

# **CRAVEN COUNTY, NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2012**



**PREPARED BY THE FINANCE DEPARTMENT  
RICHARD F. HEMPHILL, FINANCE OFFICER**

**Craven County**



## INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal .....	1 - 7
GFOA Certificate of Achievement .....	8
List of Principal Officials .....	9
Organizational Chart .....	10
Map of Craven County, North Carolina .....	11

## FINANCIAL SECTION

Independent Auditor's Report .....	13 – 14
Management's Discussion and Analysis (Unaudited) .....	15 – 26
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets .....	28
Statement of Activities .....	29
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	31
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	33
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	34 - 36
Statement of Net Assets – Proprietary Funds .....	37
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	38
Statement of Cash Flows – Proprietary Funds .....	39
Statement of Fiduciary Net Assets – Fiduciary Funds .....	40
Notes to Financial Statements .....	41 - 88
Required Supplementary Information:	
Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance .....	89
Schedule of Employer Contributions for Law Enforcement Officers' Special Separation Allowance .....	89
Schedule of Funding Progress for Other Postemployment Benefits .....	90
Schedule of Employer Contributions for Other Postemployment Benefits .....	90
Notes to the Required Schedules for Other Postemployment Benefits .....	90
Other Supplementary Information:	
Schedule of Ad Valorem Taxes Receivable .....	91
Analysis of Current Tax Levy .....	92
Combining Schedules of Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	93
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	94
Combining Balance Sheet – Nonmajor Capital Project Funds .....	95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds .....	98
Special Revenue Funds:	
Detailed Balance Sheet – All Fire District Funds .....	99
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances- All Fire District Funds .....	100
Schedules of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual – All Fire District Funds .....	101 - 111
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual:	
Emergency Telephone System E-911 Fund .....	112
Occupancy Tax Fund .....	113
CDBG FY09 Scattered Sites .....	114

CDBG FY08 James City .....	115
CDBG FY 10 Contingency Infrastructure.....	116
<i>Debt Service Fund:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual .....	117
<i>Capital Project Funds:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual:	
County Reserve Capital Project Fund .....	119
St. Luke's Building Renovation Fund.....	120
Latham-Whitehurst Nature Park Project Fund.....	121
Qualified School Construction Bond.....	122
EOC 911 Renovation Fund.....	123
<i>Enterprise Funds:</i>	
Combining Schedule of Net Assets – Nonmajor Enterprise Funds.....	125
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	126
Combining Schedule of Cash Flows – Nonmajor Enterprise Funds.....	127
Schedule of Net Assets – Craven County Water Fund .....	128
Detailed Schedule of Revenues, Expenses and Changes in Net Assets – Craven County Water Fund .....	129
Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis:	
Craven County Water Operating Fund.....	130 -131
Castle Hayne Aquifer Capital Project Fund.....	132
Blended Component Unit, Township 6 Water and Sewer District.....	133
Blended Component Unit, Northwest Craven Water and Sewer District .....	134
<i>Internal Service Fund:</i>	
Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis .....	135
<i>Agency Funds:</i>	
Combining Balance Sheet – All Agency Funds .....	137
Schedule of Changes in Assets and Liabilities – All Agency Funds .....	138
<i>Component Units:</i>	
Tourism Development Authority Fund (A Component Unit)	
Detailed Balance Sheet .....	139
Schedule of Revenues, Expenditures and Changes in Net Assets Budget and Actual .....	140
Craven County Regional Airport Authority (A Component Unit)	
Combining Balance Sheet .....	141
Combining Schedule of Revenues, Expenses and Changes in Net Assets.....	142
Combining Schedule of Cash Flows .....	143
Detailed Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis:	
Operating Fund.....	144-145
Terminal Area Development Site No. 30 Capital Project Fund .....	146
Terminal Area Development Site No. 32 Capital Project Fund .....	147
Terminal Area Development Site No. 33 Capital Project Fund .....	148
Terminal Area Development Site No. 34 Capital Project Fund .....	149
Airport Reserve Fund.....	150
<i>Capital Assets Used in the Operation of Governmental Funds</i>	
Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source .....	151
Capital Assets Used in the Operation of Governmental Funds Schedule by Function & Activity.....	152
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function & Activity.....	153
<b>STATISTICAL SECTION (Unaudited)</b>	
Net Assets by Component – Last Five Fiscal Years (Schedule 1) .....	155
Changes in Net Assets – Last Five Fiscal Years (Schedule 2).....	156 - 157
Fund Balances – Governmental Funds – Last Ten Fiscal Years (Schedule 3).....	158
Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years (Schedule 4).....	159
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years (Schedule 5).....	160

Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years (Schedule 6) .....	161
Principal Property Taxpayers – Current Year and Nine Years Ago (Schedule 7) .....	162
Property Tax Levies and Collections – Last Ten Fiscal Years (Schedule 8) .....	163
Ratios of Outstanding Debt by Type – Last Ten Fiscal years (Schedule 9) .....	164
Ratio of Net General Bonded Debt Outstanding – Last Ten Fiscal Years (Schedule 10) .....	165
Legal Debt Margin Information – Last Ten Fiscal Years (Schedule 11) .....	166
Demographic and Economic Statistics – Last Ten Fiscal Years (Schedule 12) .....	167
Principal Employers – Current Year and Nine Years Ago (Schedule 13) .....	168
Full-time Equivalent County Government Employees by Function – Last Ten Fiscal Years (Schedule 14) .....	169
Operating Indicators by Function – Last Ten Fiscal Years (Schedule 15) .....	170
Capital Asset Statistics by Function – Last Ten Fiscal Years (Schedule 16) .....	171

**COMPLIANCE SECTION**

Independent Auditor’s Report on:

Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	173 - 174
Compliance With Requirements That Could Have a Material Effect on Each Major Federal Program and the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State Single Audit Implementation Act .....	175 - 176
Compliance With Requirements That Could Have a Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance With Applicable Sections OMB Circular A-133 and the State Single Audit Implementation Act .....	177 - 178
Schedule of Findings and Questioned Costs .....	179 - 182
Corrective Action Plan .....	183
Status of Prior Audit Findings .....	184
Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges .....	185 - 189
Notes to Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges .....	190

Craven County



## INTRODUCTORY SECTION

- Letter of Transmittal
- **GFOA** Certificate of Achievement
- List of Principal Officials
- Organizational Chart
- Map of Craven County

Craven County





November 1, 2012

The Board of County Commissioners  
Citizens of Craven County

The Comprehensive Annual Financial Report of Craven County for the fiscal year ended June 30, 2012 is submitted herewith. The County's Finance Department prepares the financial statements and assumes all responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Craven County officials believe the data and presentation are fair and accurate, and that everything necessary is included in this document to gain an understanding of the County's financial activities over the last fiscal year.

Craven County Government's financial statements have been audited by McGladrey LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report. The audit was also designed to meet the requirements of the Federal Single Audit Act Amendment of 1996, as well as the State Single Audit Act, N.C.G.S. 159-34. The reports required by these Acts are included in the Compliance Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement

the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

## **FINANCIAL REPORTING ENTITY**

The financial reporting entity includes all the funds of the primary government (Craven County), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the general purpose financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions, results of operations, and cash flows from those of the primary government. The Coastal Carolina Regional Airport Authority (formerly Craven Regional Airport Authority), Craven County Alcoholic Beverage Control Board, Craven County Tourism Development Authority and CarolinaEast Health System (formerly Craven Regional Medical Authority) are included as discretely presented component units in the reporting entity. However, the Craven County Board of Education, the Craven-Pamlico-Carteret Regional Library, Eastern Carolina Council of Governments, Craven Community College, and the Coastal Regional Solid Waste Management Authority have not met the criteria for inclusion in the reporting entity as component units and, accordingly, the financial information for these organizations is excluded from this report. Each of these entities publishes its own annual financial report to which the reader is referred.

## **PROFILE OF CRAVEN COUNTY**

Craven County, chartered in 1712, utilizes a Commissioner-Manager form of government with seven commissioners who serve four-year terms. The Chairperson is elected by the Commissioners each year for a one year term. The County Manager, County Attorney, and Clerk to the Board are appointed by, and serve at the pleasure of the County Commissioners. The County Manager is responsible for administering all affairs of the County and for management of all County employees.

Craven County is located midway along North Carolina's lace work coastal fringe and is diverse in its physical characteristics, demographics and economic base. The County's land area totals approximately 712 square miles or 455,680 acres. Settled in 1710 by Swiss and German immigrants at the confluence of the Trent and Neuse Rivers, New Bern, the county seat, is the second oldest town in the state. Rich in history, it is the site of North Carolina's Colonial Capitol and its first State Capitol. New Bern is also the Birthplace of Pepsi Cola, a drink first concocted by Caleb Bradham, a local pharmacist, in 1898. Downtown New Bern offers museums, shops, galleries, restaurants, historic sites, waterfront hotels, bed and breakfast accommodations, marinas, convention center, parks, historic homes and churches. Tryon Palace Historic Sites & Gardens, the first permanent seat of colonial government in North Carolina, offers visitors an opportunity to experience 300 years of American history and acres of period inspired gardens.

The City of Havelock, the second largest municipality in Craven County, is home to Cherry Point, the largest Marine Corps Air Station on the East Coast, employing 5,361 civilian workers. The Air Station is home of the 2<sup>nd</sup> Marine Aircraft Wing and sits on 13,164 acres of land in Craven County. The Fleet Readiness Center (FRC) East (formerly known as NADEP), one of eight fleet readiness centers operated by the U. S. Navy, sits on nearly 150 acres on board Marine Corps Air Station Cherry Point. FRC East is the largest industrial employer in eastern North Carolina. The base is also the location of Halyburton Naval Health Clinic.

While still a rural county, Craven County has become much less dependent on agriculture as its main economic engine. The County has revealed itself as a desirable destination for tourists, drawn by abundant opportunities for conventions, golf, sailing, beaches, fishing, hunting, and touring over 150 historic landmarks. The County's reputation as a desirable retirement community is a direct result of its popularity as a tourist destination. The growth of residential development aimed at retirees has slowed significantly with the current economic conditions and overall poor housing market. While housing prices have declined in the past two years, Craven County has not experienced the dramatic drop in house prices seen in other areas of the country.

## **THE LOCAL ECONOMY**

Craven County's economy is experiencing much of the same impacts as other areas in the State. One area which continues to show weakness is home construction and sales. The number of home sales has declined from 2,009 in calendar year 2007 to 934 in 2011. Price has fallen slightly with the average selling price falling 5% in 2011 from the previous year. Per capita personal income in Craven County increased by 1.6 percent in calendar 2010 (the latest information available), to \$35,867. The change for the state of North Carolina in 2010 was a 2.5 percent increase and nationally the change was a 2.8 percent increase. The County's per capita income level is 102 percent of the state average, down from 106 percent, and 90 percent of the national average, down from 93 percent. The County ranked fifteenth out of one hundred counties in the state in per capita income, down from thirteenth. The 2000-2010 average annual growth rate of per capita personal income for the County was 3.0 percent, while the average annual growth rate for the state was 2.3 percent and 2.8 percent for the nation. In the year 2000, the County ranked twenty-fourth out of 100 counties in the state.

The number of building inspections performed by the Craven County Inspection Department was flat in fiscal 2012 when compared to 2011. The number of inspections performed in 2012 is still only 73 percent of fiscal 2007, the peak of the boom market. These amounts do not reflect the numbers of the two municipalities which have their own inspection departments.

Government (federal, state and local) is the largest single employer in the County with 33.8 percent of all jobs, a slight increase compared to a year ago. This increase is due to two factors; a minimal increase in government employment of .2 percent, and a decline of 2.5 percent in private industry employment. The sectors with the greatest decline in private employment include construction (down 4.9 percent), finance and insurance (down 12.4 percent) wholesale trade (down 7.9 percent), and professional and technical services (down 8.6 percent). The only sectors showing gains in employment were retail trade (up 3.3 percent) and transportation and warehousing (up 19.9 percent). This data is based on comparing the calendar year 2010 data to calendar year 2011.

The U.S. Marine Corps Air Station at Cherry Point provides employment for a total work force of 14,915 personnel, including 5,361 civilian jobs. The same numbers a year ago were 15,207 and 5,408. The number of civilian jobs at the Fleet Readiness Center East (the single largest industrial employer east of I-95) located at Cherry Point Marine Corps Air Station was down 2.9 percent from the previous year. The total payroll for the base in calendar 2010, including Fleet Readiness Center East, was \$1.29 billion while the total economic impact of the Marine Corps Air Station at Cherry Point, including the FRC East, was \$2.0 billion. The military and the local community have developed a strong relationship from which both have benefited. Other major employment categories in the County are health care and social assistance with 16.9 percent, accommodation and food services with 9.2 percent, and manufacturing with 8.4 percent of the total workforce.

The 2011 calendar year annual average unemployment rate in Craven County remained flat at 11 percent, the same as calendar 2010. The statewide average for calendar year 2011 was 10.5 percent, down slightly from 10.6 percent in 2010. Overall, employment at major manufacturing employers in the County was relatively unchanged. There was a decrease in employment at both the City of New Bern and Craven County. The unemployment rate for July 2012 in the County was 9.9 percent, a significant improvement over the 2011 calendar year average of 11 percent.

With many historic sites and homes, 40 miles of navigable rivers, the Croatan National Forest, and abundant lakes and wildlife, the County continues to emphasize and capitalize on tourism. Tryon Palace, the first State Capitol, was authentically reconstructed in the 1950's and is considered the main attraction in the downtown historic district of the City of New Bern. The State of North Carolina has completed construction of the North Carolina History Center, an education/visitor center for the Tryon Palace situated between the Palace and the Doubletree (formerly the Hilton Hotel), near the Convention Center. The County contributed over a million dollars to the interactive museum/education center project. The new building contains two major museums—the Pepsi Family Center and the Regional History Museum, as well as a 200-seat state-of-the-art performing arts hall, exhibit and orientation theaters, a museum store, a waterfront café, and program and administrative space. The Palace implemented a reduction in employment as a result of budget cuts by the State in both fiscal 2012 and fiscal 2013 and is working to deal with the significant reduction in State funding to the Palace.

Domestic tourism in Craven County generated an economic impact of \$116 million in calendar year 2011, an increase of 7.4 percent from 2010. State and local tax revenues from travel to Craven County amounted to \$8.93 million which represents an \$85.22 tax savings to each county resident. Hotel occupancy in the County was up and the occupancy tax collected by the County for the Tourism and Development Authority experienced the best year of collections on record. According to North Carolina Division of Tourism, Film and Sports Development, in calendar 2011 there were 1,040 jobs in Craven County related to tourism with an annual payroll of \$21.39 million.

The New Bern Riverfront Convention Center, located in historic downtown New Bern, was constructed by the County at a cost of \$12 million and opened in August of 2000. The facility is approximately 45,000 square feet and houses a 12,000 square foot ballroom designed to seat and serve groups up to 1,500. The site is adjacent to one of the major hotel facilities in the downtown area and within walking distance of two other hotels and several bed and breakfast facilities. Operating revenues increased to \$674,000 in fiscal 2012 from \$629,000 in fiscal 2011. The Center incurred an operating deficit of \$298,000 in fiscal 2011 which included capital outlay of \$126,000 for HVAC replacement. The total budgeted deficit was \$363,000. The Center was not built with the expectation that it would generate a direct profit but to provide an economic stimulus for the County. The Center hosted 320 groups in fiscal 2012 and generated approximately \$9.4 million of economic impact to the community during the fiscal year ended June 30, 2012. The debt incurred for the Center is serviced through the increase in occupancy tax enacted in November 1996 from 3 percent to 6 percent.

## LONG TERM PLANNING

Providing the services desired by its citizens and those required by statute during a period of economic slowdown is a recurring challenge faced by all local governments. During fiscal 2012 the County's General Fund balance increased \$2,257,572. The County's unassigned General Fund balance at June 30, 2012, represents 24.8 percent of actual expenditures and transfers out for fiscal year 2012. The tax rate for fiscal 2012 remained at \$.4728 per hundred dollars of valuation for the second year. The County last conducted a reappraisal of all County real property as of January 1, 2010. Property values increased from \$9.58 billion to \$9.61 billion, or .32 percent. This slight increase was a result of very little new construction in the County during the year.

The estimate of property values for fiscal 2013 is \$9.67 billion and reflects the continuation of low growth in the tax base due to the economy. The budget for fiscal 2013 was adopted with a tax rate of \$.47 per hundred dollars of valuation, a slight decrease from the previous year. Budgeted expenditures of the General Fund are reduced by 3.4 percent from the final budget of 2012, to \$94.0 million, and budgeted revenues are the same and include a \$417,000 appropriation of the County's fund balance to balance the fiscal 2013 budget.

Capital needs of the County are assessed on an annual basis. The Capital Improvement Plan serves as the basis for the County's annual capital budget. The Capital Improvement Plan provides a framework for capital additions and the method of financing those projects for a five year period. The Capital Reserve Fund maintained by the County is a primary source of funding for capital projects. These funds allow the County to pay for future capital needs as they arise. Transfers of \$983,000 were made during 2012 to the general fund and EOC project for capital items funded by the capital reserve fund. The County did not make an appropriation to the capital reserve fund in the fiscal 2013 budget, however, in September, 2012 the County received an \$865,000 check from the ABC Board for excess profits from fiscal 2012. These funds were placed in the Capital Reserve Fund by direction of the Board of Commissioners for future capital needs.

The County continues its plans to renovate the former Sheriff office and jail to house the Emergency Services offices, a permanent Emergency Operation Center (EOC), expansion of the E-911 center, and provide generator supported facilities as the primary location for the County's computer hardware. Currently the County activates the EOC in a courtroom in the Courthouse Annex building on an as needed basis. This involves moving a lot of technology into place and interferes with the Court schedule. The data processing center is currently located in the County Administration Building. Bids for this project are anticipated very soon.

Upcoming plans for the County water system include the continued alternate water source project in response to restrictions imposed by the State limiting the volume of water that users of the Black Creek aquifer may withdraw. All entities using the Black Creek were mandated to make a 25 percent reduction in the Black Creek withdrawals by 2008, 50 percent reduction by 2013, and 75 percent reduction by 2018 (if required). Craven County met the 25% reduction by drilling five wells into the Pee Dee aquifer and blending the water with the remaining Black Creek water. The five wells were drilled on the same sites as the five Black Creek wells and provided sufficient water to reach the goal of the 25 percent reduction mandated for 2008.

The Pee Dee aquifer wells will not allow the County to meet the 2013 goal of 50% reduction from the Black Creek aquifer. The County was forced to find another water source to meet the goal. In 2008, the County engaged an engineer to update a plan of future demands on the system to allow the decision of how to meet the next required reduction. This study was completed during fiscal 2009 and the recommendation was to proceed with wells in the Castle Hayne aquifer. During 2009, the County drilled test wells in the Castle Hayne aquifer near the Carolina Pines subdivision between New Bern and Havelock. In 2012 the test wells were completed and one production well was drilled. The flow from these wells exceeded expectations and as a result only 5 wells will be required to provide water to the 2 million gallon per day treatment plant. It was initially thought there would be a need for up to nine wells. This water will require advanced treatment and the need for a treatment plant located on the east side of the Trent River to provide water for all customers on that side of the river. The County acquired a 10 acre site for the plant and one well in 2011 and has closed on land providing 7 more well sites in 2012. In 2012 the County contracted with the engineer to design the plant, distribution system and discharge system. The plant will be designed to provide a maximum of 5.0 million gallons of water per day but the initial phase will be to construct treatment for only 2 million gallons per day. Plans include bidding an additional million gallons (total of three) as an alternate to the construction bid. The estimated cost of the total project is approximately \$29 million for phase one with another \$5 million for the alternate of adding another million gallons production and three more wells.

Water rates were increased by an average amount of 15% in October 2011. This was not an across the board increase but was done with two purposes; to provide funds for the plant debt service and to encourage conservation. The inclining rate schedule was increased more for the higher quantities than the small quantities. The 0 to 3,000 gallon per month bracket was adjusted upward 11% while the over 15,000 gallons per month bracket went up by 60%. The existing Black Creek and Pee Dee wells will serve all customers on the western side of the river for the foreseeable future. In September, 2012 the County applied for a \$3 million planning loan from the Division of Water Quality (DENR) to provide funds that will cover costs up to the bidding phase of the project. In 2014 the County will apply for a loan from DENR for the construction phase of the project. The County expects to pay approximately \$15 million of the project costs from funds on hand.

## **AWARDS AND ACKNOWLEDGEMENTS**

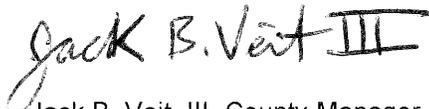
**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the County of Craven for its comprehensive annual financial report for the fiscal year ended June 30, 2011, the twenty second consecutive year this award was received. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

**Acknowledgments.** The preparation of the comprehensive annual financial report was made possible by the entire Craven County Finance Department: Aletta Brown, Assistant Finance Director, Karla Wright, Christy Foreman, Rosie Brinson, Andrea Brookins, Donna Nelson, Rosemary Osterhus, Nancy Dawson, and Craig Warren. Also of significant assistance in the preparation of the report were Martha Wayne, Patty Dudley, Judith McKnight, Kristi Waters and Gary Ridgeway of McGladrey LLP.

The information presented in this report illustrates the progressive leadership and support provided by the Craven County Board of Commissioners. Without the Board's guidance and initiative, the financial activities of Craven County would not be able to operate in a fiscally stable and responsible manner.

Respectively submitted,

  
Jack B. Veit, III, County Manager

  
Rick Hemphill, Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Craven County  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Danison*

President

*Jeffrey R. Enew*

Executive Director

**CRAVEN COUNTY, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

June 30, 2012

**BOARD OF  
COMMISSIONERS**

LEE K. ALLEN  
Chairman

SCOTT C. DACEY  
Vice-Chairman

STEVE TYSON

THOMAS F. MARK

THERON MCCABE

JOHNNIE SAMPSON, JR

JEFFEREY S. TAYLOR

**COUNTY OFFICIALS**

JACK B. VIET III  
County Manager

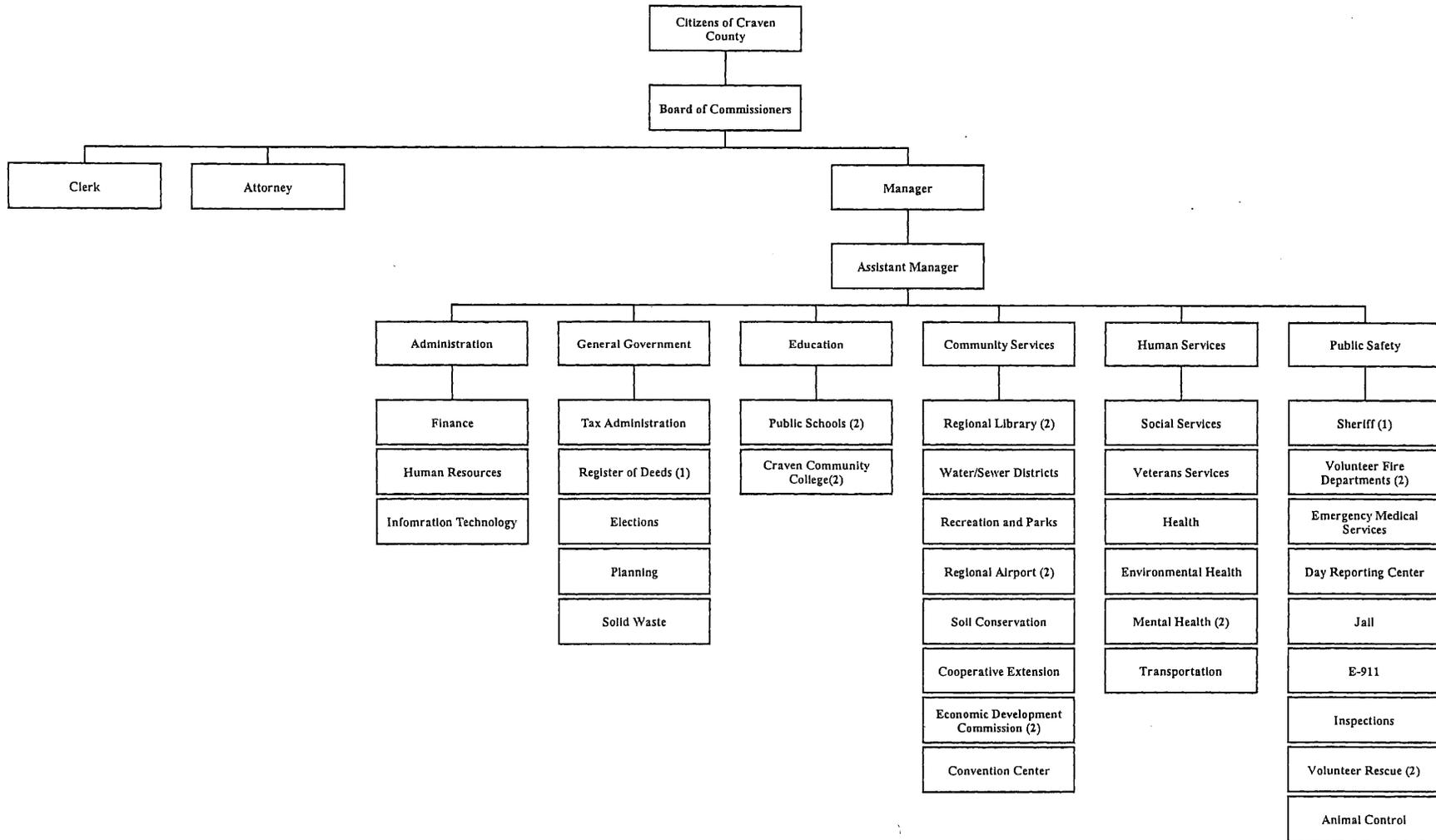
RICHARD F. HEMPHILL  
Finance Officer

GENE HODGES  
Assistant County Manager

SHERRI RICHARD  
Register of Deeds

JERRY MONETTE  
Sheriff

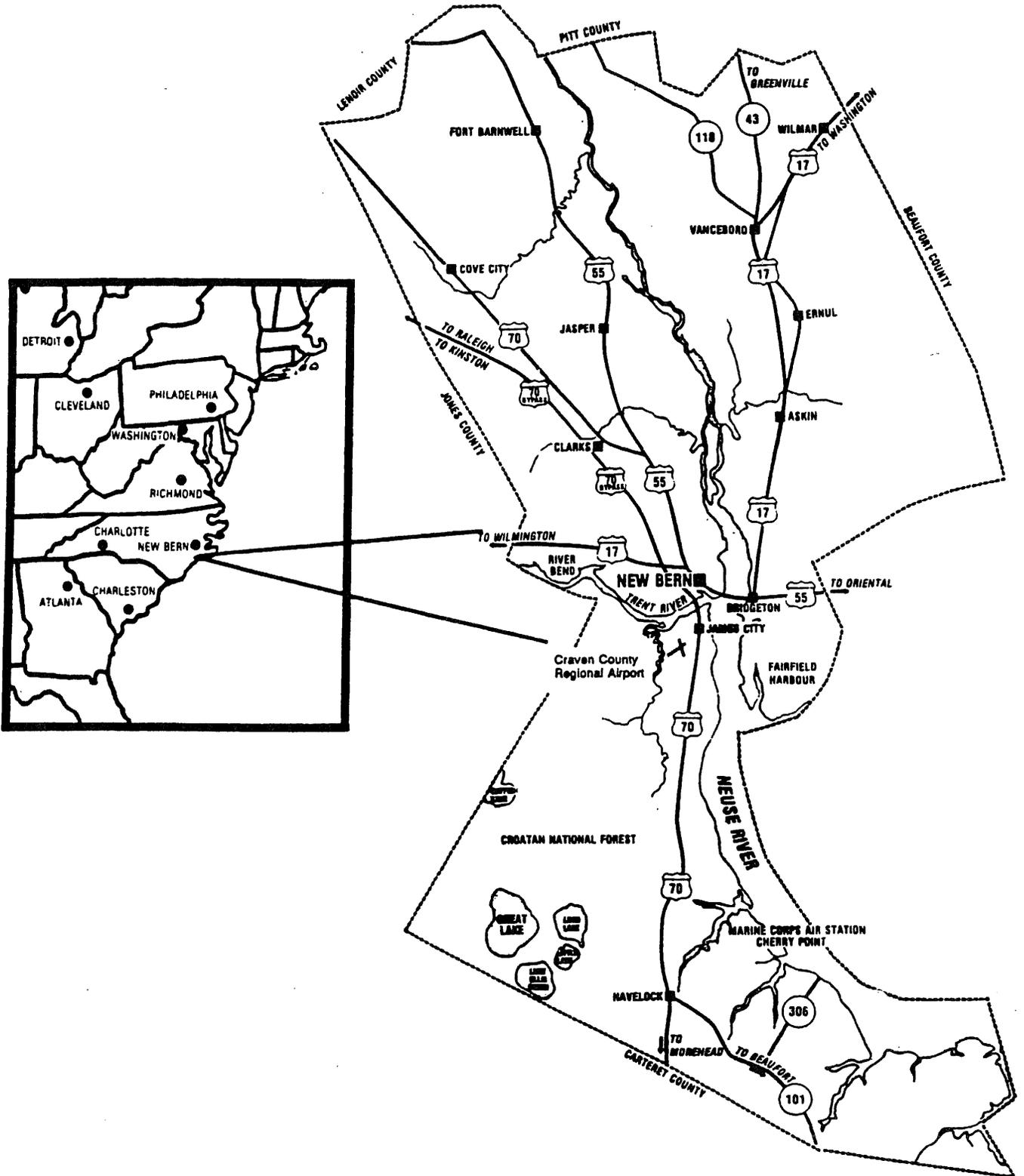
# Craven County Organizational Chart



10

(1) Elected Officials (2) Under Separate Boards

# Craven County, North Carolina



**Craven County**



## **FINANCIAL SECTION**

- Report of Independent Certified Public Accountants
- Management Discussion & Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

Craven County



**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

Craven County





## Independent Auditor's Report

To the Board of County Commissioners  
Craven County  
New Bern, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Craven County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Craven County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of Craven County Alcoholic Beverage Control ("ABC") Board or CarolinaEast Health System ("Health System"), which are discretely presented component units of the County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for ABC and the Health System, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Craven County Alcoholic Beverage Control Board and CarolinaEast Health System were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Craven County, North Carolina as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows 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 November 1, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and analysis and other required supplementary information on pages 15 through 26 and pages 89 through 90 be presented to the supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Craven County, North Carolina. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents as other supplementary information and the schedule of expenditures of federal and State awards and passenger facility charges as required by OMB A-133, the State Single Audit Implementation Act and the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules listed as other supplementary information and the schedule of expenditures of federal and State awards and passenger facility charges are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Craven County, North Carolina. The introductory section and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

*McGladrey LLP*

New Bern, North Carolina  
November 1, 2012

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**Craven County**



**Craven County  
Management's Discussion and Analysis (Unaudited)  
June 30, 2012**

As management of Craven County, we offer readers of Craven County's financial statements this narrative overview and analysis of the financial activities of Craven County for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

**Financial Highlights**

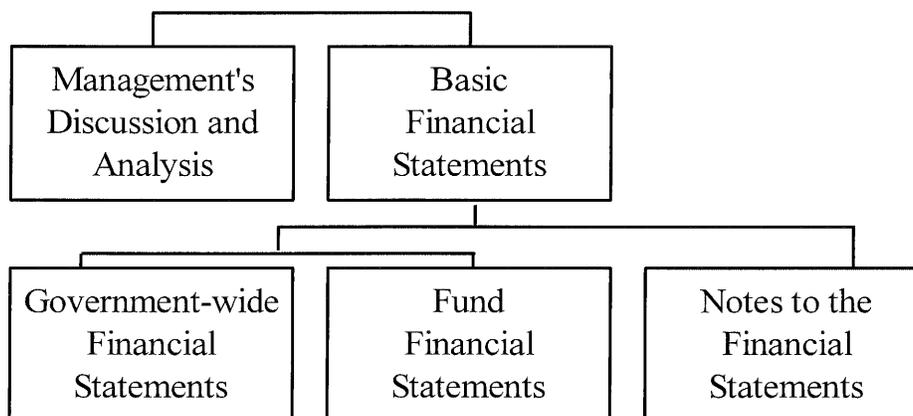
- The assets of Craven County exceeded its liabilities at the close of the fiscal year by \$65,264,632.
- The government's total net assets increased by \$3,050,964. Of this amount, \$1,301,564 was an increase in the net assets of the Water Fund and the remaining \$1,749,400 increase in net assets was in the governmental activities and resulted from under spending appropriations and higher sales and occupancy tax revenue.
- The net assets of the governmental activities are lower than one would expect due to the method used in North Carolina to record the debt and asset related to school buildings. Under North Carolina law, the County is responsible for providing capital funding for the public schools and community college. The capital assets funded by the County are owned by the public school system and community college and are not recorded as an asset of the County. The County, however, does recognize a liability for the debt issued to fund these projects. As of June 30, 2012, the outstanding balance of school related debt was \$47,188,550.
- As of the close of the current fiscal year, Craven County's governmental funds reported combined fund balances of \$40,236,721 a decrease of \$637,580 for the year. This decrease was created in four governmental funds: the County Reserve Fund decreased due to transfers to the General Fund and the EOC Capital Project Fund; the Qualified School Construction Bond Fund decreased due to the ongoing construction of the various school projects and payments to contractors; the Debt Service Fund decreased due to the normal school debt payments and required use of fund balance to make up for the loss of ADM revenue and lottery revenue caused by the State; and the Emergency Telephone Fund decreased due to the allowed use of fund balance for one time public safety purposes. The decline in fund balances of these four funds, totaling \$3,181,198 was partially offset by an increase in the fund balance of the General Fund of \$2,257,572. This increase was due to actual expenditures being approximately \$4 million less than budget. Expenditures were below budget in all departments of the County but the most significant variances were in the General Government, Health and Social Services functions. The General Government variance was due primarily to expenses related to Hurricane Irene. The costs of repairs and debris handling was less than anticipated originally and additionally some of the budgeted work did not take place in fiscal 2012 as was originally planned. All programs in the Health Department were below budget for the fiscal year with the Home Health program having the largest savings due to lower than expected salary and contractual labor costs. Expenditures for Social Services programs for foster care and adoption were considerably lower than budget. The case load in these areas has decreased significantly over the past three years due to a major effort by the department to resolve these cases more quickly. Additionally salary and benefit costs were down from the budgeted amounts.

Revenues in the Governmental Funds were approximately \$1.7 million below budget. Over half of this amount was due to not receiving as much Federal money from FEMA for Hurricane Irene expenses in fiscal 2012. Finalization of the disposal of the debris and restoration of the collection site was delayed and as a result this revenue will be received in fiscal 2013. Approximately 79 percent of the total General fund balance, or \$23,271,321, is unassigned at June 30, 2012. This amount represents 24.8 percent of total General Fund expenditures (including transfer outs). In 2011, unassigned General fund balance was \$22,190,181 approximately 82 percent of the total fund balance. There was an appropriation of \$416,953 of fund balance in the 2013 budget.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Craven County's basic financial statements. The County'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 County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information to enhance the reader's understanding of the financial condition of Craven County.

### Required Components of Annual Financial Report



## Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status, using the full-accrual basis of accounting, in a manner similar to a private-sector business.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements.

After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the 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 County'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 County's financial status as a whole.

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services such as public safety, education, human services, environmental services, economic and physical development, and general administration. Property tax, sales tax, and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. For Craven County, only the water utility is reported as a business activity.

The final category is component units. CarolinaEast Health System (formerly Craven Regional Medical Center) is a public hospital operated by the CarolinaEast Health System authority. The County Commissioners appoint the governing board of the Health System and own the property and buildings on which the hospital is located. The facility is leased for \$1 per year to the Health System by the County. The Craven County Tourism Development Authority (TDA) and the Coastal Carolina Regional Airport Authority (formerly Craven Regional Airport Authority) are separate legal entities. The County is financially accountable for the TDA, as the TDA derives its revenues through a special room occupancy tax authorized and revocable by the County Commissioners. The Airport Authority governing board is appointed by the County Commissioners and the County is responsible for financing any operating deficits of the Authority. Although legally separate from the County, the Craven County Alcoholic Beverage Control Board is a component unit of the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on pages 28 and 29 of this report.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. Craven County, 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 County's budget ordinance. All of the funds of Craven County can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 County’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 the accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental funds 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 County’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.

Craven County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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 shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Craven County has only two proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Craven County uses an enterprise fund to account for its water utility activity. This fund is the same as the separate activity shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for its risk management activity. Because this operation benefits predominately governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** – Agency funds are used to account for resources held for the benefit of parties outside the government. Craven County has three agency funds.

