

**CITY OF NEW BERN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

*Prepared by the Finance Department
Mary Muraglia, Director of Finance*

CITY OF NEW BERN, NORTH CAROLINA
Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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Martin Starnes & Associates, CPAs, P.A.

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INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the Board of Alderman
City of New Bern, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Bern, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New Bern's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Bern, North Carolina, as of June 30, 2008, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of City of New Bern's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting a compliance and the results of that testing, and not to provide an opinion on the internal control over final reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis 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 principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City of New Bern, North Carolina, taken as a whole. The combining and individual nonmajor fund financial statements and schedules, schedule of ad valorem taxes receivable, and analysis of current tax levy are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133 , Audits of States, Local Governments, and Non-Profit Organization* and the State Single Audit Implementation Act, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2008

Management's Discussion and Analysis

As management of the City, we offer readers of the City of New Bern's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

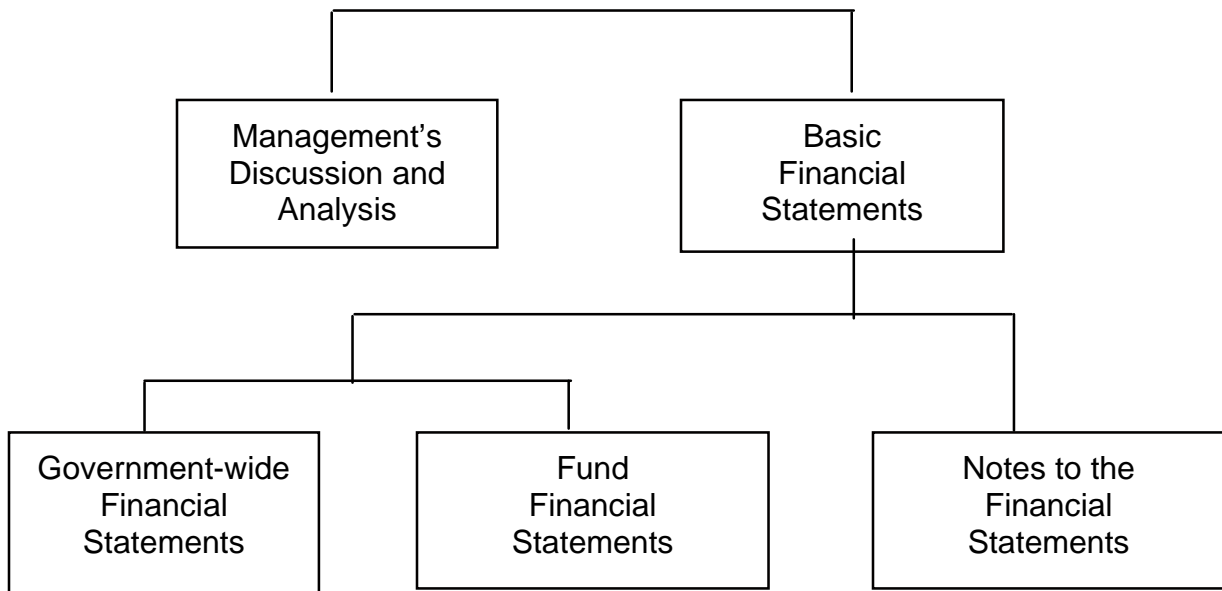
- The assets of the City of New Bern exceeded its liabilities at the close of the fiscal year by \$112,009,096 (*net assets*).
- The government's total net assets increased by \$5,726,706, primarily due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the City of New Bern's governmental funds reported combined ending fund balances of \$10,542,705 an increase of \$3,990,355 in comparison with the prior year. Approximately 41.29 percent of this total amount, or \$4,353,603, is available for spending at the government's discretion (*unreserved fund balance*), and of this amount \$3,966,334 is designated for capital projects. In 2007, the unreserved fund balance was \$3,722,657.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$253,896 or .74 percent of the total general fund expenditures for the fiscal year. Of the decrease in unreserved General Fund fund balance, \$2,668,254 is attributed to funds loaned to the Electric and Sewer Funds that are expected to be repaid in fiscal year 2008. Without these internal balances, the unreserved fund balance for the General Fund would be approximately 11.0 percent. Our percentage is less than our goal of 15 - 20 percent, although there is no formal fund balance policy. In 2007, unreserved fund balance in the General Fund was \$3,402,295 or 13.97 percent of total expenditures.
- As a result of decreasing cash balances in some funds and our goal to maintain adequate fund balances, the Governing Board approved rate increases in business-type activities for fiscal year 2009. An electric rate increase of 14.0 percent and a sewer rate increase of 5.0 percent were approved effective July 1, 2008, and a water rate increase of 20.0 percent was approved effective October 1, 2008.
- The City's total debt increased by \$10,670,563 (20.85%) during the current fiscal year. There were three new installment financings totaling \$10,929,230, with \$4,214,000 of this amount for the construction of an aquatic center/swimming pool. Another key factor in this increase is additional borrowing of \$5,797,351 on a Drinking Water State Revolving loan for the construction of wells and a new water treatment plant.
- The City's sound financial condition is evidenced by the continuation of its A3 rating from Moody's Investors Service and its A- rating from Standard & Poor's Corporation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial

statements, this report contains other supplemental information that will enhance the readers understanding of the financial condition of the City of New Bern. The following diagram illustrates how the required components relate to one another.

Required Components of Annual Financial Report



Summary → Detail

Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are *Government-wide Financial Statements* that provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through H) are *Fund Financial Statements* that focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the *notes* to the financial statements that explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as public safety, streets, parks and recreation and general administration. Property taxes, other taxes, and state and federal grant funds finance most of these activities.
- Business-type activities – The City charges fees to customers to cover the costs of services provided. The City's water, sewer and electric services are included here.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Governing Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified

sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement reflects the following: (a) the original budget as adopted by the board, (b) the final budget as amended by the board, (c) the actual resources, charges to appropriations, and ending balances in the General Fund, and (d) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds - The City has two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are used to report activities that provide supplies and services for the City's other programs and activities. The City uses an internal service fund to account for one activity - its health benefit plan. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements -The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-47 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of New Bern exceeded liabilities by \$112,009,096 as of June 30, 2008. The City's net assets increased by \$5,726,706 for the fiscal year ended June 30, 2008 compared to an increase of \$9,543,992 in 2007. The largest portion (92.7%) reflects the City's investment in capital assets (e.g., land, buildings, equipment, and distribution systems), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$8,123,940 (7.3%) is unrestricted. In 2007, the amount of net assets invested in capital assets net of related debt was \$94,590,135, and the remaining balance of \$11,692,255 was unrestricted net assets for that year.

The City of New Bern Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$14,086,406	\$8,838,296	\$11,590,436	\$11,043,611	\$25,676,842	\$19,881,907
Capital assets	42,981,478	38,266,134	117,121,952	107,342,205	160,103,430	145,608,339
Total assets	<u>\$57,067,884</u>	<u>\$47,104,430</u>	<u>\$128,712,388</u>	<u>\$118,385,816</u>	<u>\$185,780,272</u>	<u>\$165,490,246</u>
Long-term liabilities outstanding	\$15,108,900	\$9,065,783	\$41,588,071	\$36,831,989	\$56,696,971	\$45,897,772
Other liabilities	5,351,197	3,948,480	11,723,008	9,361,604	17,074,205	13,310,084
Total liabilities	<u>20,460,097</u>	<u>13,014,263</u>	<u>53,311,079</u>	<u>46,193,593</u>	<u>73,771,176</u>	<u>59,207,856</u>
Net assets:						
Invested in capital assets, net of related debt	31,404,726	27,941,069	72,480,430	66,649,066	103,885,156	94,590,135
Restricted	-	-	-	-	-	-
Unrestricted	5,203,061	6,149,098	2,920,879	5,543,157	8,123,940	11,692,255
Total net assets	<u>\$36,607,787</u>	<u>\$34,090,167</u>	<u>\$75,401,309</u>	<u>\$72,192,223</u>	<u>\$112,009,096</u>	<u>\$106,282,390</u>

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage (excluding motor vehicles) of 99.21%, which is comparable to the statewide average of 98.59%. The overall tax collection percentage of 98.22% for fiscal year 2008 decreased slightly as compared to 98.33% for 2007.
- Continued increase in property tax values due to economic growth in the City. The property tax rate increased from 47 cents to 50.5 cents per \$100 of property value.
- Continued low cost of debt due to the City's high bond rating.

City of New Bern Changes in Net Assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$5,396,019	\$4,901,195	\$71,592,713	\$67,319,342	\$76,988,732	\$72,220,537
Operating grants and contributions	1,490,112	1,147,222	-	-	1,490,112	1,147,222
Capital grants and contributions	1,389,464	784,016	598,245	5,002,222	1,987,709	5,786,238
General revenues:						
Property taxes	11,394,396	10,004,106	-	-	11,394,396	10,004,106
Other taxes	7,812,084	7,093,105	-	-	7,812,084	7,093,105
Grants and contributions not restricted to specific programs						
	-	-	-	-	-	-
Unrestricted investment earnings	220,341	268,561	82,241	169,450	302,582	438,011
Total revenues	<u>27,702,416</u>	<u>24,198,205</u>	<u>72,273,199</u>	<u>72,491,014</u>	<u>99,975,615</u>	<u>96,689,219</u>
Expenses:						
General government	1,740,209	2,611,090	-	-	1,740,209	2,611,090
Public safety	14,256,696	12,850,444	-	-	14,256,696	12,850,444
Public works	4,155,602	1,764,001	-	-	4,155,602	1,764,001
Environmental protection	1,857,096	1,553,143	-	-	1,857,096	1,553,143
Economic development	1,573,633	1,793,777	-	-	1,573,633	1,793,777
Culture and recreation	2,447,858	1,930,008	-	-	2,447,858	1,930,008
Interest on long-term debt	352,292	504,339	-	-	352,292	504,339
Water and sewer	-	-	15,923,022	14,186,534	15,923,022	14,186,534
Electric	-	-	51,942,501	49,951,891	51,942,501	49,951,891
Total expenses	<u>26,383,386</u>	<u>23,006,802</u>	<u>67,865,523</u>	<u>64,138,425</u>	<u>94,248,909</u>	<u>87,145,227</u>
Increase in net assets before transfers	1,319,030	1,191,403	4,407,676	8,352,589	5,726,706	9,543,992
Transfers	1,198,590	609,202	(1,198,590)	(609,202)	-	-
Increase in net assets	2,517,620	1,800,605	3,209,086	7,743,387	5,726,706	9,543,992
Net assets, July 1	<u>34,090,167</u>	<u>32,289,562</u>	<u>72,192,223</u>	<u>64,448,836</u>	<u>106,282,390</u>	<u>96,738,398</u>
Net assets, June 30	<u>\$36,607,787</u>	<u>\$34,090,167</u>	<u>\$75,401,309</u>	<u>\$72,192,223</u>	<u>\$112,009,096</u>	<u>\$106,282,390</u>

Governmental Activities. Governmental activities increased the City's net assets by \$2,517,620 (after transfers of \$1,198,590), thereby accounting for 43.96 percent of the total growth in net assets of the City of New Bern. This compares to an increase of \$1,800,605 in 2007, which represented 18.87 percent of growth in the City's net assets.

The increase is primarily due to an increase in property tax revenues of \$1,358,406 or 13.59 percent. The property tax rate increased from 47 cents to 50.5 cents per \$100 of property value and property valuation increased 6.05 percent.

Business-type Activities. Business-type activities increased the City's net assets by \$3,209,086 (after transfers of \$1,198,590), accounting for 56.04 percent of the total growth in the net assets. This compares to an increase of \$7,743,387 in 2007, representing 81.13 percent of the total growth in net assets for that year.

The increase is primarily due to a sewer rate increase and some stabilization of sewer operating costs, as well as \$598,245 capital contributions for a pump station and sewer lines for new subdivisions.

While net assets increased, the Sewer Fund had \$38,951 negative unrestricted net assets at June 30, 2008, and the cash position of the Sewer and Electric funds has seen decreases in recent years due to closer operating margins. During the year, the City complied with all requirements and in February 1, 2008 was fully released from a moratorium on sewer operations. Also in February 2008, the Governing Board delayed the previously approved increase in water and sewer connection fees from March 1, 2008 to July 1, 2009. In June 2008, the Governing Board approved a 5.0 percent sewer rate increase and 14.0 percent electric rate increase effective July 1, 2008 in response to our increasing costs and concerns about the Sewer and Electric fund's financial position.

Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of New Bern. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$253,896 while total fund balance was \$6,442,998. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents .74 percent of total General Fund expenditures, while total fund balance represents 24.74 percent of the same amount. Unreserved fund balance is impacted by \$2,668,254 loaned to the Electric and Sewer Funds due to their declining cash balances. These loans are expected to be repaid in fiscal year 2008, increasing the unreserved fund balance. In

comparison, total fund balance in 2007 was \$6,231,988 and represented 25.53 percent of total General Fund expenditures.

At June 30, 2008, the governmental funds of the City of New Bern reported a combined fund balance of \$10,542,705, a 60.9 percent increase over last year. Included in this change in fund balance are increases in fund balance in both the General and Capital Project Funds with \$3,966,334 attributed to capital projects.

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

There were several significant amendments during the year:

- Grants awarded during the year totaling \$325,739 were appropriated.
- Fund balance of \$629,222 was appropriated in June 2008 as revenues were expected to be less than budgeted, and additional appropriations were made to departments for various expenditures.

Revenues were less than the budgeted amounts primarily because restricted intergovernmental revenues from grants were not received as the related expenditures were not made during the year. Revenues from building permits and inspections were also less than budgeted due to the changing economy. Public safety expenditures increased during the year mainly in employee compensation and benefits.

Proprietary Funds. The City of New Bern's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Total net assets at the end of the fiscal year amounted to \$75,401,309 which is comprised of \$11,396,772 for the Water Fund, \$39,441,899 for the Sewer Fund and \$24,562,638 for the Electric Fund. The total change in net assets for these funds was \$146,831, \$2,638,277 and \$423,978 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the City had \$160,103,430 (net of accumulated depreciation) in capital assets consisting of land, buildings and systems, equipment, vehicles, and infrastructure. This amount represents a net increase of \$14.5 million, or 9.95 percent over last year.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction in progress for downtown streetscape improvements of \$808,208.

- Construction in progress for aquatic center/swimming pool of \$556,866.
- Construction in progress for purchase of computer-aided dispatch and records management software system for public safety of \$582,092.
- Sewer improvements to New Street of \$600,504.
- Construction in progress for Trent Woods Sewer Collection System of \$323,781. Assets totaling \$11,129,959 were placed in service.
- Purchase of land for drainage project of \$506,352.
- Construction in progress for new wells and water treatment plant totaling \$7,245,516.
- Construction in progress for sewer improvements in Township 7 area totaling \$441,777.

