

CRAVEN COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2006



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

Craven County



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Craven County



INTRODUCTORY SECTION

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August 31, 2006

The Board of County Commissioners
Citizens of Craven County

It is our pleasure to submit this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006.

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.

Responsibility for the accuracy, completeness and fairness of the presentations, including all disclosures, rest with the County. We believe the data, as presented, is accurate in all material respects and fairly presents the County's financial position and results of operations. Furthermore, we believe that all notes and disclosures necessary to enable the reader to understand the County's financial activity have been included.

THE 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 a number of 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 over 200 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 world's largest Marine Corps Air Station, employing more than 5,500 civilian workers. The Air Station is home of the 2nd Marine Aircraft Wing and sits on 13,164 acres of land in Craven County. The Naval Aviation Depot (NADEP), one of three U. S. Navy depots, sits on nearly 150 acres on board Marine Corps Air Station Cherry Point. NADEP is the largest industrial employer in eastern North Carolina. The base is also the location of Halyburton Naval Hospital.

The County has become less dependent on agriculture as the mainstay of the economic base and 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. This has resulted in a constant growth of residential development aimed at retirees. During fiscal 2005, the NBC Today Show rated the New Bern area as an "undiscovered" retirement haven.

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 Craven Regional Airport Authority, Craven County Alcoholic Beverage Control Board, Craven County Tourism Development Authority and 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, Craven Community College, Craven County Economic Development Commission 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.

THE LOCAL ECONOMY

Craven County continues to experience a steady level of economic growth. Per capita personal income in Craven County increased by 8.9 percent, to \$29,456, for the year 2004 (the latest information available). The change for the state of North Carolina in 2004 was 5.3 percent and nationally the change was 5.0 percent. The County's per capita income level is 100 percent of the state average (\$29,322) and 89 percent of the national average (\$33,050). The County ranked fourteenth out of one hundred counties in the state in per capita income compared to sixteenth the previous year. The 1994-2004 average annual growth rate of per capita personal income for the County was 4.3 percent, while the average annual growth rate for the state was 3.7 percent and 4.1 percent for the nation. The number of building permits issued by the county inspection department, in fiscal 2006, was up 21% over the prior year. This number does not reflect the increase in the two municipalities which have their own inspection departments. The increase was in both the commercial and residential areas.

Government is the largest single employer in the County with 31.4 percent of all jobs, down almost one percent from a year ago and 1.6 percent from two years ago. The U.S. Marine Corps Air Station at Cherry Point provides employment for a total work force of 15,045 personnel, including 5,515 civilian jobs. The number of civilian jobs at the Naval Aviation Depot (the single largest employer east of I-95) located at Cherry Point Marine Corps Air Station decreased by 3.6 percent from the previous year. The total payroll for the base in 2006, including the Naval Aviation Depot, is expected to be approximately \$1.08 billion while the total economic impact of the Marine Corps Air Station at Cherry Point, including

the depot, is estimated to be \$1.3 billion for the state of North Carolina. The military and the local community have developed a strong relationship from which both have benefited. After government, other large employment categories in the County are retail and wholesale trade providing 12.2 percent, manufacturing with 11.8 percent, health care and social assistance with 10.2 percent, and accommodation and food services with 8 percent of the total work force.

The unemployment rate in Craven County remained at 5.0 percent annual average for calendar year 2005. The statewide average for calendar year 2005 was 5.2 percent. The relatively low percentage of manufacturing employment has prevented the County from experiencing the high levels of unemployment in other areas of the state that are heavily dependent on the textile and furniture industries. Employment levels at the major manufacturing employers in the County was positive overall with BSH Home Appliances, Hatteras Yachts, and Moen all adding employees during the year. The number of employees at Weyerhaeuser was down from the previous year and Amital Spinning announced they were closing their spinning operation in New Bern. At one time Amital employed 400 people but had decreased that number significantly over the past several years due to foreign competition in the textile industry. Employment in the trade, leisure and hospitality employers increased again this year.

BSH Home Appliances, a major manufacturer in the County, with production of dishwashers, cooktops, ranges and laundry equipment, completed the construction of their 590,000 square foot logistics center during the year and are already beginning plans to expand the facility. In 2005 the County conveyed approximately 61 acres in the Craven Industrial Park to BSH for the construction of the logistics center. The building has a value of approximately \$23 million and BSH employs 36 people at the logistics center. Plans are to continue to increase their investment by an additional \$35 million and 300 jobs over the next 3 years. BSH is now the second largest taxpayer in the County (behind Weyerhaeuser) and the largest non-governmental employer in the County.

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 demolition on the former Barbour Boatworks site and the environmental clean-up of the site continues. This site will become an education/visitor center for the Tryon Palace and is situated between the Palace and the Sheraton Hotel, near the Convention Center. The site will be an attractive addition to the waterfront development of downtown New Bern. The County pledged \$1 million dollars to the project contingent on the project receiving state funding. To date the project has not received sufficient State funding to request bids for construction. The County contributed \$80,000 in fiscal 2005 and \$75,000 in fiscal 2006 to provide funding for site cleanup and design of the facility. In 2006 the state legislature provided \$1.5 million to the Palace to continue design and site cleanup and voted to allow Tryon Palace to keep their receipts from sales to be used toward the project. This amount is estimated at \$570,000 annually.

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. Revenues decreased to \$558,000 in fiscal 2006 from \$613,000 in fiscal 2005. The decrease in revenues was not unexpected because fiscal 2005 was an exceptional year with many large conventions. Most of these will return to the Center in the future but rotate their convention locations from year to year to other parts of the state. The Center incurred an operating deficit of \$139,000 in fiscal 2006 which included setting aside \$18,000 in the capital reserve fund for future improvements. The total budgeted deficit was \$211,000. The Center was not built with the expectation that it would generate a direct profit but to provide an economic stimulus for the area. The Center generated over 15,000 overnight rooms and over \$10 million of economic impact to the community. The debt incurred for the Center is serviced through the increase in occupancy tax en-

acted in November 1996 from 3 percent to 6 percent. Advance bookings of the Center for fiscal 2007 indicate another successful upcoming year.

MAJOR INITIATIVES

For the Year. The County's General Fund balance increased by \$2,975,848, or 15.5 percent, in fiscal 2006. The County's unreserved General Fund balance at June 30, 2006, represents 19.0 percent of actual expenditures and transfers out for fiscal year 2006. The tax rate for fiscal 2006 was increased by 5 cents to \$.61 per \$100 of property valuation. Property values increased from \$5.8 billion to \$6.0 billion, or 4.4 percent countywide.

During fiscal 2006 the Board of Commissioners continued to fund the capital reserve by appropriating a transfer of \$2.0 million in the budget. This reserve was established to provide funds that will be required for upcoming capital projects. Some of these projects include a new law enforcement center (discussed later), a \$2 million commitment to the Community College for a technology center building, and an update of the county-wide ortho-photography. During fiscal 2006 approximately \$1.3 million was transferred out of the reserve. Of the \$1.3 million, \$1 million was transferred to the new jail project and \$150,000 was transferred to the upgrade of the County's GIS system.

Rather than decreasing fund balance, as the final budget projected by \$2.7 million, the County added approximately \$3.0 million to its fund balance for the fiscal year ending June 30, 2006. This swing of \$5.7 million was a result of actual expenditures in the general fund being \$3.7 million below budget while revenues were \$2.0 million above budget. The savings in expenditures were principally in two areas: Health Department expenditures were \$1.4 million below budget and Social Services expenditures were \$1.5 million below budget. Revenues which exceeded expectations included property tax, sales tax, investment earnings and fees in the Register of Deeds office.

During the fiscal year, the construction project for the replacement of the final school roof was completed. This was the last school to need a roof replacement and completed a three year project totaling over \$7.5 million.

Construction of new homes began in a new subdivision during fiscal 2006 in Craven County. The subdivision, Carolina Colours, is being developed on a 2,000 acre site bordering the 161,000 acre Croatan National Forest and is located within the municipal limits of the City of New Bern. The subdivision will eventually have 2,000 home sites, an 18 hole golf course, 50 different neighborhoods, 2 miles of road, 13 miles of sidewalks, five acres of green space, retail spaces, and a commons area pavilion. The building development is expected to continue for ten years and have a \$600 million tax impact for the County which would generate \$3.8 million in County property taxes.

During fiscal 2006 the County purchased 30 acres of land in the Carolina Colours subdivision to construct a new elementary school. The County will hold title to the land and school buildings and lease them to the Board of Education. The need for this school is to alleviate overcrowding at the current elementary school in the area, designed for a maximum capacity of 813 with a current enrollment of approximately 1000. The new school is located in the Highway 70 corridor between New Bern and Havelock, an area of significant growth in the County. Bids were opened for the school on April 26, 2006 and exceeded the architect's estimates by approximately \$2 million. The decision was made to proceed with the construction project and the County closed on an installment financing in July 2006 in the amount of \$18,900,000. Of this amount, \$14 million is for the construction of the school. The remainder of the installment is for the site work and design of the new law enforcement center, a new park, and a fiber optic project (all discussed later).

In March 2006 another major residential development project was announced. The current site of the Bridge Pointe Hotel, at the confluence of the Trent and Neuse Rivers, will be developed into a 330 unit condominium project with units priced to begin at half a million dollars. The project is estimated to be valued at approximately \$250 million and would generate over \$1.5 million of property taxes annually to the County. Plans include replacing the existing hotel with a new hotel in addition to the condominiums and retail space.

Site work began during the year on a new condominium project located adjacent to the Sheraton Hotel, on the Trent River. Plans include a 121 unit project with prices ranging from \$200,000 to over \$700,000. The project is being developed by the Soleil group and currently 90 of the units are under contract. The project is valued at \$35 million and would generate over \$200,000 of property taxes annually for the County.

The current jail was originally built in 1982 to house approximately 78 inmates and was then double bunked in areas to provide capacity for approximately 121 inmates. The average daily inmate population is now approximately 180. The work release center can house up to 40 inmates and was constructed in 2001. This has provided some relief but was not expected to be the ultimate answer to the problem. The results of a 2004 feasibility study showed that the County could expect an average daily population of 187 by the year 2025 and that the current facility does not lend itself to expansion. During 2006 the County engaged a construction manager and an architect. The architect is currently working on construction documents for the project. The facility will include a 292 bed jail, sheriff's office, magistrate office, and a district courtroom. During 2006 the County purchased a 110 acre site near the industrial park for a future County complex. The law enforcement center will be the first building constructed on the site. Land is available to add additional County buildings as the needs arise and create a campus of County facilities at some point in the future. The land was purchased with funds from the capital reserve fund. The County borrowed \$3.2 million, as part of the \$18.9 million borrowing mentioned earlier, in July 2006 to begin site work for the project. The schedule is to bid the project in March/April of 2007 and begin construction in May of next year. Estimated completion date is December 2008. The courtroom would be used for District Court, the court which hears most cases of the County jail inmates. This would eliminate the need for transportation of inmates but would increase the cost of the project. Early estimates put the total project in the \$25 million range.

During the year the County partnered with the Board of Education, the Community College and the cities of Havelock and New Bern to design a fiber optic network which will connect all the Board of Education buildings (schools, offices, maintenance facilities), the two college campuses in New Bern and Havelock as well as some County and municipal buildings to provide a much more efficient communication infrastructure. The impetus for the project was the need of the schools for substantially more band width for communication than presently existed. Each entity will recognize savings in communication costs and the potential for expansion is significantly improved. The cities of Havelock and New Bern are allowing the use of existing fiber in their corporate limits where available. The project is broken into three phases: 1) to provide a fiber connection between New Bern and Havelock, 2) to connect the schools within the two cities and 3) to connect the remaining five schools not in the municipal limits. The County borrowed \$1.2 million, part of the previously mentioned \$18.9 million, to accomplish phases one and two. The most efficient means of accomplishing phase three is still being studied. It may be a fiber connection or a wireless solution. Bids will be requested for the fiber project in fiscal 2007 and it is expected the project may be completed during 2007.

In 2006 the County acquired 70 acres of land for a park in the western part of the County for approximately \$130,000 during the year. The County received a Parks and Recreation Trust Fund (PARTF) grant, from the State, in the amount of \$65,250 to cover approximately half the cost of the 70 acre site near West Craven High School. The Board of Education donated 20 adjoining acres to the County resulting in a total of 90 acres to be used for the park. The County has been approved for a \$500,000 PARTF

grant to be used for construction of the park. The County borrowed \$500,000, part of the previously mentioned \$18.9 million, as the match for the grant. Construction in 2007 will include baseball and football fields, restrooms and tennis courts.

The County moved into the former library in the City of Havelock which was given back to the County in 2005. The building, previously owned by the County, became available as a result of opening the new library on the Craven Community College campus in Havelock which serves the public as well as the college. The County renovated the building and moved the offices of personnel formerly housed in rented facilities in Havelock, including a magistrate and probation staff, into this building during 2006. The County also built an office area for Social Services personnel in this building who spend most of their time in the eastern part of the County.

The County completed the upgrade of the computer system in the Register of Deeds office during fiscal 2006. This project was funded with Technology Enhancement funds, required by statute to be set aside from fees collected. The cost of the upgrade was approximately \$175,000 and involved a major software upgrade as well as replacing much of the existing hardware.

For the Future. The budget for fiscal 2007 was adopted with a tax rate of \$.61 per hundred dollars of valuation, the same rate as fiscal 2006. The estimate of property values for fiscal 2007 is an increase of 6.07 percent over the prior year's actual valuation. Included in the budget for 2007 is an appropriation of \$2.9 million to the capital reserve fund for upcoming projects discussed earlier. Budgeted expenditures of the General Fund total \$87.8 million and budgeted revenues total \$86.7 million, with the difference of \$1.1 million being appropriated from the County's fund balance.

Upcoming plans for the water system include the continued search for alternate water sources in response to upcoming restrictions imposed by the State limiting the volume of water that users of the Black Creek aquifer may withdraw. The County drilled test wells in the Pee Dee aquifer to determine the possibility of blending water from the Pee Dee with water from the Black Creek aquifer. The test wells did not indicate that the amount of water available from the Pee Dee would be sufficient to attain the hoped for ratio of approximately 30 percent Pee Dee water to 70 percent Black Creek water with only three wells. They did however confirm the quality of the water is good enough to blend with the Black Creek water and require no additional treatment. The County recently awarded bids in the amount of \$382,000 to dig five wells into the Pee Dee aquifer. Engineering estimates are that the five wells will provide sufficient water to reach the goal of 30 percent. All entities currently using the Black Creek are 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). The total investment required for the Pee Dee option would be approximately \$1.4 million, significantly less than the cost of the \$10 million option of the Castle Hayne aquifer requiring a water treatment plant.

There are currently three major construction projects underway or soon to be begun at the New Bern campus of the Craven Community College. In fiscal 2005 the State of North Carolina included an appropriation of \$7.4 million over two years for the construction of a state of the art facility used to train students and manufacturing employees in robotics and automation at Craven Community College. The State had pledged its support for the advanced manufacturing training center in 2001 as part of an incentive package for German manufacturer BSH Home Appliance to expand the facilities in New Bern. The legislature had previously given the college \$500,000 to pay for design and development of the project, which was completed in January, 2005. Ground was broken for the facility in April 2006 and the project is expected to be completed in 2008. The 30,000 square foot building, with five laboratories and three classrooms, is expected to take about two years to complete.

The second project of the Community College is the expansion of its current machinist, tool and die and sheet metal programs with a \$1.1 million 4,000 square foot building expansion located adjacent to the center's planned site. This expansion is funded with \$452,000 of County dollars, and a grant from the U.S. Economic Development Administration and is expected to be completed in fiscal 2007. The two facilities will give the college the best manufacturing training facilities in the state and among the best on the east coast once all work is complete. These new facilities will complement the Institute of Aeronautical Technology (IAT) facility completed last year at the college's Havelock campus. The IAT is constructed on land acquired from the federal government adjacent to Marine Corps Air Station Cherry Point and trains students for work at the Naval Air Depot located on the base.

Finally, the Community College began site work on a new Business and Information Technology Building in 2006. This \$5.225 million facility is funded with 2000 statewide community college bonds and \$2 million from the County. The County funds are part of the moneys set aside in the capital reserve fund. The 35,000 square foot building will house the business and technology programs, classrooms, offices, bookstore and the Small Business Center. This building is expected to be completed in the spring of 2008.

FINANCIAL INFORMATION

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

Single audit. As a recipient of federal and state financial assistance, the County also is responsible for assuring that an adequate internal control structure is in place to assure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, and to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2006, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting controls. In addition to the above mentioned internal control structure, the County maintains budgetary controls. The objective of these budgetary controls is to assure compliance with legal provisions embodied in the annual budget ordinance adopted by the Board of County Commissioners. Activities of the General Fund, Debt Service Fund, and certain special revenue funds are included in the annual budget ordinance. Financial plans covering the term of the project are adopted for those projects that are expected to require more than a fiscal year for completion. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level in the General Fund and the special revenue funds. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end; however, encumbrances generally are re-appropriated as part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Cash Management. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit commercial paper, federal and State government securities, banker's acceptances or the North Carolina Capital Management Trust (a money market mutual fund established for North Carolina local governments). At all times, consideration was given to earning the highest yields on investments while maintaining the safety and liquidity of those monies.

Interest earned on investments, in all funds of the primary government, was \$1,479,139 for the year. The investment yield on the portfolio for the year was 4.0 percent as compared to 2.15 percent last year. The cash and investment portfolio balance at June 30, 2006, was \$33.5 million, compared to \$30.2 million at June 30, 2005. The increase in the ending balance was due to the excess of revenues over expenditures in the water enterprise fund and the general fund. The average daily portfolio balance this fiscal year was \$38.3 million compared to \$34.9 last year. The County portfolio at June 30, 2006 was composed of the following mix: State agencies 57 percent, certificate of deposits 4 percent, demand deposits 9 percent, federal agencies 4 percent, commercial paper 11 percent, and North Carolina Capital Management Trust 15 percent.

Risk Management. Craven County provides protection from liability and casualty risks through a combination of partially self-funded programs, joint risk management pools and commercial coverage. The County chose in 1990 to enter into a self-funded health insurance program, with administrative services provided through a contract administrator. The County uses an internal service fund to account for the self-funded health insurance. In the government-wide statements the internal service fund is combined with the governmental funds. The past year claims payments were \$1.1 million more than the previous year. This resulted in the health insurance plan ending the year with a loss of \$387,000. As a result of the higher claims cost in fiscal 2006, the County increased health insurance premiums by 15 percent for fiscal 2007. The health insurance plan had a fund balance of \$67,000 at the end of fiscal 2006. Risk to the County is restricted by a specific stop-loss limit of \$100,000 per individual per year for fiscal 2006 and fiscal 2007. This protection is provided through coverage acquired from a commercial underwriter. The County established a reserve of \$380,000 for incurred but not reported claims at June 30, 2006. This was an increase of \$90,000 in the reserve at year end over the prior year.

During fiscal 2006, the County continued its participation in the risk management pool operated by the North Carolina Association of County Commissioners for liability and property coverage. In fiscal 2003, the County contracted with a third-party administrator for workers' compensation claims and chose to partially self-insure this coverage. This coverage is also accounted for in the internal service fund. The County limits its risk by purchasing reinsurance, which for the year ended June 30, 2006, provided individual loss limits of \$350,000. A reserve of \$170,782 was established at June 30, 2006 for estimated claims incurred but not paid. The workers' compensation fund ended the year with a fund balance of \$665,000 available for future claims. Flood insurance on the Convention Center, the Administration Building, and the Water Maintenance Building, which are located in a flood zone, was obtained through a commercial carrier.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the County of Craven for its comprehensive annual financial report for the fiscal year ended June 30, 2005, the sixteenth 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.

Independent Audit. Under Section 159-34 of North Carolina General Statutes, the County is required to provide for an annual audit by an independent certified public accountant. The accounting firm of McGladrey and Pullen, LLP, CPAs, was selected by the County to perform this audit. McGladrey & Pullen, LLP audited the Financial Section and reported on the County's compliance with federal and state award programs contained in the Compliance section

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the entire Craven County Finance Department: Linda A. LeDrew, Assistant Finance Officer, Carolyn Mattocks, Mary Ann Harper, Rosie Brinson, Andrea Brookins, Christy Moore, Donna Nelson, Aletta Brown and Angela Cloud. Also of significant assistance in the preparation of the report were Brian Dunn, Jerry Cox, Melanie Burke, and Toni Hodge of McGladrey & Pullen, 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,

Harold Blizzard

County Manager

Rick Hemphill



Finance Officer

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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

CRAVEN COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2006

**BOARD OF
COMMISSIONERS**

PERRY L. MORRIS
Chairman
Vanceboro

JOHNNIE SAMPSON, JR.
Vice-Chairman
New Bern

STEVE TYSON
New Bern

M. RENÉE SISK
River Bend

LEON C. STATON
Havelock

GEORGE BROWN
Cove City

LEE K. ALLEN
Havelock

COUNTY OFFICIALS

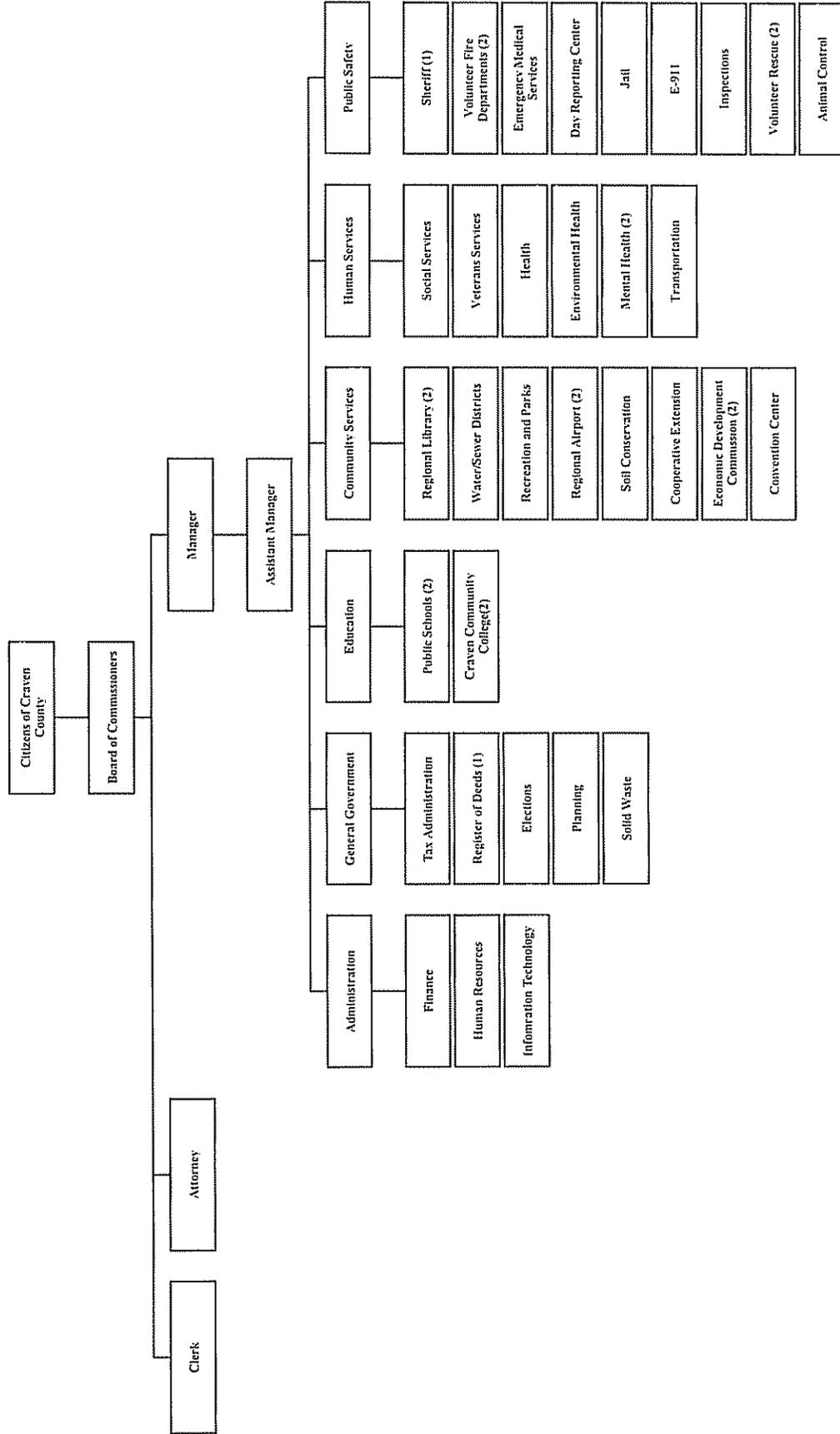
HAROLD BLIZZARD
County Manager

RICHARD F. HEMPHILL
Finance Officer

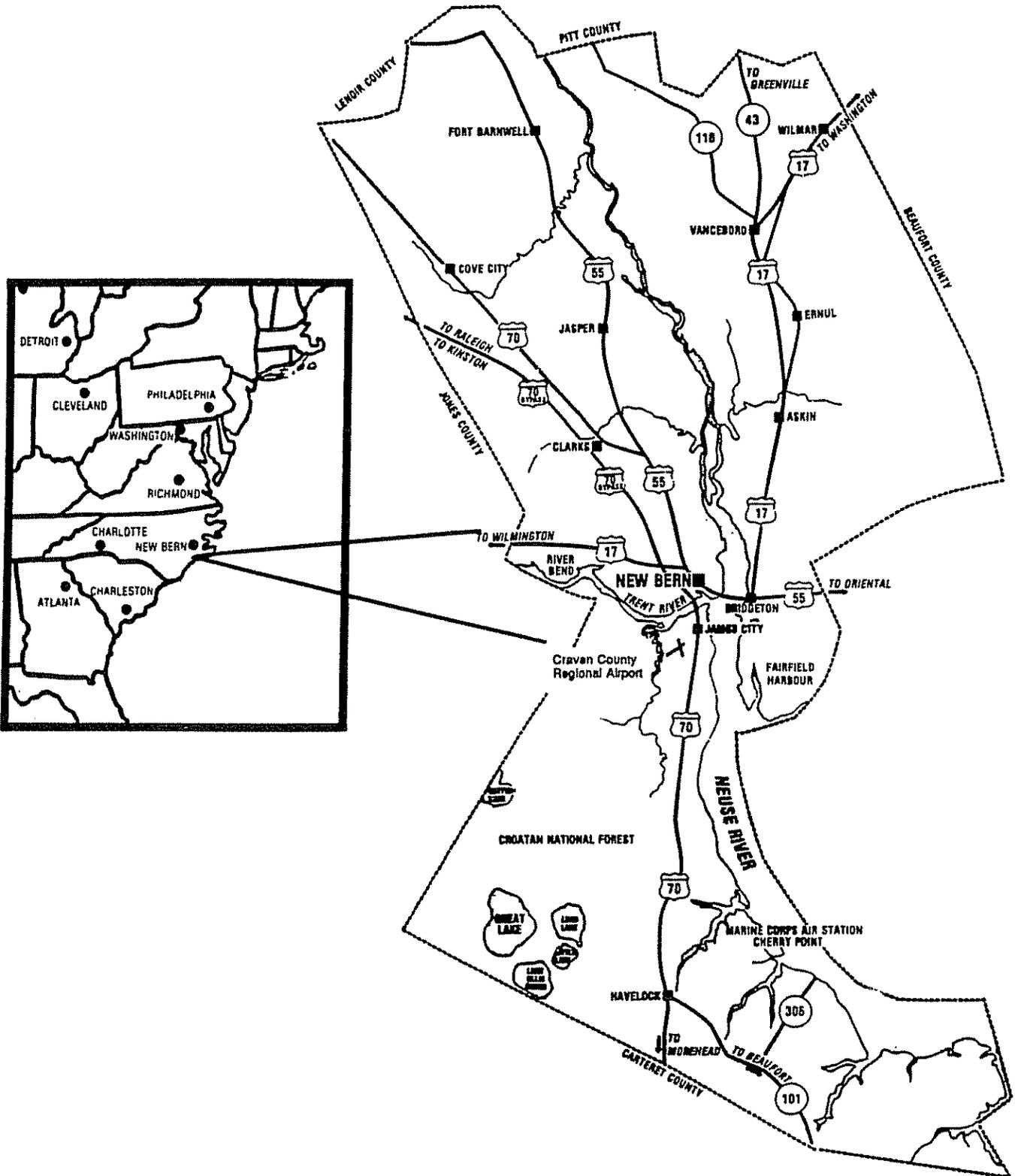
REBECCA S. THOMPSON
Register of Deeds

JERRY MONETTE
Sheriff

Craven County Organizational Chart



Craven County, North Carolina





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
- Other Financial Information

Craven County



**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

McGladrey & Pullen

Certified Public Accountants

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, 2006, 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 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 Regional Medical Authority and Craven County Alcoholic Beverage Control Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006 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.

