

# **CRAVEN COUNTY, NORTH CAROLINA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2007**



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

**Craven County**



**INTRODUCTORY SECTION (Unaudited)**

Letter of Transmittal ..... 1 - 10  
GFOA Certificate of Achievement ..... 11  
List of Principal Officials ..... 12  
Organizational Chart..... 13  
Map of Craven County, North Carolina..... 14

**FINANCIAL SECTION**

Independent Auditor’s Report ..... 15 – 16  
Management’s Discussion and Analysis ..... 17 – 31  
Basic Financial Statements:  
    Government-wide Financial Statements  
        Statement of Net Assets..... 32  
        Statement of Activities ..... 33  
    Fund Financial Statements  
        Balance Sheet – Governmental Funds ..... 34  
        Reconciliation of the Balance Sheet of Governmental Funds to the Statement  
            of Net Assets ..... 35  
        Statement of Revenues, Expenditures and Changes in Fund Balances  
            Governmental Funds..... 36  
        Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
            Fund Balances of Governmental Funds to the Statement of Activities..... 37  
        Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance –  
            Budget and Actual General Fund ..... 38 - 40  
        Statement of Net Assets – Proprietary Funds ..... 41  
        Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds ..... 42  
        Statement of Cash Flows – Proprietary Funds..... 43  
        Statement of Fiduciary Net Assets – Fiduciary Funds ..... 44  
Notes to Financial Statements..... 45 - 90

**Required Supplementary Information:**

Schedule of Funding Progress for Law Enforcement Officers’ Special Separation Allowance..... 91  
Schedule of Employer Contributions for Law Enforcement Officers’ Special Separation Allowance ..... 91

**Other Supplementary Information:**

Schedule of Ad Valorem Taxes Receivable ..... 92  
Analysis of Current Tax Levy..... 93

**Combining Schedules of Nonmajor Funds:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 94  
Combining Balance Sheet – Nonmajor Special Revenue Funds..... 95  
Combining Balance Sheet – Nonmajor Capital Project Funds ..... 96  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor  
    Governmental Funds..... 96  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor  
    Special Revenue Funds..... 97  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor  
    Capital Project Funds ..... 98

**Special Revenue Funds:**

Detailed Balance Sheet – All Fire District Funds ..... 99  
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances-  
    All Fire District Funds ..... 100  
    Schedules of Revenues, Expenditures and Changes in Fund Balance-  
        Budget and Actual – All Fire District Funds ..... 101 - 112  
    Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual:  
        E-911 Fund..... 113  
        Occupancy Tax Fund..... 114  
        2006 CDBG Project Scattered Sites Project Fund ..... 115  
        Predisaster Mitigation 06 Fund ..... 116

**Debt Service Fund:**

Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual ..... 117

*Capital Project Funds:*

Schedule of Revenues, Expenditures and Changes in Fund Balance,  
Budget and Actual:

County Reserve Capital Project Fund.....	118
Judicial Center Project Fund .....	119
New Elementary School Project Fund.....	120
Mapping Project Fund.....	121
Orthophotography Project Fund.....	122
Northwest Craven Park Project Fund.....	123
Fiber Optic Project Fund.....	124

*Enterprise Funds:*

Combining Schedule of Net Assets – Nonmajor Enterprise Funds .....	125
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	126
Combining Schedule of Cash Flows – Nonmajor Enterprise Funds.....	127
Schedule of Net Assets – Craven County Water Fund .....	128
Detailed Schedule of Revenues, Expenses and Changes in Net Assets – Craven County Water Fund.....	129
Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis:	
Craven County Water Operating Fund.....	130 - 131
PeeDee Aquifer Capital Project Fund .....	132
Northwest Craven Roads Project Fund .....	133
Blended Component Unit, Township 6 Water and Sewer District.....	134
Blended Component Unit, Northwest Craven Water and Sewer District.....	135
Blended Component Unit, Neuse River Water and Sewer District .....	136

*Internal Service Fund:*

Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis .....	137
---	-----

*Agency Funds:*

Combining Balance Sheet – All Agency Funds.....	138
Schedule of Changes in Assets and Liabilities – All Agency Funds.....	139

*Supplementary Information:*

Tourism Development Authority Fund (A Component Unit)	
Detailed Balance Sheet .....	140
Schedule of Revenues, Expenditures and Changes in Net Assets Budget and Actual .....	141
Craven County Regional Airport Authority (A Component Unit)	
Combining Balance Sheet .....	142
Combining Schedule of Revenues, Expenses and Changes in Net Assets.....	143
Combining Schedule of Cash Flows.....	144
Detailed Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis:	
Operating Fund .....	145-146
Terminal Area Development Site No. 24 Capital Project Fund .....	147
Terminal Area Development Site No. 25 Capital Project Fund .....	148
Terminal Area Development Site No. 26 Capital Project Fund .....	149
General Aviation Terminal Capital Project Fund.....	150

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

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source.....	151
Capital Assets Used in the Operation of Governmental Funds Schedule by Function & Activity.....	152
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function & Activity.....	153

**STATISTICAL SECTION (Unaudited)**

Net Assets by Component – Last Five Fiscal Years (Schedule 1) ..... 154  
Changes in Net Assets – Last Five Fiscal Years (Schedule 2) ..... 155 - 156  
Fund Balances – Governmental Funds – Last Ten Fiscal Years (Schedule 3)..... 157  
Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years (Schedule 4) ..... 158  
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years (Schedule 5) ..... 159  
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years (Schedule 6) ..... 160  
Principal Property Taxpayers – Current Year and Nine Years Ago (Schedule 7) ..... 161  
Property Tax Levies and Collections – Last Ten Fiscal Years (Schedule 8) ..... 162  
Ratios of Outstanding Debt by Type – Last Ten Fiscal years (Schedule 9)..... 163  
Ratio of Net General Bonded Debt Outstanding – Last Ten Fiscal Years (Schedule 10)..... 164  
Legal Debt Margin Information – Last Ten Fiscal Years (Schedule 11) ..... 165  
Demographic and Economic Statistics – Last Ten Fiscal Years (Schedule 12)..... 166  
Principal Employers – Current Year and Nine Years Ago (Schedule 13) ..... 167  
Full-time Equivalent County Government Employees by Function – Last Ten Fiscal Years (Schedule 14)..... 168  
Operating Indicators by Function – Last Ten Fiscal Years (Schedule 15)..... 169  
Capital Asset Statistics by Function – Last Ten Fiscal Years (Schedule 16)..... 170

**COMPLIANCE SECTION**

Independent Auditor’s Report on:

Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards* ..... 171 - 172  
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 ..... 173 - 174  
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..... 175 - 176  
Schedule of Findings and Questioned Costs ..... 177 - 180  
Corrective Action Plan ..... 181  
Status of Prior Year Findings..... 182  
Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges ..... 183 - 187  
Notes to Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges..... 188

**Craven County**



## INTRODUCTORY SECTION

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

Craven County





November 2, 2007

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, 2007.

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 2<sup>nd</sup> Marine Aircraft Wing and sits on 13,164 acres of land in Craven County. The Fleet Readiness Center (FRC) East (formerly known as NADEP), one of six fleet readiness centers operated by the U. S. Navy, sits on nearly 150 acres on board Marine Corps Air Station Cherry Point. FRC East is the largest industrial employer in eastern North Carolina. Their customers include 202 different Navy and Marine Corps activities, 24 foreign nations, five U.S. Air Force activities, three U.S. Army activities, and two other federal agencies. The base is also the location of Halyburton Naval Health Clinic.

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. In 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 6.9 percent, to \$30,794, for the year 2005 (the latest information available). The change for the state of North Carolina in 2005 was 5.0 percent and nationally the change was 4.2 percent. The County's per capita income level is 99 percent of the state average and 89 percent of the national average. The County ranked seventeenth out of one hundred counties in the state in per capita income. The 1995-2005 average annual growth rate of per capita personal income for the County was 4.4 percent, while the average annual growth rate for the state was 3.8 percent and 4.1 percent for the nation. The number of building inspections performed by the County Inspection Department, in fiscal 2007, was up 3% over the prior year, a much lower increase than a year ago but still positive. The increase was in both the commercial and residential areas. This number does not reflect the numbers of the two municipalities which have their own inspection departments.

Government is the largest single employer in the County with 30.8 percent of all jobs, down a half percent from a year ago and 1.5 percent from two years ago. The U.S. Marine Corps Air Station at Cherry Point provides employment for a total work force of 16,091 personnel, including 5,513 civilian jobs. The number of civilian jobs at the Fleet Readiness Center East (the single largest employer east of I-95) located at Cherry Point Marine Corps Air Station remained the same as the previous year. The total payroll

for the base in 2007, including Fleet Readiness Center East, is expected to be approximately \$1.21 billion while the total economic impact of the Marine Corps Air Station at Cherry Point, including the FRC East, is estimated to be \$1.44 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 13.5 percent, health care and social assistance with 15.1 percent, manufacturing with 11.7 percent, and accommodation and food services with 8.4 percent of the total work force.

The unemployment rate in Craven County dropped to 4.5 percent annual average for calendar year 2006 from 5.0 percent in 2005. The statewide average for calendar year 2006 was 4.8 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 at the major manufacturing employers in the County was positive overall with BSH Home Appliances and Hatteras Yachts adding employees during the year. BSH and Hatteras both announced or completed expansions at their plants in fiscal 2007. The number of employees at Moen was down from the previous year. Employment in the trade, leisure and hospitality employers increased again this year. Several new hotel properties are in the early stages of development. Springhill Suites, a Marriot property, will open in 2008.

BSH Home Appliances, a major manufacturer in the County, with production of dishwashers, cooktops, ranges and laundry equipment, announced an expansion in December of 2006. The planned \$15 million expansion will add 225 jobs, with an average wage of \$36,000 per year, and will allow the company to produce a new line of mid-priced dishwashers to broaden its customer base. Presently BSH produces high-end priced dishwashers, named best in class by Consumer Reports for the past eight years. Production testing will begin late 2007 and full production is expected by early 2008. BSH Home Appliances began operations in Craven County in 1997 in a 50,000 square foot facility with 24 employees and now operates out of 1,410,000 square feet and employs approximately 1,300 people as of October, 2007. About 500,000 dishwashers are produced at the facility each year. A \$200 million expansion was completed in 2004 to manufacture ranges and washers and dryers. In 2005 the County conveyed approximately 61 acres in the Craven Industrial Park to BSH for the construction of the 590,000 square foot logistics center. The building has a value of approximately \$23 million and BSH employs 36 people at the logistics center. BSH is now the second largest taxpayer in the County (behind Weyerhaeuser) and the largest non-governmental employer in the County.

In 2007, Carolina Technical Plastics Corporation (CTP) announced a 51,000 square foot expansion at their facility which will add \$5 million of investment and 50 jobs over the next three years. CTP started production at their facility in Craven County in 2004 as a result of BSH Home Appliances expanding their manufacturing facility in the County. CTP supplies plastic parts and components to the automotive and home appliance industry. BSH is one of their largest customers in the home appliance industry, primarily the laundry segment. The expansion will double their facility footprint and increase employment by 42 percent.

With many historic sites and homes, 40 miles of navigable rivers, the Croatan National Forest, and abundant lakes and wildlife, the County continues to emphasize and capitalize on tourism. Tryon Palace, the first State Capitol, was authentically reconstructed in the 1950's and is considered the main attraction in the downtown historic district of the City of New Bern. The State of North Carolina has completed 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. In the 2007 session, the General Assembly approved the issuance of \$35 million of Certificates of Participation to fund the project. The County borrowed the \$1 million for the project in the COPS issue closed in August 2007. The current schedule calls for the build-

ing to be complete and open in 2010. Previously, the County had contributed \$80,000 in fiscal 2005 and \$75,000 in fiscal 2006 to provide funding for site cleanup and design of the facility. Also 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 its 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. Operating revenues increased to \$645,000 in fiscal 2007, up from \$558,000 in fiscal 2006. The increase in revenues was due to the hosting of many large conventions during the year. There were 345 events held at the Center during fiscal 2007 which converted to 421 utilization days. The Center incurred an operating deficit of \$158,000 in fiscal 2007 which included setting aside \$32,000 in the capital reserve fund for future improvements. The total budgeted deficit was \$238,000. 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 approximately 15,000 overnight rooms and over \$8.7 million of economic impact to the community. The debt incurred for the Center is serviced through the increase in occupancy tax enacted in November 1996 from 3 percent to 6 percent. Advance bookings of the Center for fiscal 2008 indicate another successful upcoming year.

## **MAJOR INITIATIVES**

**For the Year.** The County's General Fund balance increased by \$2,492,187, or 11.2 percent, in fiscal 2007. The County's unreserved General Fund balance at June 30, 2007, represents 20.3 percent of actual expenditures and transfers out for fiscal year 2007. The tax rate for fiscal 2007 remained unchanged at \$.61 per \$100 of property valuation. Property values increased from \$6.0 billion to \$6.3 billion, or 5.3 percent countywide.

During fiscal 2007 the Board of Commissioners continued to fund the capital reserve by appropriating a transfer of \$2.9 million in the original budget. The capital reserve was established to provide funds that will be required for upcoming capital projects. Some of these projects include a new judicial center (discussed later), a \$2 million commitment to the Community College for a business and technology building, and an update of the county-wide orthophotography. During fiscal 2007 approximately \$800,000 was transferred out of the reserve for use in projects. Of this amount, \$500,000 was transferred to the judicial center, \$250,000 was used to install a new phone system in the human services building and \$36,000 was used to install a new building access system at the human services building.

Rather than decreasing fund balance, as the budget projected by \$2.1 million, the County added approximately \$2.5 million to its fund balance for the fiscal year ending June 30, 2007. This swing of \$4.6 million was a result of actual expenditures in the general fund being \$3.5 million below budget while revenues were \$1.1 million above budget. The savings in expenditures were principally in two areas: Health Department expenditures were \$.9 million below budget and Social Services expenditures were \$1.2 million below budget. Revenues which exceeded expectations included property tax, sales tax, and investment earnings.

Construction of new homes continues in a subdivision opened in 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, 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 2007 construction continued on the new elementary school located in the Carolina Colours subdivision. The County purchased 30 acres of land for the school in the prior year. The school was financed through an interim installment borrowing of \$14 million, repaid with the recent COPS transaction. As a result of the borrowing method, the County will hold title to the land and school buildings and lease them to the Board of Education until the debt is retired. The need for this school was to alleviate overcrowding at the other elementary school in the area which was designed for a maximum capacity of 813 and had grown to an enrollment of 1,100 students. The new school is located in the Highway 70 corridor between New Bern and Havelock, an area of significant growth in the County and opened for classes in August 2007.

Construction began during the year on a new riverfront condominium project located adjacent to the Sheraton Hotel, on the Trent River. Plans include a 90 unit project with prices ranging from \$230,000 to over \$770,000. The project is being developed by the Soleil group and currently 80% 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 property is also adjacent to the location of the soon to be built Tryon Palace History Education Center.

The current jail was originally built in 1982 to house approximately 78 inmates and was then double banded in areas to provide capacity for approximately 121 inmates. The work release center can house up to 40 inmates and was constructed in 2001. The average daily inmate population is now approximately 180. The work release center has provided some relief but was not expected to be the ultimate answer to the problem. During 2006 the County engaged a construction manager and an architect to design a new jail, Sheriff's department, and magistrate's office and courtroom. The project was put out to bid during fiscal 2007 and the low bid was \$26.8 million, approximately \$4 million over the architect's estimate. Value engineering reduced this cost to approximately \$25.4 million. A contract was signed with Devere, Inc. for this amount during September 2007. The facility will include a 292 bed jail, sheriff's office, magistrate's office, and a district courtroom. Earlier in fiscal 2007 the County contracted for the site preparation separately from the construction of the building. The site work has been completed, water lines have been installed and the site is ready for the general contractor to begin construction expected in November 2007. The judicial center is to be built on a 110 acre site near the industrial park. The judicial center will be the first building constructed on the site and land is available to add additional County buildings should the need arise. The County borrowed \$3.2 million, as part of the \$18.9 million installment borrowing mentioned earlier. The COPS issue, of August 2007, included \$30 million for the judicial center and paid off the \$3.2 million borrowed previously. Estimated completion date is April 2009. The courtroom would be used for District Court, the court which hears most cases of the County jail inmates which would greatly reduce the need for transportation of inmates. The estimated total project cost is approximately \$34 million which will be funded by the \$30 million borrowing, \$2.5 million transferred to the project from the capital reserve and interest earned on the escrow account. Over the last three years the County had transferred \$4.5 million from the capital reserve to this project, including the \$2.5 million in fiscal 2007, mentioned earlier. Based on the total project budget the County was able to transfer \$2 million back to the reserve from this project to be used for other County projects.

In 2006 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 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 was originally 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 phase one and added an additional \$1 million in the COPS issue to provide for phase two. During 2007 the project was put out to bid and the low bidder for phase one, two and a part of phase three (one of the five schools) was Corning, the manufacturer of the fiber optic cable in the amount of approximately \$1.5 million. Because of the low bid the County will be able to connect the remaining four schools with a wireless solution out of the funds on hand and likely add other sites in the rural part of the County including two branch library sites and several volunteer rescue squads. Proposals are being evaluated presently but a contract has not yet been signed to construct the wireless network. The fiber cable must be placed in the ground first before the wireless network can be implemented. The fiber network is expected to be completed prior to June 2008. Estimates are approximately \$250,000 of savings per year on phone line costs currently being used by the public schools, the community college and the County that will be replaced by this project.

In 2007 the County continued construction on the park in the western part of the County. The land was acquired in 2006 for approximately \$130,000. 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 was approved for an additional PARTF grant in the amount of \$500,000 to be used for construction of the park. The County borrowed the matching \$500,000 as part of the previously mentioned \$18.9 million installment loan. During 2007 the site grading was completed and the next phase of construction will include baseball and football fields, restrooms and tennis courts.

In the current fiscal year the Board of Commissioners approved a request from the Board of Education to fund approximately \$8.25 million of construction work at three sites. Additions and renovations were approved for Grover C. Fields Middle School for a renovation to house a new media center, and J. T. Barber Elementary School for an expansion of the media center and administration area. Also approved was a replacement of the public school bus maintenance facility. Additionally, \$750,000 was approved to purchase land in the New Bern/Havelock corridor for a future high school. There is no current schedule for this school but land is becoming very expensive and scarce in the corridor and the decision to buy the land and hold it was made by the Board. Also, \$470,000 was approved for the replacement of telephone and intercom systems at ten schools bringing the total of these school projects to slightly over \$9.5 million. This amount was borrowed in the COPS issue closed in August 2007.

Delta Airlines is now offering service at the Craven Regional Airport, in addition to US Air. In May 2007 Delta began flying two flights out of New Bern to Atlanta. In July that was raised to three flights and in September Delta began using 50 seat jets as opposed to the 40 seat jet which was used initially. The Airport Authority had been seeking a second airline for some time and Delta appears to be very successful in the new venture. US Air continues to fly seven flights daily out of New Bern, three of which are on 50 seat jets, and nine flights Saturday, including one to Philadelphia. Their numbers have not declined since Delta began flying into Craven. The airport has seen a 54 percent increase in enplanements for the months of May through July 2007 when compared to the January through April numbers.

The General Assembly, in 2007 finally passed legislation to relieve North Carolina counties from paying a portion of the non-Federal piece of Medicaid costs. North Carolina was the last state to address the issue of requiring counties to participate in the costs, even though counties had no ability to change or create policy or benefits. The legislation calls for the counties to exchange one quarter of a cent of sales tax

beginning October 2008. The State will assume the Medicaid costs beginning 25 percent in October 2007, 50 percent October 2008 and 100 percent in October 2009. The legislation further holds counties harmless from giving up more than they save and guarantees a \$500,000 savings per year per county. The estimated savings for Craven County are: fiscal 2008 \$500,000, fiscal 2009 \$1.5 million, fiscal 2010 \$1.5 million, fiscal 2011 \$500,000, and fiscal 2012 \$840,000. These estimates were calculated by the General Assembly's research staff. The same legislation gave counties the authority to enact a .4 percent land transfer tax or an additional one quarter cent sales tax if approved by a voter referendum. The Craven County Board of Commissioners has decided not to seek either of these additional revenues at present.

A major expansion of the Craven Community College's current machinist, tool and die and sheet metal program was completed this year with a \$1.1 million 4,000 square foot building expansion to the existing building. This expansion was funded with \$452,000 of County dollars and a grant from the U.S. Economic Development Administration. In conjunction with the advanced manufacturing training center, currently under construction and discussed later, these two facilities give the college the best manufacturing training facilities in the state and among the best on the east coast. These 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.

**For the Future.** The budget for fiscal 2008 was adopted with a tax rate of \$.61 per hundred dollars of valuation, the same rate as fiscal 2007 and fiscal 2006. The estimate of property values for fiscal 2008 is an increase of 3.73 percent over the prior year's actual valuation. Included in the original budget for 2008 was an appropriation of \$3.0 million to the capital reserve fund for upcoming projects discussed earlier. Approximately \$2.4 million of this amount was later re-directed for debt service for the COPS issue closed in August 2007 leaving \$590,000 going into the reserve. The re-direction of these funds was planned but could not be completed until the debt service amount was known, after the budget was adopted. Budgeted expenditures of the General Fund total \$92.1 million and budgeted revenues \$92.4 million, with the difference of \$.3 million being appropriated from the County's fund balance.

Upcoming plans for the water system include the continued alternate water source project 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 indicated 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 five wells. They also confirmed the quality of the water as good enough to blend with the Black Creek water and require no additional treatment. The County contracted for \$382,000 to dig five wells into the Pee Dee aquifer on the same sites as the five Black Creek wells. Engineering estimates are that the five wells will provide sufficient water to reach the goal of 30 percent. The wells were drilled in fiscal 2007 and are in the stage of moving to production. Remaining to be done is the mechanical stage of installing the pumps and making the connections. 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 \$1.5 million, significantly less than the cost of the \$10 million option of the Castle Hayne aquifer requiring a water treatment plant.

There are currently two major construction projects underway 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. Construction is well under way and the project is expected to be completed in June 2008. The 30,000 square foot building will add five laboratories and three classrooms to the College.

The second project is a new Business and Information Technology Building. This \$5.23 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 and are will be provided to the College during fiscal 2008. 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 March 2008.

In October 2007 the Marine Corps announced there will be a buildup of Marines at Cherry Point, Camp Lejeune and New River bases beginning next year and completed by 2010. Cherry Point Marine Corps Air Station, located in Craven County, is expected to get at least 1,485 new military jobs and 1,241 new dependents as a result of the announcement. Discussions are presently being held with the military to allow the area to determine what the infrastructure needs will be to accommodate these additional personnel.

## **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, 2007, 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 \$2,822,415 for the year. The investment yield on the portfolio for the year was 5.16 percent as compared to 4.0 percent last year. The cash and investment portfolio balance at June 30, 2007, was \$49.2 million, compared to \$33.5 million at June 30, 2006. The increase in the ending balance was due to the unexpended proceeds from the installment borrowing and excess of revenues over expenditures in the water enterprise fund and the general fund. The average daily portfolio balance this fiscal year was \$44.2 million compared to \$38.3 last year. The County portfolio at June 30, 2007 was composed of the following mix: State agencies 48 percent, certificate of deposits 9 percent, demand deposits 16 percent, commercial paper 11 percent, and North Carolina Capital Management Trust 16 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 \$.8 million less than the previous year. This resulted in the health insurance plan ending the year with excess revenue of \$88,000. As a result of spiraling medical costs inflation, the County increased health insurance premiums by 10 percent for fiscal 2008. The health insurance plan had a fund balance of \$154,000 at the end of fiscal 2007. Risk to the County is restricted by a specific stop-loss limit of \$100,000 per individual per year for fiscal 2007 and \$125,000 for fiscal 2008. This protection is provided through coverage acquired from a commercial underwriter. The County established a reserve of \$405,000 for incurred but not reported claims at June 30, 2007. This was an increase of \$25,000 in the reserve at year end over the prior year.

During fiscal 2007, 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, 2007, provided individual loss limits of \$350,000. A reserve of \$335,000 was established at June 30, 2007 for estimated claims incurred but not paid. The workers' compensation fund ended the year with a fund balance of \$592,000 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, 2006, the seventeenth con-

secutive 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.

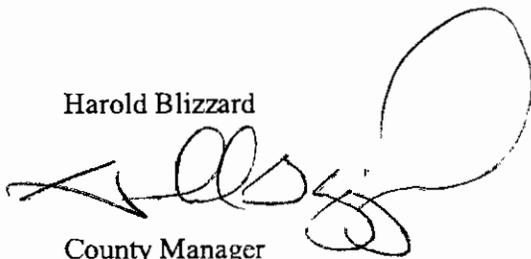
**Independent Audit.** Under Section 159-34 of North Carolina General Statutes, the County is required to provide for an annual audit by an independent certified public accountant. The accounting firm of McGladrey and Pullen, LLP, CPAs, was selected by the County to perform this audit. McGladrey & Pullen, 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 Nancy Dawson. Also of significant assistance in the preparation of the report were Brian Dunn, Jill Neace, and Kevin Israel 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.

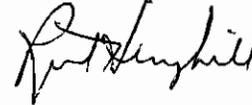
Respectively submitted,

Harold Blizzard

A handwritten signature in black ink, appearing to read 'H. Blizzard', with a large, stylized loop at the end.

County Manager

Rick Hemphill

A handwritten signature in black ink, appearing to read 'Rick Hemphill', with a stylized 'H'.