**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 start on page 41 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Craven County’s progress in funding its obligation to provide pension benefits to law enforcement personnel. Required supplementary information can be found following the Financial Statements and Notes to the Financial Statements 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 Craven County exceeded liabilities by \$65,264,632 as of June 30, 2012. The County’s net assets increased by \$3,050,964 for the fiscal year ended June 30,

2012. By far, the largest category of net assets, totaling \$54,808,617 or 84% of the total net assets, is the County's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. Craven County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Craven County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Craven County's net assets \$9,058,929 (13.9%) represents resources that are subject to external restrictions on how they may be used. Most of this amount is a result of North Carolina statutes requiring restriction of assets not readily converted into cash. The remaining balance is unrestricted. At June 30, 2012, the unrestricted balance of \$1,397,086 would be significantly larger were it not for the method used to finance public school and community college (schools) debt in North Carolina. Under North Carolina law, the County is responsible for providing capital funding for the schools. The County has chosen to meet its legal obligation to provide the schools capital funding by using a mixture of County funds and debt. The assets funded by the County, however, are owned and utilized by the schools. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. Even though the debt issued has been issued to finance capital outlay and construction for the schools, the Governmental Accounting Standards Board has determined that it is not capital debt for the County since it is not financing assets owned by the County. As a result, the school debt is reportable within the unrestricted category of net assets rather than as part of the category invested in capital assets, net of related debt. The unrestricted net assets balance is made up of the following:

School system debt	\$ (47,188,550)
All other	<u>48,585,636</u>
Total unrestricted net assets	<u>\$ 1,397,086</u>

### Craven County's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 52,152,803	\$ 53,270,029	\$ 15,130,269	\$ 13,802,898	\$ 67,283,072	\$ 67,072,927
Capital assets, net	66,097,232	68,894,229	18,797,337	18,894,229	84,894,569	87,844,720
<b>Total assets</b>	<b>118,250,035</b>	<b>122,164,258</b>	<b>33,927,606</b>	<b>32,753,389</b>	<b>152,177,641</b>	<b>154,917,647</b>
Long-term liabilities/schools	47,188,550	51,364,850	-	-	47,188,550	51,364,850
Long-term liabilities/other	35,298,138	36,865,278	1,209,095	1,358,837	36,507,233	38,224,115
Other liabilities	2,795,995	2,716,178	421,231	398,836	3,217,226	3,115,014
<b>Total liabilities</b>	<b>85,282,683</b>	<b>90,946,306</b>	<b>1,630,326</b>	<b>1,757,673</b>	<b>86,913,009</b>	<b>92,703,979</b>
Net assets:						
Invested in capital assets, net of related debt	37,057,382	37,674,722	17,751,235	17,797,133	54,808,617	55,471,855
Restricted	9,058,929	8,300,518	-	-	9,058,929	8,300,518
Unrestricted (deficit)	(13,148,959)	(14,757,288)	14,546,045	13,198,583	1,397,086	(1,558,705)
<b>Total net assets</b>	<b>\$ 32,967,352</b>	<b>\$ 31,217,952</b>	<b>\$ 32,297,280</b>	<b>\$ 30,995,716</b>	<b>\$ 65,264,632</b>	<b>\$ 62,213,668</b>

The impact on unrestricted net assets, caused by the inclusion of the school debt without the corresponding assets, was partially offset by the following positive factors:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.92, the exact same percentage as the previous year but higher than the statewide average of 97.19 percent for the previous year.
- General Fund actual expenditures were less than budgeted expenditures by \$4.0 million. This was due to steps taken to reduce expenditures by continuing the steps implemented in the past year, including a soft hiring freeze, restricting travel and capital outlay. The actions taken to control expenditures successfully offset revenues of \$1.7 million below budget and resulted in an addition to the General Fund Balance in the amount of \$2.3 million.

### Craven County Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$13,316,188	\$13,557,969	\$3,709,076	\$3,652,217	\$17,025,264	\$17,210,186
Operating grants and contributions	20,740,481	19,927,884			20,740,481	19,927,884
Capital grants and contributions	1,831,861	3,418,463			1,831,861	3,418,463
General revenues:						
Property taxes	46,550,189	47,482,900			46,550,189	47,482,900
Sales and use taxes	13,491,235	12,415,520			13,491,235	12,415,520
Other	2,364,115	3,231,571	202,269	186,408	2,566,384	3,417,979
Total revenues	98,294,069	100,034,307	3,911,345	3,838,625	102,205,414	103,872,932
Expenses:						
General government	10,295,085	8,577,883			10,295,085	8,577,883
Public safety	16,897,985	16,218,231			16,897,985	16,218,231
Environmental protection	5,044,117	5,234,597			5,044,117	5,234,597
Economic and physical development	3,372,531	3,820,355			3,372,531	3,820,355
Human services	31,482,626	31,736,112			31,482,626	31,736,112
Culture and recreation	2,287,587	2,357,440			2,287,587	2,357,440
Education	23,781,177	22,244,200			23,781,177	22,244,200
Interest on long term debt	3,488,561	3,772,400			3,488,561	3,772,400
Water and sewer districts			2,504,781	2,533,584	2,504,781	2,533,584
Total expenses	96,649,669	93,961,218	2,504,781	2,533,584	99,154,450	96,494,802
Increase in net assets before transfers	1,644,400	6,073,089	1,406,564	1,305,041	3,050,964	7,378,130
Transfers	105,000	106,200	(105,000)	(106,200)	-	-
Increase in net assets	1,749,400	6,179,289	1,301,564	1,198,841	3,050,964	7,378,130
Net assets, beginning of year	31,217,952	25,038,663	30,995,716	29,796,875	62,213,668	54,835,538
Net assets, end of year	\$32,967,352	\$31,217,952	\$32,297,280	\$30,995,716	\$65,264,632	\$62,213,668

**Governmental activities.** Governmental activities increased the County's net assets by \$1,749,400. Changes of significance in the revenues and expenses were:

- The County received less capital grants in fiscal 2012 than 2011 for housing programs and the recreation's park fund, as well as a decline in the lottery proceeds used for school debt service due to the State retaining a portion of these funds.
- Operating grants increased as a result of receiving \$961,000 of reimbursements from FEMA for Hurricane Irene damages. Additional reimbursements will come in fiscal 2013 as the closeout of the claim occurs.
- Lower property tax revenues resulting from an increase in the allowance for uncollectible accounts of \$600,000 and over \$300,000 of refunds to taxpayers of taxes paid in previous years on property located onboard MCAS Cherry Point, which was determined to be non-taxable, as well as a settlement of a valuation appeal by a large manufacturing company in the County.
- Sales tax rebounded in fiscal 2012 with an 8.7 percent increase due to an increase in taxable sales. Taxable retail sales in the County increased from \$816,041,254 to \$887,252,910.
- Miscellaneous revenue declined from the prior year due to the settlement of the convention center lawsuit in fiscal 2011 in the amount of \$1.1 million.
- General government expenses increased by \$1.7 million in fiscal 2012 due to expending approximately \$1.4 million for Hurricane Irene related costs, mostly for debris management.
- Public safety expenses were up by approximately \$700,000 due to an increase in funding for the volunteer rescue squads and increased spending in the Emergency Telephone Service Fund. The State legislature allowed half of the June 30, 2010 fund balance of the E-911 fund to be used for any public safety purpose but it had to be spent by June 30, 2012. The County chose to fund the purchase of law enforcement vehicles out of this fund in 2012 due to the delay in construction of the Emergency Operations Center (EOC). The EOC was the initial project for this fund balance but the delay in the design and bidding caused the County to switch the expenditure to vehicles which are normally funded from the General Fund. The General Fund will in turn provide approximately \$400,000 of funds for the EOC project in 2013.
- Education expenses were higher in 2012 due to spending approximately \$1.5 million of Qualified School Construction Bonds proceeds on various school projects during the year. These projects are expected to be completed in early 2013.

**Business-type activities.** Business-type activities, the County's water utility, increased Craven County's net assets by \$1,301,564.

- Total revenue increased as a result of a rate increase implemented in October 2011 to provide funds for the water treatment plant construction project. The rate increase is expected to provide the funds needed for additional operating expenses and higher debt service when the plant goes on line in 2016.
- Operating income as a percentage of revenue increased in 2012 to 36% compared to 34% in 2011. The higher percentage in the current year was due to slightly lower operating expenses and depreciation. The water fund experienced less cost for repairs of the system in 2012.

## Financial Analysis of the County's Funds

As noted earlier, Craven County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Craven County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Craven County's financing requirements. Specifically, unassigned 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 Craven County. At the end of fiscal 2012, unassigned fund balance of the General Fund was \$23,271,321, an increase of \$1,081,140, while total fund balance increased by \$2,257,572 to \$29,431,668 or 8.3 percent. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned General fund balance represents 24.8 percent of total General Fund expenditures (including transfers out), while total fund balance represents 31.4 percent of the total General Fund expenditures. The County has no formal fund balance policy but has a goal of maintaining an available fund balance of 18 to 25 percent of expenditures.

At June 30, 2012, the governmental funds of Craven County reported a combined fund balance of \$40,236,721, which represents a 1.6 percent decrease from last year. This decrease was explained in the Financial Highlights section at the beginning of this analysis.

**General Fund Budgetary Highlights:** During the fiscal year, the County 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.

Total amendments to the General Fund budget increased estimated revenues by \$4.0 million including the following:

- The budget for sales tax revenue was increased by \$225,000 during the year due to higher than anticipated receipts for the portion of the sales tax designated for school capital needs which are recorded in the General Fund as revenue and transferred to the Debt Service Fund to pay school debt.
- Intergovernmental revenues increased by approximately \$2.9 million from the original budget and consisted of the following items: energy assistance grants received from the State by DSS after the original budget was adopted totaled \$739,000 while the budget for subsidized daycare assistance declined by \$184,000; CARTS accounted for \$98,000 increase in the budget due to additional funds becoming available for Craven as well as Pamlico and Jones counties which are served by Craven's transportation system; the Criminal Justice Partnership Program grant of \$103,000 was not in the original budget due to the State making a late decision about the future of the program; during the year a grant of \$100,000 was received from the North Carolina Department of Commerce for the purpose of protecting the MCAS Cherry Point base from reductions in funding and employment; and the largest addition to the intergovernmental revenue category was due to budgeting \$1,850,000 of funds to be received from FEMA for Hurricane Irene which hit the county in August of 2011. In all of these instances expenditures were increased by the same amount.

- Charges for services budgeted amounts increased by \$1.1 million during the year. Fees collected by the Health Department and Medicaid Maximization funds received were increased by \$767,000 during the year to reflect increased demand for services and were offset by increased expenditures.

Amendments to the budget for approximately \$428,000 were made during the year as appropriations of fund balance of the General Fund and included: \$298,000 for property tax refunds to taxpayers on MCAS Cherry Point and BSH Appliances (mentioned earlier); \$39,000 transfer was budgeted from fund balance to move half of the dental program profits from 2011 to the County Reserve Fund for anticipated improvements to the dental trailer in the future; \$30,000 was budgeted from the fund balance for the County's celebration to commemorate the 300<sup>th</sup> anniversary of the founding of the County; \$20,000 was appropriated for the defense of MCAS Cherry Point to guard against reductions in the employment and capabilities of the base; and \$30,000 of fund balance from the Sheriff's seized property fund for expenditures relating to drug control.

Expenditure appropriations in the final budget were increased by approximately \$4.2 million from the original budget. The increases in expenditures were a result of the amendments to revenues discussed above in the preceding paragraph.

Net transfer outs were increased in the budget by approximately \$500,000 and related to the transfer of \$341,000 from the Sheriff Department to the EOC Renovation Fund to reimburse that fund for the use of the E-911 fund balance that was to be used for the EOC (mentioned earlier). Additionally there was a transfer of \$225,000 to the Debt Service Fund for the increased sales tax revenue dedicated to the school capital needs (also mentioned earlier).

**Proprietary Funds.** Craven County's proprietary funds statements (water utility) provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund increased during the fiscal year by \$1.3 million to \$14.5 million. This was a result of an increase in operating income from \$1.3 million last year to \$1.4 in 2012 and a reduction in the investment in capital assets, net of related debt. Capital assets continued to be depreciated and there were few additions to the capital assets in 2011. A rate increase was implemented in October 2011 in anticipation of higher costs when the new treatment plant comes on line in 2016. Debt service was lower due to normal scheduled payments being made. Factors concerning the finance of this fund have already been addressed in the discussion of Craven County's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets.** Craven County's capital assets for its governmental and business-type activities as of June 30, 2012, totaled approximately \$84,895,000 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and water production and distribution infrastructure.

Major capital asset transactions totaling approximately \$3 million during the year included:

- Purchase new vehicles for the Sheriff department and CARTS
- Replacement of chiller at the Human Services Complex
- Replacement of HVAC control system at the convention center
- Completion of the renovation project of the former St. Luke's Hospital building to house the Probation and Child Support offices
- Continuation of the project for additional water sources (Castle Hayne aquifer project)
- Acquisition of new hardware and software by the information technology department and the health department

## Craven County's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$9,974,192	\$9,958,882	\$489,678	\$210,428	\$10,463,870	\$10,169,310
Buildings	67,064,159	68,185,040	563,318	563,318	67,627,477	68,748,358
Improvements	9,918,254	9,095,848	29,708,172	29,708,174	39,626,426	38,804,022
Machinery and equipment	4,371,596	4,754,663	196,402	227,138	4,567,998	4,981,801
Vehicles	5,449,392	5,413,686	182,696	181,558	5,632,088	5,595,244
Construction in progress	568,645	801,613	801,865	349,120	1,370,510	1,150,733
Total	97,346,238	98,209,732	31,942,131	31,239,736	129,288,369	129,449,468
Less accumulated depreciation	31,249,006	29,315,503	13,144,794	12,289,245	44,393,800	41,604,748
Total net of depreciation	\$66,097,232	\$68,894,229	\$18,797,337	\$18,950,491	\$84,894,569	\$87,844,720

Additional information on the County's capital assets can be found in Note 3 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2012, Craven County had total bonded general obligation debt outstanding of \$26,695,000. Of this amount, \$26,600,000 is debt backed by the full faith and credit of the County. Included in this amount is \$300,000 of general obligation debt issued by the County on behalf of the Coastal Carolina Regional Airport Authority, a discretely presented component unit of the County, and shown as debt belonging to the Airport Authority on their financial statements. (This debt is not shown in the table below). Of the total bonded general obligation debt, \$95,000 is debt backed by the full faith and credit of two water and sewer districts, blended component units of the County.

### Craven County's Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
G. O. bonds	\$26,300,000	\$28,990,000	\$95,000	\$145,000	\$26,395,000	\$29,135,000
Installment debt	48,883,550	52,479,850	1,041,485	1,148,224	49,925,035	53,628,074
Capital lease	62,415	-	-	-	62,415	-
Total long debt	\$75,245,965	\$81,469,850	\$1,136,485	\$1,293,224	\$76,382,450	\$82,763,074

Craven County's total bonded and installment debt decreased by \$6,380,623 (7.7 percent) during the past fiscal year. This decrease was the result of making regularly scheduled payments. New debt included \$62,415 of capitalized lease for computer equipment. The lease is for three years with an imputed interest rate of 3.58%.

The State of North Carolina limits 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 balance remaining of the legal debt margin for Craven County is \$694,580,000.

Additional information regarding Craven County's long-term debt can be found in Note 4 of this audited financial report.

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

The following key economic indicators reflect current economic conditions of the County:

- The County's annual average unemployment rate for calendar year 2011 was 11.0 percent (same as the revised calendar 2010) in the County, compared with a State rate of 10.5 percent. The rate declined to 9.9% at the end of August, 2012, a significant and encouraging improvement.
- Per capita income for the years 2000-2010 for Craven County shows an average annual growth rate of 3.0 percent, while the average annual growth rate for the State, during the same period, was 2.3 percent and 2.8 percent for the nation. The County's per capita income increased 1.6 percent in calendar 2010 (the latest year information is available) while the State increased by 2.5 percent and the nation increased by 2.8 percent. The County's per capita income level is 102 percent of the state average and 90 percent of the national average.
- Total personal income for Craven County in 2010 was \$3.7 billion, ranking 23<sup>rd</sup> in the State and accounting for 1.1 percent of the State total. The change for 2010 was an increase of 3.5 percent over 2009. The ten year compounded annual growth rate for the County for 2000-2010 was 4.3 percent, 4.0 percent for the State and 3.7 percent for the nation.
- The number of building inspections performed by the County Inspections Department in fiscal 2012 was almost exactly what the count was in 2011 and still only 73 percent of what they were in 2007, the peak of the housing boom. Housing market conditions continue to be adversely affected by the lack of credit and uncertainty with the economy although not to the extent that many areas of the country, or even the state, have experienced. Housing prices have fallen as demand continues to be weak. The estimate for property values used for ad valorem taxes in the 2012 budget increased only slightly and actual values for 2012 came in right on the estimate of \$9.6 billion.

## **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** The County has approved a \$94.0 million General Fund budget for fiscal year 2013. This is up \$1.0 million from the budget originally adopted for fiscal 2012 but is \$3.8 million less than the final budget for 2012. Estimates of property values for fiscal 2013 are \$9.67 billion, a small increase from the 2012 actual valuation of \$9.62 billion. The reasons for this small increase are the expected continuing decline in motor vehicle values which have steadily declined for four years and the slow-down in new construction. The 2013 budget was adopted with a tax rate of \$.47 per \$100 of property valuation, a slight reduction from the rate of \$.4728 per \$100 for 2012. Fund balance in the amount of \$416,953 was appropriated to balance the budget.

The budget for fiscal 2013 included six new positions. An additional appraiser was added in the Tax Department due to the shortening of the revaluation process from eight years to six years. The last revaluation was January 1, 2010 and the next will be in 2016 rather than 2018. An additional maintenance technician was added as well as an additional telecommunicator in the E-911 department. A deputy was added in the Electronic Offender Monitoring Program of the Sheriff department. This program which uses ankle bracelets to get minor offenders out of jail has proven successful in reducing costs in the jail and is being expanded in 2013. A food and beverage supervisor was added at the convention center due to taking over the sale of alcoholic beverages. Formerly this was handled by the preferred caterer chosen by the client. This change will increase the revenue of the convention center overall. A purchasing agent was added in the Finance department. Craven County has never had a centralized purchasing department but it was felt that the position should more than pay for itself with the savings generated by consolidating purchasing efforts. Twelve positions were abolished in the budget, most of which were Social Services employees and were eliminated due to funding cuts by the Federal government in the TANF program. The County did provide a three percent increase for all full time employees. This was the first "cost of living" increase given to County employees in four years.

Capital outlay has been restricted to items which are absolutely necessary and cannot be delayed. Vacant positions are filled only for absolutely essential needs. Funding for the public libraries increased slightly in the budget and public schools funding increased by approximately \$650,000, most of which will fund an additional \$100 teacher supplement bringing the total local supplement to \$2100 per eligible teacher. Funding for the Community College increased by \$90,000 to provide for additional capital needs.

In order to balance their own budget, the State, again in 2013, negatively impacted counties budgets. Once again county revenue sources with the most significant cuts were the ADM funds (used for school debt service) and the lottery funding, also used for school debt service. The County had sufficient funds on hand to pay the debt service in 2012 from the historic funding sources which include the dedicated sales tax for schools, lottery proceeds and ADM funds. However, beginning in 2013 the County has to supplement these sources with general county revenues to make required debt payments. The County budget included an appropriation of \$880,000 to make up the shortfall caused by these reductions implemented by the State. When this debt was incurred it was projected that the historic revenue sources would prevent the County from having to use general County revenues to meet debt service requirements. This would have been the case had the State not taken the County funds.

**Business-type Activities:** There was no rate change in the fiscal 2013 budget. As previously mentioned, a rate increase was implemented October 1, 2011 which was designed to provide funds needed for the new water treatment plant project debt service and operating costs. Even with the rate increase the average County customer pays considerably less than customers of surrounding systems. Work will continue on the alternate water supply project in fiscal 2013. Now that the land required for the project has been acquired, the engineer will begin work on final design and obtaining necessary permits for the project. It is estimated that this phase of the project will take approximately fifteen months.

### **Requests for Information**

This report is designed to provide an overview of the County'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 Finance Officer, Craven County, 406 Craven Street, New Bern, North Carolina, 28560.

**BASIC FINANCIAL STATEMENTS**

CRAVEN COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
June 30, 2012

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Coastal Carolina Regional Airport Authority	CarolinaEast Health System	Craven County ABC Board
<b>ASSETS</b>							
Cash and cash equivalents	\$ 26,651,455	\$ 12,236,722	\$ 38,888,177	\$ 293,344	\$ 2,195,998	\$ 12,644,637	\$ 1,777,946
Short-term investments	13,570,046	2,000,000	15,570,046	-	-	45,922,270	539,504
Restricted short-term investments	573,110	-	573,110	-	-	-	-
Accounts receivables (net)	2,526,764	798,547	3,325,311	-	431,443	41,457,131	-
Taxes receivables (net)	4,997,914	-	4,997,914	-	-	-	-
Accrued interest receivable	668,874	-	668,874	-	-	-	-
Due from other government	-	95,000	95,000	-	-	-	-
Inventories	-	-	-	-	-	6,751,213	794,333
Prepaid items	2,872	-	2,872	-	-	3,247,464	20,273
Deferred charges - issuance costs	966,952	-	966,952	-	-	-	-
Deferred charges - refunding	2,194,816	-	2,194,816	-	-	-	-
Long-term cash and investments	-	-	-	-	-	164,532,876	-
Other assets	-	-	-	-	-	268,285	-
Capital assets:							
Land and construction in progress	10,542,837	1,291,543	11,834,380	-	12,247,039	9,109,376	189,501
Other capital assets, net of depreciation/amortization	55,554,395	17,505,794	73,060,189	-	12,056,579	111,122,501	983,744
Total capital assets	66,097,232	18,797,337	84,894,569	-	24,303,618	120,231,877	1,173,245
Total assets	118,250,035	33,927,606	152,177,641	293,344	26,931,059	395,055,753	4,305,301
<b>LIABILITIES</b>							
Accounts payable	1,354,205	89,068	1,443,273	-	34,448	32,029,277	1,453,647
Accrued salaries and benefits	924,756	16,244	941,000	-	48,607	15,509,235	19,914
Unearned revenue	198,540	311,302	509,842	-	-	-	-
Accrued interest payable	318,494	4,617	323,111	-	8,443	150,358	-
Long-term liabilities:							
Due within one year	7,716,804	156,015	7,872,819	-	553,596	751,290	-
Due in more than one year	74,769,884	1,053,080	75,822,964	-	532,654	1,545,090	-
Total liabilities	85,282,683	1,630,326	86,913,009	-	1,177,748	49,985,250	1,473,561
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	37,057,382	17,751,235	54,808,617	-	23,240,180	117,935,497	1,173,245
Restricted for:							
Stabilization by State statute	5,947,970	-	5,947,970	-	-	-	-
Debt service-education	1,318,370	-	1,318,370	-	-	-	-
Public safety	1,644,349	-	1,644,349	-	-	-	-
Economic and physical development	111,018	-	111,018	-	-	-	-
Other purposes	37,222	-	37,222	-	-	-	252,034
Unrestricted (deficit)	(13,148,959)	14,546,045	1,397,086	293,344	2,513,131	227,135,006	1,406,461
Total net assets	\$ 32,967,352	\$ 32,297,280	\$ 65,264,632	\$ 293,344	\$ 25,753,311	\$ 345,070,503	\$ 2,831,740

The notes to the financial statements are an integral part of this statement.

CRAVEN COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units					
					Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Craven County Regional Airport Authority	CarolinaEast Health System	Craven County ABC Board		
<b>Primary government:</b>													
Governmental:													
General government	\$ 10,295,085	\$ 1,633,609	\$ 2,238,620	\$ -	\$ (6,422,856)	\$ -	\$ (6,422,856)						
Public safety	16,897,985	2,250,857	845,729	4,472	(13,796,927)	-	(13,796,927)						
Social Services	23,091,103	746,897	15,728,496	117,377	(6,498,333)	-	(6,498,333)						
Economic and physical development	3,372,531	1,094,565	32,998	580,782	(1,664,186)	-	(1,664,186)						
Environmental protection	5,044,117	2,509,331	143,389	-	(2,391,397)	-	(2,391,397)						
Health	8,391,523	5,005,119	1,701,749	-	(1,684,655)	-	(1,684,655)						
Cultural and recreation	2,287,587	75,810	49,500	-	(2,162,277)	-	(2,162,277)						
Education	23,781,177	-	-	1,129,230	(22,651,947)	-	(22,651,947)						
Interest on long-term debt	3,488,561	-	-	-	(3,488,561)	-	(3,488,561)						
Total governmental activities	<u>96,649,669</u>	<u>13,316,188</u>	<u>20,740,481</u>	<u>1,831,861</u>	<u>(60,761,139)</u>	<u>-</u>	<u>(60,761,139)</u>						
Business-type:													
Water	2,504,781	3,709,076	-	-	-	1,204,295	1,204,295						
Total business-type activities	<u>2,504,781</u>	<u>3,709,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,204,295</u>	<u>1,204,295</u>						
Total primary government	<u>\$ 99,154,450</u>	<u>\$ 17,025,264</u>	<u>\$ 20,740,481</u>	<u>\$ 1,831,861</u>	<u>(60,761,139)</u>	<u>1,204,295</u>	<u>(59,556,844)</u>						
<b>Component units:</b>													
Tourism Development Authority	\$ 436,844	\$ 535,210	\$ -	\$ -				\$ 98,366	\$ -	\$ -	\$ -		
Airport Authority	2,315,467	2,140,227	418,248	1,351,778				-	1,594,786	-	-		
Health System	265,810,985	272,947,938	-	-				-	-	7,136,953	-		
ABC Board	6,948,322	6,552,891	-	-				-	-	-	-	(395,431)	
Total component units	<u>\$ 275,511,618</u>	<u>\$ 282,176,266</u>	<u>\$ 418,248</u>	<u>\$ 1,351,778</u>				<u>98,366</u>	<u>1,594,786</u>	<u>7,136,953</u>		<u>(395,431)</u>	
General revenues:													
Taxes:													
Property taxes, levied for general purposes					46,550,189	-	46,550,189						
Local option sales tax					13,491,235	-	13,491,235						
Other taxes					1,003,991	-	1,003,991						
Investment earnings, unrestricted					231,554	67,396	298,950	854	9,981	(2,529,252)		3,193	
Miscellaneous, unrestricted					1,128,570	134,873	1,263,443	4,153	-	3,138,698		-	
Transfers					105,000	(105,000)	-	-	-	-		-	
Total general revenues and transfers					<u>62,510,539</u>	<u>97,269</u>	<u>62,607,808</u>	<u>5,007</u>	<u>9,981</u>	<u>609,446</u>		<u>3,193</u>	
Change in net assets					1,749,400	1,301,564	3,050,964	103,373	1,604,767	7,746,399		(392,238)	
Net assets-beginning					31,217,952	30,995,716	62,213,668	189,971	24,148,544	337,324,104		3,223,978	
Net assets-ending					<u>\$ 32,967,352</u>	<u>\$ 32,297,280</u>	<u>\$ 65,264,632</u>	<u>\$ 293,344</u>	<u>\$ 25,753,311</u>	<u>\$ 345,070,503</u>		<u>\$ 2,831,740</u>	

The notes to the financial statements are an integral part of this statement.

**CRAVEN COUNTY, NORTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General	County Reserve Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,951,940	\$ 7,716,701	\$ 1,670,895	\$ 22,339,536
Short-term investments	13,570,046	-	-	13,570,046
Taxes receivable	4,959,845	-	38,069	4,997,914
Accounts receivable	2,200,423	-	326,341	2,526,764
Due from other funds	-	-	802,960	802,960
Restricted short-term investments	-	-	573,110	573,110
Total assets	<u>\$ 33,682,254</u>	<u>\$ 7,716,701</u>	<u>\$ 3,411,375</u>	<u>\$ 44,810,330</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 785,691	\$ -	\$ 284,953	\$ 1,070,644
Accrued salaries and benefits	924,756	-	-	924,756
Due to other funds	802,960	-	-	802,960
Deferred/Unearned revenue	1,737,179	-	38,070	1,775,249
Total liabilities	<u>4,250,586</u>	<u>-</u>	<u>323,023</u>	<u>4,573,609</u>
Fund balances:				
Restricted				
Stabilization by state statute	5,621,630	-	326,340	5,947,970
Public safety	84,542	-	1,559,807	1,644,349
Economic and physical development	-	-	111,018	111,018
Register of deeds	37,222	-	-	37,222
Education, schools	-	-	1,318,370	1,318,370
Committed:				
Capital projects	-	7,716,701	(30,193)	7,686,508
Assigned:				
Subsequent years expenditures	416,953	-	-	416,953
Unassigned	23,271,321	-	(196,990)	23,074,331
Total fund balances	<u>29,431,668</u>	<u>7,716,701</u>	<u>3,088,352</u>	<u>40,236,721</u>
Total liabilities and fund balances	<u>\$ 33,682,254</u>	<u>\$ 7,716,701</u>	<u>\$ 3,411,375</u>	<u>\$ 44,810,330</u>

The notes to the financial statements are an integral part of this statement

**CRAVEN COUNTY, NORTH CAROLINA**

**Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2012**

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

Fund balance at June 30, 2012 - total governmental funds (page 30)	\$ 40,236,721
Capital assets used in governmental activities that are not current financial resources and therefore are not reported in the funds.	66,097,232
Other assets are not available to pay for current-period expenditures and therefore are not recognized in the funds.	3,830,643
Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included governmental activities in the statement of net assets.	4,031,229
Liabilities for earned but deferred revenues in the fund.	1,576,709
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(82,805,182)</u>
Net assets of governmental activities at June 30, 2012 (page 28)	<u><u>\$ 32,967,352</u></u>

The notes to the financial statements are an integral part of this statement.

GRAVEN COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2012

	General	County Reserve Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 45,452,939	\$ -	\$ 1,803,849	\$ 47,256,788
Sales	13,010,116	-	481,119	13,491,235
Tourism Room	-	-	1,003,991	1,003,991
Intergovernmental	20,553,825	-	2,268,517	22,822,342
Charges for services	13,562,444	-	-	13,562,444
Interest	159,346	40,410	13,074	212,830
Miscellaneous	1,535,915	-	-	1,535,915
Total revenues	94,274,585	40,410	5,570,550	99,885,545
<b>EXPENDITURES</b>				
Current:				
General government	9,866,620	-	-	9,866,620
Public safety	12,459,966	-	2,915,168	15,375,134
Environmental protection	5,005,287	-	-	5,005,287
Economic and physical development	2,500,458	-	940,005	3,440,463
Health	8,405,341	-	-	8,405,341
Social services	23,000,499	-	-	23,000,499
Culture and recreation	2,120,750	-	30,193	2,150,943
Education	22,275,514	-	1,505,663	23,781,177
Debt service:				
Principal	2,150,664	-	4,160,550	6,311,214
Interest	1,481,729	-	1,954,451	3,436,180
Total expenditures	89,266,828	-	11,506,030	100,772,858
Excess of revenues over (under) expenditures	5,007,757	40,410	(5,935,480)	(887,313)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	87,329	-	-	87,329
Transfers in	1,721,264	202,387	4,629,592	6,553,243
Transfers out	(4,558,778)	(982,944)	(849,117)	(6,390,839)
Total other financing sources (uses)	(2,750,185)	(780,557)	3,780,475	249,733
Net change in fund balances	2,257,572	(740,147)	(2,155,005)	(637,580)
<b>FUND BALANCES:</b>				
Beginning	27,174,096	8,456,848	5,243,357	40,874,301
Ending	\$ 29,431,668	\$ 7,716,701	\$ 3,088,352	\$ 40,236,721

The notes to the financial statements are an integral part of this statement.

**CRAVEN COUNTY, NORTH CAROLINA**

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds (page 32)	\$ (637,580)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(2,319,352)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets.	(477,645)
Reduction of revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(715,845)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items.	5,421,217
Internal service fund is used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	<u>478,605</u>
Change in net assets of governmental activities (page 29)	<u>\$ 1,749,400</u>

The notes to the financial statements are an integral part of this statement.

**CRAVEN COUNTY, NORTH CAROLINA  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE, BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2012

(Page 1 of 3)

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 45,210,596	\$ 45,210,596	\$ 45,452,939	\$ 242,343
Sales	12,521,025	12,746,025	13,010,116	264,091
Intergovernmental	19,210,236	22,131,477	20,553,825	(1,577,652)
Charges for services	13,063,121	14,189,366	13,562,444	(626,922)
Interest	226,000	226,000	159,346	(66,654)
Miscellaneous	1,259,117	1,425,779	1,535,915	110,136
Total revenues	<u>91,490,095</u>	<u>95,929,243</u>	<u>94,274,585</u>	<u>(1,654,658)</u>
<b>EXPENDITURES</b>				
General government:				
Commissioners	489,569	508,043	506,537	1,506
Administration	601,069	467,797	443,945	23,852
Human resources	375,729	379,616	353,777	25,839
Information technology	969,311	1,038,540	1,035,005	3,535
Finance	757,382	762,825	752,189	10,636
Elections	364,141	365,709	333,678	32,031
Tax assessor	862,368	851,504	841,513	9,991
Tax collections	550,286	856,268	849,362	6,906
Register of deeds	653,703	660,501	654,780	5,721
Public buildings	334,423	406,899	383,280	23,619
Housekeeping	254,488	253,643	245,082	8,561
Court facilities	390,682	325,113	256,354	68,759
GIS/Mapping	345,965	346,272	339,429	6,843
Maintenance	553,128	556,023	551,520	4,503
Non-departmental	1,076,527	3,065,814	2,320,169	745,645
Total general government	<u>8,578,771</u>	<u>10,844,567</u>	<u>9,866,620</u>	<u>977,947</u>
Public safety:				
Animal control	360,284	358,084	341,642	16,442
Medical examiner	69,000	69,000	51,600	17,400
Sheriff	5,285,191	5,139,357	5,116,803	22,554
Criminal Justice Partnership Program	-	102,619	54,404	48,215
Jail	3,660,919	3,627,647	3,518,151	109,496
Fire marshal/ Emergency management	826,618	834,787	818,383	16,404
Inspections	459,413	473,475	472,856	619
Other - Professional Services	-	15,000	7,500	7,500
Volunteer rescue squads	2,173,238	2,191,980	2,078,627	113,353
Total public safety	<u>12,834,663</u>	<u>12,811,949</u>	<u>12,459,966</u>	<u>351,983</u>

*Continued*

CRAVEN COUNTY, NORTH CAROLINA  
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE, BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

(Page 2 of 3)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
Environmental protection:				
Solid waste	\$ 3,658,443	\$ 3,662,448	\$ 3,541,726	\$ 120,722
Environmental health	1,082,022	1,112,503	1,068,018	44,485
Soil conservation	124,744	126,994	123,992	3,002
Cooperative extension	287,680	296,080	271,551	24,529
Total environmental protection	5,152,889	5,198,025	5,005,287	192,738
Economic and physical development:				
Planning	582,611	581,969	578,486	3,483
Economic Development Commission	351,763	414,761	357,175	57,586
Convention Center	1,345,665	1,541,092	1,446,706	94,386
Other-Legal	-	120,000	118,091	1,909
Total economic and physical development	2,280,039	2,657,822	2,500,458	157,364
Health:				
Dental	386,505	386,505	321,180	65,325
Maternity	1,460,018	1,445,099	1,352,205	92,894
Child health	1,200,098	1,331,081	1,208,705	122,376
Risk Reduction	301,059	185,418	171,881	13,537
WIC	595,455	638,716	583,201	55,515
Adult Health Services	22,200	213,585	169,478	44,107
Communicable Disease	150,224	154,074	134,826	19,248
Bio-Terrorism	56,582	52,274	52,241	33
Family planning	756,985	823,483	772,085	51,398
Home health	2,140,885	2,237,882	1,966,895	270,987
Mental health	276,827	279,027	277,866	1,161
Other - unclassified	1,431,070	1,444,831	1,394,778	50,053
Total health	8,777,908	9,191,975	8,405,341	786,634
Social services:				
Transportation	1,636,891	1,837,198	1,587,868	249,330
Administration	2,392,027	2,459,224	2,313,987	145,237
Employment assistance	3,288,775	3,236,009	3,094,688	141,321
Adult/child services	1,335,012	1,353,219	1,269,725	83,494
Veterans services	138,833	140,367	139,323	1,044
Senior services	487,769	516,357	489,355	27,002
Public assistance payments	6,307,049	6,895,058	6,768,407	126,651
TANF	6,204,305	6,330,336	5,782,449	547,887
Child support enforcement	1,302,007	1,302,007	1,138,250	163,757
Other - unclassified	329,613	420,358	416,447	3,911
Total social services	23,422,281	24,490,133	23,000,499	1,489,634

Continued

CRAVEN COUNTY, NORTH CAROLINA  
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE, BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2012

(Page 3 of 3)

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation				
Recreation	\$ 814,074	\$ 814,857	\$ 802,254	\$ 12,603
Libraries	1,218,323	1,218,323	1,218,323	-
Special appropriation	137,212	137,212	100,173	37,039
Total culture and recreation	<u>2,169,609</u>	<u>2,170,392</u>	<u>2,120,750</u>	<u>49,642</u>
Education, schools				
Public schools - current expenditures	17,887,352	17,887,352	17,870,304	17,048
Public schools - fines and forfeitures	50,000	50,000	40,080	9,920
Public schools - capital outlay	700,000	700,000	700,000	-
Community college	3,665,130	3,665,130	3,665,130	-
Total education	<u>22,302,482</u>	<u>22,302,482</u>	<u>22,275,514</u>	<u>26,968</u>
Debt service:				
Principal	2,125,750	2,150,664	2,150,664	-
Interest	1,481,729	1,481,729	1,481,729	-
Total debt service	<u>3,607,479</u>	<u>3,632,393</u>	<u>3,632,393</u>	<u>-</u>
Total expenditures	<u>89,126,121</u>	<u>93,299,738</u>	<u>89,266,828</u>	<u>4,032,910</u>
Excess of revenues over expenditures	<u>2,363,974</u>	<u>2,629,505</u>	<u>5,007,757</u>	<u>2,378,252</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	87,329	87,329	-
Transfers in	1,513,860	1,721,264	1,721,264	
Transfers out	(3,935,947)	(4,655,894)	(4,558,778)	97,116
Total other financing sources (uses)	<u>(2,422,087)</u>	<u>(2,847,301)</u>	<u>(2,750,185)</u>	<u>97,116</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(58,113)	(217,796)	2,257,572	2,475,368
Appropriated fund balance	58,113	217,796	-	(217,796)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,257,572	<u>\$ 2,257,572</u>
<b>FUND BALANCE</b>				
Beginning			27,174,096	
Ending			<u>\$ 29,431,668</u>	

The notes to the financial statements are an integral part of this statement.