The management's discussion and analysis and the other required supplementary information on pages 16 through 28 and page 85 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Craven County, North Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards and passenger facility charges is presented for additional analysis as required by the U. S. Office of Management and Budget 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 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Bern, North Carolina
August 31, 2006



MANAGEMENT'S DISCUSSION & ANALYSIS

Craven County

Management's Discussion and Analysis

June 30, 2006

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, 2006. 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

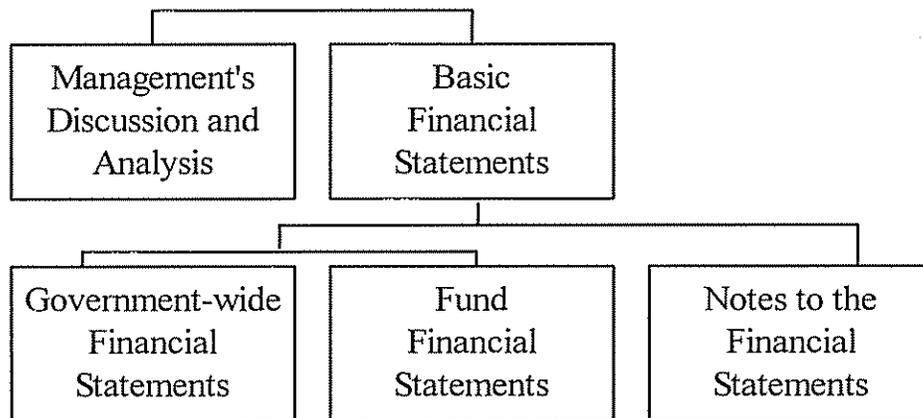
- The assets of Craven County exceeded its liabilities at the close of the fiscal year by \$40,913,956.
- The government's total net assets increased by \$7,921,742, due to: an increase of \$1,168,769 in the net assets of the Water Fund; an increase in cash and investments of \$2,243,255 in the governmental funds; an increase of \$725,812 in net capital assets of the governmental funds; and a reduction in the long term liabilities of the governmental funds in the amount of \$3,741,075. This compares to an increase in net assets of \$4,698,325 in fiscal year ending June 30, 2005.
- 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 assets related to school buildings. Under North Carolina law, the County is responsible for providing capital funding for the public schools and community college. The 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 record a liability for the debt issued to fund these projects. As of June 30, 2006, the outstanding balance of school related debt was \$40,560,000.
- As of the close of the current fiscal year, Craven County's governmental funds reported combined ending fund balances of \$29,267,480, an increase of \$2,789,000 for the year. This increase was the result of budgeted expenditures of the General Fund exceeding actual expenditures by approximately \$3,743,000 and actual revenues exceeding budgeted revenues by approximately \$2,045,000. The increase in revenues was due to higher than anticipated property tax revenue, sales tax revenue, charge for services by the Register of Deeds, and investment earnings. The lower than anticipated expenditures were primarily in the Health and Social Services departments. County Medicaid costs increased by only \$205,000 or 4.4 percent in fiscal 2006, a much lower increase than the County has experienced in recent years. Approximately 71 percent of the total governmental funds fund balance, or \$20,909,216 is available for spending at the government's discretion (unreserved fund balance). In 2005, unreserved fund balance was \$16,763,510 approximately 63 percent of the total fund balance.

- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15,740,109 or 19.0 percent of total General Fund expenditures (including transfer outs) for the fiscal year. In 2005, unreserved fund balance in the General Fund was \$12,266,875, or 15.6 percent of total expenditures.
- The County's bonded and installment debt decreased \$4,367,442 during the current fiscal year. No new debt was issued by the County during the fiscal year ended June 30, 2006, however, the County did enter into an installment financing in the amount of \$18,900,000 on July 19, 2006. The purpose of this borrowing was to fund: the construction of a new elementary school, the installation of fiber optic cable to connect all schools and college campuses, the construction of a park in the western portion of the county, and the design and site-work at the new law enforcement center. The overall reduction in total debt for fiscal 2006 was due to the normal amortization of principal balances.

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. Craven Regional Medical Center is a public hospital operated by the Craven Regional Medical Authority. The County Commissioners appoint the governing board of the Authority and can remove the board members at will. The Craven County Tourism Development Authority (TDA) and the Craven County 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 important to 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 29 and 30 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 fund 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 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 four 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 42 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 \$40,913,956 as of June 30, 2006. As of June 30, 2005, the net assets of Craven County stood at \$32,992,214. The County's net assets increased by \$7,921,742 for the fiscal year ended June 30, 2006.

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, vehicles, equipment, and water system infrastructure) net of accumulated depreciation, less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for current spending. Although the County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The County's investment in capital assets, net of related debt, increased by \$1,936,713 over the prior year. This increase resulted from the reduction of debt related to capital assets by \$1,221,505 as well as the increase in capital assets of the governmental funds in the amount of \$2,297,532. Accumulated depreciation increase of \$1,571,720 reduced the net capital asset increase to \$725,812 in the governmental funds. Business-type activities invested in capital assets, net of related debt remained virtually the same.

The second category of net assets is restricted net assets. This category represents resources that are subject to specific external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Sales tax proceeds restricted for school debt service and statutorily restricted revenues are typical of the type of items included in this category. This category of net assets decreased by \$1,752,274 this year as a result of the closing of the school roof project financed with school bonds.

The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2006, the unrestricted deficit of \$5,490,368 is attributable to the County's outstanding debt incurred for use by the Craven Community College and the Craven County Board of Education (the "schools") to construct, renovate, and equip schools. 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 consist of the following:

School system debt	\$ (40,560,000)
All other	<u>35,069,632</u>
Total unrestricted (deficit)	<u>\$ (5,490,368)</u>

Craven County's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 37,078,323	\$ 34,692,595	\$ 7,308,872	\$ 6,152,436	\$ 44,387,195	\$ 40,845,031
Capital assets, net	36,888,436	36,162,624	20,283,075	20,814,616	57,171,511	56,977,240
Total assets	73,966,759	70,855,219	27,591,947	26,967,052	101,558,706	97,822,271
Long-term liabilities/schools	40,560,000	43,185,000			40,560,000	43,185,000
Long-term liabilities/other	12,915,339	14,031,414	2,993,908	3,514,845	15,909,247	17,546,259
Other liabilities	3,757,342	3,657,700	418,161	441,098	4,175,503	4,098,798
Total liabilities	57,232,681	60,874,114	3,412,069	3,955,943	60,644,750	64,830,057
Net assets:						
Invested in capital assets, net of related debt	26,036,499	24,089,182	17,289,167	17,299,771	43,325,666	41,388,953
Restricted	3,078,658	4,830,932			3,078,658	4,830,932
Unrestricted (deficit)	(12,381,079)	(18,939,009)	6,890,711	5,711,338	(5,490,368)	(13,227,671)
Total net assets	\$ 16,734,078	\$ 9,981,105	\$ 24,179,878	\$ 23,011,109	\$ 40,913,956	\$ 32,992,214

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 98.14, up from 98.01 the previous year and higher than the statewide average of 97.04 percent for the previous year.
- General Fund actual revenues exceeded budgeted revenues by \$2,044,587. Actual property taxes collected were \$442,396 higher than the budgeted amount. Sales tax was \$347,407 more than the budgeted amount for the year due to higher than anticipated collections in the County. Charges for services were higher than budget due to a significant increase in fees collected by the Register of Deeds office. Interest earnings were also above the budgeted amount as rates increased during the year.
- An increase of 4.4 percent in property values countywide due to the continued steady growth in the County of both residential and commercial property as of January 1, 2005.

Craven County Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$13,036,343	\$11,688,519	\$ 3,296,858	\$ 3,003,662	\$16,333,201	\$14,692,181
Operating grants and contributions	16,518,785	16,562,896			16,518,785	16,562,896
Capital grants and contributions	746,337				746,337	
General revenues:						
Property taxes	37,864,384	33,462,209			37,864,384	33,462,209
Sales and use taxes	18,100,692	17,433,367			18,100,692	17,433,367
Other	3,192,273	2,885,101	369,941	308,516	3,562,214	3,193,617
Total revenues	89,458,814	82,032,092	3,666,799	3,312,178	93,125,613	85,344,270
Expenses:						
General government	7,391,683	6,557,817			7,391,683	6,557,817
Public safety	12,643,683	11,799,810			12,643,683	11,799,810
Environmental protection	5,105,286	4,943,096			5,105,286	4,943,096
Economic and physical development	2,658,847	3,873,381			2,658,847	3,873,381
Human services	30,241,160	28,279,531			30,241,160	28,279,531
Culture and recreation	2,077,212	1,898,961			2,077,212	1,898,961
Education	20,218,865	18,391,669			20,218,865	18,391,669
Interest on long term debt	2,414,904	2,593,134			2,414,904	2,593,134
Capital outlay		95,980				95,980
Water and sewer districts			2,452,231	2,212,566	2,452,231	2,212,566
Total expenses	82,751,640	78,433,379	2,452,231	2,212,566	85,203,871	80,645,945
Increase in net assets before transfers	6,707,174	3,598,713	1,214,568	1,099,612	7,921,742	4,698,325
Transfers	45,799	45,799	(45,799)	(45,799)	-	-
Increase in net assets	6,752,973	3,644,512	1,168,769	1,053,813	7,921,742	4,698,325
Net assets, beginning of year	9,981,105	6,336,593	23,011,109	21,957,296	32,992,214	28,293,889
Net assets, end of year	\$16,734,078	\$9,981,105	\$24,179,878	\$23,011,109	\$40,913,956	\$32,992,214

Governmental activities. Governmental activities increased the County's net assets by \$6,752,973. The increase in net assets was caused by \$7.4 million of higher revenues than the prior year and lower than expected expenses. Key elements of the increase in revenues are as follows:

- Charges for services revenue was up by \$1.3 million over the prior year. This was due primarily to fees related to the significant increase in construction. Register of Deeds fees made up \$542,000 of this, building inspection fees accounted for \$249,000, and environmental health fees were up by \$75,000. Fees generated by the jail were up by \$78,000 due to higher population of inmates. Fees charged by the health department for services were \$152,000 higher than the prior year and charges for ambulance service were up by \$127,000.
- Capital grants revenue was up by \$746,000 due to a grant to purchase new voting machines in the amount of \$417,000 and a grant to purchase new vehicles for the CARTS program for \$229,000.

- Property tax revenue was up by \$4.4 million due to a 4.4 percent increase in property values generating an additional \$1.5 million of property tax and a 5 cent increase in the property tax rate in fiscal 2006. This rate increase generated approximately \$2.9 million of additional taxes.
- Sales tax revenue was up by 3.8 percent, or \$667,000 due to the strong economic conditions in the County.
- Other earnings were higher than the prior year as a result of increasing interest rates during the year generating an additional \$475,000 of investment earnings.

Business-type activities. Business-type activities, the County's water utility, increased Craven County's net assets by \$1,168,769.

- Revenue increased by \$354,621 over the prior year which consisted of approximately \$300,000 of additional water charges and the remainder, an increase in investment earnings.
- Operating income decreased from 35.3% to 32.3% this year primarily due to an increase in depreciation of \$167,562 this year. The operating income was approximately \$1.1 million (approximately the same amount as last year) and resulted in an increase in net assets.
- The water utility rates remained unchanged during 2006 but were increased several years earlier in anticipation of upcoming capital needs related to alternative water sources. The State has mandated reductions in the amount of water withdrawn from the Black Creek aquifer used by the County. Currently this aquifer is the single source of water. The rate increase was put into effect to provide funds to evaluate and implement other sources of water for the County. During the fiscal year the County drilled test wells into the Pee Dee aquifer as an alternate water source in anticipation of mixing at the wells water from both aquifers, thereby reducing the amount from the Black Creek aquifer. Results of those test wells indicate that the project will work and postpone the time until the County will be forced to build a water treatment plant which would result in higher operating costs and a corresponding increase in water rates. The water utility is also developing an aggressive conservation program to reduce water consumption and withdrawals from the current aquifer.

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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Craven County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$15,740,109, an increase of \$3,473,234, while total fund balance increased by \$2,975,848 to \$22,113,221. The increase in the General Fund balance for the year was 15.5 percent. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19.0 percent of total General Fund expenditures (including transfers out), while total fund balance represents 26.6 percent of that same amount. The increase in fund balance was not unexpected. It was the desire of the Board of Commissioners to increase the fund balance that had declined in the past several years as a percentage of expenditures.

Expenditures in the general fund were approximately \$3.7 million less than budget due primarily to the lower expenditures in the health and social services departments. Expenditures of the governmental funds increased by \$4.2 million over last year but this increase was more than offset by the \$7.4 million increase in revenues over the past year.

At June 30, 2006, the governmental funds of Craven County reported a combined fund balance of \$29,267,480, a 9.5 percent increase over last year. This increase was due to the increased revenues in the General Fund, previously discussed, and the resulting increase in the General Fund balance.

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 increased revenues by \$2.1 million including the following.

- \$300,000 due to increased collection of sales tax over the original anticipated amount.
- \$400,000 of General Fund balance was appropriated to purchase land adjacent to Creekside Park to protect the buffer zone around the airport. This land will become part of the Park in the future.
- Grants in the amount of \$396,000 were received from the Federal government, through the State Board of Elections to purchase new voting equipment for the County. Additionally the County appropriated \$102,000 from the General Fund balance to complete the purchase.
- The budget for fees charged by the Register of Deeds was increased by approximately \$350,000 due to continued increase in real estate transactions in the County. The amendment was required because a portion of these fees are mandated to be sent to the State.
- Ambulance fees revenues were increased by \$160,000 during the year due to a higher than anticipated demand for the service. These funds are distributed to the volunteer rescue squads as part of their support provided by the County.

- Additional day care subsidy revenue was received during the year in the amount of \$288,000 and increased the expenditure of day care for qualified citizens.

Expenditures in the final budget were increased by approximately \$2.9 million from the original budget. The changes included \$979,976 being appropriated from the General Fund balance during the year. Of this amount, \$400,000 was for the acquisition of land and \$102,000 was for voting machines, previously mentioned above. The remainder of the fund balance appropriations during the year of \$478,000 was for a variety of expenditures, none of which were significant in themselves. This was in addition to the expenditures related to the intergovernmental revenues and charges for services mentioned in the previous paragraph.

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 \$1,179,373 to \$6,890,711. This was a result of revenues exceeding expenses by \$1,168,769 and a decrease of \$10,604 in the invested in capital assets, net of related debt. Other 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, 2006, totaled \$57,171,511 (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 during the year included:

- Purchase new vehicles for the sheriff department
- Donation of land from the Board of Education and purchase of adjacent piece of property for park in the western portion of County
- Purchase of land adjacent to existing Creekside park to provide buffer for airport
- Purchase backhoe for use at the County's solid waste convenience centers
- Purchase new voting machines
- Purchase of new chiller for convention center
- Dispose of old vehicles of Sheriff Department
- Dispose of old voting machines
- Construction of additional water lines in northwest portion of the County

Craven County's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 6,880,062	\$ 6,262,622	\$194,152	\$170,484	\$ 7,074,214	\$ 6,433,106
Buildings	35,564,153	35,498,123	563,318	563,318	36,127,471	36,061,441
Improvements	3,681,220	3,667,220	27,359,335	26,432,620	31,040,555	30,099,840
Machinery and equipment	4,925,168	4,884,463	339,374	339,373	5,264,542	5,223,836
Vehicles	4,604,161	4,271,345	230,150	206,097	4,834,311	4,477,442
Construction in progress	1,322,522	95,980	139,235	746,545	1,461,757	842,525
Total	56,977,286	54,679,753	28,825,564	28,458,437	85,802,850	83,138,190
Less accumulated depreciation	20,088,850	18,517,129	8,542,489	7,643,821	28,631,339	26,160,950
Total net of depreciation	\$36,888,436	\$36,162,624	\$20,283,075	\$20,814,616	\$57,171,511	\$56,977,240

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, 2006, Craven County had total bonded general obligation debt outstanding of \$43,022,500. Of this amount, \$41,740,000 is debt backed by the full faith and credit of the County. Included in this amount is \$1,180,000 of general obligation debt issued by the County on behalf of the Craven 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, \$1,282,500 is debt backed by the full faith and credit of five water and sewer districts, blended component units of the County.

Craven County's Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
G. O. bonds	\$40,560,000	\$43,185,000	1,282,500	1,690,800	\$41,842,500	\$44,875,800
Installment debt	10,851,937	12,073,442	1,711,408	1,824,045	12,563,345	13,897,487
Total long debt	\$51,411,937	\$55,258,442	\$2,993,908	\$3,514,845	\$54,405,845	\$58,773,287

Craven County's total bonded and installment debt decreased by \$4,367,442 (7.4 percent) during the past fiscal year. This decrease was due to the normal scheduled payment of debt.

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 \$432,101,000.

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 the growth and prosperity of the County:

- The annual average unemployment rate for calendar year 2005 was 5.0 percent in the County, compared with a State rate of 5.2 percent.
- The number of building permits issued by the County in fiscal 2006 was up 21 percent from 2005, due to increases in both commercial and residential building.
- Per capita income for the years 1994-2004 for Craven County shows an average annual growth rate of 4.3 percent, while the average annual growth rate for the State was 3.7 percent and 4.1 percent for the nation. The County's per capita income increased 8.9 percent in calendar 2004 (the latest year information is available) while the State increased 5.3 percent and the nation by 5.0 percent. The County's per capita income level is 100 percent of the state average and 89 percent of the national average.

Budget Highlights for the Fiscal Year Ending June 30, 2007

Governmental Activities: The County has approved an \$86 million General Fund budget for fiscal year 2007. This budget was adopted with no increase in the advalorem tax rate of 61 cents per \$100 of property valuation.

Property values are estimated to increase 6.07 percent over last years estimate resulting in higher property tax revenue. The budget for fiscal 2007 includes several new positions and increased capital outlay. Funding for the public schools and community college were both increased and \$2.9 million was budgeted to transfer to the capital reserve for upcoming projects anticipated by the County.

As was previously mentioned, the County borrowed \$18.9 million in July of 2007 to fund the construction of a new elementary school, site work at the law enforcement center, a fiber optic project and a new park. The borrowing is considered an interim financing and will be taken out by a certificate of participation issue in the spring of 2007 after bids have been opened for the law enforcement center. The amount of the eventual borrowing will be approximately \$45 to \$50 million.

Business-type Activities: There were no rate increases or unusual items included in the budget for fiscal 2007 for the County water function.

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, 2006

	Primary Government		Component Units			
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Craven County Regional Authority	Craven County Board
ASSETS						
Cash and cash equivalents	\$ 1,753,238	\$ 282,330	\$ 2,035,568	\$ 103,161	\$ 250,451	\$ 11,870,515
Short-term investments	25,565,059	5,900,000	31,465,059	150,000	750,000	39,447,067
Accounts receivables (net)	1,462,127	731,542	2,193,669	482	510,834	30,181,333
Taxes receivables (net)	6,641,391	-	6,641,391	-	-	-
Accrued interest receivable	448,850	-	448,850	-	-	-
Due from other government inventories	-	395,000	395,000	-	-	-
Prepaid items	-	-	-	-	-	4,366,527
Deferred charges - issuance costs	131,724	-	131,724	-	-	920,569
Deferred charges - refunding	1,075,934	-	1,075,934	-	-	-
Long-term cash and investments	-	-	-	-	-	126,567,074
Other assets	-	-	-	-	-	463,504
Capital assets:						
Land, improvements, and construction in progress	8,202,584	333,387	8,535,971	-	7,048,813	4,058,329
Other capital assets, net of depreciation/amortization	28,685,852	19,949,688	48,635,540	-	13,245,600	85,112,851
Total capital assets	36,888,436	20,283,075	57,171,511	-	20,294,413	89,171,180
Total assets	73,966,759	27,591,947	101,558,706	253,643	21,805,698	302,987,769
LIABILITIES						
Accounts payable	1,770,546	45,616	1,816,162	-	49,746	21,029,658
Accrued salaries and benefits	1,247,543	25,916	1,273,459	-	33,692	8,663,438
Unearned revenue	399,016	332,281	731,297	-	-	63,750
Accrued interest payable	340,237	14,348	354,585	-	33,172	368,817
Long-term liabilities:						
Due within one year	5,133,756	555,637	5,689,393	-	430,204	438,649
Due in more than one year	48,341,583	2,438,271	50,779,854	-	3,501,425	4,925,967
Total liabilities	57,232,681	3,412,069	60,644,750	-	4,048,239	35,490,279
NET ASSETS						
Invested in capital assets, net of related debt	26,036,499	17,289,167	43,325,666	-	16,362,784	83,806,564
Restricted for:						
Debt service-education	1,785,304	-	1,785,304	-	-	-
Public safety	1,293,354	-	1,293,354	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted (deficit)	(12,381,079)	6,890,711	(5,490,368)	253,643	1,394,675	183,690,926
Total net assets	\$ 16,734,078	\$ 24,179,878	\$ 40,913,956	\$ 253,643	\$ 17,757,459	\$ 267,497,490
						\$ 2,135,058

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, 2006

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	Tourism Development Authority	Craven County Regional Airport Authority	Craven County Medical Authority	Craven County ABC Board								
Primary government:																		
Governmental:	\$ 7,391,683	\$ 2,406,806	\$ 1,147,799	\$ 417,447	\$ (3,419,631)	\$.	\$ (3,419,631)											
General government	12,643,683	2,148,811	651,655	34,526	(9,808,691)		(9,808,691)											
Public safety	22,822,110	626,859	11,834,461	228,739	(10,132,051)		(10,132,051)											
Social Services	2,658,847	916,702	50,750		(1,691,395)		(1,691,395)											
Economic and physical development	5,105,286	2,462,004	168,890		(2,474,392)		(2,474,392)											
Environmental protection	7,419,050	4,436,213	1,473,080		(1,509,757)		(1,509,757)											
Health	2,077,212	38,948	9,250	65,625	(1,963,389)		(1,963,389)											
Cultural and recreation	30,218,865		1,182,900		(19,035,965)		(19,035,965)											
Education	2,414,904				(2,414,904)		(2,414,904)											
Interest on long-term debt	82,751,640	13,036,343	16,518,785	746,337	(52,450,175)		(52,450,175)											
Total governmental activities						844,627	844,627											
Business-type:						844,627	844,627											
Waiver	2,452,231	3,296,858				844,627	844,627											
Total business-type activities	2,452,231	3,296,858				844,627	844,627											
Total primary government	\$ 85,203,871	\$ 16,333,201	\$ 16,518,785	\$ 746,337	\$ (52,450,175)	844,627	844,627											
Component units:																		
Tourism Development Authority	\$ 342,351	\$ 396,981	\$.	\$.	\$.	\$ 54,630	\$ 54,630	\$ 761,382	\$ 761,382	\$ 4,103,660	\$ 4,103,660	\$.	\$.	\$.	\$.	\$.	\$.	\$.
Airport Authority	2,391,505	1,478,254	1,674,633															
Medical Authority	176,405,962	180,509,622																
ABC Board	4,719,432	5,001,297																
Total component units	\$ 183,859,250	\$ 187,386,154	\$ 1,674,633	\$.	\$.	\$ 54,630	\$ 54,630	\$ 761,382	\$ 761,382	\$ 4,103,660	\$ 4,103,660	\$.						
General revenues:																		
Taxes:																		
Property taxes, levied for general purposes						37,864,384	37,864,384											
Local option sales tax						18,100,692	18,100,692											
Other taxes and licenses						716,807	716,807											
Investment earnings, unrestricted						1,250,704	246,435			10,698	10,698							
Miscellaneous, unrestricted						1,254,762	123,506			4,605	4,605							
Transfers						45,799	(45,799)											
Total general revenues and transfers						59,203,148	324,142			15,303	15,303							
Change in net assets						6,752,973	1,168,769			69,933	69,933							
Net assets-beginning						9,981,105	23,011,009			183,710	183,710							
Net assets-ending						\$ 16,734,078	\$ 24,179,878			\$ 253,643	\$ 253,643							
						\$ 40,913,956	\$ 40,913,956			\$ 267,497,390	\$ 267,497,390							

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

CRAVEN COUNTY, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006**

	General	County Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 859,291	\$ 91,340	\$ 622,873	\$ 1,573,504
Short-term investments	19,315,059	3,500,000	1,850,000	24,665,059
Taxes receivable	6,604,133	-	37,258	6,641,391
Accounts receivable	922,655	7,277	197,792	1,127,724
Due from other funds	-	-	890,484	890,484
Total assets	<u>\$ 27,701,138</u>	<u>\$ 3,598,617</u>	<u>\$ 3,598,407</u>	<u>\$ 34,898,162</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,215,396	\$ -	\$ 3,359	\$ 1,218,755
Accrued salaries and benefits	1,245,395	-	2,148	1,247,543
Due to other funds	890,484	-	-	890,484
Deferred revenue	2,236,642	-	37,258	2,273,900
Total liabilities	<u>5,587,917</u>	<u>-</u>	<u>42,765</u>	<u>5,630,682</u>
Fund balances:				
Reserved for:				
State statute	5,689,161	7,277	192,571	5,889,009
Debt service	-	-	1,785,304	1,785,304
Future wireless enhanced E-911 expenditures	578,914	-	-	578,914
Future wired enhanced E-911 expenditures	104,956	-	-	104,956
Future law enforcement expenditures	81	-	-	81
Unreserved:				
Designated for subsequent year's expenditures, reported in:				
General fund	1,112,286	-	-	1,112,286
Special revenue funds	-	-	417,160	417,160
Capital project funds	-	3,591,340	1,160,607	4,751,947
Undesignated, reported in:				
General fund	14,627,823	-	-	14,627,823
Total fund balances	<u>22,113,221</u>	<u>3,598,617</u>	<u>3,555,642</u>	<u>29,267,480</u>
Total liabilities and fund balances	<u>\$ 27,701,138</u>	<u>\$ 3,598,617</u>	<u>\$ 3,598,407</u>	<u>\$ 34,898,162</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, 2006**

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

Fund balance at June 30, 2006 - total governmental funds (page 31)	\$ 29,267,480
Capital assets used in governmental activities that are not current financial resources and therefore are not reported in the funds.	36,888,436
Other assets are not available to pay for current-period expenditures and therefore are not recognized in the funds.	1,656,508
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.	862,346
Liabilities for earned but deferred revenues in the fund.	1,874,884
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>(53,815,576)</u>
Net assets of governmental activities at June 30, 2006 (page 29)	<u>\$ 16,734,078</u>

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

CRAVEN COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2006

	General	County Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 36,526,061	\$ -	\$ 1,350,490	\$ 37,876,551
Sales	17,402,407	-	698,285	18,100,692
Tourism Room	-	-	716,807	716,807
Intergovernmental	16,043,972	-	1,221,150	17,265,122
Charges for services	13,206,633	-	264,108	13,470,741
Interest	930,043	104,333	156,596	1,190,972
Miscellaneous	998,896	-	-	998,896
Total revenues	<u>85,108,012</u>	<u>104,333</u>	<u>4,407,436</u>	<u>89,619,781</u>
EXPENDITURES				
Current:				
General government	8,184,503	-	7,600	8,192,103
Public safety	9,740,681	-	3,411,054	13,151,735
Environmental protection	5,080,695	-	22,400	5,103,095
Economic and physical development	2,093,993	-	100,390	2,194,383
Health	7,072,213	-	-	7,072,213
Social services	22,624,569	-	-	22,624,569
Culture and recreation	2,136,565	-	-	2,136,565
Education	18,251,736	-	1,967,129	20,218,865
Debt service:				
Principal	1,321,504	-	2,525,000	3,846,504
Interest	580,409	-	1,756,139	2,336,548
Total expenditures	<u>77,086,868</u>	<u>-</u>	<u>9,789,712</u>	<u>86,876,580</u>
Excess of revenues over (under) expenditures	<u>8,021,144</u>	<u>104,333</u>	<u>(5,382,276)</u>	<u>2,743,201</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	852,368	2,017,900	6,212,050	9,082,318
Transfers out	(5,897,664)	(1,258,221)	(1,880,634)	(9,036,519)
Total other financing sources (uses)	<u>(5,045,296)</u>	<u>759,679</u>	<u>4,331,416</u>	<u>45,799</u>
Net change in fund balances	2,975,848	864,012	(1,050,860)	2,789,000
FUND BALANCES:				
Beginning	<u>19,137,373</u>	<u>2,734,605</u>	<u>4,606,502</u>	<u>26,478,480</u>
Ending	<u>\$ 22,113,221</u>	<u>\$ 3,598,617</u>	<u>\$ 3,555,642</u>	<u>\$ 29,267,480</u>