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, 2006

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



President

Executive Director

**CRAVEN COUNTY, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

June 30, 2007

**BOARD OF  
COMMISSIONERS**

**JOHNNIE SAMPSON, JR.**

Chairman

New Bern

**JASON R. JONES**

Vice-Chairman

Cove City

**STEVE TYSON**

New Bern

**M. RENÉE SISK**

River Bend

**PERRY L. MORRIS**

Vanceboro

**THERON MCCABE**

Havelock

**LEE K. ALLEN**

Havelock

**COUNTY OFFICIALS**

**HAROLD BLIZZARD**

County Manager

**RICHARD F. HEMPHILL**

Finance Officer

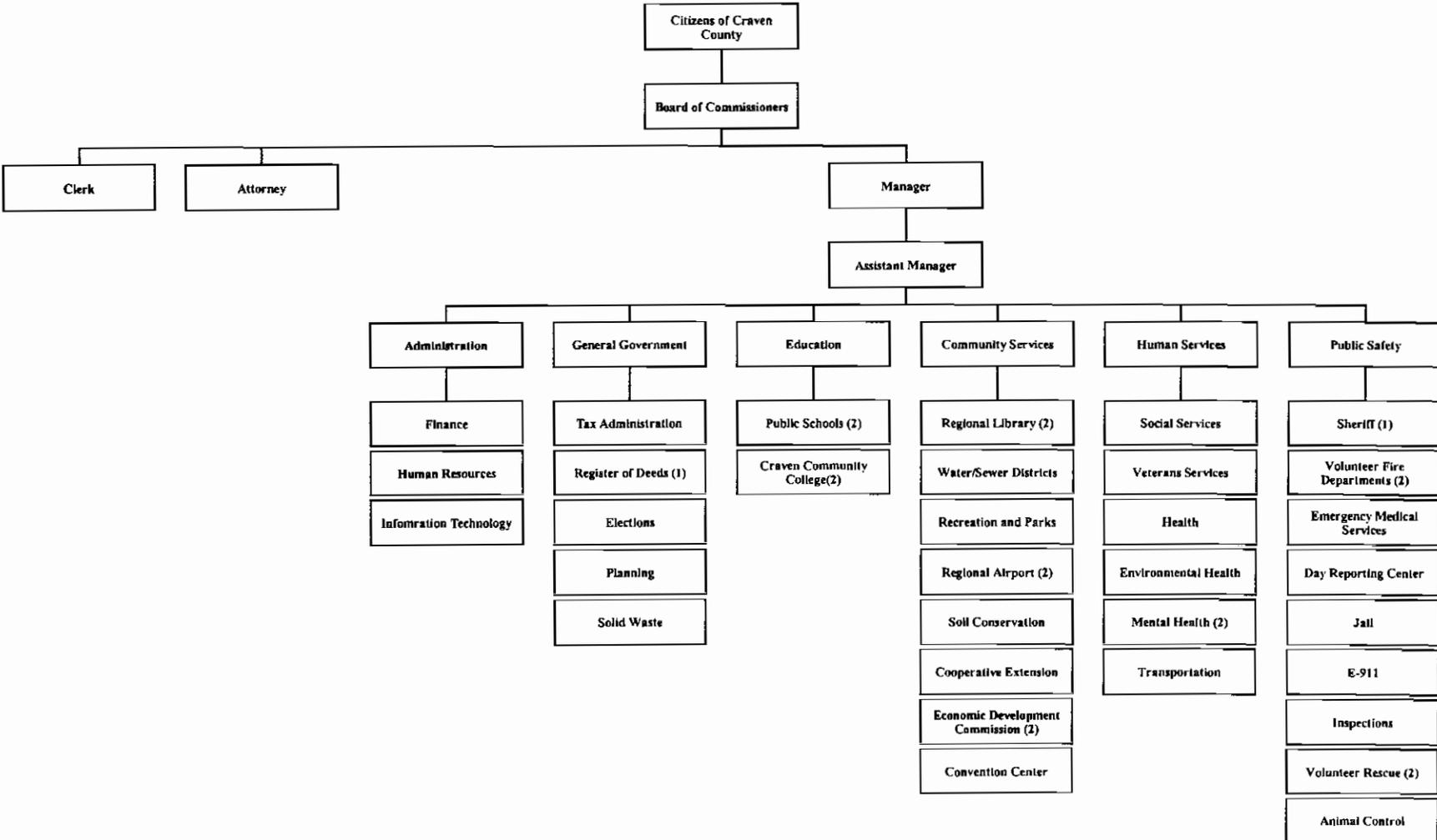
**REBECCA S. THOMPSON**

Register of Deeds

**JERRY MONETTE**

Sheriff

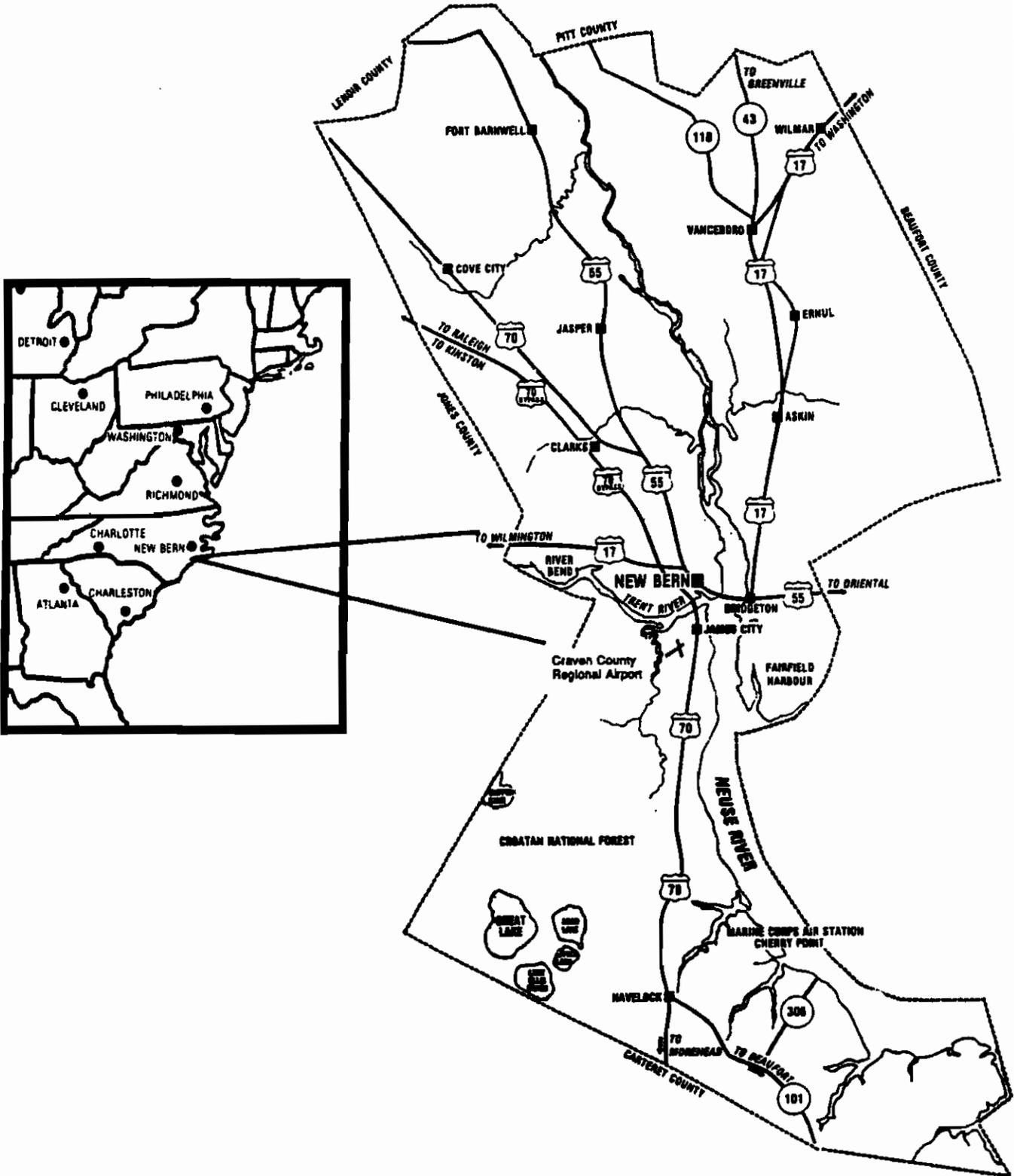
# Craven County Organizational Chart



13

(1) Elected Officials (2) Under Separate Boards

# 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**

**Craven County**



# 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, 2007, 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, 2007, 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.

As disclosed in Note 14 to the financial statements, Craven Regional Medical Authority, a component unit of Craven County, changed its accounting for other postemployment benefits during the year ended September 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 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 17 through 31 and page 91 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  
November 2, 2007

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**Craven County**



**Craven County  
Management's Discussion and Analysis  
June 30, 2007**

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, 2007. 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 \$43,350,196.
- The government's total net assets increased by \$2,436,240, due to: an increase of \$1,478,576 in the net assets of the Water Fund; an increase in cash and investments of \$14,542,383 in the governmental funds; an increase of \$2,030,667 in net capital assets of the governmental funds; and an increase in the long term liabilities of the governmental funds in the amount of \$15,192,874. This compares to an increase in net assets of \$7,921,742 in fiscal year ending June 30, 2006.
- The net assets of the governmental activities are lower than one would expect due to the method used in North Carolina to record the debt and asset related to school buildings. Under North Carolina law, the County is responsible for providing capital funding for the public schools and community college. The 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, 2007, the outstanding balance of school related debt was \$51,930,000.
- As of the close of the current fiscal year, Craven County's governmental funds reported combined ending fund balances of \$43,409,707, an increase of \$14,142,227 for the year. A large part of this increase was due to a borrowing in the amount of \$18,900,000 during the year. Only \$10,683,169 of this amount had been expended at June 30, 2007 leaving unexpended loan proceeds of \$8,216,831 in the fund balance. Actual expenditures of the General Fund were \$3,576,251 less than the budgeted expenditures and actual revenues exceeded budgeted revenues by \$1,145,603. The increase in revenues was due to higher than anticipated sales tax revenue and investment earnings. The lower than anticipated expenditures were primarily in the Health and Social Services departments. County Medicaid costs increased by only \$138,000 or 2.8 percent in fiscal 2007, a much lower increase than the County has experienced in recent years. Approximately 74 percent of the total governmental funds fund balance, or \$32,323,829 is available for spending at

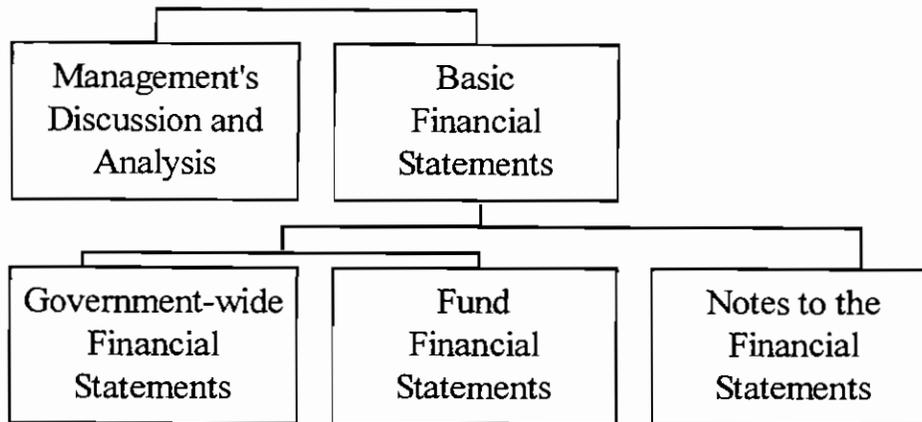
the government's discretion (unreserved fund balance). In 2006, unreserved fund balance was \$20,909,216 approximately 71 percent of the total fund balance.

- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$17,660,508 or 20.3 percent of total General Fund expenditures (including transfer outs) for the fiscal year. In 2006, unreserved fund balance in the General Fund was \$15,740,109, or 19.0 percent of total expenditures.
- The County's bonded and installment debt increased by \$14,490,219 during the current fiscal year. A new installment borrowing was closed in July, 2006. The purpose of this borrowing was to fund: the construction of a new elementary school, the installation of a fiber optic network to connect all schools, community college campuses, and other government buildings, the construction of a park in the western portion of the county, and the design and site-work at the new judicial center. In August, 2007 the County closed on a Certificates of Participation (COPS) issue in the amount of \$57,635,000. This borrowing refinanced the \$18.9 million installment loan as well as providing the balance of funds (\$26.8 million) for the judicial center, \$9.6 million for other school renovations and construction of a new bus garage, an additional \$1 million for the fiber optic cable project, \$1.8 million to acquire land adjacent to the airport to prevent encroachment by development, and \$1 million for the Tryon Palace History Education Center. The difference between the new debt of \$18.9 million and the net increase in debt of \$14.5 million 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 32 and 33 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 difference or variance between the final budget and the actual resources and charges.

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

**Fiduciary Funds** – Agency funds are used to account for resources held for the benefit of parties outside the government. Craven County has 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 45 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 \$43,350,196 as of June 30, 2007. As of June 30, 2006, the net assets of Craven County were \$40,913,956. The County’s net assets increased by \$2,436,240 for the fiscal year ended June 30, 2007.

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 \$3,694,306 over the prior year. This increase resulted from the reduction of debt related to capital assets by \$1,779,782 as well as the increase in net capital assets of the governmental funds in the amount of \$2,030,667. 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 increased by \$1,797,542 this year as a result of greater assets in the debt service fund used to retire school debt. The increase was caused by higher sales tax revenues and the reimbursement of the money used to buy land for the new elementary school from the borrowing.

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, 2007, the unrestricted deficit of \$8,545,976 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	\$(51,930,000)
All other	<u>43,384,024</u>
Total unrestricted (deficit)	\$ (8,545,976)

### Craven County's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 52,199,153	\$ 37,078,323	\$ 8,320,372	\$ 7,308,872	\$ 60,519,525	\$ 44,387,195
Capital assets, net	38,919,103	36,888,436	20,274,551	20,283,075	59,193,654	57,171,511
<b>Total assets</b>	<b>91,118,256</b>	<b>73,966,759</b>	<b>28,594,923</b>	<b>27,591,947</b>	<b>119,713,179</b>	<b>101,558,706</b>
Long-term liabilities/schools	51,930,000	40,560,000	-	-	51,930,000	40,560,000
Long-term liabilities/other	16,738,213	12,915,339	2,438,271	2,993,908	19,176,484	15,909,247
Other liabilities	4,758,301	3,757,342	498,198	418,161	5,256,499	4,175,503
<b>Total liabilities</b>	<b>73,426,514</b>	<b>57,232,681</b>	<b>2,936,469</b>	<b>3,412,069</b>	<b>76,362,983</b>	<b>60,644,750</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	29,183,692	26,036,499	17,836,280	17,289,167	47,019,972	43,325,666
Restricted	4,876,200	3,078,658	-	-	4,876,200	3,078,658
Unrestricted (deficit)	(16,368,150)	(12,381,079)	7,822,174	6,890,711	(8,545,976)	(5,490,368)
<b>Total net assets</b>	<b>\$ 17,691,742</b>	<b>\$ 16,734,078</b>	<b>\$ 25,658,454</b>	<b>\$ 24,179,878</b>	<b>\$ 43,350,196</b>	<b>\$ 40,913,956</b>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.19, up from 98.14 the previous year and higher than the statewide average of 96.63 percent for the previous year.

- General Fund actual revenues exceeded budgeted revenues by \$1,145,603. Actual property taxes collected were \$260,808 higher than the budgeted amount. Sales tax was \$1,174,185 more than the budgeted amount for the year due to higher than anticipated collections in the County. Interest earnings were \$631,518 above the budgeted amount as rates increased during the year.
- An increase of 5.3 percent in property values countywide due to the continued steady growth in the County of both residential and commercial property as of January 1, 2006.

### Craven County Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$12,643,819	\$13,036,343	\$3,350,661	\$ 3,296,858	\$15,994,480	\$16,333,201
Operating grants and contributions	16,870,225	16,518,785	-	-	16,870,225	16,518,785
Capital grants and contributions	218,699	746,337	-	-	218,669	746,337
General revenues:						
Property taxes	40,057,692	37,864,384	-	-	40,057,692	37,864,384
Sales and use taxes	19,769,089	18,100,692	-	-	19,769,089	18,100,692
Other	6,218,350	3,192,273	524,135	369,941	6,742,485	3,562,214
Total revenues	95,777,874	89,458,814	3,874,796	3,666,799	99,652,640	93,125,613
Expenses:						
General government	7,679,876	7,391,683	-	-	7,679,876	7,391,683
Public safety	12,792,549	12,643,683	-	-	12,792,549	12,643,683
Environmental protection	5,448,188	5,105,286	-	-	5,448,188	5,105,286
Economic and physical development	2,629,063	2,658,847	-	-	2,629,063	2,658,847
Human services	31,067,818	30,241,160	-	-	31,067,818	30,241,160
Culture and recreation	2,307,962	2,077,212	-	-	2,307,962	2,077,212
Education	29,897,811	20,218,865	-	-	29,897,811	20,218,865
Interest on long term debt	3,042,742	2,414,904	-	-	3,042,742	2,414,904
Capital outlay						
Water and sewer districts	-	-	2,350,421	2,452,231	2,350,421	2,452,231
Total expenses	94,866,009	82,751,640	2,350,421	2,452,231	97,216,430	85,203,871
Increase in net assets before transfers	911,865	6,707,174	1,524,375	1,214,568	2,436,210	7,921,742
Transfers	45,799	45,799	(45,799)	(45,799)	-	-
Increase in net assets	957,664	6,752,973	1,478,576	1,168,769	2,436,240	7,921,742
Net assets, beginning of year	16,734,078	9,981,105	24,179,878	23,011,109	40,913,956	32,992,214
Net assets, end of year	\$17,691,742	\$16,734,078	\$25,658,454	\$24,179,878	\$43,350,196	\$40,913,956

**Governmental activities.** Governmental activities increased the County's net assets by \$957,664. The increase in net assets was caused by both an increase in revenues of \$6.3 million and an increase in expenses of \$12.1 million over the prior year. Key elements of the increase in revenues are as follows:

- Property tax revenue was up by \$2.2 million due to a 5.3 percent increase in property values. The rate remained unchanged at \$.61 per \$100 of valuation. The remainder of the increase was due to collection efforts.
- Sales tax revenue was up by 9.2 percent, or \$1,668,000 due to the favorable economic conditions in the County.
- Other earnings were higher than the prior year as a result of several items. Investment earnings increased by \$1.2 million as a result of higher interest rates and an increase in the average daily invested amount of approximately \$6 million. This was due to the investment of the unexpended loan proceeds from the \$18.9 million installment loan. The yield on the portfolio increased by 29 percent over the prior year. Other earnings also increased as a result of the donation of a building from Neuse Center Mental Health. They no longer had a use for the building, valued at \$1.8 million and deeded it back to the County.
- The most significant increase in expenses was in education and was a result of funding provided for the construction of the new Creekside Elementary School. \$10.2 million dollars was expended in the current year for the new school.
- Interest expense was up by \$628,000 over the prior year due to the new installment loan of \$18.9 million. The elementary school accounted for \$14 million of this loan and the remainder was for park improvements (\$500,000), fiber optic project (\$1,200,000), and for preliminary work on the judicial center (\$3,200,000).

**Business-type activities.** Business-type activities, the County's water utility, increased Craven County's net assets by \$1,478,576.

- Revenue increased by \$207,997 over the prior year which consisted of approximately \$54,000 of additional water charges and the remainder was due to an increase in investment earnings.
- Operating income increased from 32.3% of revenue to 36.2% this year primarily due to a decrease in depreciation of \$230,722 this year. Operating income was approximately \$1.3 million and accounted for most of the increase in net assets.
- The water utility rates remained unchanged during 2007 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 began drilling wells into the Pee Dee aquifer as an alternate water source in anticipation of mixing the water from the two aquifers at the existing well sites, thereby reducing the amount from the Black Creek aquifer. Results of the test wells, drilled previously, indicate that the project will work and postpone the time until the County will be forced to build a water treatment plant which will result in higher operating costs and require 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 \$17,660,508, an increase of \$1,920,399, while total fund balance increased by \$2,492,187 to \$24,605,408. The increase in the General Fund balance for the year was 11.2 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 20.3 percent of total General Fund expenditures (including transfers out), while total fund balance represents 28.2 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 percentage of fund balance to expenditures which had declined in the past several years as a percentage of expenditures.

Expenditures in the general fund were approximately \$3.6 million less than budget due primarily to lower expenditures in the health and social services departments. Expenditures of the governmental funds increased by \$2.8 million over last year but this increase was more than offset by the \$3.5 million increase in revenues over the past year.

At June 30, 2007, the governmental funds of Craven County reported a combined fund balance of \$43,409,707, a 48.3 percent increase over last year. This increase was due primarily to the unexpended portion of the \$18.9 million installment loan for capital

projects. The unspent portion of this borrowing was approximately \$8.2 million as of June 30, 2007. The remaining \$6 million increase in fund balance was due partially to increased revenues in the General Fund, previously discussed, and the resulting increase in the General Fund balance. Also contributing to the increase was an increase in the County Reserve Fund due to contributions from the General Fund and an increase in the fund balance of the Debt Service Fund due to higher revenues than the prior year.

**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 \$1.8 million including the following:

- \$575,000 due to increased collection of sales tax over the original anticipated amount.
- Intergovernmental revenues increased by approximately \$889,000 from the original budget and consisted of the following items. Over \$86,000 of additional pass through grants were received from the state for various agencies throughout the County. In addition a grant for \$112,500 was received from the Department of Commerce and passed through the County as an incentive for Wirthwein, an industry located in the County. Grant increases during the year, from the state for: the Health Department accounted for over \$40,000 of the increase; CARTS accounted for \$94,000; and the Department of Social Services overhead reimbursement for \$83,000. Subsidized day care revenues increased by \$393,000 during the year as well.
- Charges for services budgeted amounts increased by \$270,000 during the year. The revenue in the Sheriff Department accounted for \$38,000 of the total as a result of higher fees collected. Collections for fees charged by the Health Department were increased by over \$60,000 during the year. Fees for services provided by CARTS increased \$71,000. The revenue for the convention center also increased by \$71,000 during the year due to the outstanding year of the center.

Expenditures in the final budget were increased by approximately \$1.6 million from the original budget. The changes included \$961,895 additional funds being appropriated from the General Fund balance during the year. Of this amount, \$359,000 was the use of E911 funds for the orthophotography project and \$252,000 for public schools salary increases. The State approved a higher percentage increase in their budget (adopted after the County's) for school personnel than was originally provided for by the County. The remainder of the fund balance appropriations during the year of \$351,000 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, such as the \$393,000 increase in subsidized day care, 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 \$931,463 to \$7,822,174. This was a result of an operating income of \$1,268,707 for the year. 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, 2007, totaled \$59,193,654 (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 and CARTS
- Donation of land from Neuse Center Mental Health of building and land formerly used in their operation and no longer needed
- Purchase of land for judicial center project
- Purchase backhoe for use at the County's solid waste convenience centers
- Purchase of new phone system in the human services building
- Dispose of old vehicles of the Sheriff department and CARTS

### Craven County's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$7,774,584	\$ 6,880,062	\$207,676	\$194,152	\$7,982,260	\$ 7,074,214
Buildings	37,260,124	35,564,153	563,318	563,318	37,823,442	36,127,471
Improvements	3,681,220	3,681,220	27,436,562	27,359,335	31,117,782	31,040,555
Machinery and equipment	5,302,208	4,925,168	353,114	339,373	5,655,322	5,264,542
Vehicles	4,775,897	4,604,161	214,454	230,150	4,990,351	4,834,311
Construction in progress	2,047,520	1,322,522	657,980	139,235	2,705,500	1,461,757
<b>Total</b>	<b>60,841,553</b>	<b>56,977,286</b>	<b>29,433,104</b>	<b>28,825,564</b>	<b>90,274,657</b>	<b>85,802,849</b>
Less accumulated depreciation	21,922,450	20,088,850	9,158,553	8,542,489	31,081,003	28,631,339
<b>Total net of depreciation</b>	<b>\$38,919,103</b>	<b>\$36,888,436</b>	<b>20,274,551</b>	<b>\$20,283,075</b>	<b>\$59,193,654</b>	<b>\$57,171,511</b>

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, 2007, Craven County had total bonded general obligation debt outstanding of \$39,824,500. Of this amount, \$38,985,000 is debt backed by the full faith and credit of the County. Included in this amount is \$1,055,000 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, \$839,500 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	
	2007	2006	2007	2006	2007	2006
G. O. bonds	\$37,930,000	\$40,560,000	\$839,500	1,282,500	\$38,769,500	\$41,842,500
Installment debt	28,527,792	10,851,937	1,598,771	1,711,408	30,126,563	12,563,345
Total long debt	\$66,457,792	\$51,411,937	\$2,438,271	\$2,993,908	68,896,063	\$54,405,845

Craven County's total bonded and installment debt increased by \$14,490,218 (26.6 percent) during the past fiscal year. This increase was the result of the interim installment financing incurred for the judicial center, elementary school, park, and fiber project in the amount of \$18,900,000. This increase was offset by regularly scheduled payments of \$4,409,782.

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 approximately \$444,500,000.

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 2006 was 4.4 percent in the County, compared with a State rate of 4.8 percent.

- The number of building inspections performed by the County Inspections Department in fiscal 2007 was up 3 percent from 2006, due to increases in both commercial and residential building. While this is considerably less than the 21 percent of the year before, it is encouraging that the number increased, considering the slow down in the housing market nationwide.
- Per capita income for the years 1995-2005 for Craven County shows an average annual growth rate of 4.4 percent, while the average annual growth rate for the State was 3.8 percent and 4.1 percent for the nation. The County's per capita income increased 6.9 percent in calendar 2005 (the latest year information is available) while the State increased 5.0 percent and the nation by 4.2 percent. The County's per capita income level is 99 percent of the state average and 89 percent of the national average.

### **Budget Highlights for the Fiscal Year Ending June 30, 2008**

**Governmental Activities:** The County has approved a \$92 million General Fund budget for fiscal year 2008. 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 5.0 percent over last years estimate resulting in higher property tax revenue. The budget for fiscal 2008 includes several new positions and increased capital outlay. Funding for the public schools and community college were both increased and \$3.0 million was budgeted to cover debt service on the certificates of participation (described in the following paragraph) as well as transfer the remaining balance of approximately \$600,000 to the Capital Reserve Fund 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 was considered an interim financing and was paid off by a Certificates of Participation issue closed in August of 2007. The amount of the COPs was \$57,635,000. This amount was for the following projects (including the amount from the interim financing which was paid off): new elementary school \$14,000,000; judicial center \$30,000,000; other school renovations and additions \$9,550,000; fiber optic network \$2,168,000; airport land acquisition \$1,800,000; Tryon Palace History Education Center \$1,000,000; and West Craven Park \$500,000. The bonds were sold at a premium of \$2,079,000 and included issue costs of \$694,000. The all in interest rate on the issue was 4.57 percent.

The debt service on the elementary school, the other school renovations and additions, and the fiber optic network will be paid from the Debt Service Fund (funded by designated sales tax, ADM funds, and lottery funds). The debt service on the remaining projects will be paid from the general fund in lieu of the capital reserve contribution

made in the past several years. The debt service on the projects covered by the previous capital reserve transfer will be approximately \$2.4 million in fiscal 2008. No tax increase will be required to service the debt incurred for these projects.

**Business-type Activities:** There were no rate increases or unusual items included in the budget for fiscal 2008 for the County water function. Work will continue on the alternate water supply project in fiscal 2008.