**City of New Bern Capital Assets
(net of depreciation)**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Land	\$12,395,825	\$11,736,126	\$13,996,362	\$13,481,870	\$26,392,187	\$25,217,996
Buildings and Systems	11,666,550	11,825,492	83,258,372	72,300,875	94,924,922	84,126,367
Equipment, Furniture and Fixtures	4,121,426	3,652,390	5,960,951	5,444,794	10,082,377	9,097,184
Infrastructure	9,924,036	8,298,396	-	-	9,924,036	8,298,396
Vehicles and Motorized Equipment	1,974,633	2,188,480	1,946,122	1,682,380	3,920,755	3,870,860
Construction in Progress	2,899,008	565,250	11,960,145	14,432,286	14,859,153	14,997,536
Total	\$42,981,478	\$38,266,134	\$117,121,952	\$107,342,205	\$160,103,430	\$145,608,339

Additional information on the City's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Debt

As of June 30, 2008, the City had \$61,845,452 of debt outstanding. Of this, \$740,000 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents installment purchases and revolving loans to the State of North Carolina.

**City of New Bern Outstanding Debt
General Obligation, Installment Purchases and Notes Payable**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
General obligation bonds	-	-	\$740,000	\$1,000,000	\$740,000	\$1,000,000
Installment purchases	16,626,035	10,500,274	16,830,785	16,696,784	33,456,820	27,197,058
Notes payable	-	-	27,648,632	22,977,831	27,648,632	22,977,831
Total:	<u>\$16,626,035</u>	<u>\$10,500,274</u>	<u>\$45,219,417</u>	<u>\$40,674,615</u>	<u>\$61,845,452</u>	<u>\$51,174,889</u>

The City's total debt increased by \$10,670,563 (20.85%) during the past fiscal year. New debt for 2008 resulted from the following:

- Installment purchase financing of \$915,316 for vehicles.
- Installment purchase financing of \$2,415,014 for equipment.
- Installment purchase financing of \$7,598,900 for aquatic center/swimming pool, downtown streetscape improvements, construction of addition to fire station and improvements to municipal building, purchase of land for drainage project, and construction of sewer maintenance building, sewer vault and water and sewer lines. Of the total financed, the aquatic center is \$4,214,000.
- Revolving state loan funding of \$5,797,351 for construction of wells and new water treatment plant facility. The funding commitment for this project totals \$31,056,000.

As indicated in the financial highlights section of this document, the City's sound financial condition is evidenced by the continuation of its A3 bond rating from Moody's Investors Service and A- rating from Standard and Poor's Corporation. This is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City at June 30, 2008 is approximately \$172,261,540.

More detailed information regarding the City's long-term debt can be found in Note 9 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City. However, the changing economy is impacting the City.

- During fiscal year 2008, building permits were issued for 250 commercial and 387 residential units with a value of \$115.5 million compared to \$144.8 million for 2007. Revenues from

building permits and inspections were 36.4 percent less than last year. Estimated construction cost of an expansion and renovations to the hospital and a church, construction of a restaurant, service station, hotel and the City's aquatic center and water treatment plant are approximately \$57 million of the total value.

- Taxable sales for New Bern for fiscal year 2008 were \$544,555,305 compared to \$586,961,178 for 2007. Sales tax revenue actually increased \$163,337 during fiscal year 2008 as a result of the increase in our tax rate, as distributions are based on ad valorem tax.
- The June 2008 unemployment rate for Craven County was 5.5 percent compared to 5.9 percent for the state and 5.5 percent for the nation. This compares to June 2007 rates of 4.7 for Craven County, 4.9 percent for the state and 4.5 percent for the nation. While there have been recent layoffs at a boat manufacturing facility, a new manufacturing plant announced it would open in June 2009.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: Property taxes (benefiting from the economic growth) are expected to lead the increase in budgeted revenue by 6.8 percent. The City will use these increases in revenues to finance programs currently in place and increase fund balance.

Budgeted expenditures in the General Fund are expected to rise approximately 13.8 percent to \$31,810,665. The largest increments are in capital outlay and debt service. However, we began the new year by placing budget restrictions on non-critical expenditures, and as of the writing of this discussion, with the weakening economy the City plans to continue these budget restrictions. A hiring freeze is now in effect for all vacant positions and capital outlay purchases will most likely be postponed unless they are critical in nature.

Business-type Activities: A five percent increase in sewer rates is effective July 1, 2008 to cover increased costs of operations and improve the Sewer Fund's financial position. This equates to about a \$1.48 per month increase for in-city households. General operating expenses for Sewer will increase 36.3 percent over actual expenditures for fiscal year ending June 30, 2008 with 29.9 percent of the increase in capital outlay.

A 20.0 percent increase in water rates is effective October 1, 2008. This equates to about a \$3.47 per month increase for in-city households. The rate increase is in preparation for increased costs of operations and debt associated with the construction of a water treatment plant facility as required by the Capacity Use Rules to reduce withdrawal from the Cretaceous Aquifer by 25 percent. The construction should be completed in 2009. General operating expenses will increase 45.7 percent for Water over actual expenditures for fiscal year ending June 30, 2008, with 43.7 percent of the increase in capital outlay.

A 14.0 percent increase in electric rates is effective July 1, 2008 to cover increased costs of operations and improve the Electric Fund's financial position. Our wholesale power cost increased 14.0 percent in August 2008, and this cost is approximately 75.0 percent of electric operations. We have been advised that further increases in our power cost are possible, at which time the Governing Board would consider additional rate increases to our customers.

For business-type activities also, we began the new year by placing budget restrictions on non-critical expenditures and plan to continue these restrictions in light of the current economic situation. A hiring freeze is now in effect for all vacant positions and capital outlay purchases will most likely be postponed unless they are critical in nature.

Requests for Information

This financial report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of New Bern, P.O. Box 1129, New Bern, NC 28563-1129.

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 2,395,406	\$ 292,127	\$ 2,687,533
Taxes receivable, net	373,982	-	373,982
Accounts receivable, net	685,044	8,865,192	9,550,236
Due from other governments	2,689,863	1,905,338	4,595,201
Prepaid items	19,100	-	19,100
Inventories	205,474	2,618,110	2,823,584
Internal balances	2,668,254	(2,668,254)	-
Cash and investments, restricted	5,049,283	577,923	5,627,206
Nondepreciable capital assets	15,294,833	25,956,507	41,251,340
Depreciable capital assets, net	<u>27,686,645</u>	<u>91,165,445</u>	<u>118,852,090</u>
Total assets	<u>57,067,884</u>	<u>128,712,388</u>	<u>185,780,272</u>
Liabilities:			
Accounts payable and accrued liabilities	2,752,437	6,809,174	9,561,611
Unearned revenues	49,277	-	49,277
Customer deposits	-	965,409	965,409
Current maturities of long-term debt	2,549,483	3,948,425	6,497,908
Noncurrent portion of long term debt	<u>15,108,900</u>	<u>41,588,071</u>	<u>56,696,971</u>
Total liabilities	<u>20,460,097</u>	<u>53,311,079</u>	<u>73,771,176</u>
Net Assets:			
Invested in capital assets, net of related debt	31,404,726	72,480,430	103,885,156
Unrestricted	<u>5,203,061</u>	<u>2,920,879</u>	<u>8,123,940</u>
Total net assets	<u>\$ 36,607,787</u>	<u>\$ 75,401,309</u>	<u>\$ 112,009,096</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,740,209	\$ 3,646,342	\$ 236,608	\$ -
Public safety	14,256,696	74,246	891,411	432,429
Public works	4,155,602	162,910	-	910,462
Environmental protection	1,857,096	1,418,840	-	-
Cultural and recreation	2,447,858	93,681	5,762	12,732
Economic and physical development	1,573,632	-	356,331	33,841
Interest on long-term debt	<u>352,292</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>26,383,386</u>	<u>5,396,019</u>	<u>1,490,112</u>	<u>1,389,464</u>
Business-Type Activities:				
Electric Fund	51,942,501	53,551,679	-	-
Water Fund	6,003,170	6,095,579	-	-
Sewer Fund	<u>9,919,852</u>	<u>11,945,455</u>	<u>-</u>	<u>598,245</u>
Total business-type activities	<u>67,865,523</u>	<u>71,592,713</u>	<u>-</u>	<u>598,245</u>
Total primary government	<u>\$ 94,248,909</u>	<u>\$ 76,988,732</u>	<u>\$ 1,490,112</u>	<u>\$ 1,987,709</u>

General Revenues:

Ad valorem taxes
Sales tax
Other taxes
Interest earned on investments
Transfers
Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

The accompanying notes are an integral part of the financial statements.

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 2,142,741	\$ -	\$ 2,142,741
(12,858,610)	-	(12,858,610)
(3,082,230)	-	(3,082,230)
(438,256)	-	(438,256)
(2,335,683)	-	(2,335,683)
(1,183,460)	-	(1,183,460)
(352,292)	-	(352,292)
<u>(18,107,791)</u>	<u>-</u>	<u>(18,107,791)</u>
-	1,609,178	1,609,178
-	92,409	92,409
<u>-</u>	<u>2,623,848</u>	<u>2,623,848</u>
<u>-</u>	<u>4,325,435</u>	<u>4,325,435</u>
<u>(18,107,791)</u>	<u>4,325,435</u>	<u>(13,782,356)</u>
11,394,396	-	11,394,396
5,050,076	-	5,050,076
2,762,008	-	2,762,008
220,341	82,241	302,582
<u>1,198,590</u>	<u>(1,198,590)</u>	<u>-</u>
<u>20,625,411</u>	<u>(1,116,349)</u>	<u>19,509,062</u>
2,517,620	3,209,086	5,726,706
<u>34,090,167</u>	<u>72,192,223</u>	<u>106,282,390</u>
<u>\$ 36,607,787</u>	<u>\$ 75,401,309</u>	<u>\$ 112,009,096</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,460,151	\$ 141,007	\$ 1,601,158
Taxes receivable, net	373,982	-	373,982
Accounts receivable, net	629,911	52,493	682,404
Cash and investments, restricted	354,548	4,694,735	5,049,283
Due from other funds	2,668,254	121,489	2,789,743
Due from other governments	2,682,471	7,392	2,689,863
Prepaid items	19,100	-	19,100
Inventories	205,474	-	205,474
Total assets	<u>\$ 8,393,891</u>	<u>\$ 5,017,116</u>	<u>\$ 13,411,007</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,218,538	\$ 772,911	\$ 1,991,449
Due to other funds	-	121,489	121,489
Deferred revenue	732,355	23,009	755,364
Total liabilities	<u>1,950,893</u>	<u>917,409</u>	<u>2,868,302</u>
Fund Balances:			
Reserved by State statute	5,609,980	-	5,609,980
Reserved for prepaids and inventories	224,574	-	224,574
Reserved for capital projects	354,548	-	354,548
Unreserved - General Fund	253,896	-	253,896
Unreserved, reported in:			
Special Revenue funds	-	133,373	133,373
Capital Projects funds	-	3,966,334	3,966,334
Total fund balances	<u>6,442,998</u>	<u>4,099,707</u>	<u>10,542,705</u>
Total liabilities and fund balances	<u>\$ 8,393,891</u>	<u>\$ 5,017,116</u>	

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 42,981,478

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds.

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 35,900

Liabilities for earned but deferred revenues in fund statements. 706,087

Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds. (17,658,383)

Net assets of governmental activities, per Exhibit A \$ 36,607,787

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 11,355,453	\$ -	\$ 11,355,453
Other taxes and licenses	286,108	-	286,108
Unrestricted intergovernmental revenues	7,525,976	-	7,525,976
Restricted intergovernmental revenues	1,476,059	1,173,949	2,650,008
Permits and fees	519,042	-	519,042
Sales and services	3,260,934	-	3,260,934
Interest earned on investments	188,973	20,436	209,409
Miscellaneous	236,416	6,000	242,416
Total revenues	<u>24,848,961</u>	<u>1,200,385</u>	<u>26,049,346</u>
Expenditures:			
General government	735,151	-	735,151
Public safety	13,559,371	829,891	14,389,262
Public works	3,665,542	-	3,665,542
Environmental protection	1,789,423	-	1,789,423
Cultural and recreation	2,236,667	25,465	2,262,132
Economic and physical development	1,573,632	889,455	2,463,087
Capital outlay	2,038,371	1,688,082	3,726,453
Debt Service:			
Principal repayments	2,001,293	-	2,001,293
Interest	352,562	-	352,562
Total expenditures	<u>27,952,012</u>	<u>3,432,893</u>	<u>31,384,905</u>
Revenues over (under) expenditures	<u>(3,103,051)</u>	<u>(2,232,508)</u>	<u>(5,335,559)</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,407,589	197,723	1,605,312
Transfers to other funds	-	(406,722)	(406,722)
Issuance of long-term debt	1,906,472	6,220,852	8,127,324
Total other financing sources (uses)	<u>3,314,061</u>	<u>6,011,853</u>	<u>9,325,914</u>
Net change in fund balances	211,010	3,779,345	3,990,355
Fund Balances:			
Beginning of year - July 1	<u>6,231,988</u>	<u>320,362</u>	<u>6,552,350</u>
End of year - June 30	<u>\$ 6,442,998</u>	<u>\$ 4,099,707</u>	<u>\$ 10,542,705</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Net change in fund balances - total governmental funds (Exhibit D) \$ 3,990,355

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes	38,943
Sales and services	(18,798)

Expenses related to compensated absences and accrued interest that do not require current financial resources are not reported as expenditures in the governmental funds statement. (111,993)

Capital outlays are reported as expenditures in the governmental funds statement. However, in the statement of activities, capital outlay is not an expense, rather it is an increase in capital assets. 6,473,217

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (1,757,873)

Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities. 2,001,563

Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities. (8,127,324)

The net revenue of the internal service funds are reported with governmental activities. 29,530