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, 2006**

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

Net change in fund balances - total governmental funds (page 33)	\$ 2,789,000
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.	734,446
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets.	(8,634)
Reduction of revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(22,826)
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.	3,647,516
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>(386,529)</u>
Change in net assets of governmental activities (page 30)	<u>\$ 6,752,973</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, 2006
 (Page 1 of 3)**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 36,082,853	\$ 36,083,665	\$ 36,526,061	\$ 442,396
Sales (Note 20)	16,755,000	17,055,000	17,402,407	347,407
Intergovernmental	14,976,705	16,071,754	16,043,972	(27,782)
Charges for services	11,936,529	12,608,115	13,206,633	598,518
Interest	350,850	350,850	930,043	579,193
Miscellaneous	870,782	894,041	998,896	104,855
Total revenues	<u>80,972,719</u>	<u>83,063,425</u>	<u>85,108,012</u>	<u>2,044,587</u>
EXPENDITURES				
General government:				
Commissioners	480,271	471,061	431,312	39,749
Administration	537,497	493,394	479,518	13,876
Personnel	422,638	417,113	362,444	54,669
Data processing	734,653	735,035	720,694	14,341
Finance	680,613	671,036	664,032	7,004
Elections	215,029	728,287	652,501	75,786
Tax assessor	956,670	926,665	848,678	77,987
Tax collections	431,122	482,905	460,421	22,484
Register of deeds	968,691	1,426,168	1,406,680	19,488
Public buildings	181,811	604,909	586,378	18,531
Housekeeping	202,100	202,435	198,404	4,031
Court facilities	309,683	307,170	299,415	7,755
Maintenance	336,515	337,263	315,845	21,418
Non-departmental	803,091	766,047	758,181	7,866
Total general government	<u>7,260,384</u>	<u>8,569,488</u>	<u>8,184,503</u>	<u>384,985</u>
Public safety:				
Animal control	293,989	292,113	281,263	10,850
Medical examiner	66,500	66,500	64,675	1,825
Sheriff	4,213,212	4,333,859	4,322,895	10,964
Criminal Justice Partnership Program	99,370	98,584	98,541	43
Jail	2,514,657	2,506,853	2,495,751	11,102
Communications	448,010	517,797	514,667	3,130
Fire marshal/ Emergency management	230,246	282,035	272,199	9,836
Inspections	442,839	459,137	439,732	19,405
Volunteer rescue squads	1,043,172	1,257,745	1,231,735	26,010
Special appropriation	1,200	1,200	1,200	-
Wired E-911 system	19,560	19,560	5,874	13,686
Wireless	24,000	24,000	12,149	11,851
Total public safety	<u>9,396,755</u>	<u>9,859,383</u>	<u>9,740,681</u>	<u>118,702</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, 2005
(Page 2 of 3)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
Environmental protection:				
Solid waste	\$ 3,504,547	\$ 3,634,309	\$ 3,559,008	\$ 75,301
Environmental health	1,186,934	1,188,227	1,091,231	96,996
Soil conservation	140,466	141,959	139,322	2,637
Cooperative extension	301,227	302,057	291,134	10,923
Total environmental protection	<u>5,133,174</u>	<u>5,266,552</u>	<u>5,080,695</u>	<u>185,857</u>
Economic and physical development:				
Planning	440,036	452,542	427,137	25,405
Economic development	543,971	568,470	477,308	91,162
Convention Center	984,028	1,105,159	1,070,279	34,880
Other-Legal	-	139,000	119,269	19,731
Total economic and physical development	<u>1,968,035</u>	<u>2,265,171</u>	<u>2,093,993</u>	<u>171,178</u>
Health:				
Dental	309,358	309,358	290,991	18,367
Maternity	1,101,042	1,100,042	1,012,680	87,362
Child health	1,572,041	1,658,115	1,568,217	89,898
Risk Reduction	334,562	240,543	214,158	26,385
WIC - administration	497,974	507,258	455,980	51,278
Adult Health Services	102,398	110,227	96,322	13,905
Vector Control	126,013	129,013	124,658	4,355
Communicable Disease	318,237	318,237	303,648	14,589
Bio-Terrorism	69,019	77,478	76,959	519
Family planning	547,252	561,752	533,029	28,723
Home health	2,207,537	2,223,101	2,025,422	197,679
Mental health	271,827	273,557	273,551	6
Other - unclassified	962,304	977,370	96,598	880,772
Total health	<u>8,419,564</u>	<u>8,486,051</u>	<u>7,072,213</u>	<u>1,413,838</u>
Social services:				
Transportation	1,122,482	1,244,113	1,162,258	81,855
Administration	1,982,435	2,006,084	1,736,517	269,567
Employment assistance	2,449,875	2,439,059	2,296,477	142,582
Adult/child services	1,599,706	1,633,096	1,529,867	103,229
Veterans services	113,110	116,959	113,794	3,165
Senior services	409,070	402,548	375,212	27,336
Public assistance payments	10,803,929	10,831,784	10,361,999	469,785
TANF	4,736,445	5,035,881	4,686,087	349,794
Other - unclassified	360,396	363,977	362,358	1,619
Total social services	<u>23,577,448</u>	<u>24,073,501</u>	<u>22,624,569</u>	<u>1,448,932</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, 2006
(Page 3 of 3)

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation				
Recreation	\$ 795,557	\$ 838,159	\$ 822,955	\$ 15,204
Libraries	1,063,993	1,063,993	1,063,993	-
Special appropriation	194,863	253,978	249,617	4,361
Total culture and recreation	<u>2,054,413</u>	<u>2,156,130</u>	<u>2,136,565</u>	<u>19,565</u>
Education, schools				
Public schools - current expenditures	14,666,053	14,666,053	14,666,053	-
Public schools - capital outlay	750,000	750,000	750,000	-
Community college	2,835,683	2,835,683	2,835,683	-
Total education	<u>18,251,736</u>	<u>18,251,736</u>	<u>18,251,736</u>	<u>-</u>
Debt service:				
Principal	1,321,392	1,321,505	1,321,504	1
Interest	580,522	580,411	580,409	2
Total debt service	<u>1,901,914</u>	<u>1,901,916</u>	<u>1,901,913</u>	<u>3</u>
Total expenditures	<u>77,963,423</u>	<u>80,829,928</u>	<u>77,086,868</u>	<u>3,743,060</u>
Excess of revenues over expenditures	<u>3,009,296</u>	<u>2,233,497</u>	<u>8,021,144</u>	<u>5,787,647</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	913,301	1,021,522	852,368	(169,154)
Transfers out	(5,596,200)	(5,923,565)	(5,897,664)	25,901
Total other financing sources (uses)	<u>(4,682,899)</u>	<u>(4,902,043)</u>	<u>(5,045,296)</u>	<u>(143,253)</u>
Net change in fund balance	(1,673,603)	(2,668,546)	2,975,848	5,644,394
FUND BALANCE				
Beginning	<u>19,137,373</u>	<u>19,137,373</u>	<u>19,137,373</u>	<u>-</u>
Ending	<u>\$ 17,463,770</u>	<u>\$ 16,468,827</u>	<u>\$ 22,113,221</u>	<u>\$ 5,644,394</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, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest		Total	
		Craven Water and Sewer District	Aggregate Nonmajor Funds		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 282,330	\$ -	\$ -	\$ 282,330	\$ 179,734
Short-term investments	5,900,000	-	-	5,900,000	900,000
Accounts receivable, net of allowance for doubtful accounts	731,542	-	-	731,542	334,403
Due from other government-current	-	-	50,000	50,000	-
Total current assets	6,913,872	-	50,000	6,963,872	1,414,137
Noncurrent Assets:					
Due from other government-noncurrent	-	-	345,000	345,000	-
Capital assets:					
Land	194,152	-	-	194,152	-
Improvements other than buildings	27,359,335	-	-	27,359,335	-
Buildings	563,318	-	-	563,318	-
Machinery and equipment	569,524	-	-	569,524	-
Construction in progress	139,235	-	-	139,235	-
Less accumulated depreciation	(8,542,489)	-	-	(8,542,489)	-
Total capital assets (net of accumulated depreciation)	20,283,075	-	-	20,283,075	-
Total noncurrent assets	20,283,075	-	345,000	20,628,075	-
Total assets	27,196,947	-	395,000	27,591,947	1,414,137
LIABILITIES					
Current liabilities:					
Accounts payable	45,616	-	-	45,616	551,791
Accrued salaries and benefits	25,916	-	-	25,916	-
Accrued interest payable	-	11,077	3,271	14,348	-
Customer deposits payable	332,281	-	-	332,281	-
Installment notes payable-current	-	107,312	5,325	112,637	-
General obligation bonds payable-current	-	246,500	196,500	443,000	-
Total current liabilities	403,813	364,889	205,096	973,798	551,791
Noncurrent liabilities:					
Installment notes payable	-	1,550,846	47,925	1,598,771	-
General obligation bonds payable	-	273,000	566,500	839,500	-
Internal balances	2,613,256	(2,188,735)	(424,521)	-	-
Total noncurrent liabilities	2,613,256	(364,889)	189,904	2,438,271	-
Total liabilities	3,017,069	-	395,000	3,412,069	551,791
NET ASSETS					
Invested in capital assets, net of related debt	20,283,075	(2,177,658)	(816,250)	17,289,167	-
Unrestricted	3,896,803	2,177,658	816,250	6,890,711	862,346
Total net assets	\$ 24,179,878	\$ -	\$ -	\$ 24,179,878	\$ 862,346

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, 2006**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest		Total	
		Craven Water and Sewer District	Aggregate Nonmajor Funds		
OPERATING REVENUES					
Charges for services	\$ 3,296,858	\$ -	\$ -	\$ 3,296,858	\$ 3,751,371
Miscellaneous	123,506	-	-	123,506	6
Total operating revenues	<u>3,420,364</u>	<u>-</u>	<u>-</u>	<u>3,420,364</u>	<u>3,751,377</u>
OPERATING EXPENSES					
Cost of services	1,416,040	-	-	1,416,040	4,197,634
Depreciation and amortization	898,667	-	-	898,667	-
Total operating expenses	<u>2,314,707</u>	<u>-</u>	<u>-</u>	<u>2,314,707</u>	<u>4,197,634</u>
Operating income (loss)	<u>1,105,657</u>	<u>-</u>	<u>-</u>	<u>1,105,657</u>	<u>(446,257)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	246,435	-	-	246,435	59,728
Interest expense	-	(99,971)	(37,553)	(137,524)	-
Total net nonoperating revenues (expenses)	<u>246,435</u>	<u>(99,971)</u>	<u>(37,553)</u>	<u>108,911</u>	<u>59,728</u>
Income (loss) before transfers	1,352,092	(99,971)	(37,553)	1,214,568	(386,529)
Transfers in	16,200	99,971	37,553	153,724	-
Transfers out	(199,523)	-	-	(199,523)	-
Total transfers in (out)	<u>(183,323)</u>	<u>99,971</u>	<u>37,553</u>	<u>(45,799)</u>	<u>-</u>
Change in net assets	1,168,769	-	-	1,168,769	(386,529)
Total net assets - beginning	<u>23,011,109</u>	<u>-</u>	<u>-</u>	<u>23,011,109</u>	<u>1,248,875</u>
Total net assets - ending	<u>\$ 24,179,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,179,878</u>	<u>\$ 862,346</u>

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, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest Craven Water and Sewer District	Aggregate Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,234,781	\$ -	\$ -	\$ 3,234,781	\$ 3,426,784
Payments to customers and suppliers	(821,634)	-	-	(821,634)	(3,978,356)
Payments to employees	(572,976)	-	-	(572,976)	-
Net cash provided by (used in) operating activities	1,840,171	-	-	1,840,171	(551,572)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(367,124)	-	-	(367,124)	-
Repayment of installment notes and bonds	-	(331,412)	(139,525)	(470,937)	-
Payments on obligations under capital lease payable	(470,937)	-	-	(470,937)	-
Proceeds from investment in direct finance leasing	-	331,412	139,525	470,937	-
Interest paid	(181,893)	-	-	(181,893)	-
Net cash used in capital and related financing activities	(1,019,954)	-	-	(1,019,954)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(45,799)	-	-	(45,799)	-
Net cash used in noncapital financing activities	(45,799)	-	-	(45,799)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds (purchase) of short-term investments	(1,300,000)	-	-	(1,300,000)	400,000
Interest on cash and investments	246,435	-	-	246,435	59,728
Net cash provided by (used in) investing activities	(1,053,565)	-	-	(1,053,565)	459,728
Net decrease in cash and cash equivalents	(279,147)	-	-	(279,147)	(91,844)
CASH AND CASH EQUIVALENTS					
Beginning	561,477	-	-	561,477	271,578
Ending	\$ 282,330	\$ -	\$ -	\$ 282,330	\$ 179,734
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,105,657	\$ -	\$ -	\$ 1,105,657	\$ (446,257)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	898,667	-	-	898,667	-
Change in assets and liabilities:					
Accounts receivable	(185,583)	-	-	(185,583)	(324,593)
Accounts payable	22,191	-	-	22,191	219,278
Customer deposits payable	(761)	-	-	(761)	-
Net cash provided by operating activities	\$ 1,840,171	\$ -	\$ -	\$ 1,840,171	\$ (551,572)
SUPPLEMENTAL SCHEDULE OF FINANCING ACTIVITIES					
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, 2006

	<u>All Agency Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ <u>127,655</u>
Total assets	<u><u>127,655</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ <u>127,655</u>
Total liabilities	<u><u>127,655</u></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.

Craven County



NOTES TO FINANCIAL STATEMENTS INDEX

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Craven County, North Carolina

Notes to Financial Statements

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

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 Authority, as the Authority derives its revenues through a special room occupancy tax authorized and revocable by the County Commissioners. The Authority does not issue separate financial statements.

Craven County Regional Airport Authority. The Craven County 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 authority 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.

Craven Regional Medical Authority. The Craven County Commissioners established the Craven Regional Medical Authority ("Medical Authority") to provide medical services to County residents. The Commissioners select the Medical Authority's governing board and can remove Medical Authority board members at will. The Medical Authority must also receive approval from the County Commissioners before issuing revenue bonds. The Medical Authority's financial statements are presented as of and for the year ended September 30, 2005 as if it were a proprietary fund. Complete financial statements for the Medical Authority 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, 2006 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, Significant Accounting Policies and Basis of Accounting (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
Township 6 Water and Sewer District
Pembroke Water and Sewer District

Northwest Craven Water and Sewer District
Tuscarora Rhems 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 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.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting
(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. 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 all financial resources of the general government, except those required to be accounted for in another fund.

County Reserve Fund. This is used to reserve funds and provide financial resources for future capital project funds.

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.

Notes to Financial Statements

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

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; the Juvenile Restitution Fund, which accounts for State monies to be expended for services to juveniles; the Department of Motor Vehicle Interest Fund, 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 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.

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.

Notes to Financial Statements

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

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 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 those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. 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, 2006 because they are intended to finance the County's operations during the 2007 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.

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.

Notes to Financial Statements

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

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 at July 1, 2005, and the budget as amended at June 30, 2006.

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 \$10,000; however, the governing board must approve any revisions that alter total expenditures of any fund or exceed \$10,000. 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 (2006 CDBG Scattered Sites Fund and Core Creek Clean Water 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.

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (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 fiduciary fund type.

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. Craven Regional Medical Authority and Craven County Alcoholic Beverage Control Board (proprietary discrete component units) do 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.

The County and all component units other than the Craven Regional Medical Authority 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.

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 Medical Authority 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 nonoperating income. Interest and dividends on investments in debt and equity securities are included in nonoperating income when earned.

Craven County, North Carolina

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (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 \$100,000 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, 2006:

	Component Unit Craven Regional Medical Authority
Patient receivables (at September 30, 2005)	\$ 8,365,417

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 Medical Authority 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 Medical Authority inventory consists of expendable items, including pharmaceuticals and general supplies, held for sale to patients or consumption. The Medical Authority 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, 2006, are recorded as prepaid items.

Assets Limited As To Use. Assets whose use is limited reported by the Medical Authority include assets and accrued interest receivables set aside by the Authority 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, Significant Accounting Policies and Basis of Accounting (Continued)

Bond Issuance Costs. Bond issuance costs 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 revenue bonds issued in the Enterprise funds.

Intangible Assets. Intangible capital assets consists of goodwill of the Medical Authority 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 Medical Authority evaluates goodwill for impairment.

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

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, Significant Accounting Policies and Basis of Accounting (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 an other financing source and is not considered fund liabilities.

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	\$ 349,553	\$ 349,553
Prepaid fees	49,463	49,463
Property taxes receivable, net (General)	1,713,698	-
Property taxes receivable, net (Special Revenue)	37,258	-
Recycling fees receivable	123,928	-
Total deferred revenue	\$ 2,273,900	\$ 399,016

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, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

Notes to Financial Statements

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

The governmental funds classify fund balances as follows:

Reserved

Reserved 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 that are not offset by deferred revenues

Reserved for debt service – portion of fund balance available for retirement of long-term debt

Reserved for future Wireless Enhanced E-911 - portion of fund balance available for appropriation that has been designated to be restricted to Wireless Enhanced E-911 system purposes.

Reserved for future Wired Enhanced E-911 - portion of fund balance available for appropriation that has been designated to be restricted to Wired Enhanced E-911 system purposes.

Reserved for law enforcement expenditures – portion of fund balance available for appropriation which has been designated to be restricted to law enforcement purposes.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

Craven County, North Carolina

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting
(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 \$12,533,402 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.	\$ 56,977,286
Less accumulated depreciation	20,088,850
Net capital assets	<u>36,888,436</u>
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	1,656,508
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements	1,874,884
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.	862,346
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	(10,851,937)
Bonds financing	(40,560,000)
Deferred bonds premium	(15,535)
Accrued interest payable	(340,237)
Compensated absences	(1,731,019)
Net pension obligation	(316,848)
Total adjustment	<u>\$ (12,533,402)</u>

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting (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 \$3,963,973 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,978,811
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	(2,244,365)
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	3,846,505
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, retirements, and donations)	(8,634)
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	(87,088)
Long-term net pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(19,893)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	21,453
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	(113,461)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/05	(1,928,536)
Recording of tax receipts deferred in the fund statements as of 6/30/06	1,905,710
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	(386,529)
Total adjustment	\$ 3,963,973

Craven County, North Carolina

Notes to Financial Statements

Note 2. Cash on Deposit and Investments

At June 30, 2006, the primary government's cash and investments are comprised of the following:

Cash on hand	\$	14,174
Carrying value of deposits		2,021,394
Investments and restricted short-term investments		31,465,059
	\$	<u>33,500,627</u>

Statement of net assets reconciliation:

Cash and cash equivalents	\$	2,035,568
Short-term investments		31,465,059
	\$	<u>33,500,627</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 Medical Authority do not have policies regarding custodial credit risk for deposits.

At June 30, 2006, the County's (primary government) deposits had a carrying amount of \$2,021,394 and a bank balance of \$3,354,722. Of the bank balance, \$160,000 was covered by federal depository insurance and \$3,194,722 was covered by collateral held under the pooling method.

At June 30, 2006, the County's agency fund deposits had a carrying amount of \$127,655 and a bank balance of \$136,564. The bank balance was covered by collateral held under the pooling method.

Craven County, North Carolina

Notes to Financial Statements

Note 2. Cash on Deposit and Investments (Continued)

Component Unit Information

At June 30, 2006, the carrying amount of deposits for the Tourism Development Authority was \$103,161 and the bank balance was \$103,161. The bank balance was covered by collateral held under the pooling method.

At June 30, 2006, the carrying amount of deposits for the Airport Authority was \$250,451 and the bank balance was \$250,451. The bank balance was covered by collateral held under the pooling method.

At June 30, 2006, the carrying amount of deposits for the ABC Board was \$1,618,693 and the bank balance was \$1,576,148. Of the bank balance, \$180,000 was covered by federal depository insurance and \$1,396,148 was covered by collateral held by the State Treasurer.

At September 30, 2005, the carrying amount of deposits for the Medical Authority was \$7,154,666 and the bank balance was \$8,822,444. Of the bank balance, \$199,747 was covered by federal depository insurance, \$8,622,697 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 Medical Authority 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 Medical Authority 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.

As of June 30, 2006, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than 6 Months
State Agencies	\$ 20,100,000	\$ 20,100,000
US Government Agencies	991,250	991,250
Commercial Paper	3,954,229	3,954,229
NC Capital Management Trust- Cash Portfolio	6,419,580	N/A
Total	\$ 31,465,059	\$ 25,045,479

Notes to Financial Statements

Note 2. Cash on Deposit and Investments (Continued)

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, 2006, the County's investments in commercial paper were rated P1 by Standard & Poor's, and A1+ by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2006. The County's investments in US Government Agencies (Federal Home Loan Bank and Federal National Mortgage Association) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The County's investments in the North Carolina Education Student Assistance Authority are rated Aaa by Moody's and AAA by Fitch.

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. There are no amounts of uninsured and unregistered investments for which the securities are held by the counterparty, or by its safekeeping department or agent.

Concentration of Credit Risk: The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in each of the following: Maximillan Capital's commercial paper (12%), the North Carolina Education Student Assistance Authority (65%), and the North Carolina Capital Management Trust–Cash Portfolio (20%).

Component Unit Information

At June 30, 2006, the Airport Authority's investments consisted of \$750,000 in the North Carolina Education Student Assistance Authority and had a maturity of less than six months. This investment carried a credit rating of Aaa by Moody's and AAA by Fitch. The Airport Authority follows the County's investment policy.

At June 30, 2006, the Tourism Development Authority's investments consisted of \$150,000 in the North Carolina Education Student Assistance Authority and had a maturity of less than six months. The investment carried a credit rating of Aaa by Moody's and AAA by Fitch. The TDA follows the County's investment policy.

Craven County, North Carolina

Notes to Financial Statements

Note 2. Cash on Deposit and Investments (Continued)

As of September 30, 2005 the Medical Authority had the following investments and maturities (Amounts are in thousands):

Craven Regional Medical Authority Investment Type	Fair Value	<Than 1 Year	1-5 Years	6-10 Years	11-20 Years	>Than 20 Years
US Government Treasury Notes	\$ 14,842	\$ -	\$ 11,592	\$ 3,250	\$ -	\$ -
US Government Agencies	18,193	3,161	5,020	6,138	3,702	172
Asset Backed CMO's	10,080	1,457	1,862	4,786	1,975	-
Corporate Bonds	26,150	1,907	16,014	3,858	2,026	2,345
Equity Securities	75,822	N/A	N/A	N/A	N/A	N/A
Hedge Fund	9,936	N/A	N/A	N/A	N/A	N/A
Short Term Cash Equivalent	8,477	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust	6,009	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust - Bank of New York Trustee	843	N/A	N/A	N/A	N/A	N/A
Total	\$ 170,352	\$ 6,525	\$ 34,488	\$ 18,032	\$ 7,703	\$ 2,517

Interest Rate Risk: As a means of limiting its exposure to fair value losses, mortgage backed securities or other asset backed securities will never comprise more than 30% of the fixed income portfolio. Corporate debt securities will never comprise more than 50% of the fixed income portfolio. The maximum maturity of any non-mortgage backed fixed income instrument will not exceed 10 years without the approval of the Authority's Board. Investment managers should not exceed a 7-year expected weighted average maturity for investments in mortgage backed paper and government agencies including Ginnie Maes, Freddie Macs or Fannie Maes.

Credit Risk: The Authority'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 "A" category or better by both S&P and Moody's.

As of September 30, 2005, the total quality ratings for the above holdings were as follows:

Holdings	AAA	AA	A	BBB	BB	B	Total
Asset Backed CMO's	100.00%						100.00%
Corporate Bonds	33.57%	14.15%	47.88%	4.40%			100.00%
Short Term Cash Equivalent	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%

Notes to Financial Statements

Note 2. Cash on Deposit and Investments (Continued)

Concentration of Credit Risk. The Authority'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.

Equity Investment Guidelines: Each equity holding will be limited to 5% of the equity portfolio determined at the time of investment. Equity issues with a market capitalization below \$500 million are not acceptable for all managers except small capitalization managers. For small capitalization managers, equity issues with a market capitalization below \$100 million at the time of investment are not acceptable.

Investments in any particular sector may not exceed two times the Standard & Poors sector weighting for large capitalization managers or two times the Russell Mid Cap Value Index for mid cap value managers.

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, 2006 was as follows:

	Capital Assets July 1, 2005	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2006
Governmental Activities					
Capital assets, not being depreciated:					
Land, other	\$ 6,262,622	\$ 707,593	\$ (18,124)	\$ (72,029)	\$ 6,880,062
Construction in progress	95,980	1,226,542	-	-	1,322,522
Total capital assets not being depreciated	\$ 6,358,602	\$ 1,934,135	\$ (18,124)	\$ (72,029)	\$ 8,202,584
Capital assets, being depreciated:					
Buildings	\$ 35,498,123	\$ 66,030	\$ -	\$ -	\$ 35,564,153
Vehicles	4,271,345	653,611	(320,795)	-	4,604,161
Equipment	4,884,463	634,455	(593,750)	-	4,925,168
Other improvements	3,667,220	14,000	-	-	3,681,220
Total capital assets being depreciated	48,321,151	1,368,096	(914,545)	-	48,774,702
Less accumulated depreciation for:					
Buildings	10,875,211	1,272,213	-	39,761	12,187,185
Vehicles	3,210,100	440,262	(313,395)	16,089	3,353,056
Equipment	3,925,187	359,753	(439,247)	24,147	3,869,840
Other improvements	506,632	172,137	-	-	678,769
Total accumulated depreciation	18,517,130	2,244,365	(752,642)	79,997	20,088,850
Total capital assets, being depreciated, net	\$ 29,804,021	\$ (876,269)	\$ (161,903)	\$ (79,997)	\$ 28,685,852
Business-type Activities					
Capital assets, not being depreciated:					
Land, other	\$ 170,484	\$ -	\$ -	\$ 23,668	\$ 194,152
Construction in progress	746,546	73,188	(656,831)	(23,668)	139,235
Total capital assets not being depreciated	\$ 917,030	\$ 73,188	\$ (656,831)	\$ -	\$ 333,387
Capital assets, being depreciated:					
Buildings & other improvements	\$ 26,995,937	\$ 926,716	\$ -	\$ -	\$ 27,922,653
Vehicles	206,097	24,053	-	-	230,150
Equipment	339,374	-	-	-	339,374
Total capital assets being depreciated	27,541,408	950,769	-	-	28,492,177
Less accumulated depreciation for:					
Buildings & other improvements	7,210,175	798,287	-	-	8,008,462
Vehicles	104,455	102,005	-	-	206,460
Equipment	329,192	(1,625)	-	-	327,567
Total accumulated depreciation	7,643,822	898,667	-	-	8,542,489
Total capital assets, being depreciated, net	\$ 19,897,586	\$ 52,102	\$ -	\$ -	\$ 19,949,688

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	\$ 467,036
Public safety	646,552
Social Services	276,010
Economic and physical development	420,098
Health	289,013
Environmental protection	63,980
Culture and recreation	81,676
Total depreciation expense, governmental activities	<u>\$ 2,244,365</u>
Business-type activities:	
Water Fund	<u>\$ 898,667</u>
Total depreciation expense-business-type activities	<u>\$ 898,667</u>

Discretely presented component units

The following is a summary of the capital assets of the Airport Authority at June 30, 2006:

Capital assets, not being depreciated:	
Land	\$ 5,540,363
Construction in Progress	1,508,450
Total capital assets, not being depreciated	<u>7,048,813</u>
Capital assets, being depreciated:	
Buildings	9,639,436
Improvements other than buildings	11,390,330
Machinery, equipment, and vehicles	1,576,508
Total capital assets being depreciated	<u>22,606,274</u>
Less accumulated depreciation	9,360,674
Total capital assets being depreciated, net	<u>13,245,600</u>
Capital assets, net	<u>\$ 20,294,413</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 Medical Authority capital asset activity for the year ended September 30, 2005:

	Year Ended September 30, 2005			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,753,470	\$ -	\$ -	\$ 2,753,470
Construction in progress	9,022,478	5,935,843	(13,653,462)	1,304,859
Total capital assets, not being depreciated	11,775,948	5,935,843	(13,653,462)	4,058,329
Capital assets, being depreciated/amortized				
Intangible assets	15,727,713	-	-	15,727,713
Land improvements	3,564,784	93,307	(10,190)	3,647,901
Building and fixtures	81,078,076	10,296,822	(24,251)	91,350,647
Equipment	101,732,880	9,275,973	(4,200,389)	106,808,464
Total capital assets being depreciated	202,103,453	19,666,102	(4,234,830)	217,534,725
Less accumulated depreciation/amortization for:				
Intangible assets	(5,869,964)	(518,424)	-	(6,388,388)
Land improvements, building and fixtures, and equipment	(116,635,991)	(13,191,845)	3,794,350	(126,033,486)
	(122,505,955)	(13,710,269)	3,794,350	(132,421,874)
Total capital assets being depreciated/amortized, net	79,597,498	5,955,833	(440,480)	85,112,851
Medical Authority capital assets, net	\$ 91,373,446	\$ 11,891,676	\$ (14,093,942)	\$ 89,171,180

All depreciation is directly or indirectly in relation to the provision of healthcare services. The Authority has active construction projects as of September 30, 2005. The projects include the addition of a new bed tower connected to the main Hospital building as well as various other building renovations and information systems installations. As of September 30, 2005, the Authority has outstanding commitments for construction in progress for approximately \$551,320.