### **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.

**Craven County**



## **BASIC FINANCIAL STATEMENTS**

**CRAVEN COUNTY, NORTH CAROLINA**

**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Craven County Regional Airport Authority	Craven Regional Medical Authority	Craven County ABC Board
<b>ASSETS</b>							
Cash and cash equivalents	\$ 9,269,228	\$ 242,614	\$ 9,511,842	\$ 83,527	\$ 285,748	\$ 10,974,136	\$ 939,935
Short-term investments	32,591,452	7,100,000	39,691,452	200,000	700,000	45,383,026	1,119,631
Accounts receivables (net)	1,789,687	632,758	2,422,445	293	587,993	34,235,095	-
Taxes receivables (net)	6,919,896	-	6,919,896	-	-	-	-
Accrued interest receivable	512,354	-	512,354	-	-	-	-
Due from other government	-	345,000	345,000	-	-	-	-
Inventories	-	-	-	-	-	4,994,574	680,443
Prepaid items	23,892	-	23,892	-	-	1,139,699	15,386
Deferred charges - issuance costs	119,179	-	119,179	-	-	-	-
Deferred charges - refunding	973,465	-	973,465	-	-	-	-
Long-term cash and investments	-	-	-	-	-	140,120,087	-
Other assets	-	-	-	-	-	243,285	-
Capital assets:							
Land, improvements, and construction in progress	9,822,104	865,656	10,687,760	-	6,740,696	8,806,743	89,383
Other capital assets, net of depreciation/amortization	29,096,999	19,408,895	48,505,894	-	13,159,870	82,950,047	210,279
Total capital assets	38,919,103	20,274,551	59,193,654	-	19,900,566	91,756,790	299,662
Total assets	91,118,256	28,594,923	119,713,179	283,820	21,474,307	328,846,692	3,055,057
<b>LIABILITIES</b>							
Accounts payable	2,831,120	114,054	2,945,174	-	26,586	20,578,188	496,411
Accrued salaries and benefits	1,316,677	26,610	1,343,287	-	33,182	9,704,645	11,541
Unearned revenue	287,595	346,845	634,440	-	-	48,750	-
Accrued interest payable	322,909	10,689	333,598	-	29,660	338,660	-
Long-term liabilities:							
Due within one year	5,943,667	575,137	6,518,804	-	442,593	720,138	-
Due in more than one year	62,724,546	1,863,134	64,587,680	-	3,065,927	8,408,475	-
Total liabilities	73,426,514	2,936,469	76,362,983	-	3,597,948	39,798,856	507,952
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	29,183,692	17,836,280	47,019,972	-	16,392,046	86,830,823	299,662
Restricted for:							
Debt service-education	3,704,012	-	3,704,012	-	-	-	-
Public safety	1,163,348	-	1,163,348	-	-	-	-
Other purposes	8,840	-	8,840	-	-	-	210,188
Unrestricted (deficit)	(16,368,150)	7,822,174	(8,545,976)	283,820	1,484,313	202,217,013	2,037,255
Total net assets	\$ 17,691,742	\$ 25,658,454	\$ 43,350,196	\$ 283,820	\$ 17,876,359	\$ 289,047,836	\$ 2,547,105

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, 2007

Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units					
					Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Craven County Regional Airport Authority	Craven Regional Medical Authority	Craven County ABC Board		
<b>Primary government:</b>													
<b>Governmental:</b>													
General government	\$ 7,679,876	\$ 2,116,173	\$ 1,078,615	\$ -	\$ (4,485,088)	\$ -	\$ (4,485,088)						
Public safety	12,792,549	1,957,081	612,213	-	(10,223,255)	-	(10,223,255)						
Social Services	23,686,006	600,994	12,228,544	112,514	(10,743,954)	-	(10,743,954)						
Economic and physical development	2,629,063	990,517	219,000	-	(1,419,546)	-	(1,419,546)						
Environmental protection	5,448,188	2,639,579	138,582	-	(2,670,027)	-	(2,670,027)						
Health	7,381,812	4,288,785	1,407,566	-	(1,685,461)	-	(1,685,461)						
Cultural and recreation	2,307,962	50,690	35,300	106,185	(2,115,787)	-	(2,115,787)						
Education	29,897,811	-	1,150,405	-	(28,747,406)	-	(28,747,406)						
Interest on long-term debt	3,042,742	-	-	-	(3,042,742)	-	(3,042,742)						
<b>Total governmental activities</b>	<b>94,866,009</b>	<b>12,643,819</b>	<b>16,870,225</b>	<b>218,699</b>	<b>(65,133,266)</b>	<b>-</b>	<b>(65,133,266)</b>						
<b>Business-type:</b>													
Water	2,350,421	3,350,661	-	-	-	1,000,240	1,000,240						
<b>Total business-type activities</b>	<b>2,350,421</b>	<b>3,350,661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,240</b>	<b>1,000,240</b>						
<b>Total primary government</b>	<b>\$ 97,216,430</b>	<b>\$ 15,994,480</b>	<b>\$ 16,870,225</b>	<b>\$ 218,699</b>	<b>(65,133,266)</b>	<b>1,000,240</b>	<b>(64,133,026)</b>						
<b>Component units:</b>													
Tourism Development Authority	\$ 393,387	\$ 403,435	\$ -	\$ -				\$ 10,048	\$ -	\$ -	\$ -		
Airport Authority	2,452,267	1,613,778	888,258	-				-	49,769	-	-		
Medical Authority	191,929,029	196,880,190	-	-				-	-	4,951,161	-		
ABC Board	4,960,257	5,293,927	-	-				-	-	-	-	333,670	
<b>Total component units</b>	<b>\$ 199,734,940</b>	<b>\$ 204,191,330</b>	<b>\$ 888,258</b>	<b>\$ -</b>				<b>10,048</b>	<b>49,769</b>	<b>4,951,161</b>	<b>-</b>	<b>333,670</b>	
<b>General revenues:</b>													
<b>Taxes:</b>													
Property taxes, levied for general purposes					40,057,692	-	40,057,692	-	-	-	-	-	
Local option sales tax					19,769,089	-	19,769,089	-	-	-	-	-	
Other taxes and licenses					730,206	-	730,206	-	-	-	-	-	
Investment earnings, unrestricted					2,452,049	370,366	2,822,415	15,087	65,807	13,453,719	78,377		
Miscellaneous, unrestricted					3,036,095	153,769	3,189,864	5,042	-	3,145,466	-		
Transfers					45,799	(45,799)	-	-	3,324	-	-	-	
<b>Total general revenues and transfers</b>					<b>66,090,930</b>	<b>478,336</b>	<b>66,569,266</b>	<b>20,129</b>	<b>69,131</b>	<b>16,599,185</b>	<b>78,377</b>		
Change in net assets					957,664	1,478,576	2,436,240	30,177	118,900	21,550,346	412,047		
Net assets-beginning					16,734,078	24,179,878	40,913,956	253,643	17,757,459	267,497,490	2,135,058		
Net assets-ending					<b>\$ 17,691,742</b>	<b>\$ 25,658,454</b>	<b>\$ 43,350,196</b>	<b>\$ 283,820</b>	<b>\$ 17,876,359</b>	<b>\$ 289,047,836</b>	<b>\$ 2,547,105</b>		

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

CRAVEN COUNTY, NORTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	County Reserve Fund	Judicial Center Fund	New Elementary School Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,257,033	\$ 52,183	\$ 74,978	\$ -	\$ 651,277	\$ 9,035,471
Short-term investments	13,770,144	4,000,000	5,200,000	3,494,985	4,726,323	31,191,452
Taxes receivable	6,883,514	-	-	-	36,382	6,919,896
Accounts receivable	1,344,644	9,125	3,647	215,238	217,033	1,789,687
Due from other funds	1,434	2,000,000	-	-	983,774	2,985,208
Total assets	\$ 30,256,769	\$ 6,061,308	\$ 5,278,625	\$ 3,710,223	\$ 6,614,789	\$ 51,921,714
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,271,082	\$ -	\$ 33,652	\$ 578,414	\$ 207,487	\$ 2,090,635
Accrued salaries and benefits	1,313,400	-	-	-	3,277	1,316,677
Due to other funds	983,774	-	2,000,000	-	1,434	2,985,208
Deferred revenue	2,083,105	-	-	-	36,382	2,119,487
Total liabilities	5,651,361	-	2,033,652	578,414	248,580	8,512,007
<b>Fund balances:</b>						
<b>Reserved for:</b>						
State statute	6,434,080	9,125	3,647	215,238	208,956	6,871,046
Debt service	-	-	-	-	3,704,012	3,704,012
Future wireless enhanced E-911 expenditures	360,975	-	-	-	-	360,975
Future wired enhanced E-911 expenditures	125,234	-	-	-	-	125,234
Future law enforcement expenditures	15,771	-	-	-	-	15,771
Register of deeds	8,840	-	-	-	-	8,840
<b>Unreserved:</b>						
<b>Designated for subsequent year's expenditures, reported in:</b>						
General fund	278,250	-	-	-	-	278,250
Special revenue funds	-	-	-	-	456,779	456,779
Capital project funds	-	6,052,183	3,241,326	2,916,571	1,996,462	14,206,542
<b>Undesignated, reported in:</b>						
General fund	17,382,258	-	-	-	-	17,382,258
Total fund balances	24,605,408	6,061,308	3,244,973	3,131,809	6,366,209	43,409,707
Total liabilities and fund balances	\$ 30,256,769	\$ 6,061,308	\$ 5,278,625	\$ 3,710,223	\$ 6,614,789	\$ 51,921,714

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, 2007**

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

Fund balance at June 30, 2007 - total governmental funds (page 34)	\$ 43,409,707
Capital assets used in governmental activities that are not current financial resources and therefore are not reported in the funds.	38,919,103
Other assets are not available to pay for current-period expenditures and therefore are not recognized in the funds.	1,604,998
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.	917,164
Liabilities for earned but deferred revenues in the fund.	1,831,892
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>(68,991,122)</u>
Net assets of governmental activities at June 30, 2007 (page 32)	<u>\$ 17,691,742</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, 2007

	General	County Reserve Fund	Judicial Center Fund	New Elementary School Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 38,619,447	\$ -	-	-	\$ 1,412,274	\$ 40,031,721
Sales	19,069,185	-	-	-	699,904	19,769,089
Tourism Room	-	-	-	-	730,206	730,206
Intergovernmental	15,801,109	-	-	-	1,300,315	17,101,424
Charges for services	12,767,920	-	-	-	305,031	13,072,951
Interest	1,382,848	187,158	23,029	65,555	712,100	2,370,690
Miscellaneous	1,003,276	-	2,763	215,238	4,000	1,225,277
Total revenues	88,643,785	187,158	25,792	280,793	5,163,830	94,301,358
<b>EXPENDITURES</b>						
Current:						
General government	7,417,658	-	-	-	96,390	7,514,048
Public safety	10,368,388	-	1,226,630	-	2,377,923	13,972,941
Environmental protection	5,444,288	-	-	-	-	5,444,288
Economic and physical development	2,112,997	-	-	-	128,263	2,241,260
Health	7,169,879	-	-	-	-	7,169,879
Social services	23,790,287	-	-	-	-	23,790,287
Culture and recreation	2,040,683	-	-	-	220,434	2,261,117
Education	19,670,514	-	-	10,222,317	4,980	29,897,811
Debt service:						
Principal	1,324,145	-	-	-	2,530,000	3,854,145
Interest	528,322	-	-	-	2,430,832	2,959,154
Total expenditures	79,867,161	-	1,226,630	10,222,317	7,788,822	99,104,930
Excess of revenues over (under) expenditures	8,776,624	187,158	(1,200,838)	(9,941,524)	(2,624,992)	(4,803,572)
<b>OTHER FINANCING SOURCES (USES)</b>						
Loan proceeds	-	-	3,200,000	14,000,000	1,700,000	18,900,000
Transfers in	1,045,610	3,061,533	500,000	-	5,450,800	10,057,943
Transfers out	(7,330,047)	(786,000)	-	(1,198,486)	(697,611)	(10,012,144)
Total other financing sources (uses)	(6,284,437)	2,275,533	3,700,000	12,801,514	6,453,189	18,945,799
Net change in fund balances	2,492,187	2,462,691	2,499,162	2,859,990	3,828,197	14,142,227
<b>FUND BALANCES:</b>						
Beginning	22,113,221	3,598,617	745,811	271,819	2,538,012	29,267,480
Ending	\$ 24,605,408	\$ 6,061,308	3,244,973	3,131,809	\$ 6,366,209	\$ 43,409,707

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, 2007**

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

Net change in fund balances - total governmental funds (page 36)	\$ 14,142,227
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.	281,564
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to increase net assets.	1,749,103
Increase in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,514
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.	(15,290,562)
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>54,818</u>
Change in net assets of governmental activities (page 33)	<u>\$ 957,664</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, 2007  
 (Page 1 of 3)**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property	\$ 38,358,639	\$ 38,358,639	\$ 38,619,447	\$ 260,808
Sales	17,320,000	17,895,000	19,069,185	1,174,185
Intergovernmental	15,048,332	15,937,295	15,801,109	(136,186)
Charges for services	13,293,496	13,562,956	12,767,920	(795,036)
Interest	750,900	751,330	1,382,848	631,518
Miscellaneous	943,366	992,962	1,003,276	10,314
Total revenues	<u>85,714,733</u>	<u>87,498,182</u>	<u>88,643,785</u>	<u>1,145,603</u>
<b>EXPENDITURES</b>				
General government:				
Commissioners	475,078	476,020	422,892	53,128
Administration	585,867	496,041	457,916	38,125
Personnel	399,365	403,074	335,230	67,844
Data processing	826,466	831,776	824,231	7,545
Finance	714,471	719,140	703,783	15,357
Elections	258,414	260,960	221,485	39,475
Tax assessor	1,001,003	989,769	941,188	48,581
Tax collections	450,092	519,541	503,868	15,673
Register of deeds	1,204,868	1,205,370	1,115,255	90,115
Public buildings	302,130	265,679	262,037	3,642
Housekeeping	218,895	218,435	214,974	3,461
Court facilities	369,656	328,668	319,863	8,805
Maintenance	343,946	319,940	298,791	21,149
Non-departmental	900,117	909,175	796,145	113,030
Total general government	<u>8,050,368</u>	<u>7,943,588</u>	<u>7,417,658</u>	<u>525,930</u>
Public safety:				
Animal control	317,948	328,164	321,017	7,147
Medical examiner	69,000	69,000	68,100	900
Sheriff	4,512,275	4,665,163	4,647,108	18,055
Criminal Justice Partnership Program	99,223	104,855	104,773	82
Jail	2,551,225	2,739,245	2,705,450	33,795
Communications	483,992	485,348	460,591	24,757
Fire marshal/ Emergency management	281,740	293,041	279,777	13,264
Inspections	539,050	543,963	475,352	68,611
Volunteer rescue squads	1,204,838	1,305,842	1,232,404	73,438
Special appropriation	1,200	1,200	1,200	-
Wired E-911 system	44,582	49,582	41,213	8,369
Wireless	43,272	43,272	31,403	11,869
Total public safety	<u>10,148,345</u>	<u>10,628,675</u>	<u>10,368,388</u>	<u>260,287</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, 2007  
 (Page 2 of 3)**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
Environmental protection:				
Solid waste	\$ 3,849,003	\$ 3,851,814	\$ 3,688,301	\$ 163,513
Environmental health	1,281,608	1,452,842	1,330,298	122,544
Soil conservation	102,658	105,967	104,631	1,336
Cooperative extension	317,279	329,623	321,058	8,565
Total environmental protection	<u>5,550,548</u>	<u>5,740,246</u>	<u>5,444,288</u>	<u>295,958</u>
Economic and physical development:				
Planning	491,807	492,402	451,642	40,760
Economic development	606,435	720,935	456,296	264,639
Convention Center	1,059,194	1,155,278	1,106,529	48,749
Other-Legal	100,000	100,000	98,530	1,470
Total economic and physical development	<u>2,257,436</u>	<u>2,468,615</u>	<u>2,112,997</u>	<u>355,618</u>
Health:				
Dental	325,956	317,814	295,934	21,880
Maternity	1,181,689	1,267,263	1,151,555	115,708
Child health	1,648,120	1,656,262	1,492,714	163,548
Risk Reduction	255,547	177,328	158,794	18,534
WIC - administration	524,742	526,999	479,516	47,483
Adult Health Services	107,356	88,271	69,991	18,280
Vector Control	148,143	149,952	134,327	15,625
Communicable Disease	359,238	326,809	308,910	17,899
Bio-Terrorism	58,666	76,166	70,462	5,704
Family planning	640,801	624,545	596,029	28,516
Home health	2,355,711	2,371,602	1,946,396	425,206
Mental health	271,827	274,027	273,545	482
Other - unclassified	98,271	199,197	191,706	7,491
Total health	<u>7,976,067</u>	<u>8,056,235</u>	<u>7,169,879</u>	<u>886,356</u>
Social services:				
Transportation	1,252,940	1,416,248	1,244,062	172,186
Administration	2,019,382	2,191,760	2,055,530	136,230
Employment assistance	2,617,350	2,615,106	2,492,014	123,092
Adult/child services	1,661,808	1,702,454	1,515,642	186,812
Veterans services	117,542	118,623	117,411	1,212
Senior services	434,470	454,036	419,668	34,368
Public assistance payments	10,321,150	10,748,972	10,410,601	338,371
TANF	5,304,204	5,307,129	5,111,702	195,427
Other - unclassified	378,677	458,790	423,657	35,133
Total social services	<u>24,107,523</u>	<u>25,013,118</u>	<u>23,790,287</u>	<u>1,222,831</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, 2007  
(Page 3 of 3)

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation				
Recreation	\$ 725,014	\$ 743,340	\$ 725,644	\$ 17,696
Libraries	1,187,454	1,187,454	1,187,257	197
Special appropriation	130,373	130,373	127,782	2,591
Total culture and recreation	<u>2,042,841</u>	<u>2,061,167</u>	<u>2,040,683</u>	<u>20,484</u>
Education, schools				
Public schools - current expenditures	15,934,071	15,934,071	15,925,287	8,784
Public schools - capital outlay	800,000	800,000	800,000	-
Community college	3,095,227	2,945,227	2,945,227	-
Total education	<u>19,829,298</u>	<u>19,679,298</u>	<u>19,670,514</u>	<u>8,784</u>
Debt service:				
Principal	1,323,918	1,324,147	1,324,145	2
Interest	528,550	528,323	528,322	1
Total debt service	<u>1,852,468</u>	<u>1,852,470</u>	<u>1,852,467</u>	<u>3</u>
Total expenditures	<u>81,814,894</u>	<u>83,443,412</u>	<u>79,867,161</u>	<u>3,576,251</u>
Excess of revenues over expenditures	<u>3,899,839</u>	<u>4,054,770</u>	<u>8,776,624</u>	<u>4,721,854</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	913,477	1,199,477	1,045,610	(153,867)
Transfers out	(6,228,200)	(7,378,225)	(7,330,047)	48,178
Total other financing sources (uses)	<u>(5,314,723)</u>	<u>(6,178,748)</u>	<u>(6,284,437)</u>	<u>(105,689)</u>
Net change in fund balance	(1,414,884)	(2,123,978)	2,492,187	4,616,165
<b>FUND BALANCE</b>				
Beginning	<u>22,113,221</u>	<u>22,113,221</u>	<u>22,113,221</u>	<u>-</u>
Ending	<u>\$ 20,698,337</u>	<u>\$ 19,989,243</u>	<u>\$ 24,605,408</u>	<u>\$ 4,616,165</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, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund	
	Water Fund	Northwest Craven Water and Sewer District		Aggregate Nonmajor Funds		Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 242,614	\$ -	\$ -	\$ 242,614	\$ 233,757	
Short-term investments	7,100,000	-	-	7,100,000	1,400,000	
Accounts receivable, net of allowance for doubtful accounts	632,758	-	-	632,758	23,892	
Due from other government-current	-	-	50,000	50,000	-	
Total current assets	7,975,372	-	50,000	8,025,372	1,657,649	
Noncurrent Assets:						
Due from other government-noncurrent	-	-	295,000	295,000	-	
Capital assets:						
Land	207,676	-	-	207,676	-	
Improvements other than buildings	27,436,562	-	-	27,436,562	-	
Buildings	563,318	-	-	563,318	-	
Machinery and equipment	567,568	-	-	567,568	-	
Construction in progress	657,980	-	-	657,980	-	
Less accumulated depreciation	(9,158,553)	-	-	(9,158,553)	-	
Total capital assets (net of accumulated depreciation)	20,274,551	-	-	20,274,551	-	
Total noncurrent assets	20,274,551	-	295,000	20,569,551	-	
Total assets	28,249,923	-	345,000	28,594,923	1,657,649	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	114,054	-	-	114,054	740,485	
Accrued salaries and benefits	26,610	-	-	26,610	-	
Accrued interest payable	-	8,906	1,783	10,689	-	
Customer deposits payable	346,845	-	-	346,845	-	
Installment notes payable-current	-	107,312	5,325	112,637	-	
General obligation bonds payable-current	-	273,000	189,500	462,500	-	
Total current liabilities	487,509	389,218	196,608	1,073,335	740,485	
Noncurrent liabilities:						
Installment notes payable	-	1,443,534	42,600	1,486,134	-	
General obligation bonds payable	-	-	377,000	377,000	-	
Internal balances	2,103,960	(1,832,752)	(271,208)	-	-	
Total noncurrent liabilities	2,103,960	(389,218)	148,392	1,863,134	-	
Total liabilities	2,591,469	-	345,000	2,936,469	740,485	
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	20,274,551	(1,823,846)	(614,425)	17,836,280	-	
Unrestricted	5,383,903	1,823,846	614,425	7,822,174	917,164	
Total net assets	\$ 25,658,454	\$ -	\$ -	\$ 25,658,454	\$ 917,164	

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, 2007**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest		Total	
		Craven Water and Sewer District	Aggregate Nonmajor Funds		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,350,661	\$ -	\$ -	\$ 3,350,661	\$ 3,775,016
Miscellaneous	153,769	-	-	153,769	398
Total operating revenues	<u>3,504,430</u>	<u>-</u>	<u>-</u>	<u>3,504,430</u>	<u>3,775,414</u>
<b>OPERATING EXPENSES</b>					
Cost of services	1,567,778	-	-	1,567,778	3,801,955
Depreciation and amortization	667,945	-	-	667,945	-
Total operating expenses	<u>2,235,723</u>	<u>-</u>	<u>-</u>	<u>2,235,723</u>	<u>3,801,955</u>
Operating income (loss)	<u>1,268,707</u>	<u>-</u>	<u>-</u>	<u>1,268,707</u>	<u>(26,541)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	370,366	-	-	370,366	81,359
Interest expense	-	(84,730)	(29,968)	(114,698)	-
Total net nonoperating revenues (expenses)	<u>370,366</u>	<u>(84,730)</u>	<u>(29,968)</u>	<u>255,668</u>	<u>81,359</u>
Income (loss) before transfers	1,639,073	(84,730)	(29,968)	1,524,375	54,818
Transfers in	-	84,730	29,968	114,698	-
Transfers out	(160,497)	-	-	(160,497)	-
Total transfers in (out)	<u>(160,497)</u>	<u>84,730</u>	<u>29,968</u>	<u>(45,799)</u>	<u>-</u>
Change in net assets	1,478,576	-	-	1,478,576	54,818
Total net assets - beginning	<u>24,179,878</u>	<u>-</u>	<u>-</u>	<u>24,179,878</u>	<u>862,346</u>
Total net assets - ending	<u>\$ 25,658,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,658,454</u>	<u>\$ 917,164</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, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest		Total	
		Craven Water and Sewer District	Aggregate Nonmajor Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 3,603,214	\$ -	\$ -	\$ 3,603,214	\$ 4,085,925
Payments to customers and suppliers	(910,898)	-	-	(910,898)	(3,613,261)
Payments to employees	(573,184)	-	-	(573,184)	-
Net cash provided by operating activities	2,119,132	-	-	2,119,132	472,664
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition & construction of capital assets	(659,420)	-	-	(659,420)	-
Repayment of installment notes and bonds	-	(353,812)	(151,825)	(505,637)	-
Payments on obligations under capital lease payable	(505,637)	-	-	(505,637)	-
Proceeds from investment in direct finance leasing	-	353,812	151,825	505,637	-
Interest paid	(118,358)	-	-	(118,358)	-
Net cash used in capital and related financing activities	(1,283,415)	-	-	(1,283,415)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out	(45,799)	-	-	(45,799)	-
Net cash used in noncapital financing activities	(45,799)	-	-	(45,799)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds (purchase) of short-term investments	(1,200,000)	-	-	(1,200,000)	(500,000)
Interest on cash and investments	370,366	-	-	370,366	81,359
Net cash used in investing activities	(829,634)	-	-	(829,634)	(418,641)
Net increase (decrease) in cash and cash equivalents	(39,716)	-	-	(39,716)	54,023
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning	282,330	-	-	282,330	179,734
Ending	\$ 242,614	\$ -	\$ -	\$ 242,614	\$ 233,757
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 1,268,707	\$ -	\$ -	\$ 1,268,707	\$ (26,541)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	667,945	-	-	667,945	-
Change in assets and liabilities:					
Accounts receivable	98,784	-	-	98,784	310,511
Accounts payable	69,132	-	-	69,132	188,694
Customer deposits payable	14,564	-	-	14,564	-
Net cash provided by operating activities	\$ 2,119,132	\$ -	\$ -	\$ 2,119,132	\$ 472,664
<b>SUPPLEMENTAL SCHEDULE OF FINANCING ACTIVITIES</b>					
Repayment of installment notes and bonds by other governments	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -

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

**CRAVEN COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**June 30, 2007**

	<u>All Agency Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	<u>\$ 129,412</u>
Total assets	<u>129,412</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	<u>\$ 129,412</u>
Total liabilities	<u>129,412</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

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

## NOTES TO FINANCIAL STATEMENTS INDEX

	Page
Note 1.	Nature of Operations, Reporting Entity, Significant Accounting Policies and Basis of Accounting ..... 42 - 54
Note 2.	Cash on Deposit and Investments ..... 55 - 59
Note 3.	Capital Assets ..... 60 - 63
Note 4.	Long-Term Obligations ..... 64 - 70
Note 5.	Interfund Assets/Liabilities and Transfers ..... 71
Note 6.	Deferred Compensation Plan ..... 72
Note 7.	Joint Ventures ..... 72 - 73
Note 8.	Jointly Governed Organizations ..... 73 - 74
Note 9.	Related Organizations ..... 74
Note 10.	Public School Building Capital Fund ..... 75
Note 11.	Additional Social Welfare Expenditures ..... 75
Note 12.	Risk Management ..... 76 - 79
Note 13.	Retirement Systems ..... 79 - 83
Note 14.	Other Postemployment Benefits ..... 83 - 85
Note 15.	Contingent Liabilities ..... 85
Note 16.	Commitments ..... 86
Note 17.	Subsequent Event ..... 86
Note 18.	Pronouncements Issued Not Yet Implemented ..... 87

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, 2006 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, 2007 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.

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

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

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

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

Craven County Finance Corporation:

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

**Summary of significant accounting policies:**

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

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.

Judicial Center Fund. This is used to account for capital project revenues and expenditures related to the new judicial center.

New Elementary School Fund. This is used to account for capital project revenues and expenditures related to a new elementary school.

Craven County, North Carolina

**Notes to Financial Statements**

---

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

The government reports the following major enterprise funds:

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

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

The County reports the following other fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; 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.

**Notes to Financial Statements**

---

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes 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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2007 registration renewals will vary from 7 to 18 months after December 31, 2006. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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.

**Notes to Financial Statements**

---

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

**Budgets and Budgetary Accounting**

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

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

The Board of Commissioners may amend the budget ordinance at any time after its adoption as long as the amended ordinance continues to meet the requirements of North Carolina's "Local Government Budget and Fiscal Control Act". No amendment may change the property tax levy unless the Board of Commissioners is so ordered by competent authority. During the year, several supplementary appropriations to the original budget were necessary. Individual amendments to the ordinance were not material in relation to the original appropriations, and all amendments were legally made. The budget amounts shown in the basic financial statements include the original budget as adopted at July 1, 2006, and the budget as amended at June 30, 2007.

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

The County Manager is authorized to transfer appropriations within a fund up to \$20,000; however, the governing board must approve any revisions that alter total expenditures of any fund or exceed \$20,000. Annual appropriated budgets are adopted for the General Fund, certain Special Revenue Funds (all fire districts funds), the Debt Service Fund, and all Proprietary Funds. The budget for Capital Projects Funds and certain Special Revenue Funds (2006 CDBG Scattered Sites Fund and PreDisaster Mitigation 06 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.

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, 2007:

	Component Unit Craven Regional Medical Authority
Patient receivables (at September 30, 2006)	\$ 10,620,180

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, 2007, 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:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned	\$ 238,756	\$ 238,756
Prepaid fees	48,839	48,839
Property taxes receivable, net (General)	1,677,041	-
Property taxes receivable, net (Special Revenue)	36,382	-
Recycling fees receivable	118,469	-
Total deferred revenue	<u>\$ 2,119,487</u>	<u>\$ 287,595</u>

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.

Reserved for Register of Deeds – portion of fund balance available for appropriation which has been designated to be restricted for Register of Deeds technology needs.

