171	29,758	-	15,467,406
1994	1,368,327	6,109,920	4,254,386	2,755,956	2,179,809	28,330	-	16,696,728
1995	1,762,566	6,765,199	4,698,604	2,591,703	2,311,865	26,902	-	18,156,839
1996	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	6,677,933	3,483,520	2,296,814	4,519,687	1,324,572	330,564	18,713,449
1999	45,062	7,077,312	4,001,927	2,422,189	9,280,169	1,043,901	51,374	23,921,934

Source: City of Kinston Finance Department

Note: (1) Includes general, special revenue and capital project funds

CITY OF KINSTON, NORTH CAROLINA

GENERAL GOVERNMENT (1)

REVENUE BY SOURCE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Ad Valorem Taxes (2)	Sales and Services	Other Taxes and Licenses	Inter- Governmental Unrestricted	Inter- Governmental Restricted	Other Revenue	Total
1990	\$ 3,995,839	\$ 2,356,366	\$ 1,892,395	\$ 1,546,851	\$ 1,338,889	\$ 511,992	\$ 11,642,332
1991	4,201,916	2,719,137	1,742,530	1,451,578	1,287,122	398,498	11,800,781
1992	4,643,265	2,883,661	1,723,474	1,503,899	1,256,132	397,114	12,407,545
1993	4,800,094	3,193,928	1,860,410	1,488,129	1,106,380	217,288	12,666,229
1994	4,966,902	3,048,637	3,085,375	532,090	1,208,362	443,316	13,284,682
1995	5,224,633	3,166,522	3,295,271	524,737	1,253,385	432,649	13,897,197
1996	5,152,163	2,957,803	3,536,519	519,967	1,024,159	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	702,860	8,074,639	648,608	23,302,597

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						Licenses and Permits	Total
	Ad Valorem (2)	Sales	Intangible	Franchise	Occupancy			
1990	\$ 3,995,839	\$ 1,559,192	\$ 282,655	\$ 921,486	-	\$ 50,548	\$ 6,809,720	
1991	4,127,658	1,458,558	229,016	957,150	-	54,956	6,827,338	
1992	4,643,265	1,441,880	219,636	933,453	-	61,958	7,300,192	
1993	4,800,094	1,577,036	235,709	971,877	-	47,665	7,632,381	
1994	4,966,902	1,809,046	221,979	995,684	-	58,666	8,052,277	
1995	5,224,633	1,928,391	220,005	1,010,519	72,999	63,357	8,519,904	
1996	5,152,163	1,953,386	207,542	1,203,606	106,037	65,948	8,688,682	
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	

Source: City of Kinston Finance Department

Notes: (1) Includes general fund revenue only

(2) Includes penalties and interest

CITY OF KINSTON, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy (1)	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Total Tax Levy
1990	\$ 4,003,070	\$ 3,917,432	97.9%	\$ 79,766	\$ 3,997,198	99.9%
1991	4,205,266	4,065,919	96.7%	53,901	4,119,820	98.0%
1992	4,610,004	4,464,606	96.8%	94,120	4,558,726	98.9%
1993	4,733,536	4,583,443	96.8%	109,224	4,692,667	99.1%
1994	4,909,856	4,728,165	96.3%	97,616	4,825,781	98.3%
1995	5,103,866	4,917,585	96.4%	155,890	5,073,475	99.4%
1996	5,034,263	4,823,149	95.8%	165,830	4,988,979	99.1%
1997	5,119,439	4,870,420	95.1%	182,987	5,053,407	98.7%
1998	5,948,636	5,708,362	96.0%	194,379	5,902,741	99.2%
1999	6,124,500	5,876,450	95.9%	241,935	6,118,385	99.9%

Source: City of Kinston Finance Department

Note: (1) Includes municipal service district

CITY OF KINSTON, NORTH CAROLINA

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

Fiscal Year Ended June 30	Total Assessed Value (2)	Estimated Actual Value	Percentage of Assessed Value Growth
1990	\$ 666,678,591	(1)	22.9%
1991	699,827,335	(1)	5.0%
1992	764,925,492	(1)	9.3%
1993	783,182,081	(1)	2.4%
1994	793,302,730	(1)	1.3%
1995	824,872,433	(1)	4.0%
1996	815,628,820	(1)	-1.1%
1997	828,874,289	(1)	1.6%
1998	991,578,151	(1)	19.6%
1999	1,018,705,392	(1)	2.7%

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

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

CITY OF KINSTON, NORTH CAROLINA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS (PER \$100 OF ASSESSED VALUE)