Craven County, North Carolina

Notes to Financial Statements

Note 3. Capital Assets (Continued)

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

Net assets invested in capital assets, net of related debt, as of September 30, 2005 are as follows:

Capital assets, as above	\$ 89,171,180
Capital related debt (Note 4)	5,364,616
	<u>\$ 83,806,564</u>

The following is a summary of the capital assets of the ABC Board at June 30, 2006:

Capital assets, not being depreciated:	
Land	<u>\$ 58,036</u>
Capital assets, being depreciated:	
Buildings	\$ 573,558
Furniture & equipment	198,552
Leasehold improvements	10,100
Automotive equipment	12,163
Total capital assets being depreciated	<u>794,373</u>
Less accumulated depreciation	581,402
Total capital assets being depreciated, net	<u>\$ 212,971</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, 2006 are comprised of the following individual issues:		
\$28,000,000 2002 School Facility Serial Bonds with installments due on November 1 (interest only) and May 1 (principal of \$1,100,000 to \$2,300,000 plus interest) through May 1, 2023	4.4% - 5.0%	\$ 25,800,000
\$20,780,000 1996 School Facility Serial Bonds with installments due on December 1 (interest only) and June 1 (principal of \$225,000 to \$1,430,000 plus interest) through June 1, 2017	2.0% - 3.75%	13,260,000
\$1,800,000 2001 Community College Facility Serial Bonds with installments due on December 1 (interest only) and June 1 (principal of \$100,000 to \$200,000 plus interest) through June 1, 2019	4.5% - 4.7%	1,500,000
		<u>40,560,000</u>
Proprietary (Water and Sewer Districts) bonds:		
\$623,100 Neuse River Water and Sewer District bonds with installments due December 1 (interest only) and June 1 (principal of \$10,900 to \$65,900 plus interest) through June 2008	Prime	126,400
\$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	5.0% - 5.5%	185,000
\$699,900 Township 6 Water and Sewer District bonds with installments due December 1 (interest only) and June 1 (principal of \$5,100 to \$82,000 plus interest) through June 2009	Prime	221,600
\$215,000 Township 6 Water and Sewer District bonds with installments due August 1 (interest only) and February 1 (principal of \$10,000 to \$20,000 plus interest) through February 2007	7.20%	20,000
\$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%	210,000
\$2,541,500 Northwest Craven Water and Sewer District bonds with installments due December 1 (interest only) and June 1 (principal of \$44,000 to \$273,000 plus interest) through June 2008	Prime	519,500
		<u>1,282,500</u>
		<u>\$ 41,842,500</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
2007	\$ 2,630,000	\$ 1,708,650	\$ 443,000	\$ 93,909
2008	2,595,000	1,627,050	462,500	59,614
2009	2,560,000	1,541,563	132,000	23,580
2010	2,525,000	1,453,463	50,000	13,965
2011	2,500,000	1,359,613	50,000	11,115
2012 – 2016	12,120,000	5,334,526	145,000	17,755
2017 – 2021	11,930,000	2,679,925	-	-
2022 – 2023	3,700,000	255,000	-	-
Total	<u>\$ 40,560,000</u>	<u>\$ 15,959,790</u>	<u>\$ 1,282,500</u>	<u>\$ 219,938</u>

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Loans and installment notes payable:

Purpose	Interest Rates	Amount
General government.		
Human Services Complex	3.59%	\$ 2,444,227
Courthouse Annex	3.01%	533,576
Convention Center	4.72%	7,660,000
Industrial Park Improvements	3.88%	214,134
Total General Government		<u>10,851,937</u>
Enterprise:		
Water line expansion project- Northwest Craven Water and Sewer District	3.82% - Clean water note	135,988
Water line expansion project- Township 6 Water and Sewer District	3.43% - Clean water note	53,250
Drinking water revolving loan - Northwest Craven Water and Sewer District	2.66%	1,522,170
Total Enterprise		<u>1,711,408</u>
Total loans and installment notes payable		<u>\$ 12,563,345</u>

The Human Services Complex note is payable in monthly installments consisting of principal and interest in the amount of \$44,576 at the interest rate terms described above. The note is collateralized by the land and building.

The Courthouse Annex note is payable in semi-annual installments consisting of principal and interest in the amount of \$138,527 at the interest rate terms described above. The note is collateralized by the land and building.

The Convention Center project note is payable in semi-annual installments consisting of principal payments ranging from \$217,500 to \$385,000 plus interest. The note is collateralized by the convention center land and building.

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

The Industrial Park Improvements note is payable in semi-annual installments consisting of principal and interest in the amount of \$39,513 at the interest rate described above.

The water line expansion note for Northwest Craven is for the purpose of expanding the water distribution service. The note is payable in annual installments consisting of principal in the amount of \$27,198 plus interest. The note is collateralized by the water lines.

The water line expansion note is for the purpose of providing water line extensions to the Westgate Subdivision located in Township No. 6. The note is payable in annual installments of \$5,325 plus interest. The note is collateralized by the water lines.

The drinking water revolving loan 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
2007	\$ 1,223,979	\$ 458,489	\$ 112,637	\$ 47,511
2008	1,275,762	410,601	112,637	44,158
2009	1,041,850	362,134	112,637	40,806
2010	1,011,157	319,268	112,637	37,453
2011	1,049,189	276,273	112,636	34,100
2012 – 2016	3,050,000	929,014	427,196	130,602
2017 – 2021	2,200,000	185,378	400,571	74,586
2022 – 2025	-	-	320,457	21,310
Total	\$ 10,851,937	\$ 2,941,157	\$ 1,711,408	\$ 430,526

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, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 43,185,000	\$ -	\$ 2,625,000	\$ 40,560,000	\$ 2,630,000
Deferred premium on new debt	17,088	-	1,553	15,535	-
Loans and installment notes	12,073,442	-	1,221,505	10,851,937	1,223,979
Law enforcement pension obligation	296,955	19,893	-	316,848	-
Compensated absences	1,643,929	1,366,867	1,279,777	1,731,019	1,279,777
Governmental activity Long-term liabilities	<u>\$ 57,216,414</u>	<u>\$ 1,386,760</u>	<u>\$ 5,127,835</u>	<u>\$ 53,475,339</u>	<u>\$ 5,133,756</u>
Due within one year					\$ 5,133,756
Due in more than one year					48,341,583
Total Governmental Activities					<u>\$ 53,475,339</u>
Business-type activities:					
General obligation bonds	\$ 1,690,800	\$ -	\$ 408,300	\$ 1,282,500	\$ 443,000
Loans and installment notes	1,824,045	-	112,637	1,711,408	112,637
	<u>\$ 3,514,845</u>	<u>\$ -</u>	<u>\$ 520,937</u>	<u>\$ 2,993,908</u>	<u>\$ 555,637</u>
Due within one year					\$ 555,637
Due in more than one year					2,438,271
Total Business-type Activities					<u>\$ 2,993,908</u>

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

State statutes provide for a legal debt limit of 8 percent of the County's assessed value of taxable property. The County has utilized \$49,626,633 of its legal debt limitation of \$481,728,080, leaving a legal debt margin of \$432,101,447 at June 30, 2006.

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:

Purpose	Stated Interest Rate		Amount
Airport Terminal General Obligation Bonds	4.6-4.7%		\$ 1,180,000
During the Year Ending June 30,	Principal	Interest	Total
2007	\$ 125,000	\$ 55,335	\$ 180,335
2008	125,000	49,585	174,585
2009	150,000	43,710	193,710
2010	150,000	36,660	186,660
2011	150,000	29,610	179,610
2012 – 2015	480,000	43,005	523,005
	<u>\$ 1,180,000</u>	<u>\$ 257,905</u>	<u>\$ 1,437,905</u>

Loans and installment notes payable:

Enterprise:	Stated Interest Rate	Amount
Airport Terminal	4.09%	\$ 2,801,878
(Less) Unamortized charges		(50,249)
Net		<u>\$ 2,751,629</u>

The Airport Terminal note is payable in annual installments consisting of principal and interest in the amount of \$416,673 at the interest rate terms described above. The note is collateralized by the airport terminal.

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

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

During the Year Ending June 30,	Principal	Interest	Total
2007	\$ 305,204	\$ 111,469	\$ 416,673
2008	317,501	99,171	416,672
2009	330,882	85,791	416,673
2010	344,553	72,119	416,672
2011	358,790	57,883	416,673
2012 – 2015	1,144,948	82,343	1,227,291
Total	\$ 2,801,878	\$ 508,776	\$ 3,310,654

The Medical Authority had the following bonds payable at September 30, 2005:

Health Care Facilities Revenue Notes, Series 1993: 7.5% interest payable annually on November 1, maturing through 2013	\$ 5,364,616
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The series 1993 revenue notes are limited obligations of the Medical Authority and are collateralized solely from the net revenue of the Medical Authority.

Annual debt service requirements, including mandatory sinking fund requirements, at September 30, 2005 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	\$ 438,649	\$ 402,346	\$ 840,995
2007	471,548	369,448	840,996
2008	506,914	334,081	840,995
2009	544,933	296,063	840,996
2010	585,803	255,193	840,996
2011 - 2014	2,816,769	547,213	3,363,982
	\$ 5,364,616	\$ 2,204,344	\$ 7,568,960

Interest expense charged to operations was \$21,117, while \$404,895 of interest was capitalized for the year-ended September 30, 2005.

Craven County, North Carolina

Notes to Financial Statements

Note 5. Interfund Assets/Liabilities and Transfers

Amounts due from/to funds at June 30, 2006 were as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	890,484

To accumulate resources for future debt service payments related to schools

\$	890,484
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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.

The following is a detailed schedule of government interfund transfers for the year ended June 30, 2006:

Transfers out:	Transfers In:						Total
	Major	Major	Non-Major	Major	Northwest	Non-Major	
	General	County Reserve	Governmental Funds	Water Fund	Craven Water and Sewer	Enterprise Funds	
Major General Fund	\$ -	\$ 2,017,900	\$ 3,863,564	\$ 16,200	\$ -	\$ -	\$ 5,897,664
County Reserve Fund	108,221	-	1,150,000	-	-	-	1,258,221
Non-Major Governmental Funds	682,148	-	1,198,486	-	-	-	1,880,634
Major Water Fund	61,999	-	-	-	99,971	37,553	199,523
Total Transfers out	\$ 852,368	\$ 2,017,900	\$ 6,212,050	\$ 16,200	\$ 99,971	\$ 37,553	\$ 9,236,042

Transfers consist primarily of the following:

- \$3,863,564 From General Fund to Non-Major Governmental Funds primarily for future debt retirement of school bonds and reduce final portion of loan between General Fund and the Room Occupancy Tax Fund.
- \$2,017,900 From General Fund to County Reserve Fund to accumulate resources for various future capital projects.
- \$1,150,000 From County Reserve Fund to Non-Major Governmental Funds in anticipation of future capital project expenditures.
- \$1,198,486 From Debt Service Fund (Non-Major Governmental Funds) to New Elementary School Fund (Non-Major Governmental Funds) to provide funds for capital project expenditures.

Notes to Financial Statements

Note 6. Deferred Compensation Plan

County Plan:

The County offers its employees three deferred compensation plans in accordance with Internal Revenue Code Section 457. One plan is administered by the National Association of Counties (NACO), with Public Employees Benefit Services Corporation (PEBSCO) 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 International City Managers Association Retirement Corporation (ICMA/RC), 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.

The third 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, 2006. During the year ended June 30, 2006, the County appropriated \$883,955 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 \$180,038. 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.

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, 2006. 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, 2006. 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.

Notes to Financial Statements

Note 7. Joint Ventures (Continued)

The County, in conjunction with Jones, Pamlico and Carteret Counties, participates in a joint venture to operate Neuse Center for Mental Health, Mental Retardation, and Substance Abuse Services. One commissioner from each County serves on the board of twenty members. The County has an ongoing financial responsibility for the joint venture because the Center'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 the Center, so no equity interest has been reflected in the financial statements at June 30, 2006. The County appropriated \$273,551 to the Center during the fiscal year ended June 30, 2006, which included money received from the ABC Board designated for alcohol education. Complete financial statements for the Center can be obtained from the Center'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, \$1,500,000 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 \$2,760,683 and \$75,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2006. In addition, the County made debt service principal payments of \$50,000 during the fiscal year ended June 30, 2006. 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, 2006. 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.

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, 2006.

Notes to Financial Statements

Note 8. Jointly Governed Organizations (Continued)

The County, in conjunction with 12 other counties, governs the Global TransPark 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 Global TransPark, to create a special economic development district, known as the Global TransPark 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 Global TransPark 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 will be 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, 2006, Craven County had a loan outstanding in the amount of \$214,134 due to the Commission. Also, at June 30, 2006, the portion of the trust available to be loaned exclusively to Craven County was \$1,815,460.

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. As of June 30, 2006, there were industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately \$1.64 million.

Notes to Financial Statements

Note 10. Public School Building Capital Fund

This program is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. For the period from 10/1/1999 to 9/30/2000, the applicable fraction was one-fourteenth (1/14) of the net collections; for periods after 9/30/2000, the applicable fraction is five sixty-ninths (5/69) of the net collections of corporate taxes.

Monies in the fund are allocated to Craven County on the basis of the average daily membership (ADM) for Craven County Board of Education as determined and certified by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County. At June 30, 2006, the balance of the County's ADM allocation account was \$4,603. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a County match.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2006, the County's disbursing account did not have any funds. If the account had a balance, the County would match this balance on the basis of one dollar for every three dollars of State funds.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's Debt Service Fund as intergovernmental revenue. During the fiscal year ended June 30, 2006, the County drew down \$1,182,900 of public school building capital funds.

Note 11. 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	\$ 82,804,562
Temporary Assistance to Needy Families	873,413
Food stamps	8,100,293
Special Assistance	672,469
WIC	2,041,685
Other programs	650,894
	<u>\$ 95,143,316</u>

Craven County, North Carolina

Notes to Financial Statements

Note 12. 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 \$100,000. A total of \$3,120,770 in claims was incurred for benefits during fiscal year 2006. Payments received from the insurer for claims over the limit of \$32,498 during fiscal 2005 and \$79,402 during fiscal 2006, have been netted against the claims shown below. A receivable of \$9,811 and \$334,403 at June 30, 2005 and 2006, 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
2004-2005	\$ 307,475	\$ 2,055,015	\$ 2,082,301	\$ 280,189
2005-2006	280,189	3,120,770	3,354,353	46,606

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 actuarial estimates of amounts needed to pay prior and current year claims. An excess coverage insurance policy provides for individual claims in excess of \$350,000. A total of \$334,094 in claims was incurred for benefits during fiscal year 2006. 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
2004-2005	\$ 19,088	\$ 86,123	\$ 62,700	\$ 42,511
2005-2006	42,511	334,094	205,823	170,782

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 limit of \$125.5 million for any one occurrence, 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 pool is reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage.

Notes to Financial Statements

Note 12. Risk Management (Continued)

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 and Sheriff are each individually bonded for \$10,000 each. The Register of Deeds is covered by a \$50,000 individual bond.

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.

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 Craven Regional Medical Authority established a limited risk, self-insurance program to provide health benefits to the Medical Authority's employees. The Medical Authority is billed on a monthly basis for claims by Blue Cross Blue Shield, the plan administrator. The Medical Authority carries stop-loss insurance through Blue Cross Blue Shield which has stop loss for individual claims in excess of \$150,000. 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 Medical Authority's claims liability amount for retained risk for the fiscal years 2005 and 2004 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2004-2005	\$ 1,521,000	\$ 8,374,320	\$ 8,645,320	\$ 1,250,000
2003-2004	1,121,000	8,452,881	8,052,881	1,521,000

Total claims expense is partially offset by employee contributions.

Notes to Financial Statements

Note 12. Risk Management (Continued)

The Authority 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 Authority.
- Reliance Insurance Company ("Reliance"): Went into liquidation on October 31, 2001. Provided workers' compensation coverage for Authority.
- The Virginia Insurance Reciprocal ("ROA"): Went into liquidation on June 20, 2003. Provided workers' compensation coverage for Authority.

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 Authority.

The Fund notified the Authority 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 Authority'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 Authority 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 Authority 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 Authority, the Authority 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 Authority's potential financial exposure for settlements or judgments that exceeded the indemnity provided by the Fund. The Authority reassessed the nature and extent of its reserves once the Authority became aware of the Fund's claim for reimbursement and in anticipation of the Authority 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 Authority 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 Authority paid the Fund on September 29, 2004, the amount of \$1,062,110 in accordance with the agreed upon reimbursement methodology.

Notes to Financial Statements

Note 12. Risk Management (Continued)

The Authority 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: Since 2002, the Authority has been covered under a claims-made policy; \$1,523,494 was charged against income for the Authority's malpractice coverage in 2005. These premiums represent a transfer of risk and are not determined retrospectively. The Authority also insures certain employed physicians under similar policies.

Other: The Medical Authority 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.

Note 13. 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 authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute 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 is as follows:

	Employees Not Engaged In Law Enforcement	Employees Engaged In Law Enforcement
Craven County	4.90%	4.78%
Airport Authority	7.54%	
ABC Board	6.00%	

Craven County, North Carolina

Notes to Financial Statements

Note 13. Retirement Systems (Continued)

North Carolina Local Governmental Employees' Retirement System:

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, 2006, 2005, and 2004 were as follows:

	2006	2005	2004
Craven County	\$ 995,043	965,121	\$ 919,267
Airport Authority	21,670	18,960	15,058
ABC Board	22,056	21,020	18,339

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

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 authority 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, 2005 the System's membership consisted of:

Retirees receiving benefits	7
Active plan members	63
Total	70

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 13. Retirement Systems (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method, the level percent of pay closed amortization method over a remaining amortization period of 25 years, and market value asset valuation method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. 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	\$ 80,873
Interest on Net Pension Obligation	21,529
Adjustment to Annual Required Contribution	(17,056)
Annual Pension Cost	<u>85,346</u>
Employer Contributions made for fiscal year ending June 30, 2005	<u>65,453</u>
Increase in Net Pension Obligation	19,893
Net Pension Obligation, beginning of fiscal year	<u>296,955</u>
Net Pension Obligation, end of fiscal year	<u><u>316,848</u></u>

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$75,886	49.84%	\$270,082
6/30/2005	83,320	67.75%	296,955
6/30/2006	85,346	76.69%	316,848

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 authority to establish and amend benefit provisions to the North Carolina General Assembly.

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, 2006 were \$158,856, which consisted of \$111,066 (required and actual) from the County and \$47,790 from the law enforcement officers.

Notes to Financial Statements

Note 13. Retirement Systems (Continued)

Death Benefit Plan:

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, 2006, the County made contributions to the State for death benefits of \$21,250. 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.

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.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 4.5% 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, 2006, the County's required and actual contributions were \$36,219.

Notes to Financial Statements

Note 13. Retirement Systems (Continued)

Medical Authority Plans:

Craven Regional Medical Authority sponsors and has a fiduciary responsibility for Craven Regional Medical Center Money Purchase Pension Plan (primary retirement plan), a noncontributory plan based on a fixed percentage of the base earnings of the employee. A supplementary retirement plan, administered by Lincoln National Life Insurance Company and The Variable Annuity Life Insurance Company, also exists which is a contributory plan with the Medical Authority matching a fixed percentage of base earnings. Both of these plans are single employer, defined contribution pension plans. The benefit to the employee under the primary plan is the Medical Authority's contribution plus the investment earnings. The benefit to the employee under the supplemental plan is the employee's contribution, the Medical Authority's contribution and the investment earnings on these contributions. Under the supplementary plan the employee's contribution is tax deferred.

The primary retirement plan is fully vested after 10 years of continuous employment. The supplementary retirement plan is fully vested after one year of continuous employment.

The Medical Authority's contributions were calculated using covered payroll amounts of \$30,199,438 and \$36,106,479 for the primary and supplementary plans, respectively.

The total retirement plan contributions of the Medical Authority were \$3,742,074 for the fiscal year ended September 30, 2005, which consists of employer contributions. The Medical Authority's required contributions represented 10% and 2% of the covered payroll amount for the primary and supplementary plans, respectively.

The primary retirement plan issues a separate, stand-alone financial report which can be obtained by contacting John Satterfield, Jr., V.P. of Finance, 2000 Neuse Boulevard, New Bern, N.C. 28562.

Note 14. 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 Medical Authority are defendants in various lawsuits. Management of the County and Authority 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 Medical Authority should be rendered, management and its legal counsel feel any liability will be covered by existing insurance policies.

Notes to Financial Statements

Note 15. Commitments

On July 10, 2006, the County entered into an installment financing contract to obtain \$18,900,000 of funds to provide for future expenditures related to various capital projects. The note will be payable in monthly principal installments of \$116,667, plus interest at various rates ranging between 3.85 - 5.10%, through July 10, 2021. At June 30, 2006, the County had contractual commitments of approximately \$13,784,000 within the Capital Project Funds related to the installment financing contract.

During the fiscal year ended June 30, 2000, the County entered into a 10-year lease agreement for a waste convenience center. At June 30, 2006, future minimum lease payments under this operating lease are as follows:

Year Ending June 30,	
2007	9,000
2008	9,000
2009	9,000
	\$ 27,000

Note 16. Pronouncements Issued Not Yet Implemented

In July, 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits*, or *OPEB*. The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. Statement 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement 45 is effective in three phases based on a government's total annual revenues. The largest employers would be required to implement the requirements of Statement 45 for periods beginning after December 15, 2006. Medium-sized employers have one additional year to implement the standards, and the smallest employers have two additional years. Earlier implementation is encouraged.

The County must adopt Statement No. 45 by its fiscal year ending June 30, 2009. Management has not currently determined what impact, if any, these statements may have on its financial statements.

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

Craven County



CRAVEN COUNTY, NORTH CAROLINA

**SCHEDULE OF FUNDING PROGRESS FOR LAW
ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
For the Fiscal Year Ended June 30, 2006**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2000	-	549,891	549,891	-	1,696,775	32.41%
12/31/2001	-	565,565	565,566	-	1,810,388	31.24%
12/31/2002	-	639,440	639,440	-	1,915,001	33.39%
12/31/2003	-	691,726	691,726	-	2,092,891	33.05%
12/31/2004	-	739,711	739,711	-	2,083,589	35.50%
12/31/2005	-	714,832	714,832	-	2,231,390	32.04%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR LAW
ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
For the Fiscal Year Ended June 30, 2006**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1997	33,463	-
1998	36,472	-
1999	37,005	-
2000	42,472	-
2001	55,288	-
2002	61,538	-
2003	64,552	-
2004	71,794	-
2005	78,890	-
2006	80,873	-

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	12/31/2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5-12.3%
Includes inflation at	3.75%
Cost-of-living adjustments	None

Craven County



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, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2006

Fiscal Year Ended June 30,	Uncollected Balance June 30, 2005	Additions	Collections Credits and Adjustments	Uncollected Balance June 30, 2006
2006		\$36,597,673	\$35,915,565	\$682,108
2005	\$643,309	-	464,007	179,302
2004	241,324	-	67,562	173,762
2003	213,182	-	42,246	170,936
2002	160,546	-	32,565	127,981
2001	128,099	-	20,054	108,045
2000	128,944	-	20,298	108,646
1999	94,414	-	9,326	85,088
1998	87,886	-	5,211	82,675
1997	99,548	-	4,393	95,155
1996	56,466	-	56,466	-
	<u>\$ 1,853,718</u>	<u>\$ 36,597,673</u>	<u>\$ 36,637,693</u>	<u>\$ 1,813,698</u>

Less allowance for uncollectible
ad valorem taxes receivable

100,000

\$ 1,713,698

Reconciliation with revenues:

Ad valorem taxes- General Fund \$ 36,526,061

Less: Collection of taxes older than ten years 10,698

Plus: Abatements and adjustments of prior
year taxes 122,330

Total collections and credits \$ 36,637,693

CRAVEN COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2006

	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	\$5,799,916,201	\$0.6100	\$35,354,176	\$31,826,090	\$3,528,086
Motor vehicles taxed at prior year's rate	272,854,301	0.5600	1,513,559	-	1,513,559
Penalties	-		51,918	51,918	-
	<u>\$6,072,770,502</u>		<u>\$36,919,653</u>	<u>\$31,878,008</u>	<u>\$5,041,645</u>
DISCOVERIES	56,066,513		334,181	334,181	-
	<u>\$6,128,837,015</u>		<u>\$37,253,834</u>	<u>\$32,212,189</u>	<u>\$5,041,645</u>
ABATEMENTS	(107,236,469)		(656,161)	(97,106)	(559,055)
Total property valuation	<u><u>\$6,021,600,546</u></u>				
Net Levy			\$36,597,673	\$32,115,083	\$4,482,590
Uncollected taxes at June 30, 2006			682,108	223,474	458,634
Current year's taxes collected			<u>\$35,915,565</u>	<u>\$31,891,609</u>	<u>\$4,023,956</u>
Current levy collection percentage			<u>98.14%</u>	<u>99.30%</u>	<u>89.77%</u>

Craven County



COMBINING SCHEDULES OF NONMAJOR FUNDS

CRAVEN COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006**

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 369,317	\$ 210,607	\$ 42,949	\$ 622,873
Short-term investments	50,000	950,000	850,000	1,850,000
Taxes receivable	37,258	-	-	37,258
Accounts receivable	195,593	328	1,871	197,792
Due from other fund	-	-	890,484	890,484
Total assets	<u>\$ 652,168</u>	<u>\$ 1,160,935</u>	<u>\$ 1,785,304</u>	<u>\$ 3,598,407</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,359	\$ -	\$ -	\$ 3,359
Accrued salaries and benefits	2,148	-	-	2,148
Deferred revenue	37,258	-	-	37,258
Total liabilities	<u>42,765</u>	<u>-</u>	<u>-</u>	<u>42,765</u>
Fund balances:				
Reserved for:				
State statute	192,243	328	-	192,571
Debt service	-	-	1,785,304	1,785,304
Unreserved, reported in:				
Special revenue funds	417,160	-	-	417,160
Capital project funds	-	1,160,607	-	1,160,607
Total fund balances	<u>609,403</u>	<u>1,160,935</u>	<u>1,785,304</u>	<u>3,555,642</u>
Total liabilities and fund balances	<u>\$ 652,168</u>	<u>\$ 1,160,935</u>	<u>\$ 1,785,304</u>	<u>\$ 3,598,407</u>

CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2006

	Fire District Funds	E-911 Fund	Occupancy Tax Fund	2006 CDBG		Totals
				Scattered Sites Project Fund	Core Creek Clean Water Fund	
ASSETS						
Cash and cash equivalents	\$ 306,885	\$ 62,432	\$ -	\$ -	\$ -	\$ 369,317
Short-term investments	-	50,000	-	-	-	50,000
Taxes receivable	37,258	-	-	-	-	37,258
Accounts receivable	190,617	1,626	-	3,350	-	195,593
Total assets	\$ 534,760	\$ 114,058	\$ -	\$ 3,350	\$ -	\$ 652,168

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ -	\$ 9	\$ -	\$ 3,350	\$ -	\$ 3,359
Accrued salaries and benefits	-	2,148	-	-	-	2,148
Deferred revenue	37,258	-	-	-	-	37,258
Total liabilities	\$ 37,258	\$ 2,157	\$ -	\$ 3,350	\$ -	\$ 42,765

Fund balances:

Reserved by State statute	190,617	1,626	-	-	-	192,243
Unreserved, designated for subsequent year's expenditures	306,885	110,275	-	-	-	417,160
Total equity	\$ 497,502	\$ 111,901	\$ -	\$ -	\$ -	\$ 609,403

Total liabilities and equity

\$ 534,760	\$ 114,058	\$ -	\$ -	\$ 3,350	\$ -	\$ 652,168
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CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 June 30, 2006

	School Roof Project Fund	Law Enforcement Center Fund	Mapping Project	New Elementary School Project Fund	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ 95,616	\$ 43,172	\$ 71,819	\$ 210,607
Short-term investments	-	650,000	100,000	200,000	950,000
Accounts receivable	-	195	133	-	328
Total assets	\$ -	\$ 745,811	\$ 143,305	\$ 271,819	\$ 1,160,935

FUND BALANCES

Fund Balances:					
Reserved by State statute	\$ -	\$ 195	\$ 133	\$ -	\$ 328
Unreserved, designated for project expenditures	-	745,616	143,172	271,819	1,160,607
Total fund balances	\$ -	\$ 745,811	\$ 143,305	\$ 271,819	\$ 1,160,935

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2006

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 2,765,582	\$ -	\$ -	\$ 2,765,582
Intergovernmental	38,250	-	1,182,900	1,221,150
Charges for services	264,108	-	-	264,108
Interest	7,003	43,743	105,850	156,596
Total revenues	3,074,943	43,743	1,288,750	4,407,436
EXPENDITURES				
Current:				
Public safety	2,192,112	1,218,942	-	3,411,054
Economic and physical development	100,390	-	-	100,390
Education	-	1,967,129	-	1,967,129
Environmental protection	22,400	-	-	22,400
General government	-	7,600	-	7,600
Debt service:				
Principal	-	-	2,525,000	2,525,000
Interest	-	-	1,756,139	1,756,139
Total expenditures	2,314,902	3,193,671	4,281,139	9,789,712
Excess of revenues over (under) expenditures	760,041	(3,149,928)	(2,992,389)	(5,382,276)
OTHER FINANCING SOURCES (USES)				
Transfers in	527,450	2,348,486	3,336,114	6,212,050
Transfers out	(682,148)	-	(1,198,486)	(1,880,634)
Total other financing sources (uses)	(154,698)	2,348,486	2,137,628	4,331,416
Net change in fund balances	605,343	(801,442)	(854,761)	(1,050,860)
FUND BALANCES:				
Beginning	4,060	1,962,377	2,640,065	4,606,502
Ending	\$ 609,403	\$ 1,160,935	\$ 1,785,304	\$ 3,555,642

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, 2006

	Fire District Funds	E-911 Fund	Occupancy Tax Fund	Scattered Sites Project Fund	Core Creek Clean Water Fund	Totals
REVENUES						
Taxes	\$ 2,048,775	\$ -	\$ 716,807	\$ -	\$ -	\$ 2,765,582
Intergovernmental	12,500	-	-	3,350	22,400	38,250
Charges for services	-	264,108	-	-	-	264,108
Interest	-	4,622	2,381	-	-	7,003
Total revenues	2,061,275	268,730	719,188	3,350	22,400	3,074,943
EXPENDITURES						
Current:						
Public safety	1,975,368	216,744	-	-	-	2,192,112
Economic and physical development	-	-	97,040	3,350	-	100,390
Environmental protection	-	-	-	-	22,400	22,400
Total expenditures	1,975,368	216,744	97,040	3,350	22,400	2,314,902
Excess of revenues over (under) expenditures	85,907	51,986	622,148	-	-	760,041
OTHER FINANCING SOURCES (USES)						
Transfers in (out):						
From General Fund	27,450	-	500,000	-	-	527,450
To General Fund	-	(60,000)	(622,148)	-	-	(682,148)
Total other financing sources (uses)	27,450	(60,000)	(122,148)	-	-	(154,698)
Net Change in fund balances	113,357	(8,014)	500,000	-	-	605,343
FUND BALANCES:						
Beginning	384,145	119,915	(500,000)	-	-	4,060
Ending	\$ 497,502	\$ 111,901	\$ -	\$ -	\$ -	\$ 609,403

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, 2006

	School Roof Project Fund	Law Enforcement Center Fund	Mapping Project	New Elementary School Project Fund	Totals
REVENUES					
Interest	\$ -	\$ 42,838	\$ 905	\$ -	\$ 43,743
Total revenue	-	42,838	905	-	43,743
EXPENDITURES					
Education	1,040,462	-	-	926,667	1,967,129
Public safety	-	1,218,942	-	-	1,218,942
General government	-	-	7,600	-	7,600
Total expenditures	1,040,462	1,218,942	7,600	926,667	3,193,671
Excess of revenues over (under) expenditures	(1,040,462)	(1,176,104)	(6,695)	(926,667)	(3,149,928)
OTHER FINANCING SOURCES					
Transfers in	-	1,000,000	150,000	1,198,486	2,348,486
Net change in fund balances	(1,040,462)	(176,104)	143,305	271,819	(801,442)
FUND BALANCES					
Beginning	1,040,462	921,915	-	-	1,962,377
Ending	-	745,811	143,305	271,819	1,160,935



GENERAL FUND

The General Fund is the principal fund of the County and is used to account for the receipt and expenditure of resources that are traditionally associated with local government and that are not required to be accounted for in another fund.