Change in net assets of governmental activities per Exhibit B \$ 2,517,620

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	2008		
	Budgeted Amounts		Variance
	Final	Actual	Over/Under
Revenues:			
Ad valorem taxes	\$ 11,208,469	\$ 11,355,453	\$ 146,984
Other taxes and licenses	286,500	286,108	(392)
Unrestricted intergovernmental revenues	7,763,511	7,525,976	(237,535)
Restricted intergovernmental revenues	1,771,797	1,476,059	(295,738)
Permits and fees	768,620	519,042	(249,578)
Sales and services	3,586,021	3,260,934	(325,087)
Interest earned on investments	237,600	188,973	(48,627)
Miscellaneous	252,502	236,416	(16,086)
Total revenues	<u>25,875,020</u>	<u>24,848,961</u>	<u>(1,026,059)</u>
Expenditures:			
General government	1,244,309	735,151	509,158
Public safety	14,015,077	13,559,371	455,706
Public works	3,787,403	3,665,542	121,861
Environmental protection	1,807,076	1,789,423	17,653
Cultural and recreation	2,357,571	2,236,667	120,904
Economic and physical development	1,637,752	1,573,632	64,120
Capital outlay	2,441,992	2,038,371	403,621
Debt Service:			
Principal	2,004,183	2,001,293	2,890
Interest	353,131	352,562	569
Total expenditures	<u>29,648,494</u>	<u>27,952,012</u>	<u>1,696,482</u>
Revenues over (under) expenditures	<u>(3,773,474)</u>	<u>(3,103,051)</u>	<u>670,423</u>
Other Financing Sources (Uses):			
Transfers	1,186,140	1,407,589	221,449
Issuance of long-term debt	1,957,680	1,906,472	(51,208)
Contingency	-	-	-
Appropriated fund balance	629,654	-	(629,654)
Total other financing sources (uses)	<u>3,773,474</u>	<u>3,314,061</u>	<u>(459,413)</u>
Net change in fund balance	<u>\$ -</u>	211,010	<u>\$ 211,010</u>
Fund Balance:			
Beginning of year - July 1		<u>6,231,988</u>	
End of year - June 30		<u>\$ 6,442,998</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund Fund	Total	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ -	\$ 292,127	\$ -	\$ 292,127	\$ 794,248
Accounts receivable, net	6,960,391	660,841	1,243,960	8,865,192	2,640
Due from other funds	-	580,000	-	580,000	-
Due from other governments	-	1,490,674	414,664	1,905,338	-
Inventories	2,394,175	137,683	86,252	2,618,110	-
Cash, restricted	133,694	46,784	397,445	577,923	-
Total current assets	<u>9,488,260</u>	<u>3,208,109</u>	<u>2,142,321</u>	<u>14,838,690</u>	<u>796,888</u>
Noncurrent Assets:					
Nondepreciable capital assets	984,922	10,941,437	14,030,148	25,956,507	-
Depreciable capital assets, net	<u>24,366,166</u>	<u>9,825,940</u>	<u>56,973,339</u>	<u>91,165,445</u>	<u>-</u>
Total capital assets	<u>25,351,088</u>	<u>20,767,377</u>	<u>71,003,487</u>	<u>117,121,952</u>	<u>-</u>
Total assets	<u>34,839,348</u>	<u>23,975,486</u>	<u>73,145,808</u>	<u>131,960,642</u>	<u>796,888</u>
Liabilities:					
Current Liabilities:					
Accounts payable and accrued expenses	4,012,945	2,182,416	400,104	6,595,465	760,988
Accrued interest	21,498	26,010	166,201	213,709	-
Due to other funds	2,103,841	-	1,144,413	3,248,254	-
Customer deposits	965,409	-	-	965,409	-
Long-term debt, due in one year	<u>629,468</u>	<u>534,858</u>	<u>2,784,099</u>	<u>3,948,425</u>	<u>-</u>
Total current liabilities	<u>7,733,161</u>	<u>2,743,284</u>	<u>4,494,817</u>	<u>14,971,262</u>	<u>760,988</u>
Noncurrent Liabilities:					
Noncurrent portion of long-term debt	<u>2,543,549</u>	<u>9,835,430</u>	<u>29,209,092</u>	<u>41,588,071</u>	<u>-</u>
Total noncurrent liabilities	<u>2,543,549</u>	<u>9,835,430</u>	<u>29,209,092</u>	<u>41,588,071</u>	<u>-</u>
Total liabilities	<u>10,276,710</u>	<u>12,578,714</u>	<u>33,703,909</u>	<u>56,559,333</u>	<u>760,988</u>
Net Assets:					
Invested in capital assets, net of related debt	22,513,500	10,486,080	39,480,850	72,480,430	-
Unrestricted	<u>2,049,138</u>	<u>910,692</u>	<u>(38,951)</u>	<u>2,920,879</u>	<u>35,900</u>
Total net assets	<u>\$ 24,562,638</u>	<u>\$ 11,396,772</u>	<u>\$ 39,441,899</u>	<u>\$ 75,401,309</u>	<u>\$ 35,900</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Operating Revenues:					
Charges for services	\$ 52,947,779	\$ 5,572,238	\$ 9,410,414	\$ 67,930,431	\$ -
Connection fees	216,018	514,657	1,868,761	2,599,436	-
Local government availability fee	-	-	713,195	713,195	-
Employee and retiree contributions	-	-	-	-	594,575
Employer and other contributions	-	-	-	-	4,877,585
Total operating revenues	<u>53,163,797</u>	<u>6,086,895</u>	<u>11,992,370</u>	<u>71,243,062</u>	<u>5,472,160</u>
Operating Expenses:					
Administration	7,472,358	2,779,483	1,763,746	12,015,587	-
Production	40,641,121	-	-	40,641,121	-
Distribution	1,966,851	-	-	1,966,851	-
System maintenance/extension	-	2,240,513	3,346,348	5,586,861	-
Hydrant maintenance	-	196,504	-	196,504	-
Pre-treatment	-	-	44,768	44,768	-
Treatment	-	244,727	2,184,924	2,429,651	-
Depreciation	1,753,082	484,382	1,581,937	3,819,401	-
Employee insurance plan	-	-	-	-	5,453,562
Total operating expenses	<u>51,833,412</u>	<u>5,945,609</u>	<u>8,921,723</u>	<u>66,700,744</u>	<u>5,453,562</u>
Operating income	<u>1,330,385</u>	<u>141,286</u>	<u>3,070,647</u>	<u>4,542,318</u>	<u>18,598</u>
Nonoperating Revenues (Expenses):					
Miscellaneous	387,882	8,684	(46,915)	349,651	-
Investment income	13,390	54,422	14,429	82,241	10,932
Interest expense	(109,089)	(57,561)	(998,129)	(1,164,779)	-
Proceeds from long-term debt	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>292,183</u>	<u>5,545</u>	<u>(1,030,615)</u>	<u>(732,887)</u>	<u>10,932</u>
Income before capital contributions and transfers	1,622,568	146,831	2,040,032	3,809,431	29,530
Capital contributions	-	-	598,245	598,245	-
Transfers to other funds	<u>(1,198,590)</u>	<u>-</u>	<u>-</u>	<u>(1,198,590)</u>	<u>-</u>
Change in net assets	423,978	146,831	2,638,277	3,209,086	29,530
Net Assets:					
Beginning of year - July 1	<u>24,138,660</u>	<u>11,249,941</u>	<u>36,803,622</u>	<u>72,192,223</u>	<u>6,370</u>
End of year - June 31	<u>\$ 24,562,638</u>	<u>\$ 11,396,772</u>	<u>\$ 39,441,899</u>	<u>\$ 75,401,309</u>	<u>\$ 35,900</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities				Government- Type Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Cash received from customers	\$ 52,147,190	\$ 4,591,341	\$ 11,506,526	\$ 68,245,057	\$ 5,471,423
Cash paid to employees	(3,595,820)	(1,277,405)	(2,365,752)	(7,238,977)	(5,453,364)
Cash paid for goods and services	(46,177,091)	(2,081,949)	(5,123,328)	(53,382,368)	-
Net cash provided (used) by operating activities	<u>2,374,279</u>	<u>1,231,987</u>	<u>4,017,446</u>	<u>7,623,712</u>	<u>18,059</u>
Cash Flows from Noncapital Financing Activities:					
Miscellaneous	387,882	8,684	(46,915)	349,651	-
Change in due to/from other funds	1,496,511	683,755	487,996	2,668,262	-
Transfers to other funds	(1,198,590)	-	-	(1,198,590)	-
Net cash provided (used) by noncapital financing activities	<u>685,803</u>	<u>692,439</u>	<u>441,081</u>	<u>1,819,323</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Issuance of long-term debt	516,575	6,446,586	1,636,097	8,599,258	-
Acquisition and construction of capital assets	(3,193,302)	(7,957,460)	(1,851,141)	(13,001,903)	-
Principal payments on long-term debt	(603,374)	(474,215)	(2,973,860)	(4,051,449)	-
Interest paid	(125,729)	(58,863)	(995,946)	(1,180,538)	-
Net cash provided (used) by capital and related financing activities	<u>(3,405,830)</u>	<u>(2,043,952)</u>	<u>(4,184,850)</u>	<u>(9,634,632)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Investment income received	<u>13,390</u>	<u>54,422</u>	<u>14,429</u>	<u>82,241</u>	<u>10,932</u>
Net increase (decrease) in cash and cash equivalents	(332,358)	(65,104)	288,106	(109,356)	28,991
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>466,052</u>	<u>404,015</u>	<u>109,339</u>	<u>979,406</u>	<u>765,257</u>
End of year - June 30	<u>\$ 133,694</u>	<u>\$ 338,911</u>	<u>\$ 397,445</u>	<u>\$ 870,050</u>	<u>\$ 794,248</u>
Reconciliation of Operating Income to Cash Flows from Operating Activities:					
Operating income	\$ 1,330,385	\$ 141,286	\$ 3,070,647	\$ 4,542,318	\$ 18,598
Depreciation	1,753,082	484,382	1,581,937	3,819,401	-
Change in Assets and Liabilities:					
Increase (decrease) in accounts receivable and other receivables	(1,058,600)	(1,495,554)	(485,844)	(3,039,998)	(737)
Increase (decrease) in inventories	(280,742)	(9,103)	5,408	(284,437)	-
Increase (decrease) in accounts payable and accrued liabilities	588,161	2,110,976	(154,702)	2,544,435	198
Increase (decrease) in customer deposits	41,993	-	-	41,993	-
Net cash provided (used) by operating activities	<u>\$ 2,374,279</u>	<u>\$ 1,231,987</u>	<u>\$ 4,017,446</u>	<u>\$ 7,623,712</u>	<u>\$ 18,059</u>
Non-Cash Activities:					
Contributed capital assets received by fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598,245</u>	<u>\$ 598,245</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. Summary of Significant Accounting Policies

The accounting policies of the City of New Bern conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of New Bern is a municipal corporation that operates under the mayor-aldermen-manager form of government. The City is not a component unit of a separate entity, nor does it have any component units for which it is financially accountable.

B. Basis of Presentation - Fund Accounting

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, sanitation services, cultural and recreational activities, and general governmental services.

The City reports the following major enterprise funds:

Electric Fund - This fund is used to account for the City's electric operations. The City maintains two separate electric capital project funds for accounting purposes: the Electric Distribution Facility Capital Project Fund and the Electric Substation Capital Project Fund. For financial reporting purposes, these funds have been consolidated into the Electric Fund.

Water Fund - This fund is used to account for the City's water operations. The City maintains four separate water capital project funds for accounting purposes: the Water Capital Reserve Fund, Water Treatment Capital Project Fund, Township 7 Water Improvement Fund, and Industrial Park Water Capital Project. For financial reporting purposes, these funds have been consolidated into the Water Fund.

Sewer Fund - This fund is used to account for the City's sewer operations. The City maintains two separate sewer capital project funds for accounting purposes: the Trent Woods Sewer Construction Capital Project Fund and the Township 7 Sewer Improvement Fund. For financial reporting purposes, these funds have been consolidated into the Sewer Fund.

Nonmajor Funds

The City reports the following nonmajor governmental funds: Swimming Pool Capital Project Fund, Elizabeth Street Fire Station Capital Project Fund, Downtown Improvements #5 Capital Project Fund, Community Development Special Revenue Fund, 2005 Community Development Block Grant Fund, Stormwater 2007 CWMTF Special Revenue Fund, Emergency Telephone System Special Revenue Fund, Police Special Revenue Fund, SAFER Grant Fund, and 2007 PARTF Grant Special Revenue Fund.

The City reports the following fund type:

Internal Service Fund – This fund is used to account for goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City's self insured health benefit plan is accounted for in an Internal Service Fund.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

C. Measurement Focus and Basis of Accounting

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. 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, Craven 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 New Bern. For motor vehicles registered, 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 Craven County from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

D. Budgetary Data

The City's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, certain special revenue funds, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the grant-related special revenue project funds, the capital projects fund, and the enterprise fund capital projects funds, which are consolidated with the operating funds for reporting purposes. The City's Employee Benefit Insurance Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter an organization, division, or revenue type. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Equity

Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest 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). The City's 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 securities of the NCCMT Cash Portfolio, an SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents

The City pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

The unexpended proceeds of debt issued by the City are classified as restricted assets because their use is restricted to the purpose for which the debt was originally issued.

Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Allowance for Doubtful Accounts

All receivables that have historically experienced uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. Accounts and taxes receivable are shown net of the following allowances for doubtful accounts:

Taxes receivable - General Fund	\$ 166,912
Taxes receivable - MSD	313
Accounts receivable - General Fund	146,450
Interest receivable - General Fund	14,950
Accounts receivable - Special Revenue Fund	1,675
Accounts receivable - Electric Fund	68,000
Accounts receivable - Water Fund	6,500
Accounts receivable - Sewer Fund	<u>15,000</u>
Total	<u>\$ 419,800</u>

Interfund Receivables/Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost, and an estimated useful life in excess of two years. Minimum capitalization costs are \$1 for land, \$100,000 for general infrastructure, \$25,000 for land improvements, \$25,000 for buildings and improvements, and \$5,000 for equipment. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The City has elected not to capitalize monuments and works of art that are held for public exhibition and currently does not own any such items.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	25-60
Improvements	20-50
Infrastructure	30-50
Plants and distribution systems	30-50
Vehicles and service equipment	3-10
Furniture and equipment	5-10

Interest is capitalized on Enterprise Fund fixed assets financed by tax-exempt debt, if material. The amount capitalized is reduced by offsetting the interest expense by the interest revenues from unspent funds from the date of issue until completion of the project.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Assets / Fund Balances

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

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund balances and net assets are reserved/restricted as follows:

Reserved:

Reserved by State Statute - portion of fund balance, in addition to reserves for inventories and encumbrances, which is *not* available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivables and interfund receivables which have not been offset by deferred revenues.

Reserved for Capital Projects – proceeds of debt financing and/or capital grants received for which the related capital project expenditures will be incurred in a subsequent year.

F. Revenues, Expenditures, and Expenses

Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Transfers - out" in the disbursing fund and "Transfers - in" in the receiving fund.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

G. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. Significant estimates embodied in these financial statements are estimated lives of capital assets, incurred but not reported health insurance liabilities, and allowance for uncollectible accounts.

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance of Individual Funds

For the fiscal year ended June 30, 2008, the City had the following funds with deficit fund balances. Management believes revenues will exceed expenditures in these funds in the subsequent years, sufficient to satisfy the fund deficits.

Special Revenue Funds:

Stormwater 2007 CWMTF	\$	8,018
Police Special Revenue		227
SAFER Fire Grant		102,746
2007 PARTF Recreation Grant		12,733

3. Deposits and Investments

A. Deposits

City deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the City's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of 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 noninterest-bearing deposits and the actual current balance for 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 with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2008, the City's deposits had a carrying amount of \$6,391,216 and a bank balance of \$8,809,757. The City only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$300,000 was covered by Federal depository insurance and \$8,509,757 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The City had \$9,150 of cash on hand at year-end.

B. Investments

At June 30, 2008, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>
NC Capital Management Trust - Cash Portfolio	\$ 1,914,373	\$ 1,914,373	\$ -	\$ -

Interest Rate Risk: The City does not have a policy for interest rate risk.

Credit Risk: State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008.