*Unreserved*

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2007-2008 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 \$(25,717,965) 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.	\$ 60,841,553
Less accumulated depreciation	21,922,450
Net capital assets	<u>38,919,103</u>
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as well as deferred charges for bond issuance and refunding costs as these funds are not available and therefore deferred in the fund statements.	1,604,998
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements.	1,831,892
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.	917,164
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	(28,527,793)
Bonds financing	(37,930,000)
Deferred bonds premium	(13,982)
Accrued interest payable	(322,909)
Compensated absences	(1,851,659)
Net pension obligation	(344,779)
Total adjustment	<u>\$ (25,717,965)</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 \$(13,184,563) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,589,792
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	(2,308,228)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, retirements, and donations)	1,749,103
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	3,854,145
Revenues reported in the fund statements from the proceeds of long-term borrowings that are not reported as revenues in the statement of activities	(18,900,000)
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	(120,643)
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	(27,931)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	17,328
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 7/1/06	(1,905,710)
Recording of tax receipts deferred in the fund statements as of 6/30/07	1,926,224
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	54,818
Total adjustment	<u>\$ (13,184,563)</u>

## Craven County, North Carolina

### Notes to Financial Statements

---

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

At June 30, 2007, the primary government's cash and investments are comprised of the following:

Cash on hand	\$	13,721
Carrying value of deposits		9,498,121
Investments and restricted short-term investments		39,691,452
	\$	<u>49,203,294</u>

Statement of net assets reconciliation:

Cash and cash equivalents	\$	9,511,842
Short-term investments		39,691,452
	\$	<u>49,203,294</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, 2007, the County's (primary government) deposits had a carrying amount of \$9,498,121 and a bank balance of \$10,486,607. Of the bank balance, \$3,189,840 was covered by federal depository insurance and \$7,296,767 was covered by collateral held under the pooling method.

At June 30, 2007, the County's agency fund deposits had a carrying amount of \$129,412 and a bank balance of \$134,280. 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, 2007, both the carrying amount and bank balance of deposits for the Tourism Development Authority was \$83,527. The bank balance was covered by collateral held by the State Treasurer under the pooling method.

At June 30, 2007, both the carrying amount and bank balance of deposits for the Airport Authority was \$285,748. The bank balance was covered by collateral held by the State Treasurer under the pooling method.

At June 30, 2007, the carrying amount of deposits for the ABC Board was \$2,048,990 and the bank balance was \$1,959,725. Of the bank balance, \$1,219,631 was covered by federal depository insurance and \$740,094 was covered by collateral held by the State Treasurer under the pooling method.

At September 30, 2006, the carrying amount of deposits for the Medical Authority was \$9,106,902 and the bank balance was \$11,022,150. Of the bank balance, \$103,139 was covered by federal depository insurance and \$10,919,011 was covered by collateral held by the State Treasurer 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, 2007, the County had the following investments and maturities.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>
State Agencies	\$ 19,100,000	\$ 19,100,000
Commercial Paper	4,877,958	4,877,958
NC Capital Management Trust- Cash Portfolio	15,713,494	N/A
<b>Total</b>	<b>\$ 39,691,452</b>	<b>\$ 23,977,958</b>

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, 2007, 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, 2007. 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: Branch Bank & Trust commercial paper (12%), the North Carolina Education Student Assistance Authority (48%), and the North Carolina Capital Management Trust–Cash Portfolio (40%).

Component Unit Information

At June 30, 2007, the Airport Authority's investments consisted of \$700,000 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, 2007, the Tourism Development Authority's investments consisted of \$200,000 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, 2006 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	\$ 15,796	\$ -	\$ 14,206	\$ 1,590	\$ -	\$ -
US Government Agencies	21,166	11	12,091	5,732	3,042	291
Asset Backed CMO's	13,823	2,515	3,861	5,094	2,148	204
Corporate Bonds	28,387	845	16,723	4,619	767	5,433
Equity Securities	87,366	N/A	N/A	N/A	N/A	N/A
Hedge Fund	10,464	N/A	N/A	N/A	N/A	N/A
Short Term Cash Equivalents	5,032	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust	4,488	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust - Bank of New York Trustee	844	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ 187,366</b>	<b>\$ 3,371</b>	<b>\$ 46,881</b>	<b>\$ 17,035</b>	<b>\$ 5,957</b>	<b>\$ 5,928</b>

*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, 2006, 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	38.33%	14.10%	47.57%				100.00%
Short Term Cash Equivalents	100.00%						100.00%
NC Capital Management Trust	100.00%						100.00%
NC Capital Management Trust - Bank of New York Trustee	100.00%						100.00%

**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.

The Plan has no formal policies associated with interest rate risk, credit risk, custodial credit risk or the concentration of credit risk. The interest rate risk and credit risk associated with bond mutual funds is not significant to the financial statements.

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, 2007 was as follows:

	Capital Assets July 1, 2006	Additions	Retirements	Adjustments and Transfers	Capital Assets June 30, 2007
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land, other	\$ 6,880,062	\$ 897,266	\$ (2,744)	\$ -	\$ 7,774,584
Construction in progress	1,322,522	1,452,045	(727,047)	-	2,047,520
Total capital assets not being depreciated	\$ 8,202,584	\$ 2,349,311	\$ (729,791)	\$ -	\$ 9,822,104
Capital assets, being depreciated:					
Buildings	\$ 35,564,153	\$ 1,723,616	\$ (63,750)	\$ 36,105	\$ 37,260,124
Vehicles	4,604,161	575,133	(403,397)	-	4,775,897
Equipment	4,925,168	454,798	(77,758)	-	5,302,208
Other improvements	3,681,220	-	-	-	3,681,220
Total capital assets being depreciated	48,774,702	2,753,547	(544,905)	36,105	51,019,449
Less accumulated depreciation for:					
Buildings	12,187,185	1,326,394	(4,781)	-	13,508,798
Vehicles	3,353,056	523,601	(392,193)	104	3,484,568
Equipment	3,869,840	285,495	(77,758)	-	4,077,577
Other improvements	678,769	172,738	-	-	851,507
Total accumulated depreciation	20,088,850	2,308,228	(474,732)	104	21,922,450
Total capital assets, being depreciated, net	\$ 28,685,852	\$ 445,319	\$ (70,173)	\$ 36,001	\$ 29,096,999
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land, other	\$ 194,152	\$ 13,024	\$ (6,000)	\$ 6,500	\$ 207,676
Construction in progress	139,235	527,769	(9,024)	-	657,980
Total capital assets not being depreciated	\$ 333,387	\$ 540,793	\$ (15,024)	\$ 6,500	\$ 865,656
Capital assets, being depreciated:					
Buildings & other improvements	\$ 27,922,653	\$ 83,727	\$ -	\$ (6,500)	\$ 27,999,880
Vehicles	230,150	28,336	(44,031)	-	214,455
Equipment	339,374	21,589	(7,850)	-	353,113
Total capital assets being depreciated	28,492,177	133,652	(51,881)	(6,500)	28,567,448
Less accumulated depreciation for:					
Buildings & other improvements	8,008,462	649,476	-	-	8,657,938
Vehicles	206,460	11,066	(44,031)	-	173,495
Equipment	327,567	7,403	(7,850)	-	327,120
Total accumulated depreciation	8,542,489	667,945	-	-	9,158,553
Total capital assets, being depreciated, net	\$ 19,949,688	\$ (534,293)	\$ (51,881)	\$ (6,500)	\$ 19,408,895

## 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	\$ 447,123
Public safety	649,442
Social Services	292,117
Economic and physical development	429,271
Health	331,439
Environmental protection	73,066
Culture and recreation	85,770
Total depreciation expense, governmental activities	<u>\$ 2,308,228</u>
Business-type activities:	
Water Fund	<u>\$ 667,945</u>
Total depreciation expense-business-type activities	<u>\$ 667,945</u>

#### Discretely presented component units

The following is a summary of the capital assets of the Airport Authority at June 30, 2007:

Capital assets, not being depreciated:

Land	\$ 5,540,364
Construction in Progress	1,200,332
Total capital assets, not being depreciated	<u>6,740,696</u>

Capital assets, being depreciated:

Buildings	9,639,438
Improvements other than buildings	12,131,097
Machinery, equipment, and vehicles	1,518,162
Total capital assets being depreciated	<u>23,288,697</u>

Less accumulated depreciation	<u>10,128,827</u>
Total capital assets being depreciated, net	<u>13,159,870</u>
Capital assets, net	<u>\$ 19,900,566</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, 2006:

	Year Ended September 30, 2006			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,753,470	\$ 91,185	\$ -	\$ 2,844,655
Construction in progress	1,304,858	9,045,442	(4,388,212)	5,962,088
Total capital assets, not being depreciated	4,058,328	9,136,627	(4,388,212)	8,806,743
Capital assets, being depreciated/amortized				
Intangible assets	15,727,713	-	-	15,727,713
Land improvements	3,647,900	33,297	(525)	3,680,672
Building and fixtures	91,350,649	2,015,900	(62,773)	93,303,776
Equipment	106,808,464	10,156,029	(5,885,712)	111,078,781
Total capital assets being depreciated	217,534,726	12,205,226	(5,949,010)	223,790,942
Less accumulated depreciation/amortization for:				
Intangible assets	(6,388,388)	(518,424)	-	(6,906,812)
Land improvements, building and fixtures, and equipment	(126,033,486)	(13,732,934)	5,832,337	(133,934,083)
	(132,421,874)	(14,251,358)	5,832,337	(140,840,895)
Total capital assets being depreciated/amortized, net	85,112,852	(2,046,132)	(116,673)	82,950,047
Medical Authority capital assets, net	\$ 89,171,180	\$ 7,090,495	\$ (4,504,885)	\$ 91,756,790

All depreciation is directly or indirectly in relation to the provision of healthcare services. The Authority has active construction projects as of September 30, 2006. 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, 2006, the Authority has outstanding commitments for construction in progress for approximately \$45,000.

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, 2006 are as follows:

Capital assets, as above	\$ 91,756,790
Capital related debt (Note 4)	4,925,967
	<u>\$ 86,830,823</u>

The following is a summary of the capital assets of the ABC Board at June 30, 2007:

Capital assets, not being depreciated:	
Land	<u>\$ 89,383</u>
Capital assets, being depreciated:	
Buildings	\$ 573,558
Furniture & equipment	193,666
Leasehold improvements	10,100
Automotive equipment	12,163
Total capital assets being depreciated	<u>789,487</u>
Less accumulated depreciation	<u>579,208</u>
Total capital assets being depreciated, net	<u>\$ 210,279</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, 2007 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	4.5% - 5.0%	\$ 24,700,000
\$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	2.25% - 3.75%	11,830,000
\$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	4.6% - 4.7%	1,400,000
		<u>37,930,000</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	65,900
\$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	5.25% - 5.5%	165,000
\$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	155,600
\$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%	180,000
\$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	273,000
		<u>839,500</u>
		<u>\$ 38,769,500</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
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	2,475,000	1,263,763	50,000	8,255
2013 – 2017	12,075,000	4,841,888	95,000	9,500
2018 – 2022	11,800,000	2,093,800	-	-
2023	1,400,000	70,000	-	-
<b>Total</b>	<b>\$ 37,930,000</b>	<b>\$ 14,251,140</b>	<b>\$ 839,500</b>	<b>\$ 126,029</b>

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Loans and installment notes payable:

Purpose	Interest Rates	Amount
<b>Governmental Activities:</b>		
Human Services Complex	3.59%	\$ 1,989,543
Courthouse Annex	3.01%	270,528
Convention Center	4.72%	7,225,000
Industrial Park Improvements	3.88%	142,722
Law Enforcement Center/New School/Other	4.13%	18,900,000
Total Governmental Activities		<u>28,527,793</u>
<b>Business-type Activities:</b>		
Water line expansion project- Northwest Craven Water and Sewer District	3.82% - Clean water note	108,790
Water line expansion project- Township 6 Water and Sewer District	3.43% - Clean water note	47,925
Water line expansion project- Northwest Craven Water and Sewer District	2.66% - Drinking Water Revolving Loan	1,442,056
Total Business-type Activities		<u>1,598,771</u>
Total loans and installment notes payable		<u>\$ 30,126,564</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 Law Enforcement Center/School Project/Other note is payable is an installment financing arrangement in the amount of \$18,900,000 to provide for future expenditures related to various capital projects, primarily new school projects and a law enforcement center. In August, 2007, the note was refinanced by a portion of Certificates of Participation, Series 2007 Bonds (See Note 17).

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
2008	\$ 1,975,734	\$ 1,298,361	\$ 112,637	\$ 44,158
2009	2,441,855	1,415,629	112,637	40,806
2010	2,411,163	1,288,763	112,637	37,453
2011	2,449,041	1,144,718	112,636	34,100
2012	1,955,000	1,027,060	85,439	30,748
2013 – 2017	10,195,000	3,530,902	421,870	119,033
2018 – 2022	7,100,000	775,679	400,570	63,930
2023 – 2025	-	-	240,345	12,786
Total	\$ 28,527,793	\$ 10,481,112	\$ 1,598,771	\$ 383,014

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, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 40,560,000	\$ -	\$ 2,630,000	\$ 37,930,000	\$ 2,595,000
Deferred premium on new debt	15,535	-	1,553	13,982	-
Loans and installment notes	10,851,937	18,900,000	1,224,144	28,527,793	1,975,734
Law enforcement pension obligation	316,848	27,931	-	344,779	-
Compensated absences	1,731,019	1,493,573	1,372,933	1,851,659	1,372,933
Governmental activity Long-term liabilities	<u>\$ 53,475,339</u>	<u>\$ 20,421,504</u>	<u>\$ 5,228,630</u>	<u>\$ 68,668,213</u>	<u>\$ 5,943,667</u>
Due within one year					\$ 5,943,667
Due in more than one year					62,724,546
Total Governmental Activities					<u>\$ 68,668,213</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,282,500	\$ -	\$ 443,000	\$ 839,500	\$ 462,500
Loans and installment notes	1,711,408	-	112,637	1,598,771	112,637
	<u>\$ 2,993,908</u>	<u>\$ -</u>	<u>\$ 555,637</u>	<u>\$ 2,438,271</u>	<u>\$ 575,137</u>
Due within one year					\$ 575,137
Due in more than one year					1,863,134
Total Business-type Activities					<u>\$ 2,438,271</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 \$62,754,063 of its legal debt limitation of \$507,264,480, leaving a legal debt margin of \$444,510,417 at June 30, 2007.

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%		\$ 1,055,000
	Principal	Interest	Total
During the Year Ending June 30,			
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	175,000	22,560	197,560
2013 – 2014	305,000	20,445	325,445
	<u>\$ 1,055,000</u>	<u>\$ 202,570</u>	<u>\$ 1,257,570</u>

**Loans and installment notes payable:**

Enterprise:	Stated Interest Rate	Amount
Airport Terminal	4.09%	\$ 2,496,590
(Less) Unamortized charges		(43,070)
Net		<u>\$ 2,453,520</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
2008	\$ 317,593	\$ 99,080	\$ 416,673
2009	330,889	85,783	416,672
2010	344,561	72,112	416,673
2011	358,797	57,875	416,672
2012	373,515	43,158	416,673
2013 – 2014	771,235	39,159	810,394
Total	\$ 2,496,590	\$ 397,167	\$ 2,893,757

The Medical Authority had the following bonds payable at September 30, 2006:

Health Care Facilities Revenue Notes, Series 1993:

7.5% interest payable annually on November 1, maturing through 2013 \$ 4,925,968

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, 2006 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	629,738	211,258	840,996
2012 - 2014	2,187,032	335,955	2,522,987
	\$ 4,925,968	\$ 1,801,998	\$ 6,727,966

Interest expense charged to operations was \$178,350, while \$200,308 of interest was capitalized for the year-ended September 30, 2006.

Long-term liabilities on the Authority at September 30, 2006 also includes the net other postemployment benefits obligation of \$4,134,467 (See Note 14) and other miscellaneous liabilities totaling \$68,178.

Craven County, North Carolina

Notes to Financial Statements

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

Amounts due from/to funds at June 30, 2007 were as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	983,774
Capital Reserve Fund	Judicial Center Fund	2,000,000
Northwest Craven Park Fund	General Fund	1,434

To accumulate resources for future debt service payments related to schools

\$ 2,985,208

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, 2007:

Transfers out:	Transfers In:							
	General Fund	County Reserve	Judicial Center	Non-Major Governmental Funds	Water Fund	Northwest Craven Water and Sewer	Non-Major Enterprise Funds	Total
General Fund	\$ -	\$ 3,061,533	\$ -	\$ 4,252,314	\$ 16,200	\$ -	\$ -	\$ 7,330,047
County Reserve Fund	286,000	-	500,000	-	-	-	-	786,000
New Elementary School Fund	-	-	-	1,198,486	-	-	-	1,198,486
Non-Major Governmental Funds	697,611	-	-	-	-	-	-	697,611
Water Fund	61,999	-	-	-	-	84,730	29,968	176,697
<b>Total Transfers out</b>	<b>\$ 1,045,610</b>	<b>\$ 3,061,533</b>	<b>\$ 500,000</b>	<b>\$ 5,450,800</b>	<b>\$ 16,200</b>	<b>\$ 84,730</b>	<b>\$ 29,968</b>	<b>\$ 10,188,841</b>

Transfers consist primarily of the following:

- \$4,252,314 From General Fund to Non-Major Governmental Funds primarily for future debt retirement of school bonds and to provide funding for the Orthophotography Fund (Non-Major Governmental Fund).
- \$3,061,533 From General Fund to County Reserve Fund to accumulate resources for various future capital projects.
- \$1,198,486 From New Elementary School Fund to Debt Service Fund (Non-Major Governmental Funds) to provide funds for future 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, 2007. During the year ended June 30, 2007, the County appropriated \$941,818 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 \$245,439. 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, 2007. 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, 2007. 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 and Pamlico Counties, participates in a joint venture to operate Neuse Center for Mental Health, Mental Retardation, and Substance Abuse Services (NCMH). One commissioner from each County serves on the board of twenty members. As of July 1, 2007, NCMH has merged with the Roanoke-Chowan Authority, and Beaufort and Pitt Counties as part of a major mental health reform initiative across the State of North Carolina and is now doing business as a local management entity, Eastern Carolina Behavioral Health, for which its primary focus is to provide oversight authority to local mental health service providers. 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, 2007. The County appropriated \$273,545 to the Center during the fiscal year ended June 30, 2007, which included money received from the ABC Board designated for alcohol education. Complete financial statements for the Center can be obtain 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, \$1,400,000 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 \$2,870,227 and \$75,000 to the Community College for operating and capital purposes, respectively, during the fiscal year ended June 30, 2007. In addition, the County made debt service principal payments of \$100,000 during the fiscal year ended June 30, 2007. 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, 2007. 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, 2007.

**Notes to Financial Statements**

---

**Note 8. Jointly Governed Organizations (Continued)**

The County, in conjunction with 12 other counties, governs the North Carolina Eastern Region Development Commission. Its purpose is to allow participating counties, including Craven County, which have the potential to derive direct economic benefits from the North Carolina Eastern Region, to create a special economic development district, known as the North Carolina Eastern Region Development Zone. The Commission's primary responsibility is to promote economic development within the territorial jurisdiction of the Zone by fostering development projects to provide land, buildings, facilities, programs, information and data systems, and infrastructure requirements for business and industry in the North Carolina Eastern Region Development Zone. The Commission is governed by 42 voting members, consisting of three members from Craven County and each of the 12 other participating counties, and three members appointed by the Global TransPark Authority. The voting members from each of the counties are appointed by the Board of County Commissioners of the respective counties. The Commission is responsible for a nonexpendable trust fund consisting of an initial State appropriation of \$7.5 million and 85% of the quarterly distributions of the \$5 motor vehicle license fees collected by the North Carolina Department of Transportation. The motor vehicle tax was adopted by the legislature and the participating counties and 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, 2007, Craven County had a loan outstanding in the amount of \$142,721 due to the Commission. Also, at June 30, 2007, the portion of the trust available to be loaned exclusively to Craven County was \$1,886,873.

**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, 2007, there were industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately \$1,286,000.

**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, as well as up to a portion of the total proceeds from the North Carolina Education Lottery as described below. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County for these funds.

Corporate income tax funds 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. This allocation is computed as the amount equal to five sixty-ninths (5/69) 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. At June 30, 2007, the balance of the County's ADM allocation account related to corporate income taxes was \$1,757. 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, 2007, the County's disbursing account did not have any 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, 2007, the County drew down \$1,150,405 of public school building capital funds.

Of the 35% of the proceeds of the North Carolina Education Lottery sales designated for education, approximately 40% is designated for school construction, broken down as follows: 65% allocated to counties based on the ADM of school districts and 35% allocated to counties which have a property tax rate above the state average (numerical average of all one hundred counties), which Craven did not exceed for the year ending June 30, 2007. As of June 30, 2007, the County had not submitted a project to the State and the unused balance of the County's allocation of lottery proceeds was \$716,745. The County plans to submit a project for the debt service of the new elementary school and start drawing the funds down in fiscal 2008.

**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	\$ 87,706,051
Temporary Assistance to Needy Families	916,707
Food stamps	8,933,467
Special Assistance	673,095
WIC	1,994,578
Other programs	859,269
	<u>\$ 101,083,167</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 \$2,933,964 in claims was incurred for benefits during fiscal year 2007. Payments received from the insurer for claims over the limit of \$79,402 during fiscal 2006 and \$27,916 during fiscal 2007, have been netted against the claims shown below. A receivable of \$334,403 and \$23,892 at June 30, 2006 and 2007, 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
2005-2006	\$ 280,189	\$ 3,120,770	\$ 3,354,353	\$ 46,606
2006-2007	46,606	2,933,964	2,599,162	381,408

During 2003, the County entered into a limited risk, self-funded workers' compensation claim program with administrative services provided by a third-party administrator. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. The interfund premiums are based upon estimates of amounts needed to pay prior and current year claims. An excess coverage insurance policy provides for individual claims in excess of \$350,000. A total of \$481,468 in claims was incurred for benefits during fiscal year 2007. 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
2005-2006	\$ 42,511	\$ 334,094	\$ 205,823	\$ 170,782
2006-2007	170,782	481,468	317,065	335,185

The County participates in one risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a blanket limit of \$54 million; general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, and crime coverage of \$250,000 per occurrence. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request. The 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, \$250,000 per occurrence for property 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, Register of Deeds and Sheriff are each individually bonded for \$100,000, \$50,000 and \$10,000, respectively.

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

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 2006 and 2005 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2005-2006	\$ 1,250,000	\$ 9,195,544	\$ 9,195,544	\$ 1,250,000
2004-2005	1,521,000	8,374,320	8,645,320	1,250,000

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 \$149,116, \$762,585, and \$1,062,110 during fiscal year 2006, 2005, and 2004 respectively.

**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: The authority spent \$840,366 for General, Professional, and Umbrella coverage in fiscal year 2006. These premiums represent a transfer of risk and are not determined retrospectively. The Authority also insures certain employed physicians and CRNA's 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 and Other Employment Benefits**

**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 and Other Employment Benefits (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, 2007, 2006, and 2005 were as follows:

	2007	2006	2005
Craven County	\$ 1,042,343	995,043	\$ 965,121
Airport Authority	20,843	21,670	18,960
ABC Board	22,498	22,056	21,020

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, 2006 the System's membership consisted of:

Retirees receiving benefits	6
Active plan members	62
Total	<u>68</u>

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

*Summary of Significant Accounting Policies:*

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

*Contributions.* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

Notes to Financial Statements

**Note 13. Retirement Systems and Other Employment Benefits (Continued)**

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method, the level percent of pay closed amortization method over a remaining amortization period of 24 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	\$ 78,085
Interest on Net Pension Obligation	22,971
Adjustment to Annual Required Contribution	<u>(18,961)</u>
Annual Pension Cost	82,095
Employer Contributions made for fiscal year ending June 30, 2007	<u>54,164</u>
Increase in Net Pension Obligation	27,931
Net Pension Obligation, beginning of fiscal year	<u>316,848</u>
Net Pension Obligation, end of fiscal year	<u><u>344,779</u></u>

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	83,320	67.75%	296,955
6/30/2006	85,346	76.69%	316,848
6/30/2007	82,095	65.98%	344,779

**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, 2007 were \$173,726, which consisted of \$122,033 (required and actual) from the County and \$51,693 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, 2007, the County made contributions to the State for death benefits of \$22,308. 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, 2007, the County's required and actual contributions were \$34,141.

**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 defined contribution plan for employees meeting certain eligibility requirements, 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, for each eligible employee. 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 \$34,207,703 and \$38,690,048 for the primary and supplementary plans, respectively.

The total employer contributions of the Medical Authority were \$3,420,770 and \$773,801 for the primary and supplementary plans, respectively, for the fiscal year ended September 30, 2006. 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. Other Postemployment Benefits**

The County provides certain post-employment health care and other benefits ("OPEB) as a part of its total compensation package offered to attract and retain the services of qualified employees. These benefits are available to retirees who participate in LGERS (Local Government Employees' Retirement System) and who, at the time of their retirement, had at least 15 years of continuous creditable service with the County. The County provides coverage for these benefits through the County's partially self-funded health insurance plan. Employees who retire with 15 to 19 years of service with the LGERS and County may continue their coverage upon retirement at their cost. The County contributes a portion of the cost for all retirees who have at least 20 years of service with the LGERS, 15 of which is with the County. The amount contributed by the County increases with each year of service from 20 years to 30 years. Currently 31 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2007, the County made payments for postretirement health benefit premiums of \$113,254 to the internal service fund established for the partially self-funded health insurance plan. The County's required contributions for employees represented .55 percent of covered payroll.

Craven County, North Carolina

Notes to Financial Statements

Note 14. Other Postemployment Benefits (Continued)

Medical Authority Plan:

*Plan Description.* The Authority provides other postemployment benefits (OPEB) comprised of health care and group life insurance benefits to retirees of Craven Regional Medical Center who have at least 20 years of continuous full-time service, have attained the age of 55 and were employed prior to July 1, 1995. The Medical Center pays the full cost of coverage for these benefits until age 65. Also, retirees can purchase coverage for their spouse at the Authority's group rates. The Authority elected to discontinue the post-retirement benefit to individuals employed on or after July 1, 1995. The plan is a single-employer, defined benefit OPEB plan established and governed by the Authority's governing board. The plan does not issue a stand-alone financial report.

At September 30, 2006, the Authority's membership consisted of:

Retirees receiving benefits	32
Active plan members	305
Total	<u>337</u>

*Funding Policy.* To date, the Authority has chosen to fund these obligations on a pay-as-you-go basis.

*Annual OPEB Cost and Net OPEB Obligation.* Prior to October 1, 2005, the Authority's annual OPEB expense was accounting for similar to its funding – on a pay-as-you-go basis. Effective October 1, 2005, the Authority adopted the provisions of Governmental Accounting Standards Board Statement 45 on a prospective basis with an 1 year amortization of the initial unfunded actuarial accrued liability. The Authority's OPEB cost (expense) for the fiscal year ended September 30, 2006 is calculated based on the annual required contribution of the employer, and amount actuarially determined in accordance with Statement 45 in an actuarial valuation dated October 1, 2005. The Authority's annual OPEB cost components and its net OPEB obligation for the year ended September 30, 2006 were as follows:

Annual Required Contribution	\$ 4,300,137
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	<u>4,300,137</u>
Employer Contributions made for fiscal year ending September 30, 2006	165,670
Increase in Net OPEB Obligation	<u>4,134,467</u>
Net OPEB Obligation, beginning of fiscal year	-
Net OPEB Obligation, end of fiscal year	<u>\$ 4,134,467</u>

The OPEB liability was \$0 both before and at the October 1, 2005 transition date.

Trend Information (only 1 year presented)

Fiscal Year Ended	Annual OPEB Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2006	\$4,300,137	0.00%	\$4,134,467

Craven County, North Carolina

Notes to Financial Statements

---

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

A summary of the costs recognized in each of the years ended September 30, 2006, 2005 and 2004 follows:

Years Ended September 30,	
2006	\$ 4,300,137
2005	100,904
2004	77,113

The change in accounting for OPEB costs increased OPEB expenses recognized in 2006 by \$4,134,467 over what would have been recognized under the former pay-as-you-go method.