**CRAVEN COUNTY, NORTH CAROLINA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water Fund	Northwest Craven Water and Sewer District	Aggregate Nonmajor Funds	Eliminations	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 12,236,722	\$ -	\$ -	\$ -	\$ 12,236,722	\$ 4,311,918
Short-term investments	2,000,000	-	-	-	2,000,000	-
Accounts receivable, net of allowance for doubtful accounts	798,547	-	-	-	798,547	2,872
Capital lease receivable-current	-	84,731	-	(84,731)	-	-
Due from other government-current	-	-	50,000	-	50,000	-
Total current assets	15,035,269	84,731	50,000	(84,731)	15,085,269	4,314,790
Noncurrent Assets:						
Due from other government-noncurrent	-	-	45,000	-	45,000	-
Capital lease receivable-noncurrent	-	961,371	-	(961,371)	-	-
Capital assets:						
Land	489,681	-	-	-	489,681	-
Improvements other than buildings	29,708,172	-	-	-	29,708,172	-
Buildings	563,318	-	-	-	563,318	-
Machinery and equipment	379,099	-	-	-	379,099	-
Construction in progress	801,862	-	-	-	801,862	-
Less accumulated depreciation	(13,144,795)	-	-	-	(13,144,795)	-
Total capital assets (net of accumulated depreciation)	18,797,337	-	-	-	18,797,337	-
Total noncurrent assets	18,797,337	961,371	45,000	(961,371)	18,842,337	-
Total assets	33,832,606	1,046,102	95,000	(1,046,102)	33,927,606	4,314,790
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	89,068	-	-	-	89,068	283,561
Accrued salaries and benefits	16,244	-	-	-	16,244	-
Accrued interest payable	-	4,617	-	-	4,617	-
Customer deposits payable	311,302	-	-	-	311,302	-
Compensated absences liability - current	25,901	-	-	-	25,901	-
Installment notes payable-current	-	80,114	-	-	80,114	-
General obligation bonds payable-current	-	-	50,000	-	50,000	-
Obligations under capital lease-current	111,928	-	-	(111,928)	-	-
Total current liabilities	554,443	84,731	50,000	(111,928)	577,246	283,561
Noncurrent liabilities:						
Compensated absences liability	15,594	-	-	-	15,594	-
Other postemployment benefit liability	31,115	-	-	-	31,115	-
Installment notes payable	-	961,371	-	-	961,371	-
General obligation bonds payable	-	-	45,000	-	45,000	-
Obligations under capital lease	934,174	-	-	(934,174)	-	-
Total noncurrent liabilities	980,883	961,371	45,000	(934,174)	1,053,080	-
Total liabilities	1,535,326	1,046,102	95,000	(1,046,102)	1,630,326	283,561
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	17,751,235	-	-	-	17,751,235	-
Unrestricted	14,546,045	-	-	-	14,546,045	4,031,229
Total net assets	\$ 32,297,280	\$ -	\$ -	\$ -	\$ 32,297,280	\$ 4,031,229

The notes to the financial statements are an integral part of this statement.

CRAVEN COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2012**

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Northwest Craven Water and Sewer District	Aggregate Nonmajor Funds		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,709,076	\$ -	\$ -	\$ 3,709,076	\$ -
Miscellaneous	134,873	-	-	134,873	Actual
Total operating revenues	3,843,949	-	-	3,843,949	-
<b>OPERATING EXPENSES</b>					
Cost of services	1,569,821	-	-	1,569,821	4,475,901
Depreciation and amortization	904,719	-	-	904,719	-
Total operating expenses	2,474,540	-	-	2,474,540	4,475,901
Operating income	1,369,409	-	-	1,369,409	(4,475,901)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	67,396	-	-	67,396	517,285
Interest expense	-	(29,480)	(761)	(30,241)	-
Total net nonoperating revenues (expenses)	67,396	(29,480)	(761)	37,155	517,285
Income (loss) before transfers	1,436,805	(29,480)	(761)	1,406,564	(3,958,616)
Transfers in	18,000	29,480	761	48,241	-
Transfers out	(153,241)	-	-	(153,241)	(57,404)
Total transfers in (out)	(135,241)	29,480	761	(105,000)	(57,404)
Change in net assets	1,301,564	-	-	1,301,564	(4,016,020)
Total net assets - beginning	30,995,716	-	-	30,995,716	3,552,624
Total net assets - ending	\$ 32,297,280	\$ -	\$ -	\$ 32,297,280	\$ (463,396)

The notes to the financial statements are an integral part of this statement.

CRAVEN COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Water Fund	Northwest Craven Water and Sewer District	Aggregate Nonmajor Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 4,024,853	\$ -	\$ -	\$ 4,024,853	\$ (2,330)
Payments to customers and suppliers	(867,231)	-	-	(867,231)	(4,020,183)
Payments to employees	(672,681)	-	-	(672,681)	-
Net cash provided by operating activities	2,484,941	-	-	2,484,941	(4,022,513)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition & construction of capital assets	(751,563)	-	-	(751,563)	-
Repayment of installment notes and bonds	-	(80,114)	(26,625)	(106,739)	-
Payments on obligations under capital lease payable	(106,739)	-	-	(106,739)	-
Proceeds from investment in direct finance leasing	-	80,114	26,625	106,739	-
Interest paid	(29,600)	-	-	(29,600)	-
Net cash used in capital and related financing activities	(887,902)	-	-	(887,902)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out	(105,000)	-	-	(105,000)	(57,404)
Net cash used in noncapital financing activities	(105,000)	-	-	(105,000)	(57,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on cash and investments	67,396	-	-	67,396	517,285
Net cash provided by investing activities	67,396	-	-	67,396	517,285
Net increase in cash and cash equivalents	1,559,435	-	-	1,559,435	(3,562,632)
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning	10,677,287	-	-	10,677,287	3,897,210
Ending	\$ 12,236,722	\$ -	\$ -	\$ 12,236,722	\$ 334,578
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 1,369,409	\$ -	\$ -	\$ 1,369,409	\$(4,475,901)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	904,719	-	-	904,719	-
Change in assets and liabilities:					
Accounts receivable	180,904	-	-	180,904	(2,330)
Accounts payable	33,042	-	-	33,042	(61,567)
Customer deposits payable	(3,133)	-	-	(3,133)	-
Net cash provided by operating activities	\$ 2,484,941	\$ -	\$ -	\$ 2,484,941	\$(4,539,798)
<b>SUPPLEMENTAL SCHEDULE OF FINANCING ACTIVITIES</b>					
Repayment of installment notes and bonds by other governments	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -

The notes to the financial statements are an integral part of this statement.

**CRAVEN COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**June 30, 2012**

	<u>All Agency Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 77,619
Total assets	<u>\$ 77,619</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 77,619
Total liabilities	<u>\$ 77,619</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

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

## NOTES TO FINANCIAL STATEMENTS INDEX

	Page
Note 1.	Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting ..... 41 - 53
Note 2.	Cash on Deposit and Investments ..... 54 - 58
Note 3.	Capital Assets ..... 59 - 62
Note 4.	Long-Term Obligations ..... 63 - 68
Note 5.	Interfund Assets/Liabilities and Transfers ..... 68 - 69
Note 6.	Deferred Compensation Plan ..... 69
Note 7.	Joint Ventures ..... 69- 70
Note 8.	Jointly Governed Organizations ..... 71
Note 9.	Related Organizations ..... 71
Note 10.	Additional Social Welfare Expenditures ..... 72
Note 11.	Risk Management ..... 72 - 75
Note 12.	Retirement Systems ..... 76 - 81
Note 13.	Death Benefits ..... 81
Note 14.	Other Postemployment Benefits ..... 82 - 86
Note 15.	Contingent Liabilities ..... 86
Note 16.	Commitments ..... 87
Note 17.	Subsequent Events ..... 87
Note 18.	Pronouncements Issued Not Yet Implemented or Fully Implemented ..... 87 - 88

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies

##### Nature of operations:

Craven County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under General Statute 153A-10. The County is located near the coast in eastern North Carolina, with its seat of government in the City of New Bern. The County is responsible for providing a full range of governmental services, including police and fire protection to residents in unincorporated areas of the County, health and social services, recreational programs, ambulance services, recycling operations, and operational and capital funding support for the public school systems.

##### Reporting entity:

As required by accounting principles generally accepted in the United States of America, these financial statements present the County (primary government) and its component units, legally-separate entities for which the County is financially accountable. The four discretely presented component units presented below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

Craven County Tourism Development Authority. The Craven County Tourism Development Authority ("Tourism Development Authority") is governed by members appointed by the County Commissioners, the New Bern Board of Aldermen, the Havelock Board of Commissioners, and non-profit agencies. The County is financially accountable for the Tourism Development Authority, as the Tourism Development Authority derives its revenues through a special room occupancy tax authorized and revocable by the County Commissioners. The Tourism Development Authority does not issue separate financial statements.

Coastal Carolina Regional Airport Authority. The Coastal Carolina Regional Airport Authority ("Airport Authority") was established by a joint agreement between the City of New Bern and the County pursuant to state statute. The governing board is selected by the County Commissioners and the County is responsible for financing any operating deficits of the Airport. The County must approve issuance of any revenue bonds. The Airport Authority does not issue separate financial statements.

CarolinaEast Health System. The Craven County Commissioners established the CarolinaEast Health System ("Health System") to provide medical services to County residents. The Commissioners select the Health System's governing board. In addition, Craven County leases land and improvements to The Health System for \$1 per year "in perpetuity", and therefore does not record these assets in the County's financial statements. The Health System's financial statements are presented as of and for the year ended September 30, 2011 as if it were a proprietary fund. Complete financial statements for the Health System may be obtained at 2000 Neuse Boulevard, New Bern, NC 28561.

Craven County Alcoholic Beverage Control Board. The Craven County Alcoholic Beverage Control Board ("ABC Board") is governed by a board appointed by the County Commissioners. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. The ABC Board's financial statements are presented as of and for the year ended June 30, 2012 as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained at 3493 Martin Drive, New Bern, NC 28561.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies  
(Continued)**

Blended component units are separate legal entities whose operations are so intertwined with Craven County that they are, in substance, the same as Craven County. The County’s blended component units are the following water and sewer districts, which have been established to provide water and sewer services to the residents of the respective districts:

Neuse River Water and Sewer District	Northwest Craven Water and Sewer District
Township 6 Water and Sewer District	Tuscarora Rhems Water and Sewer District
Pembroke Water and Sewer District	East Craven Water and Sewer District

The County has entered into an agreement with each existing District, which will encompass additional Districts as they are created, that transfers all assets, liabilities (excluding bonded indebtedness, loans, and installment notes), operational rights, and responsibilities to Craven County. In consideration for this agreement, the County has agreed to pay the Districts an amount equal to debt service costs for the respective Districts for the duration of the respective bonds, loans, and notes.

The County maintains the Districts’ assets, provides water operations and makes payments on outstanding debts on behalf of the respective Districts. Therefore, the County’s financial statements reflect the assets and debts in the Craven County Water Fund. The Board of County Commissioners sits as the Board of each District. No separate financial statements are issued by these Districts as they have no operations, only certain outstanding debt that is paid on their behalf by Craven County pursuant to the agreement noted above. The outstanding liabilities of the Districts are presented in individual statements along with the other proprietary funds, and the balances within the District and the corresponding balances in the Craven County Water fund are eliminated through internal balances.

The agreement terminates with each district at the time there is no outstanding debt. At this point the County has the option to purchase for \$1 all of the real and personal property owned by the districts. There is no outstanding debt for Tuscarora Rhems Water and Sewer District or East Craven Water and Sewer District. The County has exercised its option to purchase the real and personal property of these two districts.

Craven County Finance Corporation:

Craven County Finance Corporation (CCFC) is a nonprofit public benefit corporation. The Corporation was organized and shall be operated exclusively for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving, but not limited to, purchase and sale, construction and/or lease of real estate and improvements, facilities, and equipment. County debt and debt payments are made by the County’s governmental funds. CCFC is a blended component unit and does not issue separate financial statements.

**Summary of significant accounting policies:**

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

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

##### Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 each function of the County'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 County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – 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.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for and reports all financial resources not accounted for or reported in another fund.

County Reserve Capital Projects Fund. This capital projects fund is used to reserve funds and provide financial resources for future capital projects.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

The government reports the following major enterprise funds:

Water Fund. This is used to account for the operation of water services provided throughout Craven County.

Northwest Craven Water and Sewer District. Established to provide water and sewer services to the residents of this district.

The County reports the following other fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; and the Department of Motor Vehicle Interest, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles and accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis; and the Municipal Property Tax Fund, which account for registered motor vehicle and real property taxes that are billed and collected by the County for various municipalities within the County.

Internal Service Fund. This fund is used to finance and account for the County's health and dental insurance and workers' compensation program information.

#### Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary 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. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

## Craven County, North Carolina

### Notes to Financial Statements

---

#### **Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)**

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

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 County recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. State shared revenues, sales tax, property taxes, federal grants funding federal mandates, and most donations are examples of non-exchange transactions.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property 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 all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles 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, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2012 because they are intended to finance the County's operations during the 2012 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### **Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)**

Under the terms of grant agreements, the County funds certain programs by a combination of specific 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

#### **Budgets and Budgetary Accounting**

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, the County follows these procedures in establishing the budgetary data reflected in the financial report:

- 1) The County Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operational budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) The budget is legally enacted through passage of an ordinance by June 30 each year.

The Board of Commissioners may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet the requirements of North Carolina's "Local Government Budget and Fiscal Control Act". No amendment may change the property tax levy unless the Board of Commissioners is so ordered by competent authority. During the year, several supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the basic financial statements include the original budget as adopted prior to July 1, 2011, and the budget as amended at June 30, 2012.

Under State statute, actual expenditures cannot exceed budgetary appropriations at the level at which the budget ordinance is formally approved. The County's budget ordinance authorizes expenditures by department total (the legal level of control) for all funds, including the enterprise funds. All budgets, including the enterprise funds' budgets, are fixed in nature. For internal management purposes, the budgets are detailed by line item within each department and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis. All budgets are prepared using the modified accrual basis of accounting.

The County Manager is authorized to transfer appropriations within a fund up to \$20,000; however, the governing board must approve any revisions that alter total expenditures of any fund or exceed \$20,000. Annual appropriated budgets are adopted for the General Fund, certain Special Revenue Funds (all fire districts funds), the Debt Service Fund, and all Proprietary Funds. The budget for Capital Projects Funds, and certain Special Revenue Funds (CDBG FY2009 Scattered Sites Fund), authorize activity for the life of each individual project. All annual appropriations lapse at fiscal year end, whereas all project appropriations lapse at the end of the project.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### **Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)**

The budget, as authorized for the General Fund, includes certain receipts to be received for and disbursed to, or on behalf of, other entities, or individuals, by the County as fiscal agent. For financial reporting purposes, these agency receipts and disbursements are reclassified to a separate agency fund.

The budgets for the enterprise funds are prepared on a modified accrual basis of accounting which excludes depreciation expense and recognizes purchases of capital assets as current expenditures. For financial reporting purposes, the activity of the enterprise funds has been reported using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America. CarolinaEast Health System (proprietary discrete component unit) does not report budget data in their financial statements.

#### **Assets, Liabilities, and Fund Equity**

Cash and Investments. The County pools cash resources of all funds and invests these funds jointly, including certain funds of the Airport Authority and the Tourism Development Authority, to facilitate disbursement and investment activities and to maximize investment income. Each fund owns a pro rata share of the cash and investments pool. Investment earnings of the pool are allocated to all funds based on the individual fund's average cash balances outstanding during the month.

For the purposes of the County's proprietary fund types statement of cash flows, all highly liquid investments outside of the pool with an original maturity of three months or less when purchased are considered to be cash equivalents. For amounts in the County's cash and investment pool, since cash pools have the general characteristics of demand deposit accounts in that the individual funds may deposit additional cash at any time and withdraw cash at any time without prior notice or penalty, such cash and investments are considered to be cash.

The County and all component units other than the CarolinaEast Health System report money market investments, if any, with a maturity of more than one year at acquisition and non money market investments at fair value as determined by quoted market prices. The North Carolina Capital Management Trust ("NCCMT") cash portfolio's securities are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

The CarolinaEast Health System has investments in debt and marketable equity securities, all of which are reported at their fair value. Debt securities consist of obligations of the U.S. Government as well as corporate bonds and commercial paper. Marketable equity securities consist primarily of common stocks that are traded or listed on national exchanges. Both realized and unrealized gains and losses on all debt and marketable equity securities are included in non-operating income. Interest and dividends on investments in debt and equity securities are included in non-operating income when earned.

Restricted Investments. The unexpended bond proceeds of the qualified school construction bond are classified as restricted assets within the Qualified School Construction Bond capital project fund because their use is completed restricted to the purpose for which the bonds were originally issued.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies  
(Continued)**

Ad Valorem Taxes. In accordance with North Carolina General Statutes [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles at July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January of the preceding fiscal year. The majority of the County’s property tax collections occur during December and early January each year. The taxes outstanding at June 30 are therefore delinquent. To the extent that County property tax revenues result in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

Delinquent ad valorem taxes receivable are reported in the financial statements net of an allowance for uncollectible accounts of \$700,000 in the General Fund. The allowance approximates, based on past experience, the percentage of the original levy which has normally been uncollectible. Net delinquent ad valorem taxes receivable are offset by deferred revenue in the governmental fund statements because they cannot be considered a resource which can be used to finance current operations.

Allowance for Doubtful Accounts. Allowances for doubtful accounts are maintained on all types of receivables which historically experience uncollectible accounts.

Exclusive of ad valorem taxes, the following summarizes other allowances for doubtful accounts by fund and receivable type at June 30, 2012:

	Component Unit CarolinaEast Health System
Patient receivables (at September 30, 2011)	\$ 13,311,013

Interfund Receivables/Payables. During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements.

Inventories. Inventories of the Health System and the ABC Board in the government-wide statement of net assets are valued at the lower of cost, on a first-in, first-out (FIFO) basis, or market. The Health System inventory consists of expendable items, including pharmaceuticals and general supplies, held for sale to patients or consumption. The Health System inventories are recorded as expenses when consumed rather than when purchased. The ABC Board inventory consists of alcoholic beverages held for sale.

Prepaid Items. Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items.

Long-term cash and investments. Assets whose use is limited reported by the Health System include assets and accrued interest receivables set aside by the Health System Board for future capital improvements over which the Board retains control and assets held by a trustee under bond indenture agreements.

Notes to Financial Statements

---

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies  
(Continued)**

Bond Issuance Costs and Refunding Gains and Losses. Bond issuance costs and refunding gains and losses are deferred and amortized over the term of the bonds using the effective interest method in the government-wide financial statements and in proprietary funds. These costs relate to the 2007 Certificates of Participation and the 2010 Advance Refunding issued in the Governmental funds.

Capital Assets. Purchased or constructed capital assets are reported at cost or estimated historical cost in the government-wide financial statements and in proprietary funds. Donated capital assets are recorded at their fair value at date of donation. Minimum capitalization cost is \$5,000 for all capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are not recognized in the governmental fund statements. These statements report capital items as expenditures as incurred.

The County and its component units follow the policy of capitalizing interest as a component of the cost of business-type activity capital assets constructed for their own use in accordance with the guidelines of GASB COD.1400.111, and other related components.

When the County leases capital assets to a discretely presented component unit for a nominal amount, the County reports those capital assets and related depreciation in the component unit. Depreciation of all depreciable capital assets is charged as an expense against their operations. Accumulated depreciation is reported in the statement of net assets. Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives of the individual assets:

Buildings	25-50 Years
Improvements other than buildings	10-40 Years
Machinery and equipment and vehicles	5-10 Years

Capital assets of the Airport Authority, the Health System, and the ABC Board are depreciated over the estimated useful lives of the individual assets on a straight-line basis.

Intangible Assets. Intangible capital assets consists of goodwill of the Health System associated with cost in excess of fair value of the net assets of certain entities acquired in purchase transactions. Goodwill is being amortized on a straight-line basis over 5 to 30 years. At each financial statement date, the Health System evaluates goodwill for impairment by comparing expectations of non-discounted future cash flows excluding interest costs with the carrying value of goodwill for each acquisition having a material goodwill balance.

Compensated absences. For the County's government-wide financial statements and in proprietary fund statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The County or its component units have made no accrual for sick leave since there is no obligation for accumulated sick leave until it is actually taken, as sick leave does not vest.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies  
(Continued)**

Long-term obligations

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as another financing source and is not considered a fund liability. These statements report debt service payments (including principal) as expenditures.

Deferred/Unearned revenue. The balance in deferred or unearned revenue on the governmental fund statements and unearned revenues on the government-wide statements of governmental activities at year-end is composed of the following elements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned	\$ 184,276	\$ 184,276
Prepaid fees	14,264	14,264
Property taxes receivable, net (General)	1,391,129	-
Property taxes receivable, net (Special Revenue)	38,070	-
Recycling fees receivable (General)	147,510	-
Total deferred revenue	\$ 1,775,249	\$ 198,540

Net Assets

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 a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through state statute.

Fund balances: In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance 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 types classify fund balances as follows:

Nonspendable fund balance: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepays and inventories: portion of fund balance that is not an available resource because it represents the year-end balances of ending inventories and prepaids, which are not spendable resources.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Restricted fund balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Restricted for public safety - portion of fund balance that is restricted by revenue source for public safety expenditures.

Restricted for economic and physical development – portion of fund balance that is restricted by revenue source for economic and physical development.

Restricted for register of deeds – portion of fund balance that is restricted by revenue source for register of deeds expenditures.

Restricted for education, schools - portion of fund balance that is restricted by revenue source for the repayment of debt related to school construction projects.

Committed fund balance: The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Craven County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires the majority action by the governing body.

Committed for capital projects – portion of fund balance committed by the County Board of Commissioners for the construction of specific assets held in the capital reserve fund. Specific board action is required to transfer funds out of this fund.

Assigned fund balance: portion of fund balance that Craven County intends to use for specific purposes.

Assigned for subsequent year's expenditures - portion of total fund balance (if any) that is appropriated in the next year's budget that is not already classified as restricted or committed.

Unassigned: portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

##### Reconciliation of Government-wide and Fund Financial Statements

##### Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$(7,269,369) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 97,346,238
Less accumulated depreciation	(31,249,006)
Net capital assets	<u>66,097,232</u>
Accrued interest receivable less the amount claimed as unearned revenue in the governmental fund statements as well as deferred charges for bond issuance and refunding costs as these funds are not available and therefore deferred in the fund statements.	3,830,643
Liabilities for revenue not susceptible to accrual but earned therefore deferred in the fund statements but not in the government-wide statements.	1,576,709
Internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the statement of net assets for the governmental activities.	4,031,229
Long term liabilities, including bonds payable, that are not due and payable in the current period and therefore are not recorded in the fund statements:	
Installment notes financing	(48,883,550)
Bonds financing	(26,300,000)
Capital lease	(62,415)
Deferred bonds premium	(2,402,942)
Accrued interest payable	(318,494)
Other postemployment benefits	(1,996,315)
Compensated absences	(2,384,762)
Net pension obligation	(456,704)
Total adjustment	<u>\$ (7,269,369)</u>

Notes to Financial Statements

---

**Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies  
(Continued)**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,386,980 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,665,265
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(3,984,617)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, retirements, and donations)	(477,645)
The issuance of long-term debt provide current financial resources to governmental funds	(87,329)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	6,311,214
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in fund statements.	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(76,896)
Long-term net pension obligations and other postemployment benefits are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(588,823)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	29,929
Bond refunding costs, premiums and other similar items, are amortized in the government-wide statements but not in the fund statements because they do not use current resources	(166,878)
Reduction of revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	(715,845)
Internal service fund is used by management to charge the costs of risk management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	478,605
Total adjustment	<u>\$ 2,386,980</u>

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 2. Cash on Deposit and Investments

At June 30, 2012, the primary government's cash and investments (excluding agency funds – see below) are comprised of the following:

Cash on hand	\$	10,930
Carrying value of deposits		39,510,358
Investments		15,510,045
	\$	<u>\$55,031,333</u>

Statement of net assets reconciliation:

Cash and cash equivalents	\$	38,888,177
Short-term investments (restricted and unrestricted)		16,143,156
	\$	<u>\$ 55,031,333</u>

#### Deposits:

The deposits of the County and its component units are made in Board designated official depositories and are secured as required by General Statute 159-31. They may designate as an official depository, any bank or savings and loan institution whose principal office is located in North Carolina. They may also establish time deposits in the form of NOW accounts, SuperNOW and money market accounts and certificates of deposit.

All deposits of the County and its component units 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 securities held by the units' agents in the units' 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 units, these deposits are considered to be held by their agents in the entities' 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 units or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the units under the pooling method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. All deposits of the County rest with banks that have chosen the pooling method. The County, the ABC Board, the Tourism Development Authority, the Airport Authority and the Health System do not have policies regarding custodial credit risk for deposits.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### **Note 2. Cash on Deposit and Investments (Continued)**

At June 30, 2012, the County's (primary government) deposits had a carrying amount of \$39,510,358 and a bank balance of \$40,581,157. Of the bank balance, \$500,000 was covered by federal depository insurance and \$40,081,157 was covered by collateral held under the pooling method.

At June 30, 2012, the County's agency fund deposits had a carrying amount of \$77,619 and a bank balance of \$82,191. The bank balance was covered by collateral held under the pooling method.

#### Component Unit Information

At June 30, 2012, both the carrying amount and bank balance of deposits for the Tourism Development Authority was \$293,344. The bank balance was covered by collateral held under the pooling method.

At June 30, 2012, both the carrying amount and bank balance of deposits for the Airport Authority was \$2,195,998. The bank balance was covered by collateral held under the pooling method.

At June 30, 2012, the ABC Board had \$12,900 in cash on hand, and deposits in financial institutions with a carrying amount of \$2,304,550 and a bank balance of \$2,216,169. Of the bank balance, \$545,917 was covered by federal depository insurance and \$1,670,252 was covered by collateral held under the pooling method.

At September 30, 2011, the carrying amount of deposits for the Health System was \$10,963,327 and the bank balance was \$14,204,663. Of the bank balance, \$500,000 was covered by federal depository insurance and \$13,704,663 was covered by collateral held under the pooling method.

#### **Investments:**

State law [G.S. 159-30(c)] authorizes the County, the ABC Board, the Tourism Development Authority, the Airport Authority, and the Health System 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 non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). In addition to the above, the Health System may invest in other property or securities in which trustees, guardians, executors, administrators, and others acting in a fiduciary capacity may legally invest funds under their control.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 2. Cash on Deposit and Investments (Continued)**

The County's investments at June 30, 2012 consist of the following:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than Six Months</b>	<b>6 - 12 Months</b>	<b>1 - 3 Years</b>	<b>3 - 5 Years</b>
NC Capital Management Trust,					
Cash Portfolio	\$ 3,576,143	\$ 3,576,143	\$ -	\$ -	\$ -
Commercial paper:					
Deutsche Bank Finl LLC	2,491,578	2,491,578	-	-	-
Abby National NA LLC Disc	1,985,074	-	1,985,074	-	-
Barclays US FDB LLC Disc	2,485,167	-	2,485,167	-	-
Goldman Sach Grp Inc Disc	4,972,083	-	4,972,083	-	-
<b>Total investments</b>	<b>\$ 15,510,045</b>	<b>\$ 6,067,721</b>	<b>\$ 9,442,324</b>	<b>\$ -</b>	<b>\$ -</b>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits the County's investment portfolio to maturities of less than 5 years. Also maturity dates are to be staggered to avoid undue concentration in specific maturity sectors.

*Credit Risk:* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County has no formal policy on managing credit risk. Instead, the County informally utilizes the State Law to minimize credit risks. As of June 30, 2012, the County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2012.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no policy on custodial credit risk.

*Concentration of Credit Risk:* The County places no limit on the amount that the County may invest in any one issuer.

## Craven County, North Carolina

### Notes to Financial Statements

#### Note 2. Cash on Deposit and Investments (Continued)

As of September 30, 2011, the Health System had the following investments and maturities (Amounts are in thousands):

<b>CarolinaEast Health System Investment Type</b>	<b>Fair Value</b>	<b>&lt;Than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-20 Years</b>	<b>&gt;Than 20 Years</b>
US Government Treasury Notes	\$ 11,323	\$ 2,670	\$ 5,988	\$ 2,664	\$ -	\$ -
US Government Agencies	19,601	1,640	4,574	5,778	7,511	99
Corporate Bonds	35,726	552	21,794	8,930	876	3,576
Templeton Global Bond Fund	4,296	N/A	4,296	-	-	-
Equity Securities	85,975	N/A	N/A	N/A	N/A	N/A
Hedge Funds	35,613	N/A	N/A	N/A	N/A	N/A
Short Term Cash Equivalents*	7,464	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust*	11,290	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust - Bank of New York Trustee	841	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ 212,129</b>	<b>\$ 4,862</b>	<b>\$ 36,652</b>	<b>\$ 17,372</b>	<b>\$ 8,387</b>	<b>\$ 3,675</b>

\* These amounts include \$1,674,030 which is included in cash and cash equivalents.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses, the Health System's investment policy dictates that mortgage backed securities or other asset backed securities will never comprise more than 30% of the fixed income portfolio and corporate debt securities will never comprise more than 50% of the fixed income portfolio. Additionally, the policy provides that the maximum maturity of any non-mortgage backed fixed income instrument will not exceed 10 years without the approval of the Health System's Board and investment managers, should not exceed a 7-year expected weighted average maturity for investments in mortgage backed paper and government agencies including Ginni Maes, Freddie Macs, or Fannie Maes. The maturities in the Templeton Global Bond Fund have an average duration of approximately 2.8 years as shown in the preceding schedule.

*Credit Risk:* The Health System's investment policy requires corporate obligations to meet the commercial paper rating of A1 by Moody's or P1 by S&P and bond rating in the "BBB" category or better by S&P, Moody's, and Fitch. "BBB" securities will be limited to 10% of the fixed income portfolio. No single "BBB" issue will be greater than \$500,000 face value at purchase. Obligations of the U.S. Government or explicitly guaranteed by the U.S. Government are generally not considered to have credit risk. The Templeton Global Bond Fund is unrated.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 2. Cash on Deposit and Investments (Continued)

As of September 30, 2011, the total quality ratings for the above holdings were as follows:

Holdings	AAA	AA	A	BBB	BB	B	Total
US Government Agencies	100.00%						100.00%
Corporate Bonds	17.85%	16.00%	54.45%	11.70%			100.00%
Short Term Cash Equivalents	100.00%						100.00%
NC Capital Management Trust	100.00%						100.00%
NC Capital Management Trust - Bank of New York Trustee	100.00%						100.00%

*Concentration of Credit Risk:* The Health System's investment policy states individual cumulative debt instruments by any one issuer shall be confined to a maximum of 5% of the fixed income portfolio. There is no concentration of credit risk.

*Equity Investment Guidelines:* Each equity holding will be limited to 6% of the equity portfolio determined at the time of investment.

Permissible types of equity investments include equities of U.S. and foreign companies listed on the NYSE, ASE and NASDAQ traded OTC securities to include common and preferred and convertible preferred stocks. Equity investments may also include publicly traded mutual funds, unit trusts and other common investment funds comprised of commingled securities listed on the NYSE, ASE and NASDAQ traded OTC securities.

*Alternative Assets:* A fund of funds hedge fund is employed to offer diversification as an investment alternative with low correlation to fixed income and equity securities. A fund of funds performance is measured against the performance of an appropriate hedge fund index.

*Other Investment Guidelines:* The primary portfolio shall contain no derivatives to enhance the overall yield of the stock or bond portfolio. The Alternative Asset class may use derivatives. Investment managers must maintain compliance with State of North Carolina laws and regulations, and all other applicable laws, rules and regulations.

**Craven County, North Carolina**

**Notes to Financial Statements**

**Note 3. Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2012 was as follows:

	Capital Assets		Capital Assets	
	June 30, 2011	Additions	Retirements	June 30, 2012
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land, other	\$ 9,958,882	\$ 98,907	\$ (83,597)	\$ 9,974,192
Construction in progress	801,613	116,374	(349,342)	568,645
Total capital assets not being depreciated	\$ 10,760,495	\$ 215,281	\$ (432,939)	\$ 10,542,837
Capital assets, being depreciated:				
Buildings	\$ 68,185,040	\$ -	\$ (1,120,881)	\$ 67,064,159
Vehicles	5,413,686	550,633	(514,927)	5,449,392
Equipment	4,754,663	426,287	(809,354)	4,371,596
Other improvements	9,095,848	822,406	-	9,918,254
Total capital assets being depreciated	87,449,237	1,799,326	(2,445,162)	86,803,401
Less accumulated depreciation for:				
Buildings	18,981,560	2,331,190	(735,362)	20,577,388
Vehicles	4,316,888	568,984	(506,398)	4,379,474
Equipment	3,609,086	287,737	(809,354)	3,087,469
Other improvements	2,407,969	796,706	-	3,204,675
Total accumulated depreciation	29,315,503	3,984,617	(2,051,114)	31,249,006
Total capital assets, being depreciated, net	\$ 58,133,734	\$ (2,185,291)	\$ (394,048)	\$ 55,554,395
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land, other	\$ 210,428	\$ 279,254	\$ -	\$ 489,682
Construction in progress	349,120	731,993	(279,252)	801,861
Total capital assets not being depreciated	\$ 559,548	\$ 1,011,247	\$ (279,252)	\$ 1,291,543
Capital assets, being depreciated:				
Buildings & other improvements	\$ 30,271,492	\$ -	\$ -	\$ 30,271,492
Vehicles	181,558	19,569	(18,432)	182,695
Equipment	227,138	-	(30,737)	196,401
Total capital assets being depreciated	30,680,188	19,569	(49,169)	30,650,588
Less accumulated depreciation for:				
Buildings & other improvements	11,909,703	883,467	-	12,793,170
Vehicles	156,323	19,913	(18,432)	157,804
Equipment	223,219	1,338	(30,737)	193,820
Total accumulated depreciation	12,289,245	904,718	(49,169)	13,144,794
Total capital assets, being depreciated, net	\$ 18,390,943	\$ (885,149)	\$ -	\$ 17,505,794

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 3. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 972,199
Public safety	1,585,191
Social Services	478,136
Economic and physical development	410,459
Health	301,084
Environmental protection	86,329
Culture and recreation	151,219
Total depreciation expense, governmental activities	<u>\$ 3,984,617</u>
Business-type activities:	
Water Fund	<u>\$ 904,718</u>
Total depreciation expense-business-type activities	<u>\$ 904,718</u>

#### Discretely presented component units

The following is a summary of the capital assets of the Airport Authority at June 30, 2012:

Capital assets, not being depreciated:	
Land	\$ 9,529,535
Construction in Progress	2,717,504
Total capital assets, not being depreciated	<u>12,247,039</u>
Capital assets, being depreciated:	
Buildings	9,360,714
Improvements other than buildings	14,686,107
Machinery, equipment, and vehicles	1,706,607
Total capital assets being depreciated	<u>25,753,428</u>
Less accumulated depreciation	<u>13,696,849</u>
Total capital assets being depreciated, net	<u>12,056,579</u>
Capital assets, net	<u>\$ 24,303,618</u>

Title to the real property occupied by the Airport Authority rests with Craven County. The land is leased to the Airport Authority for an annual rent of one dollar through a lease signed November 1, 1993 and expiring October 31, 2013.