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer. Investments making up more than 5 percent of the City's investments are as follows:

NCCMT	100%
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CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

4. Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2008.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2008</u>
Nondepreciable						
Capital Assets:						
Land	\$ 11,736,126	\$ 659,699	\$ -	\$ -	\$ 12,395,825	
Construction in progress	<u>565,250</u>	<u>2,620,469</u>	<u>(286,711)</u>	<u>-</u>	<u>2,899,008</u>	
Total nondepreciable capital assets	<u>12,301,376</u>	<u>3,280,168</u>	<u>(286,711)</u>	<u>-</u>	<u>15,294,833</u>	
Depreciable Capital Assets:						
Buildings and improvements	14,573,077	174,789	-	-	14,747,866	\$ 3,081,316
Equipment	5,971,038	439,209	286,711	(8,500)	6,688,458	3,772,967
Furniture and fixtures	3,184,482	370,960	-	-	3,555,442	2,349,507
Vehicles	8,246,420	268,762	-	(412,985)	8,102,197	6,127,564
Infrastructure	<u>10,630,211</u>	<u>1,939,329</u>	<u>-</u>	<u>-</u>	<u>12,569,540</u>	<u>2,645,504</u>
Total	42,605,228	<u>3,193,049</u>	<u>286,711</u>	<u>(421,485)</u>	45,663,503	<u>\$ 17,976,858</u>
Accumulated depreciation	<u>(16,640,470)</u>	<u>\$ (1,757,873)</u>	<u>\$ 421,485</u>	<u>\$ -</u>	<u>(17,976,858)</u>	
Capital assets, net	<u>25,964,758</u>				<u>27,686,645</u>	
Total capital assets	<u>\$ 38,266,134</u>				<u>\$ 42,981,478</u>	

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

General government	\$ 404,081
Public safety	632,326
Public works	490,060
Environmental protection	55,680
Cultural and recreation	<u>175,726</u>
Total depreciation expense	<u>\$ 1,757,873</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The following is a summary of changes in the Business-Type capital assets for the year ended June 30, 2008.

Water Fund:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2008</u>
Nondepreciable Capital Assets:						
Land	\$ 573,173	\$ 146,250	\$ -	\$ -	\$ 719,423	
Construction in progress	2,620,290	7,601,724	-	-	10,222,014	
Total nondepreciable capital assets	<u>3,193,463</u>	<u>7,747,974</u>	<u>-</u>	<u>-</u>	<u>10,941,437</u>	
Depreciable Capital Assets:						
Buildings	748,307	-	-	-	748,307	\$ 208,647
Distribution systems	13,802,199	-	-	-	13,802,199	5,491,786
Equipment	1,632,101	118,343	-	-	1,750,444	1,048,978
Furniture and fixtures	32,564	-	-	-	32,564	32,564
Vehicles	531,056	90,143	-	(31,251)	589,948	315,547
Total depreciable assets	16,746,227	208,486	-	(31,251)	16,923,462	\$ 7,097,522
Accumulated depreciation	(6,644,391)	\$ (484,382)	\$ -	\$ 31,251	(7,097,522)	
Depreciable capital assets, net	<u>10,101,836</u>				<u>9,825,940</u>	
Total capital assets, net	<u>\$ 13,295,299</u>				<u>\$ 20,767,377</u>	

Sewer Fund:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2008</u>
Nondepreciable Capital Assets:						
Land	\$ 12,324,457	\$ 44,461	\$ -	\$ 323,781	\$ 12,692,699	
Construction in progress	11,803,646	765,558	-	(11,231,755)	1,337,449	
Total nondepreciable capital assets	<u>24,128,103</u>	<u>810,019</u>	<u>-</u>	<u>(10,907,974)</u>	<u>14,030,148</u>	
Depreciable Capital Assets:						
Buildings	39,134,418	47,778	-	-	39,182,196	\$ 9,661,857
Distribution systems	17,162,526	1,040,749	-	10,806,178	29,009,453	3,553,870
Equipment	2,206,963	593,148	(202,791)	101,796	2,699,116	1,221,789
Vehicles	1,461,602	75,246	-	(9,173)	1,527,675	1,007,585
Total depreciable assets	59,965,509	1,756,921	(202,791)	10,898,801	72,418,440	\$ 15,445,101
Accumulated depreciation	(13,957,574)	\$ (1,581,937)	\$ 85,237	\$ 9,173	(15,445,101)	
Depreciable capital assets, net	<u>46,007,935</u>				<u>56,973,339</u>	
Total capital assets, net	<u>\$ 70,136,038</u>				<u>\$ 71,003,487</u>	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Electric Fund:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2008</u>	<u>Accumulated Depreciation June 30, 2008</u>
Nondepreciable						
Capital Assets:						
Land	\$ 584,240	\$ -	\$ -	\$ -	\$ 584,240	
Construction in progress	8,350	392,332	-	-	400,682	
Total nondepreciable capital assets	<u>592,590</u>	<u>392,332</u>	<u>-</u>	<u>-</u>	<u>984,922</u>	
Depreciable Capital Assets:						
Buildings	971,323	-	-	-	971,323	\$ 350,601
Distribution systems	34,789,253	1,906,178	-	-	36,695,431	17,883,776
Equipment	8,832,313	421,619	-	-	9,253,932	5,482,157
Furniture and fixtures	44,005	-	-	-	44,005	33,622
Vehicles	<u>2,176,788</u>	<u>475,783</u>	<u>(48,409)</u>	<u>(235,332)</u>	<u>2,368,830</u>	<u>1,217,199</u>
Total depreciable assets	46,813,682	<u>2,803,580</u>	<u>(48,409)</u>	<u>(235,332)</u>	49,333,521	<u>\$ 24,967,355</u>
Accumulated depreciation	<u>(23,495,404)</u>	<u>\$(1,753,082)</u>	<u>\$ 48,409</u>	<u>\$ 232,722</u>	<u>(24,967,355)</u>	
Depreciable capital assets, net	<u>23,318,278</u>				<u>24,366,166</u>	
Total capital assets, net	<u>\$ 23,910,868</u>				<u>\$ 25,351,088</u>	

5. Accounts Payable Disaggregate Information

Amounts presented for accounts payable are disaggregated as follows:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables, including retainage	\$ 1,166,435	\$ 6,522,839	\$ 7,689,274
Accrued liabilities	825,212	286,335	1,111,547
Health claims incurred, but not reported	760,790	-	760,790
Total	<u>\$ 2,752,437</u>	<u>\$ 6,809,174</u>	<u>\$ 9,561,611</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

6. Deferred / Unearned Revenues

The balances in deferred revenues in the Governmental Funds Statement and unearned revenues in the Statement of Net Assets are comprised of the following elements:

	Deferred Revenue	Unearned Revenue
General Fund:		
Prepaid taxes and licenses	\$ 49,277	\$ 49,277
Taxes receivable, net	312,422	-
Liens receivable	323,336	-
Street assessment receivable	9,303	-
Motor vehicle fees	38,017	-
Other receivables	-	-
Total	\$ 732,355	\$ 49,277
 Special Revenue Fund:		
Loans receivable	\$ 23,009	\$ -

7. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. The City of New Bern contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 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. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.72 percent, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2006, 2007, and 2008 were \$816,467, \$864,634, \$947,191 respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

B. Law Enforcement Officers' Special Separation Allowance

Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified full-time employees. 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. A separate financial statement was not issued for the plan.

All full-time employees of the City are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>73</u>
Total	<u><u>81</u></u>

Summary of Significant Accounting Policies:

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

Method Used to Value Investments. Investments are reported at fair value.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees to the plan. The City has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

C. 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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. 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. The City has elected to contribute six percent of each officer's salary to the plan. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$404,364, which consisted of \$255,833 from the City and \$148,531 from the law enforcement officers.

D. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The City contributes to a Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by a Trustee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All non-law enforcement employees employed by the City participate in the Plan after a six-month probationary period with the City. The City has no requirement or obligation under State statutes to contribute to this Plan.

Funding Policy. The City contributes each month an amount equal to six percent of each covered non-law enforcement employee's compensation, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$1,351,161, which consisted of \$934,440 from the City and \$416,721 from the non-law enforcement employees.

Other Employment Benefits.

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the Plan, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

payments are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan.

The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the City made contributions to the State for death benefits of \$23,048. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Other Post-Employment Benefits. At retirement, all employees have the option to purchase basic medical insurance at the City's group rate. In addition, the City pays for individual coverage for employees with 30 or more years of service with the City. The City recognizes the cost of this benefit on a pay-as-you-go basis. Currently 30 employees are eligible and receiving the above mentioned benefits. For the year ended June 30, 2008, the City made payments for post-retirement health benefit premiums of \$70,159.

8. Risk Management

The City's Internal Service Fund was established to account for an employee self-insurance Health Benefit program. The purpose of the Fund is to pay medical claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Funding is provided by employee contributions and charges to the various funds of the City based upon estimated claim and employee participation. Estimated claims are determined annually by the claims administrator. The City has recognized a provision for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon actuarial claims history as no actuarial study has been performed. The City carries aggregate stop/loss insurance coverage of 125% of annual expected paid claims and individual stop-loss coverage of \$75,000 through the plan administrator.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City is self-insured for workers' compensation claims up to \$400,000 for law enforcement, fire and electric and \$350,000 for all other employees. The City has re-insurance through a commercial company for single occurrence claims up to \$1,000,000. The City's Internal Service Fund is also used to account for this program.

The City also purchases commercial insurance to protect against claims for property, general liability, auto liability, public officials, and employee bonds. Claims have not exceeded coverage in any of the past three years. There have been no significant reductions in insurance coverage in the past three years.

The City carries \$1,000,000 of flood insurance included in its commercial property coverage. The City does not have any property that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

For the Hospitalization Fund, a total of \$5,453,562 in claims and changes in estimates were incurred for benefits during fiscal year 2008. Changes in the fund's claims liability amounts in fiscal 2007-2008 were as follows:

Fiscal Year	Liability at Fiscal Year July 1, 2007	Claims and Changes in Estimates	Claim Payments	Liability at Fiscal Year June 30, 2008
2006	\$ 696,060	\$ 4,333,925	\$ 4,270,274	\$ 759,711
2007	759,711	5,056,341	5,055,262	760,790
2008	760,790	5,453,562	5,453,562	760,790

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

9. Long-Term Obligations

The City records long-term debt of the governmental funds at face value in the government-wide Statement of Net Assets. Principal and interest payments are appropriated when due.

A. Changes In Long-Term Debt

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Installment notes payable	\$ 10,500,274	\$ 8,127,324	\$ (2,001,563)	\$ 16,626,035	\$ 2,434,483
Compensated absences	920,355	225,000	(113,007)	1,032,348	115,000
Total	<u>\$ 11,420,629</u>	<u>\$ 8,352,324</u>	<u>\$ (2,114,570)</u>	<u>\$ 17,658,383</u>	<u>\$ 2,549,483</u>
Business-Type Activities:					
Water:					
Notes payable	\$ 2,503,763	\$ 5,797,351	\$ -	\$ 8,301,114	\$ -
Installment notes payable	1,851,948	649,235	(474,217)	2,026,966	529,858
Compensated absences	28,400	18,000	(4,193)	42,207	5,000
Total	<u>4,384,111</u>	<u>6,464,586</u>	<u>(478,410)</u>	<u>10,370,287</u>	<u>534,858</u>
Sewer:					
General obligation bonds	1,000,000	-	(260,000)	740,000	255,000
Notes payable	20,474,012	-	(1,126,494)	19,347,518	1,154,369
Installment notes payable	11,783,777	1,636,097	(1,587,310)	11,832,564	1,354,730
Compensated absences	69,907	22,000	(18,798)	73,109	20,000
Total	<u>33,327,696</u>	<u>1,658,097</u>	<u>(2,992,602)</u>	<u>31,993,191</u>	<u>2,784,099</u>
Electric:					
Installment notes payable	3,058,058	516,575	(603,378)	2,971,255	593,468
Compensated absences	184,595	52,327	(35,160)	201,762	36,000
Total	<u>3,242,653</u>	<u>568,902</u>	<u>(638,538)</u>	<u>3,173,017</u>	<u>629,468</u>
Total business-type activities	<u>\$ 40,954,460</u>	<u>\$ 8,691,585</u>	<u>\$ (4,109,550)</u>	<u>\$ 45,536,495</u>	<u>\$ 3,948,425</u>

Note: The General Fund is typically used to liquidate compensated absences payable in the governmental funds. The City's legal debt margin as of June 30, 2008 was \$172,261,540.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

B. Governmental Activities – Installment Notes Payable

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Avg. Rate</u>	<u>Balance</u>
Fire station, police building, parking facilities, Street improvements, and parking	2013	3.20%	\$ 2,810,422
Dunn Building	2015	3.80%	440,707
E-911 building	2015	3.90%	364,000
Restroom facility and fire station	2017	4.00%	362,610
Various real estate improvement projects	2009	2.40%	120,952
Various vehicles and equipment	2010	2.50%	578,469
Streetscape improvements, 200 and 300 Block Craven Street, various construction projects, fire classroom	2020	3.70%	1,064,290
Various vehicles and equipment	2013	3.70%	341,707
Streets div complex, Lawson Creek Park	2021	4.00%	1,144,588
Fire truck	2016	3.67%	492,477
125KW Generator, (2) Volvo EC210BLC Excavator, 2007 Model 4300 SBA Int'l	2011	3.35%	320,941
2006 Honda Element, 2006 GMC Tandem Dump Truck, 2007 Dodge Durango SUV	2011	3.35%	102,049
Improvements to Lawson Creek Park and Henderson Park	2017	3.78%	355,500
Various vehicles and equipment	2016	3.04%	208,967
Various vehicles and equipment	2013	2.91%	1,567,856
Aquatic Center and swimming pool project, downtown streetscape improvements, Elizabeth Avenue Fire Station renovations	2023	3.31%	<u>6,350,500</u>
 Total installment notes payable			 <u>\$ 16,626,035</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Annual debt service requirements to maturity for the City's governmental activities installment notes payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,434,483	\$ 536,860	\$ 2,971,343
2010	2,168,856	454,125	2,622,981
2011	2,013,211	384,275	1,643,917
2012	2,005,241	315,665	1,431,434
2013	1,469,526	247,954	1,367,867
2014-2018	3,673,976	743,915	2,653,287
2019-2023	2,860,743	199,701	671,435
	<u>\$ 16,626,035</u>	<u>\$ 2,882,495</u>	<u>\$ 13,362,263</u>

C. Business-Type Activities - General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds were issued as 20-year serial bonds for the Sewer Fund. Bonds were issued to refund previously issued general obligation debt.