*Funded Status and Funding Progress.* As of September 30, 2006, the plan remains unfunded.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and assumptions as of the latest actuarial valuations follows.

Valuation date	October 1, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, 1 year period
Remaining amortization period	0 years
Asset valuation method	N/A - unfunded
Actuarial assumptions:	
Investment rate of return	N/A – no assets
Health care cost trend rates	12.0% down to 5%
Includes inflation at	3.00%
Cost-of-living adjustments	None

**Note 15. Contingent Liabilities**

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

The County and 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.

## Craven County, North Carolina

### Notes to Financial Statements

---

#### Note 16. Commitments

At June 30, 2007, the County had contractual commitments of approximately \$3,500,000 within the Capital Project Funds related to the installment financing contract. See Note 17 for additional information regarding significant contact commitments entered into subsequent to June 30, 2007.

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, 2007, future minimum lease payments under this operating lease are as follows:

Year Ending June 30,	
2008	9,000
2009	9,000
	<u>\$ 18,000</u>

#### Note 17. Subsequent Event

In August, 2007 the County closed on a Certificates of Participation (COPS) issue in the amount of \$57,635,000. The proceeds of the 2007 Certificates will be used to finance or refinance the cost of various projects including the acquisition, construction, and equipping of a new judicial center and elementary school as well as various other projects. A portion of these bonds will also be used to refinance the \$18,900,000 installment note which was used to finance the initial costs of the various projects noted above. Interest with respect to the 2007 Certificates is payable on each June 1 and December 1 at rates ranging from 4.25%-5%. Payments of principal and interest are due as follows:

Year Ending June 30	Principal	Interest
2008	\$ 2,530,000	\$ 2,143,853
2009	3,370,000	2,652,413
2010	3,480,000	2,500,763
2011	3,080,000	2,342,625
2012	2,825,000	2,198,150
2013 – 2017	14,125,000	9,032,726
2018 – 2022	14,125,000	5,643,750
2023 – 2027	14,100,000	2,115,000
Total	<u>\$ 57,635,000</u>	<u>\$ 28,629,280</u>

In conjunction with the issuance of the 2007 Certificates, the County also entered into a construction contract agreement in October, 2007 related to the new judicial center totaling \$25,370,395.

Notes to Financial Statements

---

**Note 18. 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. 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. The Medical Authority adopted Statement No. 45 during the fiscal year ended September 30, 2006.

In November, 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

In May, 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, which more closely aligns the financial reporting requirements for pensions with those for "other postemployment benefits" (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Government Employers to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pensions, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. With certain exceptions, the requirements of this Statement are effective for financial statements for periods beginning after June 15, 2007.

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires that all intangible assets (for example easements, water rights, timber rights, patents, trademarks, and computer software) not specifically excluded by the scope of its provisions be classified as capital assets, and follow existing authoritative guidance relating to the accounting and financial reporting for capital assets. This guidance includes recognition in financial statements and amortization of intangible assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

## **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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll for Year Ending on Valuation Date (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2001	-	565,565	565,556	-	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%
12/31/2006	-	699,460	699,460	-	2,293,461	30.50%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR LAW  
ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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	-
2007	78,085	-

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	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 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, 2007

Fiscal Year Ended June 30,	Uncollected Balance June 30, 2006	Additions	Collections Credits and Adjustments	Uncollected Balance June 30, 2007
2007		\$38,731,120	\$38,031,297	\$699,823
2006	\$682,108	-	494,557	187,551
2005	179,302	-	51,553	127,749
2004	173,762	-	24,180	149,582
2003	170,936	-	20,846	150,090
2002	127,981	-	14,898	113,083
2001	108,045	-	11,945	96,100
2000	108,646	-	10,728	97,918
1999	85,088	-	5,073	80,015
1998	82,675	-	7,544	75,131
1997	95,155	-	95,155	0
	<u>\$ 1,813,698</u>	<u>\$ 38,731,120</u>	<u>\$ 38,767,776</u>	<u>\$ 1,777,042</u>

Less allowance for uncollectible  
ad valorem taxes receivable

100,000

\$ 1,677,042

Reconciliation with revenues:

Ad valorem taxes- General Fund	\$ 38,619,447
Less: Collection of taxes older than ten years	16,892
Plus: Abatements and adjustments of prior year taxes	165,221
Total collections and credits	<u>\$ 38,767,776</u>

**CRAVEN COUNTY, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
For the Fiscal Year Ended June 30, 2007**

	County-wide			Total Levy	
				Property excluding Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Amount of Levy		
<b>ORIGINAL LEVY:</b>					
Property taxed at current year's rate	\$6,093,920,014	\$0.6100	\$37,174,922	\$33,614,890	\$3,560,032
Motor vehicles taxed at prior year's rate	294,079,910	0.6100	1,794,204	-	1,794,204
Penalties	-		77,255	77,255	-
	<u>\$6,387,999,924</u>		<u>\$39,046,381</u>	<u>\$33,692,145</u>	<u>\$5,354,236</u>
<b>DISCOVERIES</b>	87,082,475		524,546	524,546	-
	<u>\$6,475,082,399</u>		<u>\$39,570,927</u>	<u>\$34,216,691</u>	<u>\$5,354,236</u>
<b>ABATEMENTS</b>	(134,276,168)		(839,807)	(260,123)	(579,684)
Total property valuation	<u><u>\$6,340,806,231</u></u>				
Net Levy			\$38,731,120	\$33,956,568	\$4,774,552
Uncollected taxes at June 30, 2007			699,823	195,989	503,834
Current year's taxes collected			<u>\$38,031,297</u>	<u>\$33,760,579</u>	<u>\$4,270,718</u>
Current levy collection percentage			<u>98.19%</u>	<u>99.42%</u>	<u>89.45%</u>

**Craven County**



**COMBINING SCHEDULES OF NONMAJOR FUNDS**

CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 411,589	\$ 165,691	\$ 73,997	\$ 651,277
Short-term investments	50,000	1,837,401	2,838,922	4,726,323
Taxes receivable	36,382	-	-	36,382
Accounts receivable	212,275	367	4,391	217,033
Due from other fund	-	-	983,774	983,774
Total assets	<u>\$ 710,246</u>	<u>\$ 2,003,459</u>	<u>\$ 3,901,084</u>	<u>\$ 6,614,789</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 5,219	\$ 5,196	\$ 197,072	\$ 207,487
Accrued salaries and benefits	3,277	-	-	3,277
Due to/Due from	-	1,434	-	1,434
Deferred revenue	36,382	-	-	36,382
Total liabilities	<u>44,878</u>	<u>6,630</u>	<u>197,072</u>	<u>248,580</u>
Fund balances:				
Reserved for:				
State statute	208,589	367	-	208,956
Debt service	-	-	3,704,012	3,704,012
Unreserved, reported in:				
Special revenue funds	456,779	-	-	456,779
Capital project funds	-	1,996,462	-	1,996,462
Total fund balances	<u>665,368</u>	<u>1,996,829</u>	<u>3,704,012</u>	<u>6,366,209</u>
Total liabilities and fund balances	<u>\$ 710,246</u>	<u>\$ 2,003,459</u>	<u>\$ 3,901,084</u>	<u>\$ 6,614,789</u>

**CRAVEN COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2007**

	Fire District Funds	E-911 Fund	2006 CDBG Scattered Sites Project Fund	Predisaster Mitigation 06 Fund	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 307,138	\$ 100,451	\$ -	\$ 4,000	\$ 411,589
Short-term investments	-	50,000	-	-	50,000
Taxes receivable	36,382	-	-	-	36,382
Accounts receivable	184,082	24,507	3,686	-	212,275
Total assets	<u>\$ 527,602</u>	<u>\$ 174,958</u>	<u>\$ 3,686</u>	<u>\$ 4,000</u>	<u>\$ 710,246</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 1,533	\$ 3,686	\$ -	\$ 5,219
Accrued salaries and benefits	-	3,277	-	-	3,277
Deferred revenue	36,382	-	-	-	36,382
Total liabilities	<u>36,382</u>	<u>4,810</u>	<u>3,686</u>	<u>-</u>	<u>44,878</u>
Fund balances:					
Reserved by State statute	184,082	24,507	-	-	208,589
Unreserved, designated for subsequent year's expenditures	307,138	145,641	-	4,000	456,779
Total fund balances	<u>491,220</u>	<u>170,148</u>	<u>-</u>	<u>4,000</u>	<u>665,368</u>
Total liabilities and fund balances	<u>\$ 527,602</u>	<u>\$ 174,958</u>	<u>\$ 3,686</u>	<u>\$ 4,000</u>	<u>\$ 710,246</u>

**CRAVEN COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
June 30, 2007**

	Mapping Project	Ortho- Photography Project Fund	Northwest Craven Park Project Fund	Fiber Optic Project Fund	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 48,515	\$ 117,176	\$ -	\$ -	\$ 165,691
Short-term investments	100,000	150,000	392,381	1,195,020	1,837,401
Accounts receivable	148	219	-	-	367
Total assets	<u>\$ 148,663</u>	<u>\$ 267,395</u>	<u>\$ 392,381</u>	<u>\$ 1,195,020</u>	<u>\$ 2,003,459</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	-	-	5,196	-	5,196
Due to/Due from	-	-	1,434	-	1,434
Total liabilities	<u>-</u>	<u>-</u>	<u>6,630</u>	<u>-</u>	<u>6,630</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Reserved by State statute	\$ 148	\$ 219	\$ -	\$ -	\$ 367
Unreserved, designated for project expenditures	148,515	267,176	385,751	1,195,020	1,996,462
Total fund balances	<u>148,663</u>	<u>267,395</u>	<u>385,751</u>	<u>1,195,020</u>	<u>1,996,829</u>
Total liabilities and fund balances	<u>\$ 148,663</u>	<u>\$ 267,395</u>	<u>\$ 392,381</u>	<u>\$ 1,195,020</u>	<u>\$ 2,003,459</u>

CRAVEN COUNTY, NORTH CAROLINA

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

For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,842,384	\$ -	\$ -	\$ 2,842,384
Intergovernmental	43,725	106,185	1,150,405	1,300,315
Charges for services	305,031	-	-	305,031
Interest	11,675	9,893	690,532	712,100
Miscellaneous	4,000	-	-	4,000
Total revenues	<u>3,206,815</u>	<u>116,078</u>	<u>1,840,937</u>	<u>5,163,830</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	96,390	-	96,390
Public safety	2,377,923	-	-	2,377,923
Economic and physical development	128,263	-	-	128,263
Culture and recreation	-	220,434	-	220,434
Education	-	4,980	-	4,980
Debt service:				
Principal	-	-	2,530,000	2,530,000
Interest	-	-	2,430,832	2,430,832
Total expenditures	<u>2,506,186</u>	<u>321,804</u>	<u>4,960,832</u>	<u>7,788,822</u>
Excess of revenues over (under) expenditures	<u>700,629</u>	<u>(205,726)</u>	<u>(3,119,895)</u>	<u>(2,624,992)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	1,700,000	-	1,700,000
Transfers in	52,947	359,250	5,038,603	5,450,800
Transfers out	(697,611)	-	-	(697,611)
Total other financing sources (uses)	<u>(644,664)</u>	<u>2,059,250</u>	<u>5,038,603</u>	<u>6,453,189</u>
Net change in fund balances	55,965	1,853,524	1,918,708	3,828,197
<b>FUND BALANCES:</b>				
Beginning	<u>609,403</u>	<u>143,305</u>	<u>1,785,304</u>	<u>2,538,012</u>
Ending	<u>\$ 665,368</u>	<u>\$ 1,996,829</u>	<u>\$ 3,704,012</u>	<u>\$ 6,366,209</u>

**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, 2007**

	Fire District Funds	E-911 Fund	Occupancy Tax Fund	2006 CDBG Scattered Sites Project Fund	Predisaster Mitigation 06 Fund	Totals
<b>REVENUES</b>						
Taxes	\$ 2,112,178	\$ -	\$ 730,206	\$ -	\$ -	\$ 2,842,384
Intergovernmental	12,500	-	-	31,225	-	43,725
Charges for services	-	305,031	-	-	-	305,031
Interest	-	7,232	4,443	-	-	11,675
Miscellaneous	-	-	-	-	4,000	4,000
<b>Total revenues</b>	<b>2,124,678</b>	<b>312,263</b>	<b>734,649</b>	<b>31,225</b>	<b>4,000</b>	<b>3,206,815</b>
<b>EXPENDITURES</b>						
Current:						
Public safety	2,183,907	194,016	-	-	-	2,377,923
Economic and physical development	-	-	97,038	31,225	-	128,263
<b>Total expenditures</b>	<b>2,183,907</b>	<b>194,016</b>	<b>97,038</b>	<b>31,225</b>	<b>-</b>	<b>2,506,186</b>
 Excess of revenues over (under) expenditures	 (59,229)	 118,247	 637,611	 -	 4,000	 700,629
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out):						
From General Fund	52,947	-	-	-	-	52,947
To General Fund	-	(60,000)	(637,611)	-	-	(697,611)
<b>Total other financing sources (uses)</b>	<b>52,947</b>	<b>(60,000)</b>	<b>(637,611)</b>	<b>-</b>	<b>-</b>	<b>(644,664)</b>
 Net Change in fund balances	 (6,282)	 58,247	 -	 -	 4,000	 55,965
<b>FUND BALANCES:</b>						
Beginning	497,502	111,901	-	-	-	609,403
 Ending	 \$ 491,220	 \$ 170,148	 \$ -	 \$ -	 \$ 4,000	 \$ 665,368

**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, 2007**

	Mapping Project	Ortho- Photography Project Fund	Northwest Craven Park Project Fund	Fiber Optic Project Fund	Totals
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ -	\$ 106,185	\$ -	\$ 106,185
Interest	5,358	4,535	-	-	9,893
Miscellaneous	-	-	-	-	-
Total revenue	5,358	4,535	106,185	-	116,078
<b>EXPENDITURES</b>					
General government	-	96,390	-	-	96,390
Public safety	-	-	-	-	-
Culture and recreation	-	-	220,434	-	220,434
Education	-	-	-	4,980	4,980
Total expenditures	-	96,390	220,434	4,980	321,804
Excess of revenues over (under) expenditures	5,358	(91,855)	(114,249)	(4,980)	(205,726)
<b>OTHER FINANCING SOURCES</b>					
Loan Proceeds	-	-	500,000	1,200,000	1,700,000
Transfers in	-	359,250	-	-	359,250
Total other financing sources	-	359,250	500,000	1,200,000	2,059,250
Net change in fund balances	5,358	267,395	385,751	1,195,020	1,853,524
<b>FUND BALANCES</b>					
Beginning	143,305	-	-	-	143,305
Ending	\$ 148,663	\$ 267,395	\$ 385,751	\$ 1,195,020	\$ 1,996,829

**Craven County**



## **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, 2007

	Rhems	No. 1 Township	Tri- Community	Little Swift Creek	No. 3 Township	No. 5 Township	No. 6 Township	No. 7 Township	West New Bern	No. 9 Township	Sandy Point Service District	Totals
<b>ASSETS</b>												
Cash and cash equivalents	\$ 21,328	\$ 17,124	\$ 21,891	\$ 19,733	\$ 19,241	\$ 61,941	\$ 22,719	\$ 53,804	\$ 36,281	\$ 30,906	\$ 2,170	\$ 307,138
Taxes receivable	1,606	4,271	2,829	3,502	4,252	5,362	3,066	3,669	2,011	5,496	318	36,382
Accounts receivable	15,953	16,230	19,815	9,596	14,021	17,670	20,495	27,172	26,126	15,860	1,144	184,082
<b>Total assets</b>	<b>\$ 38,887</b>	<b>\$ 37,625</b>	<b>\$ 44,535</b>	<b>\$ 32,831</b>	<b>\$ 37,514</b>	<b>\$ 84,973</b>	<b>\$ 46,280</b>	<b>\$ 84,645</b>	<b>\$ 64,418</b>	<b>\$ 52,262</b>	<b>\$ 3,632</b>	<b>\$ 527,602</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Deferred revenue	\$ 1,606	\$ 4,271	\$ 2,829	\$ 3,502	\$ 4,252	\$ 5,362	\$ 3,066	\$ 3,669	\$ 2,011	\$ 5,496	\$ 318	\$ 36,382
<b>Total liabilities</b>	<b>1,606</b>	<b>4,271</b>	<b>2,829</b>	<b>3,502</b>	<b>4,252</b>	<b>5,362</b>	<b>3,066</b>	<b>3,669</b>	<b>2,011</b>	<b>5,496</b>	<b>318</b>	<b>36,382</b>
<b>Fund Balances:</b>												
Reserved by State statute	15,953	16,230	19,815	9,596	14,021	17,670	20,495	27,172	26,126	15,860	1,144	184,082
Unreserved, designated for subsequent year's expenditures	21,328	17,124	21,891	19,733	19,241	61,941	22,719	53,804	36,281	30,906	2,170	307,138
<b>Total fund balances</b>	<b>37,281</b>	<b>33,354</b>	<b>41,706</b>	<b>29,329</b>	<b>33,262</b>	<b>79,611</b>	<b>43,214</b>	<b>80,976</b>	<b>62,407</b>	<b>46,766</b>	<b>3,314</b>	<b>491,220</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,887</b>	<b>\$ 37,625</b>	<b>\$ 44,535</b>	<b>\$ 32,831</b>	<b>\$ 37,514</b>	<b>\$ 84,973</b>	<b>\$ 46,280</b>	<b>\$ 84,645</b>	<b>\$ 64,418</b>	<b>\$ 52,262</b>	<b>\$ 3,632</b>	<b>\$ 527,602</b>

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, 2007

	Rhems	No. 1 Township	Tri- Community	Little Swift Creek	No. 3 Township	No. 5 Township	No. 6 Township	No. 7 Township	West New Bern	No. 9 Township	Sandy Point Service District	Totals
<b>REVENUES</b>												
Taxes:												
Property tax	\$ 113,360	\$ 119,419	\$ 156,606	\$ 71,724	\$ 98,938	\$ 142,695	\$ 163,473	\$ 210,445	\$ 214,560	\$ 115,618	\$ 5,436	\$ 1,412,274
Sales tax	58,467	59,431	75,371	35,897	51,181	68,533	82,206	102,892	102,977	58,718	4,231	699,904
Intergovernmental	-	-	-	12,500	-	-	-	-	-	-	-	12,500
<b>Total revenues</b>	<b>171,827</b>	<b>178,850</b>	<b>231,977</b>	<b>120,121</b>	<b>150,119</b>	<b>211,228</b>	<b>245,679</b>	<b>313,337</b>	<b>317,537</b>	<b>174,336</b>	<b>9,667</b>	<b>2,124,678</b>
<b>EXPENDITURES</b>												
Remittances to Fire Districts	170,181	244,044	222,784	101,548	108,489	191,756	228,564	304,580	306,145	165,000	-	2,043,091
Workers' Compensation	2,090	3,520	4,950	3,080	73,487	1,650	2,090	3,410	3,740	3,190	-	101,207
Capital Outlay	-	-	-	-	17,209	-	-	-	-	-	-	17,209
Miscellaneous	1,000	1,000	1,000	13,500	900	1,000	1,000	1,000	1,000	1,000	-	22,400
<b>Total expenditures</b>	<b>173,271</b>	<b>248,564</b>	<b>228,734</b>	<b>118,128</b>	<b>200,085</b>	<b>194,406</b>	<b>231,654</b>	<b>308,990</b>	<b>310,885</b>	<b>169,190</b>	<b>-</b>	<b>2,183,907</b>
Excess of revenues over (under) expenditures	(1,444)	(69,714)	3,243	1,993	(49,966)	16,822	14,025	4,347	6,652	5,146	9,667	(59,229)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in (out):												
From General Fund	-	-	-	-	52,947	-	-	-	-	-	-	52,947
Between fire districts	-	(5,548)	10,022	5,548	3,000	-	-	-	-	(3,000)	(10,022)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(5,548)</b>	<b>10,022</b>	<b>5,548</b>	<b>55,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,000)</b>	<b>(10,022)</b>	<b>52,947</b>
Excess of revenues over (under) expenditures and other financing sources (uses)	(1,444)	(75,262)	13,265	7,541	5,981	16,822	14,025	4,347	6,652	2,146	(355)	(6,282)
<b>FUND BALANCES</b>												
Beginning	38,725	108,616	28,441	21,788	27,281	62,789	29,189	76,629	55,755	44,620	3,669	497,502
Ending	\$ 37,281	\$ 33,354	\$ 41,706	\$ 29,329	\$ 33,262	\$ 79,611	\$ 43,214	\$ 80,976	\$ 62,407	\$ 46,766	\$ 3,314	\$ 491,220

**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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 110,261	\$ 113,360	\$ 3,099
Sales	53,420	58,467	5,047
Total revenues	<u>163,681</u>	<u>171,827</u>	<u>8,146</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	170,181	170,181	-
Workers' compensation	2,090	2,090	-
Miscellaneous	1,000	1,000	-
Total expenditures	<u>173,271</u>	<u>173,271</u>	<u>-</u>
Excess of revenue over expenditures	(9,590)	(1,444)	8,146
<b>FUND BALANCE</b>			
Beginning	<u>38,725</u>	<u>38,725</u>	<u>-</u>
Ending	<u>\$ 29,135</u>	<u>\$ 37,281</u>	<u>\$ 8,146</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 112,433	\$ 119,419	\$ 6,986
Sales	54,415	59,431	5,016
Total revenues	<u>166,848</u>	<u>178,850</u>	<u>12,002</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	244,044	244,044	-
Workers' compensation	3,900	3,520	380
Miscellaneous	1,000	1,000	-
Total expenditures	<u>248,944</u>	<u>248,564</u>	<u>380</u>
Excess of revenue over expenditures	(82,096)	(69,714)	12,382
<b>OTHER FINANCING USES</b>			
Transfers out:			
To Little Swift Creek Fire District Fund	(5,548)	(5,548)	-
Excess of revenues over expenditures and other financing uses	(87,644)	(75,262)	12,382
<b>FUND BALANCE</b>			
Beginning	108,616	108,616	-
Ending	<u>\$ 20,972</u>	<u>\$ 33,354</u>	<u>\$ 12,382</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 145,790	\$ 156,606	\$ 10,816
Sales	69,472	75,371	5,899
Total revenues	<u>215,262</u>	<u>231,977</u>	<u>16,715</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	222,784	222,784	-
Workers' compensation	5,000	4,950	50
Miscellaneous	1,000	1,000	-
Total expenditures	<u>228,784</u>	<u>228,734</u>	<u>50</u>
Excess of revenue over (under) expenditures	(13,522)	3,243	16,765
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From Sandy Point	10,022	10,022	-
Excess of revenues and other financing sources over expenditures	(3,500)	13,265	16,765
<b>FUND BALANCE</b>			
Beginning	28,441	28,441	-
Ending	<u>\$ 24,941</u>	<u>\$ 41,706</u>	<u>\$ 16,765</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 69,391	\$ 71,724	\$ 2,333
Sales	33,130	35,897	2,767
Intergovernmental	12,500	12,500	-
Total revenues	<u>115,021</u>	<u>120,121</u>	<u>5,100</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	101,548	101,548	-
Workers' compensation	3,200	3,080	120
Miscellaneous	15,821	13,500	2,321
Total expenditures	<u>120,569</u>	<u>118,128</u>	<u>2,441</u>
Excess of revenue over (under) expenditures	<u>(5,548)</u>	<u>1,993</u>	<u>7,541</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From Township No. 1 Fire District Fund	5,548	5,548	-
Excess of revenues and other financing sources over expenditures	-	7,541	7,541
<b>FUND BALANCE</b>			
Beginning	<u>21,788</u>	<u>21,788</u>	<u>-</u>
Ending	<u>\$ 21,788</u>	<u>\$ 29,329</u>	<u>\$ 7,541</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 97,447	\$ 98,938	\$ 1,491
Sales	47,021	51,181	4,160
Total revenues	<u>144,468</u>	<u>150,119</u>	<u>5,651</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	108,489	108,489	-
Workers' compensation	75,112	73,487	1,625
Capital outlay	17,209	17,209	-
Miscellaneous	900	900	-
Total expenditures	<u>201,710</u>	<u>200,085</u>	<u>1,625</u>
Excess of revenue over (under) expenditures	(57,242)	(49,966)	7,276
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	54,242	52,947	(1,295)
From Township No. 9 Fire District Fund	3,000	3,000	-
Total other financing sources	<u>57,242</u>	<u>55,947</u>	<u>(1,295)</u>
Excess of revenues and other financing sources over expenditures	-	5,981	5,981
<b>FUND BALANCE</b>			
Beginning	<u>27,281</u>	<u>27,281</u>	-
Ending	<u>\$ 27,281</u>	<u>\$ 33,262</u>	<u>\$ 5,981</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
<b>Taxes:</b>			
Property	\$ 134,078	\$ 142,695	\$ 8,617
Sales	63,396	68,533	5,137
Total revenues	<u>197,474</u>	<u>211,228</u>	<u>13,754</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	191,756	191,756	-
Workers' compensation	1,650	1,650	-
Miscellaneous	4,118	1,000	3,118
Total expenditures	<u>197,524</u>	<u>194,406</u>	<u>3,118</u>
Excess of revenue over expenditures	(50)	16,822	16,872
<b>FUND BALANCE</b>			
Beginning	<u>62,789</u>	<u>62,789</u>	-
Ending	<u>\$ 62,739</u>	<u>\$ 79,611</u>	<u>\$ 16,872</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 152,161	\$ 163,473	\$ 11,312
Sales	72,203	82,206	10,003
Total revenues	<u>224,364</u>	<u>245,679</u>	<u>21,315</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	228,564	228,564	-
Workers' compensation	2,300	2,090	210
Miscellaneous	1,000	1,000	-
Total expenditures	<u>231,864</u>	<u>231,654</u>	<u>210</u>
Excess of revenue over (under) expenditures	(7,500)	14,025	21,525
<b>FUND BALANCE</b>			
Beginning	<u>29,189</u>	<u>29,189</u>	-
Ending	<u>\$ 21,689</u>	<u>\$ 43,214</u>	<u>\$ 21,525</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 199,793	\$ 210,445	\$ 10,652
Sales	94,418	102,892	8,474
Total revenues	<u>294,211</u>	<u>313,337</u>	<u>19,126</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	304,580	304,580	-
Workers' compensation	3,500	3,410	90
Miscellaneous	1,000	1,000	-
Total expenditures	<u>309,080</u>	<u>308,990</u>	<u>90</u>
Excess of revenue over (under) expenditures	(14,869)	4,347	19,216
<b>FUND BALANCE</b>			
Beginning	<u>76,629</u>	<u>76,629</u>	-
Ending	<u>\$ 61,760</u>	<u>\$ 80,976</u>	<u>\$ 19,216</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 205,782	\$ 214,560	\$ 8,778
Sales	97,463	102,977	5,514
Total revenues	<u>303,245</u>	<u>317,537</u>	<u>14,292</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	306,145	306,145	-
Workers' compensation	3,740	3,740	-
Miscellaneous	1,000	1,000	-
Total expenditures	<u>310,885</u>	<u>310,885</u>	<u>-</u>
Excess of revenue over (under) expenditures	(7,640)	6,652	14,292
<b>FUND BALANCE</b>			
Beginning	<u>55,755</u>	<u>55,755</u>	<u>-</u>
Ending	<u>\$ 48,115</u>	<u>\$ 62,407</u>	<u>\$ 14,292</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 111,810	\$ 115,618	\$ 3,808
Sales	53,938	58,718	4,780
Total revenues	<u>165,748</u>	<u>174,336</u>	<u>8,588</u>
<b>EXPENDITURES</b>			
Remittances to fire districts	165,000	165,000	-
Workers' compensation	3,200	3,190	10
Miscellaneous	1,000	1,000	-
Total expenditures	<u>169,200</u>	<u>169,190</u>	<u>10</u>
Excess of revenue over (under) expenditures	(3,452)	5,146	8,598
<b>OTHER FINANCING USES</b>			
Transfers out:			
To Township No. 3 Fire District Fund	(3,000)	(3,000)	-
Excess of revenues over (under) expenditures and other financing uses	(6,452)	2,146	8,598
<b>FUND BALANCE</b>			
Beginning	<u>44,620</u>	<u>44,620</u>	-
Ending	<u>\$ 38,168</u>	<u>\$ 46,766</u>	<u>\$ 8,598</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 6,113	\$ 5,436	\$ (677)
Sales	3,909	4,231	322
Total revenues	<u>10,022</u>	<u>9,667</u>	<u>(355)</u>
<b>OTHER FINANCING USES</b>			
Transfers out:			
To Tri-Community Fire District Fund	<u>(10,022)</u>	<u>(10,022)</u>	-
Excess of revenues over (under) other financing uses	-	(355)	(355)
<b>FUND BALANCE</b>			
Beginning	<u>3,669</u>	<u>3,669</u>	-
Ending	<u>\$ 3,669</u>	<u>\$ 3,314</u>	<u>\$ (355)</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 290,000	\$ 305,031	\$ 15,031
Interest	4,100	7,232	3,132
Total revenues	<u>294,100</u>	<u>312,263</u>	<u>18,163</u>
<b>EXPENDITURES</b>			
Public Safety	245,285	194,016	51,269
Total expenditures	<u>245,285</u>	<u>194,016</u>	<u>51,269</u>
Excess of revenues over expenditures	48,815	118,247	69,432
<b>OTHER FINANCING USES</b>			
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	(11,185)	58,247	69,432
<b>FUND BALANCE</b>			
Beginning	<u>111,901</u>	<u>111,901</u>	<u>-</u>
Ending	<u>\$ 100,716</u>	<u>\$ 170,148</u>	<u>\$ 69,432</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, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 886,478	\$ 730,206	\$ (156,272)
Interest	2,038	4,443	2,405
Total revenues	<u>888,516</u>	<u>734,649</u>	<u>(153,867)</u>
<b>EXPENDITURES</b>			
Economic and physical development:			
Remittance to City of Havelock	97,000	97,000	-
Professional services	38	38	-
Total expenditures	<u>97,038</u>	<u>97,038</u>	<u>-</u>
Excess of revenue over expenditures	<u>791,478</u>	<u>637,611</u>	<u>(153,867)</u>
<b>OTHER FINANCING USES</b>			
Transfers out:			
To General Fund	<u>(791,478)</u>	<u>(637,611)</u>	<u>(153,867)</u>
Excess of revenues over expenditures and other financing sources (uses)	-	-	-
<b>FUND BALANCE</b>			
Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2007**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental	\$ 400,000	\$ 3,350	\$ 31,225	\$ 34,575
<b>EXPENDITURES</b>				
Economic and physical development	400,000	3,350	31,225	34,575
 Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning			-	
Ending			<u>\$ -</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
 PREDISASTER MITIGATION 06**