Resources are provided primarily through taxes and intergovernmental revenues and are expended for services deemed not susceptible to a user charge financing method.

The fund is accounted for on the modified accrual basis of accounting.

CRAVEN COUNTY, NORTH CAROLINA
GENERAL FUND

DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE, BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006
(Page 1 of 3)

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 36,083,665	\$ 36,526,061	\$ 442,396
Sales	17,055,000	17,402,407	347,407
Intergovernmental	16,071,754	16,043,972	(27,782)
Charges for services	12,608,115	13,206,633	598,518
Interest	350,850	930,043	579,193
Miscellaneous	894,041	998,896	104,855
Total revenues	<u>83,063,425</u>	<u>85,108,012</u>	<u>2,044,587</u>
EXPENDITURES			
General government:			
Commissioners	471,061	431,312	39,749
Administration	493,394	479,518	13,876
Personnel	417,113	362,444	54,669
Data processing	735,035	720,694	14,341
Finance	671,036	664,032	7,004
Elections	728,287	652,501	75,786
Tax assessor	926,665	848,678	77,987
Tax collections	482,905	460,421	22,484
Register of deeds	1,426,168	1,406,680	19,488
Public buildings	604,909	586,378	18,531
Housekeeping	202,435	198,404	4,031
Court facilities	307,170	299,415	7,755
Maintenance	337,263	315,845	21,418
Non-departmental	766,047	758,181	7,866
Total general government	<u>8,569,488</u>	<u>8,184,503</u>	<u>384,985</u>
Public safety:			
Animal control	292,113	281,263	10,850
Medical examiner	66,500	64,675	1,825
Sheriff	4,333,859	4,322,895	10,964
Criminal Justice Partnership Program	98,584	98,541	43
Jail	2,506,853	2,495,751	11,102
Communications	517,797	514,667	3,130
Fire marshal/ Emergency management	282,035	272,199	9,836
Inspections	459,137	439,732	19,405
Volunteer rescue squads	1,257,745	1,231,735	26,010
Special appropriation	1,200	1,200	-
Wired E-911	19,560	5,874	13,686
Wireless E-911	24,000	12,149	11,851
Total public safety	<u>9,859,383</u>	<u>9,740,681</u>	<u>118,702</u>

Continued

CRAVEN COUNTY, NORTH CAROLINA
GENERAL FUND

DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE, BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006
(Page 2 of 3)

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Solid waste	\$ 3,634,309	\$ 3,559,008	\$ 75,301
Environmental health	1,188,227	1,091,231	96,996
Soil conservation	141,959	139,322	2,637
Cooperative extension	302,057	291,134	10,923
Total environmental protection	<u>5,266,552</u>	<u>5,080,695</u>	<u>185,857</u>
Economic and physical development:			
Planning	452,542	427,137	25,405
Economic development	568,470	477,308	91,162
Convention Center	1,105,159	1,070,279	34,880
Other-Legal	139,000	119,269	19,731
Total economic and physical development	<u>2,265,171</u>	<u>2,093,993</u>	<u>171,178</u>
Health:			
Dental	309,358	290,991	18,367
Maternity	1,100,042	1,012,680	87,362
Child health	1,658,115	1,568,217	89,898
Risk Reduction	240,543	214,158	26,385
WIC	507,258	455,980	51,278
Adult Health Services	110,227	96,322	13,905
Vector Control	129,013	124,658	4,355
Communicable Disease	318,237	303,648	14,589
Bio-Terrorism	77,478	76,959	519
Family planning	561,752	533,029	28,723
Home health	2,223,101	2,025,422	197,679
Mental health	273,557	273,551	6
Other - unclassified	977,370	96,598	880,772
Total health	<u>8,486,051</u>	<u>7,072,213</u>	<u>1,413,838</u>
Social services:			
Transportation	1,244,113	1,162,258	81,855
Administration	2,006,084	1,736,517	269,567
Employment assistance	2,439,059	2,296,477	142,582
Adult/child services	1,633,096	1,529,867	103,229
Veterans services	116,959	113,794	3,165
Senior services	402,548	375,212	27,336
Public assistance payments	10,831,784	10,361,999	469,785
TANF	5,035,881	4,686,087	349,794
Other - unclassified	363,977	362,358	1,619
Total social services	<u>24,073,501</u>	<u>22,624,569</u>	<u>1,448,932</u>

Continued

CRAVEN COUNTY, NORTH CAROLINA
GENERAL FUND

DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE, BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006
(Page 3 of 3)

	Budget	Actual	Variance Positive (Negative)
Culture and recreation			
Recreation	\$ 838,159	\$ 822,955	\$ 15,204
Libraries	1,063,993	1,063,993	-
Special appropriation	253,978	249,617	4,361
Total culture and recreation	<u>2,156,130</u>	<u>2,136,565</u>	<u>19,565</u>
Education, schools			
Public schools - current expenditures	14,666,053	14,666,053	-
Public schools - capital outlay	750,000	750,000	-
Community college	2,835,683	2,835,683	-
Total education	<u>18,251,736</u>	<u>18,251,736</u>	<u>-</u>
Debt service:			
Principal	1,321,505	1,321,504	1
Interest	580,411	580,409	2
Total debt service	<u>1,901,916</u>	<u>1,901,913</u>	<u>3</u>
Total expenditures	<u>80,829,928</u>	<u>77,086,868</u>	<u>3,743,060</u>
Excess of revenues over expenditures	<u>2,233,497</u>	<u>8,021,144</u>	<u>5,787,647</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,021,522	852,368	(169,154)
Transfers out	(5,923,565)	(5,897,664)	25,901
Total other financing sources (uses)	<u>(4,902,043)</u>	<u>(5,045,296)</u>	<u>(143,253)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	(2,668,546)	2,975,848	5,644,394
FUND BALANCE, beginning	<u>15,709,176</u>	<u>19,137,373</u>	<u>3,428,197</u>
FUND BALANCE, ending	<u>\$ 13,040,630</u>	<u>\$ 22,113,221</u>	<u>\$ 9,072,591</u>

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.
- **E-911 Fund** – The E-911 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.
- **2006 CDBG Scattered Sites Project Fund** – The CDBG Scattered Sited Project Fund is used to account for the HUD and NC Independent Living Rehabilitation Program within Craven County for scattered sites.
- **Core Creek Clean Water Fund** – The Core Creek Clean Water Fund is used to account for funds from Clean Water Management Trust being used for Water Quality Monitoring and Best Management Practices (BMP) of Core Creek.



CRAVEN COUNTY, NORTH CAROLINA

DETAILED BALANCE SHEET
ALL FIRE DISTRICT FUNDS
June 30, 2006

	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
ASSETS												
Cash and cash equivalents	\$ 21,567	\$ 91,063	\$ 7,764	\$ 11,519	\$ 11,945	\$ 44,695	\$ 11,813	\$ 48,387	\$ 28,114	\$ 27,591	\$ 2,427	\$ 306,885
Taxes receivable	1,439	4,241	2,635	3,213	4,715	6,187	2,620	4,579	2,080	5,310	239	37,258
Accounts receivable	17,158	17,553	20,677	10,269	15,336	18,094	17,376	28,242	27,641	17,029	1,242	190,617
Total assets	\$ 40,164	\$ 112,857	\$ 31,076	\$ 25,001	\$ 31,996	\$ 68,976	\$ 31,809	\$ 81,208	\$ 57,835	\$ 49,930	\$ 3,908	\$ 534,760
LIABILITIES AND FUND BALANCES												
Liabilities:												
Deferred revenue	\$ 1,439	\$ 4,241	\$ 2,635	\$ 3,213	\$ 4,715	\$ 6,187	\$ 2,620	\$ 4,579	\$ 2,080	\$ 5,310	\$ 239	\$ 37,258
Total liabilities	1,439	4,241	2,635	3,213	4,715	6,187	2,620	4,579	2,080	5,310	239	37,258
Fund Balances:												
Reserved by State statute	17,158	17,553	20,677	10,269	15,336	18,094	17,376	28,242	27,641	17,029	1,242	190,617
Unreserved, designated for subsequent year's expenditures	21,567	91,063	7,764	11,519	11,945	44,695	11,813	48,387	28,114	27,591	2,427	306,885
Total fund balances	38,725	108,616	28,441	21,788	27,281	62,789	29,189	76,629	55,755	44,620	3,669	497,502
Total liabilities and fund balances	\$ 40,164	\$ 112,857	\$ 31,076	\$ 25,001	\$ 31,996	\$ 68,976	\$ 31,809	\$ 81,208	\$ 57,835	\$ 49,930	\$ 3,908	\$ 534,760

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, 2006

	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
REVENUES												
Taxes:												
Property tax	\$ 112,163	\$ 114,257	\$ 146,346	\$ 69,278	\$ 98,545	\$ 132,096	\$ 151,746	\$ 198,528	\$ 205,832	\$ 113,617	\$ 8,082	\$ 1,350,490
Sales tax	61,777	63,057	76,841	37,025	54,735	65,625	73,580	102,856	97,117	61,260	4,412	698,285
Intergovernmental	12,500	-	-	-	-	-	-	-	-	-	-	12,500
Total revenues	186,440	177,314	223,187	106,303	153,280	197,721	225,326	301,384	302,949	174,877	12,494	2,061,275
EXPENDITURES												
Remittances to Fire Districts	161,899	158,951	213,537	102,048	97,334	181,706	215,016	274,530	288,495	153,750	-	1,847,266
Workers' Compensation	1,945	3,850	4,620	3,190	65,314	1,540	2,255	3,465	3,080	3,190	-	92,449
Capital Outlay	-	-	-	-	13,431	-	-	-	-	-	-	13,431
Miscellaneous	13,491	991	991	992	800	992	991	991	991	992	-	22,222
Total expenditures	177,335	163,792	219,148	106,230	176,879	184,238	218,262	278,986	292,566	157,932	-	1,975,368
Excess of revenues over (under) expenditures	9,105	13,522	4,039	73	(23,599)	13,483	7,064	22,398	10,383	16,945	12,494	85,907
OTHER FINANCING SOURCES (USES)												
Transfers in (out):												
From General Fund	-	-	-	-	27,450	-	-	-	-	-	-	27,450
Between fire districts	-	(5,730)	11,884	5,730	3,000	-	-	-	-	(3,000)	(11,884)	-
Total other financing sources (uses)	-	(5,730)	11,884	5,730	30,450	-	-	-	-	(3,000)	(11,884)	27,450
Excess of revenues over (under) expenditures and other financing sources (uses)	9,105	7,792	15,923	5,803	6,851	13,483	7,064	22,398	10,383	13,945	610	113,357
FUND BALANCES												
Beginning	29,620	100,824	12,518	15,985	20,430	49,306	22,125	54,231	45,372	30,675	3,059	384,145
Ending	\$ 38,725	\$ 108,616	\$ 28,441	\$ 21,788	\$ 27,281	\$ 62,789	\$ 29,189	\$ 76,629	\$ 55,755	\$ 44,620	\$ 3,669	\$ 497,502

**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, 2006**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 111,561	\$ 112,163	\$ 602
Sales	58,398	61,777	3,379
Intergovernmental	12,500	12,500	-
Total revenues	<u>182,459</u>	<u>186,440</u>	<u>3,981</u>
EXPENDITURES			
Remittances to fire districts	161,899	161,899	-
Workers' compensation	2,500	1,945	555
Miscellaneous	13,491	13,491	-
Total expenditures	<u>177,890</u>	<u>177,335</u>	<u>555</u>
Excess of revenue over expenditures	4,569	9,105	4,536
FUND BALANCE			
Beginning	<u>18,694</u>	<u>29,620</u>	<u>10,926</u>
Ending	<u>\$ 23,263</u>	<u>\$ 38,725</u>	<u>\$ 15,462</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, 2006**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 113,751	\$ 114,257	\$ 506
Sales	59,379	63,057	3,678
Total revenues	<u>173,130</u>	<u>177,314</u>	<u>4,184</u>
EXPENDITURES			
Remittances to fire districts	158,951	158,951	-
Workers' compensation	4,250	3,850	400
Miscellaneous	4,199	991	3,208
Total expenditures	<u>167,400</u>	<u>163,792</u>	<u>3,608</u>
Excess of revenue over expenditures	5,730	13,522	7,792
OTHER FINANCING USES			
Transfers out:			
To Little Swift Creek Fire District Fund	<u>(5,730)</u>	<u>(5,730)</u>	-
Excess of revenues over expenditures and other financing uses	-	7,792	7,792
FUND BALANCE			
Beginning	<u>89,803</u>	<u>100,824</u>	<u>11,021</u>
Ending	<u>\$ 89,803</u>	<u>\$ 108,616</u>	<u>\$ 18,813</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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 136,556	\$ 146,346	\$ 9,790
Sales	70,997	76,841	5,844
Total revenues	207,553	223,187	15,634
EXPENDITURES			
Remittances to fire districts	213,537	213,537	-
Workers' compensation	4,900	4,620	280
Miscellaneous	1,000	991	9
Total expenditures	219,437	219,148	289
Excess of revenue over (under) expenditures	(11,884)	4,039	15,923
OTHER FINANCING SOURCES			
Transfers in:			
From Sandy Point	11,884	11,884	-
Excess of revenues and other financing sources over expenditures	-	15,923	15,923
FUND BALANCE			
Beginning	1,722	12,518	10,796
Ending	\$ 1,722	\$ 28,441	\$ 26,719

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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 66,181	\$ 69,278	\$ 3,097
Sales	34,637	37,025	2,388
Total revenues	100,818	106,303	5,485
EXPENDITURES			
Remittances to fire districts	102,048	102,048	-
Workers' compensation	3,500	3,190	310
Miscellaneous	1,000	992	8
Total expenditures	106,548	106,230	318
Excess of revenue over (under) expenditures	(5,730)	73	5,803
OTHER FINANCING SOURCES			
Transfers in:			
From Township No 1 Fire District Fund	5,730	5,730	-
Excess of revenues and other financing sources over (under) expenditures	-	5,803	5,803
FUND BALANCE			
Beginning	12,661	15,985	3,324
Ending	\$ 12,661	\$ 21,788	\$ 9,127

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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 96,980	\$ 98,545	\$ 1,565
Sales	51,301	54,735	3,434
Total revenues	148,281	153,280	4,999
EXPENDITURES			
Remittances to fire districts	97,672	97,334	338
Workers' compensation	67,075	65,314	1,761
Capital outlay	14,749	13,431	1,318
Miscellaneous	1,250	800	450
Total expenditures	180,746	176,879	3,867
Excess of revenue over (under) expenditures	(32,465)	(23,599)	8,866
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	29,465	27,450	(2,015)
From Township No. 9 Fire District Fund	3,000	3,000	-
Total other financing sources	32,465	30,450	(2,015)
Excess of revenues and other financing sources over expenditures	-	6,851	6,851
FUND BALANCE			
Beginning	14,016	20,430	6,414
Ending	\$ 14,016	\$ 27,281	\$ 13,265

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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 122,315	\$ 132,096	\$ 9,781
Sales	62,591	65,625	3,034
Total revenues	184,906	197,721	12,815
EXPENDITURES			
Remittances to fire districts	181,706	181,706	-
Workers' compensation	2,200	1,540	660
Miscellaneous	1,000	992	8
Total expenditures	184,906	184,238	668
Excess of revenue over expenditures	-	13,483	13,483
FUND BALANCE			
Beginning	37,547	49,306	(11,759)
Ending	\$ 37,547	\$ 62,789	\$ 1,724

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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 144,847	\$ 151,746	\$ 6,899
Sales	73,269	73,580	311
Total revenues	<u>218,116</u>	<u>225,326</u>	<u>7,210</u>
EXPENDITURES			
Remittances to fire districts	215,016	215,016	-
Workers' compensation	2,255	2,255	-
Miscellaneous	991	991	-
Total expenditures	<u>218,262</u>	<u>218,262</u>	<u>-</u>
Excess of revenue over (under) expenditures	(146)	7,064	7,210
FUND BALANCE			
Beginning	<u>17,663</u>	<u>22,125</u>	<u>4,462</u>
Ending	<u>\$ 17,517</u>	<u>\$ 29,189</u>	<u>\$ 11,672</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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 192,251	\$ 198,528	\$ 6,277
Sales	97,771	102,856	5,085
Total revenues	<u>290,022</u>	<u>301,384</u>	<u>11,362</u>
EXPENDITURES			
Remittances to fire districts	274,530	274,530	-
Workers' compensation	3,465	3,465	-
Miscellaneous	12,283	991	11,292
Total expenditures	<u>290,278</u>	<u>278,986</u>	<u>11,292</u>
Excess of revenue over (under) expenditures	(256)	22,398	22,654
FUND BALANCE			
Beginning	<u>36,961</u>	<u>54,231</u>	<u>17,270</u>
Ending	<u>\$ 36,705</u>	<u>\$ 76,629</u>	<u>\$ 39,924</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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 201,264	\$ 205,832	\$ 4,568
Sales	90,731	97,117	6,386
Total revenues	<u>291,995</u>	<u>302,949</u>	<u>10,954</u>
EXPENDITURES			
Remittances to fire districts	288,495	288,495	-
Workers' compensation	3,080	3,080	-
Miscellaneous	991	991	-
Total expenditures	<u>292,566</u>	<u>292,566</u>	<u>-</u>
Excess of revenue over (under) expenditures	(571)	10,383	10,954
FUND BALANCE			
Beginning	<u>36,962</u>	<u>45,372</u>	<u>(8,410)</u>
Ending	<u>\$ 36,391</u>	<u>\$ 55,755</u>	<u>\$ 2,544</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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 111,274	\$ 113,617	\$ 2,343
Sales	57,649	61,260	3,611
Total revenues	168,923	174,877	5,954
EXPENDITURES			
Remittances to fire districts	153,750	153,750	-
Workers' compensation	3,300	3,190	110
Miscellaneous	8,873	992	7,881
Total expenditures	165,923	157,932	7,991
Excess of revenue over expenditures	3,000	16,945	13,945
OTHER FINANCING USES			
Transfers out:			
To Township No. 3 Fire District Fund	(3,000)	(3,000)	-
Excess of revenues over expenditures and other financing uses	-	13,945	13,945
FUND BALANCE			
Beginning	22,085	30,675	(8,590)
Ending	\$ 22,085	\$ 44,620	\$ 5,355

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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 7,743	\$ 8,082	\$ 339
Sales	4,141	4,412	271
Total revenues	<u>11,884</u>	<u>12,494</u>	<u>610</u>
OTHER FINANCING USES			
Transfers out:			
To Tri-Community Fire District Fund	<u>(11,884)</u>	<u>(11,884)</u>	<u>-</u>
Excess of revenues over other financing uses	-	610	610
FUND BALANCE			
Beginning	<u>2,551</u>	<u>3,059</u>	<u>508</u>
Ending	<u>\$ 2,551</u>	<u>\$ 3,669</u>	<u>\$ 1,118</u>

CRAVEN COUNTY, NORTH CAROLINA
E-911 FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 294,000	\$ 264,108	\$ (29,892)
Interest	1,800	4,622	2,822
Total revenues	<u>295,800</u>	<u>268,730</u>	<u>(27,070)</u>
EXPENDITURES			
Public Safety	252,192	216,744	35,448
Total expenditures	<u>252,192</u>	<u>216,744</u>	<u>35,448</u>
Excess of revenues over expenditures	43,608	51,986	8,378
OTHER FINANCING USES			
Transfers out:			
To General Fund	(60,000)	(60,000)	-
Total other financing uses	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Excess of revenues over (under) expenditures and other financing uses	(16,392)	(8,014)	8,378
FUND BALANCE			
Beginning	<u>49,254</u>	<u>119,915</u>	<u>70,661</u>
Ending	<u>\$ 32,862</u>	<u>\$ 111,901</u>	<u>\$ 79,039</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, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 888,342	\$ 716,807	\$ (171,535)
Interest	-	2,381	2,381
Total revenues	888,342	719,188	(169,154)
EXPENDITURES			
Economic and physical development:			
Remittance to City of Havelock	97,000	97,000	-
Professional services	40	40	-
Total expenditures	97,040	97,040	-
Excess of revenue over (under) expenditures	791,302	622,148	(169,154)
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
From General Fund	-	500,000	500,000
To General Fund	(791,302)	(622,148)	169,154
Total other financing sources (uses)	(791,302)	(122,148)	669,154
Excess of revenues over expenditures and other financing sources (uses)	-	500,000	500,000
FUND BALANCE			
Beginning	(500,000)	(500,000)	-
Ending	\$ (500,000)	\$ -	\$ 500,000

**CRAVEN COUNTY, NORTH CAROLINA
2006 CDBG SCATTERED SITES PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2006**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 3,350	\$ -	\$ 3,350	\$ 3,350
EXPENDITURES				
Economic and physical development	3,350	-	3,350	3,350
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE				
Beginning			<u>-</u>	
Ending			<u>\$ -</u>	

**CRAVEN COUNTY, NORTH CAROLINA
CORE CREEK CLEAN WATER FUND**

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

From Inception and for the Fiscal Year Ended June 30, 2006

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 1,271,668	\$ 1,249,265	\$ 22,400	\$ 1,271,665
EXPENDITURES				
Environmental protection	1,271,668	1,249,265	22,400	1,271,665
Excess of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE				
Beginning			<u>-</u>	
Ending			<u>\$ -</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 principal and interest from intergovernmental and local resources. The fund is accounted for on the modified accrual basis of accounting.

**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, 2006**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 725,000	\$ 1,182,900	\$ 457,900
Interest	60,000	105,850	45,850
Total revenues	<u>785,000</u>	<u>1,288,750</u>	<u>503,750</u>
EXPENDITURES			
Principal	2,525,000	2,525,000	-
Interest and fiscal charges	1,761,350	1,756,139	5,211
Total expenditures	<u>4,286,350</u>	<u>4,281,139</u>	<u>5,211</u>
Excess of revenue over (under) expenditures	<u>(3,501,350)</u>	<u>(2,992,389)</u>	<u>508,961</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
From General Fund	3,060,000	3,336,114	276,114
To New Elementary School Project Fund	(1,198,486)	(1,198,486)	-
Total other financing sources (uses)	<u>1,861,514</u>	<u>2,137,628</u>	<u>276,114</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	<u>(1,639,836)</u>	<u>(854,761)</u>	<u>785,075</u>
FUND BALANCE			
Beginning	<u>2,203,536</u>	<u>2,640,065</u>	<u>(436,529)</u>
Ending	<u>\$ 563,700</u>	<u>\$ 1,785,304</u>	<u>\$ 1,221,604</u>

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:

- **County Reserve Fund** - The County Reserve Capital Project Fund is a capital reserve fund for future acquisitions or construction of buildings and equipment.
- **Schools Roof Project Fund** - The Schools Roof Project Fund will account for roof replacement or repairs at multiple schools
- **Law Enforcement Center Project Fund** - The Law Enforcement Center Project Fund accounts for construction of a new law enforcement facility in Craven County.
- **Mapping Project Fund** - The Mapping Project Fund will account for a major system upgrade to improve mapping capabilities in Craven County.
- **New Elementary School Project Fund** - The New Elementary School Project Fund accounts for construction of a new elementary school in Craven County.