Series 2003 sanitary sewer bonds; interest	
Rate varies between 2.00% - 3.00%; final	
installment due 2011	\$740,000

Annual debt service requirements to maturity for the City's business-type activities general obligation bonds payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 255,000	\$ 22,200	\$ 277,200
2010	245,000	14,550	259,550
2011	240,000	7,200	247,200
	<u>\$ 740,000</u>	<u>\$ 43,950</u>	<u>\$ 783,950</u>

CITY OF NEW BERN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

D. Business-Type Activities – Installment Notes Payable

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Avg. Rate</u>	<u>Balance</u>
Water:			
Water system improvements	2011	3.20%	\$ 1,018,661
Various vehicles and equipment	2010	2.50%	47,921
Water line extension - Carolina Colours Subdivision	2020	3.70%	257,294
Various vehicles and equipment	2011	3.35%	53,856
Various vehicles and equipment	2016	3.04%	90,143
Various vehicles and equipment	2013	2.91	163,791
New Street water improvements, Stillwater Harbor water project,	2023	3.31%	<u>395,300</u>
Total water installment notes payable			<u>\$ 2,026,966</u>
Notes Payable:			
Clean Water Trust Revolving Loan	2032	2.265%	<u>\$ 8,301,114</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Annual debt service requirements to maturity for the Water Fund installment notes payable are as follows:

Fiscal Year	Water		
	Principal	Interest	Total
2009	\$ 529,858	\$ 68,283	\$ 598,141
2010	531,534	49,884	581,418
2011	318,296	32,200	350,496
2012	110,849	25,127	135,975
2013	94,585	21,490	116,075
2014-2018	324,860	70,103	394,962
2019-2023	116,984	19,830	136,814
	\$ 2,026,966	\$ 286,917	\$ 2,313,883

Fiscal Year	Principal	Interest	Total
2009	\$ -	\$ -	\$ -
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	340,522	128,910	469,432
2014-2018	1,702,610	655,645	2,358,255
2019-2023	1,702,610	455,000	2,157,610
2014-2028	1,702,610	239,000	1,941,610
2029-2033	2,852,762	115,914	2,968,676
	\$ 8,301,114	\$ 1,594,469	\$ 9,895,583

The Drinking Water State Revolving Fund note payable loan commitment is \$24,148,341. As of June 30, 2008, the City had drawn down \$8,301,114 of the loan.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Avg. Rate</u>	<u>Balance</u>
Sewer Fund - Notes Payable:			
Township 7 Sanitary Sewer	2018	2.90%	\$ 2,283,588
Wastewater Treatment Plant Upgrade	2023	2.60%	15,982,768
Wastewater Treatment Diffuser Project	2024	2.70%	<u>1,081,162</u>
Total sewer notes payable			<u>\$ 19,347,518</u>
 Sewer Fund - Installment Purchases Payable:			
Pembroke Sanitary Sewer	2013	6.00%	\$ 150,000
Township 7 Sanitary Sewer	2016	5.30%	145,000
Sewer lines N. 2nd Ave. and N. Glenburnie	2017	3.90%	183,390
Trent Woods sewer project	2018	3.60%	5,127,212
Evans Mills force main; lift stations	2009	2.40%	61,049
Various vehicles and equipment	2010	2.50%	232,462
Sewer line extension - Carolina Colours subdivision and quarry projects	2020	3.70%	1,876,951
Vactor vacuum jet rodder	2013	3.70%	180,321
Various equipment; Township 7: Brices Crossing	2021	4.00%	1,499,722
Various equipment	2011	3.35%	217,281
Various vehicles	2011	3.35%	48,575
Evans Mill sewer line and facilities	2017	3.84%	474,504
Various equipment and vehicles	2016	3.04%	368,257
Various equipment and vehicles	2013	2.91%	414,740
WWTP maintenance building, New Street sewer improvements, Stillwater sewer	2023	3.31%	<u>853,100</u>
Total sewer installment purchases payable			<u>\$ 11,832,564</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Annual debt service requirements to maturity for the Sewer Fund's notes payable and installment purchases payable are as follows:

Fiscal Year	Notes Payable			Installment Purchases Payable		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,154,369	\$ 505,968	\$ 1,660,337	\$ 1,354,730	\$ 433,752	\$ 1,788,481
2010	1,182,980	475,560	1,658,540	1,239,575	383,945	1,623,520
2011	1,212,346	444,397	1,656,743	1,181,148	339,526	1,520,674
2012	1,242,487	412,459	1,654,945	1,168,641	295,600	1,464,241
2013	1,273,423	379,725	1,653,148	1,105,877	252,364	1,358,242
2014-2018	6,860,514	1,378,264	8,238,777	4,826,496	690,558	5,517,053
2019-2023	6,353,827	507,624	6,861,451	956,097	84,217	1,040,314
2024-2028	67,573	1,797	69,370	-	-	-
	<u>\$ 19,347,518</u>	<u>\$ 4,105,794</u>	<u>\$ 23,453,312</u>	<u>\$ 11,832,564</u>	<u>\$ 2,479,961</u>	<u>\$ 14,312,525</u>

Purpose and Collateral	Maturity	Avg. Rate	Balance
Electric:			
Underground cables and fiber optic installation	2009	2.39%	\$ 84,177
Various vehicles and equipment	2010	2.55%	290,514
Various vehicles and equipment	2013	2.55%	350,919
Carolina Colours line extension	2021	2.55%	1,283,277
Various vehicles and equipment	2011	3.35%	122,981
Various vehicles and equipment	2011	3.35%	322,812
Various vehicles and equipment	2016	3.04%	247,948
Various vehicles and equipment	2013	2.91%	268,627
Total water installment notes payable			<u>\$ 2,971,255</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

Annual debt service requirements to maturity for the City's business-type activities installment notes payable are as follows:

Electric Fund			
Fiscal Year	Principal	Interest	Total
2009	\$ 593,468	\$ 104,975	\$ 698,443
2010	427,447	85,912	513,360
2011	340,910	72,927	413,837
2012	334,121	60,803	394,925
2013	294,677	49,195	343,872
2014-2018	665,992	143,045	809,037
2019-2023	314,639	28,182	342,822
	\$ 2,971,255	\$ 545,039	\$ 3,516,294

10. Interfund Balances and Activity

Interfund balances as of June 30, 2008 consisted of the following:

	Due From	Due To	Purpose
Electric Fund	\$ 2,103,841		Temporary cash deficit
Sewer Fund	564,413		Temporary cash deficit
General Fund		\$ 2,668,254	
Sewer Fund	\$ 580,000		Temporary cash deficit
Water Fund		\$ 580,000	

Interfund transfers for the year ended June 30, 2008 consisted of the following:

	From	To	Purpose
Electric Fund	\$ 1,198,590		Operating expenditures
General Fund		\$ 1,198,590	
General Fund	\$ 197,723		
2005 CDBG Special Revenue Fund		\$ 99,536	Local contribution
SAFER Fire Grant Fund		98,187	Local contribution
Emergency Telephone System Fund	\$ 406,722		Transfer wireline funds
General Fund		\$ 406,722	per State Statute

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City's enterprise funds reimburse the General Fund for administrative expenses and rent of public buildings. The reimbursements are based on actual expenditures in the General Fund and management's estimate of the portion of the expenses attributable to each enterprise fund. Reimbursements were as follows for the year ended June 30, 2008:

<u>Reimbursing Fund</u>	<u>Administrative Expenses</u>	<u>Rent of Public Buildings</u>
Electric Fund	\$ 2,850,675	\$ 642,796
Water Fund	2,051,679	143,343
Sewer Fund	1,211,679	145,223
Total	<u>\$ 6,114,033</u>	<u>\$ 931,362</u>

11. Joint Ventures

The City participates in a joint venture with Craven County to operate the New Bern/Craven County Library. The City appoints five board members of the ten-member board. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's 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, 2008. The City contributed \$75,000 to the Library during the fiscal year ended June 30, 2008.

12. Jointly Governed Organizations

Eastern Carolina Council

The City, in conjunction with nine counties and twenty-eight other municipalities, established the Eastern Carolina Council (the "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 and administrative fees of \$14,587 to the Council during the fiscal year ended June 30, 2008.

North Carolina Eastern Power Agency

The North Carolina Eastern Municipal Power Agency (the "Agency") is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipalities owning electric distributions systems, through the organization of the Agency, to finance, construct, own, operate, and maintain electric generation and transmission facilities. The Agency has thirty-two members (participants), which receive power from the Agency. The Agency has entered into power sales agreements with each of its participants for supplying the total electric power requirements of the participants in excess of power allotments from the Southeastern Power Administration (SEPA). The Agency is obligated to provide all electric power required by each participant at the respective delivery points. Each participant is obligated to pay its share of the operating and debt service costs of the project.

Each municipality may appoint one commissioner to serve on the Agency's board. The board elects

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

its own officers and is responsible for the selection of management to run the daily operations of the Agency. The Agency is responsible for budgeting and receiving its financing.

The City has made no investment in this joint venture. The City's only financial involvement with the Agency relates to the power sales agreement for power purchases. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, North Carolina 27626-0513. The City's purchases of power from the Agency for the fiscal year ended June 30, 2008 were \$39,448,514.

13. Related Organization

The Board of Aldermen of the City New Bern Housing Authority is appointed by the mayor of the City of New Bern. 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.

14. Claims and Judgments

At June 30, 2008, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

15. Commitments

The City had commitments, as shown below, for construction contracts outstanding at June 30, 2008. The projects are accounted for in the General Fund, Capital Projects Fund, and Enterprise Fund Capital Projects and are mainly funded by debt proceeds.

<u>Project</u>	<u>Balance of Contract</u>
Business-Type Projects:	
Swimming Pool Project	\$ 3,461,704
Elizabeth Avenue Fire Station	324,165
Water Treatment Project	23,105,780
Township 7 Water Improvement	95,469
Industrial Park Project	6,195
Township 7 Sewer Improvement	340,802
	<u>\$ 27,334,115</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The City has entered into two agreements for the purchase of real property. One agreement is for the purchase of approximately eight acres of land with an existing office building and warehouse facility on it for \$2,500,000. The second agreement is for the purchase of approximately 12 acres of land across the street from the first tract for \$600,000. These agreements provide for a closing in January 2009 with the City financing the purchase through an installment purchase agreement. The City plans to utilize the buildings and property for electric, water, sewer and warehouse operations.

16. Summary Disclosure of Significant Contingencies

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

17. Consideration of Fund's Ability to Continue As A Going Concern

As of June 30, 2008 the Sewer Fund of the City had a cash overdraft of \$1,144,413 which was reported as due to other funds; unrestricted net assets deficit of \$38,951; cash flow from operations of \$4,017,446; and 2009 debt service requirements of \$3,448,818. The combination of these conditions has created doubt regarding the Fund's ability to continue as a going concern without financial support from other funds of the City.

Management's plans to address the financial concerns of the Sewer Fund include: raising sewer rates 5% effective July 1, 2008; placing stringent budget restrictions on non-critical expenditures; requiring department heads to maximize hire-gap savings when positions become available; and restrict capital expenditures to debt-funded capital projects and system critical replacements. The Sewer Fund also had \$527,510 of expenditures related to the Township 7 Sewer Improvements Capital Project that was paid under a debt reimbursement resolution, once the capital project long-term debt funding is in place. The reimbursement of these "advanced costs" would increase unrestricted net assets and decrease the cash overdraft by \$527,510.

It is management's assertions that the realization of these changes, as well as the funding of the capital project discussed above, will significantly improve the financial condition of the Sewer Fund.

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
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CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	2008		Variance Over/Under	2007
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 11,132,539	\$ 11,285,337	\$ 152,798	\$ 9,937,066
Penalties and interest	75,930	70,116	(5,814)	59,981
Total ad valorem taxes	<u>11,208,469</u>	<u>11,355,453</u>	<u>146,984</u>	<u>9,997,047</u>
Other Taxes and Licenses:				
Privilege licenses	286,500	286,108	(392)	276,852
Total other taxes and licenses	<u>286,500</u>	<u>286,108</u>	<u>(392)</u>	<u>276,852</u>
Unrestricted Intergovernmental Revenues:				
Local option sales taxes	5,143,500	5,050,076	(93,424)	4,886,739
Payments in lieu of taxes-outside sources	-	8,831	8,831	875
Enterprise Fund - payment in lieu of taxes	340,110	340,097	(13)	294,690
Telecommunications sales tax	570,000	635,496	65,496	443,715
Utility franchise tax	1,455,824	1,237,478	(218,346)	1,210,450
Piped natural gas tax	90,000	79,790	(10,210)	83,907
Beer and wine tax	107,077	117,284	10,207	110,389
Fire protection reimbursement	12,000	10,887	(1,113)	10,887
ABC distributions	45,000	46,037	1,037	51,453
Total unrestricted intergovernmental revenues	<u>7,763,511</u>	<u>7,525,976</u>	<u>(237,535)</u>	<u>7,093,105</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	820,560	910,462	89,902	784,016
Other federal grants	586,065	352,135	(233,930)	141,686
Other State grants	359,409	207,700	(151,709)	185,605
Other local grants	5,763	5,762	(1)	1,500
Total restricted intergovernmental revenues	<u>1,771,797</u>	<u>1,476,059</u>	<u>(295,738)</u>	<u>1,112,807</u>

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Permits and Fees:				
Building permits and inspection fees	658,520	405,672	(252,848)	630,362
Auto and taxi fees	108,000	111,305	3,305	112,053
Beer and wine licenses	2,100	2,065	(35)	2,030
Total permits and fees	<u>768,620</u>	<u>519,042</u>	<u>(249,578)</u>	<u>744,445</u>
Sales and Services:				
Public works fees	200,280	162,910	(37,370)	105,733
Refuse collection fees	1,397,192	1,418,840	21,648	1,384,761
Planning and inspections revenue	145,000	236,608	91,608	160,905
Public safety fees	86,250	72,181	(14,069)	66,475
Cultural and recreation fees	65,340	93,681	28,341	74,426
Rent income	81,400	85,436	4,036	79,523
Interfund rent of public buildings	1,226,509	795,112	(431,397)	868,423
Other sales and services	384,050	396,166	12,116	452,586
Total sales and services	<u>3,586,021</u>	<u>3,260,934</u>	<u>(325,087)</u>	<u>3,192,832</u>
Investment Earnings	<u>237,600</u>	<u>188,973</u>	<u>(48,627)</u>	<u>242,787</u>
Miscellaneous:				
Sale of capital assets	43,000	29,193	(13,807)	63,925
Cemetery	90,000	116,275	26,275	95,895
Cable franchise fee	30,000	27,875	(2,125)	126,910
Other	89,502	63,073	(26,429)	92,699
Total miscellaneous	<u>252,502</u>	<u>236,416</u>	<u>(16,086)</u>	<u>379,429</u>
Total revenues	<u>25,875,020</u>	<u>24,848,961</u>	<u>(1,026,059)</u>	<u>23,039,304</u>