**Craven County, North Carolina**

**Notes to Financial Statements**

**Note 3. Capital Assets (Continued)**

The following is a summary of the Health System capital asset activity for the year ended September 30, 2011:

	Year Ended September 30, 2011			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,438,331	\$ 2,341,021		\$ 6,779,352
Construction in progress	5,401,255	3,801,809	(6,873,040)	2,330,024
Total capital assets, not being depreciated	9,839,586	6,142,830	(6,873,040)	9,109,376
Capital assets, being depreciated/amortized				
Intangible assets	15,727,713	-	-	15,727,713
Land improvements	3,766,782	120,796	-	3,887,578
Building and fixtures	132,619,295	9,371,102	(118,176)	141,872,221
Equipment	144,868,359	11,668,377	(10,158,443)	146,378,293
Total capital assets being depreciated	296,982,149	21,160,275	(10,276,619)	307,865,805
Less accumulated depreciation/amortization for:				
Intangible assets	(8,980,507)	(518,424)	-	(9,498,931)
Land improvements, building and fixtures, and equipment	(178,371,299)	(19,101,580)	10,228,506	(187,244,373)
	(187,351,806)	(19,620,004)	10,228,506	(196,743,304)
Total capital assets being depreciated/amortized, net	109,630,343	1,540,271	(48,113)	111,122,501
Medical Authority capital assets, net	\$ 119,469,929	\$ 7,683,101	\$ (6,921,153)	\$ 120,231,877

All depreciation is directly or indirectly in relation to the provision of healthcare services. The Health System has various renovation projects in progress at September 30, 2011. The estimated cost to complete the projects is approximately \$5,586,000.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 3. Capital Assets (Continued)

Legal title to the Health System's property and equipment, except equipment purchased by the Health System from unrestricted funds, is held by Craven County. The facilities are leased to the Health System, under a lease agreement which expires in 2024, for an annual rental of one dollar. In the event of dissolution of the Health System or its failure to function as a Health System and to operate as required in the lease, all of its monies, properties and assets shall revert to Craven County.

Health System's net assets invested in capital assets, net of related debt, as of September 30, 2011 is as follows:

Capital assets, as above	\$ 120,231,877
Capital related debt (Note 4)	<u>2,296,380</u>
	<u>\$ 117,935,497</u>

The following is a summary of the capital assets of the ABC Board at June 30, 2012:

Capital assets, not being depreciated:

Land	\$ 189,501
Total capital assets not being depreciated	<u>\$ 189,501</u>

Capital assets, being depreciated:

Buildings	\$ 1,085,446
Furniture & equipment	488,781
Leasehold improvements	4,907
Automotive equipment	<u>102,376</u>
Total capital assets being depreciated	1,681,510
Less accumulated depreciation	<u>697,766</u>
Total capital assets being depreciated, net	<u>\$ 983,744</u>

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 4. Long-Term Obligations**

**General obligation bonds and bond anticipation notes:**

General obligation bonds are direct obligations and pledge the full faith and credit of the County or Water and Sewer District that issued the debt. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds payable currently outstanding are as follows:

Purpose	Stated Interest Rates	Amounts
General government bonds:		
The County's general obligation bonds payable at June 30, 2012 are comprised of the following individual issues:		
\$20,738,250 2009 Advance Refunding Bonds issued for 2002 School Facility Serial Refunding Bonds with installments due on December 1 (interest only) and June 1 (principal of \$142,500 to \$2,410,400 plus interest) through June 1, 2023	2.0% - 4.0%	\$ 20,097,000
\$1,061,750 2009 Advance Refunding Bonds issued for 2001 Community College Facility Serial Refunding Bonds with installments due on December 1 (interest only) and June 1 (principal of \$7,500 to 209,600 plus interest) through May 1, 2019	2.0% - 4.0%	1,028,000
\$13,855,000 2004 General Obligation Refunding Bonds with installments due on December 1 (interest only) and June 1 (principal of \$330,000 to \$1,300,000 plus interest) through June 1, 2017	3.0% - 3.75%	5,175,000
		<u>26,300,000</u>
Proprietary (Water and Sewer Districts) bonds:		
\$325,000 Neuse River Water and Sewer District bonds with installments due September 1 (interest only) and March 1 (principal of \$5,000 to \$20,000 plus interest) through March 2016	5.3% - 5.5%	65,000
\$600,000 Pembroke Water and Sewer District bonds with installments due November 1 (interest only) and May 1 (principal of \$30,000 plus interest) through May 2013	6.00%	30,000
		<u>95,000</u>

**Craven County, North Carolina**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations (Continued)**

The annual debt service requirements for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities		Business-type activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,660,000	\$ 894,906	\$ 50,000	\$ 5,375
2014	2,610,000	823,031	20,000	2,475
2015	2,570,000	740,138	20,000	1,375
2016	2,530,000	657,038	5,000	275
2017	2,560,000	585,425	-	-
2018 – 2022	12,010,000	-	-	-
2023 – 2025	1,360,000	-	-	-
<b>Total</b>	<b>\$ 26,300,000</b>	<b>\$ 3,700,538</b>	<b>\$ 95,000</b>	<b>\$ 9,500</b>

**Loans and installment notes payable:**

Purpose	Interest Rates	Amount
General government:		
Convention Center	4.72%	\$ 4,695,000
Qualified School Construction Bond	4.72%	1,838,550
New School/School Projects/Fiber Optic	4.5%-5.0%	19,050,000
Law Enforcement Center/Park/Tryon Palace	4.5%-5.0%	23,300,000
<b>Total General Government</b>		<b>48,883,550</b>
Enterprise:		
Water line expansion project- Northwest Craven Water and Sewer District	2.66% - Drinking Water Revolving Loan	1,041,485
<b>Total Enterprise</b>		<b>1,041,485</b>
<b>Total loans and installment notes payable</b>		<b>\$ 49,925,035</b>

The Convention Center project note issued in April, 1999 in the original amount of \$9,900,000 is payable in semi-annual installments consisting of principal payments ranging from \$250,000 to \$390,000 plus interest. The note is collateralized by the convention center land and building.

The Qualified School Construction Bond issued in October, 2010 in the original amount of \$2,163,000 is payable in semi-annual installments consisting of principal payments of \$108,150 plus interest.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 4. Long-Term Obligations (Continued)**

The New School/School Projects/Fiber Optic debt is a portion of the Certificates of Participation, Series 2007 issued in August, 2007 in the full original amount of \$57,635,000. Principal on this portion is due in annual installments of \$1,270,000. The Law Enforcement Center/Park/Tryon Palace debt is also a portion of the Certificates of Participation, Series 2007. Principal on this portion is due in annual installments ranging between \$1,550,000 and \$1,560,000. Interest with respect to the 2007 Certificates is payable on each June 1 and December 1 at rates ranging from 4.5%-5%.

The 2003 drinking water revolving loan, in the original amount of \$1,602,284, is for the purpose of providing water line extension in the Northwest Craven Water & Sewer District. The note is payable in annual installments of \$80,114 plus interest. The note is collateralized by the water lines.

The annual debt service requirements for installment notes payable are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 3,621,300	\$ 2,283,403	\$ 80,114	\$ 27,703
2014	3,651,300	2,123,911	80,114	25,572
2015	3,676,300	1,963,002	80,114	23,441
2016	3,711,300	1,805,551	80,114	21,310
2017	3,741,300	1,640,261	80,114	19,179
2018 – 2022	16,382,050	5,733,430	400,572	63,931
2023 – 2027	14,100,000	2,115,000	240,343	12,786
Total	<u>\$ 48,883,550</u>	<u>\$ 17,664,558</u>	<u>\$ 1,041,485</u>	<u>\$ 193,922</u>

**Craven County, North Carolina**

**Notes to Financial Statements**

**Note 4. Long-Term Obligations (Continued)**

**Changes in long-term liabilities:**

Changes in long-term obligations for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 28,990,000	-	\$ 2,690,000	\$ 26,300,000	\$ 2,660,000
Deferred premium on debt	2,588,215	-	185,273	2,402,942	-
Loans and installment notes	52,479,850	-	3,596,300	48,883,550	3,621,300
Capital lease	-	87,329	24,914	62,415	20,763
Law enforcement pension obligation	424,336	32,368	-	456,704	-
Other postemployment benefit obligation	1,439,860	719,043	162,588	1,996,315	-
Compensated absences	2,307,867	1,491,637	1,414,742	2,384,762	1,414,741
Governmental activity Long-term liabilities	<u>\$ 88,230,128</u>	<u>\$ 2,330,377</u>	<u>\$ 8,073,817</u>	<u>\$ 82,486,688</u>	<u>\$ 7,716,804</u>
Due within one year					\$ 7,716,804
Due in more than one year					74,769,884
Total Governmental Activities					<u>\$ 82,486,688</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 145,000	\$ -	50,000	\$ 95,000	\$ 50,000
Other postemployment benefit obligation	25,486	12,685	7,056	31,115	-
Compensated absences	40,127	27,269	25,901	41,495	25,901
Loans and installment notes	1,148,224	-	106,739	1,041,485	80,114
	<u>\$ 1,358,837</u>	<u>\$ 39,954</u>	<u>\$ 189,696</u>	<u>\$ 1,209,095</u>	<u>\$ 156,015</u>
Due within one year					\$ 156,015
Due in more than one year					1,053,080
Total Business-type Activities					<u>\$ 1,209,095</u>

Compensated absences have been liquidated in the general fund and water fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

Other postemployment benefit obligations have been liquidated in the general fund and water fund as incurred by employees employed within those respective funds.

Law enforcement pension obligations will be liquidated from the general fund on a pay-as-you go basis.

State statutes provide for a legal debt limit of 8 percent of the County's assessed value of taxable property. The County has utilized \$74,438,290 of its legal debt limitation of \$769,023,194, leaving a legal debt margin of \$694,584,904 at June 30, 2012.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 4. Long-Term Obligations (Continued)**

**Component Unit Information:**

**General obligation bonds and bond anticipation notes:**

The Airport Authority currently has the following general obligation bond outstanding:

During the Year Ending June 30,	Principal	Interest	Total
2013	\$ 175,000	\$ 6,750	\$ 181,750
2014	125,000	2,813	127,813
Total	<u>\$ 300,000</u>	<u>\$ 9,563</u>	<u>\$ 309,563</u>

The Airport issued Series 2009 Refunding General Obligation Bonds totaling \$800,000 for the 1998 Airport Terminal General Obligation Bonds with installments due on December 1 (interest only) and June 1 (principle of \$125,000 to \$180,000 plus interest) through June 1, 2014.

**Loans and installment notes payable:**

Enterprise:	<u>Stated Interest Rate</u>	<u>Amount</u>
Airport Terminal	4.09%	\$ 770,614
(Less) Unamortized charges		<u>(7,176)</u>
Net		<u>\$ 763,438</u>

The Airport Terminal note is payable in annual installments consisting of principal and interest at the interest rate terms described above. The note is collateralized by the airport terminal.

The annual debt service requirement for the component unit installment note payable is as follows:

During the Year Ending June 30,	Principal	Interest	Total
2013	\$ 389,146	\$ 27,527	\$ 416,673
2014	381,468	11,850	393,318
Total	<u>\$ 770,614</u>	<u>\$ 39,377</u>	<u>\$ 809,991</u>

Long-term liabilities for the Airport Authority also include \$22,812 of liabilities accrued for other postemployment benefits. See note 13 for more information regarding other postemployment benefits.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 4. Long-Term Obligations (Continued)**

The Health System had the following bonds payable at September 30, 2011:

Health Care Facilities Revenue Notes, Series 1993:

7.5% interest payable annually on November 1, maturing through 2013 \$ 2,187,031

The series 1993 revenue notes are limited obligations of the Health System and are collateralized solely from the net revenue of the Health System.

Annual debt service requirements, including mandatory sinking fund requirements, at September 30, 2011 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	\$ 676,968	164,028	\$ 840,996
2013	727,741	113,255	840,996
2014	<u>782,322</u>	<u>58,674</u>	<u>840,996</u>
	<u>\$ 2,187,031</u>	<u>\$ 335,957</u>	<u>\$ 2,522,988</u>

The Health System has installment notes payable totaling \$109,349 in connection with capital leases.

**Note 5. Interfund Assets/Liabilities and Transfers**

Amounts due from/to funds at June 30, 2012 were as follows (balances within fund types are eliminated):

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	<u>\$ 802,960</u>

The due to/from between the Debt Service Fund and General Fund represents the year-end accruals for certain sales taxes which will be received and transferred within the first 3 months of the year-ending June 30, 2013.

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers, and are reported as other financing sources (uses) in the Governmental Funds and nonoperating revenues (expenses) in the Proprietary Funds. Transfers within fund types have been eliminated.

## Craven County, North Carolina

### Notes to Financial Statements

#### Note 5. Interfund Assets/Liabilities and Transfers (Continued)

The following is a detailed schedule of government interfund transfers for the year ended June 30, 2012:

Transfers out:	Transfers In:						Total
	General Fund	County Reserve Fund	Non-Major Governmental Funds	Water Fund	Northwest Craven Water and Sewer District	Aggregate Non-Major Funds	
General Fund	\$ -	\$ 201,729	\$ 4,339,049	\$ 18,000	\$ -	\$ -	\$ 4,558,778
Non-Major Governmental Funds	796,310	658	52,149	-	-	-	849,117
County Reserve Fund	744,550	-	238,394	-	-	-	982,944
Water Fund	123,000	-	-	-	29,480	761	153,241
Internal Service Fund	57,404	-	-	-	-	-	57,404
<b>Total Transfers out</b>	<b>\$ 1,721,264</b>	<b>\$ 202,387</b>	<b>\$ 4,629,592</b>	<b>\$ 18,000</b>	<b>\$ 29,480</b>	<b>\$ 761</b>	<b>\$ 6,601,484</b>

Transfers consist primarily of the following:

\$3,933,718 From General Fund to Non-Major Governmental Funds primarily for future debt retirement of school bonds.

#### Note 6. Deferred Compensation Plan

The County offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457. One plan is administered by the National Association of Counties (NACO), with Nationwide acting as its agent in fulfilling certain of the administrative and marketing requirements. The plan, available to all permanent County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The second plan, administered by the American General Financial Group – VALIC, is available to all permanent County employees who wish to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In January 1997, the County amended the plans in accordance with the provisions of IRC Section 457(g). On that date, assets of the plans were placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of that IRC Section prescribes that the County no longer owns the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, were removed from the County's financial statements in a prior year.

#### Note 7. Joint Ventures

The County participates in a joint venture with the City of New Bern to operate the New Bern/Craven County Library. The County appoints five board members of the ten-member board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2012. During the year ended June 30, 2012, the County appropriated \$1,218,323 to the library. In addition to the New Bern/Craven County Library, the County appoints board members to the three other Craven County municipal library boards. Total funding for these libraries was \$240,809. Complete financial statements for the New Bern/Craven County Library can be obtained from the Library's administrative offices at 400 Johnson Street, New Bern, NC 28560.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 7. Joint Ventures (Continued)

The County, in conjunction with Carteret County and Pamlico County, participates in the Coastal Regional Solid Waste Management Authority. Craven County appoints three members of the seven-member board. The Waste Management Authority is a joint venture established to provide solid waste management within these counties. The County has an ongoing financial responsibility for the Waste Management Authority because it and the other counties are legally obligated under the intergovernmental agreement that created the Waste Management Authority to honor any deficiencies in the event that proceeds from other sources are insufficient. The County did not contribute any funds to the Waste Management Authority during the fiscal year ended June 30, 2012. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, NC.

The County, in conjunction with Jones, Pamlico, Bertie, Gates, Hertford, Northampton, Pitt, Beaufort, Camden, Chowan, Currituck, Dare, Hyde, Martin, Pasquotank, Perquimans, Tyrrell and Washington Counties, participates in a joint venture to operate East Carolina Behavioral Health ("ECBH"). Each of the nineteen counties appoints one commissioner as a member of the Board of Directors which consists of 24 members. The County Commissioner members jointly appoint five non-Commissioner Board members. The County has an ongoing financial responsibility for the joint venture because ECBH's continued existence depends on the participating governments' funding in conjunction with funding from the State of North Carolina. None of the participating governments have any equity interest in ECBH, so no equity interest has been reflected in the financial statements at June 30, 2012. The County appropriated \$279,027 to the Center during the fiscal year ended June 30, 2012, which included money received from the ABC Board designated for alcohol education. Complete financial statements for ECBH can be obtained from ECBH's administrative offices at 405 Middle Street, New Bern, NC 28560.

The County, in conjunction with the State of North Carolina and the Craven County Board of Education, participates in a joint venture to operate Craven Community College. The County appoints five members of the eleven-member board of trustees of the Community College. The college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$1,028,000 is still outstanding. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$3,455,130 and \$210,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2012. In addition, the County made debt service principal payments of \$15,750 during the fiscal year ended June 30, 2012. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements at June 30, 2012. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 800 College Court, New Bern, NC 28562.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### **Note 8. Jointly Governed Organizations**

The County, in conjunction with nine other counties and 26 municipalities, established the Eastern Carolina Council ("Council") formerly known as Neuse River Council of Governments. 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 County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina'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, 2012.

The County, in conjunction with 12 other counties, governs the North Carolina Eastern Region Development Commission. Its purpose is to allow participating counties, including Craven County, which have the potential to derive direct economic benefits from the North Carolina Eastern Region, to create a special economic development district, known as the North Carolina Eastern Region Development Zone. The Commission's primary responsibility is to promote economic development within the territorial jurisdiction of the Zone by fostering development projects to provide land, buildings, facilities, programs, information and data systems, and infrastructure requirements for business and industry in the North Carolina Eastern Region Development Zone. The Commission is governed by 42 voting members, consisting of three members from Craven County and each of the 12 other participating counties, and three members appointed by the Global TransPark Authority. The voting members from each of the counties are appointed by the Board of County Commissioners of the respective counties. The Commission is responsible for a nonexpendable trust fund consisting of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. The motor vehicle tax was adopted by the legislature and the participating counties and was collected for a period of five years. The principal balance of the trust funds are nonexpendable and will revolve as loans are made and repaid to the Commission. At June 30, 2012, the portion of the trust available to be loaned exclusively to Craven County was \$2,029,594.

#### **Note 9. Related Organization**

The County's governing board is also responsible for appointing the members of the board of the Industrial Facilities and Pollution Control Authority, but the County's accountability for this organization does not extend beyond making these appointments. The Authority exists to issue and service revenue bond debt for private business for economic development purposes. Craven County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 10. Additional Social Welfare Expenditures**

The benefit payments listed below were issued directly from the State to recipients of the County on its behalf. These amounts represent additional federal and State financial assistance to the residents of the County, but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

Medicaid	\$ 105,734,039
Temporary Assistance to Needy Families	598,398
Special Assistance	679,517
WIC	2,595,246
Other programs	841,724
	<u>\$ 110,448,924</u>

**Note 11. Risk Management**

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

The County's Internal Service Fund was established to account for a limited risk, self-insurance program to provide health benefits to County employees. Premiums are paid into the Internal Service Fund by all other funds (including amounts withheld from employees) and are available to pay claims and administrative costs of the program. The interfund premiums are based upon actuarial estimates of the amounts needed to pay prior and current year claims. An excess coverage insurance policy provides for individual claims in excess of \$125,000. A total of \$3,394,135 in claims was incurred for benefits during fiscal year 2012. Payments received from the insurer for claims over the limit of \$69,802 and \$15,136 during fiscal 2012 and fiscal 2011, have been netted against the claims shown below. A receivable of \$2,872 and \$542 at June 30, 2012 and 2011, respectively were recorded to account for additional claims paid during the year for which reimbursement from the insurer had not yet been received. Changes in the fund's claims liability amounts (net refunds due) for the past two fiscal years were as follows:

	Net Liability at Fiscal Year Beginning	Current Claims and Changes in Estimates	Claim Payments	Net Liability at Fiscal Year End
2011-2012	\$ 200,346	\$ 3,394,135	\$ 3,359,406	\$ 235,075
2010-2011	\$ 199,697	\$ 3,309,707	\$ 3,309,058	\$ 200,346

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 11. Risk Management (Continued)**

During 2003, the County entered into a limited risk, self-funded workers' compensation claim program with administrative services provided by a third-party administrator. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon estimates of amounts needed to pay prior and current year claims. An excess coverage insurance policy provides for individual claims in excess of \$450,000. A total of \$167,891 in claims was incurred for benefits during fiscal year 2012. Changes in the fund's claims liability amounts for the past two fiscal years were as follows:

	Net Liability at Fiscal Year Beginning	Current Claims and Changes in Estimates	Claim Payments	Net Liability at Fiscal Year End
2011-2012	\$ 144,782	\$ 167,891	\$ 264,187	\$ 48,486
2010-2011	\$ 21,334	\$ 226,101	\$ 102,653	\$ 144,782

The County participates in one risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a blanket limit of \$88 million; general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, and crime coverage of \$250,000 per occurrence. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped and portions of which are designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. The County has purchased the NFIP coverage for three buildings, the Convention Center, the Administration Building, and the Water Maintenance Facility. These three buildings are in an "A" flood zone, the 100 year flood area. The County is also eligible to and has purchased commercial flood insurance for another \$4,500,000 of coverage for the Convention Center.

All County employees are covered under a \$250,000 blanket insurance policy for theft and crime. The Director of Finance is covered by a \$250,000 individual bond. The Tax Collector, Register of Deeds and Sheriff are each individually bonded for \$100,000, \$50,000 and \$10,000, respectively.

Craven County ABC Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any part of the past three years.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 11. Risk Management (Continued)**

The Craven County Regional Airport Authority has property, general liability, and workers' compensation coverage. Employee health coverage is provided through the County's self-insurance program described above. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Effective January 1, 2001, the CarolinaEast Health System established a limited risk, self-insurance program to provide health benefits to the Health System's employees. The Health System is billed on a monthly basis for claims by Blue Cross Blue Shield, the plan administrator. The Health System carries stop-loss insurance through Blue Cross Blue Shield which has stop loss for individual claims in excess of \$200,000. The claims liability reported at year-end is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the balance sheet date and the amount can be reasonably estimated.

Changes in the Health System's claims liability amount for retained risk for the fiscal years 2011 and 2010 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010-2011	\$ 1,000,000	\$ 15,384,063	\$ 15,384,063	\$ 1,000,000
2009-2010	1,000,000	13,168,993	13,168,993	1,000,000

Total claims expense is partially offset by employee contributions.

The Health System formerly had professional liability and/or workers' compensation insurance coverage with three insurance companies that are now in liquidation:

- PHICO Insurance Company ("PHICO"): Went into liquidation on February 1, 2002. Provided professional liability and workers' compensation coverage for Health System.
- Reliance Insurance Company ("Reliance"): Went into liquidation on October 31, 2001. Provided workers' compensation coverage for Health System.
- The Virginia Insurance Reciprocal ("ROA"): Went into liquidation on June 20, 2003. Provided workers' compensation coverage for Health System.

Following liquidation of each of these companies, responsibility for further defense and/or payments relating to cases and claims formerly insured by the companies was assumed by the North Carolina Insurance Guaranty Association ("Guaranty Fund" or "Fund"). The Fund handled the cases and claims and paid all costs and expenses relating thereto with limited input from the Health System.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 11. Risk Management (Continued)

The Fund notified the Health System that it was requesting reimbursement for both indemnity payments and defense expenses relating to cases and claims pertaining to all three former insurers pursuant to N.C.G.S. §58-48-50 (a1)(1). Such reimbursement claim was based on the Health System's having a net worth that exceeded \$50,000,000 on December 31 of the year in which each of the former insurers became insolvent.

The Health System notified the Guaranty Fund that it disputed the Guaranty Fund's legal position with regard to the Fund's right to reimbursement for all indemnity payments and defense expenses, including attorneys' fees, paid by the Fund in the subject cases and claims. Discussions continued between the Fund and Health System concerning this matter until the Fund initiated formal litigation by filing a declaratory judgment action on March 4, 2004.

Prior to the dispute between the Fund and the Health System, the Health System had established certain reserves to provide for payment of professional liability cases where the settlement or judgment would potentially exceed the statutory \$300,000 indemnity payment limit provided by the Fund. The amount of the reserve relating to each pending case was based upon assessment of the Health System's potential financial exposure for settlements or judgments that exceeded the indemnity provided by the Fund. The Health System reassessed the nature and extent of its reserves once the Health System became aware of the Fund's claim for reimbursement and in anticipation of the Health System having to eventually reimburse the Fund for all indemnity payments and all or part of defense expenses relating to cases and claims.

On September 29, 2004, the Fund and Health System agreed upon a resolution of the declaratory judgment action and entered into a formal Settlement Agreement and Release of All Claims.

As part of the settlement, the Health System paid the Fund \$21,918 during the fiscal year 2011.

The Health System continues to maintain reserves to cover reimbursement obligations relating to those cases and claims that remain pending. These include several professional liability matters that may involve substantial exposure for both indemnity and defense expenses as well as multiple workers' compensation matters involving continued periodic benefits payments or that are the subject of pending judicial appeals. The nature and extent of these reserves are periodically reviewed for adequacy and reasonableness by management.

Professional Liability: The Health System spent \$976,071 for General, Professional, and Umbrella coverage in fiscal year 2011. These premiums represent a transfer of risk and are not determined retrospectively. The Health System also insures certain employed physicians and CRNA's under similar policies. These policies are occurrence basis policies, meaning claims are covered based on the date occurred versus when the claim was made.

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

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 12. Retirement Systems**

**North Carolina Local Governmental Employees' Retirement System:**

*Plan Description.* Craven County, the Airport Authority and the ABC Board contribute 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 Health System to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute 6% of their annual covered salary. The County, the Airport Authority and the ABC Board are required to contribute at an actuarially determined rate. The current rates for employees not engaged in law enforcement and for law enforcement officers as a percent of annual covered payroll are as follows:

	Not Engaged In Law Enforcement	Engaged In Law Enforcement
Craven County	6.98%	7.04%
Airport Authority	9.19%	
ABC Board	7.06%	

The contribution requirements of members and of Craven County, the Airport Authority and the ABC Board are established and may be amended by the North Carolina General Assembly. Contributions to LGERS for these entities for the years ended June 30, 2012, 2011, and 2010 were as follows:

	2012	2011	2010
Craven County	\$ 1,697,639	\$ 1,573,947	\$ 1,191,439
Airport Authority	26,595	25,234	20,437
ABC Board	33,690	31,452	23,852

The contribution made by the County, The Airport Authority and the ABC Board equaled the required contributions for each year.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 12. Retirement Systems (Continued)

##### North Carolina Local Governmental Employees' Retirement System:

##### Law Enforcement Officers Special Separation Allowance:

*Plan Description.* Craven County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the Health System to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers of the County are covered by the Separation Allowance.

At December 31, 2011 the System's membership consisted of:

Retirees receiving benefits	7
Active plan members	73
Total	<u>80</u>

The Separation Allowance does not issue a stand-alone financial report.

##### *Summary of Significant Accounting Policies:*

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund.

*Contributions.* The County 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 County'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.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 12. Retirement Systems (Continued)**

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method, the level percent of pay closed amortization method over a remaining amortization period of 19 years, and market value asset valuation method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases or cost of living adjustments.

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

Annual Required Contribution	\$ 120,685
Interest on Net Pension Obligation	21,217
Adjustment to Annual Required Contribution	<u>(25,314)</u>
Annual Pension Cost	116,588
Employer Contributions made for fiscal year ending June 30, 2012	<u>84,220</u>
Increase in Net Pension Obligation	32,368
Net Pension Obligation, beginning of fiscal year	424,336
Net Pension Obligation, end of fiscal year	<u><u>\$ 456,704</u></u>

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	104,546	88.32%	398,499
6/30/2011	116,981	77.91%	424,336
6/30/2012	116,588	72.24%	456,704

*Funded Status and Funding Progress.* As of December 31 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,103,347, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,103,347. The covered payroll (annual payroll of active employees covered by the plan) was \$2,869,269, and the ratio of the UAAL to the covered payroll was 38.45 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 12. Retirement Systems (Continued)

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

*Plan Description.* The County 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 County. Article 5 of G.S. Chapter 135 assigns the Health System 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 County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$212,789 which consisted of \$142,829 (required and actual) from the County and \$69,960 from the law enforcement officers.

##### **Supplemental Retirement Income Plan for Non-Law Enforcement Officers:**

*Plan Description.* The County 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. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. All non-law enforcement employees employed by the County participate in the Plan after a six-month probationary period with the County. The County has no requirement or obligation under State statutes to contribute to this Plan.

*Funding Policy.* The County contributes each month an amount equal to two percent of each covered non-law enforcement employee's compensation and also contributes up to an additional two percent match of employees contributions dollar for dollar, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$1,437,747, \$32,677, and \$22,777 which consisted of \$763,001, \$18,703, and \$11,540 from the governmental activities, business activities, and Airport Authority respectively and \$674,746, \$13,974, and \$11,237 from the non-law enforcement employees for the governmental activities, business activities, and Airport Authority.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 12. Retirement Systems (Continued)

##### Registers of Deeds' Supplemental Pension Fund:

*Plan Description.* Craven County also contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. 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.* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$10,038.

##### Health System Plans:

CarolinaEast Health System sponsors and has a fiduciary responsibility for CarolinaEast Medical Center Money Purchase Pension Plan (primary retirement plan), a noncontributory defined contribution plan covering all employees of CarolinaEast Health System who meet the eligibility requirements. An employee is eligible to participate in the plan following four consecutive full-time years of service with the Health System. Full-time employees are those that customarily work at least 36 hours per week. Employer contributions are based on a fixed percentage of base earnings for each employee. The benefit to the employee under the plan is the Health System's contribution plus investment earnings. Employees are fully invested after ten years of continuous employment.

The Health System's contributions to the primary retirement plan were calculated using a covered payroll amount of \$45,856,249 for the year ended September 30, 2011. Total contributions were \$4,585,625 for the year ended September 30, 2011, which represents 10 percent of covered payroll.

The primary retirement plan issues a separate, stand-alone financial report which can be obtained by contacting the V.P. of Finance, 2000 Neuse Boulevard, New Bern, N.C. 28562. The Plan was created by act of the Trustees of CarolinaEast Medical Center, who have the ability to amend or terminate the Plan.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### **Note 12. Retirement Systems (Continued)**

The Health System also maintains supplementary retirement plans under IRS Code Sections 403(b) and 457(b) which are administered by the Lincoln National Life Insurance Company and the Variable Annuity Life Insurance Company (VALIC). The 403(b) plan is a contributory plan with the Health System matching contributions, eligible employees must contribute a minimum of 3 percent of their eligible salary, and have completed 1 year of continuous service. Contributions by eligible employees are matched by the Health System at a rate of 2% of the employee's eligible salary. Employees contributing a portion of the eligible salary to the 457(b) plan do not receive a matching employer contribution. All employees are eligible to participate in both plans at the date of hiring. The employee contributions are made on a tax-deferred basis. The benefit to the employee under each plan is the amount contributed plus investment earnings. Employees are fully vested after one year of continuous employment.

The Health System's 403(b) contributions were calculated using a covered payroll amount of \$48,185,360 for the year ended September 30, 2011. The Health System's contributions were \$963,707 or 2 percent of covered payroll for the year ended September 30, 2011. Employee contributions to the plan totaled \$4,981,984 or 10.34% of covered payroll for the year ended September 30, 2011. Employee contributions to the 457(b) plan totaled \$864,255 for the years ended September 30, 2011. These plans are not included in the Health System's reporting entity and do not issue separate, stand alone financial reports.

#### **Note 13. Death Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employee' Retirement System (Death Benefit Plan), a multiple-employer, State administrated, 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 System, or who die within 180 days after retirement or termination of service and have at least one-year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the death benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County 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 county, the County does not determine the number of eligible participants.

For the fiscal year ended June 30, 2012, the County made contributions to the State for death benefits of \$25,436. The County's required contributions for employees not engaged in law enforcement and law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

The County provides \$10,000 of group-term life insurance to all eligible employees.

Notes to Financial Statements

---

**Note 14. Other Postemployment Benefits**

Healthcare Benefits

*Plan Description.* The County provides certain post-employment health care and other benefits (“OPEB Plan”) as a part of its total compensation package offered to attract and retain the services of qualified employees. These benefits are available to retirees who participate in LGERS (Local Government Employees’ Retirement System) and who, at the time of their retirement, had at least 15 years of continuous creditable service with the County. The County provides coverage for these benefits through the County’s partially self-funded health insurance plan. Employees who retire with 15 to 19 years of service with the LGERS and County may continue their coverage upon retirement at their cost. The County contributes a portion of the cost for all retirees who have at least 20 years of service with the LGERS, 15 of which is with the County. The amount contributed by the County increases with each year of service from 20 years to 30 years. A separate report was not issued for the plan.

Membership of the OPEB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General	Law
	Employees(*)	Enforcement
Retirees and dependents receiving benefits	30	7
Active plan members	596	73
Total	626	80

\*The General employees group above includes active plan members for governmental activities, business-type activities, and the Airport Authority totaling 648, 13 and 8, respectively. The breakdown of retirees and dependents receiving benefits in the government and business-type activities is 35 and 2, respectively. There are currently no active retirees for the Airport Authority.

*Funding Policy.* The County pays a portion of the cost of coverage for the healthcare benefits paid to qualified retirees, based on length of service, under a County resolution that can be amended by the Governing Board of Commissioners. The County’s members may elect dependent coverage as well, but at the expense of the retiree. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 2.83% of annual covered payroll. For the current year, the County contributed \$170,080 or 0.7% of annual covered payroll. The County has established an Internal Service Fund to account for a limited risk, self insurance program to provide health benefits to County employees. See Note 11. The County’s obligation to contribute to OPEB Plan is established and may be amended by the Board of Commissioners.

**Craven County, North Carolina**

**Notes to Financial Statements**

**Note 14. Other Postemployment Benefits (Continued)**

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the Internal Service Fund, which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

Annual required contribution (1)	\$ 729,338
Interest on net OPEB obligation	59,314
Adjustment to annual required contribution	<u>(51,172)</u>
Annual OPEB cost (expense)	737,480
Contributions made (1)	<u>(170,080)</u>
Increase (decrease) in net OPEB obligation	567,400
Net OPEB obligation, beginning of year	<u>1,482,842</u>
Net OPEB obligation, end of year (1)	<u><u>\$ 2,050,242</u></u>

(1) The net OPEB obligation at June 30, 2012 consists of liabilities of \$1,996,315, \$31,115 and \$22,812 recorded in governmental activities, business type activities and the Airport Authority, respectively. This was computed by allocating the total annual required contribution by number of active and retired plan members for each function, less contributions made during the year for each. The annual required contribution was allocated as \$683,740, \$12,056 and \$5,458 to governmental activities, business-type activities and Airport Authority, respectively. Contributions in the current period were \$163,024 and \$7,056 related to governmental and business-type activities, respectively.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 737,480	23.1%	\$ 2,050,242
2011	\$ 708,138	23.4%	\$ 1,482,842
2010	\$ 630,520	24.4%	\$ 940,174

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$7,442,212. The covered payroll (annual payroll of active employees covered by the plan) was \$24,818,993, and the ratio of the UAAL to the covered payroll was 30.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 14. Other Postemployment Benefits (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

#### Health System Plans:

*Plan Description.* CarolinaEast Health Center sponsors and has fiduciary responsibility for CarolinaEast Medical Center Employee Benefit Trust, a single-employer, defined benefit OPEB plan established and governed by the Health System's governing board. A trust was established April 1, 2007 for this plan and has a plan year of January 1 to December 31. As such, the Plan's first fiscal year end was December 31, 2007. The Health System provides other postemployment benefits (OPEB) comprised of health care and group life insurance benefits to retirees of CarolinaEast Medical Center who have at least 20 years of continuous full-time service, have attained the age of 55 and were employed prior to July 1, 1995. The Health System pays the full cost of coverage for these benefits until age 65. Also, retirees can purchase coverage for their spouse at the Authority's group rates. The Health System elected to discontinue the post-retirement benefit to individuals employed on or after July 1, 1995. The plan issues a stand-alone financial report. That report can be obtained by contacting the V.P. of Finance, 2000 Neuse Boulevard, New Bern, N.C. 28562.

As of the actuarial valuation report dated January 1, 2011 the Health System's membership consisted of:

Retirees receiving benefits	49
Active plan members	244
Total	<u>293</u>

*Funding Policy.* Prior to April 1, 2007, the Health System funded these obligations on a pay-as-you-go basis. During 2007, the Authority funded the actuarially determined net OPEB obligation which was accrued at September 30, 2006 and made some interim pay-as-you-go benefit payments until the trust was funded and thereafter the annual required contributions determined in actuarial valuations.

Notes to Financial Statements

---

**Note 14. Other Postemployment Benefits (Continued)**

*Annual OPEB Cost and Net OPEB Obligation.* The Health System's OPEB cost (expense) for the fiscal year ended September 30, 2011 was calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Prior to 2009, the Health System used one year in their determination; however, due to significant losses in plan assets during the plan year ended December 31, 2008, the Health System revised the amortization period to five years. The most recent actuarial valuation is dated January 1, 2011.