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, 2006

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
REVENUE				
Interest	\$ 233,858	\$ 315,435	\$ 104,333	\$ 419,768
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
From General Fund	11,983,891	10,030,646	2,017,900	12,048,546
To Mapping Project Fund	(150,000)	-	(150,000)	(150,000)
To Law Enforcement Center Capital Project Fund	(2,000,000)	(1,000,000)	(1,000,000)	(2,000,000)
To General Fund	(1,542,323)	(1,519,560)	(108,221)	(1,627,781)
To School Roof Project Fund	(2,020,004)	(2,020,004)	-	(2,020,004)
Between closed projects	(3,631,757)	(3,071,912)	-	(3,071,912)
Total other financing sources (uses)	6,271,564	2,419,170	759,679	3,178,849
Excess of revenues over other financing sources (uses)	\$ 6,505,422	\$ 2,734,605	864,012	\$ 3,598,617
FUND BALANCE				
Beginning			2,734,605	
Ending			\$ 3,598,617	

CRAVEN COUNTY, NORTH CAROLINA
SCHOOLS ROOF PROJECT FUND

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

From Inception and For the Fiscal Year Ended June 30, 2006

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
EXPENDITURES				
Capital Outlay:				
Roof	\$ 2,020,004	\$ 979,542	\$ 1,040,462	\$ 2,020,004
Total expenditures	<u>2,020,004</u>	<u>979,542</u>	<u>1,040,462</u>	<u>2,020,004</u>
OTHER FINANCING SOURCES				
Transfer in:				
From County Reserve Fund	2,020,004	2,020,004	-	2,020,004
Total other financing sources	<u>2,020,004</u>	<u>2,020,004</u>	<u>-</u>	<u>2,020,004</u>
Excess of expenditures over (under) other financing sources	<u>\$ -</u>	<u>\$ 1,040,462</u>	<u>(1,040,462)</u>	<u>\$ -</u>
FUND BALANCE				
Beginning			<u>1,040,462</u>	
Ending			<u>\$ -</u>	

CRAVEN COUNTY, NORTH CAROLINA
LAW ENFORCEMENT CENTER PROJECT FUND

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

From Inception and For the Fiscal Year Ended June 30, 2006

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ -	\$ 17,895	\$ 42,838	\$ 60,733
Total revenues	-	17,895	42,838	60,733
EXPENDITURES				
Capital Outlay:				
Project Construction	2,000,000	95,980	1,218,942	1,314,922
Total expenditures	2,000,000	95,980	1,218,942	1,314,922
Excess of revenues under expenditures	(2,000,000)	(78,085)	(1,176,104)	(1,254,189)
OTHER FINANCING SOURCES				
Transfer in:				
From County Reserve Fund	2,000,000	1,000,000	1,000,000	2,000,000
Total other financing sources	2,000,000	1,000,000	1,000,000	2,000,000
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ 921,915	(176,104)	\$ 745,811
FUND BALANCE				
Beginning			921,915	
Ending			\$ 745,811	

CRAVEN COUNTY, NORTH CAROLINA
 MAPPING PROJECT FUND

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

From Inception and For the Fiscal Year Ended June 30, 2006

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ -	\$ -	\$ 905	\$ 905
Total revenues	-	-	905	905
EXPENDITURES				
Capital Outlay:				
Project Construction	150,000	-	7,600	7,600
Total expenditures	150,000	-	7,600	7,600
Excess of revenues under expenditures	(150,000)	-	(6,695)	(6,695)
OTHER FINANCING SOURCES				
Transfer in:				
From County Reserve Fund	150,000	-	150,000	150,000
Total other financing sources	150,000	-	150,000	150,000
Excess of revenues over expenditures and other financing sources	\$ -	\$ -	143,305	\$ 143,305
FUND BALANCE				
Beginning			-	
Ending			\$ 143,305	

CRAVEN COUNTY, NORTH CAROLINA
 NEW ELEMENTARY SCHOOL PROJECT FUND

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

From Inception and For the Fiscal Year Ended June 30, 2006

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
EXPENDITURES				
Capital Outlay:				
Project Construction	\$ 1,198,486	\$ -	\$ 926,667	\$ 926,667
OTHER FINANCING SOURCES				
Transfer in:				
From Debt Service Fund	1,198,486	-	1,198,486	1,198,486
Excess of other financing sources over expenditures	\$ -	\$ -	271,819	\$ 271,819
FUND BALANCE				
Beginning			-	
Ending			\$ 271,819	



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

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

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

CRAVEN COUNTY, NORTH CAROLINA

COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2006

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Pembroke Water and Sewer District	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Due from other government-current	\$ -	\$ 20,000	\$ 30,000	\$ 50,000
Total current assets	-	20,000	30,000	50,000
Noncurrent Assets:				
Due from other government-noncurrent	-	165,000	180,000	345,000
Total noncurrent assets	-	165,000	180,000	345,000
Total assets	-	185,000	210,000	395,000
LIABILITIES				
Current liabilities:				
Accrued interest payable	2,428	843	-	3,271
Installment notes payable-current	5,325	-	-	5,325
General obligation bonds payable-current	86,000	80,500	30,000	196,500
Total current liabilities	93,753	81,343	30,000	205,096
Noncurrent liabilities:				
Installment notes payable	47,925	-	-	47,925
General obligation bonds payable	155,600	230,900	180,000	566,500
Internal balances	(297,278)	(127,243)	-	(424,521)
Total noncurrent liabilities	(93,753)	103,657	180,000	189,904
Total liabilities	-	185,000	210,000	395,000
NET ASSETS				
Invested in capital assets, net of related debt	(294,850)	(311,400)	(210,000)	(816,250)
Unrestricted	294,850	311,400	210,000	816,250
Total net assets	\$ -	\$ -	\$ -	\$ -

CRAVEN COUNTY, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2006

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Total Nonmajor Enterprise Funds
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 24,995	\$ 12,558	\$ 37,553
Interest expense	(24,995)	(12,558)	(37,553)
Total net nonoperating revenues (expenses)	-	-	-
Change in net assets	-	-	-
Total net assets - beginning	-	-	-
Total net assets - ending	\$ -	\$ -	\$ -

CRAVEN COUNTY, NORTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended June 30, 2006

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Total Nonmajor Enterprise Funds
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayment of installment notes and bonds	\$ (84,525)	\$ (55,000)	\$ (139,525)
Proceeds from investment in direct financing lease	84,525	55,000	139,525
Net cash provided by (used in) capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
CASH AND CASH EQUIVALENTS			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -

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

**SCHEDULE OF NET ASSETS
 June 30, 2006**

	Craven County Water Operating Fund	PeeDec Aquifer Project Fund	Neuse River Tank Project Fund	Northwest Craven Roads Project Fund	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 90,552	\$ 111,753	\$ -	\$ 80,025	\$ 282,330
Short-term investments	5,400,000	350,000	-	150,000	5,900,000
Accounts receivable, net of allowance for doubtful accounts	731,393	104	-	45	731,542
Total current assets	6,221,945	461,857	-	230,070	6,913,872
Noncurrent assets:					
Capital assets:					
Land	194,152	-	-	-	194,152
Improvements other than buildings	27,359,335	-	-	-	27,359,335
Buildings	563,318	-	-	-	563,318
Machinery and equipment	569,524	-	-	-	569,524
Construction in progress	-	136,676	-	2,559	139,235
Accumulated depreciation	(8,542,489)	-	-	-	(8,542,489)
Total capital assets, net of accumulated depreciation	20,143,840	136,676	-	2,559	20,283,075
Total noncurrent assets	20,143,840	136,676	-	2,559	20,283,075
Total assets	26,365,785	598,533	-	232,629	27,196,947
LIABILITIES					
Current liabilities:					
Accounts payable	45,616	-	-	-	45,616
Accrued salaries and benefits	25,916	-	-	-	25,916
Customer deposits payable	332,281	-	-	-	332,281
Total current liabilities	403,813	-	-	-	403,813
Noncurrent liabilities					
Obligations under capital lease	2,613,256	-	-	-	2,613,256
Total noncurrent liabilities	2,613,256	-	-	-	2,613,256
Total liabilities	3,017,069	-	-	-	3,017,069
NET ASSETS					
Capital assets, net of related debt	20,143,840	136,676	-	2,559	20,283,075
Unrestricted	3,204,876	461,857	-	230,070	3,896,803
Total net assets	\$ 23,348,716	\$ 598,533	\$ -	\$ 232,629	\$ 24,179,878

**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, 2006**

	Craven County Water Operating Fund	PeeDec Aquifer Project Fund	Neuse River Tank Project Fund	Northwest Craven Roads Project Fund	Totals
OPERATING REVENUES					
Charges for services	\$ 3,296,858	\$ -	\$ -	\$ -	\$ 3,296,858
Miscellaneous	113,100	-	10,406	-	123,506
Total operating revenues	3,409,958	-	10,406	-	3,420,364
OPERATING EXPENSES					
Cost of services	1,416,040	-	-	-	1,416,040
Depreciation	898,667	-	-	-	898,667
Total operating expenses	2,314,707	-	-	-	2,314,707
Operating income	1,095,251	-	10,406	-	1,105,657
NONOPERATING REVENUES (EXPENSES)					
Interest income	237,095	4,456	4,255	629	246,435
Interest expense	(137,524)	-	-	-	(137,524)
Total nonoperating revenues (expenses)	99,571	4,456	4,255	629	108,911
Income before transfers	1,194,822	4,456	14,661	629	1,214,568
TRANSFERS IN (OUT):					
Between Water and Sewer funds To General Fund	286,597 (45,799)	381,505 -	(900,102) -	232,000 -	- (45,799)
Total transfers in (out)	240,798	381,505	(900,102)	232,000	(45,799)
Change in net assets	1,435,620	385,961	(885,441)	232,629	1,168,769
Total net assets, beginning	21,913,096	212,572	885,441	-	23,011,109
Total net assets, ending	\$ 23,348,716	\$ 598,533	\$ -	\$ 232,629	\$ 24,179,878

CRAVEN COUNTY, NORTH CAROLINA
 CRAVEN COUNTY WATER OPERATING 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, 2006
 (Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
OPERATING REVENUES			
Water and sewer sales	\$ 2,755,285	\$ 2,941,108	\$ 185,823
Tap and permit fees	226,800	355,750	128,950
Miscellaneous	150,300	113,100	(37,200)
Total operating revenues	<u>3,132,385</u>	<u>3,409,958</u>	<u>277,573</u>
OPERATING EXPENDITURES			
Personnel services:			
Salaries	433,024	422,460	10,564
Employee benefits	118,690	113,110	5,580
Retirement	20,647	20,520	127
Professional services:			
Audit and accounting fees	1,500	846	654
Consumer and conf report	3,500	1,900	1,600
Legal fees	6,850	5,846	1,004
Engineering fees	30,500	30,195	305
Contractual services	52,156	48,775	3,381
Operating supplies	34,600	22,201	12,399
Utilities	212,200	202,245	9,955
Maintenance and repairs:			
Systems	170,000	160,627	9,373
Building and grounds	53,635	53,635	-
Vehicle expense	58,891	57,756	1,135
Equipment	8,700	7,190	1,510
Insurance	18,700	16,669	2,031
Tap outlays	90,000	86,143	3,857
Telephone and postage	26,000	23,496	2,504
Lockbox	82,382	82,376	6
Chemical and lab work	67,822	67,821	1
Capital outlay	347,236	263,739	83,497
Miscellaneous	25,661	22,425	3,236
Total operating expenditures	<u>1,862,694</u>	<u>1,709,975</u>	<u>152,719</u>
Excess of operating revenues over operating expenditures	<u>1,269,691</u>	<u>1,699,983</u>	<u>430,292</u>
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	50,000	237,095	187,095
Interest paid	(142,247)	(137,524)	4,723
Principal payments	(470,937)	(470,937)	-
Total nonoperating revenues (expenditures)	<u>(563,184)</u>	<u>(371,366)</u>	<u>191,818</u>
Excess of revenues over expenditures	<u>706,507</u>	<u>1,328,617</u>	<u>622,110</u>

Continued

**CRAVEN COUNTY, NORTH CAROLINA
CRAVEN COUNTY WATER OPERATING 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, 2006
(Page 2 of 2)**

	Budget	Actual	Variance, Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
From Neuse River Tank Capital Project Fund	900,102	900,102	-
From General Fund	16,200	16,200	
To Peedee Aquifer Capital Project Fund	(381,505)	(381,505)	-
To Northwest Craven Roads Capital Project Fund	(232,000)	(232,000)	-
To General Fund	(61,999)	(61,999)	-
Total other financing sources (uses)	<u>240,798</u>	<u>240,798</u>	<u>-</u>
 Excess of revenues over (under) expenditures and other financing sources (uses)	 \$ 947,305	 \$ 1,569,415	 \$ 622,110

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

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ 1,569,415
Capital outlay	293,935
Payment on obligation under capital lease payable	470,937
Depreciation	<u>(898,667)</u>
 Net income, full accrual basis	 <u>\$ 1,435,620</u>

**CRAVEN COUNTY, NORTH CAROLINA
PEEDEE 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, 2006**

	Total Project Estimates	Prior Years	Actual Current Year	Total To Date
REVENUES				
Interest revenue	\$ -	\$ 1,972	\$ 4,456	\$ 6,428
EXPENDITURES				
Capital outlay				
Architect fees	41,100	17,100	12,890	29,990
Inspection	11,500	10,715	-	10,715
General Construction	142,000	82,520	-	82,520
Bidding Phase	8,000	8,000	-	8,000
Chemical and Labs	7,000	5,451	-	5,451
Contingency	381,505	-	-	-
Administration	1,000	-	-	-
Total expenditures	592,105	123,786	12,890	136,676
Excess of revenues under expenditures	(592,105)	(121,814)	(8,434)	(130,248)
OTHER FINANCING SOURCES				
Transfers in:				
From Craven County Water Operating Fund	592,105	210,600	381,505	592,105
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ 88,786	\$ 373,071	\$ 461,857
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ 373,071	
Capital outlay			12,890	
Net income, full accrual basis			\$ 385,961	

**CRAVEN COUNTY, NORTH CAROLINA
NEUSE RIVER TANK 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, 2006**

	Total Project Estimates	Prior Years	Actual Current Year	Total To Date
REVENUES				
Interest revenue	\$ 18,697	\$ 14,440	\$ 4,255	\$ 18,695
Miscellaneous	10,406	-	10,406	10,406
Total revenues	<u>29,103</u>	<u>14,440</u>	<u>14,661</u>	<u>29,101</u>
EXPENDITURES				
Capital outlay				
Architect fees	19,500	18,915	585	19,500
Inspection	25,242	25,241	-	25,241
General Construction	563,586	507,244	56,342	563,586
Bidding Phase	35,500	35,500	-	35,500
Other Improvements	35,232	35,231	-	35,231
Administration	1,441	628	813	1,441
Total expenditures	<u>680,501</u>	<u>622,759</u>	<u>57,740</u>	<u>680,499</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
To Craven County Water Operating Fund	(900,102)	-	(900,102)	(900,102)
From Craven County Water Operating Fund	871,000	871,000	-	871,000
Total other financing sources (uses)	<u>(29,102)</u>	<u>871,000</u>	<u>(900,102)</u>	<u>(29,102)</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ (680,500)</u>	<u>\$ 262,681</u>	<u>\$ (943,181)</u>	<u>\$ (680,500)</u>

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

Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above	\$ (943,181)
Capital outlay	<u>57,740</u>
Net loss, full accrual basis	<u>\$ (885,441)</u>

**CRAVEN COUNTY, NORTH CAROLINA
NORTHWEST CRAVEN ROADS PROJECT**

**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, 2006**

	Total Project Estimates	Prior Years	Actual Current Year	Total To Date
REVENUES				
Interest revenue	\$ -	\$ -	\$ 629	\$ 629
EXPENDITURES				
Professional services:				
Engineering fees	2,559	-	2,559	2,559
Contractual services	229,441	-	-	-
Total expenditures	232,000	-	2,559	2,559
Excess of revenues under expenditures	(232,000)	-	(1,930)	(1,930)
OTHER FINANCING SOURCES				
Transfers in:				
From Craven County Water Operating Fund	232,000	-	232,000	232,000
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ -	\$ 230,070	\$ 230,070
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ 230,070	
Capital outlay			2,559	
Net income, full accrual basis			\$ 232,629	

**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, 2006**

	Budget	Actual	Variance, Positive (Negative)
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	\$ -	\$ 24,995	\$ 24,995
Interest paid	-	(24,995)	(24,995)
Principal payment	(84,525)	(84,525)	-
Total nonoperating revenues (expenditures)	<u>(84,525)</u>	<u>(84,525)</u>	-
OTHER FINANCING SOURCES			
Direct financing lease proceeds	<u>84,525</u>	<u>84,525</u>	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		84,525	
Reduction of investment in direct financing lease receivable		<u>(84,525)</u>	
Net income, full accrual basis		<u>\$ -</u>	

**CRAVEN COUNTY, NORTH CAROLINA
 BLENDED COMPONENT UNIT, NORTH WEST 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, 2006**

	Budget	Actual	Variance, Positive (Negative)
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	\$ -	\$ 99,971	\$ 99,971
Interest paid	-	(99,971)	(99,971)
Principal payment	(331,412)	(331,412)	-
Total nonoperating revenues (expenditures)	<u>(331,412)</u>	<u>(331,412)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Direct financing lease proceeds	<u>331,412</u>	<u>331,412</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		331,412	
Reduction of investment in direct financing lease receivable		<u>(331,412)</u>	
Net income, full accrual basis		<u>\$ -</u>	

**CRAVEN COUNTY, NORTH CAROLINA
 BLENDED COMPONENT UNIT, NEUSE RIVER 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, 2006**

	Budget	Actual	Variance, Positive (Negative)
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	\$ -	\$ 12,558	\$ 12,558
Interest paid	-	(12,558)	(12,558)
Principal payment	(55,000)	(55,000)	-
Total nonoperating revenues (expenditures)	<u>(55,000)</u>	<u>(55,000)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Direct financing lease proceeds	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		55,000	
Reduction of investment in direct financing lease receivable		<u>(55,000)</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, 2006**

	Budget	Actual	Variance, Favorable (Unfavorable)
OPERATING REVENUES			
Charge for services	\$ 3,773,890	\$ 3,751,371	\$ (22,519)
Miscellaneous	-	4	4
Total revenues	<u>3,773,890</u>	<u>3,751,375</u>	<u>(22,515)</u>
OPERATING EXPENDITURES			
Claims reimbursement	<u>4,424,000</u>	<u>4,197,634</u>	<u>226,366</u>
Excess of operating revenues over (under) operating expenditures	(650,110)	(446,259)	203,851
NONOPERATING REVENUES			
Interest income	<u>56,900</u>	<u>59,728</u>	<u>2,828</u>
Excess of revenues over expenditures	<u>\$ (593,210)</u>	<u>\$ (386,531)</u>	<u>\$ 206,679</u>



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.

Juvenile Restitution Fund – The Juvenile Restitution Fund is for the receipt of State monies expended for services to juveniles.

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.

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.

CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

June 30, 2006

	Social Services Trust Fund	Juvenile Restitution Fund	Totals
ASSETS			
Cash	\$ 127,215	\$ 440	\$ 127,655
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 127,215	\$ 440	\$ 127,655

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Fiscal Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Social Services Trust Fund:				
Assets, cash and investments	\$ 163,325	\$ -	\$ 36,110	\$ 127,215
Liabilities, accounts payable and accrued liabilities	\$ 163,325	\$ -	\$ 36,110	\$ 127,215
Juvenile Restitution Fund:				
Assets, cash and investments	\$ 4,573	\$ 41,799	\$ 45,932	\$ 440
Liabilities, accounts payable and accrued liabilities	\$ 4,573	\$ 41,799	\$ 45,932	\$ 440
Department of Motor Vehicle Interest Fund:				
Assets, cash and investments	\$ -	\$ 12,622	\$ 12,622	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 12,622	\$ 12,622	\$ -
Municipal Property Tax Fund:				
Assets, cash and investments	\$ -	\$ 4,474,627	\$ 4,474,627	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 4,474,627	\$ 4,474,627	\$ -
Totals - All Agency Funds:				
Assets, cash and investments	\$ 167,898	\$ 4,529,048	\$ 4,569,291	\$ 127,655
Liabilities, accounts payable and accrued liabilities	\$ 167,898	\$ 4,529,048	\$ 4,569,291	\$ 127,655



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

**DETAILED BALANCE SHEET
June 30, 2006**

	<u>2006</u>
ASSETS	
Cash	\$ 103,161
Accounts receivable	482
Investments	<u>150,000</u>
Total assets	<u>\$ 253,643</u>
 NET ASSETS	
Unrestricted	<u>\$ 253,643</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, 2006**

	Budget	Actual	Variance, Positive (Negative)
REVENUES			
Occupancy tax	\$ 332,000	\$ 396,981	\$ 64,981
Interest	3,000	10,698	7,698
Miscellaneous	-	4,605	4,605
Total revenues	<u>335,000</u>	<u>412,284</u>	<u>77,284</u>
EXPENDITURES			
Economic development	<u>357,787</u>	<u>342,351</u>	<u>15,436</u>
Excess of revenues over (under) expenditures	(22,787)	69,933	92,720
NET ASSETS			
Beginning	<u>183,710</u>	<u>183,710</u>	-
Ending	<u>\$ 160,923</u>	<u>\$ 253,643</u>	<u>\$ 92,720</u>
Reconciliation of modified accrual basis with full accrual basis			
Excess of revenues over (under) expenditures, modified accrual basis, above		<u>\$ 69,933</u>	
Net income, full accrual basis		<u>\$ 69,933</u>	

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

COMBINING BALANCE SHEET
 June 30, 2006

	Airport Authority Operating Fund	Airport Improvement Program No. 20 Project Fund	Airport Improvement Program No. 24 Project Fund	Airport Improvement Program No. 25 Project Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 226,126	\$ -	\$ 19,679	\$ 4,646	\$ 250,451
Short term investments	750,000	-	-	-	750,000
Accounts receivable	510,834	-	-	-	510,834
	<u>1,486,960</u>	<u>-</u>	<u>19,679</u>	<u>4,646</u>	<u>1,511,285</u>
Capital assets:					
Land	5,540,364	-	-	-	5,540,364
Buildings	9,639,436	-	-	-	9,639,436
Improvements other than buildings	11,390,330	-	-	-	11,390,330
Machinery and equipment	1,576,509	-	-	-	1,576,509
Construction in progress	-	-	721,995	786,454	1,508,449
Accumulated depreciation	(9,360,675)	-	-	-	(9,360,675)
Capital assets, net of accumulated depreciation	<u>18,785,964</u>	<u>-</u>	<u>721,995</u>	<u>786,454</u>	<u>20,294,413</u>
Total assets	<u>\$ 20,272,924</u>	<u>\$ -</u>	<u>\$ 741,674</u>	<u>\$ 791,100</u>	<u>\$ 21,805,698</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 47,321	\$ -	\$ -	\$ 2,425	\$ 49,746
Accrued salaries and benefits	33,692	-	-	-	33,692
Accrued interest payable	33,172	-	-	-	33,172
Installment note payable, net of deferred charges	2,751,629	-	-	-	2,751,629
Bonds payable	1,180,000	-	-	-	1,180,000
Total liabilities	<u>4,045,814</u>	<u>-</u>	<u>-</u>	<u>2,425</u>	<u>4,048,239</u>
Net assets:					
Invested in capital assets, net of related debt	14,854,335	-	721,995	786,454	16,362,784
Unrestricted	1,372,775	-	19,679	2,221	1,394,675
Total net assets	<u>16,227,110</u>	<u>-</u>	<u>741,674</u>	<u>788,675</u>	<u>17,757,459</u>
Total liabilities and net assets	<u>\$ 20,272,924</u>	<u>\$ -</u>	<u>\$ 741,674</u>	<u>\$ 791,100</u>	<u>\$ 21,805,698</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, 2006

	Airport Authority Operating Fund	Airport Improvement Program No. 20 Project Fund	Airport Improvement Program No. 24 Project Fund	Airport Improvement Program No. 25 Project Fund	Totals
OPERATING REVENUES					
Charges for services	\$ 1,478,254	\$ -	\$ -	\$ -	\$ 1,478,254
OPERATING EXPENSES					
Cost of sales and services	1,211,285	-	-	-	1,211,285
Depreciation and amortization	999,062	-	-	-	999,062
Total operating expenses	2,210,347	-	-	-	2,210,347
Operating loss	(732,093)	-	-	-	(732,093)
NONOPERATING REVENUES (EXPENSES)					
Interest income	45,153	61	199	-	45,413
Interest expense	(181,158)	-	-	-	(181,158)
Intergovernmental revenue	759,187	116,946	52,500	746,000	1,674,633
Total nonoperating revenues (expenses)	623,182	117,007	52,699	746,000	1,538,888
Income (loss) before transfers	(108,911)	117,007	52,699	746,000	806,795
Transfers in (out)					
Between Airport Funds	1,606,517	(1,223,813)	(425,379)	42,675	-
Total transfers in (out)	1,606,517	(1,223,813)	(425,379)	42,675	-
Change in net assets	1,497,606	(1,106,806)	(372,680)	788,675	806,795
Net assets-beginning	14,729,504	1,106,806	1,114,354	-	16,950,664
Net assets-ending	\$ 16,227,110	\$ -	\$ 741,674	\$ 788,675	\$ 17,757,459

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

COMBINING SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

	Airport Authority Operating Fund	Airport Improvement Program No 20 Project Fund	Airport Improvement Program No. 24 Project Fund	Airport Improvement Program No 25 Project Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,198,565	\$ 18,000	\$ -	\$ 2,425	\$ 1,218,990
Payments to suppliers	(873,015)	(16,875)	(6,600)	-	(896,490)
Payments to employees	(716,776)	-	-	-	(716,776)
Net cash provided by (used in) operating activities	(391,226)	1,125	(6,600)	2,425	(394,276)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(73,668)	(132,573)	(29,102)	(786,454)	(1,021,797)
Repayment of installment notes	(293,123)	-	-	-	(293,123)
Repayment of bonds	(125,000)	-	-	-	(125,000)
Receipts from capital grants	759,187	116,946	471,204	746,000	2,093,337
Interest paid	(184,633)	-	-	-	(184,633)
Net cash provided by (used in) capital and related financing activities	82,763	(15,627)	442,102	(40,454)	468,784
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	425,379	-	-	42,675	468,054
Transfers out	(42,675)	-	(425,379)	-	(468,054)
Net cash provided by (used in) noncapital financing activities	382,704	-	(425,379)	42,675	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on cash and investments	45,153	61	199	-	45,413
Purchase of short term investments	(150,000)	-	-	-	(150,000)
Net cash provided by investing activities	(104,847)	61	199	-	(104,587)
Net increase (decrease) in cash and cash equivalents	(30,606)	(14,441)	10,322	4,646	(30,079)
CASH AND CASH EQUIVALENTS					
Beginning	256,732	14,441	9,357	-	280,530
Ending	\$ 226,126	\$ -	\$ 19,679	\$ 4,646	\$ 250,451
Reconciliation of operating loss to net cash provided by (used) in operating activities:					
Operating loss	\$ (732,093)	\$ -	\$ -	\$ -	\$ (732,093)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	999,062	-	-	-	999,062
Previously unrecognized					
Change in assets and liabilities:					
Accounts receivable	(279,689)	18,000	-	-	(261,689)
Accounts payable and accrued expenses	(378,506)	(16,875)	(6,600)	2,425	(399,556)
Net cash provided by (used in) operating activities	\$ (391,226)	\$ 1,125	\$ (6,600)	\$ 2,425	\$ (394,276)

**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, 2006

(Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
OPERATING REVENUES			
Charges for services	1,448,371	1,478,254	29,883
OPERATING EXPENDITURES			
Personnel Services:			
Salaries	589,009	583,417	5,592
Employee benefits	116,197	115,119	1,078
Retirement	20,956	20,954	2
Professional Services:			
Audit and accounting fees	6,220	1,375	4,845
Legal fees	28,972	28,972	-
Contractual services	57,150	56,892	258
Operating supplies	53,169	52,656	513
Utilities	143,210	142,665	545
Maintenance and repairs:			
Building and grounds	82,295	81,395	900
Vehicle expense	8,172	7,154	1,018
Insurance	89,165	89,165	-
Telephone and postage	14,199	13,454	745
Capital outlay	28,116	26,225	1,891
Board Member fees	9,331	9,330	1
Miscellaneous	12,204	11,425	779
Travel/Training	17,297	16,939	358
Advertising	41,198	23,086	18,112
Dues and subscriptions	4,730	4,730	-
Total operating expenditures	1,321,590	1,284,953	36,637
Excess of operating revenues over (under) operating expenditures	126,781	193,301	(6,754)
NONOPERATING REVENUES (EXPENSES)			
Interest income	18,180	45,153	26,973
Interest expense	(184,634)	(181,158)	3,476
Principal payments	(418,123)	(418,123)	-
Capital Contributions - intergovernmental grants	436,779	759,187	322,408
Total nonoperating revenues (expenses)	(147,798)	205,059	352,857
Excess of revenues over (under) expenditures	(21,017)	398,360	419,377

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, 2006**

(Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
To Airport Capital Project Funds	\$ (98,011)	\$ (42,675)	\$ 55,336
From Airport Capital Project Funds	-	1,649,192	1,649,192
Total other financing sources (uses)	<u>(98,011)</u>	<u>1,606,517</u>	<u>1,704,528</u>
 Excess revenues over (under) expenditures and other financing sources (uses)	 \$ (119,028)	 \$ 2,004,877	 \$ 2,123,905
 Reconciliation of modified accrual basis with full accrual basis:			
Excess revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 2,004,877	
Capital outlay		73,668	
Depreciation		(991,883)	
Amortization		(7,179)	
Principal payments		<u>418,123</u>	
Net income, full accrual basis		<u>\$ 1,497,606</u>	

**CRAVEN COUNTY, NORTH CAROLINA
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)
TERMINAL AREA DEVELOPMENT SITE NO. 20 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, 2006**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
REVENUES				
Federal grants	\$ 1,101,146	\$ 984,200	\$ 116,946	\$ 1,101,146
Interest	316	256	61	317
Total revenues	<u>1,101,462</u>	<u>984,456</u>	<u>117,007</u>	<u>1,101,463</u>
EXPENDITURES				
Capital outlay:				
Project construction	972,277	923,127	49,150	972,277
Land	83,167	-	83,168	83,168
Legal and administrative	9,478	9,222	255	9,477
Engineering fees	86,861	86,862	-	86,862
Inspection	40,162	40,162	-	40,162
Contractual Services	21,804	21,804	-	21,804
Miscellaneous	10,063	10,063	-	10,063
Total expenditures	<u>1,223,812</u>	<u>1,091,240</u>	<u>132,573</u>	<u>1,223,813</u>
Excess of revenues under expenditures	<u>(122,350)</u>	<u>(106,784)</u>	<u>(15,566)</u>	<u>(122,350)</u>
OTHER FINANCING SOURCES				
Transfers in (out):				
To Airport Operating Fund	(1,223,813)	-	(1,223,813)	(1,223,813)
From Airport Operating Fund	122,350	122,350	-	122,350
Total other financing sources (uses)	<u>(1,101,463)</u>	<u>122,350</u>	<u>(1,223,813)</u>	<u>(1,101,463)</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ (1,223,813)</u>	<u>\$ 15,566</u>	<u>\$ (1,239,379)</u>	<u>\$ (1,223,813)</u>
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above Capital outlay			\$ (1,239,379)	
			<u>132,573</u>	
Net loss, full accrual basis			<u>\$ (1,106,806)</u>	