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	<u>2008</u>		<u>Variance Over/Under</u>	<u>2007</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	213,648	213,283	365	193,505
Special appropriations	856,250	399,600	456,650	264,262
Operating expenses	111,450	108,206	3,244	111,496
Interfund reimbursement	<u>(273,268)</u>	<u>(273,268)</u>	<u>-</u>	<u>(262,694)</u>
Total	<u>908,080</u>	<u>447,821</u>	<u>460,259</u>	<u>306,569</u>
Administration:				
Salaries and employee benefits	290,511	288,641	1,870	271,868
Operating expenses	68,150	65,397	2,753	63,088
Interfund reimbursement	<u>(304,861)</u>	<u>(304,861)</u>	<u>-</u>	<u>(298,664)</u>
Total	<u>53,800</u>	<u>49,177</u>	<u>4,623</u>	<u>36,292</u>
Finance:				
Salaries and employee benefits	1,612,886	1,608,724	4,162	1,573,236
Operating expenses	827,766	806,092	21,674	668,911
Interfund reimbursement	<u>(2,331,042)</u>	<u>(2,331,042)</u>	<u>-</u>	<u>(2,226,988)</u>
Total	<u>109,610</u>	<u>83,774</u>	<u>25,836</u>	<u>15,159</u>
Legal:				
Contracted services	235,500	225,533	9,967	180,771
Interfund reimbursement	<u>(163,200)</u>	<u>(163,200)</u>	<u>-</u>	<u>(151,111)</u>
Total	<u>72,300</u>	<u>62,333</u>	<u>9,967</u>	<u>29,660</u>
Human Resources:				
Salaries and employee benefits	405,578	403,254	2,324	384,882
Operating expenses	77,021	74,872	2,149	80,274
Interfund reimbursement	<u>(386,080)</u>	<u>(386,080)</u>	<u>-</u>	<u>(360,465)</u>
Total	<u>96,519</u>	<u>92,046</u>	<u>4,473</u>	<u>104,691</u>

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Elections:				
Registration	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
Total general government	<u>1,244,309</u>	<u>735,151</u>	<u>509,158</u>	<u>492,371</u>
Public Safety:				
Police:				
Salaries and employee benefits	<u>7,008,634</u>	<u>6,984,523</u>	<u>24,111</u>	<u>6,690,663</u>
Operating expenses	<u>2,200,794</u>	<u>1,839,535</u>	<u>361,259</u>	<u>1,146,742</u>
Total general government	<u>9,209,428</u>	<u>8,824,058</u>	<u>385,370</u>	<u>7,837,405</u>
Animal Control:				
Salaries and employee benefits	<u>78,118</u>	<u>74,498</u>	<u>3,620</u>	<u>92,314</u>
Operating expenses	<u>13,660</u>	<u>10,517</u>	<u>3,143</u>	<u>11,911</u>
Total	<u>91,778</u>	<u>85,015</u>	<u>6,763</u>	<u>104,225</u>
Fire:				
Salaries and benefits	<u>3,652,569</u>	<u>3,631,735</u>	<u>20,834</u>	<u>3,452,705</u>
Operating expenses	<u>605,259</u>	<u>581,766</u>	<u>23,493</u>	<u>542,899</u>
Total	<u>4,257,828</u>	<u>4,213,501</u>	<u>44,327</u>	<u>3,995,604</u>
Communications:				
Salaries and employee benefits	<u>869,941</u>	<u>866,820</u>	<u>3,121</u>	<u>731,116</u>
Operating expenses	<u>188,453</u>	<u>172,328</u>	<u>16,125</u>	<u>157,922</u>
Interfund reimbursement	<u>(602,351)</u>	<u>(602,351)</u>	<u>-</u>	<u>(276,568)</u>
Total	<u>456,043</u>	<u>436,797</u>	<u>19,246</u>	<u>612,470</u>
Total public safety	<u>14,015,077</u>	<u>13,559,371</u>	<u>455,706</u>	<u>12,549,704</u>

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
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FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Public Works:				
Streets:				
Salaries and employee benefits	1,364,640	1,363,913	727	1,341,418
Operating expenses	1,275,286	1,222,289	52,997	1,007,554
Interfund reimbursement	(45,662)	(45,662)	-	(41,146)
Total	<u>2,594,264</u>	<u>2,540,540</u>	<u>53,724</u>	<u>2,307,826</u>
Public Buildings:				
Salaries and employee benefits	342,305	340,773	1,532	309,387
Operating expenses	475,252	446,187	29,065	465,285
Interfund reimbursement	(645,426)	(645,426)	-	(710,326)
Total	<u>172,131</u>	<u>141,534</u>	<u>30,597</u>	<u>64,346</u>
Administration:				
Salaries and employee benefits	542,617	540,953	1,664	520,431
Operating expenses	280,942	276,001	4,941	282,794
Interfund reimbursement	(692,415)	(692,415)	-	(700,383)
Total	<u>131,144</u>	<u>124,539</u>	<u>6,605</u>	<u>102,842</u>
Engineering:				
Salaries and employee benefits	567,727	561,304	6,423	435,518
Operating expenses	58,835	56,772	2,063	39,756
Interfund reimbursement	(625,450)	(625,450)	-	(460,493)
Total	<u>1,112</u>	<u>(7,374)</u>	<u>8,486</u>	<u>14,781</u>
Cemeteries:				
Salaries and employee benefits	75,651	75,532	119	67,643
Operating expenditures	165,248	160,633	4,615	159,650
Total	<u>240,899</u>	<u>236,165</u>	<u>4,734</u>	<u>227,293</u>

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SCHEDULE OF REVENUES, EXPENDITURES AND
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FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Leaf and Limb:				
Salaries and employee benefits	475,099	471,124	3,975	463,945
Operating expenditures	172,754	159,014	13,740	169,103
Total	<u>647,853</u>	<u>630,138</u>	<u>17,715</u>	<u>633,048</u>
Total public works	<u>3,787,403</u>	<u>3,665,542</u>	<u>121,861</u>	<u>3,350,136</u>
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	49,632	35,941	13,691	38,150
Operating expenditures	1,757,444	1,753,482	3,962	1,700,751
Total environmental protection	<u>1,807,076</u>	<u>1,789,423</u>	<u>17,653</u>	<u>1,738,901</u>
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,703,920	1,677,583	26,337	1,584,115
Operating expenditures	653,651	559,084	94,567	518,187
Total culture and recreation	<u>2,357,571</u>	<u>2,236,667</u>	<u>120,904</u>	<u>2,102,302</u>
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	1,319,796	1,318,822	974	1,246,735
Operating expenditures	324,256	261,172	63,084	190,791
Interfund reimbursement	(111,948)	(111,948)	-	(119,161)
Total	<u>1,532,104</u>	<u>1,468,046</u>	<u>64,058</u>	<u>1,318,365</u>
Municipal Service District:	84,088	84,033	55	80,850
Salaries and employee benefits	21,560	21,553	7	21,749
Operating expenditures	105,648	105,586	62	102,599
Total economic and physical development	<u>1,637,752</u>	<u>1,573,632</u>	<u>64,120</u>	<u>1,420,964</u>

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SCHEDULE OF REVENUES, EXPENDITURES AND
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FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE ACTUAL AMOUNTS FOR
THE YEAR ENDED JUNE 30, 2007**

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Capital Outlay	<u>2,441,992</u>	<u>2,038,371</u>	<u>403,621</u>	<u>1,699,067</u>
Debt Service:				
Principal retirement	2,004,183	2,001,293	2,890	1,978,519
Interest and other charges	<u>353,131</u>	<u>352,562</u>	<u>569</u>	<u>504,339</u>
Total debt service	<u>2,357,314</u>	<u>2,353,855</u>	<u>3,459</u>	<u>2,482,858</u>
Total expenditures	<u>29,648,494</u>	<u>27,952,012</u>	<u>1,696,482</u>	<u>25,836,303</u>
Revenues over (under) expenditures	<u>(3,773,474)</u>	<u>(3,103,051)</u>	<u>670,423</u>	<u>(2,796,999)</u>
Other Financing Sources (Uses):				
Transfers (to) from other funds:				
Enterprise Fund	1,240,000	1,198,590	(41,410)	609,202
Special Revenue Fund	(53,860)	208,999	262,859	(48,540)
Issuance of long-term debt	1,957,680	1,906,472	(51,208)	1,482,631
Appropriated fund balance	<u>629,654</u>	<u>-</u>	<u>(629,654)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,773,474</u>	<u>3,314,061</u>	<u>(459,413)</u>	<u>2,043,293</u>
Net change in fund balances	<u>\$ -</u>	<u>211,010</u>	<u>\$ 211,010</u>	<u>(753,742)</u>
Fund Balances:				
Beginning of year - July 1		<u>6,231,988</u>		<u>6,985,730</u>
End of year - June 30		<u>\$ 6,442,998</u>		<u>\$ 6,231,988</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 138,889	\$ 2,118	\$ 141,007
Restricted cash	-	4,694,735	4,694,735
Accounts receivable, net	52,493	-	52,493
Due from other funds	121,489	-	121,489
Due from other governments	7,392	-	7,392
Total assets	<u>\$ 320,263</u>	<u>\$ 4,696,853</u>	<u>\$ 5,017,116</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 42,392	\$ 730,519	\$ 772,911
Due to other funds	121,489	-	121,489
Deferred revenues	23,009	-	23,009
Total liabilities	<u>186,890</u>	<u>730,519</u>	<u>917,409</u>
Fund Balances:			
Unreserved, undesignated	<u>133,373</u>	<u>3,966,334</u>	<u>4,099,707</u>
Total fund balances	<u>133,373</u>	<u>3,966,334</u>	<u>4,099,707</u>
Total liabilities and fund balances	<u>\$ 320,263</u>	<u>\$ 4,696,853</u>	<u>\$ 5,017,116</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total</u>
Revenues:			
Restricted intergovernmental revenues	\$ 1,173,949	\$ -	\$ 1,173,949
Investment earnings	12,160	8,276	20,436
Program income	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total revenues	<u>1,192,109</u>	<u>8,276</u>	<u>1,200,385</u>
Expenditures:			
Economic and physical development	889,455	-	889,455
Public safety	315,148	-	315,148
Fire department	514,743	-	514,743
Culture and recreation	25,465	-	25,465
Capital outlay	<u>-</u>	<u>1,688,082</u>	<u>1,688,082</u>
Total expenditures	<u>1,744,811</u>	<u>1,688,082</u>	<u>3,432,893</u>
Revenues over (under) expenditures	<u>(552,702)</u>	<u>(1,679,806)</u>	<u>(2,232,508)</u>
Other Financing Sources (Uses):			
Transfers in	197,723	-	197,723
Transfers out	(406,722)	-	(406,722)
Issuance of debt	<u>506,352</u>	<u>5,714,500</u>	<u>6,220,852</u>
Total other financing sources (uses)	<u>297,353</u>	<u>5,714,500</u>	<u>6,011,853</u>
Net change in fund balances	(255,349)	4,034,694	3,779,345
Fund Balances:			
Beginning of year - July 1	<u>388,722</u>	<u>(68,360)</u>	<u>320,362</u>
End of year - June 30	<u>\$ 133,373</u>	<u>\$ 3,966,334</u>	<u>\$ 4,099,707</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	Community Development Fund	2005 CDBG Concentrated Needs	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund
Assets:				
Cash, cash equivalents and investments	\$ 30,424	\$ -	\$ -	\$ 108,465
Accounts receivable, net	23,010	-	-	29,483
Due from other funds	-	-	-	121,489
Due from other governments	-	-	-	7,392
Total assets	<u>\$ 53,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,829</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	2,235	\$ 40,157
Due to other funds	-	-	5,783	-
Deferred revenues	23,009	-	-	-
Total liabilities	<u>23,009</u>	<u>-</u>	<u>8,018</u>	<u>40,157</u>
Fund Balances:				
Undesignated (deficit)	<u>30,425</u>	<u>-</u>	<u>(8,018)</u>	<u>226,672</u>
Total liabilities and fund balances	<u>\$ 53,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,829</u>

Schedule C-1

<u>Police Special Revenue</u>	<u>SAFER Fire Grant</u>	<u>2007 PARTF Recreation Grant</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 138,889
-	-	-	52,493
-	-	-	121,489
-	-	-	7,392
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,263</u>
\$ -	\$ -	\$ -	\$ 42,392
227	102,746	12,733	121,489
-	-	-	23,009
<u>227</u>	<u>102,746</u>	<u>12,733</u>	<u>186,890</u>
<u>(227)</u>	<u>(102,746)</u>	<u>(12,733)</u>	<u>133,373</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,263</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Community Development Fund	2005 CDBG Concentrated Needs	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund
Revenues:				
Restricted intergovernmental	\$ -	\$ 340,571	\$ -	\$ -
Emergency 911 surcharge	-	-	-	363,993
Investment income	619	-	-	11,134
Program income	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,619</u>	<u>340,571</u>	<u>-</u>	<u>375,127</u>
Expenditures:				
Economic and physical development	5,209	369,876	514,370	-
Public safety:				
E-911	-	-	-	258,276
Police	-	-	-	-
Fire	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>5,209</u>	<u>369,876</u>	<u>514,370</u>	<u>258,276</u>
Revenues over (under) expenditures	1,410	(29,305)	(514,370)	116,851
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	506,352	-
Transfers out	-	-	-	(406,722)
Transfers in	<u>-</u>	<u>99,536</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,410	70,231	(8,018)	(289,871)
Fund Balances:				
Beginning of year - July 1	<u>29,015</u>	<u>(70,231)</u>	<u>-</u>	<u>516,543</u>
End of year - June 30	<u>\$ 30,425</u>	<u>\$ -</u>	<u>\$ (8,018)</u>	<u>\$ 226,672</u>

Schedule C-2

Police Special Revenue	SAFER Fire Grant	2007 PARTF Recreation Grant	Total
\$ 24,224	\$ 432,429	\$ 12,732	\$ 809,956
-	-	-	363,993
407	-	-	12,160
-	-	-	6,000
<u>24,631</u>	<u>432,429</u>	<u>12,732</u>	<u>1,192,109</u>
-	-	-	889,455
-	-	-	258,276
56,872	-	-	56,872
-	514,743	-	514,743
-	-	25,465	25,465
<u>56,872</u>	<u>514,743</u>	<u>25,465</u>	<u>1,744,811</u>
(32,241)	(82,314)	(12,733)	(552,702)
-	-	-	506,352
-	-	-	(406,722)
-	<u>98,187</u>	-	<u>197,723</u>
(32,241)	15,873	(12,733)	(255,349)
<u>32,014</u>	<u>(118,619)</u>	<u>-</u>	<u>388,722</u>
<u>\$ (227)</u>	<u>\$ (102,746)</u>	<u>\$ (12,733)</u>	<u>\$ 133,373</u>

CITY OF NEW BERN, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008
 WITH COMPARATIVE ACTUAL AMOUNTS FOR
 THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Investment earnings	\$ -	\$ 619	\$ 619	\$ 649
Project income	8,800	6,000	(2,800)	6,071
Total revenues	8,800	6,619	(2,181)	6,720
Expenditures:				
Economic and physical development:				
Community development	16,880	5,209	11,671	448
Total expenditures	16,880	5,209	11,671	448
Revenues over (under) expenditures	(8,080)	1,410	9,490	6,272
Other Financing Sources (Uses):				
Fund balance appropriated	8,080	-	(8,080)	-
Net change in fund balance	\$ -	1,410	\$ 1,410	\$ 6,272
Fund Balances:				
Beginning of year - July 1		29,015		
End of year - June 30		\$ 30,425		