The Health System's annual OPEB cost components, the percentage of annual OPEB cost contributed to the trust, and its net OPEB obligation for the year ended September 30, 2011, 2010 and 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2009	\$472,669	100.00%	\$0
09/30/2010	\$514,055	100.00%	\$0
09/30/2011	\$497,939	95.00%	\$0

*Summary of Significant Accounting Policies.* The plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Funded Status and Funding Progress.* The plan was initially funded on April 1, 2007, the date the trust was established.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown below, presents multiyear trend information about whether actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 14. Other Postemployment Benefits (Continued)**

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Total Unfunded Actuarial Accrued Liabilities	Actuarial Value of Assets as Percentage of Actuarial Accrued Liabilities
04/01/2007	\$4,134,467	\$4,803,647	\$669,180	86%
04/01/2009	\$4,662,084	\$4,994,563	\$332,479	93%
01/01/2010	\$3,704,730	\$5,348,769	\$1,644,039	69%
01/01/2011	\$4,289,091	\$5,607,624	\$1,318,533	76%

Methods and assumptions as of the latest actuarial valuations follow.

Valuation date	January 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	4 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Health care cost trend rates	10.0% down to 5.0%
Includes inflation at	3.0%
Cost-of-living adjustments	None

**Note 15. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The County and Health System are defendants in various lawsuits. Management of the County and Health System and their respective legal counsels feel that these claims can be successfully defended and intend to resist the allegations of these matters in every way and do not plan to seek out-of-court settlements. In the event that judgments adverse to the interest of the County and the Health System should be rendered, management and its legal counsel feel any liability will be covered by existing insurance policies.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 16. Commitments

During the fiscal year ended June 30, 2010, the County entered into a 10-year lease agreement for a waste convenience center. At June 30, 2012, future minimum lease payments under this operating lease are as follows:

Year Ending June 30,	
2013	\$ 11,400
2014	11,400
2015	11,400
2016	11,400
2017	11,400
2018 - 2019	22,800
	<u>\$ 79,800</u>

#### Note 17. Subsequent Events

On September 4, 2012, the County received a payment of \$856,000 from the ABC Board due to their excess working capital on hand at June 30, 2012. Over half of this was the result of the change in the law regarding balances held for working capital by ABC Boards.

#### Note 18. Pronouncements Issued Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2012 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the County,

GASB Statement Number 60, "Service Concession Arrangements" will be effective for the County beginning with its year ending June 30, 2013.

GASB Statement Number 61, "The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34" will be effective for the County beginning with its year ending June 30, 2013.

GASB Statement Number 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" will be effective for the County beginning with its year ending June 30, 2013.

GASB Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" will be effective for the County beginning with its year ending June 30, 2013.

GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities" will be effective for the County beginning with its year ending June 30, 2014.

**Craven County, North Carolina**

**Notes to Financial Statements**

---

**Note 18. Pronouncements Issued Not Yet Implemented (Continued)**

GASB Statement Number 66, "Technical Corrections – 2012 – An Amendment of GASB Statement No. 10 and No. 62" will be effective for the County beginning with its year ending June 30, 2014.

GASB Statement Number 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" will be effective for the County beginning with its year ending June 30, 2014.

GASB Statement Number 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" will be effective for the County beginning with its year ending June 30, 2015.

## **REQUIRED SUPPLEMENTARY INFORMATION**

- Schedule of Funding Progress for Law Enforcement Officers Special Separation Allowance
- Schedule of Employer Contributions for Law Enforcement Officers Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

Craven County



**CRAVEN COUNTY, NORTH CAROLINA  
Required Supplementary Information (Unaudited)**

**SCHEDULE OF FUNDING PROGRESS FOR LAW  
ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
For the Fiscal Year Ended June 30, 2012**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll for Year Ending on Valuation Date (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2006	-	699,460	699,460	-	2,293,461	30.50%
12/31/2007	-	781,597	781,597	-	2,434,754	32.10%
12/31/2008	-	924,441	924,441	-	2,793,133	33.10%
12/31/2009	-	1,133,303	1,133,303	-	2,791,570	40.60%
12/31/2010	-	1,101,074	1,101,074	-	2,773,751	39.70%
12/31/2011	-	1,103,347	1,103,347	-	2,869,269	38.45%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR LAW  
ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
For the Fiscal Year Ended June 30, 2012**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2007	78,085	69.4%
2008	79,477	64.8%
2009	85,509	92.7%
2010	100,874	91.5%
2011	118,390	77.0%
2012	120,685	69.8%

Notes to the Required Schedules:

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

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25-7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	None

**Craven County  
Other Postemployment Benefits  
Required Supplementary Information (Unaudited)  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2007	\$ -	\$ 6,561,695	\$ 6,561,695	0.0%	\$ 22,494,883	29.2%
12/31/2009	\$ -	\$ 7,548,893	\$ 7,548,893	0.0%	\$ 23,558,343	32.0%
12/31/2011	\$ -	\$ 7,442,212	\$ 7,442,212	0.0%	\$ 24,818,993	30.0%

**Craven County  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 627,976	24.4%
2011	\$ 702,976	23.5%
2012	\$ 729,338	23.3%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined by assumption from an actuarial valuation as follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of pay, open
Remaining amortization period	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	9.50% - 5.00%
Year of Ultimate trend rate	2018

## **OTHER SUPPLEMENTARY INFORMATION**

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

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Other Detailed Fund Information

Craven County



**CRAVEN COUNTY, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
June 30, 2012**

Fiscal Year Ended June 30,	Uncollected Balance June 30, 2011	Additions	Collections Credits and Adjustments	Uncollected Balance June 30, 2012
2012	\$ 947,802	\$ 45,495,504	\$ 44,547,702	\$ 947,802
2011	953,766	-	702,043	251,723
2010	346,157	-	187,239	158,918
2009	179,737	-	26,840	152,897
2008	151,822	-	15,705	136,117
2007	114,968	-	7,613	107,355
2006	96,486	-	5,758	90,728
2005	78,152	-	3,166	74,986
2004	91,135	-	4,298	86,837
2003	89,051	-	5,286	83,765
2002	80,998	-	80,998	0
	<u>\$ 2,182,272</u>	<u>\$ 45,495,504</u>	<u>\$ 45,586,648</u>	<u>\$ 2,091,128</u>

Less allowance for uncollectible  
ad valorem taxes receivable

700,000

\$ 1,391,128

Reconciliation with revenues:

Ad valorem taxes- General Fund

\$ 45,452,939

Less: Collection of taxes older than ten years

11,317

Plus: Abatements and adjustments of prior  
year taxes

145,026

Total collections and credits

\$ 45,586,648

**CRAVEN COUNTY, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
For the Fiscal Year Ended June 30, 2012**

	County-wide			Total Levy	
				Property excluding Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
ORIGINAL LEVY:					
Property taxed at current year's rate	\$9,379,187,768	\$0.4728	\$44,343,515	\$41,824,364	\$2,519,151
Motor vehicles taxed at prior year's rate	275,240,759	0.4728	1,301,544	-	1,301,544
Penalties	-		55,225	55,225	-
	<u>\$9,654,428,527</u>		<u>\$45,700,284</u>	<u>\$41,879,589</u>	<u>\$3,820,695</u>
DISCOVERIES	64,278,905		320,673	320,673	-
	<u>\$9,718,707,432</u>		<u>\$46,020,957</u>	<u>\$42,200,262</u>	<u>\$3,820,695</u>
ABATEMENTS	(105,917,511)		(525,453)	(149,184)	(376,269)
Total property valuation	<u><u>\$9,612,789,921</u></u>				
Net Levy			\$45,495,504	\$42,051,078	\$3,444,426
Uncollected taxes at June 30, 2012			947,802	597,063	350,739
Current year's taxes collected			<u>\$44,547,702</u>	<u>\$41,454,015</u>	<u>\$3,093,687</u>
Current levy collection percentage			<u>97.92%</u>	<u>98.58%</u>	<u>89.82%</u>

CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,125,588	\$ 545,307	\$ -	\$ 1,670,895
Taxes receivable	38,069	-	-	38,069
Accounts receivable	326,341	-	-	326,341
Due from other fund	-	-	802,960	802,960
Restricted short-term investments	-	573,110	-	573,110
Total assets	<u>\$ 1,489,998</u>	<u>\$ 1,118,417</u>	<u>\$ 802,960</u>	<u>\$ 3,411,375</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 197,060	\$ 30,193	\$ 57,700	\$ 284,953
Deferred revenue	38,070	-	-	38,070
Total liabilities	<u>235,130</u>	<u>30,193</u>	<u>57,700</u>	<u>323,023</u>
Fund balances:				
Restricted				
Stabilization by state statue	326,340	-	-	326,340
Public safety	1,014,500	545,307	-	1,559,807
Economic and physical development	111,018	-	-	111,018
Education, schools	-	573,110	745,260	1,318,370
Committed				
Capital projects	-	(30,193)	-	(30,193)
Unassigned	(196,990)	-	-	(196,990)
Total fund balances	<u>1,254,868</u>	<u>1,088,224</u>	<u>745,260</u>	<u>3,088,352</u>
Total liabilities and fund balances	<u>\$ 1,489,998</u>	<u>\$ 1,118,417</u>	<u>\$ 802,960</u>	<u>\$ 3,411,375</u>

Craven County



**COMBINING SCHEDULES OF NONMAJOR FUNDS**

**CRAVEN COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2012**

	Fire District Funds	Emergency Telephone System	Occupancy Tax Fund	CDBG FY 10 Contingency Infrastructure	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 199,957	\$ 814,613	\$ 111,018	\$ -	\$ 1,125,588
Taxes receivable	38,069	-	-	-	38,069
Accounts receivable	119,338	25,709	-	181,294	326,341
Total assets	<u>\$ 357,364</u>	<u>\$ 840,322</u>	<u>\$ 111,018</u>	<u>\$ 181,294</u>	<u>\$ 1,489,998</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,504	\$ 70	\$ -	\$ 193,486	\$ 197,060
Deferred revenue	38,070	-	-	-	38,070
Total liabilities	<u>41,574</u>	<u>70</u>	<u>-</u>	<u>193,486</u>	<u>235,130</u>
Fund balances:					
Restricted					
Stabilization by state statute	119,337	25,709	-	181,294	326,340
Public safety	199,957	814,543	-	-	1,014,500
Economic and physical development	-	-	111,018	-	111,018
Unassigned	(3,504)	-	-	(193,486)	(196,990)
Total fund balances	<u>315,790</u>	<u>840,252</u>	<u>111,018</u>	<u>(12,192)</u>	<u>1,254,868</u>
Total liabilities and fund balances	<u>\$ 357,364</u>	<u>\$ 840,322</u>	<u>\$ 111,018</u>	<u>\$ 181,294</u>	<u>\$ 1,489,998</u>

**CRAVEN COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
June 30, 2012**

	Latham-Whitehurst Nature Park Project Fund	Qualified School Construction Bond	EOC 911 Renovation Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 545,307	\$ 545,307
Restricted short-term investments	-	573,110	-	573,110
Total assets	\$ -	\$ 573,110	545,307	\$ 1,118,417
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 30,193	\$ -	-	\$ 30,193
Total liabilities	30,193	-	-	30,193
Fund Balances:				
Restricted				
Education, schools	-	573,110	-	573,110
Public safety	-	-	545,307	545,307
Committed	(30,193)	-	-	(30,193)
	(30,193)	573,110	545,307	1,088,224
Total liabilities and fund balances	\$ -	\$ 573,110	545,307	\$ 1,118,417

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the fiscal year ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,288,959	\$ -	\$ -	\$ 3,288,959
Intergovernmental	1,139,287	-	1,129,230	2,268,517
Interest	5,220	1,303	6,551	13,074
Total revenues	4,433,466	1,303	1,135,781	5,570,550
<b>EXPENDITURES</b>				
Current:				
Public safety	2,828,987	86,181	-	2,915,168
Economic and physical development	940,005	-	-	940,005
Culture and recreation	-	30,193	-	30,193
Education	-	1,505,663	-	1,505,663
Debt service:				
Principal	-	-	4,160,550	4,160,550
Interest	-	-	1,954,451	1,954,451
Total expenditures	3,768,992	1,622,037	6,115,001	11,506,030
Excess of revenues over (under) expenditures	664,474	(1,620,734)	(4,979,220)	(5,935,480)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	64,386	631,488	3,933,718	4,629,592
Transfers out	(848,459)	(658)	-	(849,117)
Total other financing sources (uses)	(784,073)	630,830	3,933,718	3,780,475
Net change in fund balances	(119,599)	(989,904)	(1,045,502)	(2,155,005)
<b>FUND BALANCES:</b>				
Beginning	1,374,467	2,078,128	1,790,762	5,243,357
Ending	\$ 1,254,868	\$ 1,088,224	\$ 745,260	\$ 3,088,352

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Fiscal Year Ended June 30, 2012

	Fire District Funds	Emergency Telephone System	Occupancy Tax Fund	CDBG FY09 Scattered Sites	CDBG FY 08 James City	CDBG FY 10 Contingency Infrastructure	Totals
<b>REVENUES</b>							
Taxes	\$ 2,284,968	\$ -	\$ 1,003,991	\$ -	\$ -	\$ -	\$ 3,288,959
Intergovernmental	-	308,502	-	1,078	648,412	181,295	1,139,287
Interest	-	4,855	365	-	-	-	5,220
Total revenues	2,284,968	313,357	1,004,356	1,078	648,412	181,295	4,433,466
<b>EXPENDITURES</b>							
Current:							
Public safety	2,371,235	457,752	-	-	-	-	2,828,987
Economic and physical development	-	-	97,028	1,078	648,412	193,487	940,005
Total expenditures	2,371,235	457,752	97,028	1,078	648,412	193,487	3,768,992
Excess of revenues over (under) expenditures	(86,267)	(144,395)	907,328	-	-	(12,192)	664,474
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in (out):							
From General Fund	64,386	-	-	-	-	-	64,386
To General Fund	-	-	(796,310)	-	-	-	(796,310)
To EOC/911 Renovation Fund	-	(52,149)	-	-	-	-	(52,149)
Total other financing sources (uses)	64,386	(52,149)	(796,310)	-	-	-	(784,073)
Net change in fund balances	(21,881)	(196,544)	111,018	-	-	(12,192)	(119,599)
<b>FUND BALANCES:</b>							
Beginning	337,671	1,036,796	-	-	-	-	1,374,467
Ending	\$ 315,790	\$ 840,252	\$ 111,018	\$ -	\$ -	\$ (12,192)	\$ 1,254,868

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
NONMAJOR CAPITAL PROJECT FUNDS  
For the Fiscal Year Ended June 30, 2012

	St. Lukes' Building Renovation Project Fund	Latham- Whitehurst Nature Park Project Fund	Qualified School Construction Bond	EOC 911 Renovation Fund	Totals
<b>REVENUES</b>					
Interest	\$ -	\$ -	\$ 1,303	\$ -	\$ 1,303
Total revenue	-	-	1,303	-	1,303
<b>EXPENDITURES</b>					
Public Safety	-	-	-	86,181	86,181
Culture and recreation	-	30,193	-	-	30,193
Education	-	-	1,505,663	-	1,505,663
Total expenditures	-	30,193	1,505,663	86,181	1,622,037
Excess of revenues under expenditures	-	(30,193)	(1,504,360)	(86,181)	(1,620,734)
<b>OTHER FINANCING USES</b>					
Transfers in	-	-	-	631,488	631,488
Transfers out	(658)	-	-	-	(658)
Total other financing uses	(658)	-	-	631,488	630,830
Net change in fund balances	(658)	(30,193)	(1,504,360)	545,307	(989,904)
<b>FUND BALANCES</b>					
Beginning	658	-	2,077,470	-	2,078,128
Ending	\$ -	\$ (30,193)	\$ 573,110	\$ 545,307	\$ 1,088,224

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than Special Assessments) or to finance specified activities as required by law or administrative regulation.

The following comprise the County's Special Revenue Funds:

- **Fire District Funds** – The Fire District Funds are used to account for the County's collection of tax revenues and related expenditures for each of the 11 fire districts.
- **Emergency Telephone System** – The Emergency Telephone System Fund is used to account for the revenues and expenditures related to the emergency 911 system.
- **Occupancy Tax Fund** – The Occupancy Tax Fund is used to account for the receipt of occupancy tax legally restricted to be used for a convention center in New Bern, NC and a tourist center in Havelock, NC.
- **CDBG FY09 Scattered Sites** - The CDBG Scattered Site Project Fund is used to account for a HUD Scattered Site Housing program to rehabilitate very low-income owner occupied households at scattered sites within Craven County.
- **CDBG FY08 James City** - The CDBG James City Project Fund is used to account for housing and infrastructure improvements in the James City community.
- **CDBG FY 10 Contingency Infrastructure** – The CDBG FY 10 Infrastructure Project Fund is used to account for improvements to roads, water lines, sewer lines, and the relocation of various water lines throughout various locations in the County.

Craven County



**CRAVEN COUNTY, NORTH CAROLINA**

**DETAILED BALANCE SHEET  
ALL FIRE DISTRICT FUNDS  
June 30, 2012**

	Rhems	No. 1 Township	Tri- Community	Little Swift Creek	No. 3 Township	No. 5 Township	No. 6 Township	No. 7 Township	West New Bern	No. 9 Township	Sandy Point Service District	Totals
<b>ASSETS</b>												
Cash and cash equivalents	\$ -	\$ 6,335	\$ 19,089	\$ 12,025	\$ 16,679	\$ 26,690	\$ 43,591	\$ 31,372	\$ 23,046	\$ 19,081	\$ 2,049	\$ 199,957
Taxes receivable	3,248	4,560	3,264	2,964	4,696	5,632	2,859	3,322	2,194	5,140	190	38,069
Accounts receivable	9,054	11,139	12,851	5,746	9,053	12,953	14,154	16,774	18,346	8,910	358	119,338
Total assets	<u>\$ 12,302</u>	<u>\$ 22,034</u>	<u>\$ 35,204</u>	<u>\$ 20,735</u>	<u>\$ 30,428</u>	<u>\$ 45,275</u>	<u>\$ 60,604</u>	<u>\$ 51,468</u>	<u>\$ 43,586</u>	<u>\$ 33,131</u>	<u>\$ 2,597</u>	<u>\$ 357,364</u>
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable	\$ 3,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,504
Deferred revenue	3,248	4,559	3,264	2,965	4,696	5,632	2,859	3,324	2,194	5,139	190	38,070
Total liabilities	<u>6,752</u>	<u>4,559</u>	<u>3,264</u>	<u>2,965</u>	<u>4,696</u>	<u>5,632</u>	<u>2,859</u>	<u>3,324</u>	<u>2,194</u>	<u>5,139</u>	<u>190</u>	<u>41,574</u>
Fund Balances:												
Restricted:												
Stabilization by state statute	9,054	11,140	12,851	5,745	9,053	12,953	14,154	16,772	18,346	8,911	358	119,337
Public safety	-	6,335	19,089	12,025	16,679	26,690	43,591	31,372	23,046	19,081	2,049	199,957
Unassigned	(3,504)	-	-	-	-	-	-	-	-	-	-	(3,504)
Total fund balances	<u>5,550</u>	<u>17,475</u>	<u>31,940</u>	<u>17,770</u>	<u>25,732</u>	<u>39,643</u>	<u>57,745</u>	<u>48,144</u>	<u>41,392</u>	<u>27,992</u>	<u>2,407</u>	<u>315,790</u>
Total liabilities and fund balances	<u>\$ 12,302</u>	<u>\$ 22,034</u>	<u>\$ 35,204</u>	<u>\$ 20,735</u>	<u>\$ 30,428</u>	<u>\$ 45,275</u>	<u>\$ 60,604</u>	<u>\$ 51,468</u>	<u>\$ 43,586</u>	<u>\$ 33,131</u>	<u>\$ 2,597</u>	<u>\$ 357,364</u>

CRAVEN COUNTY, NORTH CAROLINA

DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL FIRE DISTRICT FUNDS  
 For the Fiscal Year Ended June 30, 2012

	Rhems	No. 1 Township	Tri- Community	Little Swift Creek	No. 3 Township	No. 5 Township	No. 6 Township	No. 7 Township	West New Bern	No. 9 Township	Sandy Point Service District	Totals
<b>REVENUES</b>												
Taxes:												
Property	\$ 171,121	\$ 157,639	\$ 190,318	\$ 92,389	\$ 141,166	\$ 190,469	\$ 208,963	\$ 247,980	\$ 270,129	\$ 128,840	\$ 4,835	\$ 1,803,849
Sales	36,649	44,824	51,813	23,165	36,476	52,200	56,942	67,625	74,064	35,923	1,438	481,119
Total revenues	207,770	202,463	242,131	115,554	177,642	242,669	265,905	315,605	344,193	164,763	6,273	2,284,968
<b>EXPENDITURES</b>												
Remittances to fire districts	199,140	205,438	236,295	123,476	176,696	244,265	252,100	322,399	337,308	159,987	-	2,257,104
Workers' compensation	2,925	4,420	6,110	2,535	4,928	2,145	2,925	4,030	4,615	3,055	-	37,688
Capital outlay	7,490	9,203	15,000	-	22,662	5,862	-	-	-	4,169	-	64,386
Miscellaneous	1,084	1,087	1,087	1,087	2,505	1,085	1,086	1,085	1,085	866	-	12,057
Total expenditures	210,639	220,148	258,492	127,098	206,791	253,357	256,111	327,514	343,008	168,077	-	2,371,235
Excess of revenues over (under) expenditures	(2,869)	(17,685)	(16,361)	(11,544)	(29,149)	(10,688)	9,794	(11,909)	1,185	(3,314)	6,273	(86,267)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in (out):												
From General Fund	7,490	9,203	15,000	-	22,662	5,862	-	-	-	4,169	-	64,386
Between fire districts	-	(6,872)	6,232	6,872	3,000	2,021	(2,021)	-	-	(3,000)	(6,232)	-
Total other financing sources (uses)	7,490	2,331	21,232	6,872	25,662	7,883	(2,021)	-	-	1,169	(6,232)	64,386
Net change in fund balances	4,621	(15,354)	4,871	(4,672)	(3,487)	(2,805)	7,773	(11,909)	1,185	(2,145)	41	(21,881)
<b>FUND BALANCES</b>												
Beginning	929	32,829	27,069	22,442	29,219	42,448	49,972	60,053	40,207	30,137	2,366	337,671
Ending	\$ 5,550	\$ 17,475	\$ 31,940	\$ 17,770	\$ 25,732	\$ 39,643	\$ 57,745	\$ 48,144	\$ 41,392	\$ 27,992	\$ 2,407	\$ 315,790

**CRAVEN COUNTY, NORTH CAROLINA  
 RHEMS FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 168,339	\$ 171,121	\$ 2,782
Sales	34,666	36,649	1,983
Total revenues	<u>203,005</u>	<u>207,770</u>	<u>4,765</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	199,140	199,140	-
Workers' compensation	2,925	2,925	-
Capital outlay	7,610	7,490	120
Miscellaneous	1,200	1,084	116
Total expenditures	<u>210,875</u>	<u>210,639</u>	<u>236</u>
Excess of revenue over (under) expenditures	(7,870)	(2,869)	5,001
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	<u>7,610</u>	<u>7,490</u>	<u>(120)</u>
Excess of revenues over (under) expenditures and other financing uses	(260)	4,621	4,881
Appropriated fund balance	<u>260</u>	<u>-</u>	<u>(260)</u>
Revenues, other uses, and appropriated fund balance over expenditures	<u>\$ -</u>	<u>4,621</u>	<u>\$ 4,621</u>
<b>FUND BALANCE</b>			
Beginning		<u>929</u>	
Ending		<u>\$ 5,550</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
NO 1. TOWNSHIP FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 161,667	\$ 157,639	\$ (4,028)
Sales	42,652	44,824	2,172
Total revenues	<u>204,319</u>	<u>202,463</u>	<u>(1,856)</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	205,438	205,438	-
Workers' compensation	4,550	4,420	130
Capital outlay	10,686	9,203	1,483
Miscellaneous	1,200	1,087	113
Total expenditures	<u>221,874</u>	<u>220,148</u>	<u>1,726</u>
Excess of revenue over (under) expenditures	(17,555)	(17,685)	(130)
<b>OTHER FINANCING USES</b>			
Transfers in:			
From General Fund	10,686	9,203	1,483
Transfers out:			
To Little Swift Creek Fire District Fund	(6,872)	(6,872)	-
Total other financing uses	<u>3,814</u>	<u>2,331</u>	<u>-</u>
Excess of revenues over (under) expenditures and other financing uses	(13,741)	(15,354)	(1,613)
Appropriated fund balance	<u>13,741</u>	<u>-</u>	<u>(13,741)</u>
Revenues, other uses, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(15,354)</u>	<u>\$ (15,354)</u>
<b>FUND BALANCE</b>			
Beginning		<u>32,829</u>	
Ending		<u>\$ 17,475</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
TRI-COMMUNITY FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 184,555	\$ 190,318	\$ 5,763
Sales	49,208	51,813	2,605
Total revenues	<u>233,763</u>	<u>242,131</u>	<u>8,368</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	236,295	236,295	-
Workers' compensation	6,500	6,110	390
Capital outlay	15,000	15,000	-
Miscellaneous	1,200	1,087	113
Total expenditures	<u>258,995</u>	<u>258,492</u>	<u>503</u>
Excess of revenue over (under) expenditures	(25,232)	(16,361)	8,871
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	15,000	15,000	-
From Sandy Point	6,232	6,232	-
Total other financing sources	<u>21,232</u>	<u>21,232</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	(4,000)	4,871	8,871
Appropriated fund balance	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	4,871	<u>\$ 4,871</u>
<b>FUND BALANCE</b>			
Beginning		<u>27,069</u>	
Ending		<u>\$ 31,940</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
LITTLE SWIFT CREEK FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 90,907	\$ 92,389	\$ 1,482
Sales	21,997	23,165	1,168
Total revenues	<u>112,904</u>	<u>115,554</u>	<u>2,650</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	123,476	123,476	-
Workers' compensation	2,600	2,535	65
Miscellaneous	1,200	1,087	113
Total expenditures	<u>127,276</u>	<u>127,098</u>	<u>178</u>
Excess of revenue over (under) expenditures	<u>(14,372)</u>	<u>(11,544)</u>	<u>2,828</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From Township No. 1 Fire District Fund	6,872	6,872	-
Total other financing sources	<u>6,872</u>	<u>6,872</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>(7,500)</u>	<u>(4,672)</u>	<u>2,828</u>
Appropriated fund balance	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(4,672)</u>	<u>\$ (4,672)</u>
<b>FUND BALANCE</b>			
Beginning		<u>22,442</u>	
Ending		<u>\$ 17,770</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
NO. 3 TOWNSHIP FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 137,931	\$ 141,166	\$ 3,235
Sales	34,664	36,476	1,812
Total revenues	<u>172,595</u>	<u>177,642</u>	<u>5,047</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	176,696	176,696	-
Workers' compensation	4,928	4,928	-
Capital outlay	23,088	22,662	426
Miscellaneous	2,666	2,505	161
Total expenditures	<u>207,378</u>	<u>206,791</u>	<u>587</u>
Excess of revenue over (under) expenditures	(34,783)	(29,149)	5,634
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	23,088	22,662	(426)
From Township No. 9 Fire District Fund	3,000	3,000	-
Total other financing sources	<u>26,088</u>	<u>25,662</u>	<u>(426)</u>
Excess of revenues and other financing sources over (under) expenditures	(8,695)	(3,487)	5,208
Appropriated fund balance	<u>8,695</u>	-	<u>(8,695)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(3,487)</u>	<u>\$ (3,487)</u>
<b>FUND BALANCE</b>			
Beginning		<u>29,219</u>	
Ending		<u>\$ 25,732</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
NO. 5 TOWNSHIP FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 184,198	\$ 190,469	\$ 6,271
Sales	49,586	52,200	2,614
Total revenues	<u>233,784</u>	<u>242,669</u>	<u>8,885</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	244,265	244,265	-
Workers' compensation	2,340	2,145	195
Capital outlay	5,862	5,862	-
Miscellaneous	1,200	1,085	115
Total expenditures	<u>253,667</u>	<u>253,357</u>	<u>310</u>
Excess of revenue over (under) expenditures	(19,883)	(10,688)	9,195
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	5,862	5,862	-
From Township No. 6	2,021	2,021	-
Total other financing sources	<u>7,883</u>	<u>7,883</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	(12,000)	(2,805)	9,195
Appropriated fund balance	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(2,805)</u>	<u>\$ (2,805)</u>
<b>FUND BALANCE</b>			
Beginning		<u>42,448</u>	
Ending		<u>\$ 39,643</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
NO. 6 TOWNSHIP FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 202,231	\$ 208,963	\$ 6,732
Sales	54,197	56,942	2,745
Total revenues	<u>256,428</u>	<u>265,905</u>	<u>9,477</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	252,100	252,100	-
Workers' compensation	2,925	2,925	-
Miscellaneous	1,200	1,086	114
Total expenditures	<u>256,225</u>	<u>256,111</u>	<u>114</u>
Excess of revenue over expenditures	203	9,794	9,591
<b>OTHER FINANCING USES</b>			
Transfers out:			
To Township No. 5	(2,021)	(2,021)	-
Total other financing uses	<u>(2,021)</u>	<u>(2,021)</u>	<u>-</u>
Excess of revenues and other financing uses over (under) expenditures	(1,818)	7,773	9,591
Appropriated fund balance	<u>1,818</u>	<u>-</u>	<u>(1,818)</u>
Revenues, other uses, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>7,773</u>	<u>\$ 7,773</u>
<b>FUND BALANCE</b>			
Beginning		<u>49,972</u>	
Ending		<u>\$ 57,745</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
NO. 7 TOWNSHIP FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 239,326	\$ 247,980	\$ 8,654
Sales	64,227	67,625	3,398
Total revenues	<u>303,553</u>	<u>315,605</u>	<u>12,052</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	322,399	322,399	-
Workers' compensation	4,030	4,030	-
Miscellaneous	1,200	1,085	115
Total expenditures	<u>327,629</u>	<u>327,514</u>	<u>115</u>
Excess of revenue over (under) expenditures	(24,076)	(11,909)	12,167
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	<u>24,076</u>	-	<u>(24,076)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(11,909)</u>	<u>\$ (11,909)</u>
<b>FUND BALANCE</b>			
Beginning		<u>60,053</u>	
Ending		<u>\$ 48,144</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
WEST NEW BERN FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 265,075	\$ 270,129	\$ 5,054
Sales	70,243	74,064	3,821
Total revenues	<u>335,318</u>	<u>344,193</u>	<u>8,875</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	337,308	337,308	-
Workers' compensation	4,810	4,615	195
Miscellaneous	1,200	1,085	115
Total expenditures	<u>343,318</u>	<u>343,008</u>	<u>310</u>
Excess of revenue over (under) expenditures	(8,000)	1,185	9,185
<b>OTHER FINANCING SOURCES</b>			
Appropriated fund balance	<u>8,000</u>	-	<u>(8,000)</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	1,185	<u>\$ 1,185</u>
<b>FUND BALANCE</b>			
Beginning		<u>40,207</u>	
Ending		<u>\$ 41,392</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
NO. 9 TOWNSHIP FIRE DISTRICT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 125,454	\$ 128,840	\$ 3,386
Sales	34,113	35,923	1,810
Total revenues	<u>159,567</u>	<u>164,763</u>	<u>5,196</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	159,987	159,987	-
Workers' compensation	3,380	3,055	325
Capital outlay	4,169	4,169	-
Miscellaneous	1,200	866	334
Total expenditures	<u>168,736</u>	<u>168,077</u>	<u>659</u>
Excess of revenue over (under) expenditures	(9,169)	(3,314)	5,855
<b>OTHER FINANCING USES</b>			
Transfers in:			
From General Fund	4,169	4,169	-
Transfers out:			
To Township No. 3 Fire District Fund	(3,000)	(3,000)	-
Total other financing uses	<u>1,169</u>	<u>1,169</u>	<u>-</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(8,000)	(2,145)	5,855
Appropriated fund balance	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
Revenues, other uses, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(2,145)</u>	<u>\$ (2,145)</u>
<b>FUND BALANCE</b>			
Beginning		<u>30,137</u>	
Ending		<u>\$ 27,992</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
SANDY POINT SERVICE DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 4,828	\$ 4,835	\$ 7
Sales	1,369	1,438	69
Total revenues	<u>6,197</u>	<u>6,273</u>	<u>76</u>
 <b>OTHER FINANCING USES</b>			
Transfers out:			
To Tri-Community Fire District Fund	(6,232)	(6,232)	-
Total other financing uses	<u>(6,232)</u>	<u>(6,232)</u>	<u>-</u>
 Excess of revenues over (under) expenditures and other financing sources (uses)	 (35)	 41	 76
 Appropriated fund balance	 <u>35</u>	 <u>-</u>	 <u>(35)</u>
 Revenues, other uses, and appropriated fund balance over (under) expenditures	 <u>\$ -</u>	 41	 <u>\$ 41</u>
 <b>FUND BALANCE</b>			
Beginning		<u>2,366</u>	
Ending		<u>\$ 2,407</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
EMERGENCY TELEPHONE SYSTEM**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 308,502	\$ 308,502	\$ -
Interest	4,000	4,855	855
Total revenues	<u>312,502</u>	<u>313,357</u>	<u>855</u>
<b>EXPENDITURES</b>			
Public safety	653,447	457,752	195,695
Total expenditures	<u>653,447</u>	<u>457,752</u>	<u>195,695</u>
Excess of revenue over (under) expenditures	(340,945)	(144,395)	196,550
<b>OTHER FINANCING USES</b>			
Transfers out:			
To EOC/911 Renovation fund	(52,149)	(52,149)	-
Total other financing uses	<u>(52,149)</u>	<u>(52,149)</u>	<u>-</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(393,094)	(196,544)	196,550
Appropriated fund balance	<u>393,094</u>	<u>-</u>	<u>(393,094)</u>
Revenues, other uses, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(196,544)</u>	<u>\$ (196,544)</u>
<b>FUND BALANCE</b>			
Beginning		<u>1,036,796</u>	
Ending		<u>\$ 840,252</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
 OCCUPANCY TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 893,050	\$ 1,003,991	\$ 110,941
Interest	300	365	65
Total revenues	<u>893,350</u>	<u>1,004,356</u>	<u>111,006</u>
<b>EXPENDITURES</b>			
Economic and physical development:			
Remittance to City of Havelock	97,000	97,000	-
Professional services	40	28	(12)
Total expenditures	<u>97,040</u>	<u>97,028</u>	<u>12</u>
Excess of revenue over expenditures	<u>796,310</u>	<u>907,328</u>	<u>111,018</u>
<b>OTHER FINANCING USES</b>			
Transfers out:			
To General Fund	<u>(796,310)</u>	<u>(796,310)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>111,018</u>	<u>\$ 111,018</u>
<b>FUND BALANCE</b>			
Beginning		<u>-</u>	
Ending		<u>\$ 111,018</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
CDBG FY 09 SCATTERED SITES**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL**

**From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
<b>REVENUE</b>				
Intergovernmental	\$ 500,000	\$ 498,922	\$ 1,078	\$ 500,000
Total revenue	500,000	498,922	1,078	500,000
<b>EXPENDITURES</b>				
Economic and physical development:				
Expenditures	500,000	498,922	1,078	500,000
Total expenditures	500,000	498,922	1,078	500,000
Excess of revenues over (under) expenditures	\$ -	\$ -	-	\$ -
<b>FUND BALANCE</b>				
Beginning			-	
Ending			\$ -	

**CRAVEN COUNTY, NORTH CAROLINA  
CDBG FY08 JAMES CITY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
<b>REVENUE</b>				
Intergovernmental	\$ 850,000	\$ 451,588	\$ 648,412	\$ 1,100,000
Total revenue	<u>850,000</u>	<u>451,588</u>	<u>648,412</u>	<u>1,100,000</u>
<b>EXPENDITURES</b>				
Economic and physical development:				
Expenditures	1,190,000	541,588	648,412	1,190,000
Total expenditures	<u>1,190,000</u>	<u>541,588</u>	<u>648,412</u>	<u>1,190,000</u>
Excess of revenues over (under) expenditures	(340,000)	(90,000)	-	(90,000)
<b>OTHER FINANCING USES</b>				
Transfers in:				
From General Fund	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Excess of revenues over expenditures and other financing uses	<u>\$ (250,000)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
 CDBG FY 10 CONTINGENCY INFRASTRUCTRE**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
 BUDGET AND ACTUAL  
 From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
<b>REVENUE</b>				
Intergovernmental	\$ 501,648	\$ -	\$ 181,295	\$ 181,295
Total revenue	<u>501,648</u>	<u>-</u>	<u>181,295</u>	<u>181,295</u>
<b>EXPENDITURES</b>				
Economic and physical development:				
Expenditures	488,585	-	193,487	193,487
Total expenditures	<u>488,585</u>	<u>-</u>	<u>193,487</u>	<u>193,487</u>
Excess of revenues over (under) expenditures	13,063	-	(12,192)	(12,192)
<b>OTHER FINANCING USES</b>				
Transfers out:				
To General Fund	<u>(13,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(12,192)</u>	<u>\$ (12,192)</u>
<b>FUND BALANCE</b>				
Beginning			<u>-</u>	
Ending			<u>\$ (12,192)</u>	

## **DEBT SERVICE FUND**

The debt service fund is being used to account for the accumulation of resources and payment of general obligation school bond and installment loans principal and interest from intergovernmental and local resources. The fund is accounted for on the modified accrual basis of accounting.