Fiscal Year Ended June 30	Last Ten Fiscal Years					Total School District Millage
	City Millage	Municipal Service District Millage	Total City Millage	Total County Millage		
1990	\$ 0.61	\$ 0.27	\$ 0.61	\$ 0.72	\$	6.50
1991	0.61	0.27	0.61	0.77		5.25
1992	0.61	0.27	0.61	0.77		-
1993	0.61	0.27	0.61	0.77		-
1994	0.61	0.27	0.61	0.77		-
1995	0.61	0.27	0.61	0.77		-
1996	0.61	0.27	0.61	0.77		-
1997	0.61	0.27	0.61	0.75		-
1998	0.595	0.27	0.595	0.67		-
1999	0.595	0.27	0.595	0.77		-

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
1990	\$ 0.61	\$ 0.72	\$ 1.33	\$ 4,003,070	\$ 11,465,664	\$ 15,468,734
1991	0.61	0.77	1.38	4,205,266	13,167,382	17,372,648
1992	0.61	0.77	1.38	4,610,004	14,894,106	19,504,110
1993	0.61	0.77	1.38	4,733,536	14,811,689	19,545,225
1994	0.61	0.77	1.38	4,909,856	15,977,305	20,887,161
1995	0.61	0.77	1.38	5,103,586	17,353,862	22,457,448
1996	0.61	0.77	1.38	5,034,262	18,016,619	23,050,881
1997	0.61	0.75	1.36	5,119,439	18,020,366	23,139,805
1998	0.595	0.67	1.265	5,948,636	18,540,785	24,489,421
1999	0.595	0.77	1.365	6,124,500	18,667,338	24,791,838

Source: Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA

PRINCIPAL TAXPAYERS

June 30, 1999

Taxpayer	Nature of Property	Assessed Value	Percentage of Total Assessed Value
VPM, Inc.	Retail	\$ 13,745,640	1.3%
Carolina telephone	Utility	12,616,783	1.2%
Dimon International	Tobacco Processor	12,556,793	1.2%
Kinston Ham Products, Inc.	Meat Processor	11,448,814	1.1%
Austin Co.	Tobacco Processor	10,601,174	1.0%
Excel Realty	Shopping Mall	6,933,119	0.7%
Beuhler Products	Manufacturer	6,600,757	0.6%
Hampton Industries	Manufacturer	6,547,837	0.6%
Barnet Southern Corp	Manufacturer	6,129,027	0.6%
North Carolina Natural Gas Corp	Utility	5,690,886	0.6%
Total Assessed Valuation of Top Ten Taxpayers		92,870,830	9.1%
Balance of Assessed Valuation		925,834,562	90.9%
Total Assessed Valuation		<u>\$ 1,018,705,392</u>	<u>100.0%</u>

Source: Lenoir County Tax Office

CITY OF KINSTON, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1999

Total assessed value		<u>\$ 1,018,705,392</u>
Debt limitation - 8% of total assessed value		\$ 81,496,431
Debt applicable to limitation:		
Total bonded debt	\$ 15,245,000	
Obligation under notes payable	5,526,456	
Obligation under installment contracts	<u>4,389,542</u>	
Gross debt	25,160,998	
Less - statutory deductions:		
Revenue bonds issued and outstanding for electric purposes	9,270,000	
Obligations under notes payable attributable to enterprise funds	5,526,456	
Obligation under installment contracts attributable to enterprise funds	2,624,259	
Revenue bonds issued and outstanding for water purposes	<u>5,975,000</u>	
Total statutory deductions	23,395,715	
Total debt applicable to limitation		<u>1,765,283</u>
Legal debt margin		<u>\$ 79,731,148</u>

CITY OF KINSTON, NORTH CAROLINA

RATIO OF ANNUAL GENERAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest	Total (1)	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Expenditures
1990	\$ 450,000	\$ 114,203	\$ 564,203	\$ 13,371,882	4.22%
1991	415,000	90,328	505,328	14,174,344	3.57%
1992	375,000	62,086	437,086	14,074,363	3.11%
1993	360,000	50,228	410,228	15,467,406	2.65%
1994	360,000	31,833	391,833	16,696,728	2.35%
1995	175,000	13,438	188,438	18,156,839	1.04%
1996	150,000	6,000	156,000	18,495,104	0.84%
1997	-	-	-	20,278,563	-
1998	-	-	-	18,713,449	-
1999	-	-	-	23,921,934	-

Notes: (1) Includes debt service for general obligation bonds for Enterprise Fund and General Long-Term Debt Account group.
(2) Includes General and Special Revenue Funds.