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

**From Inception and for the Fiscal Year Ended June 30, 2007**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Miscellaneous	\$ 80,021	\$ -	\$ 4,000	\$ 4,000
<b>EXPENDITURES</b>				
Economic and physical development	80,021	-	-	-
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	4,000	<u>\$ 4,000</u>
<b>FUND BALANCE</b>				
Beginning			<u>-</u>	
Ending			<u>\$ 4,000</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



**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, 2007**

	Budget	Actual	Variance Positive
<b>REVENUES</b>			
Intergovernmental	\$ 1,139,650	\$ 1,150,405	\$ 10,755
Interest	572,500	690,532	118,032
Total revenues	<u>1,712,150</u>	<u>1,840,937</u>	<u>128,787</u>
<b>EXPENDITURES</b>			
Principal	2,530,000	2,530,000	-
Interest and fiscal charges	2,494,150	2,430,832	63,318
Total expenditures	<u>5,024,150</u>	<u>4,960,832</u>	<u>63,318</u>
Excess of revenue over (under) expenditures	<u>(3,312,000)</u>	<u>(3,119,895)</u>	<u>192,105</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
From General Fund	3,312,000	3,840,117	528,117
From School Capital Project	-	1,198,486	1,198,486
Total other financing sources	<u>3,312,000</u>	<u>5,038,603</u>	<u>1,726,603</u>
Excess of revenues over expenditures and other financing sources	-	1,918,708	1,918,708
<b>FUND BALANCE</b>			
Beginning	<u>1,785,304</u>	<u>1,785,304</u>	-
Ending	<u>\$ 1,785,304</u>	<u>\$ 3,704,012</u>	<u>\$ 1,918,708</u>

Craven County



## CAPITAL PROJECT FUNDS

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

The following comprise the County's Capital Project Funds:

### Major Funds:

- **County Reserve Fund** - The County Reserve Capital Project Fund is a capital reserve fund for future acquisitions or construction of buildings and equipment.
- **Judicial Center Project Fund** - The Law Enforcement Center Project Fund accounts for construction of a new law enforcement facility 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.

### Non-major Funds:

- **Mapping Project Fund** - The Mapping Project Fund will account for a major system upgrade to improve mapping capabilities in Craven County.
- **Orthophotography Project Fund** - The Orthophotography Project Fund will account for an update of the county-wide orthophotography.
- **Northwest Craven Park Project Fund** - The Northwest Craven Park Project Fund will account for construction of a new park in the western part of the County.
- **Fiber Optic Project Fund** - The Fiber Optic Project Fund will account for the installation of a new fiber optic network for emergency services across the County.

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

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, 2007

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
<b>REVENUE</b>				
Interest	\$ 333,858	\$ 419,768	\$ 187,158	\$ 606,926
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out):				
From General Fund	13,983,891	12,048,546	3,061,533	15,110,079
To Community College	(1,500,000)	-	-	-
To Mapping Project Fund	(150,000)	(150,000)	-	(150,000)
To Judicial Center Capital Project Fund	(4,500,000)	(2,000,000)	(500,000)	(2,500,000)
To General Fund	(1,923,323)	(1,627,781)	(286,000)	(1,913,781)
Between closed projects	(5,651,761)	(5,091,916)	-	(5,091,916)
Total other financing sources (uses)	258,807	3,178,849	2,275,533	5,454,382
Excess of revenues over other financing sources (uses)	\$ 592,665	\$ 3,598,617	2,462,691	\$ 6,061,308
<b>FUND BALANCE</b>				
Beginning			3,598,617	
Ending			\$ 6,061,308	

CRAVEN COUNTY, NORTH CAROLINA  
 JUDICIAL 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, 2007

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest	\$ -	\$ 60,733	\$ 23,029	\$ 83,762
Miscellaneous	-	-	2,763	2,763
Total revenues	-	60,733	25,792	86,525
<b>EXPENDITURES</b>				
Capital Outlay:				
Project Construction	7,700,000	1,314,922	1,226,630	2,541,552
Total expenditures	7,700,000	1,314,922	1,226,630	2,541,552
Excess of revenues under expenditures	(7,700,000)	(1,254,189)	(1,200,838)	(2,455,027)
<b>OTHER FINANCING SOURCES</b>				
Loan Proceeds	3,200,000	-	3,200,000	3,200,000
Transfers in:				
From County Reserve Fund	4,500,000	2,000,000	500,000	2,500,000
Total other financing sources	7,700,000	2,000,000	3,700,000	5,700,000
Excess of revenues and other financing sources over expenditures	\$ -	\$ 745,811	2,499,162	\$ 3,244,973
<b>FUND BALANCE</b>				
Beginning			745,811	
Ending			\$ 3,244,973	

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, 2007

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest	\$ 65,555	\$ -	\$ 65,555	\$ 65,555
Miscellaneous	182,938	-	215,238	215,238
Total revenues	<u>248,493</u>	<u>-</u>	<u>280,793</u>	<u>280,793</u>
<b>EXPENDITURES</b>				
Capital Outlay:				
Project Construction	14,248,493	926,667	10,222,317	11,148,984
Total expenditures	<u>14,248,493</u>	<u>926,667</u>	<u>10,222,317</u>	<u>11,148,984</u>
Excess of revenues under expenditures	<u>(14,000,000)</u>	<u>(926,667)</u>	<u>(9,941,524)</u>	<u>(10,868,191)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	14,000,000	-	14,000,000	14,000,000
Transfers in (out):				
From Debt Service Fund	(1,198,486)	1,198,486	-	1,198,486
To Debt Service Fund	1,198,486	-	(1,198,486)	(1,198,486)
Total Transfers in (out)	<u>-</u>	<u>1,198,486</u>	<u>(1,198,486)</u>	<u>-</u>
Total other financing sources (uses)	<u>14,000,000</u>	<u>1,198,486</u>	<u>12,801,514</u>	<u>14,000,000</u>
Excess of revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 271,819</u>	<u>2,859,990</u>	<u>\$ 3,131,809</u>
<b>FUND BALANCE</b>				
Beginning			<u>271,819</u>	
Ending			<u>\$ 3,131,809</u>	

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, 2007

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest	\$ -	\$ 905	\$ 5,358	\$ 6,263
Total revenues	-	905	5,358	6,263
<b>EXPENDITURES</b>				
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)	5,358	(1,337)
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out):				
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	5,358	\$ 148,663
<b>FUND BALANCE</b>				
Beginning			143,305	
Ending			\$ 148,663	

**CRAVEN COUNTY, NORTH CAROLINA  
ORTHOPHOTOGRAPHY PROJECT FUND**

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

**From Inception and for the Fiscal Year Ended June 30, 2007**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 4,535	\$ 4,535
Total revenues	-	-	4,535	4,535
<b>EXPENDITURES</b>				
Capital Outlay:				
Contractual Services	359,250	-	96,390	96,390
Total expenditures	359,250	-	96,390	96,390
Excess of revenues under expenditures	(359,250)	-	(91,855)	(91,855)
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From General Fund	359,250	-	359,250	359,250
Total other financing sources	359,250	-	359,250	359,250
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	267,395	\$ 267,395
<b>FUND BALANCE</b>				
Beginning			-	
Ending			\$ 267,395	

CRAVEN COUNTY, NORTH CAROLINA  
 NORTHWEST CRAVEN PARK

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

From Inception and for the Fiscal Year Ended June 30, 2007

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental	\$ 500,000	\$ -	\$ 106,185	\$ 106,185
Total revenues	500,000	-	106,185	106,185
<b>EXPENDITURES</b>				
Capital Outlay:				
Project Construction	950,000	-	206,775	206,775
Engineering Fees	50,000	-	13,659	13,659
Total expenditures	1,000,000	-	220,434	220,434
Excess of revenues under expenditures	(500,000)	-	(114,249)	(114,249)
<b>OTHER FINANCING SOURCES</b>				
Loan Proceeds	500,000	-	500,000	500,000
Total other financing sources	500,000	-	500,000	500,000
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ -	385,751	\$ 385,751
<b>FUND BALANCE</b>				
Beginning			-	
Ending			\$ 385,751	

CRAVEN COUNTY, NORTH CAROLINA  
 FIBEROPTIC PROJECT

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

From Inception and for the Fiscal Year Ended June 30, 2007

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>EXPENDITURES</b>				
Capital Outlay:				
Project Construction	\$ 1,200,000	\$ -	\$ 4,980	\$ 4,980
Total expenditures	<u>1,200,000</u>	<u>-</u>	<u>4,980</u>	<u>4,980</u>
<b>OTHER FINANCING SOURCES</b>				
Loan Proceeds	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
Total other financing sources	<u>1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>1,200,000</u>
Excess of other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,195,020</u>	<u>\$ 1,195,020</u>
<b>FUND BALANCE</b>				
Beginning			<u>-</u>	
Ending			<u>\$ 1,195,020</u>	

## **ENTERPRISE FUNDS**

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

The following comprise the County's Enterprise Funds:

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

- Craven County Water Fund (Major Fund)

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

- Township 6 Water and Sewer District
- Northwest Craven Water and Sewer District (Major Fund)
- Neuse River Water and Sewer District
- Pembroke Water and Sewer District

**Craven County**



CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
June 30, 2007

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Pembroke Water and Sewer District	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Due from other government-current	\$ -	\$ 20,000	\$ 30,000	\$ 50,000
Total current assets	-	20,000	30,000	50,000
Noncurrent Assets:				
Due from other government-noncurrent	-	145,000	150,000	295,000
Total noncurrent assets	-	145,000	150,000	295,000
Total assets	-	165,000	180,000	345,000
<b>LIABILITIES</b>				
Current liabilities:				
Accrued interest payable	1,344	439	-	1,783
Installment notes payable-current	5,325	-	-	5,325
General obligation bonds payable-current	73,600	85,900	30,000	189,500
Total current liabilities	80,269	86,339	30,000	196,608
Noncurrent liabilities:				
Installment notes payable	42,600	-	-	42,600
General obligation bonds payable	82,000	145,000	150,000	377,000
Internal balances	(204,869)	(66,339)	-	(271,208)
Total noncurrent liabilities	(80,269)	78,661	150,000	148,392
Total liabilities	-	165,000	180,000	345,000
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(203,525)	(230,900)	(180,000)	(614,425)
Unrestricted	203,525	230,900	180,000	614,425
Total net assets	\$ -	\$ -	\$ -	\$ -

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2007

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Total Nonmajor Enterprise Funds
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	\$ 20,344	\$ 9,624	\$ 29,968
Interest expense	(20,344)	(9,624)	(29,968)
Total net nonoperating revenues (expenses)	-	-	-
Change in net assets	-	-	-
Total net assets - beginning	-	-	-
Total net assets - ending	\$ -	\$ -	\$ -

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 For the Fiscal Year Ended June 30, 2007

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Repayment of installment notes and bonds	\$ (91,325)	\$ (60,500)	\$ (151,825)
Proceeds from investment in direct financing lease	91,325	60,500	151,825
Net cash provided by (used in) capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -

CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY WATER FUND

SCHEDULE OF NET ASSETS  
June 30, 2007

	Craven County Water Operating Fund	PeeDee Aquifer Project Fund	Northwest Craven Roads Project Fund	Totals
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 136,735	\$ 72,795	\$ 33,084	\$ 242,614
Short-term investments	6,500,000	600,000	-	7,100,000
Accounts receivable, net of allowance for doubtful accounts	632,493	265	-	632,758
Total current assets	7,269,228	673,060	33,084	7,975,372
Noncurrent assets:				
Capital assets:				
Land	207,676	-	-	207,676
Improvements other than buildings	27,436,562	-	-	27,436,562
Buildings	563,318	-	-	563,318
Machinery and equipment	567,568	-	-	567,568
Construction in progress	-	449,564	208,416	657,980
Accumulated depreciation	(9,158,553)	-	-	(9,158,553)
Total capital assets, net of accumulated depreciation	19,616,571	449,564	208,416	20,274,551
Total noncurrent assets	19,616,571	449,564	208,416	20,274,551
Total assets	26,885,799	1,122,624	241,500	28,249,923
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	55,124	58,930	-	114,054
Accrued salaries and benefits	26,610	-	-	26,610
Customer deposits payable	346,845	-	-	346,845
Total current liabilities	428,579	58,930	-	487,509
Noncurrent liabilities				
Obligations under capital lease	2,103,960	-	-	2,103,960
Total noncurrent liabilities	2,103,960	-	-	2,103,960
Total liabilities	2,532,539	58,930	-	2,591,469
<b>NET ASSETS</b>				
Capital assets, net of related debt	19,616,571	449,564	208,416	20,274,551
Unrestricted	4,736,689	614,130	33,084	5,383,903
Total net assets	\$ 24,353,260	\$ 1,063,694	\$ 241,500	\$ 25,658,454

**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, 2007**

	Craven County Water Operating Fund	PeeDee Aquifer Project Fund	Northwest Craven Roads Project Fund	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,350,661	\$ -	\$ -	\$ 3,350,661
Miscellaneous	153,769	-	-	153,769
Total operating revenues	3,504,430	-	-	3,504,430
<b>OPERATING EXPENSES</b>				
Cost of services	1,558,754	9,024	-	1,567,778
Depreciation	667,945	-	-	667,945
Total operating expenses	2,226,699	9,024	-	2,235,723
Operating income	1,277,731	(9,024)	-	1,268,707
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	340,264	26,231	3,871	370,366
Interest expense	(114,698)	-	-	(114,698)
Total nonoperating revenues (expenses)	225,566	26,231	3,871	255,668
Income before transfers	1,503,297	17,207	3,871	1,524,375
<b>TRANSFERS IN (OUT):</b>				
Between Water and Sewer funds	(452,954)	447,954	5,000	-
To General Fund	(45,799)	-	-	(45,799)
Total transfers in (out)	(498,753)	447,954	5,000	(45,799)
Change in net assets	1,004,544	465,161	8,871	1,478,576
Total net assets, beginning	23,348,716	598,533	232,629	24,179,878
Total net assets, ending	\$ 24,353,260	\$ 1,063,694	\$ 241,500	\$ 25,658,454

**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, 2007  
 (Page 1 of 2)**

	Budget	Actual	Variance, Positive (Negative)
<b>OPERATING REVENUES</b>			
Water and sewer sales	\$ 2,800,000	\$ 3,015,465	\$ 215,465
Tap and permit fees	349,700	335,196	(14,504)
Miscellaneous	87,300	153,769	66,469
Total operating revenues	<u>3,237,000</u>	<u>3,504,430</u>	<u>267,430</u>
<b>OPERATING EXPENDITURES</b>			
Personnel services:			
Salaries	444,689	432,868	11,821
Employee benefits	123,846	119,838	4,008
Retirement	21,267	21,172	95
Professional services:			
Audit and accounting fees	1,500	935	565
Consumer and conf report	3,500	1,898	1,602
Legal fees	4,000	1,080	2,920
Engineering fees	30,000	28,097	1,903
Contractual services	40,459	26,096	14,363
Operating supplies	31,000	17,813	13,187
Utilities	230,000	211,591	18,409
Maintenance and repairs:			
Systems	140,000	63,293	76,707
Building and grounds	54,375	38,735	15,640
Vehicle expense	59,594	59,590	4
Equipment	15,431	14,777	654
Insurance	21,260	20,553	707
Tap outlays	100,000	78,886	21,114
Telephone and postage	29,328	25,919	3,409
Lockbox	80,000	75,640	4,360
Chemical and lab work	65,000	63,233	1,767
Capital outlay	1,143,994	137,116	1,006,878
Bad Debt Expenses	-	194,291	(194,291)
Miscellaneous	75,860	66,009	9,851
Total operating expenditures	<u>2,715,103</u>	<u>1,699,430</u>	<u>1,015,673</u>
Excess of operating revenues over operating expenditures	<u>521,897</u>	<u>1,805,000</u>	<u>1,283,103</u>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Interest income	150,000	340,264	190,264
Interest paid	(120,461)	(114,698)	5,763
Principal payments	(505,637)	(505,637)	-
Total nonoperating revenues (expenditures)	<u>(476,098)</u>	<u>(280,071)</u>	<u>196,027</u>
Excess of revenues over expenditures	<u>45,799</u>	<u>1,524,929</u>	<u>1,479,130</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, 2007

(Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out):			
From General Fund	16,200	16,200	-
To Northwest Craven Roads Capital Project Fund	(5,000)	(5,000)	-
To PeeDee Aquifer Capital Project Fund	(447,954)	(447,954)	-
To General Fund	(61,999)	(61,999)	-
Total other financing sources (uses)	<u>(498,753)</u>	<u>(498,753)</u>	-
Excess of revenues over (under) expenditures and other financing sources (uses)	<u>\$ (452,954)</u>	<u>\$ 1,026,176</u>	<u>\$ 1,479,130</u>

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

Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ 1,026,176
Capital outlay	140,676
Payment on obligation under capital lease payable	505,637
Depreciation	<u>(667,945)</u>
Net income, full accrual basis	<u>\$ 1,004,544</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, 2007**

	Total Project Estimates	Prior Years	Actual Current Year	Total To Date
<b>REVENUES</b>				
Interest revenue	\$ 25,000	\$ 6,428	\$ 26,231	\$ 32,659
<b>EXPENDITURES</b>				
Capital outlay				
Architect fees	32,408	29,990	(10,472)	19,518
Inspection	31,715	10,715	11,459	22,174
General Construction	494,481	82,520	269,096	351,616
Bidding Phase	8,000	8,000	-	8,000
Chemical and Labs	12,951	5,451	3,989	9,440
Contingency	425,480	-	-	-
Engineering	30,000	-	20,973	20,973
Administration	30,024	-	26,866	26,866
Total expenditures	<u>1,065,059</u>	<u>136,676</u>	<u>321,911</u>	<u>458,587</u>
Excess of revenues under expenditures	(1,040,059)	(130,248)	(295,680)	(425,928)
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Craven County Water Operating Fund	<u>1,040,059</u>	<u>592,105</u>	<u>447,954</u>	<u>1,040,059</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 461,857</u>	<u>\$ 152,274</u>	<u>\$ 614,131</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			<u>\$ 152,274</u>	
Capital outlay			<u>312,887</u>	
Net income, full accrual basis			<u>\$ 465,161</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, 2007**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest revenue	\$ 4,294	\$ 629	\$ 3,871	\$ 4,500
<b>EXPENDITURES</b>				
Professional services:				
Engineering fees	15,059	2,559	5,037	7,596
Administration fees	1,332	-	1,331	1,331
Inspection fees	22,763	-	21,808	21,808
Contractual services	202,140	-	177,681	177,681
Total expenditures	<u>241,294</u>	<u>2,559</u>	<u>205,857</u>	<u>208,416</u>
Excess of revenues under expenditures	(237,000)	(1,930)	(201,986)	(203,916)
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Craven County Water Operating Fund	<u>237,000</u>	<u>232,000</u>	<u>5,000</u>	<u>237,000</u>
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ 230,070	\$ (196,986)	\$ 33,084
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ (196,986)	
Capital outlay			<u>205,857</u>	
Net income, full accrual basis			<u>\$ 8,871</u>	

**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, 2007**

	Budget	Actual	Variance, Positive (Negative)
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Interest income	\$ -	\$ 20,344	\$ 20,344
Interest paid	-	(20,344)	(20,344)
Principal payment	(91,325)	(91,325)	-
Total nonoperating revenues (expenditures)	<u>(91,325)</u>	<u>(91,325)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>			
Direct financing lease proceeds	<u>91,325</u>	<u>91,325</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		91,325	
Reduction of investment in direct financing lease receivable		<u>(91,325)</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, 2007**

	Budget	Actual	Variance, Positive (Negative)
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Interest income	\$ -	\$ 84,730	\$ 84,730
Interest paid	-	(84,730)	(84,730)
Principal payment	(353,812)	(353,812)	-
Total nonoperating revenues (expenditures)	<u>(353,812)</u>	<u>(353,812)</u>	-
<b>OTHER FINANCING SOURCES</b>			
Direct financing lease proceeds	353,812	353,812	-
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		353,812	
Reduction of investment in direct financing lease receivable		<u>(353,812)</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, 2007

	Budget	Actual	Variance, Positive (Negative)
<b>NONOPERATING REVENUES (EXPENDITURES)</b>			
Interest income	\$ -	\$ 9,624	\$ 9,624
Interest paid	-	(9,624)	(9,624)
Principal payment	(60,500)	(60,500)	-
Total nonoperating revenues (expenditures)	<u>(60,500)</u>	<u>(60,500)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>			
Direct financing lease proceeds	<u>60,500</u>	<u>60,500</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		60,500	
Reduction of investment in direct financing lease receivable		<u>(60,500)</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, 2007**

	Budget	Actual	Variance, Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Charge for services	\$ 3,768,838	\$ 3,775,016	\$ 6,178
Miscellaneous	-	398	398
Total revenues	<u>3,768,838</u>	<u>3,775,414</u>	<u>6,576</u>
<b>OPERATING EXPENDITURES</b>			
Claims reimbursement	<u>3,808,838</u>	<u>3,801,955</u>	<u>6,883</u>
Excess of operating revenues over (under) operating expenditures	(40,000)	(26,541)	13,459
<b>NONOPERATING REVENUES</b>			
Interest income	<u>40,000</u>	<u>81,359</u>	<u>41,359</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 54,818</u>	<u>\$ 54,818</u>

**Craven County**



## **AGENCY FUNDS**

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

The following comprise the County's Agency Funds:

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

**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, 2007**

	Social Services Trust Fund	Juvenile Restitution Fund	Totals
<b>ASSETS</b>			
Cash	\$ 129,406	\$ 6	\$ 129,412
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 129,406	\$ 6	\$ 129,412

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Fiscal Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
<b>Social Services Trust Fund:</b>				
Assets, cash and investments	\$ 127,215	\$ 2,191	\$ -	\$ 129,406
Liabilities, accounts payable and accrued liabilities	\$ 127,215	\$ 2,191	\$ -	\$ 129,406
<b>Juvenile Restitution Fund:</b>				
Assets, cash and investments	\$ 440	\$ 44,000	\$ 44,434	\$ 6
Liabilities, accounts payable and accrued liabilities	\$ 440	\$ 44,000	\$ 44,434	\$ 6
<b>Department of Motor Vehicle Interest Fund:</b>				
Assets, cash and investments	\$ -	\$ 48,825	\$ 48,825	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 48,825	\$ 48,825	\$ -
<b>Municipal Property Tax Fund:</b>				
Assets, cash and investments	\$ -	\$ 5,237,062	\$ 5,237,062	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 5,237,062	\$ 5,237,062	\$ -
<b>Totals - All Agency Funds:</b>				
Assets, cash and investments	\$ 127,655	\$ 5,332,078	\$ 5,330,321	\$ 129,412
Liabilities, accounts payable and accrued liabilities	\$ 127,655	\$ 5,332,078	\$ 5,330,321	\$ 129,412

Crauen County



**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, 2007**

	<u>2007</u>
<b>ASSETS</b>	
Cash	\$ 83,527
Accounts receivable	293
Investments	<u>200,000</u>
Total assets	<u>\$ 283,820</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>\$ 283,820</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, 2007**

	Budget	Actual	Variance, Positive (Negative)
<b>REVENUES</b>			
Occupancy tax	\$ 387,900	\$ 403,435	\$ 15,535
Interest	10,000	15,087	5,087
Miscellaneous	-	5,042	5,042
Total revenues	<u>397,900</u>	<u>423,564</u>	<u>25,664</u>
<b>EXPENDITURES</b>			
Economic development	<u>413,400</u>	<u>393,387</u>	<u>20,013</u>
Excess of revenues over (under) expenditures	(15,500)	30,177	45,677
<b>NET ASSETS</b>			
Beginning	<u>253,643</u>	<u>253,643</u>	-
Ending	<u>\$ 238,143</u>	<u>\$ 283,820</u>	<u>\$ 45,677</u>
<b>Reconciliation of modified accrual basis with full accrual basis</b>			
Excess of revenues over (under) expenditures, modified accrual basis, above		<u>\$ 30,177</u>	
Net income, full accrual basis		<u>\$ 30,177</u>	