Craven County



**CRAVEN COUNTY, NORTH CAROLINA  
DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	Budget	Actual	Variance Positive
<b>REVENUES</b>			
Intergovernmental-lottery proceeds	\$ 1,000,000	\$ 1,129,230	\$ 129,230
Interest	15,000	6,551	(8,449)
Total revenues	<u>1,015,000</u>	<u>1,135,781</u>	<u>120,781</u>
<b>EXPENDITURES</b>			
Principal	4,160,550	4,160,550	-
Interest and fiscal charges	1,956,032	1,954,451	1,581
Total expenditures	<u>6,116,582</u>	<u>6,115,001</u>	<u>1,581</u>
Excess of revenue over (under) expenditures	<u>(5,101,582)</u>	<u>(4,979,220)</u>	<u>122,362</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	3,753,334	3,933,718	180,384
Total other financing sources	<u>3,753,334</u>	<u>3,933,718</u>	<u>180,384</u>
Excess of revenues over (under) expenditures and other financing sources	<u>(1,348,248)</u>	<u>(1,045,502)</u>	<u>302,746</u>
Appropriated fund balance	<u>1,348,248</u>	<u>-</u>	<u>(1,348,248)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(1,045,502)</u>	<u>\$ (1,045,502)</u>
<b>FUND BALANCE</b>			
Beginning		<u>1,790,762</u>	
Ending		<u>\$ 745,260</u>	

Craven County



## CAPITAL PROJECT FUNDS

Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities other than those furnished by Enterprise Funds.

The following comprise the County's Capital Project Funds:

Major Fund:

- **County Reserve Fund** – The County Reserve Capital Project Fund is a capital reserve fund for future acquisitions or construction of buildings and equipment.

Non-major Funds:

- **St. Luke's Building Renovation Fund** – The St. Luke's Building Renovation is for the renovation of the building to house the Child Support Enforcement and Probation agencies.
- **Latham-Whitehurst Nature Park Project Fund** – The Latham-Whitehurst Nature Park Project Fund will account for improvements to a nature park, funded by a state grant.
- **Qualified School Construction Bond Fund** – The Qualified School Construction Bond Fund is for improvements at eight schools within the County including roof replacements, HVAC improvements, bathroom renovations, and door and window replacements with any interest costs being reimbursed by federal grants.
- **EOC 911 Renovation Fund** – The EOC 911 Renovation Fund is for renovations of the former Sheriff office to an emergency operations center in addition to the expansion of the current EOC 911 location center.

All Capital Project Funds are accounted for on the modified accrual basis of accounting.

Craven County



**CRAVEN COUNTY, NORTH CAROLINA  
COUNTY RESERVE CAPITAL PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL**

From Inception and for the Fiscal Year Ended June 30, 2012

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
<b>REVENUE</b>				
Interest	\$ 533,858	\$ 945,712	\$ 40,410	\$ 986,122
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out):				
From General Fund	16,983,891	18,572,702	201,729	18,774,431
To Judicial Center Capital Project Fund	(7,500,000)	(2,500,000)	-	(2,500,000)
To General Fund	(6,516,211)	(4,914,916)	(744,550)	(5,659,466)
To EOC/911 Renovation Fund	(238,394)	-	(238,394)	(238,394)
Between closed projects	(7,301,761)	(3,646,650)	658	(3,645,992)
Total other financing sources (uses)	(4,572,475)	7,511,136	(780,557)	6,730,579
Excess of revenues over (under) other financing sources (uses)	(4,038,617)	8,456,848	(740,147)	7,716,701
Appropriated fund balance	4,038,617	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	\$ 8,456,848	(740,147)	\$ 7,716,701
<b>FUND BALANCE</b>				
Beginning			8,456,848	
Ending			\$ 7,716,701	

**CRAVEN COUNTY, NORTH CAROLINA  
 ST. LUKE'S BUILDING RENOVATION PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
 BUDGET AND ACTUAL**

**From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	\$ 349,342	\$ 349,342	\$ -	\$ 349,342
Total expenditures	<u>349,342</u>	<u>349,342</u>	<u>-</u>	<u>349,342</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
From General Fund	300,000	300,000	-	300,000
From County Reserve Capital Project Fund	50,000	50,000	-	50,000
Transfers out:				
To County Reserve Capital Project Fund	(658)	-	(658)	(658)
Total other financing sources (uses)	<u>349,342</u>	<u>350,000</u>	<u>(658)</u>	<u>349,342</u>
Excess of other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 658</u>	<u>(658)</u>	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning			<u>658</u>	
Ending			<u>\$ -</u>	

CRAVEN COUNTY, NORTH CAROLINA  
LATHAM-WHITEHURST NATURE PARK PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
From Inception and for the Fiscal Year Ended June 30, 2012

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental	\$ 500,000	\$ 452,269	\$ -	\$ 452,269
Total revenues	500,000	452,269	-	452,269
<b>EXPENDITURES</b>				
Capital outlay:				
Engineering fees	64,565	64,565	-	64,565
Project construction	435,435	387,704	30,193	417,897
Total expenditures	500,000	452,269	30,193	482,462
Excess of revenues under expenditures	\$ -	\$ -	(30,193)	\$ (30,193)
<b>FUND BALANCE</b>				
Beginning			-	
Ending			\$ (30,193)	

CRAVEN COUNTY, NORTH CAROLINA  
 QUALIFIED SCHOOL CONSTRUCTION BOND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
 BUDGET AND ACTUAL  
 From Inception and for the Fiscal Year Ended June 30, 2012

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest	\$ -	\$ 1,879	\$ 1,303	\$ 3,182
Total revenues	-	1,879	1,303	3,182
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	2,163,000	87,409	1,505,663	1,593,072
Total expenditures	2,163,000	87,409	1,505,663	1,593,072
<b>OTHER FINANCING SOURCES</b>				
Debt issued	2,163,000	2,163,000	-	2,163,000
Total other financing sources	2,163,000	2,163,000	-	2,163,000
Excess of revenues under (under) expenditures	\$ -	\$ 2,077,470	(1,504,360)	\$ 573,110
<b>FUND BALANCE</b>				
Beginning			2,077,470	
Ending			\$ 573,110	

**CRAVEN COUNTY, NORTH CAROLINA  
EOC 911 RENOVATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL**

**From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	\$ 631,488	\$ -	\$ 86,181	\$ 86,181
Total expenditures	<u>631,488</u>	<u>-</u>	<u>86,181</u>	<u>86,181</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From General Fund	340,945	-	340,945	340,945
From County Reserve Capital Project Fund	238,394	-	238,394	238,394
From E911 Fund	52,149	-	52,149	52,149
Total other financing sources	<u>631,488</u>	<u>-</u>	<u>631,488</u>	<u>631,488</u>
Excess of other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>545,307</u>	<u>\$ 545,307</u>
<b>FUND BALANCE</b>				
Beginning			<u>-</u>	
Ending			<u>\$ 545,307</u>	



## ENTERPRISE FUNDS

Enterprise Funds account for operations that are either financed and operated in a manner similar to private business or where the County has decided that periodic determination of net income is appropriate for capital maintenance, management control accountability, public policy or other purposes.

The following comprise the County's Enterprise Funds:

**Water and Sewer Funds** – The Water and Sewer Funds are used to account for the operation of water services provided throughout Craven County.

- Craven County Water Fund (Major Fund)

The following Water and Sewer Districts comprise the County's Blended Component Units:

- Township 6 Water and Sewer District
- Neuse River Water and Sewer District
- Pembroke Water and Sewer District

Crauen County



CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2012

	Neuse River Water and Sewer District	Pembroke Water and Sewer District	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Due from other government-current	\$ 20,000	\$ 30,000	\$ 50,000
Total current assets	<u>20,000</u>	<u>30,000</u>	<u>50,000</u>
Noncurrent Assets:			
Due from other government-noncurrent	45,000	-	45,000
Total noncurrent assets	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total assets	<u>65,000</u>	<u>30,000</u>	<u>95,000</u>
<b>LIABILITIES</b>			
Current liabilities:			
General obligation bonds payable-current	20,000	30,000	50,000
Total current liabilities	<u>20,000</u>	<u>30,000</u>	<u>50,000</u>
Noncurrent liabilities:			
General obligation bonds payable	45,000	-	45,000
Total noncurrent liabilities	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total liabilities	<u>65,000</u>	<u>30,000</u>	<u>95,000</u>
<b>NET ASSETS</b>			
Unrestricted	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2012**

	Township 6 Water and Sewer District	Total Nonmajor Enterprise Funds
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	\$ 761	\$ 761
Interest expense	(761)	(761)
Total net nonoperating revenues (expenses)	<u>-</u>	<u>-</u>
Change in net assets	-	-
Total net assets - beginning	<u>-</u>	<u>-</u>
Total net assets - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 For the Fiscal Year Ended June 30, 2012

	Township 6 Water and Sewer District	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Repayment of installment notes and bonds	\$ (26,625)	\$ (26,625)
Proceeds from investment in direct financing lease	26,625	26,625
Net cash provided by (used in) capital and related financing activities	-	-
Net increase (decrease) in cash and cash equivalents	-	-
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	-	-
Ending	\$ -	\$ -

**Craven County, North Carolina**

**SCHEDULE OF NET ASSETS-  
Craven County Water Fund  
June 30, 2012**

	Craven County Water Operating Fund	Castle Hayne Aquifer Project Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 11,941,696	\$ 295,026	\$ 12,236,722
Short-term investments	2,000,000	-	2,000,000
Accounts receivable, net of allowance for doubtful accounts	798,547	-	798,547
<b>Total current assets</b>	<b>14,740,243</b>	<b>295,026</b>	<b>15,035,269</b>
Noncurrent assets:			
Capital assets:			
Land	210,428	279,253	489,681
Improvements other than buildings	29,708,172	-	29,708,172
Buildings	563,318	-	563,318
Machinery and equipment	379,099	-	379,099
Construction in progress	-	801,862	801,862
Accumulated depreciation	(13,144,795)	-	(13,144,795)
<b>Total capital assets, net of accumulated depreciation</b>	<b>17,716,222</b>	<b>1,081,115</b>	<b>18,797,337</b>
<b>Total noncurrent assets</b>	<b>17,716,222</b>	<b>1,081,115</b>	<b>18,797,337</b>
<b>Total assets</b>	<b>32,456,465</b>	<b>1,376,141</b>	<b>33,832,606</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	87,084	1,984	89,068
Accrued salaries and benefits	16,244	-	16,244
Customer deposits payable	311,302	-	311,302
Compensated absences liability - current	25,901	-	25,901
Obligations under capital lease - current	111,928	-	111,928
<b>Total current liabilities</b>	<b>552,459</b>	<b>1,984</b>	<b>554,443</b>
Noncurrent liabilities			
Compensated absences liability	15,594	-	15,594
Other postemployment benefit liability	31,115	-	31,115
Obligations under capital lease	934,174	-	934,174
<b>Total noncurrent liabilities</b>	<b>980,883</b>	<b>-</b>	<b>980,883</b>
<b>Total liabilities</b>	<b>1,533,342</b>	<b>1,984</b>	<b>1,535,326</b>
<b>NET ASSETS</b>			
Capital assets, net of related debt	16,670,120	1,081,115	17,751,235
Unrestricted	14,253,003	293,042	14,546,045
<b>Total net assets</b>	<b>\$ 30,923,123</b>	<b>\$ 1,374,157</b>	<b>\$ 32,297,280</b>

**CRAVEN COUNTY, NORTH CAROLINA  
 CRAVEN COUNTY WATER FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Fiscal Year Ended June 30, 2012**

	Craven County Water Operating Fund	Castle Hayne Aquifer Project Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,709,076	\$ -	\$ 3,709,076
Miscellaneous	134,009	864	134,873
Total operating revenues	<u>3,843,085</u>	<u>864</u>	<u>3,843,949</u>
<b>OPERATING EXPENSES</b>			
Cost of services	1,569,821	-	1,569,821
Depreciation	904,719	-	904,719
Total operating expenses	<u>2,474,540</u>	<u>-</u>	<u>2,474,540</u>
Operating income	<u>1,368,545</u>	<u>864</u>	<u>1,369,409</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	67,396	-	67,396
Interest expense	(30,241)	-	(30,241)
Total nonoperating revenues (expenses)	<u>37,155</u>	<u>-</u>	<u>37,155</u>
Income before transfers	<u>1,405,700</u>	<u>864</u>	<u>1,406,564</u>
<b>TRANSFERS IN (OUT):</b>			
Between Water and Sewer funds	(750,000)	750,000	-
From General Fund	18,000	-	18,000
To General Fund	(123,000)	-	(123,000)
Total transfers in (out)	<u>(855,000)</u>	<u>750,000</u>	<u>(105,000)</u>
Change in net assets	550,700	750,864	1,301,564
Total net assets, beginning	<u>30,372,423</u>	<u>623,293</u>	<u>30,995,716</u>
Total net assets, ending	<u>\$ 30,923,123</u>	<u>\$ 1,374,157</u>	<u>\$ 32,297,280</u>

CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES),  
BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
For the Fiscal Year Ended June 30, 2012  
(Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OPERATING REVENUES</b>			
Water and sewer sales	\$ 3,200,000	\$ 3,489,631	\$ 289,631
Tap and permit fees	182,600	219,445	36,845
Miscellaneous	98,200	134,009	35,809
Total operating revenues	3,480,800	3,843,085	362,285
<b>OPERATING EXPENDITURES</b>			
Personnel services:			
Salaries	492,375	492,034	341
Employee benefits	154,159	154,015	144
Retirement	34,209	34,208	1
Professional services:			
Audit and accounting fees	1,200	749	451
Legal fees	14,404	14,403	1
Engineering fees	15,000	8,396	6,604
Contractual services	49,111	39,936	9,175
Operating supplies	27,700	18,313	9,387
Utilities	285,000	265,848	19,152
Maintenance and repairs:			
Systems	148,605	148,604	1
Building and grounds	59,000	40,289	18,711
Vehicle expense	87,105	87,104	1
Equipment	11,700	8,109	3,591
Insurance	16,000	15,523	477
Tap outlays	45,120	45,120	-
Telephone and postage	26,000	17,422	8,578
Lockbox	99,024	99,024	-
Chemical and lab work	75,000	44,487	30,513
Capital outlay	897,834	19,569	878,265
Bad Debt Expenses	6,511	6,510	1
Miscellaneous	38,640	29,727	8,913
Total operating expenditures	2,583,697	1,589,390	994,307
Excess of operating revenues over operating expenditures	897,103	2,253,695	1,356,592
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Interest income	100,000	67,396	(32,604)
Interest paid	(36,248)	(30,241)	6,007
Principal payments	(106,739)	(106,739)	-
Total nonoperating revenues (expenditures)	(42,987)	(69,584)	(26,597)
Excess of revenues over expenditures	854,116	2,184,111	1,329,995

Continued

CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES),  
BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
For the Fiscal Year Ended June 30, 2012  
(Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out):			
From General Fund	\$ 18,000	\$ 18,000	\$ -
Between Water Funds	(755,124)	(750,000)	5,124
To General Fund	(123,000)	(123,000)	-
Total other financing sources (uses)	<u>(860,124)</u>	<u>(855,000)</u>	<u>5,124</u>
 Excess of revenues over (under) expenditures and other financing sources (uses)	 \$ (6,008)	 \$ 1,329,111	 \$ 1,335,119

**Reconciliation of modified accrual basis with full  
accrual basis:**

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ 1,329,111
Capital outlay	19,569
Payment on obligation under capital lease payable	106,739
Depreciation	<u>(904,719)</u>
 Net income, full accrual basis	 <u>\$ 550,700</u>

CRAVEN COUNTY, NORTH CAROLINA  
 CASTLE HAYNE AQUIFER CAPITAL PROJECT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES),  
 BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 From Inception and for the Fiscal Year Ended June 30, 2012

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest revenue	\$ 330	\$ 1,383	\$ 864	\$ 2,247
<b>EXPENDITURES</b>				
Miscellaneous	11,024	-	9,348	9,348
Capital outlay				
General construction	671,420	103,640	300,554	404,194
Chemical and lab work	4,800	4,800	-	4,800
Contractual services	320,300	78,100	235,290	313,390
Engineering	375,720	162,580	186,802	349,382
Total expenditures	1,383,264	349,120	731,994	1,081,114
Excess of revenues under expenditures	(1,382,934)	(347,737)	(731,130)	(1,078,867)
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Craven County Water Operating Fund	1,371,910	621,910	750,000	1,371,910
Excess of revenues over (under) expenditures and other financing sources	\$ (11,024)	\$ 274,173	\$ 18,870	\$ 293,043
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ 18,870	
Capital outlay			731,994	
Net income, full accrual basis			\$ 750,864	

**CRAVEN COUNTY, NORTH CAROLINA  
 BLENDED COMPONENT UNIT, TOWNSHIP 6 WATER AND SEWER DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES),  
 BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance, Positive (Negative)
<b>NONOPERATING REVENUE (EXPENDITURES)</b>			
Interest income	\$ 913	\$ 761	\$ 152
Interest paid	(913)	(761)	(152)
Principal payment	(26,625)	(26,625)	-
Total nonoperating revenue (expenditures)	<u>(26,625)</u>	<u>(26,625)</u>	<u>-</u>
 <b>OTHER FINANCING SOURCES</b>			
Direct financing lease proceeds	<u>26,625</u>	<u>26,625</u>	<u>-</u>
Excess of other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		26,625	
Reduction of investment in direct financing lease receivable		<u>(26,625)</u>	
Net income, full accrual basis		<u><u>\$ -</u></u>	

CRAVEN COUNTY, NORTH CAROLINA  
 BLENDED COMPONENT UNIT, NORTHWEST CRAVEN WATER AND SEWER DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES),  
 BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 For the Fiscal Year Ended June 30, 2012

	Budget	Actual	Variance, Positive (Negative)
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Interest income	\$ 35,335	\$ 29,480	\$ (5,855)
Interest paid	(35,335)	(29,480)	5,855
Principal payment	(80,114)	(80,114)	-
Total nonoperating revenues (expenditures)	<u>(80,114)</u>	<u>(80,114)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>			
Direct financing lease proceeds	<u>80,114</u>	<u>80,114</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above	\$ -		
Payment of bond principal		80,114	
Reduction of investment in direct financing lease receivable		<u>(80,114)</u>	
Net income, full accrual basis		<u>\$ -</u>	

## **INTERNAL SERVICE FUND**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.

**Internal Service Fund** – This fund is used to finance and account for the County's health and dental insurance and workers' compensation program information.

Craven County



**CRAVEN COUNTY, NORTH CAROLINA  
 INTERNAL SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES (USES),  
 BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance, Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charge for services	\$ 4,466,404	\$ 4,414,874	\$ (51,530)
Miscellaneous	-	61,027	61,027
Total revenues	<u>4,466,404</u>	<u>4,475,901</u>	<u>9,497</u>
<b>OPERATING EXPENDITURES</b>			
Claims reimbursement	<u>4,434,000</u>	<u>3,958,616</u>	<u>475,384</u>
Excess of operating revenues over (under) operating expenditures	32,404	517,285	484,881
<b>NONOPERATING REVENUES</b>			
Interest income	<u>25,000</u>	<u>18,724</u>	<u>(6,276)</u>
Excess of operating revenues and nonoperating revenue over operating expenditures	57,404	536,009	478,605
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out:			
To General fund	<u>(57,404)</u>	<u>(57,404)</u>	-
Total other financing uses	<u>(57,404)</u>	<u>(57,404)</u>	-
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 478,605</u>	<u>\$ 478,605</u>

**Crauen County**



## **AGENCY FUNDS**

Agency Funds serve primarily as clearing mechanisms for cash resources which are collected by a governmental unit, held as such for a brief period, and then distributed to authorized recipients.

The following comprise the County's Agency Funds:

**Social Services Trust Fund** – The Social Services Trust Fund is for funds received by the County by court order on behalf of citizens who are unable to expend for themselves.

**Department of Motor Vehicle Interest Fund** – The Motor Vehicle Tax Fund accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles and accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

**Municipal Property Tax Fund** – The Municipal Property Tax Fund accounts for registered motor vehicle and real property taxes that are billed and collected by the County for various municipalities within the County.

Agency funds are accounted for on a cash receipts and disbursements basis.

**Crauen County**



CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET  
ALL AGENCY FUNDS  
June 30, 2012

	Social Services Trust Fund
<b>ASSETS</b>	
Cash	<u>\$ 77,619</u>
<b>LIABILITIES</b>	
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 77,619</u>

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 For the Fiscal Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>Social Services Trust Fund:</b>				
Assets, cash and investments	\$ 75,388	\$ 2,231	\$ -	\$ 77,619
Liabilities, accounts payable and accrued liabilities	\$ 75,388	\$ 2,231	\$ -	\$ 77,619
<b>Department of Motor Vehicle Interest Fund:</b>				
Assets, cash and investments	\$ -	\$ 113,179	\$ 113,179	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 113,179	\$ 113,179	\$ -
<b>Municipal Property Tax Fund:</b>				
Assets, cash and investments	\$ -	\$ 6,771,863	\$ 6,771,863	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 6,771,863	\$ 6,771,863	\$ -
<b>Totals - All Agency Funds:</b>				
Assets, cash and investments	\$ 75,388	\$ 6,887,273	\$ 6,885,046	\$ 77,619
Liabilities, accounts payable and accrued liabilities	\$ 75,388	\$ 6,887,273	\$ 6,885,046	\$ 77,619

**SUPPLEMENTARY INFORMATION –  
DISCRETELY PRESENTED COMPONENT UNITS  
WITHOUT SEPARATELY ISSUED FINANCIAL STATEMENTS**

The following is a discretely presented component unit, which is presented as if it were a special revenue fund:

- **Tourism Development Authority** – The Tourism Development Authority is used to account for occupancy tax revenues and related tourism expenditures.

The following is a discretely presented component unit, which is presented as if it were a proprietary fund.

- **Craven County Regional Airport Authority** – The Regional Airport Authority is used to account for the operations and capital project activity of the Regional Airport Authority.

Craven County



CRAVEN COUNTY, NORTH CAROLINA  
TOURISM DEVELOPMENT AUTHORITY FUND  
(A Component Unit)

DETAILED BALANCE SHEET  
June 30, 2012

	<u>2012</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 293,344</u>
<b>LIABILITIES AND NET ASSETS</b>	
Net assets:	
Unrestricted	<u>293,344</u>
Total net assets	<u>293,344</u>
Total liabilities and net assets	<u>\$ 293,344</u>

**CRAVEN COUNTY, NORTH CAROLINA  
 TOURISM DEVELOPMENT AUTHORITY FUND  
 (A Component Unit)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended June 30, 2012**

	Budget	Actual	Variance, Positive (Negative)
<b>REVENUES</b>			
Occupancy tax	\$ 416,541	\$ 535,210	\$ 118,669
Interest	2,000	854	(1,146)
Miscellaneous	48,300	4,153	(44,147)
Total revenues	<u>466,841</u>	<u>540,217</u>	<u>73,376</u>
<b>EXPENDITURES</b>			
Economic development	<u>466,841</u>	<u>436,844</u>	<u>29,997</u>
Change in net assets	-	103,373	103,373
<b>NET ASSETS</b>			
Beginning	<u>160,000</u>	<u>189,971</u>	<u>29,971</u>
Ending	<u>\$ 160,000</u>	<u>\$ 293,344</u>	<u>\$ 133,344</u>
<b>Reconciliation of modified accrual basis with full accrual basis</b>			
Excess of revenues over expenditures, modified accrual basis, above		<u>\$ 103,373</u>	
Net income, full accrual basis		<u>\$ 103,373</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY  
(A Component Unit)**

**COMBINING BALANCE SHEET  
June 30, 2012**

	Airport Authority Operating Fund	Airport Improvement Program No. 30 Project Fund	Airport Improvement Program No. 32 Project Fund	Airport Improvement Program No. 33 Project Fund	Airport Improvement Program No. 34 Project Fund	Airport Reserve Fund	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,240,666	\$ 507	\$ 810	\$ -	\$ 2,554	\$ 951,461	\$ 2,195,998
Accounts receivable	431,443	-	-	-	-	-	431,443
	<u>1,672,109</u>	<u>507</u>	<u>810</u>	<u>-</u>	<u>2,554</u>	<u>951,461</u>	<u>2,627,441</u>
Capital assets:							
Land	9,529,535	-	-	-	-	-	9,529,535
Buildings	9,360,713	-	-	-	-	-	9,360,713
Improvements other than buildings	14,686,108	-	-	-	-	-	14,686,108
Machinery and equipment	1,706,607	-	-	-	-	-	1,706,607
Construction in progress	-	154,857	1,249,601	189,990	1,123,056	-	2,717,504
Accumulated depreciation	(13,696,849)	-	-	-	-	-	(13,696,849)
Capital assets, net of accumulated depreciation	21,586,114	154,857	1,249,601	189,990	1,123,056	-	24,303,618
Total assets	<u>\$ 23,258,223</u>	<u>\$ 155,364</u>	<u>\$ 1,250,411</u>	<u>\$ 189,990</u>	<u>\$ 1,125,610</u>	<u>\$ 951,461</u>	<u>\$ 26,931,059</u>
<b>LIABILITIES AND NET ASSETS</b>							
Liabilities:							
Accounts payable	\$ 34,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,448
Accrued salaries and benefits	48,607	-	-	-	-	-	48,607
Accrued interest payable	8,443	-	-	-	-	-	8,443
Other postemployment benefit obligation	22,812	-	-	-	-	-	22,812
Installment note payable, net of deferred charges	763,438	-	-	-	-	-	763,438
Bonds payable	300,000	-	-	-	-	-	300,000
Total liabilities	<u>1,177,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,177,748</u>
Net assets:							
Invested in capital assets, net of related debt	20,522,676	154,857	1,249,601	189,990	1,123,056	-	23,240,180
Unrestricted	1,557,799	507	810	-	2,554	951,461	2,513,131
Total net assets	<u>22,080,475</u>	<u>155,364</u>	<u>1,250,411</u>	<u>189,990</u>	<u>1,125,610</u>	<u>951,461</u>	<u>25,753,311</u>
Total liabilities and net assets	<u>\$ 23,258,223</u>	<u>\$ 155,364</u>	<u>\$ 1,250,411</u>	<u>\$ 189,990</u>	<u>\$ 1,125,610</u>	<u>\$ 951,461</u>	<u>\$ 26,931,059</u>

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY  
(A Component Unit)**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012**

	Airport Authority Operating Fund	Airport Improvement Program No. 30 Project Fund	Airport Improvement Program No. 32 Project Fund	Airport Improvement Program No. 33 Project Fund	Airport Improvement Program No. 34 Project Fund	Airport Reserve Fund	Totals
<b>OPERATING REVENUES</b>							
Charges for services	\$ 2,140,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,140,227
Total revenues	2,140,227	-	-	-	-	-	2,140,227
<b>OPERATING EXPENSES</b>							
Cost of sales and services	1,429,850	-	-	-	-	-	1,429,850
Depreciation and amortization	835,980	-	-	-	-	-	835,980
Total operating expenses	2,265,830	-	-	-	-	-	2,265,830
Operating loss	(125,603)	-	-	-	-	-	(125,603)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	5,377	-	-	-	-	4,604	9,981
Interest expense	(49,637)	-	-	-	-	-	(49,637)
Total nonoperating revenues	(44,260)	-	-	-	-	4,604	(39,656)
Income before transfers	(169,863)	-	-	-	-	4,604	(165,259)
Transfers in (out) Airport Funds	3,336	-	-	-	(3,336)	-	-
Capital contributions - federal grants	418,248	2,789	102,000	180,490	1,066,499	-	1,770,026
Change in net assets	251,721	2,789	102,000	180,490	1,063,163	4,604	1,604,767
Net assets-beginning	21,828,754	152,575	1,148,411	9,500	62,447	946,857	24,148,544
Net assets-ending	\$ 22,080,475	\$ 155,364	\$ 1,250,411	\$ 189,990	\$ 1,125,610	\$ 951,461	\$ 25,753,311

**CRAVEN COUNTY, NORTH CAROLINA  
 CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY  
 (A Component Unit)**

**COMBINING SCHEDULE OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2012**

	Airport Authority Operating Fund	Airport Improvement Program No. 30 Project Fund	Airport Improvement Program No. 32 Project Fund	Airport Improvement Program No. 33 Project Fund	Airport Improvement Program No. 34 Project Fund	Airport Reserve Fund	Totals
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ 2,117,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,117,403
Payments to suppliers	(663,670)	-	-	-	(11,981)	-	(675,651)
Payments to employees	(762,767)	-	-	-	-	-	(762,767)
Net cash provided by (used in) operating activities	690,966	-	-	-	(11,981)	-	678,985
<b>CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition & construction of capital assets	(215,746)	(4,500)	(123,105)	(189,990)	(1,093,798)	-	(1,627,139)
Repayment of installment notes	(373,679)	-	-	-	-	-	(373,679)
Repayment of bonds	(180,000)	-	-	-	-	-	(180,000)
Receipts from capital grants	418,248	2,789	102,000	180,490	1,066,499	-	1,770,026
Interest paid	(53,794)	-	-	-	-	-	(53,794)
Net cash used in capital and related financing activities	(404,971)	(1,711)	(21,105)	(9,500)	(27,299)	-	(464,586)
<b>CASH FLOWS FROM (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	404,396	-	-	-	-	-	404,396
Transfers out	(394,995)	-	-	-	(3,336)	-	(398,331)
Net cash provided by (used in) noncapital financing activities	9,401	-	-	-	(3,336)	-	6,065
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest on cash and investments	5,377	-	-	-	-	4,604	9,981
Net cash provided by investing activities	5,377	-	-	-	-	4,604	9,981
Net increase (decrease) in cash and cash equivalents	300,773	(1,711)	(21,105)	(9,500)	(42,616)	4,604	230,445
<b>CASH AND CASH EQUIVALENTS</b>							
Beginning	939,893	2,218	21,915	9,500	45,170	946,857	1,965,553
Ending	\$ 1,240,666	\$ 507	\$ 810	\$ -	\$ 2,554	\$ 951,461	\$ 2,195,998
<b>Reconciliation of operating loss to net cash provided by (used) in operating activities:</b>							
Operating income (loss)	\$ (125,603)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,603)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:							
Depreciation and amortization	835,980	-	-	-	-	-	835,980
Change in assets and liabilities:							
Accounts receivable	(22,824)	-	-	-	-	-	(22,824)
Accounts payable and accrued expenses	3,413	-	-	-	(11,981)	-	(8,568)
Net cash provided by operating activities	\$ 690,966	\$ -	\$ -	\$ -	\$ (11,981)	\$ -	\$ 678,985

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
OPERATING FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2012

(Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,275,248	\$ 2,140,227	\$ (135,021)
<b>OPERATING EXPENDITURES</b>			
Personnel Services:			
Salaries	687,236	610,385	76,851
Employee benefits	131,954	116,833	15,121
Retirement	43,418	38,962	4,456
Professional Services:			
Audit and accounting fees	1,500	742	758
Legal fees	39,520	36,282	3,238
Contractual services	85,825	81,836	3,989
Operating supplies	63,980	59,824	4,156
Utilities	214,600	180,688	33,912
Maintenance and repairs:			
Building and grounds	103,169	96,924	6,245
Vehicle expense	24,000	22,150	1,850
Insurance	72,753	71,868	885
Telephone and postage	8,646	7,495	1,151
Capital outlay	184,699	183,669	1,030
Board Member fees	14,400	12,904	1,496
Miscellaneous	24,400	21,206	3,194
Travel/Training	8,164	5,818	2,346
Advertising	87,630	87,099	531
Dues and subscriptions	11,274	10,911	363
Total operating expenditures	<u>1,807,168</u>	<u>1,645,596</u>	<u>161,572</u>
Excess of operating revenues over (under) operating expenditures	<u>468,080</u>	<u>494,631</u>	<u>(296,593)</u>
<b>NONOPERATING EXPENSES</b>			
Interest income	5,700	5,377	(323)
Interest expense	(64,594)	(49,637)	14,957
Principal payments	(553,679)	(553,679)	-
Capital Contributions - intergovernmental grants	434,393	418,248	(16,145)
Total nonoperating expenses	<u>(178,180)</u>	<u>(179,691)</u>	<u>(1,511)</u>
Excess of revenues over expenditures	<u>289,900</u>	<u>314,940</u>	<u>25,040</u>

Continued

**CRAVEN COUNTY, NORTH CAROLINA  
 CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
 OPERATING FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
 SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS**

For the Fiscal Year Ended June 30, 2012  
 (Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out):			
From airport project funds	\$ 401,667	\$ 401,667	\$ -
To airport project funds	(691,567)	(398,331)	293,236
Total other financing sources (uses)	(289,900)	3,336	-
Excess revenues over expenditures and other financing sources (uses)	\$ -	\$ 318,276	\$ 25,040

**Reconciliation of modified accrual basis  
 with full accrual basis:**

Excess revenues over expenditures and other  
 financing sources, modified  
 accrual basis, above

\$ 318,276

Capital outlay

215,746

Depreciation

(828,801)

Amortization

(7,179)

Principal payments

553,679

Net income, full accrual basis

\$ 251,721

**CRAVEN COUNTY, NORTH CAROLINA  
 CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
 TERMINAL AREA DEVELOPMENT SITE NO. 30 CAPITAL PROJECT FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
 SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Federal grants	\$ 739,503	\$ 727,078	\$ 2,789	\$ 729,867
Total revenues	<u>739,503</u>	<u>727,078</u>	<u>2,789</u>	<u>729,867</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Administrative	2,924	2,924	-	2,924
Capital outlay	34,484	24,299	4,500	28,799
Other	127,592	123,134	-	123,134
Total expenditures	<u>165,000</u>	<u>150,357</u>	<u>4,500</u>	<u>154,857</u>
Excess of revenues over (under) expenditures	<u>574,503</u>	<u>576,721</u>	<u>(1,711)</u>	<u>575,010</u>
<b>OTHER FINANCING USES</b>				
Transfers in (out):				
From Airport Operating Fund	38,922	38,922	-	38,922
To Airport Operating Fund	(613,425)	(613,425)	-	(613,425)
Total other financing uses	<u>(574,503)</u>	<u>(574,503)</u>	<u>-</u>	<u>(574,503)</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 2,218</u>	<u>\$ (1,711)</u>	<u>\$ 507</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ (1,711)	
Capital outlay			<u>4,500</u>	
Net income, full accrual basis			<u>\$ 2,789</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
 CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
 TERMINAL AREA DEVELOPMENT SITE NO. 32 CAPITAL PROJECT FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
 SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Federal grants	\$ 1,317,131	\$ 1,195,541	\$ 102,000	\$ 1,297,541
Total revenues	<u>1,317,131</u>	<u>1,195,541</u>	<u>102,000</u>	<u>1,297,541</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Administrative	560,034	532,044	23,225	555,269
Architect	56,631	50,432	-	50,432
Capital outlay	509,206	432,989	72,023	505,012
Other	144,129	111,031	27,857	138,888
Total expenditures	<u>1,270,000</u>	<u>1,126,496</u>	<u>123,105</u>	<u>1,249,601</u>
Excess of revenues over (under) expenditures	<u>47,131</u>	<u>69,045</u>	<u>(21,105)</u>	<u>47,940</u>
<b>OTHER FINANCING USES</b>				
Transfers in (out):				
From Airport Operating Fund	69,323	69,323	-	69,323
To Airport Operating Fund	(116,454)	(116,453)	-	(116,453)
Total other financing uses	<u>(47,131)</u>	<u>(47,130)</u>	<u>-</u>	<u>(47,130)</u>
Excess of other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 21,915</u>	<u>\$ (21,105)</u>	<u>\$ 810</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ (21,105)	
Capital outlay			<u>123,105</u>	
Net income, full accrual basis			<u>\$ 102,000</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
TERMINAL AREA DEVELOPMENT SITE NO. 33 CAPITAL PROJECT FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Federal grants	\$ 180,490	\$ -	\$ 180,490	\$ 180,490
Total revenues	180,490	-	180,490	180,490
<b>EXPENDITURES</b>				
Capital outlay:				
Capital outlay	\$ 189,990	\$ -	\$ 189,990	\$ 189,990
Total expenditures	189,990	-	189,990	189,990
Excess of revenues under expenditures	(9,500)	-	(9,500)	(9,500)
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Airport Operating Fund	\$ 9,500	9,500	-	9,500
Total other financing sources	9,500	9,500	-	9,500
Excess of other financing sources over (under) expenditures	\$ -	\$ 9,500	\$ (9,500)	\$ -
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ (9,500)	
Capital outlay			189,990	
Net income, full accrual basis			\$ 180,490	