CITY OF KINSTON, NORTH CAROLINA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 1999

Name of Governmental Unit	General Obligation Bonds Outstanding (1)	Percentage Applicable to City of Kinston (2)	City of Kinston's Share of Debt (3)
Direct debt - City of Kinston	\$ -	100.00%	\$ -
Lenoir County debt	<u>8,955,000</u>	34.86%	<u>3,121,713</u>
Total overlapping debt	<u>\$ 8,955,000</u>		<u>\$ 3,121,713</u>

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

(2) Determined by proportion of assessed valuation of property subject to taxation in Lenoir County (\$2,498,992,180) located in City of Kinston (\$1,018,705,392).

(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)	
1990	\$ 666,678,591 (4)	293	20,456,346	510,124,000
1991	699,827,335 (4)	219	16,463,698	520,608,000
1992	764,925,492 (4)	242	16,847,253	526,538,000
1993	783,182,081 (4)	264	47,443,108	493,147,000
1994	811,306,805 (4)	456	28,178,970	471,537,000
1995	842,336,146 (4)	490	31,349,949	507,668,000
1996	832,601,605 (4)	271	31,794,645	527,195,000
1997	846,130,255 (4)	265	17,599,789	471,537,000
1998	1,005,811,456 (4)	207	23,348,955	531,440,000
1999	1,035,578,586 (4)	145	18,165,316	(5)

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

Notes: (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
1990	27,400	\$ 666,678,591	\$ 53,334,287	\$ 1,849,000	\$ 165,000	0.02	\$ 67	6
1991	25,295	699,827,335	55,986,187	1,434,000	100,000	0.01	57	4
1992	25,295	764,925,492	61,194,039	1,045,000	75,000	0.001	41	3
1993	25,758	783,182,081	62,654,566	685,000	50,000	0.001	27	2
1994	25,863	811,306,805	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	813,200,295	65,056,024	-	-	-	-	-
1998	25,729	1,005,811,456	80,464,916	-	-	-	-	-
1999	24,974	1,035,538,586	81,496,431	-	-	-	-	-

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
1990	\$ 33,738,520	\$ 28,302,308	\$ 5,436,212	-	\$ -	\$ -	-
1991	36,508,539	30,997,731	5,510,808	-	-	-	-
1992	38,087,934	33,113,106	4,974,828	-	-	-	-
1993	39,906,505	34,910,008	4,996,497	150,000	200,925	350,925	14.24
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	43,839,191	38,993,599	4,845,592	630,000	844,292	1,474,292	3.29

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

CITY OF KINSTON, NORTH CAROLINA

DEMOGRAPHIC STATISTICS

Last Ten Fiscal years

Fiscal Year Ended June 30	City Population (1)	County Per Capita Income (2)	County Unemployment Rate (3)	City and County School Enrollment (4)	County Retail Sales (5)	Bank Deposits (6)
1990	27,400	15,443	3.8%	11,076	498,572,117	510,124,000
1991	25,295	16,257	7.7%	11,023	504,222,805	520,608,000
1992	25,295	18,325	6.7%	10,654	519,024,495	526,538,000
1993	25,758	18,290	7.0%	10,713	545,002,712	493,147,000
1994	25,863	18,255	6.5%	10,400	628,638,734	471,537,000
1995	25,730	18,036	6.2%	10,451	595,789,426	507,668,000
1996	25,729	19,889	6.3%	10,470	671,296,492	527,195,000
1997	25,729	20,350	6.0%	10,200	792,179,860	524,052,000
1998	25,729	(7)	6.2%	10,326	795,347,821	531,440,000
1999	24,974	(7)	6.3%	10,062	781,517,297	(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, 1999

Population	24,974
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)	115.73
Number of street lights	2,057
Employees	406
Fire Protection:	
Number of stations	3
Number of firemen/officers	65
Police Department:	
Number of stations	5
Number of police/officers	83
Electric Department:	
Number of consumers	12,957
Average daily usage	1580 MWH
Miles of distribution lines	365
Water Department:	
Number of consumers	12,000
Average daily consumption	5.06 MGD
Miles of water mains	200
Sewers:	
Average daily flow	5.94MGD
Miles of sewer lines	300
Parks/Recreation:	
Number of parks	13
Park acreage	278
Golf courses	1
Swimming pools	3
Tennis courts	19
Museum	1
Other recreational facilities:	
Grainger Stadium	4,200 seat baseball stadium
Airport theater	300 seat theater