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

**COMBINING BALANCE SHEET  
June 30, 2007**

	Airport Authority Operating Fund	Airport Improvement Program No. 24 Project Fund	Airport Improvement Program No. 25 Project Fund	Airport Improvement Program No. 26 Project Fund	General Aviation Terminal Capital Project Fund	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 206,598	\$ -	\$ 1,840	\$ 6,715	\$ 70,595	\$ 285,748
Short term investments	700,000	-	-	-	-	700,000
Accounts receivable	585,261	-	-	2,732	-	587,993
	<u>1,491,859</u>	<u>-</u>	<u>1,840</u>	<u>9,447</u>	<u>70,595</u>	<u>1,573,741</u>
Capital assets:						
Land	5,540,364	-	-	-	-	5,540,364
Buildings	9,639,436	-	-	-	-	9,639,436
Improvements other than buildings	12,131,097	-	-	-	-	12,131,097
Machinery and equipment	1,518,163	-	-	-	-	1,518,163
Construction in progress	-	-	800,335	395,218	4,779	1,200,332
Accumulated depreciation	(10,128,826)	-	-	-	-	(10,128,826)
Capital assets, net of accumulated depreciation	<u>18,700,234</u>	<u>-</u>	<u>800,335</u>	<u>395,218</u>	<u>4,779</u>	<u>19,900,566</u>
Total assets	<u>\$ 20,192,093</u>	<u>\$ -</u>	<u>\$ 802,175</u>	<u>\$ 404,665</u>	<u>\$ 75,374</u>	<u>\$ 21,474,307</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable	\$ 23,828	\$ -	\$ -	\$ 2,758	\$ -	\$ 26,586
Accrued salaries and benefits	33,182	-	-	-	-	33,182
Accrued interest payable	29,660	-	-	-	-	29,660
Installment note payable, net of deferred charges	2,453,520	-	-	-	-	2,453,520
Bonds payable	1,055,000	-	-	-	-	1,055,000
Total liabilities	<u>3,595,190</u>	<u>-</u>	<u>-</u>	<u>2,758</u>	<u>-</u>	<u>3,597,948</u>
Net assets:						
Invested in capital assets, net of related debt	15,191,714	-	800,335	395,218	4,779	16,392,046
Unrestricted	1,405,189	-	1,840	6,689	70,595	1,484,313
Total net assets	<u>16,596,903</u>	<u>-</u>	<u>802,175</u>	<u>401,907</u>	<u>75,374</u>	<u>17,876,359</u>
Total liabilities and net assets	<u>\$ 20,192,093</u>	<u>\$ -</u>	<u>\$ 802,175</u>	<u>\$ 404,665</u>	<u>\$ 75,374</u>	<u>\$ 21,474,307</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, 2007

	Airport Authority Operating Fund	Airport Improvement Program No. 24 Project Fund	Airport Improvement Program No. 25 Project Fund	Airport Improvement Program No. 26 Project Fund	General Aviation Terminal Capital Project Fund	Totals
<b>OPERATING REVENUES</b>						
Charges for services	\$ 1,613,778	\$ -	\$ -	\$ -	\$ -	\$ 1,613,778
<b>OPERATING EXPENSES</b>						
Cost of sales and services	1,338,400	-	-	63,861	-	1,402,261
Depreciation and amortization	886,799	-	-	-	-	886,799
Total operating expenses	2,225,199	-	-	63,861	-	2,289,060
Operating loss	(611,421)	-	-	(63,861)	-	(675,282)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	62,046	655	-	2,732	374	65,807
Interest expense	(163,207)	-	-	-	-	(163,207)
Intergovernmental revenue	460,258	-	13,500	414,500	-	888,258
Total nonoperating revenues (expenses)	359,097	655	13,500	417,232	374	790,858
Income (loss) before transfers	(252,324)	655	13,500	353,371	374	115,576
Transfers in (out)						
Between Airport Funds	622,117	(742,329)	-	48,536	75,000	3,324
Total transfers in (out)	622,117	(742,329)	-	48,536	75,000	3,324
Change in net assets	369,793	(741,674)	13,500	401,907	75,374	118,900
Net assets-beginning	16,227,110	741,674	788,675	-	-	17,757,459
Net assets-ending	\$ 16,596,903	\$ -	\$ 802,175	\$ 401,907	\$ 75,374	\$ 17,876,359

**Craven County, North Carolina  
Craven County Regional Airport Authority  
(A Component Unit)**

**Combining Schedule of Cash Flows  
For the Fiscal Year Ended June 30, 2007**

	Airport Authority Operating Fund	Airport Improvement Program No. 24 Project Fund	Airport Improvement Program No. 25 Project Fund	Airport Improvement Program No. 26 Project Fund	General Aviation Terminal Project Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 1,539,351	\$ -	\$ -	\$ -	\$ -	\$ 1,539,351
Payments to suppliers	(681,486)	-	(2,425)	(61,103)	-	(745,014)
Payments to employees	(680,917)	-	-	-	-	(680,917)
Net cash provided by (used in) operating activities	176,948	-	(2,425)	(61,103)	-	113,420
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition & construction of capital assets	(53,122)	(18,771)	(13,881)	(395,218)	(4,779)	(485,771)
Repayment of installment notes	(305,288)	-	-	-	-	(305,288)
Repayment of bonds	(125,000)	-	-	-	-	(125,000)
Receipts from capital grants	460,258	-	13,500	414,500	-	888,258
Interest paid	(166,721)	-	-	-	-	(166,721)
Net cash provided by (used in) capital and related financing activities	(189,873)	(18,771)	(381)	19,282	(4,779)	(194,522)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	426,822	-	-	48,536	75,000	550,358
Transfers out	(545,471)	(1,563)	-	-	-	(547,034)
Net cash provided by (used in) noncapital financing activities	(118,649)	(1,563)	-	48,536	75,000	3,324
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on cash and investments	62,046	655	-	-	374	63,075
Proceeds on sale of short term investments	50,000	-	-	-	-	50,000
Net cash provided by investing activities	112,046	655	-	-	374	113,075
Net increase (decrease) in cash and cash equivalents	(19,528)	(19,679)	(2,806)	6,715	70,595	35,297
<b>CASH AND CASH EQUIVALENTS</b>						
Beginning	226,126	19,679	4,646	-	-	250,451
Ending	\$ 206,598	\$ -	\$ 1,840	\$ 6,715	\$ 70,595	\$ 285,748
<b>Reconciliation of operating loss to net cash provided by (used) in operating activities:</b>						
Operating loss	\$ (611,421)	\$ -	\$ -	\$ (63,861)	\$ -	\$ (675,282)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	886,799	-	-	-	-	886,799
Previously unrecognized						
Change in assets and liabilities:						
Accounts receivable	(74,427)	-	-	-	-	(74,427)
Accounts payable and accrued expenses	(24,003)	-	(2,425)	2,758	-	(23,670)
Net cash provided by (used in) operating activities	\$ 176,948	\$ -	\$ (2,425)	\$ (61,103)	\$ -	\$ 113,420

**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, 2007**

(Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OPERATING REVENUES</b>			
Charges for services	1,556,607	1,613,778	57,171
<b>OPERATING EXPENDITURES</b>			
Personnel Services:			
Salaries	571,614	554,509	17,105
Employee benefits	111,164	105,740	5,424
Retirement	20,274	20,158	116
Professional Services:			
Audit and accounting fees	7,175	1,155	6,020
Legal fees	39,676	38,351	1,325
Contractual services	67,295	67,063	232
Operating supplies	49,083	42,940	6,143
Utilities	137,470	137,381	89
Maintenance and repairs:			
Building and grounds	136,869	136,171	698
Vehicle expense	6,700	5,431	1,269
Insurance	85,572	85,572	-
Telephone and postage	15,565	11,009	4,556
Capital outlay	67,533	57,417	10,116
Board Member fees	10,800	10,700	100
Miscellaneous	21,238	20,005	1,233
Travel/Training	10,600	7,263	3,337
Advertising	87,875	86,796	1,079
Dues and subscriptions	5,220	3,861	1,359
Total operating expenditures	1,451,723	1,391,522	60,201
Excess of operating revenues over (under) operating expenditures	104,884	222,256	(3,030)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	23,000	62,046	39,046
Interest expense	(166,718)	(163,207)	3,511
Principal payments	(430,289)	(430,288)	1
Capital Contributions - intergovernmental grants	441,391	460,258	18,867
Total nonoperating revenues (expenses)	(132,616)	(71,191)	61,425
Excess of revenues over (under) expenditures	(27,732)	151,065	178,797

*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, 2007**

(Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out):			
To Airport Capital Project Funds	\$ (577,607)	\$ (545,471)	\$ 32,136
From Airport Capital Project Funds	(8,284)	1,167,588	1,175,872
Total other financing sources (uses)	<u>(585,891)</u>	<u>622,117</u>	<u>1,208,008</u>
Excess revenues over (under) expenditures and other financing sources (uses)	<u>\$ (613,623)</u>	<u>\$ 773,182</u>	<u>\$ 1,386,805</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>			
Excess revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 773,182	
Capital outlay		53,122	
Depreciation		(879,620)	
Amortization		(7,179)	
Principal payments		<u>430,288</u>	
Net income, full accrual basis		<u>\$ 369,793</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, 2007**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Federal grants	\$ 1,107,704	\$ 1,107,704	\$ -	\$ 1,107,704
Interest	1,132	474	655	1,129
Total revenues	<u>1,108,836</u>	<u>1,108,178</u>	<u>655</u>	<u>1,108,833</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	501,354	485,907	15,447	501,354
Legal and administrative	11,300	7,975	3,324	11,299
Engineering fees	33,036	33,036	-	33,036
Inspection	17,944	17,944	-	17,944
Capital outlay	523,280	97,901	-	97,901
Miscellaneous	79,233	79,232	-	79,232
Total expenditures	<u>1,166,147</u>	<u>721,995</u>	<u>18,771</u>	<u>740,766</u>
Excess of revenues over (under) expenditures	<u>(57,311)</u>	<u>386,183</u>	<u>(18,116)</u>	<u>368,067</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out):				
Between Airport Operating Fund	<u>(309,193)</u>	<u>(366,504)</u>	<u>(742,329)</u>	<u>(1,108,833)</u>
Excess of revenues over expenditures and other financing sources (uses)	<u>\$ (366,504)</u>	<u>\$ 19,679</u>	<u>\$ (760,445)</u>	<u>\$ (740,766)</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over expenditures and other financing sources (uses), modified accrual basis, above				
			<u>\$ (760,445)</u>	
Capital outlay			<u>18,771</u>	
Net income, full accrual basis			<u>\$ (741,674)</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, 2007**

	Total Project Estimates	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Federal grants	\$ 810,825	\$ 746,000	\$ 13,500	\$ 759,500
Total revenues	<u>810,825</u>	<u>746,000</u>	<u>13,500</u>	<u>759,500</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	502,211	463,786	-	463,786
Legal and administrative	11,272	6,637	-	6,637
Engineering fees	284,372	269,580	13,881	283,461
Inspection	27,285	19,510	-	19,510
Capital outlay	5,390	4,970	-	4,970
Miscellaneous	22,970	21,970	-	21,970
Total expenditures	<u>853,500</u>	<u>786,453</u>	<u>13,881</u>	<u>800,334</u>
Excess of revenues under expenditures	<u>(42,675)</u>	<u>(40,453)</u>	<u>(381)</u>	<u>(40,834)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Airport Operating Fund	<u>42,675</u>	<u>42,675</u>	<u>-</u>	<u>42,675</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 2,222</u>	<u>\$ (381)</u>	<u>\$ 1,841</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over expenditures and other financing sources, modified accrual basis, above Capital outlay			\$ (381)	
			<u>13,881</u>	
Net income, full accrual basis			<u>\$ 13,500</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
TERMINAL AREA DEVELOPMENT SITE NO. 26 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, 2007**

	Total Project Estimates	Prior Years	Actual	
			Current Year	Total to Date
<b>REVENUES</b>				
Federal grants	\$ 922,168	\$ -	\$ 414,500	\$ 414,500
Interest	-	-	2,732	2,732
Total revenues	<u>922,168</u>	<u>-</u>	<u>417,232</u>	<u>417,232</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	594,680	-	224,463	224,463
Land	75,000	-	71,112	71,112
Legal and administrative	41,247	-	4,854	4,854
Architect	16,613	-	6,613	6,613
Engineering fees	113,358	-	64,706	64,706
Inspection	47,150	-	18,615	18,615
Miscellaneous	82,656	-	68,716	68,716
Total expenditures	<u>970,704</u>	<u>-</u>	<u>459,079</u>	<u>459,079</u>
Excess of revenues under expenditures	<u>(48,536)</u>	<u>-</u>	<u>(41,847)</u>	<u>(41,847)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Airport Operating Fund	-	-	48,536	48,536
Total other financing sources	<u>-</u>	<u>-</u>	<u>48,536</u>	<u>48,536</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ (48,536)</u>	<u>\$ -</u>	<u>\$ 6,689</u>	<u>\$ 6,689</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ 6,689	
Capital outlay			<u>395,218</u>	
Net loss, full accrual basis			<u>\$ 401,907</u>	

**CRAVEN COUNTY, NORTH CAROLINA  
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)  
GENERAL AVIATION TERMINAL 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, 2007**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
State grants	\$ 250,000	\$ -	\$ -	\$ -
Interest	-	-	374	374
Total revenues	<u>250,000</u>	<u>-</u>	<u>374</u>	<u>374</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Project construction	255,000	-	-	-
Legal and administrative	2,427	-	-	-
Contractual services	8,459	-	4,779	4,779
Engineering fees	39,505	-	-	-
Miscellaneous	19,609	-	-	-
Total expenditures	<u>325,000</u>	<u>-</u>	<u>4,779</u>	<u>4,779</u>
Excess of revenues under expenditures	<u>(75,000)</u>	<u>-</u>	<u>(4,405)</u>	<u>(4,405)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
From Airport Operating Fund	75,000	-	75,000	75,000
Total other financing sources	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,595</u>	<u>\$ 70,595</u>
<b>Reconciliation of modified accrual basis with full accrual basis:</b>				
Excess of revenues and other financing sources over expenditures, modified accrual basis, above			\$ 70,595	
Capital outlay			<u>4,779</u>	
Net loss, full accrual basis			<u>\$ 75,374</u>	

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

**Crauen County**



**CRAVEN COUNTY  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULES BY SOURCE  
 FOR THE YEAR ENDED JUNE 30, 2007**

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 7,774,584	\$ 6,880,062
Buildings	37,260,124	35,564,153
Other Improvements	3,681,220	3,681,220
Equipment & Vehicles	10,078,105	9,529,329
Construction in Progress	2,047,520	1,322,522
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 60,841,553</u>	<u>\$ 56,977,286</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 8,232,815	\$ 5,087,995
Capital Projects	42,437,804	41,718,357
Prior to June, 1992*	10,170,934	10,170,934
	<hr/>	<hr/>
Total invest.in governmental funds capital assets	<u>\$ 60,841,553</u>	<u>\$ 56,977,286</u>

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



CRAVEN COUNTY				
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS				
SCHEDULE OF CHANGES BY FUNCTION & ACTIVITY				
FOR THE YEAR ENDED JUNE 30, 2007				
Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
<b>General Government:</b>				
0101 Commissioners	\$ 10,726	\$ -	\$ -	\$ 10,726
0201 Administration	19,742	-	-	19,742
0301 Personnel	14,332	-	-	14,332
0401 Information Technology	931,433	15,540	10,237	936,736
0501 Finance	9,875	5,635	-	15,510
0560 Non Department	238,642	486,843	381,882	343,603
0601 Elections	447,102	-	-	447,102
0801 Tax Assessor	103,805	-	7,850	95,955
0804 Tax Assessor -Mapping	55,363	-	34,043	21,320
0805 Tax Assessor -Appraisal	89,327	-	-	89,327
1001 Register of Deeds	377,214	-	7,495	369,719
1201 Public Buildings	8,646,786	1,493,217	66,494	10,073,509
1212 Housekeeping	20,100	-	7,656	12,444
1301 Court Facilities	5,553,816	-	-	5,553,816
1401 Maintenance	107,596	-	-	107,596
1501 Central Maintenance	76,081	7,944	-	84,025
<b>Total General Government</b>	<b>\$ 16,701,940</b>	<b>\$ 2,009,179</b>	<b>\$ 515,657</b>	<b>\$ 18,195,462</b>
<b>Public Safety:</b>				
2001 Sheriff	\$ 1,833,254	\$ 62,841	\$ 21,515	\$ 1,874,580
2008 Jail	3,890,790	719,447	-	4,610,237
2015 Communications	69,000	6,372	-	75,372
2301 Emergency Services	462,594	35,424	27,710	470,308
2401 Inspections	102,225	14,400	15,178	101,447
2501 E 911	947,001	38,144	-	985,145
2601 Animal Control	434,299	7,122	-	441,421
<b>Total Public Safety</b>	<b>\$ 7,739,163</b>	<b>\$ 883,750</b>	<b>\$ 64,403</b>	<b>\$ 8,558,510</b>
<b>Environmental Protection:</b>				
3101 Environmental Health	\$ 266,492	\$ 28,471	\$ -	\$ 294,963
3201 Solid Waste	235,458	48,000	10,330	273,128
4201 Cooperative Extension	840,562	42,710	26,516	856,756
<b>Total Environmental Protection</b>	<b>\$ 1,342,512</b>	<b>\$ 119,181</b>	<b>\$ 36,846</b>	<b>\$ 1,424,847</b>
<b>Economic and Physical Development:</b>				
4001 Planning	\$ 77,430	\$ 23,273	\$ 13,661	\$ 87,042
4401 Economic Development	933,483	-	-	933,483
8201 Convention Center	12,139,601	47,289	-	12,186,890
<b>Total Economic and Physical Development</b>	<b>\$ 13,150,514</b>	<b>\$ 70,562</b>	<b>\$ 13,661</b>	<b>\$ 13,207,415</b>
<b>Health</b>				
5001 Health	\$ 6,897,017	\$ 127,351	\$ 6,048	\$ 7,018,320
<b>Social Services:</b>				
7001 CARTS	\$ 992,766	\$ 157,898	\$ 156,473	\$ 994,191
7201 DSS	5,744,663	596,769	59,264	6,282,168
<b>Total Social Services</b>	<b>\$ 6,737,429</b>	<b>\$ 754,667</b>	<b>\$ 215,737</b>	<b>\$ 7,276,359</b>
<b>Recreation:</b>				
8001 Recreation	\$ 3,076,380	\$ 41,997	\$ 15,066	\$ 3,103,311
Library- Havelock	9,809	-	-	9,809
<b>Total Recreation</b>	<b>\$ 3,086,189</b>	<b>\$ 41,997</b>	<b>\$ 15,066</b>	<b>\$ 3,113,120</b>
<b>Construction in Progress</b>	<b>\$ 1,322,522</b>	<b>\$ 1,452,045</b>	<b>\$ 727,047</b>	<b>\$ 2,047,520</b>
<b>Total governmental funds capital assets</b>	<b>\$ 56,977,286</b>	<b>\$ 5,458,732</b>	<b>\$ 1,594,465</b>	<b>\$ 60,841,553</b>

Crauen County



## **STATISTICAL SECTION**

### **(Unaudited)**

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

#### **Contents**

##### **Financial Trends**

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

##### **Revenue Capacity**

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

##### **Debt Capacity**

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

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

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

##### **Operating Information**

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

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

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Governmental activities</u></b>					
Invested in capital assets, net of related debt	\$ 22,674,229	\$ 23,254,067	\$ 24,089,182	\$ 26,036,499	\$ 29,183,692
Restricted	11,699,026	8,313,499	4,830,932	3,078,658	4,876,200
Unrestricted (deficit)	<u>(27,951,015)</u>	<u>(25,230,973)</u>	<u>(18,939,009)</u>	<u>(12,381,079)</u>	<u>(16,368,150)</u>
<b>Total governmental activities net assets</b>	<b><u>\$ 6,422,240</u></b>	<b><u>\$ 6,336,593</u></b>	<b><u>\$ 9,981,105</u></b>	<b><u>\$ 16,734,078</u></b>	<b><u>\$ 17,691,742</u></b>
<b><u>Business-type activities</u></b>					
Invested in capital assets, net of related debt	\$ 14,081,588	\$ 16,869,221	\$ 17,299,771	\$ 17,289,167	\$ 17,836,280
Unrestricted	<u>6,895,720</u>	<u>5,088,075</u>	<u>5,711,338</u>	<u>6,890,711</u>	<u>7,822,174</u>
<b>Total business-type activities</b>	<b><u>\$ 20,977,308</u></b>	<b><u>\$ 21,957,296</u></b>	<b><u>\$ 23,011,109</u></b>	<b><u>\$ 24,179,878</u></b>	<b><u>\$ 25,658,454</u></b>
<b><u>Primary government</u></b>					
Invested in capital assets, net of related debt	\$ 36,755,817	\$ 40,123,288	\$ 41,388,953	\$ 43,325,666	\$ 47,019,972
Restricted	11,699,026	8,313,499	4,830,932	3,078,658	4,876,200
Unrestricted (deficit)	<u>(21,055,295)</u>	<u>(20,142,898)</u>	<u>(13,227,671)</u>	<u>(5,490,368)</u>	<u>(8,545,976)</u>
<b>Total primary government net assets</b>	<b><u>\$ 27,399,548</u></b>	<b><u>\$ 28,293,889</u></b>	<b><u>\$ 32,992,214</u></b>	<b><u>\$ 40,913,956</u></b>	<b><u>\$ 43,350,196</u></b>

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 Five Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expense</b>					
<b>Governmental activities</b>					
General government	\$ 5,896,630	\$ 6,802,230	\$ 6,557,817	\$ 7,391,083	\$ 7,879,676
Public safety	10,732,195	11,584,190	11,895,798	12,643,683	12,792,549
Social services	19,641,710	20,695,194	21,364,472	22,822,110	23,666,006
Economic and physical development	5,360,444	3,292,424	3,873,381	2,658,847	2,629,063
Environmental protection	3,850,575	5,083,596	4,943,096	5,105,288	5,448,188
Health	6,479,087	6,961,725	6,915,059	7,419,050	7,381,812
Cultural and recreation	1,490,297	1,801,012	1,696,961	2,077,212	2,307,962
Education	35,104,248	20,600,373	18,391,669	20,218,865	29,897,811
Interest on long term debt	3,183,668	2,715,170	2,593,134	2,414,904	3,042,742
<b>Total governmental activities</b>	<b>91,736,834</b>	<b>79,555,914</b>	<b>78,433,379</b>	<b>82,751,640</b>	<b>94,686,009</b>
<b>Business-type activities:</b>					
Water	2,294,785	2,092,789	2,212,566	2,452,231	2,350,421
<b>Total primary government expenses</b>	<b>\$ 94,033,619</b>	<b>\$ 81,646,713</b>	<b>\$ 80,645,945</b>	<b>\$ 85,203,871</b>	<b>\$ 97,216,430</b>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
<b>Charges for services:</b>					
General government	\$ 1,068,626	\$ 1,657,142	\$ 1,838,261	\$ 2,408,808	\$ 2,116,173
Public safety	1,500,193	1,597,259	1,897,240	2,148,811	1,957,081
Social services	451,043	650,102	890,235	626,859	600,984
Economic and physical development	683,866	809,529	920,675	916,702	990,517
Environmental protection	2,214,900	2,178,794	2,212,444	2,482,004	2,839,579
Health	3,754,021	4,225,968	4,283,919	4,436,213	4,288,785
Cultural and recreation	43,438	51,000	45,745	38,948	50,690
Education	-	503,596	-	-	-
<b>Operating grants and contributions:</b>					
General government	1,578,967	1,660,038	1,202,220	1,147,799	1,076,615
Public safety	707,552	669,885	912,191	651,855	612,213
Social services	10,066,157	10,854,794	10,862,434	11,834,461	12,228,544
Economic and physical development	2,187,801	637,866	1,195,959	60,750	219,000
Environmental protection	436,921	613,754	210,007	188,890	136,582
Health	1,590,116	1,582,510	1,520,635	1,473,080	1,407,568
Cultural and recreation	-	1,000	-	9,250	35,300
Education	-	-	859,450	1,162,900	1,150,405
<b>Capital grants and contributions:</b>					
General government	-	-	-	417,447	-
Public safety	51,697	324,304	-	34,526	-
Social services	91,838	117,050	-	228,739	112,514
Cultural and recreation	-	-	-	65,625	106,185
<b>Total governmental activities program revenues</b>	<b>27,025,426</b>	<b>28,144,501</b>	<b>26,251,415</b>	<b>30,301,465</b>	<b>29,732,743</b>

*continued*

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Business-type activities:</b>					
Charge for services - Water	3,001,287	2,925,947	3,003,862	3,296,858	3,350,661
Capital grants and contributions - Water	145,830	-	-	-	-
Total business-type activities program revenues	<u>3,147,117</u>	<u>2,925,947</u>	<u>3,003,862</u>	<u>3,296,858</u>	<u>3,350,661</u>
Total primary government program revenues	\$ <u>30,172,543</u>	\$ <u>31,070,446</u>	\$ <u>31,255,077</u>	\$ <u>33,598,323</u>	\$ <u>33,083,404</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (84,713,408)	\$ (51,411,413)	\$ (50,181,984)	\$ (52,450,175)	\$ (65,133,266)
Business-type activities	<u>852,332</u>	<u>833,146</u>	<u>791,096</u>	<u>644,827</u>	<u>1,000,240</u>
Total primary government net (expense)/revenue	\$ <u>(63,881,076)</u>	\$ <u>(50,578,265)</u>	\$ <u>(49,390,868)</u>	\$ <u>(51,605,548)</u>	\$ <u>(64,133,026)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental activities:</b>					
Property taxes	\$ 32,399,791	\$ 32,409,895	\$ 33,462,209	\$ 37,884,364	\$ 40,057,692
Local option sales tax	13,988,548	16,963,021	17,433,367	18,100,892	19,769,089
Other taxes and licenses	551,086	580,312	631,352	716,807	730,206
Investment earnings	643,283	311,727	622,429	1,250,704	2,452,049
Miscellaneous	823,341	999,012	1,631,320	1,224,762	3,036,095
Transfers	81,988	81,999	45,799	45,799	45,799
Total governmental activities:	<u>48,278,045</u>	<u>51,325,768</u>	<u>53,828,478</u>	<u>59,203,148</u>	<u>66,090,930</u>
<b>Business-type activities:</b>					
Investment earnings	87,818	57,500	102,105	248,435	370,366
Miscellaneous	208,032	151,339	206,411	123,506	153,789
Transfers	<u>(81,998)</u>	<u>(81,999)</u>	<u>(45,799)</u>	<u>(45,799)</u>	<u>(45,799)</u>
Total business-type activities	<u>231,850</u>	<u>146,840</u>	<u>282,717</u>	<u>324,142</u>	<u>478,336</u>
Total primary government	\$ <u>48,509,895</u>	\$ <u>51,472,608</u>	\$ <u>54,089,193</u>	\$ <u>59,527,290</u>	\$ <u>66,569,266</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (16,435,363)	\$ (85,647)	\$ 3,644,512	\$ 6,752,973	\$ 957,664
Business-type activities	<u>1,084,182</u>	<u>979,988</u>	<u>1,053,813</u>	<u>1,168,789</u>	<u>1,478,576</u>
Total primary government	\$ <u>(15,351,181)</u>	\$ <u>894,341</u>	\$ <u>4,698,325</u>	\$ <u>7,921,742</u>	\$ <u>2,436,240</u>