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
TERMINAL AREA DEVELOPMENT SITE NO. 34 CAPITAL PROJECT FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Federal grants	\$ 1,123,097	\$ -	\$ 1,066,499	\$ 1,066,499
Total revenues	<u>1,123,097</u>	<u>-</u>	<u>1,066,499</u>	<u>1,066,499</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Administrative	\$ 4,782	\$ 5,642	\$ (3,498)	\$ 2,144
Architect	1,177,425	23,616	1,097,296	1,120,912
Total expenditures	<u>1,182,207</u>	<u>29,258</u>	<u>1,093,798</u>	<u>1,123,056</u>
Excess of revenues under expenditures	<u>(59,110)</u>	<u>(29,258)</u>	<u>(27,299)</u>	<u>(56,557)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out):				
From Airport Operating Fund	59,110	62,447	(3,336)	59,111
Total other financing sources (uses)	<u>59,110</u>	<u>62,447</u>	<u>(3,336)</u>	<u>59,111</u>
Excess of other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 33,189</u>	<u>\$ (30,635)</u>	<u>\$ 2,554</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ (30,635)	
Capital outlay			<u>1,093,798</u>	
Net income, full accrual basis			<u>\$ 1,063,163</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
 CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
 AIRPORT RESERVE FUND**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING  
 SOURCES (USES), BUDGET AND ACTUAL, NON-GAAP, MODIFIED ACCRUAL BASIS  
 From Inception and for the Fiscal Year Ended June 30, 2012**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Interest	\$ -	\$ 27,092	\$ 4,604	\$ 31,696
Total revenues	-	27,092	4,604	31,696
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out):				
To Airport Operating Fund	(271,437)	(271,437)	-	(271,437)
From Airport Operating Fund	-	1,191,201	-	1,191,201
Total other financing sources	(271,437)	919,764	-	919,764
Excess of revenues and other financing sources over expenditures	(271,437)	946,856	4,604	951,460
Appropriated fund balance	271,437	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	\$ 946,856	\$ 4,604	\$ 951,460
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues and other financing sources over expenditures, modified accrual basis, above			\$ 4,604	
Net loss, full accrual basis			\$ 4,604	

**CAPITAL ASSETS USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS**

**Crauen County**



**CRAVEN COUNTY  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 FOR JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets:		
Land	\$ 9,974,192	\$ 9,958,882
Buildings	67,064,159	68,185,040
Other Improvements	9,918,254	9,095,848
Equipment & Vehicles	9,820,988	10,168,348
Construction in Progress	568,645	801,614
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 97,346,238</u>	<u>\$ 98,209,732</u>

Investment in governmental funds capital assets by source:

General Fund	\$ 43,510,186	\$ 44,373,680
Capital Projects	43,665,118	43,665,118
Prior to June, 1992*	10,170,934	10,170,934
	<hr/>	<hr/>
Total investment in governmental funds capital assets	<u>\$ 97,346,238</u>	<u>\$ 98,209,732</u>

\*Assets acquired prior to 1992 were not classified by source

**CRAVEN COUNTY  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION & ACTIVITY  
JUNE 30, 2012**

	Land	Buildings	Other Improvements	Equipment & Vehicles	Total
<b>General Government:</b>					
0101 Commissioners	\$ -	\$ -	\$ -	\$ 10,726	\$ 10,726
0201 Administration	-	-	-	-	-
0301 Personnel	-	-	-	6,797	6,797
0401 Information Technology	-	-	2,311,333	446,529	2,757,862
0404 GIS	-	-	89,304	50,891	140,195
0501 Finance	-	-	-	15,510	15,510
0560 Non Department	-	-	-	316,649	316,649
0601 Elections	-	-	-	447,102	447,102
0801 Tax Assessor	-	-	-	5,995	5,995
0804 Tax Assessor -Mapping	-	-	-	-	-
0805 Tax Assessor -Appraisal	-	-	-	134,461	134,461
0901 Tax Collections	-	-	-	-	-
0904 Tax Assessor -GIS	-	-	-	-	-
1001 Register of Deeds	-	-	-	32,875	32,875
1201 Public Buildings	4,781,462	5,151,447	143,906	149,167	10,225,982
1212 Housekeeping	-	-	-	28,541	28,541
1301 Court Facilities	126,790	4,604,270	1,195,267	21,435	5,947,762
1401 Maintenance	-	57,000	500	121,928	179,428
1501 Central Maintenance	-	-	-	82,576	82,576
Total General Government	\$ 4,908,252	\$ 9,812,717	\$ 3,740,310	\$ 1,871,182	\$ 20,332,461
<b>Public Safety:</b>					
2001 Sheriff	-	-	727,327	2,155,915	2,883,242
2008 Jail	1,718,426	34,711,062	-	139,381	36,568,869
2315 Communications	-	-	-	1,277	1,277
2301 Emergency Services	-	-	14,000	379,167	393,167
2401 Inspections	-	-	-	528,722	528,722
2501 E 911	-	-	2,800	7,844	10,644
2601 Animal Control	-	401,288	2,997	81,828	486,113
Total Public Safety	\$ 1,718,426	\$ 35,112,350	\$ 747,124	\$ 3,294,134	\$ 40,872,034
<b>Environmental Protection:</b>					
3101 Environmental Health	-	-	-	304,232	304,232
3201 Solid Waste	15,640	14,845	-	396,966	427,451
4101 Soil Conservation	-	-	-	22,308	22,308
4201 Cooperative Extension	-	765,129	38,164	51,816	855,109
Total Environmental Protection	\$ 15,640	\$ 779,974	\$ 38,164	\$ 775,322	\$ 1,609,100
<b>Economic and Physical Development:</b>					
4001 Planning	-	-	-	80,258	80,258
4401 Economic Development	162,195	-	750,780	20,508	933,483
8201 Convention Center	1,192,410	10,752,459	190,164	248,193	12,383,226
Total Economic and Physical Development	\$ 1,354,605	\$ 10,752,459	\$ 940,944	\$ 348,959	\$ 13,396,967
<b>Health</b>					
5001 Health	\$ -	\$ 5,070,283	\$ 476,311	\$ 1,143,802	\$ 6,690,396
Total Health	-	5,070,283	476,311	1,143,802	6,690,396
<b>Social Services:</b>					
7001 CARTS	-	-	-	1,184,087	1,184,087
7201 DSS	-	5,324,840	583,713	879,418	6,787,971
Total Social Services	\$ -	\$ 5,324,840	\$ 583,713	\$ 2,063,505	\$ 7,972,058
<b>Recreation:</b>					
8001 Recreation	1,977,269	201,727	3,391,688	324,084	5,894,768
Library- Havelock	-	9,809	-	-	9,809
Total Recreation	\$ 1,977,269	\$ 211,536	\$ 3,391,688	\$ 324,084	\$ 5,904,577
Total	\$ 9,974,192	\$ 67,064,159	\$ 9,918,254	\$ 9,820,988	96,777,593
<b>Construction in Progress</b>					<u>568,645</u>
<b>Total Government Funds Capital Assets</b>					<u>\$ 97,346,238</u>

**CRAVEN COUNTY  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION & ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1,</b>			<b>Governmental Funds Capital Assets June 30,</b>
	<b>2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>2012</b>
<b>General Government:</b>				
0101 Commissioners	\$ 10,727	\$ -	\$ -	\$ 10,727
0201 Administration	-	-	-	-
0301 Personnel	29,389	-	22,592	6,797
0401 Information Technology	3,409,605	157,132	808,874	2,757,863
0404 GIS	95,987	89,304	45,096	140,195
0501 Finance	15,510	-	-	15,510
0560 Non Department	185,356	767,693	636,402	316,647
0601 Elections	447,102	-	-	447,102
0801 Tax Assessor	100,759	-	94,764	5,995
0805 Tax Assessor -Appraisal	116,117	53,364	35,020	134,461
0901 Tax Collections	-	-	-	-
1001 Register of Deeds	32,875	-	-	32,875
1201 Public Buildings	10,210,673	98,907	83,597	10,225,983
1212 Housekeeping	28,541	-	-	28,541
1301 Court Facilities	5,583,058	364,704	-	5,947,762
1401 Maintenance	173,388	16,216	10,176	179,428
1501 Central Maintenance	104,883	-	22,308	82,575
<b>Total General Government</b>	<b>\$ 20,543,970</b>	<b>\$ 1,547,320</b>	<b>\$ 1,758,829</b>	<b>\$ 20,332,461</b>
<b>Public Safety:</b>				
2001 Sheriff	\$ 2,802,874	\$ 437,470	\$ 357,101	\$ 2,883,243
2008 Jail	36,568,868	-	-	36,568,868
2315 Communications	340,840	-	-	340,840
2301 Emergency Services	500,589	-	-	500,589
2401 Inspections	81,737	-	-	81,737
2501 E 911	10,644	-	-	10,644
2601 Animal Control	480,900	32,943	27,730	486,113
<b>Total Public Safety</b>	<b>\$ 40,786,452</b>	<b>\$ 470,413</b>	<b>\$ 384,831</b>	<b>\$ 40,872,034</b>
<b>Environmental Protection:</b>				
3101 Environmental Health	\$ 269,733	\$ 127,935	\$ 93,436	\$ 304,232
3201 Solid Waste	427,451	-	-	427,451
4101 Solid Conservation	-	22,308	27,710	(5,402)
4201 Cooperative Extension	850,999	31,820	-	882,819
<b>Total Environmental Protection</b>	<b>\$ 1,548,183</b>	<b>\$ 182,063</b>	<b>\$ 121,146</b>	<b>\$ 1,609,100</b>
<b>Economic and Physical Development:</b>				
4001 Planning	\$ 80,258	\$ -	\$ -	\$ 80,258
4401 Economic Development	933,483	-	-	933,483
8201 Convention Center	12,205,966	177,260	-	12,383,226
<b>Total Economic and Physical Development</b>	<b>\$ 13,219,707</b>	<b>\$ 177,260</b>	<b>\$ -</b>	<b>\$ 13,396,967</b>
<b>Health</b>				
5001 Health	\$ 7,496,405	\$ 473,816	\$ 1,279,825	\$ 6,690,396
<b>Total Health</b>	<b>\$ 7,496,405</b>	<b>\$ 473,816</b>	<b>\$ 1,279,825</b>	<b>\$ 6,690,396</b>
<b>Social Services:</b>				
7001 CARTS	\$ 1,239,793	\$ 104,832	\$ 160,539	\$ 1,184,086
7201 DSS	6,649,328	189,772	51,128	6,787,972
<b>Total Social Services</b>	<b>\$ 7,889,121</b>	<b>\$ 294,604</b>	<b>\$ 211,667</b>	<b>\$ 7,972,058</b>
<b>Recreation:</b>				
8001 Recreation	\$ 5,914,472	\$ 39,421	\$ 59,125	\$ 5,894,768
Library- Havelock	9,809	-	-	9,809
<b>Total Recreation</b>	<b>\$ 5,924,281</b>	<b>\$ 39,421</b>	<b>\$ 59,125</b>	<b>\$ 5,904,577</b>
<b>Construction in Progress</b>				
	\$ 801,613	\$ 116,374	\$ 349,342	\$ 568,645
<b>Total governmental funds capital assets</b>	<b>\$ 98,209,732</b>	<b>\$ 3,301,271</b>	<b>\$ 4,164,765</b>	<b>\$ 97,346,238</b>

**Crauen County**



## **STATISTICAL SECTION (Unaudited)**

This part of the County of Craven's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the county's overall financial health.

### **Contents**

#### **Financial Trends**

Schedules one through four contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

#### **Revenue Capacity**

Schedules five through eight contain information to help the reader assess the factors affecting the county's ability to generate its property taxes.

#### **Debt Capacity**

Schedules nine through eleven present information to help the reader assess the affordability of the county's current levels of outstanding debt and the county's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

Schedules twelve and thirteen offer demographic and economic indicators to help the reader understand the environment within which the county's financial activities take place and to help make comparisons over time and with other governments.

#### **Operating Information**

Schedules fourteen through sixteen contain information about the county's operations and resources to help the reader understand how the county's financial information relates to the services the county provides and the activities it performs.

Craven County



Schedule 1  
 Craven County  
 Net Assets by Component,  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 22,674,229	\$ 23,254,067	\$ 24,089,182	\$ 26,036,499	\$ 29,183,692	\$ 31,120,067	\$ 33,675,755	\$ 34,254,404	\$ 37,674,722	\$ 37,057,382
Restricted	11,699,026	8,313,499	4,830,932	3,078,658	4,876,200	5,079,723	4,349,082	4,029,326	8,300,518	9,058,929
Unrestricted (deficit)	(27,951,015)	(25,230,973)	(18,939,009)	(12,381,079)	(16,368,150)	(17,948,088)	(17,350,746)	(13,245,067)	(14,757,288)	(13,148,959)
Total governmental activities net assets	\$ 6,422,240	\$ 6,336,593	\$ 9,981,105	\$ 16,734,078	\$ 17,691,742	\$ 18,251,702	\$ 20,674,091	\$ 25,038,663	\$ 31,217,952	\$ 32,967,352
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 14,081,588	\$ 16,869,221	\$ 17,299,771	\$ 17,289,167	\$ 17,836,280	\$ 19,542,861	\$ 18,330,655	\$ 18,280,499	\$ 17,797,133	\$ 17,751,235
Unrestricted	6,895,720	5,088,075	5,711,338	6,890,711	7,822,174	7,651,538	9,909,504	11,522,108	13,198,583	14,546,045
Total business-type activities	\$ 20,977,308	\$ 21,957,296	\$ 23,011,109	\$ 24,179,878	\$ 25,658,454	\$ 27,194,399	\$ 28,240,159	\$ 29,802,607	\$ 30,995,716	\$ 32,297,280
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 36,755,817	\$ 40,123,288	\$ 41,388,953	\$ 43,325,666	\$ 47,019,972	\$ 50,662,928	\$ 52,006,410	\$ 52,534,903	\$ 55,471,855	\$ 54,808,617
Restricted	11,699,026	8,313,499	4,830,932	3,078,658	4,876,200	5,079,723	4,349,082	4,029,326	8,300,518	9,058,929
Unrestricted (deficit)	(21,055,295)	(20,142,898)	(13,227,671)	(5,490,368)	(8,545,976)	(10,296,550)	(7,441,242)	(1,722,959)	(1,558,705)	1,397,086
Total primary government net assets	\$ 27,399,548	\$ 28,293,889	\$ 32,992,214	\$ 40,913,956	\$ 43,350,196	\$ 45,446,101	\$ 48,914,250	\$ 54,841,270	\$ 62,213,668	\$ 65,264,632

Schedule 2  
 Craven County  
 Changes in Net Assets,  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,896,630	\$ 6,802,230	\$ 6,557,817	\$ 7,391,683	\$ 7,679,876	\$ 6,568,743	\$ 7,785,402	\$ 7,963,893	\$ 8,577,883	\$ 10,295,085
Public safety	10,732,195	11,584,190	11,895,790	12,643,683	12,792,549	13,475,510	14,166,850	14,754,169	16,218,231	16,897,985
Social services	19,641,710	20,695,194	21,364,472	22,822,110	23,686,006	24,491,355	23,190,078	22,338,223	23,268,931	23,091,103
Economic and physical development	5,360,444	3,292,424	3,873,381	2,658,847	2,629,063	3,447,939	3,138,650	3,020,353	3,820,355	3,372,531
Environmental protection	3,850,575	5,083,596	4,943,096	5,105,286	5,448,188	5,369,403	5,576,352	5,191,327	5,234,597	5,044,117
Health	6,479,067	6,981,725	6,915,059	7,419,050	7,381,812	8,053,103	8,245,927	8,537,699	8,467,181	8,391,523
Cultural and recreation	1,490,297	1,801,012	1,898,961	2,077,212	2,307,962	2,070,824	3,201,411	2,305,497	2,357,440	2,287,587
Education	35,104,248	20,600,373	18,391,669	20,218,865	29,897,811	33,000,753	24,746,401	22,099,376	22,244,200	23,781,177
Interest on long term debt	3,183,668	2,715,170	2,593,134	2,414,904	3,042,742	3,716,568	4,457,642	3,971,610	3,772,400	3,488,561
Total governmental activities	<u>91,738,834</u>	<u>79,555,914</u>	<u>78,433,379</u>	<u>82,751,640</u>	<u>94,866,009</u>	<u>100,194,198</u>	<u>94,508,713</u>	<u>90,182,147</u>	<u>93,961,218</u>	<u>96,649,669</u>
Business-type activities:										
Water	2,294,785	2,092,799	2,212,566	2,452,231	2,350,421	2,378,268	2,814,711	2,259,291	2,533,584	2,504,781
Total primary government expenses	<u>\$ 94,033,619</u>	<u>\$ 81,648,713</u>	<u>\$ 80,645,945</u>	<u>\$ 85,203,871</u>	<u>\$ 97,216,430</u>	<u>\$ 102,572,466</u>	<u>\$ 97,323,424</u>	<u>\$ 92,441,438</u>	<u>\$ 96,494,802</u>	<u>\$ 99,154,450</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government	\$ 1,666,826	\$ 1,657,142	\$ 1,838,261	\$ 2,406,806	\$ 2,116,173	\$ 1,737,095	\$ 1,295,547	\$ 1,283,052	\$ 1,470,684	\$ 1,633,609
Public safety	1,500,193	1,597,259	1,697,240	2,148,811	1,957,081	2,076,961	2,375,313	1,715,207	1,998,438	2,250,857
Social services	451,043	650,102	690,235	626,859	600,994	708,758	905,238	895,360	705,484	746,897
Economic and physical development	683,866	809,529	920,675	916,702	990,517	1,072,446	1,009,269	1,048,298	1,040,227	1,094,565
Environmental protection	2,214,990	2,178,704	2,212,444	2,462,004	2,639,579	2,821,666	2,720,503	2,442,846	2,462,442	2,509,331
Health	3,754,021	4,225,968	4,283,919	4,436,213	4,288,785	4,603,742	4,872,707	5,158,491	5,808,276	5,005,119
Cultural and recreation	43,438	51,000	45,745	38,948	50,690	43,309	58,393	70,223	72,418	75,810
Education	0	503,596	0	0	0	0	0	0	0	0
Operating grants and contributions:										
General government	1,578,967	1,660,038	1,202,220	1,147,799	1,078,615	1,533,601	1,355,699	1,097,706	1,298,151	2,238,620
Public safety	707,552	669,885	912,191	651,655	612,213	634,277	551,977	858,361	928,821	845,729
Social services	10,066,157	10,854,794	10,662,434	11,834,461	12,228,544	12,805,213	13,472,526	14,754,004	15,687,981	15,728,496
Economic and physical development	2,187,801	637,866	1,195,959	50,750	219,000	499,293	24,755	44,816	0	32,998
Environmental protection	436,921	613,754	210,007	168,890	138,582	183,564	169,132	196,072	130,108	143,389
Health	1,590,116	1,592,510	1,520,635	1,473,080	1,407,566	1,495,242	1,627,356	2,069,631	1,821,323	1,701,749
Cultural and recreation	0	1,000	0	9,250	35,300	75,233	45,000	18,000	61,500	49,500
Capital grants and contributions:										
General government	0	0	0	417,447	0	0	104,129	43,609	0	0
Public safety	51,897	324,304	0	34,526	0	0	0	99,999	10,696	4,472
Social services	91,638	117,050	0	228,739	112,514	185,910	193,612	103,938	109,337	117,377
Economic and physical development	0	0	0	0	0	0	106,721	184,344	950,510	580,782
Cultural and recreation	0	0	0	65,625	106,185	343,815	50,000	56,875	395,394	0
Education	0	0	859,450	1,182,900	1,150,405	1,969,220	1,560,478	1,438,000	2,136,870	1,129,230
Total governmental activities program revenues	<u>27,025,426</u>	<u>28,144,501</u>	<u>28,251,415</u>	<u>30,301,465</u>	<u>29,732,743</u>	<u>32,789,345</u>	<u>32,498,355</u>	<u>33,578,832</u>	<u>37,088,660</u>	<u>35,888,530</u>

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Business-type activities:</b>										
Charge for services - Water	3,001,287	2,925,947	3,003,662	3,296,858	3,350,661	3,387,837	3,609,669	3,688,563	3,652,217	3,709,076
Capital grants and contributions - Water	145,830	0	0	0	0	0	0	0	0	0
Total business-type activities program revenues	<u>3,147,117</u>	<u>2,925,947</u>	<u>3,003,662</u>	<u>3,296,858</u>	<u>3,350,661</u>	<u>3,387,837</u>	<u>3,609,669</u>	<u>3,688,563</u>	<u>3,652,217</u>	<u>3,709,076</u>
Total primary government program revenues	<u>\$ 30,172,543</u>	<u>\$ 31,070,448</u>	<u>\$ 31,255,077</u>	<u>\$ 33,598,323</u>	<u>\$ 33,083,404</u>	<u>\$ 36,177,182</u>	<u>\$ 36,108,024</u>	<u>\$ 37,267,395</u>	<u>\$ 40,740,877</u>	<u>\$ 39,597,606</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (64,713,408)	\$ (51,411,413)	\$ (50,181,964)	\$ (52,450,175)	\$ (65,133,266)	\$ (67,404,853)	\$ (62,010,358)	\$ (56,603,315)	\$ (57,056,902)	\$ (60,761,139)
Business-type activities	<u>852,332</u>	<u>833,148</u>	<u>791,096</u>	<u>844,627</u>	<u>1,000,240</u>	<u>1,009,569</u>	<u>794,958</u>	<u>1,423,540</u>	<u>1,118,633</u>	<u>1,204,295</u>
Total primary government net (expense)/revenue	<u>\$ (63,861,076)</u>	<u>\$ (50,578,265)</u>	<u>\$ (49,390,868)</u>	<u>\$ (51,605,548)</u>	<u>\$ (64,133,026)</u>	<u>\$ (66,395,284)</u>	<u>\$ (61,215,400)</u>	<u>\$ (55,179,775)</u>	<u>\$ (55,938,269)</u>	<u>\$ (59,556,844)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Property taxes	\$ 32,399,791	\$ 32,409,695	\$ 33,462,209	\$ 37,864,384	\$ 40,057,692	\$ 42,236,411	\$ 43,814,430	\$ 44,076,129	\$ 47,482,900	\$ 46,550,189
Local option sales tax	13,998,546	16,963,021	17,433,367	18,100,692	19,769,089	20,131,706	16,796,425	13,053,176	12,415,520	13,491,235
Other taxes and licenses	551,086	580,312	631,352	716,807	730,206	798,930	766,861	790,980	857,817	1,003,991
Investment earnings	643,283	311,727	622,429	1,250,704	2,452,049	3,500,775	1,375,589	544,629	282,690	231,554
Miscellaneous	623,341	999,012	1,631,320	1,224,762	3,036,095	1,226,841	1,582,642	2,406,773	2,091,064	1,128,570
Transfers	61,998	61,999	45,799	45,799	45,799	70,150	96,800	96,200	106,200	105,000
Total governmental activities:	<u>48,278,045</u>	<u>51,325,766</u>	<u>53,826,476</u>	<u>59,203,148</u>	<u>66,090,930</u>	<u>67,964,813</u>	<u>64,432,747</u>	<u>60,967,887</u>	<u>63,236,191</u>	<u>62,510,539</u>
<b>Business-type activities:</b>										
Investment earnings	87,816	57,500	102,105	246,435	370,366	429,842	239,026	127,572	72,310	67,396
Miscellaneous	206,032	151,339	206,411	123,506	153,769	166,684	108,576	101,804	114,098	134,873
Transfers	(61,998)	(61,999)	(45,799)	(45,799)	(45,799)	(70,150)	(96,800)	(96,200)	(106,200)	(105,000)
Total business-type activities	<u>231,850</u>	<u>146,840</u>	<u>262,717</u>	<u>324,142</u>	<u>478,336</u>	<u>526,376</u>	<u>250,802</u>	<u>133,176</u>	<u>80,208</u>	<u>97,269</u>
Total primary government	<u>\$ 48,509,895</u>	<u>\$ 51,472,606</u>	<u>\$ 54,089,193</u>	<u>\$ 59,527,290</u>	<u>\$ 66,569,266</u>	<u>\$ 68,491,189</u>	<u>\$ 64,683,549</u>	<u>\$ 61,101,063</u>	<u>\$ 63,316,399</u>	<u>\$ 62,607,808</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ (16,435,363)	\$ (85,647)	\$ 3,644,512	\$ 6,752,973	\$ 957,664	\$ 559,960	\$ 2,422,389	\$ 4,364,572	\$ 6,179,289	\$ 1,749,400
Business-type activities	<u>1,084,182</u>	<u>979,988</u>	<u>1,053,813</u>	<u>1,168,769</u>	<u>1,478,576</u>	<u>1,535,945</u>	<u>1,045,760</u>	<u>1,556,716</u>	<u>1,198,841</u>	<u>1,301,564</u>
Total primary government	<u>\$ (15,351,181)</u>	<u>\$ 894,341</u>	<u>\$ 4,698,325</u>	<u>\$ 7,921,742</u>	<u>\$ 2,436,240</u>	<u>\$ 2,095,905</u>	<u>\$ 3,468,149</u>	<u>\$ 5,921,288</u>	<u>\$ 7,378,130</u>	<u>\$ 3,050,964</u>

Schedule 3  
 Craven County  
 Fund Balances, Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

General Fund	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Restricted:										
Stabilization by state statute	\$ 6,316,488	\$ 6,584,888	\$ 6,224,153	\$ 5,689,161	\$ 6,434,080	\$ 7,920,769	\$ 5,258,842	\$ 5,719,134	\$ 4,839,673	\$ 5,621,630
Public Safety	705,448	415,403	556,964	683,951	501,980	915	80,589	82,387	86,034	84,542
Register of Deeds	26,212	67,142	89,380	0	8,840	46,557	21,750	55,348	58,208	37,222
Assigned										
Subsequent year's expenditures	1,106,513	1,512,962	805,563	1,112,286	278,250	1,057,114	979,722	1,562,592	0	416,953
Unassigned	10,745,164	10,916,933	11,461,312	14,627,823	17,382,258	16,723,785	20,371,199	19,141,577	22,190,181	23,271,321
<b>Total General Fund</b>	<b>\$ 18,899,825</b>	<b>\$ 19,497,328</b>	<b>\$ 19,137,372</b>	<b>\$ 22,113,221</b>	<b>\$ 24,605,408</b>	<b>\$ 25,749,140</b>	<b>\$ 26,712,102</b>	<b>\$ 26,561,038</b>	<b>\$ 27,174,096</b>	<b>\$ 29,431,668</b>
<b>All Other Governmental Funds</b>										
Restricted:										
Stabilization by state statute	\$ 169,610	\$ 177,452	\$ 204,407	\$ 199,848	\$ 436,966	\$ 398,154	\$ 523,712	\$ 163,699	\$ 288,406	\$ 326,340
Public Schools	3,339,171	2,805,486	2,640,065	1,785,304	3,704,012	4,328,413	3,317,971	2,773,462	3,868,232	1,318,370
Public Safety	251,002	291,374	317,610	417,160	456,779	469,202	742,288	954,430	1,237,435	1,670,825
Committed										
Capital projects	7,232,191	4,556,643	4,679,025	4,751,947	14,206,542	33,071,988	10,995,371	7,552,472	8,447,983	7,686,508
Unassigned	(925,740)	(820,436)	(500,000)	0	0	0	0	0	(141,851)	(196,990)
<b>Total all other governmental funds</b>	<b>\$ 10,066,234</b>	<b>\$ 7,010,519</b>	<b>\$ 7,341,107</b>	<b>\$ 7,154,259</b>	<b>\$ 18,804,299</b>	<b>\$ 38,267,757</b>	<b>\$ 15,579,342</b>	<b>\$ 11,444,063</b>	<b>\$ 13,700,205</b>	<b>\$ 10,805,053</b>

Amounts shown for Fiscal Years 2010 and prior have been reclassified to conform with GASB Statement 54.

**Schedule 4**  
**Craven County**  
**Changes in fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
<u>Revenues</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxes:										
Property	\$ 32,218,477	\$ 32,549,745	\$ 33,585,023	\$ 37,876,551	\$ 40,031,721	\$ 42,261,507	\$ 43,716,305	\$ 43,929,823	\$ 47,123,345	\$ 47,256,788
Sales	13,998,546	16,963,021	17,433,367	18,100,692	19,769,089	20,131,706	16,796,425	13,053,171	12,415,519	13,491,235
Other	551,086	580,312	631,352	716,807	730,206	798,930	766,861	790,980	857,817	1,003,991
Total taxes	46,768,109	50,093,078	51,649,742	56,694,050	60,531,016	63,192,143	61,279,591	57,773,974	60,396,681	61,752,014
Intergovernmental	16,711,049	16,974,797	16,562,896	17,265,122	17,088,924	19,725,368	19,261,385	20,965,355	23,530,691	22,572,342
Charges for Services	10,473,891	11,606,329	12,118,416	13,470,741	13,072,951	13,496,839	13,530,854	12,913,153	13,774,262	13,562,444
Interest	629,045	298,455	598,241	1,190,972	2,370,690	3,403,401	1,321,851	506,334	262,321	212,830
Miscellaneous	848,382	999,009	872,030	998,896	1,225,277	1,263,264	1,592,941	1,299,699	2,415,734	1,535,915
Total Revenues	75,430,476	79,971,668	81,801,325	89,619,781	94,288,858	101,081,015	96,986,622	93,458,515	100,379,689	99,635,545
<u>Expenditures</u>										
General Government	5,667,050	7,434,198	6,875,991	8,193,210	7,514,048	8,539,207	8,693,318	8,224,937	8,580,077	9,834,924
Public Safety	9,807,768	11,271,380	11,391,656	13,151,735	13,960,441	23,556,676	31,541,868	16,627,081	15,443,304	15,375,134
Environmental Protection	4,554,577	5,046,646	5,006,185	5,103,095	5,444,288	5,413,220	5,478,700	5,099,920	5,169,741	5,005,287
Economic Development	4,122,872	2,989,088	3,505,260	2,194,383	2,241,260	3,043,309	2,720,535	2,603,966	3,596,818	3,134,830
Health	6,195,238	6,626,527	7,007,312	7,072,213	7,169,879	8,064,577	7,983,542	8,366,853	8,407,146	8,405,341
Social Services	19,501,613	20,761,999	21,367,549	22,624,569	23,790,287	24,829,156	23,149,487	21,983,411	23,293,001	23,000,499
Culture and Recreation	1,521,415	1,684,669	1,904,814	2,136,565	2,261,117	2,878,542	3,583,707	2,258,013	2,644,812	2,150,943
Education	35,104,248	20,600,373	18,391,669	20,218,865	29,897,811	33,000,753	24,746,401	22,099,376	22,244,200	23,781,177
Capital Outlay	239,123	91,517	95,980	0	0	0	0	0	0	0
Debt Service:										
Principal	3,163,277	3,435,146	3,816,917	3,846,504	3,854,145	6,050,858	6,422,014	6,516,291	6,696,780	6,311,214
Interest	3,110,941	2,682,109	2,513,158	2,335,441	2,959,154	4,207,889	4,489,303	4,061,210	3,703,810	3,436,180
Bond issuance costs		163,087						490,800		
Total Expenditures	92,988,122	82,786,739	81,876,491	86,876,580	99,092,430	119,584,187	118,808,875	98,331,858	99,779,689	100,435,529
Excess of revenues over (under) expenditures	# (17,557,646)	# (2,815,071)	# (75,166)	# 2,743,201	(4,803,572)	(18,503,172)	(21,822,253)	(4,873,343)	600,000	(799,984)
<u>Other Financing Sources (Uses)</u>										
Transfers in	5,690,306	7,215,800	8,507,419	9,082,318	10,057,944	11,611,636	6,443,078	5,493,731	8,592,538	6,567,143
Transfers out	(5,628,308)	(7,153,801)	(8,461,620)	(9,036,519)	(10,012,145)	(11,514,837)	(6,346,278)	(5,397,531)	(8,486,338)	(6,404,739)
Bonds issued	0	0	0	0	0	0	0	0	0	0
Refunding bonds issued	0	13,855,000	0	0	0	0	0	21,800,000	0	0
Refunding bond premium	0	20,194	0	0	0	0	0	1,037,279	0	0
Payment to refunding escrow agent	0	(13,712,107)	0	0	0	0	0	(22,346,479)	0	0
Proceeds from capital lease	0	0	0	0	0	0	0	0	0	0
Proceeds from installment note/COPS	0	131,773	0	0	18,900,000	39,013,563	0	0	2,163,000	0
Total other financing sources (uses)	61,998	356,859	45,799	45,799	18,945,799	39,110,362	96,800	587,000	2,269,200	162,404
Net change in fund balances	\$ (17,495,648)	\$ (2,458,212)	\$ (29,367)	\$ 2,789,000	\$ 14,142,227	\$ 20,607,190	\$ (21,725,453)	\$ (4,286,343)	\$ 2,869,200	\$ (637,580)

Schedule 5  
 Craven County  
 Assessed Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years

Fiscal Year	Real Property				Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
	Residential Property	Commercial Property	Industrial Property	Present-use Value (1)					
2003 (5)	\$ 2,821,662,545	1,117,828,280 \$	44,671,630 \$	71,251,398	1,236,739,839 \$	104,322,120 \$	5,396,475,812 \$	0.5800 \$	5,396,475,812
2004	2,929,225,703	1,144,525,817	44,679,730	67,315,000	1,273,712,947	105,752,076	5,565,211,273	0.5600	5,710,251,665
2005	3,048,945,696	1,183,144,808	44,584,740	72,290,740	1,316,591,615	105,008,267	5,770,565,866	0.5600	6,115,478,875
2006	3,215,295,945	1,211,684,688	43,244,210	67,076,256	1,366,718,652	117,580,795	6,021,600,546	0.6100	7,323,766,171
2007	3,344,659,741	1,346,918,941	42,427,600	67,623,321	1,430,699,795	108,576,827	6,340,906,231	0.6100	9,241,956,320
2008	3,558,507,233	1,436,304,943	42,626,400	66,670,292	1,477,929,350	111,440,333	6,693,478,551	0.6100	10,118,637,265
2009	3,746,691,834	1,472,798,220	42,798,900	65,636,627	1,487,848,193	121,393,796	6,937,167,570	0.6100	10,403,670,621
2010	3,845,443,208	1,504,956,646	43,707,956	65,391,567	1,413,620,078	104,636,993	6,977,756,448	0.6100	10,464,541,764
2011 (5)	5,721,630,715	2,133,969,998	46,058,910	113,839,891	1,425,520,814	141,105,952	9,582,126,280	0.4728	9,591,717,998
2012	5,738,196,566	2,159,760,665	46,066,910	129,376,082	1,396,207,233	143,182,465	9,612,789,921	0.4728	9,495,989,253

Source: Annual County Report of Valuation and Property Tax Levies

Notes:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
- (2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place in the calendar year ending during the fiscal year. (The 2012 figure is based on property sales which took place in calendar 2011.)
- (5) Property in Craven County is reassessed every eight years. The last reassessment was on January 1, 2010 and was the basis for fiscal 2011 taxes.