CITY OF NEW BERN, NORTH CAROLINA

**2005 CDBG CONCENTRATED NEEDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Concentrated needs grant	\$ 631,834	\$ 291,263	\$ 340,571	\$ 631,834
Total revenues	<u>631,834</u>	<u>291,263</u>	<u>340,571</u>	<u>631,834</u>
Expenditures:				
Economic and physical development:				
Administration	79,700	59,881	23,077	82,958
Rehabilitation	102,154	83,399	21,790	105,189
Acquisition	200,393	145,429	54,772	200,201
Water system improvements	13,025	-	23,638	23,638
Sewer system improvements	45,179	-	64,691	64,691
Street improvements	62,720	-	37,883	37,883
Clearance	100,210	52,820	47,610	100,430
Relocation	<u>177,953</u>	<u>70,429</u>	<u>96,415</u>	<u>166,844</u>
Total expenditures	<u>781,834</u>	<u>411,958</u>	<u>369,876</u>	<u>781,834</u>
Revenues over (under) expenditures	<u>(150,000)</u>	<u>(120,695)</u>	<u>(29,305)</u>	<u>(150,000)</u>
Other Financing Sources (Uses):				
Transfers in	<u>150,000</u>	<u>50,464</u>	<u>99,536</u>	<u>150,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (70,231)</u>	<u>\$ 70,231</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

2007 STORMWATER CWMTF FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
Clean Water Management Trust Grant	\$ 1,000,000	\$ -	\$ -	\$ -
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Economic and physical development:				
Land and right of ways	-	-	506,352	506,352
Drainage improvements	<u>2,000,000</u>	<u>-</u>	<u>8,018</u>	<u>8,018</u>
Total expenditures	<u>2,000,000</u>	<u>-</u>	<u>514,370</u>	<u>514,370</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>-</u>	<u>(514,370)</u>	<u>(514,370)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	503,500	-	506,352	506,352
Transfers in	<u>496,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>-</u>	<u>506,352</u>	<u>506,352</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,018)</u>	<u>\$ (8,018)</u>

CITY OF NEW BERN, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	2008		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Other taxes and licenses:			
911 system subscriber fees	\$ 150,000	\$ 190,250	\$ 40,250
Wireless 911 funds	90,000	72,600	(17,400)
Reimbursements:			
Subscriber maintenance fees	50,000	88,121	38,121
Data position reimbursements	10,000	10,000	-
Router line cost fees	1,700	3,022	1,322
Router maintenance contract	17,000	-	(17,000)
Other reimbursements	12,000	-	(12,000)
Interest earnings	7,400	11,134	3,734
Total revenues	<u>338,100</u>	<u>375,127</u>	<u>37,027</u>
Expenditures:			
Public safety:			
911 system subscriber fees:			
Salaries and employee benefits		90,237	
Telephone		136,216	
Maintenance-communications		25,962	
Miscellaneous supplies		5,862	
Total 911 system subscriber fees	<u>364,118</u>	<u>258,277</u>	<u>105,841</u>
Total expenditures	<u>364,118</u>	<u>258,277</u>	<u>105,841</u>
Revenues over (under) expenditures	(26,018)	116,850	142,868
Other Financing Sources (Uses):			
Transfers out	(406,722)	(406,722)	-
Appropriated fund balance	<u>432,740</u>	<u>-</u>	<u>(432,740)</u>
Net change in fund balance	<u>\$ -</u>	<u>(289,872)</u>	<u>\$ (289,872)</u>
Fund Balances:			
Beginning of year - July 1		<u>516,544</u>	
End of year - June 30		<u>\$ 226,672</u>	

CITY OF NEW BERN, NORTH CAROLINA

**POLICE SPECIAL REVENUE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental:			
Police Special Revenue	\$ 19,314	\$ 24,224	\$ 4,910
Investment earnings	1,150	407	(743)
Total revenues	<u>20,464</u>	<u>24,631</u>	<u>4,167</u>
Expenditures:			
Public safety:			
Police expenditures	<u>56,900</u>	<u>56,872</u>	<u>28</u>
Total expenditures	<u>56,900</u>	<u>56,872</u>	<u>28</u>
Revenues over (under) expenditures	<u>(36,436)</u>	<u>(32,241)</u>	<u>4,195</u>
Other Financing Sources (Uses):			
Transfers in	4,500	-	(4,500)
Fund balance appropriated	<u>31,936</u>	-	<u>(31,936)</u>
Total other financing sources (uses)	<u>36,436</u>	-	<u>(36,436)</u>
Net change in fund balance	<u>\$ -</u>	<u>(32,241)</u>	<u>\$ (32,241)</u>
Fund Balances:			
Beginning of year - July 1		<u>32,014</u>	
End of year - June 30		<u>\$ (227)</u>	

CITY OF NEW BERN, NORTH CAROLINA

SAFER FIRE GRANT
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
SAFER Fire Department Grant	\$ 1,117,375	\$ 69,316	\$ 432,429	\$ 501,745
Total revenues	<u>1,117,375</u>	<u>69,316</u>	<u>432,429</u>	<u>501,745</u>
Expenditures:				
Public safety - Fire Department	<u>2,340,007</u>	<u>187,935</u>	<u>514,743</u>	<u>702,678</u>
Total expenditures	<u>2,340,007</u>	<u>187,935</u>	<u>514,743</u>	<u>702,678</u>
Revenues over (under) expenditures	(1,222,632)	(118,619)	(82,314)	(200,933)
Other Financing Sources (Uses):				
Transfers in	<u>1,222,632</u>	<u>-</u>	<u>98,187</u>	<u>98,187</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (118,619)</u>	<u>\$ 15,873</u>	<u>\$ (102,746)</u>

CITY OF NEW BERN, NORTH CAROLINA

2007 PARTF RECREATION GRANT PROJECT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
2007 PARTF Grant	\$ 500,000	\$ -	\$ 12,732	\$ 12,732
Total revenues	<u>500,000</u>	<u>-</u>	<u>12,732</u>	<u>12,732</u>
Expenditures:				
Cultural and recreation	1,157,616	-	25,465	25,465
Total expenditures	<u>1,157,616</u>	<u>-</u>	<u>25,465</u>	<u>25,465</u>
Revenues over (under) expenditures	(657,616)	-	(12,733)	(12,733)
Other Financing Sources (Uses):				
Issuance of long-term debt	657,616	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,733)</u>	<u>\$ (12,733)</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2008

	<u>Swimming Pool Project</u>	<u>Elizabeth Street Fire Station Project</u>	<u>Downtown Improvements #5 Capital Project</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 41	\$ 2,077	\$ -	\$ 2,118
Cash and investments, restricted	<u>3,980,308</u>	<u>553,019</u>	<u>161,408</u>	<u>4,694,735</u>
Total assets	<u>\$ 3,980,349</u>	<u>\$ 555,096</u>	<u>\$ 161,408</u>	<u>\$ 4,696,853</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	<u>\$ 365,119</u>	<u>\$ 203,992</u>	<u>\$ 161,408</u>	<u>\$ 730,519</u>
Total liabilities	<u>365,119</u>	<u>203,992</u>	<u>161,408</u>	<u>730,519</u>
Fund Balances (Deficit):				
Unreserved, undesignated	<u>3,615,230</u>	<u>351,104</u>	<u>-</u>	<u>3,966,334</u>
Total liabilities and fund balances	<u>\$ 3,980,349</u>	<u>\$ 555,096</u>	<u>\$ 161,408</u>	<u>\$ 4,696,853</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Swimming Pool Project</u>	<u>Elizabeth Street Fire Station Project</u>	<u>Downtown Improvements #5 Capital Project</u>	<u>Total</u>
Revenues:				
Investment earnings	\$ 7,164	\$ 1,112	\$ -	\$ 8,276
Total revenues	<u>7,164</u>	<u>1,112</u>	<u>-</u>	<u>8,276</u>
Expenditures:				
Capital outlay	\$ 556,866	\$ 323,008	\$ 808,208	\$ 1,688,082
Revenues over (under) expenditures	<u>(549,702)</u>	<u>(321,896)</u>	<u>(808,208)</u>	<u>(1,679,806)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>4,214,000</u>	<u>673,000</u>	<u>827,500</u>	<u>5,714,500</u>
Total other financing sources (uses)	<u>4,214,000</u>	<u>673,000</u>	<u>827,500</u>	<u>5,714,500</u>
Net change in fund balances	3,664,298	351,104	19,292	4,034,694
Fund Balances:				
Beginning of year - July 1	<u>(49,068)</u>	<u>-</u>	<u>(19,292)</u>	<u>(68,360)</u>
End of year - June 30	<u>\$ 3,615,230</u>	<u>\$ 351,104</u>	<u>\$ -</u>	<u>\$ 3,966,334</u>

CITY OF NEW BERN, NORTH CAROLINA

SWIMMING POOL CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues				
Investment earnings	\$ -	\$ -	\$ 7,164	\$ 7,164
Total revenues	-	-	7,164	7,164
Expenditures:				
Capital outlay	\$ 4,214,000	\$ 49,068	\$ 556,866	\$ 605,934
Revenues over (under) expenditures	(4,214,000)	(49,068)	(549,702)	(598,770)
Other Financing Sources (Uses):				
Issuance of long-term debt	4,214,000	-	4,214,000	4,214,000
Total other financing sources (uses)	4,214,000	-	4,214,000	4,214,000
Net change in fund balance	\$ -	\$ (49,068)	\$ 3,664,298	\$ 3,615,230

CITY OF NEW BERN, NORTH CAROLINA

ELIZABETH AVENUE FIRE STATION CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,112	\$ 1,112
Total revenues	<u>-</u>	<u>-</u>	<u>1,112</u>	<u>1,112</u>
Expenditures:				
Capital outlay	\$ 673,000	\$ -	\$ 323,008	\$ 323,008
Revenues over (under) expenditures	(673,000)	-	(321,896)	(321,896)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>673,000</u>	<u>-</u>	<u>673,000</u>	<u>673,000</u>
Total other financing sources (uses)	<u>673,000</u>	<u>-</u>	<u>673,000</u>	<u>673,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,104</u>	<u>\$ 351,104</u>

CITY OF NEW BERN, NORTH CAROLINA

**DOWNTOWN IMPROVEMENTS #5 CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Capital outlay	\$ 827,500	\$ 19,292	\$ 808,208	\$ 827,500
Revenues over (under) expenditures	(827,500)	(19,292)	(808,208)	(827,500)
Other Financing Sources (Uses):				
Issuance of long-term debt	827,500	-	827,500	827,500
Total other financing sources	827,500	-	827,500	827,500
Net change in fund balance	\$ -	\$ (19,292)	\$ 19,292	\$ -

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	2008			2007 Actual
	Budget	Actual	Variance Over/Under	
Revenues:				
Operating revenues:				
Charges for services	\$ 52,812,074	\$ 53,163,797	\$ 351,723	\$ 51,057,029
Total operating revenues	<u>52,812,074</u>	<u>53,163,797</u>	<u>351,723</u>	<u>51,057,029</u>
Nonoperating revenues:				
Miscellaneous	1,037,000	359,493	(677,507)	86,513
Interest	50,000	13,390	(36,610)	53,076
Total nonoperating revenues	<u>1,087,000</u>	<u>372,883</u>	<u>(714,117)</u>	<u>139,589</u>
Total revenues	<u>53,899,074</u>	<u>53,536,680</u>	<u>(362,394)</u>	<u>51,196,618</u>
Expenditures:				
Administration	7,705,776	7,682,184	23,592	5,822,110
Production	40,456,982	40,641,121	(184,139)	41,621,393
Distribution	2,190,500	2,164,612	25,888	1,693,839
Reimbursed expenses - interfund	-	-	-	(567,174)
Capital outlay	2,916,218	2,757,326	158,892	2,097,349
Debt service	712,480	712,468	12	691,473
Total expenditures	<u>53,981,956</u>	<u>53,957,711</u>	<u>24,245</u>	<u>51,358,990</u>
Revenues over (under) expenditures	(82,882)	(421,031)	(338,149)	(162,372)
Other Financing Sources (Uses):				
Transfers to other funds	(1,198,590)	(1,198,590)	-	(609,202)
Appropriated fund balance	499,104	-	(499,104)	-
Installment purchase debt issued	782,368	516,575	(265,793)	525,829
Total other financing sources (uses)	<u>82,882</u>	<u>(682,015)</u>	<u>(764,897)</u>	<u>(83,373)</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (1,103,046)</u>	<u>\$ (1,103,046)</u>	<u>\$ (245,745)</u>

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007**

	<u>2008</u>			<u>2007</u> <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over/Under</u>	
Reconciliation from Modified Accrual				
Basis to Full Accrual Basis:				
Revenues under expenditures		\$ (1,103,046)		
Reconciling Items:				
Capital outlay capitalized		1,289,735		
Work orders capitalized		1,906,178		
Depreciation		(1,753,082)		
Proceeds from issuance of debt		(516,575)		
Principal payment on debt		603,379		
Gain (loss) on sale of capital assets		<u>(2,611)</u>		
Change in net assets		<u>\$ 423,978</u>		

CITY OF NEW BERN, NORTH CAROLINA

**ELECTRIC DISTRIBUTION FACILITIES CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Electric system project	\$ 1,500,000	\$ -	\$ 8,350	\$ 8,350
Total expenditures	<u>1,500,000</u>	<u>-</u>	<u>8,350</u>	<u>8,350</u>
Revenues over (under) expenditures	<u>(1,500,000)</u>	<u>-</u>	<u>(8,350)</u>	<u>(8,350)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,350)</u>	<u>\$ (8,350)</u>

CITY OF NEW BERN, NORTH CAROLINA

**ELECTRIC SUBSTATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Substation	\$ 2,750,000	\$ -	\$ -	\$ -
 Other Financing Sources (Uses):				
Installment purchase debt issued	2,750,000	-	-	-
 Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Charges for services	\$ 5,951,769	\$ 5,970,258	\$ 18,489	\$ 5,316,765
Non-operating Revenues:				
Miscellaneous	-	8,684	8,684	842
Capital contributions	-	-	-	755,828
Investment earnings	43,000	51,869	8,869	45,480
Total nonoperating revenues	43,000	60,553	17,553	802,150
Total revenues	5,994,769	6,030,811	36,042	6,118,915
Expenditures:				
Administration	2,779,827	2,779,483	344	1,897,496
System maintenance and extensions	2,294,030	2,240,513	53,517	1,743,826
Hydrant maintenance	325,495	196,504	128,991	178,783
Treatment	256,799	244,727	12,072	226,541
Capital outlay	621,352	208,483	412,869	104,250
Debt service	533,118	531,778	1,340	562,273
Total expenditures	6,810,621	6,201,488	609,133	4,713,169
Revenues over (under) expenditures	(815,852)	(170,677)	(573,091)	1,405,746
Other Financing Sources (Uses):				
Installment purchase debt issued	815,852	781,655	(34,197)	-
Intrafund transfer	-	-	-	(40,000)
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ 610,978	\$ 610,978	\$ 1,365,746
Reconciliation from Modified Accrual Basis to Full Accrual Basis:				
Revenues over expenditures		\$ 610,978		
Reconciling Items:				
Operating revenues - capital projects		119,190		
Depreciation		(484,382)		
Capital outlay capitalized		208,483		
Proceeds from issuance of debt		(781,655)		
Principal payment on debt		474,217		
Change in net assets		\$ 146,831		