CRAVEN COUNTY, NORTH CAROLINA
 CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)
 TERMINAL AREA DEVELOPMENT SITE NO. 24 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, 2006

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
REVENUES				
Federal grants	\$ 1,118,625	\$ 1,055,204	\$ 52,500	\$ 1,107,704
Interest	-	275	199	474
Total revenues	<u>1,118,625</u>	<u>1,055,479</u>	<u>52,699</u>	<u>1,108,178</u>
EXPENDITURES				
Capital outlay:				
Project construction	502,702	479,053	6,854	485,907
Legal and administrative	10,538	7,570	405	7,975
Engineering fees	33,036	33,036	-	33,036
Inspection	20,000	17,944	-	17,944
Capital outlay	97,927	97,901	-	97,901
Miscellaneous	87,918	57,389	21,843	79,232
Total expenditures	<u>752,121</u>	<u>692,893</u>	<u>29,102</u>	<u>721,995</u>
Excess of revenues over (under) expenditures	<u>366,504</u>	<u>362,586</u>	<u>23,597</u>	<u>386,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
To Airport Operating Fund	(425,379)	-	(425,379)	(425,379)
From Airport Operating Fund	58,875	58,875	-	58,875
Total other financing sources (uses)	<u>(366,504)</u>	<u>58,875</u>	<u>(425,379)</u>	<u>(366,504)</u>
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ 421,461</u>	<u>\$ (401,782)</u>	<u>\$ 19,679</u>
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over expenditures and other financing sources, modified accrual basis, above			\$ (401,782)	
Capital outlay			<u>29,102</u>	
Net loss, full accrual basis			<u>\$ (372,680)</u>	

**CRAVEN COUNTY, NORTH CAROLINA
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)
TERMINAL AREA DEVELOPMENT SITE NO. 25 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, 2006**

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Federal grants	\$ 810,825	\$ -	\$ 746,000	\$ 746,000
Total revenues	<u>810,825</u>	<u>-</u>	<u>746,000</u>	<u>746,000</u>
EXPENDITURES				
Capital outlay:				
Project construction	504,211	-	463,786	463,786
Legal and administrative	11,272	-	6,637	6,637
Engineering fees	282,372	-	269,580	269,580
Inspection	27,285	-	19,510	19,510
Capital outlay	5,390	-	4,970	4,970
Miscellaneous	22,970	-	21,971	21,971
Total expenditures	<u>853,500</u>	<u>-</u>	<u>786,454</u>	<u>786,454</u>
Excess of revenues over (under) expenditures	<u>(42,675)</u>	<u>-</u>	<u>(40,454)</u>	<u>(40,454)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From Airport Operating Fund	42,675	-	42,675	42,675
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,221</u>	<u>\$ 2,221</u>

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

Excess of revenues over expenditures and other financing sources, modified accrual basis, above	\$ 2,221
Capital outlay	<u>786,454</u>
Net income, full accrual basis	<u>\$ 788,675</u>



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

CRAVEN COUNTY
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 6,880,062	\$ 6,262,622
Buildings	35,564,153	35,498,124
Other Improvements	3,681,220	3,667,220
Equipment & Vehicles	9,529,329	9,155,808
Construction in Progress	1,322,522	95,980
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 56,977,286</u>	<u>\$ 54,679,754</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 5,087,995	\$ 29,790,463
Capital Projects	41,718,357	14,718,357
Prior to June, 1992*	10,170,934	10,170,934
	<hr/>	<hr/>
Total investment in governmental funds capital assets	<u>\$ 56,977,286</u>	<u>\$ 54,679,754</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
 FOR THE YEAR ENDED JUNE 30, 2006

	Land	Buildings	Other Improvements	Equipment & Vehicles	Total
General Government:					
Commissioners	\$ -	\$ -	\$ -	\$ 10,726	\$ 10,726
Administration	-	-	-	19,742	19,742
Personnel	-	-	-	14,332	14,332
Information Technology	-	-	-	931,433	931,433
Finance	-	-	-	9,875	9,875
Non Department	-	-	-	238,642	238,642
Elections	-	-	-	447,102	447,102
Tax Assessor	-	-	-	103,805	103,805
Tax Assessor -GIS	-	-	-	55,363	55,363
Tax Assessor -Appraisal	-	-	-	89,327	89,327
Register of Deeds	-	-	-	377,214	377,214
Public Buildings	4,553,757	3,904,394	71,614	117,021	8,646,786
Housekeeping	-	-	-	20,100	20,100
Court Facilities	126,790	4,604,270	708,737	114,019	5,553,816
Maintenance	-	57,000	500	50,096	107,596
Central Maintenance	-	-	-	76,081	76,081
Total General Government	4,680,547	8,565,664	780,851	2,674,878	16,701,940
Public Safety:					
Sheriff	-	-	-	1,833,254	1,833,254
Jail	-	3,854,316	-	36,474	3,890,790
Communications	-	-	14,000	55,000	69,000
Emergency Services	-	-	-	462,594	462,594
Inspections	-	-	-	102,225	102,225
E 911	-	-	-	947,001	947,001
Animal Control	-	394,166	-	40,133	434,299
Total Public Safety	-	4,248,482	14,000	3,476,681	7,739,163
Environmental Protection:					
Environmental Health	-	-	-	266,492	266,492
Solid Waste	15,640	14,845	-	204,973	235,458
Soil Conservation	-	-	-	11,939	11,939
Cooperative Extension	-	750,129	-	78,494	828,623
Total Environmental Protection	15,640	764,974	-	561,898	1,342,512
Economic and Physical Development:					
Planning	-	-	-	77,430	77,430
Economic Development	162,195	-	750,780	20,508	933,483
Convention Center	1,192,410	10,752,459	18,348	176,384	12,139,601
Total Economic and Physical Development	1,354,605	10,752,459	769,128	274,322	13,150,514
Health					
Health	-	6,191,164	107,059	598,794	6,897,017
Total Health	-	6,191,164	107,059	598,794	6,897,017
Social Services:					
CARIS	-	-	-	992,766	992,766
DSS	-	4,902,640	96,662	745,361	5,744,663
Total Social Services	-	4,902,640	96,662	1,738,127	6,737,429
Recreation:					
Recreation	829,269	128,963	1,913,520	204,628	3,076,380
Library- Havelock	-	9,809	-	-	9,809
Total Recreation	829,269	138,772	1,913,520	204,628	3,086,189
Total	\$ 6,880,061	\$ 35,564,155	\$ 3,681,220	\$ 9,529,328	55,654,764
					1,322,522
					\$ 56,977,286

CRAVEN COUNTY
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION & ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2006

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>
General Government:				
Commissioners	\$ 10,726	\$ -	\$ -	\$ 10,726
Administration	19,742	-	-	19,742
Personnel	14,332	-	-	14,332
Information Technology	931,433	-	-	931,433
Finance	9,875	-	-	9,875
Non Department	49,955	754,986	566,299	238,642
Elections	593,750	447,102	593,750	447,102
Tax Assessor	156,284	-	52,479	103,805
Tax Assessor -GIS	55,363	-	-	55,363
Tax Assessor -Appraisal	36,848	52,479	-	89,327
Register of Deeds	377,214	-	-	377,214
Public Buildings	8,249,097	415,814	18,125	8,646,786
Housekeeping	20,100	-	-	20,100
Court Facilities	5,553,816	-	-	5,553,816
Maintenance	104,958	2,638	-	107,596
Central Maintenance	77,835	5,200	6,954	76,081
Total General Government	16,261,328	1,678,219	1,237,607	16,701,940
Public Safety:				
Sheriff	1,851,577	318,206	336,529	1,833,254
Jail	3,890,790	-	-	3,890,790
Communications	5,000	64,000	-	69,000
Emergency Services	458,595	21,749	17,750	462,594
Inspections	74,418	27,807	-	102,225
E 911	947,001	-	-	947,001
Animal Control	433,835	12,403	11,939	434,299
Total Public Safety	7,661,216	444,165	366,218	7,739,163
Environmental Protection:				
Environmental Health	255,921	14,596	4,025	266,492
Solid Waste	177,534	57,924	-	235,458
Soil Conservation	-	11,939	-	11,939
Cooperative Extension	836,023	-	7,400	828,623
Total Environmental Protection	1,269,478	84,459	11,425	1,342,512
Economic and Physical Development:				
Planning	77,430	13,661	13,661	77,430
Economic Development	1,025,733	-	92,250	933,483
Convention Center	12,073,316	66,285	-	12,139,601
Total Economic and Physical Development	13,176,479	79,946	105,911	13,150,514
Health				
Health	6,872,998	65,023	41,004	6,897,017
Total Health	6,872,998	65,023	41,004	6,897,017
Social Services:				
CARTS	980,298	281,156	268,688	992,766
DSS	5,653,815	187,977	97,129	5,744,663
Total Social Services	6,634,113	469,133	365,817	6,737,429
Recreation:				
Recreation	2,698,353	378,027	-	3,076,380
Library- Havelock	9,809	-	-	9,809
Total Recreation	2,708,162	378,027	-	3,086,189
Construction in Progress	95,980	1,226,542	-	1,322,522
Total governmental funds capital assets	\$ 54,679,754	\$ 4,425,514	\$ 2,127,982	56,977,286

STATISTICAL SECTION
(Unaudited)

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



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

	Fiscal Year			
	2003	2004	2005	2006
<u>Governmental activities</u>				
Invested in capital assets, net of related debt	\$ 22,674,229	\$ 23,254,067	\$ 24,089,182	\$ 26,036,499
Restricted	11,699,026	8,313,499	4,830,932	3,078,658
Unrestricted	(27,951,015)	(25,230,973)	(18,939,009)	(12,381,079)
Total governmental activities net assets	\$ 6,422,240	\$ 6,336,593	\$ 9,981,105	\$ 16,734,078
<u>Business-type activities</u>				
Invested in capital assets, net of related debt	\$ 14,081,588	\$ 16,869,221	\$ 17,299,771	\$ 17,289,167
Unrestricted	6,895,720	5,088,075	5,711,338	6,890,711
Total business-type activities	\$ 20,977,308	\$ 21,957,296	\$ 23,011,109	\$ 24,179,878
<u>Primary government</u>				
Invested in capital assets, net of related debt	\$ 36,755,817	\$ 40,123,288	\$ 41,388,953	\$ 43,325,666
Restricted	11,699,026	8,313,499	4,830,932	3,078,658
Unrestricted	(21,055,295)	(20,142,898)	(13,227,671)	(5,490,368)
Total primary government net assets	\$ 27,399,548	\$ 28,293,889	\$ 32,992,214	\$ 40,913,956

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 5,896,630	\$ 6,802,230	\$ 6,557,817	\$ 7,391,683
Public safety	10,732,195	11,584,190	11,895,790	12,643,683
Social services	19,641,710	20,695,194	21,364,472	22,822,110
Economic and physical development	5,360,444	3,292,424	3,873,381	2,658,847
Environmental protection	3,850,575	5,083,596	4,943,096	5,105,286
Health	6,479,067	6,981,725	6,915,059	7,419,050
Cultural and recreation	1,490,297	1,801,012	1,898,951	2,077,212
Education	35,104,248	20,600,373	18,391,669	20,216,865
Interest on long term debt	3,183,668	2,715,170	2,593,134	2,414,904
Total governmental activities	91,738,834	79,555,914	78,433,379	82,751,640
Business-type activities:				
Water	2,294,765	2,092,799	2,212,566	2,452,231
Total primary government expenses	\$ 94,033,619	\$ 81,648,713	\$ 80,645,945	\$ 85,203,871
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 1,666,826	\$ 1,657,142	\$ 1,838,261	\$ 2,406,806
Public safety	1,500,193	1,597,259	1,697,240	2,148,811
Social services	451,043	650,102	680,235	626,859
Economic and physical development	683,866	809,529	920,675	916,702
Environmental protection	2,214,990	2,178,704	2,212,444	2,462,004
Health	3,754,021	4,225,968	4,263,919	4,436,213
Cultural and recreation	43,438	51,000	45,745	38,948
Education	-	503,566	-	-
Operating grants and contributions:				
General government	1,578,967	1,660,038	1,202,220	1,147,799
Public safety	707,552	669,885	912,191	651,655
Social services	10,066,157	10,654,794	10,662,434	11,834,451
Economic and physical development	2,187,801	637,866	1,195,959	50,750
Environmental protection	436,921	613,754	210,007	168,890
Health	1,590,116	1,592,510	1,520,635	1,473,060
Cultural and recreation	-	1,000	-	9,250
Education	-	-	859,450	1,182,900
Capital grants and contributions:				
General government	-	-	-	417,447
Public safety	51,897	324,304	-	34,526
Social services	91,638	117,050	-	228,739
Cultural and recreation	-	-	-	65,625
Total governmental activities program revenues	27,025,426	28,144,501	28,251,415	30,301,465

Continued

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

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charge for services - Water	\$ 3,001,287	\$ 2,925,947	\$ 3,003,662	\$ 3,296,858
Capital grants and contributions - Water	145,830			
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>
Total primary government program revenues	\$ 30,172,543	\$ 31,070,448	\$ 31,255,077	\$ 33,598,323
Net (Expense)/Revenue				
Governmental activities	\$ (64,713,408)	\$ (51,411,413)	\$ (50,181,964)	\$ (52,450,175)
Business-type activities	<u>857,332</u>	<u>833,148</u>	<u>791,096</u>	<u>844,627</u>
Total primary government net (expense)/revenue	\$ (63,861,076)	\$ (50,578,265)	\$ (49,390,868)	\$ (51,605,548)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	\$ 32,399,791	\$ 32,409,695	\$ 33,462,209	\$ 37,864,384
Local option sales tax	13,998,546	16,963,021	17,433,367	18,100,692
Other taxes and licenses	551,086	580,312	631,352	716,807
Investment earnings	643,283	311,727	622,429	1,250,704
Miscellaneous	623,341	998,012	1,631,320	1,224,762
Transfers	61,998	61,999	45,799	45,799
Total governmental activities:	<u>48,278,045</u>	<u>51,325,766</u>	<u>53,826,476</u>	<u>59,203,148</u>
Business-type activities:				
Investment earnings	87,816	57,500	102,105	246,435
Miscellaneous	206,032	151,339	206,411	123,506
Transfers	(61,998)	(61,999)	(45,799)	(45,799)
Total business-type activities	<u>231,850</u>	<u>146,840</u>	<u>262,717</u>	<u>324,142</u>
Total primary government	\$ 48,509,895	\$ 51,472,606	\$ 54,089,193	\$ 59,527,290
Change in Net Assets				
Governmental activities	\$ (16,435,363)	\$ (85,647)	\$ 3,644,512	\$ 6,752,973
Business-type activities	<u>1,064,182</u>	<u>979,988</u>	<u>1,053,813</u>	<u>1,168,769</u>
Total primary government	\$ (15,351,181)	\$ 894,341	\$ 4,698,325	\$ 7,921,742

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only. The year GASB Statement 34 was implemented.

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

General Fund	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Reserved for:										
State statute	\$ 4,305,088	\$ 5,627,893	\$ 4,356,544	\$ 5,023,469	\$ 6,513,924	\$ 6,047,088	\$ 6,316,488	\$ 6,594,888	\$ 6,224,153	\$ 5,689,161
Future wireless E-911 expenditures				90,977	165,145	241,988	343,409	346,933	486,726	576,914
Future wired E-911 expenditures	175,582			74,859	22,871	74,896	48,274	2,112	89,380	104,956
Future register of deeds technology enhancements					11,700	33,646	26,212	67,142	23,964	81
Future law enforcement expenditures	24,272	9,838	4,179	49,613	11,700	11,000	287,143	66,358	23,964	81
Total reserved	4,504,942	5,637,731	4,360,723	5,164,859	6,765,628	6,358,573	7,048,148	7,067,433	6,870,497	6,373,112
Unreserved										
Designated for subsequent year's expenditures	269,351	1,275,506	1,251,576	1,417,824	827,906	1,308,653	1,106,513	1,512,962	805,563	1,112,266
Undesignated	10,855,842	11,487,506	11,295,205	10,918,794	9,315,767	9,939,144	10,745,164	10,916,933	11,461,312	14,627,823
Total General Fund	\$ 15,631,135	\$ 18,400,743	\$ 16,907,504	\$ 17,500,677	\$ 16,909,301	\$ 17,604,370	\$ 18,699,825	\$ 19,497,328	\$ 19,137,372	\$ 22,113,221
All Other Governmental Funds										
Reserved for:										
State statute	\$ 124,088	\$ 1,185,351	\$ 1,265,077	\$ 286,783	\$ 258,546	\$ 133,352	\$ 169,610	\$ 177,452	\$ 204,407	\$ 199,648
Debt service	5,556,337	4,638,346	3,486,004	2,957,736	2,959,789	4,529,563	3,339,171	2,805,486	2,640,065	1,785,304
Total reserved	5,680,425	5,823,697	4,761,681	3,244,519	3,218,335	4,662,915	3,508,781	2,982,938	2,844,472	1,985,152
Unreserved										
Undesignated/(deficit)										
Special revenue funds:										
Room occupancy tax trust fund (1)	228,760	774,363	1,152,319	1,435,079	(337,002)	(677,700)	(1,008,021)	(820,436)	(500,000)	417,160
All other special revenue funds	187,774	379,465	433,951	453,794	415,763	269,313	333,263	291,374	317,510	4,751,947
Designated for capital projects	5,040,231	195,642	10,994,250	3,989,538	3,568,912	24,602,809	7,232,191	4,556,643	4,679,025	4,751,947
Total all other governmental funds	\$ 11,138,190	\$ 7,174,187	\$ 17,342,201	\$ 9,122,930	\$ 6,865,008	\$ 28,857,337	\$ 10,066,234	\$ 7,010,519	\$ 7,341,107	\$ 7,154,259

Notes:
 (1) The Room Occupancy Tax Trust Fund (used to fund the debt service for the convention center) is shown separately due to the deficit fund balance caused by a loan payable to the general fund.

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

	Fiscal Year									
	1987	1988	1989	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes:										
Property	\$ 22,045,783	\$ 23,357,900	\$ 24,296,692	\$ 25,264,280	\$ 26,180,148	\$ 28,037,623	\$ 32,218,477	\$ 32,549,745	\$ 33,585,023	\$ 37,876,551
Sales	11,163,778	11,742,920	12,352,938	12,854,091	12,892,853	12,582,248	13,998,546	16,963,021	17,433,367	18,100,692
Other	33,209,561	35,100,820	36,649,630	39,923,933	39,716,625	41,132,407	46,769,109	50,093,078	51,649,742	56,694,050
Total taxes	66,419,122	70,193,640	73,299,260	78,042,304	78,790,626	81,752,278	93,086,132	99,605,844	102,668,132	112,661,293
Intergovernmental	14,873,350	20,284,371	21,833,434	23,659,149	23,692,026	23,448,484	16,711,049	16,974,797	16,562,896	17,265,122
Charges for Services	6,102,582	7,865,028	7,212,119	6,949,051	7,569,405	9,252,065	10,473,891	11,606,329	12,118,416	13,470,741
Interest	1,869,020	1,568,020	1,428,369	1,831,907	1,512,566	647,287	629,045	296,455	598,241	1,190,972
Miscellaneous	775,410	1,406,275	685,373	2,191,860	896,036	802,005	848,382	999,009	872,030	999,896
Total Revenues	\$ 88,829,923	\$ 96,234,872	\$ 87,808,925	\$ 74,555,900	\$ 73,386,879	\$ 75,282,249	\$ 75,439,476	\$ 79,971,668	\$ 81,801,325	\$ 89,619,781
Expenditures										
General Government	3,910,029	4,436,693	4,809,654	5,159,082	5,319,753	5,084,859	5,667,050	7,434,198	6,875,991	8,193,210
Public Safety	6,771,392	7,299,921	7,598,633	8,858,789	8,830,828	9,665,860	9,807,768	11,271,380	11,391,656	13,151,735
Environmental Protection	3,648,921	3,609,641	3,750,810	3,752,516	3,849,309	4,114,223	4,554,577	5,046,646	5,006,165	5,103,095
Economic Development	1,341,842	1,516,503	2,041,393	2,642,179	3,973,447	6,178,676	4,122,872	2,899,088	3,505,260	2,194,383
Health	5,688,678	5,923,252	5,723,773	5,887,427	6,010,653	6,297,018	6,195,238	6,626,527	7,007,312	7,072,213
Social Services (2)	13,215,368	14,835,816	14,662,134	17,510,212	18,284,894	18,614,048	19,501,613	20,761,999	21,367,549	22,624,569
Culture and Recreation	1,153,854	1,297,448	1,623,407	1,629,889	2,025,889	2,202,975	1,521,415	1,684,689	1,904,814	2,136,565
Education	24,197,039	21,819,158	20,932,287	19,822,056	19,661,846	21,816,342	35,104,248	20,600,373	18,391,669	20,218,865
Capital Outlay	476,090	1,961,150	2,668,080	10,007,319	4,836,064	1,449,640	239,123	91,517	95,980	
Debt Service:										
Principal	4,235,561	4,195,554	4,101,206	4,077,115	3,170,864	3,095,162	3,163,277	3,435,146	3,816,917	3,846,504
Interest	2,345,581	2,311,069	2,118,015	2,112,850	2,103,929	2,105,047	3,110,941	2,845,196	2,513,159	2,335,441
Total Expenditures	\$ 66,884,355	\$ 69,146,205	\$ 70,029,392	\$ 81,459,353	\$ 78,067,676	\$ 80,633,650	\$ 92,988,122	\$ 82,786,739	\$ 81,876,491	\$ 86,876,580
Excess of revenues over (under) expenditures	\$ (10,154,432)	\$ (2,911,333)	\$ (2,220,467)	\$ (6,903,453)	\$ (4,680,997)	\$ (5,351,801)	\$ (17,557,646)	\$ (2,815,071)	\$ (75,166)	\$ 2,743,201
Other Financing Sources (Uses)										
Transfers in	4,622,892	6,888,984	6,550,660	7,074,825	6,825,025	7,929,366	5,690,305	7,215,800	8,507,419	9,082,318
Transfers out	(4,594,369)	(6,856,291)	(6,593,354)	(6,984,126)	(6,792,326)	(7,891,367)	(5,628,308)	(7,153,801)	(8,461,620)	(9,036,519)
Bonds issued					1,800,000	28,000,000				
Refunding bonds issued								13,875,194		
Payment to refunding escrow agent								(13,712,107)		
Proceeds from capital lease	198,381		338,975							
Proceeds from installment note			10,550,000					131,773		
Total other financing sources (uses)	\$ 227,004	\$ 38,673	\$ 10,517,306	\$ 429,674	\$ 1,832,699	\$ 28,037,999	\$ 61,998	\$ 356,659	\$ 45,799	\$ 45,799
Net change in fund balances	\$ (9,927,428)	\$ (2,980,660)	\$ 8,296,839	\$ (6,473,779)	\$ (2,848,298)	\$ 22,666,398	\$ (17,495,648)	\$ (2,468,212)	\$ (29,367)	\$ 2,789,000
Debt service as a percentage of noncapital expenditures	9.90%	9.68%	9.23%	8.66%	7.20%	6.55%	6.76%	7.59%	7.74%	7.12%

Note: Amounts shown above for years prior to fiscal 2003 have been restated to show transfers in/out with component units as revenue and expenditures.

Schedule 5
Craven County

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property			Present-use Value (1)	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						
1997	\$ 1,983,128,374	\$ 623,130,200	\$ 36,756,578	\$ 49,754,912	\$ 878,466,923	\$ 95,401,462	\$ 3,666,638,449	0.585	\$ 4,001,569,845
1998	2,044,564,703	673,621,360	35,188,748	52,608,122	1,007,662,014	94,278,029	3,807,922,976	0.580	4,386,498,917
1999	2,132,691,943	700,163,040	35,609,608	52,099,602	1,109,500,727	91,966,206	4,122,031,126	0.570	4,717,362,241
2000	2,198,190,140	754,106,467	36,312,310	52,537,102	1,178,799,113	89,694,376	4,309,639,508	0.570	5,011,208,730
2001	2,278,831,310	787,441,202	39,321,420	51,676,360	1,208,865,037	90,975,362	4,457,110,691	0.570	5,350,673,098
2002	2,311,595,479	832,814,816	44,873,530	52,983,046	1,222,690,633	91,167,094	4,596,124,600	0.600	5,717,310,328
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	0.580	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	0.560	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	0.560	6,115,478,875
2006	3,215,295,945	1,211,694,688	43,244,210	67,076,256	1,366,718,652	117,580,795	6,021,600,546	0.610	N/A

*Information not yet available.

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 during the fiscal year. The ratio for the most recent year is not yet available.
- (5) Property in Craven County is reassessed every eight years. The last reassessment was on January 1, 2002 and was the basis for fiscal 2003 taxes.

Schedule 6

Craven County

Direct and Overlapping Property Tax Rates,

Last Ten Fiscal Years

	Year Taxes Are Payable									
	1997	1998	1999	2000	2001	2002	2003(1)	2004	2005	2006
Craven County	\$.5850	\$.5600	\$.5700	\$.5700	\$.5700	\$.6000	\$.5800	\$.5600	\$.5600	\$ 0.6100
<u>Municipality Rates:</u>										
Bridgeton	.5000	.5000	.5000	.5000	.5000	.4700	.4700	.4700	.4700	0.4700
Cove City	.1500	.1500	.1500	.1500	.1500	.1500	.1500	.1500	.1500	0.1500
Dover	.3000	.3000	.3000	.3000	.3000	.3000	.3000	.3000	.3000	0.3000
Havelock	.3900	.3900	.3900	.3900	.3900	.4200	.4200	.4200	.4500	0.4500
New Bern	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700	0.4700
River Bend	.1500	.1500	.1500	.1500	.1800	.1900	.1900	.1900	.2200	0.2200
Trent Woods	.0930	.0930	.0930	.0930	.0930	.0930	.1300	.2700	.2700	0.2700
Vanceboro	.5000	.5000	.5000	.5000	.5000	.5000	.4800	.4800	.4800	0.4800
<u>Fire Districts:</u>										
Rhems	.0225	.0275	.0275	.0375	.0375	.0375	.0375	.0375	.0375	0.0375
Township #1	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238	0.0238
Tri Community	.0297	.0297	.0297	.0297	.0297	.0297	.0297	.0350	.0350	0.0350
Little Swift Creek	.0590	.0590	.0590	.0590	.0590	.0590	.0590	.0590	.0590	0.0590
Township #3	.0681	.0681	.0681	.0681	.0681	.0681	.0681	.0681	.0681	0.0681
Township #5	.0561	.0561	.0561	.0561	.0661	.0661	.0600	.0570	.0570	0.0570
Township #6	.0430	.0380	.0380	.0380	.0350	.0350	.0375	.0475	.0675	0.0675
Township #7	.0365	.0365	.0365	.0365	.0365	.0365	.0270	.0270	.0270	0.0270
West New Bern	.0256	.0256	.0256	.0356	.0356	.0356	.0312	.0312	.0312	0.0362
Township #9	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713	0.0713
Sandy Point	.0619	.0619	.0619	.0619	.0619	.0619	.0567	.0567	.0567	0.0567

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

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

Taxpayer	Type of Business	Fiscal Year 2006			Fiscal Year 1997		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Weyerhaeuser Company	Wood pulp manufacturer	\$ 192,858,331	1	3.20%	\$ 121,046,762	1	3.30%
BSH Home Appliances Corp	Home appliance manufacturer	95,202,993	2	1.58%			
Carolina Telephone & Telegraph Co.	Communications utility	47,903,394	3	0.80%	41,029,237	3	1.12%
Carolina Power & Light Company	Electric utility	37,778,831	4	0.63%	30,418,226	4	0.83%
Hatteras Yachts	Yacht builder	27,454,508	5	0.46%	11,329,440	7	0.31%
Craven Wood Energy LTD	Electricity manufacturer	15,610,128	6	0.26%	54,808,037	2	1.49%
DDR Xenia & New Bern LLC	Real estate development	13,536,930	7	0.22%	15,866,731	5	0.43%
Fairfield Communities	Real estate development	13,390,190	8	0.22%	14,549,069	6	0.40%
Arnital Spinning Corp	Yarn manufacturer	13,205,703	9	0.22%	9,623,560	9	0.26%
Twin Rivers Mall, LLC	Real estate development	12,368,230	10	0.21%	10,123,440	8	0.28%
S-B Power Tool Company	Power tool manufacturer				7,141,983	10	0.19%
Gene Jackson	Real estate development						
Totals		\$ 469,309,238		7.79%	\$ 315,936,485		8.62%

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)		Adjustments		Total Adjusted Levy		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
	Fiscal Year (Original Levy)	Amount	Adjustments	Adjusted Levy	Amount	Percentage of Original Levy	Amount	Percentage of Adjusted Levy	Years	Amount	Percentage of Adjusted Levy	
1997	\$ 20,900,783	\$ 625,339	\$ 21,526,122	\$ 21,015,397	97.63%	\$ 415,570	\$ 21,430,967	99.56%		\$ 21,430,967	99.56%	
1998	22,866,879	(168,328)	22,698,551	22,181,086	97.72%	434,790	22,615,876	99.64%		22,615,876	99.64%	
1999	23,497,905	53,833	23,551,738	23,051,868	97.88%	414,782	23,466,650	99.64%		23,466,650	99.64%	
2000	23,973,204	640,060	24,613,264	23,930,186	97.22%	574,432	24,504,618	99.56%		24,504,618	99.56%	
2001	25,619,122	(167,174)	25,451,948	24,761,949	97.29%	581,954	25,343,903	99.58%		25,343,903	99.58%	
2002	27,527,244	(225,539)	27,301,705	26,493,834	97.04%	679,890	27,173,724	99.53%		27,173,724	99.53%	
2003	32,173,298	(785,503)	31,387,795	30,482,909	97.12%	733,950	31,216,859	99.46%		31,216,859	99.46%	
2004	31,563,099	(221,056)	31,342,043	30,570,553	97.54%	597,728	31,168,281	99.45%		31,168,281	99.45%	
2005	32,468,045	(133,839)	32,334,206	31,690,897	98.01%	464,007	32,154,904	99.45%		32,154,904	99.45%	
2006	36,919,653	(321,980)	36,597,673	35,915,565	98.14%	-	35,915,565	98.14%		35,915,565	98.14%	

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				
1997	\$ 30,155,000	\$ 3,020,000	\$ 8,473,356	\$ 341,410	\$ 5,086,500	\$ -	\$ 1,932,931	\$ 49,009,197	562	2.44%	
1998	26,880,000	2,865,000	7,870,563	217,050	6,493,500	590,000	3,915,418	48,831,531	552	2.61%	
1999	23,605,000	2,700,000	17,873,035	103,332	6,216,700	590,000	4,288,688	55,376,755	628	2.33%	
2000	20,330,000	2,520,000	17,256,104	381,356	5,901,300	583,500	4,156,764	51,129,024	559	2.07%	
2001	20,180,000	2,330,000	16,275,627	275,805	5,551,600	577,000	3,885,896	49,075,928	536	2.92%	
2002	46,930,000	1,595,000	15,238,459	212,813	5,124,600	570,500	319,330	69,990,702	758	2.80%	
2003	45,690,000	820,000	14,258,760	144,972	4,229,600	564,000	1,037,789	66,735,121	727	2.51%	
2004	45,755,000	-	13,248,452	71,907	2,067,800	-	1,118,743	62,261,902	673	2.20%	
2005	43,185,000	-	12,073,442	-	1,690,800	-	1,824,045	56,773,287	639	*	
2006	40,560,000	-	10,851,937	-	1,282,500	-	1,711,408	54,405,845	587	*	

*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 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2005 personal income not available to calculate fiscal year 2006.