Schedule 6  
 Craven County  
 Direct and Overlapping Property Tax Rates,  
 Last Ten Fiscal Years

Fiscal Year Taxes Are Payable

	<u>2003(1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011(1)</u>	<u>2012</u>
Craven County	\$ .5800	\$ .5600	\$ .5600	\$ 0.6100	\$ 0.6100	\$ 0.6100	\$ 0.6100	\$ 0.6100	\$ 0.4728	\$ 0.4728
<b><u>Municipality Rates:</u></b>										
Bridgeton	.4700	.4700	.4700	0.4700	0.4700	0.5000	0.5000	0.5000	0.5000	0.5000
Cove City	.1500	.1500	.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Dover	.3000	.3000	.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
Havelock	.4200	.4200	.4500	0.4500	0.4900	0.4900	0.5300	0.5300	0.4650	0.4650
New Bern	.4700	.4700	.4700	0.4700	0.4700	0.5050	0.5050	0.5050	0.4100	0.4100
River Bend	.1900	.1900	.2200	0.2200	0.2200	0.2500	0.2800	0.2800	0.2650	0.2650
Trent Woods	.1300	.2700	.2700	0.2700	0.2700	0.2700	0.2700	0.2700	0.1900	0.1700
Vanceboro	.4800	.4800	.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4600	0.4600
<b><u>Fire Districts:</u></b>										
Rhems	.0375	.0375	.0375	0.0375	0.0375	0.0425	0.0425	0.0475	0.0314	0.0414
Township #1	.0238	.0238	.0238	0.0238	0.0238	0.0238	0.0263	0.0263	0.0250	0.0250
Tri Community	.0297	.0350	.0350	0.0350	0.0350	0.0350	0.0350	0.0350	0.0277	0.0277
Little Swift Creek	.0590	.0590	.0590	0.0590	0.0590	0.0590	0.0590	0.0590	0.0499	0.0549
Township #3	.0681	.0681	.0681	0.0681	0.0681	0.0681	0.0781	0.0781	0.0624	0.0624
Township #5	.0600	.0570	.0570	0.0570	0.0570	0.0620	0.0620	0.0620	0.0453	0.0453
Township #6	.0375	.0475	.0675	0.0675	0.0675	0.0675	0.0600	0.0600	0.0516	0.0516
Township #7	.0270	.0270	.0270	0.0270	0.0270	0.0270	0.0240	0.0240	0.0177	0.0177
West New Bern	.0312	.0312	.0312	0.0362	0.0362	0.0362	0.0422	0.0422	0.0324	0.0324
Township #9	.0713	.0713	.0713	0.0713	0.0713	0.0713	0.0713	0.0713	0.0582	0.0582
Sandy Point	.0567	.0567	.0567	0.0567	0.0567	0.0567	0.0567	0.0567	0.0352	0.0352

Source: Craven County Tax Department

Note: (1) Real property was revalued on January 1, 2002 and January 1, 2010

Schedule 7  
 Craven County  
 Principal Property Tax Payers,  
 Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2012			Fiscal Year 2003		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Weyerhaeuser NR Company	Wood pulp manufacturer	\$ 169,978,113	1	1.77%	\$ 199,400,588	1	3.70%
BSH Home Appliances Corp	Home appliance manufacturer	79,396,304	2	0.83%	27,397,478	5	0.51%
Weyerhaeuser Company	Real estate investment trust	63,266,110	3	0.66%			
Progress Energy Carolinas	Electric utility	47,125,214	4	0.49%	33,192,347	4	0.62%
Carolina Telephone & Telegraph Co.	Communications utility	46,510,174	5	0.48%	40,014,250	3	0.74%
Atlantic Marine Corps Communities, LLC	Real estate development	32,989,192	6	0.34%			
New Bern Riverfront Development LLC	Real estate development	27,534,205	7	0.29%			
Hatteras Yachts	Yacht builder	24,506,343	8	0.25%	21,039,090	6	0.39%
Blakemore 300 Executive Parkway LLC & Kaplan 300 Executive Parkway LLC	Real estate development	23,320,773	9	0.24%			
DDR Xenia & New Bern LLC	Real estate development	19,641,250	10	0.20%	13,538,190	8	
Craven Wood Energy LTD	Electricity manufacturer				49,125,052	2	0.91%
Amital Spinning Corp	Yarn manufacturer				15,121,899	7	0.28%
Fairfield Communities	Real estate development				12,873,326	9	0.24%
Moen Incorporated	Plumbing products mfg.				12,713,309	10	0.24%
Totals		\$ <u>534,267,678</u>		<u>5.56%</u>	\$ <u>424,415,529</u>		<u>7.86%</u>

Source: Craven County Tax Department

Schedule 8  
 Craven County  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 32,173,298	\$ (785,503)	\$ 31,387,795	\$ 30,482,909	97.12%	\$ 821,121	\$ 31,304,030	99.73%
2004	31,563,099	(221,056)	31,342,043	30,570,553	97.54%	684,653	31,255,206	99.72%
2005	32,468,045	(133,839)	32,334,206	31,690,897	98.01%	568,323	32,259,220	99.77%
2006	36,919,653	(321,980)	36,597,673	35,915,565	98.14%	591,380	36,506,945	99.75%
2007	39,046,381	(315,261)	38,731,120	38,031,297	98.19%	592,468	38,623,765	99.72%
2008	41,023,496	(131,609)	40,891,887	40,167,701	98.23%	588,069	40,755,770	99.67%
2009	42,668,211	(266,675)	42,401,536	41,594,880	98.10%	653,759	42,248,639	99.64%
2010	41,740,602	864,039	42,604,641	41,745,625	97.98%	700,098	42,445,723	99.63%
2011	46,445,227	(682,187)	45,763,040	44,809,274	97.92%	702,043	45,511,317	99.45%
2012	45,700,284	(204,780)	45,495,504	44,547,702	97.92%	-	44,547,702	97.92%

163

Source: Craven County Tax Department

**Schedule 9**  
**Craven County**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	General Obligation Bonds	Revenue Bonds	Installment Loans	Capital Leases	General Obligation Bonds	Revenue Bonds	Installment Loans			
2003	\$ 45,680,000	\$ 820,000	\$ 14,258,760	\$ 144,972	\$ 4,229,600	\$ 564,000	\$ 1,037,789	\$ 66,735,121	720	2.70%
2004	45,755,000	0	13,248,452	71,907	2,067,800	0	1,118,743	62,261,902	664	2.41%
2005	43,185,000	0	12,073,442	0	1,690,800	0	1,824,045	58,773,287	627	2.11%
2006	40,560,000	0	10,851,937	0	1,282,500	0	1,711,408	54,405,845	574	1.82%
2007	37,930,000	0	28,527,792	0	839,500	0	1,598,771	68,896,063	716	2.20%
2008	35,335,000	0	62,006,933	0	377,000	0	1,486,135	99,205,068	1,028	2.93%
2009	32,775,000	0	58,144,920	0	245,000	0	1,373,498	92,538,418	947	2.60%
2010	31,700,000	0	54,303,629	0	195,000	0	1,260,861	87,459,490	872	2.41%
2011	28,990,000	0	52,479,850	0	145,000	0	1,148,224	82,763,074	796	2.22%
2012	26,300,000	0	48,883,550	62,415	95,000	0	1,041,485	76,382,450	728	*

\*Information not yet available

Notes: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 12 for personal income and population data. These ratios are calculated using personal income and population for the calendar year ended during the fiscal year. Calendar 2011 personal income not available to calculate fiscal year 2012.

Schedule 10  
 Craven County  
 Ratios of Net General Bonded Debt Outstanding,  
 Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
2003	\$ 49,909,600	\$ 3,339,171	\$ 46,570,429	1.89%	0.86%	\$ 502
2004	47,822,800	2,805,486	45,017,314	1.74%	0.79%	480
2005	44,875,800	2,640,065	42,235,735	1.51%	0.69%	451
2006	41,842,500	1,785,303	40,057,197	1.34%	0.55%	422
2007	38,769,500	3,901,084	34,868,416	1.11%	0.38%	362
2008	35,712,000	4,420,993	31,291,007	0.92%	0.31%	324
2009	33,020,000	3,298,769	29,721,231	0.84%	0.29%	304
2010	31,700,000	2,773,461	28,926,539	0.80%	0.28%	289
2011	28,990,000	1,790,762	27,199,238	0.73%	0.28%	262
2012	26,300,000	802,960	25,497,040	*	0.27%	243

\*Information not yet available.

Notes: Details regarding the County's outstanding debt can be found in the notes to the Financial Statements.

(1) See Schedule 12 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2011 personal income not available to calculate fiscal year 2012.

(2) See schedule 5 for estimated actual taxable value data.

Schedule 11  
 Craven County  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years  
 (dollars in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value of Property	\$ 5,396,476	\$ 5,565,211	\$ 5,770,566	\$ 6,021,601	\$ 6,340,906	\$ 6,693,479	\$ 6,937,168	\$ 6,977,756	\$ 9,582,126	\$ 9,612,790
Debt Limit, 8% of Assessed Value (Statutory Limitation)	431,718	445,217	461,645	481,728	507,272	535,478	554,973	558,221	766,570	769,023
Amount of Debt Applicable to Limit										
Gross debt	66,735	62,262	58,773	54,406	68,896	99,205	92,538	87,459	82,763	76,382
Less: Amount available for repayment of g.o.bonds	3,339	2,805	2,640	1,785	3,901	4,421	3,318	2,773	1,791	803
Debt outstanding for water and sewer purposes	5,267	3,187	3,515	2,994	2,438	1,863	1,618	1,456	1,293	1,136
Revenue bonds	1,384	0	0	0	0	0	0	0	0	0
Total net debt applicable to limit	56,745	56,270	52,618	49,627	62,557	92,921	87,602	83,231	79,679	74,443
Legal Debt Margin	\$ 374,974	\$ 388,947	\$ 409,027	\$ 432,101	\$ 444,715	\$ 442,557	\$ 467,371	\$ 474,990	\$ 686,891	\$ 694,580
Total net debt applicable to the limit as a % of debt limit	13.14%	12.64%	11.40%	10.30%	12.33%	17.35%	15.78%	14.91%	10.39%	9.68%

Note: NC Statute GS159-55 limits the county's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the county's net debt outstanding applicable to the limit, and represents the county's legal borrowing authority.

Schedule 12  
 Craven County  
 Demographic and Economic Statistics  
 Last Ten Fiscal Years

Year	Population(1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Public School Enrollment(3)	Unemployment Rate(4)	Number of Building Inspections Performed(5)
2003	92,728	\$ 2,469,183	\$ 26,656	14,362	6.00%	6,767
2004	93,779	2,585,999	27,834	14,388	5.70%	8,744
2005	93,704	2,787,842	29,801	14,523	4.80%	10,426
2006	94,848	2,982,972	31,490	14,609	4.70%	12,633
2007	96,278	3,127,571	32,268	14,632	4.40%	13,000
2008	96,471	3,390,907	34,663	14,538	4.30%	9,682
2009	97,757	3,553,493	36,134	14,597	6.00%	7,123
2010	100,261	3,625,636	35,318	14,513	10.50%	7,262
2011	103,951	3,727,434	35,867	14,817	11.00%	9,537
2012	104,965	*	*	14,749	11.00%	9,498

\* Information not yet available.

Notes:

- (1) N.C. State Data Center. Estimates are as of beginning of fiscal year (July 1)
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are as of the end of the calendar year ended during the fiscal year.
- (3) N.C. Department of Public Instruction, First Month Average Daily Membership.
- (4) N. C. Employment Security Commission, Annual Average as of the end of the calendar year ended during the fiscal year.
- (5) Total number of inspections performed by Craven County Inspections Department. Does not include inspections by municipalities.

Schedule 13  
 Craven County  
 Principal Employers  
 Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Department of Defense (1)	5,361	1	13.96%	Over 1000	1	N/A
CarolinaEast Health Systems	2,035	2	5.30%	Over 1000	3	N/A
Craven County Schools	1,912	3	4.98%	Over 1000	2	N/A
State of North Carolina	993	4	2.59%	Over 1000	4	N/A
BSH Home Appliances	750	5	1.95%	500-999	7	N/A
Moen Incorporated	630	6	1.64%	500-999	5	N/A
Craven County	597	7	1.55%	500-999	8	N/A
Hatteras Yachts (Brunswick Corp)	550	8	1.43%	500-999	6	N/A
City of New Bern	476	9	1.24%			
Wal-Mart	467	10	1.22%	500-999	10	N/A
Weyerhaeuser Company				500-999	9	N/A
	<u>13,771</u>		<u>35.85%</u>			

168

Source: Craven County Economic Development Commission and N.C. Employment Security Commission

Notes: (1) Excludes 9,554 active military personnel based in Craven County. It includes civilian employment at the Naval Aviation Depot, Naval Health Clinic, 2nd

Schedule 14  
 Craven County  
 Full-time Equivalent County Government Employees by Function,  
 Last Ten Fiscal Years

Function/Program	Full Time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	98	94	92	87	83	82	81	79	75	72
Public safety	125	128	125	129	134	134	141	148	148	141
Social services	200	201	203	207	204	206	213	213	213	208
Economic and physical development	19	19	18	23	19	21	20	21	23	18
Environmental protection	33	31	30	33	36	33	33	30	32	30
Health	95	97	102	97	111	115	116	117	106	104
Cultural and recreation	11	10	10	7	8	9	16	16	16	12
Water/Sewer (Business activity)	13	13	13	13	13	14	14	11	13	12
<b>Total</b>	<b>594</b>	<b>593</b>	<b>593</b>	<b>596</b>	<b>608</b>	<b>614</b>	<b>634</b>	<b>635</b>	<b>626</b>	<b>597</b>

Source: County Finance Department

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers. Full time personnel work 2,080 hours per year (less vacation and sick leave). For purposes of this schedule the number of part time employees has been divided by 2.5 to arrive at the full time equivalents.

**Schedule 15  
Craven County  
Operating Indicators by Function,  
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety</b>										
Fire/Rescue calls to County E911 (A)	6,591	6,973	7,331	7,517	8,083	8,882	8,002	8,399	9,629	9,216
Average daily population in jail (B)		154	158	175	185	200	198	186	236	302
<b>Health Services (C)</b>										
Food and lodging inspections		1,225	1,424	1,647	1,150	1,615	1,388	1,013	1,280	1,364
Home health/hospice visits	17,986	15,640	17,478	16,573	16,603	16,327	11,760	13,343	12,351	11,136
Visits to health department	27,550	27,546	27,563	27,579	26,199	25,400	27,901	28,422	26,372	27,085
<b>Transportation Services (D)</b>										
Number of miles driven (1)	790,262	814,546	843,124	808,771	761,466	782,257	796,036	783,197	810,130	857,716
Number of trips provided (1)	108,315	109,225	106,627	101,235	100,754	93,984	98,738	101,664	106,118	108,026
<b>Tax/Real Estate Services (E)</b>										
Deed transfers processed	4,047	4,574	5,446	6,405	6,134	4,677	3,944	2,795	2,770	2,728
Number of real estate parcels	48,600	49,824	50,933	52,163	54,469	55,035	55,739	56,112	56,358	56,505
Number of tax bills generated	142,600	145,735	143,765	147,675	150,126	153,477	152,424	151,915	148,943	149,366
<b>Economic and Physical Development</b>										
County tourism revenues (1)(2) (F)	72	75	80	87	94	102	105	99	108	116
Economic impact of convention center (2) (G)	7	8	9	9	9	13	10	9	10	9
Number of registered voters (H)	57,195	55,749	60,503	60,653	61,668	64,110	65,274	66,624	67,073	68,318
Number of enplanements at airport (I) (3)	70,443	92,516	97,876	90,221	110,882	120,293	120,224	134,863	132,035	63,506
<b>Water Services</b>										
Number of service connections (J)	10,614	10,851	11,570	12,001	12,300	12,697	12,857	13,091	13,027	13,199

Notes:

- (1) The amounts shown are for calendar year ending December 31 during the fiscal year.
- (2) Amounts shown are millions of dollars
- (3) Amounts shown are by calendar year, therefore the amount shown for the latest year is only six months.

Source of data:

- (A) Craven County Emergency Services
- (B) Craven County Sheriff Department
- (C) Craven County Health Department
- (D) CARTS (Craven County Transportation)
- (E) Craven County Tax Department
- (F) NC Department of Commerce
- (G) Craven County Convention Center
- (H) Craven County Elections Department
- (I) Coastal Carolina Regional Airport
- (J) Craven County Water Department

Schedule 16  
 Craven County  
 Capital Asset Statistics by Function  
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety (A)</b>										
Correction facility rated capacities	161	161	161	161	161	161	161	292	292	292
<b>Parks and Land Use (B)</b>										
Number of county parks	2	2	2	2	2	3	3	4	4	4
Boat ramps operated	2	2	2	2	2	2	2	2	2	2
<b>Water Service (C)</b>										
Miles of water main	595	615	625	645	650	653	660	667	668	668
Number of elevated water tanks (1)	8	8	8	9	9	9	9	9	9	9
<b>Transportation Services (D)</b>										
Number of CARTS vehicles	32	32	32	32	32	32	32	32	32	32
<b>Economic and Physical Development</b>										
Convention center	1	1	1	1	1	1	1	1	1	1
Number of remaining acres in Industrial Park (E)	286	286	224	220	220	220	220	220	219	219
<b>Airport (F)</b>										
Number of runways	2	2	2	2	2	2	2	2	2	2

Source of data:

- (A) Craven County Sheriff Department
- (B) Craven County Recreation Department
- (C) Craven County Water Department
- (D) CARTS (Craven County Transportation)
- (E) Craven County Finance Department
- (F) Craven County Regional Airport

**Craven County**



**COMPLIANCE SECTION**

Craven County





**Independent Auditor's 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 Board of County Commissioners  
Craven County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Craven County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise Craven County's basic financial statements, and have issued our report thereon dated November 1, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of CarolinaEast Health System and Craven County Alcoholic Beverage Control Board, as described in our report on Craven County's financial statements. The financial statements of CarolinaEast Health System and Craven County Alcoholic Beverage Control Board were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

Management of Craven County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Craven County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Craven County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance 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*.

We noted a certain matter that we reported to the management of Craven County in a separate letter dated November 1, 2012.

This report is intended solely for the information and use of management, others within the entity, members of the Board of County Commissioners, and 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 specified parties.

*McGladrey LLP*

New Bern, North Carolina  
November 1, 2012



**Independent Auditor's Report  
on Compliance With Requirements That Could Have a Direct and Material  
Effect on Each Major Federal Program and the Passenger Facility Charge  
Program and on Internal Control Over Compliance in Accordance With  
OMB Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Craven County, North Carolina

***Compliance***

We have audited Craven County, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Craven County's major federal programs and with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration for its passenger facility charge program, for the year ended June 30, 2012. Craven County'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 and the passenger facility charge program is the responsibility of Craven County's management. Our responsibility is to express an opinion on Craven County's compliance based on our audit.

Craven County's basic financial statements include the operations of CarolinaEast Health System (Health System) and Craven County Alcoholic Beverage Control Board (ABC Board), both discretely presented component units of Craven County. Our audit, described below, did not include the operations of the Health System and ABC Board because the financial statements of the Health System and ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, OMB Circular A-133 or the State Single Audit Implementation Act.

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; OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, the State Single Audit Implementation Act, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Those standards, OMB Circular A-133, the State Single Audit Implementation Act and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration 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 or the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about Craven County'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 on Craven County's compliance with those requirements.

In our opinion, Craven County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its passenger facility charge program for the year ended June 30, 2012.

### ***Internal Control Over Compliance***

Management of Craven County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and the passenger facility charge program. In planning and performing our audit, we considered Craven County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, members of the Board of County Commissioners, federal and State awarding agencies, the Federal Aviation Administration and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

New Bern, North Carolina  
November 1, 2012



**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance With Applicable Sections OMB Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Craven County, North Carolina

**Compliance**

We have audited Craven County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. Craven County'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 Craven County's management. Our responsibility is to express an opinion on Craven County's compliance based on our audit.

Craven County's basic financial statements include the operations of CarolinaEast Health System (Health System) and Craven County Alcoholic Beverage Control Board (ABC Board), both discretely presented component units of Craven County. Our audit, described below, did not include the operations of the Health System and ABC Board because the financial statements of the Health System and ABC Board (audited by other auditors) were not audited in accordance with *Government Auditing Standards*, applicable sections of OMB Circular A-133 or the State Single Audit Implementation Act.

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 Craven County'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 on Craven County's compliance with those requirements.

In our opinion, Craven County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

### ***Internal Control Over Compliance***

Management of Craven County 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 Craven County's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, members of the Board of County Commissioners, and 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 specified parties.

*McGladrey LLP*

New Bern, North Carolina  
November 1, 2012

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2012

**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes  No
- Significant deficiency(ies) identified? Yes  None reported

Noncompliance material to financial  
statements noted?

Yes  No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes  No
- Significant deficiency(ies) identified? Yes  None reported

**CRAVEN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2012**

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of

Circular A-133? Yes X No

\_\_\_\_\_

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA</u>
Medical Assistance Program	93.778
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Disaster Grants – Public Assistance	97.036

Dollar threshold used to distinguish

between Type A and Type B Programs \$ 2,654,505

\_\_\_\_\_

Auditee qualified as low-risk auditee?

X Yes No

\_\_\_\_\_

**CRAVEN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2012**

State Awards

Internal control over major State programs:

- Material weakness(es) identified? Yes            X No
- Significant deficiency(ies) identified?            Yes            X None reported

Type of auditor's 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?            Yes       X       No

Identification of major State programs:

<u>Program Name</u>	<u>Grant #</u>
Special Children Adoption Fund (Adoption Subsidy)	N/A

**CRAVEN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2012**

**Section II. Financial Statement Findings**

None reported

**Section III. Federal Award Findings**

None reported

**Section IV. State Award Findings**

None reported

**CRAVEN COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2012**

No corrective action plan is required for the current year.

**CRAVEN COUNTY, NORTH CAROLINA  
STATUS OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2012**

None reported in prior year.

CRAVEN COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES  
 For the Fiscal Year Ended June 30, 2012  
 (Page 1 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>FEDERAL AWARDS:</b>					
<b>US Department of Agriculture</b>					
Passed through NC Department of Agriculture: Administered by Craven County Sheriff:					
National Forest	10.418	11-LE-11081122-008	\$ 9,993	\$ -	\$ -
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by County Health Department:					
Special Supplemental Nutrition Program for Women, Infants, and Children:					
WIC - Administration	10.557		570,585	-	12,616
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5405	2,595,246	-	-
			<u>3,165,831</u>	<u>-</u>	<u>12,616</u>
Passed-through the NC Dept of Health and Human Services:					
Division of Social Services:					
Administered by County Department of Social Services:					
State Administrative Matching Grants for the Supplemental Nutrition Service Program Cluster:					
Supplemental Nutrition Service Program Admin	10.561		827,848	-	827,848
Supplemental Nutrition Service Program Issuance	10.561		30,627	-	30,627
Supplemental Nutrition Service Program Fraud Admin	10.561		74,348	-	74,348
Total Supplemental Nutrition Service Program Cluster			<u>932,823</u>	<u>-</u>	<u>932,823</u>
Total US Department of Agriculture			<u>4,108,647</u>	<u>-</u>	<u>945,439</u>
<b>US Department of Housing and Urban Development</b>					
Pass through NC Department of Commerce Administered by Craven county Planning					
Scattered Sites	14.228	09-C-1988	1,078	-	-
James City	14.228	05-D-2055	399,441	-	14,989
James City II	14.228	05-D-2098	233,982	-	-
Contingency Infrastructure	14.228	10-C-2220	181,294	-	-
Total US Department of Housing and Urban Development			<u>815,795</u>	<u>-</u>	<u>14,989</u>
<b>US Department of Justice:</b>					
Passed through Bureaus of Justice Assistance Administered by Craven County Sheriff					
State Criminal Alien Assistance Program	16.606		8,644	-	-
SRT Justice Assistance Grant	16.738	2011-DJ-BX-0395	1,574	-	-
SRT Justice Assistance Grant	16.738	2012-DJ-BX-0395	2,898	-	-
Equitable Sharing Program	16.922		25,244	-	-
Total US Department of Justice			<u>38,360</u>	<u>-</u>	<u>-</u>
<b>US Department of Transportation</b>					
<u>Federal Aviation Administration</u>					
Direct Programs:					
Administered by Craven Regional Airport:					
Airport Improvement Program:					
Airport Security	20.106	DTSA20-03-P01459	118,248	-	-
Airport Improvement Project No. 30	20.106	3-37-0050-30	2,790	-	-
Airport Improvement Project No. 32	20.106	3-37-0050-32	102,000	-	-
Airport Improvement Project No. 34	20.106	3-37-0050-34	1,063,946	-	29,852
Airport Improvement Project No. 33	20.106	3-37-0050-33	180,489	-	9,501
			<u>1,467,473</u>	<u>-</u>	<u>39,353</u>
Passed through NC Department of Transportation: Administered by Craven Area Rural Transportation System:					
Administration	20.509	36233.31.13.1	266,877	14,046	49,575
Operations	20.509	36233.31.13.2	51,307	-	51,307
Capital	20.509	36233.31.13.3	68,368	7,596	8,440
ARRA Grant Program	20.500	10-AR-029	41,413	-	-
			<u>427,964</u>	<u>21,643</u>	<u>109,322</u>
Pass through NC Department of Public Safety Division of Emergency Management					
Administered by Craven County Emergency Services					
Haz Mat Emer Preparedness	20.703	HMEP -2011-314	9,700	-	-
Total US Department of Transportation			<u>1,905,137</u>	<u>21,643</u>	<u>148,675</u>
<b>Department of Homeland Security</b>					
Division of Emergency Management:					
Passed through NC Department of Crime Control and Public Safety:					
Administered by Craven County Emergency Services:					
Public Assistance	97.036	FEMA-4019-DR-NC	720,860	240,287	-
Emergency Management Performance Grant	97.042	EMPG-2011-37049	49,636	-	-
Total Federal Emergency Management Agency			<u>770,496</u>	<u>240,287</u>	<u>-</u>
<b>US Department of Administration</b>					
US Election Assistance Commission:					
Passed through NC Department of Elections:					
HAVA Title II One-Stop Grant	90.401		7,233	-	-
Total US Department of Administration			<u>7,233</u>	<u>-</u>	<u>-</u>

CRAVEN COUNTY, NORTH CAROLINA  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES**  
For the Fiscal Year Ended June 30, 2012  
(Page 2 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>US Department of Health and Human Services</b>					
<u>Administration on Aging</u>					
Passed through NC Department of Health and Human Services: Division of Aging, Home, and Community Care Block Grant Aging Cluster: Passed through Craven County Department of Social Services:					
Administered by Craven Area Rural Transportation HCCBG Transport	93.044		\$ 60,626	\$ 10,699	\$ 7,925
Administered by Coastal Community Action: Senior Companion Program	93.045		37,076	6,543	4,847
Administered by Craven County Department of Social Services: Congregate Meals	93.045		67,612	11,932	8,838
USDA Congregate	93.045		8,653	-	-
Home Delivered Meals	93.045		123,920	21,868	16,199
USDA Home Delivered Meals	93.045		21,550	-	-
In Home Level II	93.044		116,727	20,599	15,258
Care Management Administration	93.044		75,501	13,324	9,869
Senior Center Health	93.044		25,367	4,477	3,316
Title III Health Promotion	93.043		6,569	386	773
Senior Center General Purpose			2,536	-	845
			<u>546,137</u>	<u>89,828</u>	<u>67,870</u>
<u>Administration for Children and Families</u>					
Passed through NC Department of Health and Human Services: Division of Social Services: Administered by Craven County Department of Social Services:					
Temporary Assistance for Needy Families Benefit Payments	93.558		598,527	(129)	1,930
Temporary Assistance for Needy Families Admin	93.558		336,064	-	302,529
Temporary Assistance for Needy Families	93.558		1,460,010	-	880,653
TANF Domestic Violence Service	93.558		16,884	-	-
			<u>2,411,485</u>	<u>(129)</u>	<u>1,185,112</u>
Family Support Payments	93.560		(149)	(41)	(41)
Refugee Assistance Administration	93.566		18,316	-	-
IV-D Child Support Enforcement: Administration	93.563		204,789	-	105,497
Coop Agreements	93.563		978,405	-	504,027
Non-AFDC	93.563		(1,746)	-	(899)
			<u>1,181,448</u>	<u>-</u>	<u>608,625</u>
Low-Income Home Energy Assistance: Administration	93.568		79,839	-	-
Energy Assistance Payments - Direct Benefit Payments	93.568		188,000	-	-
Crisis Intervention Payments	93.568		692,547	-	-
			<u>960,386</u>	<u>-</u>	<u>-</u>
Administered by Craven County Health: Child Welfare Services: Permanency Planning: Permanency Planning - Special Adoption Subsidy	93.645 93.645		21,912 -	5,109 332,214	9,007 93,630
			<u>21,912</u>	<u>337,323</u>	<u>102,637</u>
Foster Care and Adoption Cluster: Title IV-E Foster Care: Administration	93.658		7,155	3,552	3,578
Foster Care - At Risk	93.658		449,186	-	437,719
IV-E CPS	93.658		414,249	90,088	324,160
Foster Care - Direct Benefit Payments	93.658		120,822	24,860	24,860
Title IV-E Adoption Subsidy	93.659		400,200	107,842	107,842
Total Foster Care and Adoption Cluster			<u>1,391,612</u>	<u>226,342</u>	<u>898,159</u>
Division of Child Development : Administered by Craven County DSS: Subsidized Child Care Cluster: Child Care & Development Fund - Discretionary	93.575		1,687,279	-	-
Child Care & Development Fund - Mandatory	93.596		624,153	-	-
Child Care & Development Fund - Match	93.596		853,844	352,621	-
Child Care & Development Fund - Administration	93.596		171,839	-	-
Total Child Care Cluster			<u>3,337,115</u>	<u>352,621</u>	<u>-</u>
CPS TANF			77,686	-	-
Temporary Assistance for Needy Families	93.558		739,411	-	-
TANF - MOE			-	257,155	-
State Programs	93.714		94,051	-	-
Foster Care Title IV-E	93.658		21,969	-	-
Smart Start			-	2,921	-
State Appropriation			-	392,666	-
Total Subsidized Child Care Cluster			<u>4,270,232</u>	<u>1,005,363</u>	<u>-</u>
Centers for Medicare and Medicaid Services passed through NC Dept. of Health and Human Services Division of Medical Assistance Medical Assistance Assistance Program	93.778		66,853	-	159,520

**CRAVEN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES**  
**For the Fiscal Year Ended June 30, 2012**  
**(Page 3 of 5)**

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
Adopt FC	93.667		\$ 137,275	\$ -	\$ -
In-Home Services	93.667		71,099	-	10,157
In-Home Services over 60	93.667		40,447	-	5,778
Other Services and Training	93.667		336,109	36,930	124,346
			<u>584,930</u>	<u>36,930</u>	<u>140,281</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living - Foster Care	93.674		16,024	3,166	-
<u>Health Care Financing Administration</u>					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778		1,381,366	-	1,381,366
Eligibility Workers Administration - MA	93.778		19,515	19,515	-
Medical Transportation Administration	93.778		176,035	-	176,035
Medicaid At-Risk Administration	93.778		21,382	-	1,369
Family Preservation	93.556		6,606	-	-
Other:					
Adult Care Home Case Management	93.778		56,231	15,795	40,436
Transportation Regular	93.778		17,133	-	17,133
NC Health Choice	93.767		87,772	2,983	25,341
Direct Benefit Payments:					
Medical Assistance Program	93.778		66,984,489	38,749,550	45,230
			<u>68,750,529</u>	<u>38,787,843</u>	<u>1,686,910</u>
<u>Health Resources and Services Administration</u>					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Family Planning	93.218		101,842	4,063	481,082
Immunization Action Plan/ Aid to County Funding	93.268		37,858	-	9,417
Centers for Disease Control And Prevention					
Investigations and Technical Assistance	93.283		93,520	-	(12,866)
Emergency Preparedness	93.069		48,978	-	3,264
ARRA Preventing Healthcare-Associated Infections	93.717		169	-	-
Coop Agreement for Breast and Cervical Cancer	93.919		29,017	12,750	-
Communicable Disease Expansion Budget	93.940		87,623	-	4,471
Temporary Assistance for Needy Families	93.558		12,377	-	-
Refugee	93.576		3,575	-	9,880
Maternal and Child Health Services Block Grant:					
Maternal Health	93.994		57,104	114,261	1,103,778
Womens Preventive Health	93.994		82,149	61,619	-
Child Health	93.994		64,115	48,092	902,550
			<u>618,327</u>	<u>240,785</u>	<u>2,501,576</u>
Total US Department of Health and Human Services			<u>80,837,842</u>	<u>40,727,410</u>	<u>7,350,649</u>
<b>STATE ASSISTANCE</b>					
<b>NC Department of Health and Human Services</b>					
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefits Payments			-	679,517	679,601
Energy Assistance, Carolina Power & Light Project			-	6,322	-
Supplemental Nutrition Service Program Tax Intercept			-	21,811	-
Medicaid Maximization			-	831,955	-
Family Care Giver			-	19,994	-
State Foster Home			-	67,214	67,214
Adult Protective Services			-	36,885	12,295
			-	<u>1,663,698</u>	<u>759,110</u>
Division of Services for the Blind:					
Administered by County Department of Social Services:					
Services for the Blind			-	39,962	5,280

CRAVEN COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES  
 For the Fiscal Year Ended June 30, 2012  
 (Page 4 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>Health Divisions:</b>					
Administered by County Health Department:					
General			\$ -	\$ 142,467	\$ -
Environmental Health			-	4,000	-
Lead Prevention Aid to County Funds			-	624	-
Public Health Nurse Training			-	1,000	-
Communicable Disease			-	6,343	19,074
Tuberculosis			-	33,610	28,016
AIDS - State			-	12,500	31,434
Risk Reduction/Health Promotion			-	8,565	-
TB Medical Services			-	2,023	-
Breast and Cervical Cancer Control			-	12,750	-
			-	223,882	78,524
Total NC Department of Health and Human Services			-	1,927,542	842,914
<b>NC Department of Juvenile Justice and Delinquency Prevention</b>					
Division of Youth Services:					
Juvenile Crime Prevention Program:					
Passed through County Finance Department:					
Committee for Children		825000	-	940	-
Youth Parent Life Skills		825651	-	10,758	-
Improving Outcomes for Our Youth		DJJ-026-11	-	2,000	-
Structured Day Reporting		825006	-	102,600	-
Juvenile Restitution		825053	-	62,180	-
Resolve		825022	-	49,600	-
Teen Court		825032	-	44,250	-
			-	272,328	-
Total NC Department of Juvenile Justice and Delinquency Prevention			-	272,328	-
<b>NC Department of Environment and Natural Resources</b>					
Natural Resources Division:					
Administered by County Soil Conservation Department:					
Technical Assistance Funds			-	26,490	-
State Matching Funds			-	3,600	-
Neuse Basin Tech			-	4,000	-
			-	34,090	-
Total Division of Soil and Water Conservation			-	34,090	-
Division of Waste Management:					
Administered by Craven County Solid Waste:					
Electronic Management Program			-	8,070	-
			-	8,070	-
Total NC Department of Environment and Natural Resources			-	42,160	-
<b>NC Department of Transportation:</b>					
Rural Operating Assistance Program (ROAP):					
Elderly Handicap		EHTAP	-	85,015	-
General Public Transportation Craven		GPT	-	96,673	-
General Public Transportation Jones		GPT	-	45,427	-
General Public Transportation Pamlico		GPT	-	31,417	-
Temporary Assistance for Needy Families - Jones County		Work First	-	5,976	-
Temporary Assistance for Needy Families - Pamlico County		Work First	-	9,378	-
Temporary Assistance for Needy Families - Craven County		Work First	-	48,181	-
Administered by Craven Regional Airport:					
Annual Appropriation - State Aid to Airports		9.9417010	-	300,000	-
			-	300,000	-
Total NC Department of Transportation			-	622,067	-
<b>NC Department of Corrections:</b>					
Administered by Craven County Day Reporting Center:					
Criminal Justice Partnership Program		025-0700-I-A	-	54,289	-
<b>NC Department of Commerce:</b>					
Pass Through Craven County Economic Development Commission					
One NC Grant - Brunswick Corporation			-	21,298	15,424
Defending MCAS Cherry Point and FRC East			-	100,000	18,091
			-	121,298	33,515
<b>Department of the State Treasurer:</b>					
Public School Building Capital Fund-Lottery Proceeds			-	1,129,230	-
			-	1,129,230	-
Total NC Department of Public Instruction			-	1,129,230	-

CRAVEN COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES  
 For the Fiscal Year Ended June 30, 2012  
 (Page 5 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>NC Department of Administration:</b>					
Division of Veterans Affairs:					
Administered by Craven County Department of Veterans Services:					
Veterans Services					
			\$ -	\$ 1,452	\$ -
<b>NC Department of Insurance:</b>					
Administered by Cooperative Extension					
Senior Health Insurance Information Program (SHIIP)					
			-	4,479	-
Total Federal Expenditures			<u>\$ 88,483,510</u>		
Total State Expenditures				<u>\$ 45,164,185</u>	
Total Local Expenditures					<u>\$ 9,336,181</u>
Federal Aviation Administration:					
Administered by Craven Regional Airport:					
Passenger Facility Charges					
		96-01-C-00-EWN	\$ 429,471	\$ -	\$ -

**CRAVEN COUNTY, NORTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND**  
**PASSENGER FACILITY CHARGES**  
**For the Fiscal Year Ended June 30, 2012**

**Note 1. GENERAL**

The accompanying schedule of expenditures of federal and State awards and passenger facility charges represents only the activity of all federal and State financial assistance programs of Craven County, North Carolina, primary government, all blended component units, and the Airport Authority and Tourism Development Authority discretely presented component units. 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, the State Single Audit Implementation Act, and the Passenger Facility Charges Audit Guide for Public Agencies issued by the Federal Aviation Administration. There, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. BASIS OF ACCOUNTING**

The accompanying schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements, except that direct benefit payments (excluding SNAP direct benefit payments discussed below) made by the State of North Carolina to eligible program beneficiaries and the value of WIC vouchers distributed, which are not included as expenditures in the basic financial statements, are included herein. In accordance with guidance issued by the United States Department of Agriculture, Food and Nutrition Service Division, direct benefits payments for the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program, of \$25,632,492 have not been reported as expenditures in the basic financial statements or in the Schedule of Expenditures Federal and State Awards and Passenger Facility Charges.

**Note 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Substantially all federal and State financial assistance programs (other than direct benefit payments - see Note 2) are accounted for in the County's governmental funds.

**Note 4. PASSENGER FACILITY CHARGES**

Beginning February 1, 1997, and including subsequent revisions, Craven County Regional Airport Authority was authorized to impose a passenger facility charge to a maximum of \$11,160,275. Current year expenditures from these funds are \$429,471 and are included on the schedule of expenditures of federal and State awards. Revenue from passenger facility charges for the year ended June 30, 2012 consists of \$511,436 for passenger facility charges plus \$1,635 of interest earnings from the restricted bank account. Passenger facility charges are administered by the Federal Aviation Administration (FAA) but are not considered federal awards. Their presentation in this schedule is in accordance with FAA requirements.

**Note 5. LOAN ACTIVITY**

The County had the following loan activity involving State award program dollars during the current fiscal year

Grantor/Program Title	Federal CFDA Number	Loan Balance July 1, 2011	Loan Proceeds	Principal Repayments	Loan Balance June 30, 2012
NC Clean Water Revolving Loan & Grant Program	N/A	\$ 1,121,600	\$ -	\$ 80,115	\$ 1,041,485