CITY OF NEW BERN, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Connection fees	\$ 1,500,000	\$ 59,703	\$ 116,637	\$ 176,340
Investment earnings	-	509	2,401	2,910
Total revenues	<u>1,500,000</u>	<u>60,212</u>	<u>119,038</u>	<u>179,250</u>
Other Financing Sources (Uses):				
Contingency	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 60,212</u>	<u>\$ 119,038</u>	<u>\$ 179,250</u>

CITY OF NEW BERN, NORTH CAROLINA

WATER TREATMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
State grant	\$ 40,000	\$ 39,990	\$ -	\$ 39,990
Expenditures:				
Water treatment project	36,000,000	2,926,018	7,391,767	10,317,785
Total expenditures	36,000,000	2,926,018	7,391,767	10,317,785
Revenues over (under) expenditures	(35,960,000)	(2,886,028)	(7,391,767)	(10,277,795)
Other Financing Sources (Uses):				
Intrafund transfer	40,000	40,000	-	40,000
Installment purchase debt issued	35,920,000	2,503,763	5,797,351	8,301,114
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ (342,265)	\$ (1,594,416)	\$ (1,936,681)

CITY OF NEW BERN, NORTH CAROLINA

**TOWNSHIP 7 WATER IMPROVEMENTS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 152	152
Total revenues	-	-	152	152
Expenditures:				
Water improvement project	\$ 3,500,000	\$ 85,836	\$ 334,404	\$ 420,240
Total expenditures	3,500,000	85,836	334,404	420,240
Revenues over (under) expenditures	(3,500,000)	(85,836)	(334,252)	(420,088)
Other Financing Sources (Uses):				
Installment purchase debt issued	3,500,000	-	299,300	299,300
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ (85,836)	\$ (34,952)	\$ (120,788)

CITY OF NEW BERN, NORTH CAROLINA

**INDUSTRIAL PARK WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Water system improvements	\$ 21,805	\$ -	\$ 21,805	\$ 21,805
Total expenditures	<u>21,805</u>	<u>-</u>	<u>21,805</u>	<u>21,805</u>
Revenues over (under) expenditures	<u>(21,805)</u>	<u>-</u>	<u>(21,805)</u>	<u>(21,805)</u>
Other Financing Sources (Uses):				
Transfers in	<u>21,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,805)</u>	<u>\$ (21,805)</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - SEWER
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2008
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2007

	2008			2007
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Charges for services	\$ 11,005,276	\$ 10,821,784	\$ (183,492)	\$ 10,042,901
Availability fee	713,196	713,195	(1)	732,063
Total operating revenues	11,718,472	11,534,979	(183,493)	10,774,964
Nonoperating Revenues:				
Miscellaneous	20,000	15,629	(4,371)	(21,237)
Capital contributions	-	-	-	3,320,289
Investment earnings	10,495	14,368	3,873	55,796
Total nonoperating revenues	30,495	29,997	(498)	3,354,848
Total revenues	11,748,967	11,564,976	(183,991)	14,129,812
Expenditures:				
Administration	2,324,979	1,763,746	561,233	1,513,666
System maintenance and extensions	3,468,638	3,346,348	122,290	3,387,245
Pre-treatment	63,032	44,768	18,264	52,439
Treatment	2,242,134	2,184,924	57,210	2,117,710
Reimbursed expenses - interfund	-	-	-	(42,000)
Capital outlay	1,848,788	1,103,677	745,111	1,720,219
Debt service	3,971,954	3,971,933	21	3,908,953
Total expenditures	13,919,525	12,415,396	1,504,129	12,658,232
Revenues over (under) expenditures	(2,170,558)	(850,420)	1,320,138	1,471,580
Other Financing Sources (Uses):				
Transfers	-	-	-	164,321
Installment purchase debt issued	2,170,558	1,890,754	(279,804)	848,461
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ 1,040,334	\$ 1,040,334	\$ 2,484,362
Reconciliation from Modified Accrual Basis to Full Accrual Basis:				
Revenues over expenditures		\$ 1,040,334		
Reconciling Items:				
Operating revenues - capital projects		457,452		
Contributed capital assets		598,245		
Capital outlay capitalized		1,158,676		
Depreciation		(1,581,937)		
Principal payment on debt		2,973,804		
Proceeds from installment purchases		(1,890,754)		
Loss on disposal of capital assets		(117,543)		
Change in net assets		\$ 2,638,277		

CITY OF NEW BERN, NORTH CAROLINA

**TRENT WOODS SEWER CONSTRUCTION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Actual</u>			<u>Total to Date</u>
	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Connection fees	\$ 1,505,400	\$ 1,217,748	\$ 457,391	\$ 1,675,139
Investment earnings	<u>108,580</u>	<u>108,594</u>	<u>-</u>	<u>108,594</u>
Total revenues	<u>1,613,980</u>	<u>1,326,342</u>	<u>457,391</u>	<u>1,783,733</u>
Expenditures:				
Sewer system:				
Sewer system - Trent Woods	<u>10,799,621</u>	<u>10,438,802</u>	<u>323,781</u>	<u>10,762,583</u>
Total expenditures	<u>10,799,621</u>	<u>10,438,802</u>	<u>323,781</u>	<u>10,762,583</u>
Revenues over (under) expenditures	<u>(9,185,641)</u>	<u>(9,112,460)</u>	<u>133,610</u>	<u>(8,978,850)</u>
Other Financing Sources (Uses):				
Transfer to Sewer Fund	111,909	(117,511)	-	(117,511)
Installment purchase debt issued	<u>9,073,732</u>	<u>9,073,732</u>	<u>-</u>	<u>9,073,732</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (156,239)</u>	<u>\$ 133,610</u>	<u>\$ (22,629)</u>

CITY OF NEW BERN, NORTH CAROLINA

**TOWNSHIP 7 SEWER IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 61	\$ 61
Total revenues	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>
Expenditures:				
Wastewater improvements	\$ 3,500,000	\$ 810,147	\$ 486,228	\$ 1,296,375
Total expenditures	<u>3,500,000</u>	<u>810,147</u>	<u>486,228</u>	<u>1,296,375</u>
Revenues over (under) expenditures	<u>(3,500,000)</u>	<u>(810,147)</u>	<u>(486,167)</u>	<u>(1,296,314)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>3,500,000</u>	<u>517,886</u>	<u>264,100</u>	<u>781,986</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (292,261)</u>	<u>\$ (222,067)</u>	<u>\$ (514,328)</u>

CITY OF NEW BERN, NORTH CAROLINA

**INTERNAL SERVICE FUND - EMPLOYEE BENEFIT INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - PLAN AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Employee and retiree contributions	\$ 580,000	\$ 594,575	\$ 14,575
Employer and other contributions	4,902,140	4,877,585	(24,555)
Investment income	3,000	10,932	7,932
Total revenue	<u>5,485,140</u>	<u>5,483,092</u>	<u>(2,048)</u>
Expenditures:			
Employee insurance plan benefits	<u>5,485,140</u>	<u>5,453,562</u>	<u>31,578</u>
Change in net assets	<u>\$ -</u>	<u>\$ 29,530</u>	<u>\$ 29,530</u>

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2008

Fiscal Year	Uncollected Balance July 1, 2007	Additions	Collections and Credits	Uncollected Balance June 30, 2008
2007-2008	\$ -	\$ 11,226,097	\$ 11,026,226	\$ 199,871
2006-2007	164,144	-	108,139	56,005
2005-2006	50,507	-	11,290	39,217
2004-2005	42,310	-	7,041	35,269
2003-2004	36,339	-	5,852	30,487
2002-2003	34,500	-	4,445	30,055
2001-2002	30,501	-	3,556	26,945
2000-2001	23,592	-	1,592	22,000
1999-2000	19,440	-	1,178	18,262
1998-1999	21,760	-	793	20,967
1997-1998	14,667	-	14,667	-
	\$ 437,760	\$ 11,226,097	\$ 11,184,779	479,078
Plus: motor vehicle taxes collected but not received from County				61,816
Less: allowance for uncollectible ad valorem taxes receivable				(166,912)
Ad valorem taxes receivable - net				\$ 373,982
Reconciliation with Revenues:				
Taxes - ad valorem, per Exhibit D			\$ 11,355,453	
Reconciling Items:				
Releases - ad valorem				8,741
Less interest collected				(58,738)
Less MSD Fund taxes, penalty and interest collected all years				(144,301)
Miscellaneous adjustments				8,957
Amounts written off for tax years per statute of limitations				14,667
Total collections and credits			\$ 11,184,779	

CITY OF NEW BERN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2008

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,183,791,403	0.505	\$ 11,028,146	\$ 9,821,555	\$ 1,206,591
Penalties	-		12,020	12,020	-
Total	<u>2,183,791,403</u>		<u>11,040,166</u>	<u>9,833,575</u>	<u>1,206,591</u>
Discoveries:					
Current year taxes	72,843,154	0.505	367,857	367,857	-
Penalties	-		(8,998)	(8,998)	-
Total	<u>72,843,154</u>		<u>376,855</u>	<u>376,855</u>	<u>-</u>
Abatements	<u>(37,806,800)</u>	0.505	<u>(190,924)</u>	<u>(95,786)</u>	<u>(95,138)</u>
Total property valuation	<u>\$ 2,218,827,757</u>				
Net levy			11,226,097	10,114,644	1,111,453
Less: uncollected taxes at June 30, 2008			<u>(199,871)</u>	<u>(80,241)</u>	<u>(119,630)</u>
Current year's taxes collected			<u>\$ 11,026,226</u>	<u>\$ 10,034,403</u>	<u>\$ 991,823</u>
Current levy collection percentage			<u>98.22%</u>	<u>99.21%</u>	<u>89.24%</u>
Prior year collection percentage			<u>98.33%</u>	<u>99.37%</u>	<u>89.59%</u>



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**Report On Internal Control Over Financial Reporting And On Compliance And
Other Matters Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

To the Honorable Mayor and
Members of the Board of Alderman
City of New Bern, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Bern, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of New Bern's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Bern's financial statements are free of material misstatement, we performed tests of its compliance and other matters with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the New Bern Board of Aldermen, federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2008



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**Report on Compliance with Requirements Applicable to Each Major Federal Program
and Internal Control over Compliance In Accordance With OMB Circular A-133
and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the Board of Alderman
City of New Bern, North Carolina

Compliance

We have audited the compliance of the City of New Bern, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of New Bern's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of New Bern's management. Our responsibility is to express an opinion on The City of New Bern's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New Bern's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of New Bern's compliance with those requirements.

In our opinion, the City of New Bern complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of New Bern is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Bern's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the New Bern Board of Aldermen, federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2008



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**Report On Compliance With Requirements Applicable To Each Major State Program
And Internal Control Over Compliance In Accordance With Applicable Section
of OMB Circular A-133 And The State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the Board of Alderman
City of New Bern, North Carolina

Compliance

We have audited the compliance of the City of New Bern, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The City of New Bern's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of City of New Bern's management. Our responsibility is to express an opinion on the City of New Bern, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of New Bern's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of New Bern's compliance with those requirements.

In our opinion, the City of New Bern complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of New Bern is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of New Bern's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the New Bern Board of Aldermen, federal and State awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specific parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2008

CITY OF NEW BERN, NORTH CAROLINA

**SUMMARY OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
• Material weakness identified	No
• Significant deficiency identified that are not considered to be a material weakness	No
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weaknesses	No
Type of auditors' report issued on compliance for major federal programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Section 510(a) of OMB Circular A-133	No
Identification of major federal programs:	

CFDA Number

Program Name

14.228	2005 CDBG Concentrated Needs
97.044	Staffing for Adequate Fire and Emergency Response (SAFER)
97.074	Intelligence Info Sharing Center

Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
Auditee qualified as low-risk auditee?	No

CITY OF NEW BERN, NORTH CAROLINA

**SUMMARY OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

State Awards

Internal control over major State programs:

- Material weakness(es) identified No

- Significant deficiencies identified that are not considered to be material weaknesses No

Type of auditors' report issued on compliance for major State programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act No

Identification of major State programs:

Program Name

Powell Bill
Clean Water Trust Grant

Financial Statements Findings

None reported

Federal Award Findings and Questioned Costs

None reported

State Award Findings and Questioned Costs

None reported

CITY OF NEW BERN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
U.S. Department of Housing and Urban Development:					
Passed through N.C. Department of Commerce Division of Community Service					
2005 CDBG Concentrated Needs	14.228		\$ 374,412	\$ -	\$ 29,305
US Department of Justice:					
Bureau of Justice Assistance: Direct Programs					
2005 Justice Assistance	16.738	2005-DJ-BX-1024	1,533	-	613
2007 Justice Assistance	16.738	2007-DJ-BX-1249	13,403	-	2,362
Bulletproof Vest	16.607	OMB-1121-0235	15,631	-	16,606
Office Of Community Oriented Policing Services:					
2004 Secure Our Schools	16.710	2004-CK-WX-0422	5,232	-	5,232
U. S. Department of Homeland Security:					
Federal Emergency Management Agency Passed Through N.C. Department of Crime Control and Public Safety					
Staffing for Adequate Fire & Emergency Response	97.044	EMW-2006-FF-04218	432,429	-	82,314
Passed Through Division of N.C. Homeland Security Intelligence/Information Sharing Center	97.074		278,450	-	-
U.S. Department of Agriculture:					
Passed Through N.C. Department of Health and Human Services					
Nutrition Services Branch Summer Food Services Program.	10.559	8386	13,529	-	2,434
National Park Service:					
Passed Thru N.C. Department of Cultural Resources					
2007 Historic Preservation Grant	15.904		3,000	-	2,000
Department of Environment & Natural Resources:					
Division of Environment Health Public Water Supply Section					
Clean Water Trust Grant		HLRXF040994	-	5,797,531	1,594,235

CITY OF NEW BERN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Division of Parks and Recreation					
N.C. Parks and Recreation Trust Fund		P08079	-	12,733	12,733
Division of Water Quality					
Clean Water Management Trust Fund		2007-711	-		514,369
Division of Coastal Management					
Morgan Park Neighborhood Access		S07017	-	7,075	54,053
CAMA Regional Land Use Plan		S07073	-	22,800	15,200
Department of Crime Control and Public Safety					
Division of Governor's Crime Commission					
Cops and Kids Summer Camp Program		025-1-06-009-AJ-951	-	5,759	1,922
Craven County Gang Task Force		025-1-06-001-BN-025	-	88,905	29,491
Division of Emergency Management					
Swiftwater/ Urban Search and Rescue		SRT/USAR 0607-019	-	10,800	-
Department of Transportation					
Powell Bill			-	910,462	-
Traffic Enforcement and Management Unit		K4-07-05-01	-	15,494	-
Traffic Enforcement and Management Unit		PT-08-03-04-34	-	18,234	6,703
Total Federal Expenditures			<u>\$ 1,137,618</u>		
Total State Expenditures				<u>\$ 6,889,791</u>	
Total Local Expenditures					<u>\$ 2,369,571</u>

Note 1 - Expenditures are reported on the modified accrual basis of accounting

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and state grant activity of City of New Bern and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.