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

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Restricted to Repaying Principal	Less: Amounts				
1997	\$ 35,241,500	\$ 5,556,337	\$	29,685,163	1.43%	0.81%	\$ 340
1998	33,373,500	4,638,346		28,735,154	1.24%	0.74%	325
1999	29,821,700	3,496,004		26,325,696	1.06%	0.64%	299
2000	26,231,300	2,957,736		23,273,564	0.96%	0.54%	254
2001	25,731,600	2,959,789		22,771,811	1.98%	0.51%	249
2002	52,054,600	4,529,563		47,525,037	1.95%	1.04%	515
2003	49,909,600	3,339,171		46,570,429	1.81%	0.86%	507
2004	47,822,800	2,805,486		45,017,314	1.58%	0.81%	487
2005	44,875,800	2,640,065		42,235,735	*	0.73%	459
2006	41,842,500	1,785,303		40,057,197	*	0.67%	432

*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 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

(2) See schedule 5 for property value data. Calendar 2005 personal income not available to calculate fiscal year 2006.

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed Value of Property	\$ 3,666,638	\$ 3,907,923	\$ 4,122,031	\$ 4,309,640	\$ 4,457,111	\$ 4,556,125	\$ 5,396,476	\$ 5,565,211	\$ 5,770,566	\$ 6,021,601
Debt Limit, 8% of Assessed Value (Statutory Limitation)	293,331	312,634	329,762	344,771	356,569	364,490	431,718	445,217	461,645	481,728
Amount of Debt Applicable to Limit										
Gross debt	49,009	46,832	55,377	51,129	49,076	69,991	66,735	62,262	58,773	54,406
Less: Amount available for repayment of g.o.bonds	5,556	4,638	3,496	2,958	2,960	4,530	3,339	2,805	2,640	1,785
Debt outstanding for water and sewer purposes	7,019	10,409	10,505	10,058	9,437	5,125	5,267	3,187	3,515	2,994
Revenue bonds	3,020	3,455	3,290	3,104	2,907	2,166	1,384	-	-	-
Total net debt applicable to limit	33,413	30,329	36,085	35,010	33,772	58,171	56,745	56,270	52,618	49,627
Legal Debt Margin	\$ 259,918	\$ 282,305	\$ 291,677	\$ 309,761	\$ 322,797	\$ 306,319	\$ 374,974	\$ 388,947	\$ 409,027	\$ 432,101
Total net debt applicable to the limit as a percentage of debt limit	11.39%	9.70%	11.55%	10.15%	9.47%	15.96%	13.14%	12.64%	11.40%	10.30%

Note: NC Statute GS-159-55 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)
1997	87,264	\$ 2,004,798	\$ 22,493	14,990	4.80%	N/A
1998	88,475	2,118,079	23,523	14,748	4.40%	N/A
1999	88,129	2,190,549	24,114	14,613	4.40%	N/A
2000	91,523	2,370,029	25,857	14,690	4.30%	N/A
2001	91,556	2,400,702	26,026	14,644	4.20%	6,450
2002	92,299	2,385,406	26,168	14,465	5.70%	7,124
2003	91,823	2,481,804	27,050	14,362	6.20%	6,767
2004	92,497	2,675,333	29,456	14,388	5.90%	8,744
2005	91,989	*	*	14,523	5.00%	10,426
2006	92,668	*	*	14,609	5.00%	12,633

* Information not yet available.

Notes:

- (1) N.C. State Data Center. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year
- (3) N.C. Department of Public Instruction, First Month Average Daily Membership
- (4) N. C. Employment Security Commission, Annual Average for prior calendar 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	2006			1997		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Department of Defense (1)	5,515	1	13.50%	5,600	1	14.92%
Craven Regional Medical Center	1,992	2	4.88%	1,505	3	4.01%
Craven County Schools	1,819	3	4.45%	1,780	2	4.74%
Hatteras Yachts	1,215	4	2.97%	800	6	2.13%
BSH Home Appliances	1,105	5	2.70%			
Moen Incorporated	1,010	6	2.47%	950	4	2.53%
State of North Carolina	951	7	2.33%	883	5	2.35%
Craven County	596	8	1.46%	565	8	1.50%
Wal-Mart Associates Inc.	525	9	1.29%			
Craven Community College	518	10	1.27%	454	9	1.21%
Weyerhaeuser Company				705	7	1.88%
City of New Bern				400	10	1.07%
	<u>15,246</u>		<u>37.32%</u>	<u>13,642</u>		<u>36.34%</u>

Source: New Bern Chamber of Commerce, Craven County Economic Development Commission and N.C. Employment Security Commission

Notes: (1) Excludes active military personnel based in Craven County.
 It includes civilian employment at both the Naval Aviation Depot and MCAS Cherry Point.

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	80	82	88	89	88	89	98	94	92	87
Public safety	106	108	112	115	118	120	125	128	125	129
Social services	198	201	182	187	185	197	200	201	203	207
Economic and physical development	4	5	5	5	19	19	19	19	18	23
Environmental protection	24	25	25	33	39	32	33	31	30	33
Health	127	125	116	112	104	94	95	97	102	97
Cultural and recreation	13	13	11	12	11	11	11	10	10	7
Water/Sewer (Business activity)	13	13	13	13	13	13	13	13	13	13
Total	565	572	552	566	577	575	594	593	593	596

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Fire/Rescue calls to County E911						6,423	6,591	6,973	7,331	7,517
Average daily population in jail (1)								154	158	175
Number of warrants served (1)								18,820	17,366	10,073
Health Services										
Food and lodging inspections								1,225	1,424	1,647
Home health/hospice visits						16,893	17,986	15,640	17,478	16,573
Visits to health department						7,956	7,550	7,546	7,563	7,579
Transportation Services										
Number of miles driven							790,262	814,546	843,124	808,771
Number of trips provided							108,315	109,225	106,627	101,235
Tax/Real Estate Services										
Deed transfers processed	3,766	3,955	3,858	3,871	3,742	3,702	4,047	4,574	5,446	6,405
Number of real estate parcels	44,487	45,152	46,049	46,889	47,729	48,306	48,600	49,824	50,933	52,163
Number of tax bills generated	116,325	125,087	124,437	131,431	135,808	138,838	142,600	145,735	143,765	147,675
Economic and Physical Development										
County tourism revenues (3)	\$66.18	\$67.55	\$69.06	\$74.09	\$69.67	\$72.32	\$74.73	\$79.68	\$87.42	n/a
Economic impact of convention center (2) (3)						\$7.01	\$6.91	\$8.27	\$9.06	\$9.15
Number of registered voters	44,961	46,749	47,915	48,165	51,914	56,456	57,195	55,749	60,503	60,653
Number of enplanements at airport (1)	72,035	68,723	77,289	86,509	81,047	78,139	70,443	92,516	97,876	41,108
Water Services										
Number of service connections	8,149	8,348	9,814	9,956	10,174	10,400	10,614	10,851	11,570	12,001

Notes:

(1) These amounts are shown for calendar year. 2006 amounts are therefore only for 6 months.

(2) The amount for 2006 represents 9 months of data (through March 31, 2006)

(3) Amounts shown are millions of dollars

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

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>Public Safety</u>										
Correction facility rated capacities	121	121	121	121	161	161	161	161	161	161
<u>Parks and Land Use</u>										
Number of county parks	2	2	2	2	2	2	2	2	2	2
Boat ramps operated	2	2	2	2	2	2	2	2	2	2
<u>Water Service</u>										
Miles of water main	480	480	540	565	565	580	595	615	625	645
Number of elevated water tanks (1)	8	9	9	9	9	8	8	8	8	9
<u>Transportation Services</u>										
Number of CARTS vehicles	30	30	30	30	30	31	32	32	32	32
<u>Economic and Physical Development</u>										
Convention center	.	-	-	1	1	1	1	1	1	1
Number of remaining acres in Industrial Park	322	322	322	322	322	294	258	258	196	192
<u>Airport</u>										
Number of runways	2	2	2	2	2	2	2	2	2	2

Notes:

(1) In 2002 an elevated tank in the Industrial Park was sold to the City of New Bern when they began providing the service

Craven County



COMPLIANCE SECTION

McGladrey & Pullen

Certified Public Accountants

**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, 2006, which collectively comprise Craven County's basic financial statements, and have issued our report thereon dated August 31, 2006. 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. The financial statements of Craven Regional Medical Authority and Craven County Alcoholic Beverage Control Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Craven County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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*.

This report is intended solely for the information and use of management, others within the organization, 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 & Pullen, LLP

New Bern, North Carolina
August 31, 2006

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Compliance With Requirements Applicable To 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 the compliance of Craven County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs 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, 2006. 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 Craven Regional Medical Authority (Authority) 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 Authority and ABC Board because the financial statements of Craven Regional Medical Authority and ABC Board were not audited in accordance with *Government Auditing Standards*, OMB 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 requirements referred to above that are applicable to each of its major federal programs and its passenger facility charge program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Craven County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program and the passenger facility charge program in order to determine our 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, the State Single Audit Implementation Act, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration

Our consideration of the internal control over compliance would not necessarily disclose all matters on the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program or the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, 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 & Pullen, LLP

New Bern, North Carolina
August 31, 2006

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Compliance With Requirements Applicable to 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 the compliance of Craven County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. 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 Craven Regional Medical Authority (Authority) 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 Authority and ABC Board because the financial statements of Craven Regional Medical Authority and ABC Board 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 requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Craven County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, 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.

New Bern, North Carolina
August 31, 2006

McGladrey & Pullen, LLP

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2006

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No

- Reportable condition(s) identified
that are not considered to be
material weaknesses? Yes X None reported

- Noncompliance material to financial
statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No

- Reportable condition(s) identified
that are not considered to be
material weaknesses? Yes X None reported

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2006

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	93.778
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Temporary Assistance for Needy Families	93.558

Dollar threshold used to distinguish

between Type A and Type B Programs

\$ 2,360,532

Auditee qualified as low-risk auditee?

X

Yes

No

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2006

State Awards

Internal control over major State programs:

- | | | | |
|-------------------------------------|-----|-------|----|
| • Material weakness(es) identified? | Yes | X | No |
| _____ | | _____ | |

- | | | | |
|---|-----|-------|---------------|
| • Reportable condition(s) identified
that are not considered to be
material weaknesses? | Yes | X | None reported |
| _____ | | _____ | |

- | | | | |
|---|-----|-------|----|
| Noncompliance material to State awards? | Yes | X | No |
| _____ | | _____ | |

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>
Medical Assistance/Medicaid Maximization	N/A
State Aid to Airports	N/A

CRAVEN COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2006**

Section 2. Financial Statement Findings

None reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Section 4. State Award Findings and Questioned Costs

None reported

**CRAVEN COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2006**

No corrective action plan is required for the current year.

**CRAVEN COUNTY, NORTH CAROLINA
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2006**

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, 2006
(Page 1 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
FEDERAL AWARDS:					
US Department of Agriculture					
Passed through NC Department of Agriculture:					
Administered by Craven County Sheriff:					
National Forest					
	10 418	05-LE-11081122-163	\$ 3,841	\$ -	\$ -
Administered by Craven County Soil Conservation:					
Neuse River Basin Tech					
	10 418	A-4532-390	5,252	39,813	(4,363)
<u>Food and Nutrition Service</u>					
Administered by County Department of Social Services:					
Temporary Emergency Food Assistance Program:					
Commodities (Non-cash)					
	10 550		3,007	-	1,756
			<u>12,100</u>	<u>39,813</u>	<u>(2,607)</u>
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	5405	408,443	-	31
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children					
	10 557	5405	2,041,685	-	-
			<u>2,450,128</u>	<u>-</u>	<u>31</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 Food Stamp Cluster:					
Food Stamp Direct Benefit Payments					
	10 551		8,100,293	-	-
Food Stamp Admin					
	10 561		458,000	-	458,000
Food Stamp Issuance					
	10 561		37,269	-	37,269
Food Stamp Fraud Admin					
	10 561		77,555	-	77,555
Food Stamp Emp and Training					
	10 561		1,588	-	1,588
			<u>8,674,705</u>	<u>-</u>	<u>574,412</u>
Total US Department of Agriculture					
			<u>11,136,933</u>	<u>39,813</u>	<u>571,836</u>
US Department of Justice:					
Passed through NC Department of Crime Control and Public Safety:					
Passed through County Finance Department:					
Administered by City of New Bern Housing Authority:					
ASAP After School Program					
	16 540	025-1-04-009-AJ-057	50,113	-	-
Passed through NC Board of Elections:					
Passed through County Finance Department:					
Administered by Craven County Board of Elections:					
Technology Grant					
	93 617		8,134	-	-
Title II Curr Voting Sys					
	90 401		387,447	-	29,655
Title I section 101 and 102					
	39 011		30,000	-	-
			<u>425,581</u>	<u>-</u>	<u>29,655</u>
Total US Department of Justice					
			<u>475,694</u>	<u>-</u>	<u>29,655</u>
US Department of Transportation					
<u>Federal Aviation Administration</u>					
Direct Programs:					
Administered by Craven Regional Airport:					
Airport Improvement Program:					
LEO Staff					
	20 106	DTSA20-02-P5026	159,187	-	(26,779)
Airport Improvement Project No. 20					
	20 106	3-37-0050-20	116,946	-	15,627
Airport Improvement Project No. 24					
	20 106	3-37-0050-24	52,500	-	(20,678)
Airport Improvement Project No. 25					
	20 106	3-37-0050-25	746,000	-	40,454
Total US Department of Transportation					
			<u>1,074,633</u>	<u>-</u>	<u>8,624</u>
Department of Homeland Security					
Division of Emergency Management:					
Passed through NC Department of Crime Control and Public Safety:					
Administered by Craven County Emergency Services:					
First Responder					
	97 004	HS-MU-03-2025	2,289	-	-
Homeland Security					
	97 004	2004-GE-T4-0014-4024	9,151	-	-
Homeland Security					
	97 004	2004-GE-T4-0014-1025	11,542	-	-
Viper Grant					
	97 004	2005-GE-T5-0051-20004	50,000	-	-
Emergency Management Assistance - Performance					
	97 042	EM PA 00 025 24	31,342	-	199,509
Administered by Craven County Finance:					
Public Assistance Grants Program for Infrastructure					
	97 036		51,689	-	(43,416)
Total Federal Emergency Management Agency					
			<u>156,013</u>	<u>-</u>	<u>156,093</u>

CRAVEN COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
 For the Fiscal Year Ended June 30, 2006
 (Page 2 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Education					
Passed through NC Department of Human Resources:					
Division of Social Services:					
Administered by County Department of Social Services:					
Vocational Rehabilitation					
	84 126		\$ 46,929	\$ -	\$ 12,701
US Department of Health and Human Services					
<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					
	93 045		59,147	3,479	6,959
Administered by Coastal Community Action:					
Senior Companion Program					
	93 045		14,555	2,568	-
Administered by Craven County Department of Social Services:					
Congregate Meals					
	93 045		65,317	3,842	7,684
USDA Congregate					
	93 045		8,541	-	-
Home Delivered Meals					
	93 045		97,374	5,728	11,456
USDA Home Delivered Meals					
	93 045		12,693	-	-
In Home Level II					
	93 045		101,039	5,943	11,887
Care Management Administration					
	93 045		69,157	4,068	8,136
Administered by Craven County Home Health:					
In Home Services Level III					
	93 045		22,555	1,327	2,654
			450,378	26,955	48,776
<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:					
Work First/TANF Benefit Payments					
	93 558		869,846	(93)	229
Work First Admin					
	93 558		257,844	-	339,293
Work First Service					
	93 558		1,557,870	-	872,625
Family Support Payments					
	93 560		(842)	(231)	(231)
			2,684,718	(324)	1,211,916
Refugee Assistance Administration					
	93 566		9,205	-	-
IV-D Child Support Enforcement:					
Administration					
	93 563		20,374	-	10,496
Division of Child Development					
Administered by Craven County DSS:					
Subsidized Child Care Cluster:					
Child Care & Development Fund - Discretionary					
	93 575		1,508,549	-	-
Child Care & Development Fund - Mandatory					
	93 596		705,472	-	-
Child Care & Development Fund - Match					
	93 596		467,665	268,710	-
Social Services Block Grant					
	93 667		28,205	-	-
Temporary Assistance for Needy Families					
	93 558		472,903	-	-
TANF - MOE					
			-	792,615	-
Smart Start					
			-	50,583	-
State Appropriation					
			-	332,656	-
			3,182,794	1,444,564	-
Administration for Children and Families:					
Passed-through the N C Dept of Health and Human Services:					
Administered by County Department of Social Services:					
Low-Income Home Energy Assistance:					
Administration					
	93 568		13,779	-	-
Energy Assistance Payments - Direct Benefit Payments					
	93 568		104,181	-	-
Crisis Intervention Payments					
	93 568		76,866	17,306	-
			194,826	17,306	-
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Passed through Craven County Department of Social Services:					
Administered by Craven County Health:					
Child Welfare Services:					
Permanency Planning:					
Adolescent Parenting					
	93 645		41,694	18,990	22,704
Permanency Planning - Families for Kids					
	93 645		22,615	7,538	-
Permanency Planning - Special					
	93 645		6,812	-	2,271
Adoption Subsidy					
	93 645		-	131,966	38,569
			71,121	158,494	63,544
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
Administration					
	93 658		136,661	-	135,163
Foster Care - At Risk					
	93 658		-	34,832	19,994
IV-E CPS					
	93 658		386,005	193,824	277,664
Foster Care - Direct Benefit Payments					
	93 658		135,181	24,997	45,724
Title IV-E Adoption Subsidy					
	93 659		135,555	39,012	39,012
			793,402	292,665	517,557

CRAVEN COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
 For the Fiscal Year Ended June 30, 2006
 (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		\$ 105,814	\$ -	\$ 16,523
In-Home Services	93 667		61,926	-	8,847
In-Home Services over 60	93 667		68,209	-	9,744
Ryan White/HIV Program	93 667		14,101	-	-
Other Services and Training	93 667		297,286	36,951	111,412
			<u>547,336</u>	<u>36,951</u>	<u>146,526</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living - Foster Care	93 674		6,021	1,505	-
Health Care Financing Administration					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93 778		1,001,216	-	1,001,216
Eligibility Workers Administration - MA	93 778		19,417	19,417	-
Medical Transportation Administration	93 778		78,129	-	78,129
Medicaid At-Risk Administration	93 778		104,140	-	-
Other:					
Adult Care Home Case Management	93 778		51,275	23,644	27,630
Transportation Regular	93 778		209,720	101,252	20,205
NC Health Choice	93 767		62,702	2,985	18,515
Direct Benefit Payments:					
Medical Assistance Program	93 778		55,636,597	27,167,966	4,759,755
			<u>57,163,196</u>	<u>27,315,264</u>	<u>5,905,450</u>
Disability Determination Office					
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Social Security Disability Payments	96 008		504	-	-
Center for Disease Control					
Division of Epidemiology:					
Administered by County Health Department:					
Harmful Algae Blooms Program	93 283		157,770	-	3,175
Hypertension:					
Preventive Health and Health Services Block Grant:					
Adult Health- Statewide Health Promotion	93 991		27,393	-	26,112
			<u>185,163</u>	<u>-</u>	<u>29,287</u>
Health Resources and Services Administration					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Asthma Education	66 609		78	-	-
Cardiovascular Health Program	93 945		500	-	-
Family Planning	93 217		63,514	-	-
Immunization Action Plan/ Aid to County Funding	93 268		37,858	-	7,624
Temporary Assistance for Needy Families	93 558		12,377	-	-
CDC Refugee Health	93 987		460	-	(239)
Maternal and Child Health Services Block Grant:					
Maternal Health	93 994		97,544	71,428	630,892
Womens Preventive Health	93 994		112,200	-	158,579
Child Health	93 994		160,645	-	977,101
			<u>485,176</u>	<u>71,428</u>	<u>1,773,957</u>
Total US Department of Health and Human Services			<u>65,794,214</u>	<u>29,404,621</u>	<u>9,707,509</u>
STATE ASSISTANCE					
NC Department of Health and Human Services					
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefits Payments			-	672,469	672,469
State/County Special Assistance			-	-	55,558
Energy Assistance, Carolina Power & Light Project			-	10,875	-
Food Stamp Tax Intercept			-	14,524	-
Medicaid Maximization			-	495,487	-
State Aid to Counties			-	79,306	-
Family Care Giver			-	30,640	-
State Foster Home			-	45,167	43,748
State Adult Protective Services			-	62,336	-
			<u>-</u>	<u>1,410,804</u>	<u>771,775</u>
Division of Services for the Blind:					
Administered by County Department of Social Services:					
Services for the Blind			-	35,456	7,371

Craven County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
For the Fiscal Year Ended June 30, 2006
(Page 4 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Health Divisions:					
Administered by County Health Department:					
General			\$ -	\$ 73,842	\$ 5,934
Communicable Disease			-	6,343	38,775
Tuberculosis			-	31,587	32,959
AIDS - State			-	12,500	17,722
TB Medical Services			-	1,700	-
Public Health Nurse Training			-	1,000	-
Children's Special Health Services			-	3,434	(26)
Risk Reduction/Health Promotion			-	9,581	-
Bioterrorism			-	47,819	(25,128)
			-	187,806	70,236
Total NC Department of Health and Human Services					
			-	1,634,066	849,382
NC Department of Juvenile Justice and Delinquency Prevention					
Division of Youth Services:					
Juvenile Crime Prevention Program:					
Administered by County Finance Department:					
Psychological Services for Court Referred Youth		825041	-	5,987	-
Juvenile Restitution Fund		825181	-	41,799	-
Passed through County Finance Department:					
Tau Rites of Passage		825023	-	21,895	-
Committee for Children		825000	-	2,334	-
Resolve		825022	-	49,760	-
Home-based Intervention and Treatment-Disciplined:					
Teen Court		825032	-	11,031	-
Structured Day Reporting		825006	-	80,617	-
United Cerebral Palsy - Home Based Treatment		825066	-	47,770	-
Total NC Department of Juvenile Justice and Delinquency Prevention					
			-	261,193	-
NC Department of Environment and Natural Resources					
Division of Waste Management:					
White Goods Management			-	737	2,165,904
Natural Resources Division:					
Administered by County Soil Conservation Department:					
Soil Conservation State Matching Funds		DSWC-2005-25	-	25,588	73,921
Administered by Craven County Cooperative Education:					
Core Creek Clean Water Part II		GA 9034	-	22,400	-
Administered by Fairfield Harbour:					
Mosquito Control		TO 5095	-	5,870	-
Division of Parks and Recreation:					
Administered by Craven County Recreation:					
Northwest Craven Park		PARTF 2005-396	-	65,625	81,205
Division of Community Assistance:					
Administered by Craven County Planning:					
Community Development Block Grant		06-C-1523	-	3,350	-
Total NC Department of Environment and Natural Resources					
			-	123,570	2,321,030
NC Department of Transportation:					
Administered by Craven Area Rural Transportation System:					
Administration and Operations		9 9046028	-	189,126	600,616
Capital		9 9052029	-	228,738	(56,968)
Rural Operating Assistance Program (ROAP):					
Elderly Handicap		EHTAP	-	67,377	2,055
General Public Transportation (Craven)		GPT	-	74,168	-
Pass through Pitt County:					
General Public Transportation (Pamlico & Jones)		GPT	-	57,146	-
Pass through Craven County Finance:					
Rhems Volunteer Fire Department		WBS2C-025050	-	12,500	-
			-	629,055	545,703
Administered by Craven Regional Airport:					
Annual Appropriation - State Aid to Airports		9 9417010	-	600,000	611,256
Total NC Department of Transportation					
			-	1,229,055	1,156,959
NC Department of Corrections:					
Administered by Craven County Day Reporting Center:					
Criminal Justice Partnership Program		025-0700-I-A	-	98,541	-
Department of the State Treasurer:					
Public School Building Capital Fund					
			-	1,182,900	-
NC Department of Administration:					
Division of Veterans Affairs:					
Administered by Craven County Department of Veterans Services:					
Veterans Services			-	2,000	111,794

CRAVEN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
 For the Fiscal Year Ended June 30, 2006
 (Page 5 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
State of North Carolina:					
Pass Through Craven County Partnership for Children:					
Administered by Craven County Cooperative Extension:					
Parents As Teachers			\$ -	\$ 47,974	\$ -
NC Department of Elections:					
Administered by Cooperative Extension:					
Senior Health Insurance Information Program (SHIP)			-	1,000	-
Office of State Controller					
Unauthorized Substance Abuse			-	8,749	-
Total Federal Expenditures			<u>\$ 78,684,416</u>		
Total State Expenditures				<u>\$ 33,993,669</u>	
Total Local Expenditures					<u>\$ 14,925,583</u>
Federal Aviation Administration:					
Administered by Craven Regional Airport:					
Passenger Facility Charges		96-01-C-00-EWN	\$ 347,447	\$ -	\$ -

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, 2006

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 made by the State of North Carolina to eligible program beneficiaries and the value of food stamps and WIC vouchers distributed, which are not included as expenditures in the basic financial statements, are included herein.

Note 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Note 4. PASSENGER FACILITY CHARGES

Beginning February 1, 1997, Craven County Regional Airport Authority was authorized to impose a passenger facility charge to a maximum of \$10,723,898. Current year expenditures from these funds are \$315,173 and are included on the schedule of federal awards.

Revenue from passenger facility charges for the year ended June 30, 2006 consists of \$347,447 for passenger facility charges plus \$24,681 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, 2005	Loan Proceeds	Principal Repayments	Loan Balance June 30, 2006
NC Clean Water Revolving Loan & Grant Program	N/A	\$ 1,602,284	\$ -	\$ 80,114	\$ 1,522,170