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Reserved for:</b>										
State statute	\$ 5,827,893	\$ 4,356,544	\$ 5,023,469	\$ 6,513,924	\$ 6,047,088	\$ 6,316,486	\$ 6,564,868	\$ 0,224,153	\$ 5,669,161	\$ 6,434,060
Future wireless E-911 expenditures	-	-	90,977	165,145	241,968	343,409	348,933	466,726	578,914	360,975
Future wired E-911 expenditures	-	-	-	74,659	22,671	74,666	2,112	46,274	104,956	125,234
Future register of deeds technology enhancements	-	-	-	-	33,846	26,212	67,142	69,380	-	8,840
Future law enforcement expenditures	9,838	4,179	49,613	11,700	11,000	267,143	66,358	23,964	81	15,771
<b>Total reserved</b>	<b>5,637,731</b>	<b>4,360,723</b>	<b>5,164,059</b>	<b>6,765,628</b>	<b>6,356,573</b>	<b>7,048,148</b>	<b>7,067,433</b>	<b>6,870,497</b>	<b>6,373,112</b>	<b>6,944,900</b>
<b>Unreserved</b>										
Designated for subsequent year's expenditures	1,275,506	1,251,576	1,417,824	627,906	1,308,653	1,106,513	1,512,962	605,563	1,112,286	276,250
Undesignated	11,467,506	11,295,205	10,916,794	9,315,767	9,939,144	10,745,164	10,916,933	11,461,312	14,627,823	17,382,258
<b>Total General Fund</b>	<b>\$ 18,400,743</b>	<b>\$ 16,907,504</b>	<b>\$ 17,500,677</b>	<b>\$ 16,909,301</b>	<b>\$ 17,604,370</b>	<b>\$ 18,899,625</b>	<b>\$ 19,497,326</b>	<b>\$ 19,137,372</b>	<b>\$ 22,113,221</b>	<b>\$ 24,605,408</b>
<b>All Other Governmental Funds</b>										
<b>Reserved for:</b>										
State statute	\$ 1,165,351	\$ 1,265,677	\$ 286,783	\$ 256,546	\$ 133,352	\$ 169,610	\$ 177,452	\$ 204,407	\$ 199,648	\$ 436,966
Debt service	4,636,346	3,496,004	2,957,736	2,959,769	4,529,563	3,339,171	2,805,486	2,840,065	1,785,304	3,704,012
<b>Total reserved</b>	<b>5,823,697</b>	<b>4,761,681</b>	<b>3,244,519</b>	<b>3,218,335</b>	<b>4,662,915</b>	<b>3,508,781</b>	<b>2,982,938</b>	<b>2,844,472</b>	<b>1,965,152</b>	<b>4,140,978</b>
<b>Unreserved</b>										
Undesignated/(deficit)										
Special revenue funds:										
Room occupancy tax trust fund (1)	774,383	1,152,319	1,435,079	(337,002)	(677,700)	(1,008,021)	(620,436)	(500,000)	-	-
All other special revenue funds	379,465	433,951	453,794	415,763	269,313	333,263	291,374	317,610	417,160	456,779
Designated for capital projects	196,642	10,994,250	3,989,538	3,568,912	24,602,809	7,232,191	4,556,643	4,679,025	4,751,947	14,206,542
<b>Total all other governmental funds</b>	<b>\$ 7,174,187</b>	<b>\$ 17,342,201</b>	<b>\$ 9,122,930</b>	<b>\$ 6,866,008</b>	<b>\$ 28,857,337</b>	<b>\$ 10,066,234</b>	<b>\$ 7,010,519</b>	<b>\$ 7,341,107</b>	<b>\$ 7,154,259</b>	<b>\$ 18,804,299</b>

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
<b>Taxes:</b>										
Property	\$ 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	\$ 40,031,721
Sales	11,742,920	12,352,938	12,854,091	12,992,853	12,582,248	13,998,546	16,963,021	17,433,367	18,100,692	19,769,089
Other	-	-	1,805,562	543,625	512,536	551,086	580,312	631,352	716,807	730,206
Total taxes	35,100,820	36,649,630	39,923,933	39,716,626	41,132,407	48,768,109	50,093,078	51,649,742	56,894,050	60,531,016
Intergovernmental	20,284,371	21,833,434	23,859,149	23,692,026	23,448,484	18,711,049	16,974,797	16,582,896	17,265,122	17,101,424
Charges for Services	7,885,028	7,212,119	6,949,051	7,569,405	9,252,065	10,473,891	11,608,329	12,118,416	13,470,741	13,072,951
Interest	1,558,378	1,428,369	1,831,907	1,512,586	847,287	829,045	298,455	598,241	1,190,972	2,370,690
Miscellaneous	1,406,275	685,373	2,191,860	896,036	802,006	848,382	999,009	872,030	998,896	1,225,277
Total Revenues	86,234,872	87,808,925	94,555,900	93,386,679	100,282,249	113,430,476	115,971,668	118,801,325	129,619,781	140,301,358
<b>Expenditures</b>										
General Government	4,436,693	4,809,654	5,159,062	5,319,753	5,084,859	5,667,050	7,434,198	6,875,991	8,193,210	7,514,048
Public Safety	7,239,921	7,598,633	8,858,789	8,830,928	9,685,860	9,807,788	11,271,380	11,391,656	13,151,735	13,972,941
Environmental Protection	3,809,641	3,750,810	3,752,516	3,849,309	4,114,223	4,554,577	5,048,646	5,006,185	5,103,095	5,444,288
Economic Development	1,516,503	2,041,393	2,642,179	3,973,447	8,178,676	4,122,872	2,969,088	3,505,260	2,194,383	2,241,260
Health	5,923,252	5,723,773	5,887,427	6,010,653	8,297,018	6,195,238	6,626,527	7,007,312	7,072,213	7,169,879
Social Services (2)	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	23,790,287
Culture and Recreation	1,297,446	1,623,407	1,629,808	2,025,889	2,202,975	1,521,415	1,684,689	1,904,814	2,136,565	2,281,117
Education	21,819,158	20,932,267	19,822,056	19,661,848	21,816,342	35,104,248	20,600,373	18,391,669	20,218,865	29,897,811
Capital Outlay	1,981,150	2,668,080	10,007,319	4,836,064	1,449,840	239,123	91,517	95,980	-	-
Debt Service:										
Principal	4,195,554	4,101,206	4,077,115	3,170,964	3,085,162	3,163,277	3,435,146	3,816,917	3,848,504	3,854,145
Interest	2,311,069	2,118,015	2,112,850	2,103,929	2,105,047	3,110,941	2,845,196	2,513,158	2,335,441	2,959,154
Total Expenditures	69,146,205	70,029,392	81,459,353	78,067,676	80,633,850	92,988,122	82,786,739	81,876,491	88,876,580	99,104,930
Excess of revenues over (under) expenditures	(2,911,333)	(2,220,467)	(6,903,453)	(4,680,997)	(5,351,601)	(17,557,646)	(2,815,071)	(75,166)	2,743,201	(4,803,572)
<b>Other Financing Sources (Uses)</b>										
Transfers in	6,888,964	6,550,660	7,074,825	6,625,025	7,929,366	5,890,306	7,215,800	8,507,419	9,082,318	10,057,944
Transfers out	(8,858,291)	(6,583,354)	(6,984,126)	(6,792,326)	(7,891,367)	(5,628,308)	(7,153,801)	(8,461,620)	(9,036,519)	(10,012,145)
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	-	-	338,975	-	-	-	-	-	-	-
Proceeds from installment note	-	10,550,000	-	-	-	-	131,773	-	-	18,900,000
Total other financing sources (uses)	30,673	10,517,306	429,674	1,832,699	28,037,999	81,998	356,859	45,799	45,799	18,945,799
Net change in fund balances	\$ (2,880,660)	\$ 8,296,839	\$ (6,473,779)	\$ (2,848,298)	\$ 22,686,398	\$ (17,495,648)	\$ (2,458,212)	\$ (29,367)	\$ 2,789,000	\$ 14,142,227
Debt service as a percentage of noncapital expenditures	9.68%	9.23%	8.66%	7.20%	6.55%	6.76%	7.59%	7.74%	7.12%	6.87%

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				Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
	Residential Property	Commercial Property	Industrial Property	Present-use Value (1)					
1998	2,044,564,703	673,621,360	35,186,748	52,608,122	1,007,662,014	94,278,029	3,907,922,976	0.580	4,366,488,917
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	2,276,831,310	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	632,814,816	44,873,530	52,983,046	1,222,690,633	91,167,094	4,556,124,600	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	2,829,225,703	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	6,115,478,675
2006	3,215,295,945	1,211,684,688	43,244,210	67,076,256	1,366,718,652	117,580,795	6,021,600,546	0.610	7,323,766,171
2007	3,344,559,741	1,346,918,941	42,427,600	67,623,321	1,430,699,795	108,576,827	6,340,806,231	0.610	*

\*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**

	<u>Year Taxes Are Payable</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003(1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Craven County</b>	\$ .5800	\$ .5700	\$ .5700	\$ .5700	\$ .6000	\$ .5800	\$ .5600	\$ .5600	\$ .6100	\$ .6100
<b><u>Municipality Rates:</u></b>										
Bridgeton	.5000	.5000	.5000	.5000	.4700	.4700	.4700	.4700	.4700	.4700
Cove City	.1500	.1500	.1500	.1500	.1500	.1500	.1500	.1500	.1500	.1500
Dover	.3000	.3000	.3000	.3000	.3000	.3000	.3000	.3000	.3000	.3000
Havelock	.3900	.3900	.3900	.3900	.4200	.4200	.4200	.4500	.4500	.4900
New Bern	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700
River Bend	.1500	.1500	.1500	.1800	.1900	.1900	.1900	.2200	.2200	.2200
Trent Woods	.0930	.0930	.0930	.0930	.0930	.1300	.2700	.2700	.2700	.2700
Vanceboro	.5000	.5000	.5000	.5000	.5000	.4800	.4800	.4800	.4800	.4800
<b><u>Fire Districts:</u></b>										
Rhems	.0275	.0275	.0375	.0375	.0375	.0375	.0375	.0375	.0375	.0375
Township #1	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238
Tri Community	.0297	.0297	.0297	.0297	.0297	.0297	.0350	.0350	.0350	.0350
Little Swift Creek	.0590	.0590	.0590	.0590	.0590	.0590	.0590	.0590	.0590	.0590
Township #3	.0681	.0681	.0681	.0681	.0681	.0681	.0681	.0681	.0681	.0681
Township #5	.0561	.0561	.0561	.0661	.0661	.0600	.0570	.0570	.0570	.0570
Township #6	.0380	.0380	.0380	.0350	.0350	.0375	.0475	.0675	.0675	.0675
Township #7	.0365	.0365	.0365	.0365	.0365	.0270	.0270	.0270	.0270	.0270
West New Bern	.0256	.0256	.0356	.0356	.0356	.0312	.0312	.0312	.0362	.0362
Township #9	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713
Sandy Point	.0619	.0619	.0619	.0619	.0619	.0567	.0567	.0567	.0567	.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 2007			Fiscal Year 1998		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Weyerhaeuser Company	Wood pulp manufacturer	\$ 212,518,030	1	3.35%	\$ 158,866,815	1	4.07%
BSH Home Appliances Corp	Home appliance manufacturer	98,259,156	2	1.55%			
Carolina Telephone & Telegraph Co.	Communications utility	40,577,577	3	0.64%	39,847,000	3	1.02%
Carolina Power & Light Company	Electric utility	37,438,316	4	0.59%	29,958,360	4	0.77%
Hatteras Yachts	Yacht builder	30,002,144	5	0.47%	11,329,440	9	0.29%
Craven Wood Energy LTD	Electricity manufacturer	15,549,636	6	0.25%	53,247,279	2	1.36%
Actus Lend Lease	Real estate development	14,766,000	8	0.23%			
Fairfield Communities	Real estate development	13,283,690	7	0.21%	12,504,420	8	0.32%
DDR Xenia & New Bern LLC	Real estate development	13,536,930	9	0.21%			
Amital Spinning Corp	Yarn manufacturer	12,213,613	10	0.19%	15,207,294	5	0.39%
Peter Leibowits	Mall development				9,623,560	10	0.25%
S-B Power Tool Company	Power tool manufacturer				14,363,308	6	0.37%
Moen Incorporated	Plumbing products mfr.				12,833,043	7	0.33%
Totals		<u>\$ 488,145,092</u>		<u>7.70%</u>	<u>\$ 357,780,519</u>		<u>9.16%</u>

Source: Craven County Tax Department

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
1998	\$ 22,866,879	\$ (168,328)	\$ 22,698,551	\$ 22,181,086	97.72%	\$ 442,334	\$ 22,623,420	99.67%
1999	23,497,905	53,833	23,551,738	23,051,868	97.88%	419,855	23,471,723	99.66%
2000	23,973,204	640,060	24,613,264	23,930,186	97.22%	585,160	24,515,346	99.60%
2001	25,619,122	(167,174)	25,451,948	24,761,949	97.29%	593,899	25,355,848	99.62%
2002	27,527,244	(225,539)	27,301,705	26,493,834	97.04%	694,788	27,188,622	99.59%
2003	32,173,298	(785,503)	31,387,795	30,482,909	97.12%	754,796	31,237,705	99.52%
2004	31,563,099	(221,056)	31,342,043	30,570,553	97.54%	621,908	31,192,461	99.52%
2005	32,468,045	(133,839)	32,334,206	31,690,897	98.01%	515,560	32,206,457	99.60%
2006	36,919,653	(321,980)	36,597,673	35,915,565	98.14%	494,557	36,410,122	99.49%
2007	39,046,381	(315,261)	38,731,120	38,031,297	98.19%	-	38,031,297	98.19%

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			
1998	\$ 26,880,000	\$ 2,865,000	\$ 7,870,563	\$ 217,050	\$ 6,493,500	\$ 590,000	\$ 3,915,418	\$ 48,831,531	\$ 552	2.44%
1999	23,605,000	2,700,000	17,873,035	103,332	6,216,700	590,000	4,288,688	55,376,755	628	2.61%
2000	20,330,000	2,520,000	17,256,104	381,356	5,901,300	583,500	4,156,764	51,129,024	559	2.33%
2001	20,180,000	2,330,000	16,275,627	275,805	5,551,600	577,000	3,885,896	49,075,928	536	2.07%
2002	46,930,000	1,595,000	15,238,459	212,813	5,124,600	570,500	319,330	69,990,702	758	2.92%
2003	45,680,000	820,000	14,258,760	144,972	4,229,600	564,000	1,037,789	66,735,121	722	2.80%
2004	45,755,000	-	13,248,452	71,907	2,067,800	-	1,118,743	62,261,902	667	2.50%
2005	43,185,000	-	12,073,442	-	1,690,800	-	1,824,045	58,773,287	631	2.19%
2006	40,560,000	-	10,851,937	-	1,282,500	-	1,711,408	54,405,845	578	1.88%
2007	37,930,000	-	28,527,793	-	839,500	-	1,598,771	68,896,064	721	*

\*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 calendar year ended during the fiscal year.  
 Calendar 2006 personal income not available to calculate fiscal year 2007.

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
1998	\$ 33,373,500	\$ 4,638,346	\$ 28,735,154	1.43%	0.74%	\$ 325
1999	29,821,700	3,496,004	26,325,696	1.24%	0.64%	299
2000	26,231,300	2,957,736	23,273,564	1.06%	0.54%	254
2001	25,731,600	2,959,789	22,771,811	0.96%	0.51%	249
2002	52,054,600	4,529,563	47,525,037	1.98%	1.04%	515
2003	49,909,600	3,339,171	46,570,429	1.95%	0.86%	503
2004	47,822,800	2,805,486	45,017,314	1.81%	0.81%	482
2005	44,875,800	2,640,065	42,235,735	1.58%	0.73%	453
2006	41,842,500	1,785,303	40,057,197	1.39%	0.67%	425
2007	38,769,500	3,704,012	35,065,488	*	0.55%	367

\*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 2006 personal income not available to calculate fiscal year 2007.

(2) See schedule 5 for property value data.

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value of Property	\$ 3,907,923	\$ 4,122,031	\$ 4,309,840	\$ 4,457,111	\$ 4,556,125	\$ 5,396,476	\$ 5,565,211	\$ 5,770,566	\$ 6,021,601	\$ 6,340,806
Debt Limit, 8% of Assessed Value (Statutory Limitation)	312,834	329,762	344,771	356,569	364,490	431,718	445,217	461,645	481,728	507,264
Amount of Debt Applicable to Limit										
Gross debt	46,832	55,377	51,129	49,076	69,991	66,735	62,262	58,773	54,406	68,896
Less: Amount available for repayment of g.o.bonds	4,638	3,496	2,958	2,960	4,530	3,339	2,805	2,640	1,785	3,704
Debt outstanding for water and sewer purposes	10,409	10,505	10,058	9,437	5,125	5,267	3,187	3,515	2,994	2,438
Revenue bonds	3,455	3,290	3,104	2,907	2,166	1,384	-	-	-	-
Total net debt applicable to limit	<u>30,329</u>	<u>38,065</u>	<u>35,010</u>	<u>33,772</u>	<u>58,171</u>	<u>56,745</u>	<u>56,270</u>	<u>52,618</u>	<u>49,627</u>	<u>62,754</u>
Legal Debt Margin	<u>\$ 282,305</u>	<u>\$ 291,877</u>	<u>\$ 309,761</u>	<u>\$ 322,797</u>	<u>\$ 306,319</u>	<u>\$ 374,974</u>	<u>\$ 388,947</u>	<u>\$ 409,027</u>	<u>\$ 432,101</u>	<u>\$ 444,510</u>
Total net debt applicable to the limit as a percentage of debt limit	9.70%	11.55%	10.15%	9.47%	15.96%	13.14%	12.64%	11.40%	10.30%	12.37%

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

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

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (2) (thousands of dollars)</u>	<u>Per Capita Personal Income (2)</u>	<u>Public School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>	<u>Number of Building Inspections Performed(5)</u>
1998	88,475	\$ 2,004,798	\$ 22,493	14,748	4.40%	N/A
1999	88,129	2,118,079	23,523	14,613	4.40%	N/A
2000	91,523	2,190,549	24,114	14,690	4.30%	N/A
2001	91,556	2,370,029	25,855	14,644	4.20%	6,450
2002	92,299	2,400,702	25,840	14,465	5.70%	7,124
2003	92,494	2,385,406	25,832	14,362	6.20%	6,767
2004	93,402	2,489,593	26,654	14,388	5.90%	8,744
2005	93,192	2,678,705	28,794	14,523	5.00%	10,426
2006	94,207	2,889,407	30,794	14,609	5.00%	12,633
2007	95,566	*	*	14,632	4.40%	13,000

\* Information not yet available.

**Notes:**

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

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

Employer	2007			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Department of Defense (1)	5,513	1	13.32%	5,600	1	14.59%
Craven County Schools	1814	2	4.38%	1,780	2	4.64%
Craven Regional Medical Center	1799	3	4.35%	1,505	3	3.92%
Hatteras Yachts	1398	4	3.38%	800	6	2.08%
BSH Home Appliances	1178	5	2.85%			
Moen Incorporated	850	6	2.05%	950	4	2.48%
State of North Carolina	964	7	2.33%	883	5	2.30%
Craven County	608	8	1.47%	565	8	1.47%
Wal-Mart	537	9	1.30%			
Craven Community College	476	10	1.15%	454	9	1.18%
Weyerhaeuser Company				705	7	1.84%
City of New Bern				400	10	1.04%
	<u>15,137</u>		<u>36.57%</u>	<u>13,642</u>		<u>35.54%</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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	82	88	89	88	89	98	94	92	87	83
Public safety	108	112	115	118	120	125	128	125	129	134
Social services	201	182	187	185	197	200	201	203	207	204
Economic and physical development	5	5	5	19	19	19	19	18	23	19
Environmental protection	25	25	33	39	32	33	31	30	33	36
Health	125	116	112	104	94	95	97	102	97	111
Cultural and recreation	13	11	12	11	11	11	10	10	7	8
Water/Sewer (Business activity)	13	13	13	13	13	13	13	13	13	13
<b>Total</b>	<b>572</b>	<b>552</b>	<b>566</b>	<b>577</b>	<b>575</b>	<b>594</b>	<b>593</b>	<b>593</b>	<b>596</b>	<b>608</b>

Source: County Finance Department

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Public Safety</u></b>										
Fire/Rescue calls to County E911					6,423	6,591	6,973	7,331	7,517	8,083
Average daily population in jail							154	158	175	185
Number of papers served (3)							18,820	17,366	16,229	7,976
<b><u>Health Services</u></b>										
Food and lodging inspections							1,225	1,424	1,647	1,150
Home health/hospice visits					16,893	17,986	15,640	17,478	16,573	16,603
Visits to health department					27,956	27,550	27,546	27,563	27,579	26,199
<b><u>Transportation Services</u></b>										
Number of miles driven (1)						790,262	814,546	843,124	808,771	761,466
Number of trips provided (1)						108,315	109,225	106,627	101,235	100,754
<b><u>Tax/Real Estate Services</u></b>										
Deed transfers processed	3,955	3,858	3,871	3,742	3,702	4,047	4,574	5,446	6,405	6,134
Number of real estate parcels	45,152	46,049	46,889	47,729	48,306	48,600	49,824	50,933	52,163	54,469
Number of tax bills generated	125,087	124,437	131,431	135,808	138,838	142,600	145,735	143,765	147,675	150,126
<b><u>Economic and Physical Development</u></b>										
County tourism revenues (2)	\$67.55	\$69.06	\$74.09	\$69.67	\$72.32	\$74.73	\$79.68	\$87.42	\$94.16	n/a
Economic impact of convention center (2)					\$7.01	\$6.91	\$8.27	\$9.06	\$9.00	\$8.73
Number of registered voters	46,749	47,915	48,165	51,914	56,456	57,195	55,749	60,503	60,653	61,668
Number of enplanements at airport (3)	68,723	77,289	88,509	81,047	78,139	70,443	92,516	97,876	90,221	47,446
<b><u>Water Services</u></b>										
Number of service connections	8,348	9,814	9,956	10,174	10,400	10,614	10,851	11,570	12,001	12,300

**Notes:**

- (1) These amounts shown as 2007 are for calendar year ending December 31, 2006.
- (2) Amounts shown are millions of dollars
- (3) Amounts shown are by calendar year, therefore the amount shown for 2007 is only six months.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><u>Public Safety</u></b>										
Correction facility rated capacities	121	121	121	161	161	161	161	161	161	161
<b><u>Parks and Land Use</u></b>										
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
<b><u>Water Service</u></b>										
Miles of water main	480	540	565	565	580	595	615	625	645	650
Number of elevated water tanks (1)	9	9	9	9	8	8	8	8	9	9
<b><u>Transportation Services</u></b>										
Number of CARTS vehicles	30	30	30	30	31	32	32	32	32	32
<b><u>Economic and Physical Development</u></b>										
Convention center			1	1	1	1	1	1	1	1
Number of remaining acres in Industrial Park	322	322	322	322	294	258	258	196	192	192
<b><u>Airport</u></b>										
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

**COMPLIANCE SECTION**

Craven County



# 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, 2007, which collectively comprise Craven County's basic financial statements, and have issued our report thereon dated November 2, 2007. Our report was modified to refer to an accounting change at Craven Regional Medical Authority, a discretely presented component unit. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

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

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

### ***Compliance and Other Matters***

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

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  
November 2, 2007

# 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, 2007. 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, 2007.

### ***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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, 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  
November 2, 2007

# 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, 2007. 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, 2007.

### ***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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, 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  
November 2, 2007

*McGladrey & Pullen, LLP*

CRAVEN COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2007

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
  
- Significant deficiency(ies) 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
  
- Significant deficiency(ies) identified  
that are not considered to be  
material weaknesses? Yes            X None reported



**CRAVEN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2007**

State Awards

Internal control over major State programs:

- |                                     |       |       |    |
|-------------------------------------|-------|-------|----|
| • Material weakness(es) identified? | Yes   | X     | No |
|                                     | _____ | _____ |    |
  
- |   |       |       |               |
|---|-------|-------|---------------|
| • Significant deficiency(ies) identified<br>that are not considered to be<br>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
Subsidized Child Care Cluster	N/A

**CRAVEN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Fiscal Year Ended June 30, 2007**

**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, 2007**

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, 2007**

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, 2007  
 (Page 1 of 5)

CFDA Number	Grantor's Number	Expenditures		
		Federal	State	Local
<b>FEDERAL AWARDS:</b>				
<b>US Department of Agriculture</b>				
Passed through NC Department of Agriculture Administered by Craven County Sheriff:				
	National Forest	10 418	05-LE-1108122-163	\$ 9,295 \$ - \$ -
<u>Food and Nutrition Service</u>				
Administered by County Department of Social Services:				
	Temporary Emergency Food Assistance Program Commodities (Non-cash)	10 550		2,484 - 1,451
				<u>11,779 - 1,451</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	420,129 - 5,948
Direct Benefit Payments:				
	Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5405	1,994,578 - -
				<u>2,414,707 - 5,948</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		8,933,467 - -
	Food Stamp Admin	10.561		478,513 - 478,513
	Food Stamp Issuance	10.561		41,598 - 41,598
	Food Stamp Fraud Admin	10.561		65,922 - 65,922
	Food Stamp Emp and Training	10.561		1,225 - 1,225
Total Food Stamp Cluster				<u>9,520,725 - 587,258</u>
Total US Department of Agriculture				<u>11,947,211 - 594,657</u>
<b>US Department of Justice:</b>				
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-166 & 167	30,368 - -
<b>US Election Assistance Commission:</b>				
Passed through NC Board of Elections.				
Passed through County Finance Department.				
	Administered by Craven County Board of Elections: Title II Curr Voting Sys	90 401		(4,826) - 4,826
<b>US Department of Transportation</b>				
<u>Federal Aviation Administration</u>				
Direct Programs:				
Administered by Craven Regional Airport:				
Airport Improvement Program:				
	LEO Staff	20.106	DTSA20-02-P5026	127,663 - -
	Airport Improvement Project No. 25	20.106	3-37-0050-25	13,500 - 381
	Airport Improvement Project No. 26	20.106	3-37-0050-26	414,500 - 45,570
Total US Department of Transportation				<u>555,663 - 45,951</u>
<b>Department of Homeland Security</b>				
Division of Emergency Management:				
Passed through NC Department of Crime Control and Public Safety.				
Administered by Craven County Emergency Services:				
	Hazardous Materials Emergency Preparedness	97 004	HMEP 2005-014	4,925 - -
	Homeland Security	97 004	2004-GE-T4-0014-4024	4,304 - -
	Emergency Management Assistance - Performance	97 042	EM PA 00 025 24	29,457 - -
Administered by Craven County Sheriff:				
	Bullet Proof Vests	97 004	BVP 2006	6,971 - 6,956
	State Criminal Alien Assistance Program	16.606	2006-F3299NC-AP	3,290 - 724
Total Federal Emergency Management Agency				<u>48,947 - 7,680</u>
<b>US Department of Education</b>				
Passed through NC Department of Human Resources:				
Division of Social Services				
	Administered by County Department of Social Services: Vocational Rehabilitation	84 126		49,521 - 13,403

**CRAVEN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES**  
 For the Fiscal Year Ended June 30, 2007  
 (Page 2 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>US Department of Health and Human Services</b>					
<b>Administration on Aging</b>					
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					
	93 044		\$ 52,942	\$ 9,343	\$ 6,921
Administered by Coastal Community Action					
Senior Companion Program					
	93 045		22,868	4,035	2,989
Administered by Craven County Department of Social Services:					
Congregate Meals					
	93 045		67,442	11,902	8,816
USDA Congregate					
	93 045		10,475	-	-
Home Delivered Meals					
	93 045		92,460	16,316	12,086
USOA Home Delivered Meals					
	93 045		14,907	-	-
In Home Level II					
	93 044		112,800	19,906	14,745
Care Management Administration					
	93 044		66,961	11,817	8,753
Administered by Craven County Home Health					
In Home Services Level III					
	93 044		17,451	3,080	2,281
			<u>458,306</u>	<u>76,399</u>	<u>56,591</u>
<b>Administration for Children and Families</b>					
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		777,460	(244)	-
Work First Admin					
	93 558		284,880	-	298,844
Work First Service					
	93 558		1,544,857	-	832,600
Family Support Payments					
	93 560		(162)	(44)	(44)
			<u>2,607,035</u>	<u>(288)</u>	<u>1,131,400</u>
Refugee Assistance Administration					
	93 566		1,125	-	-
IV-D Child Support Enforcement:					
Administration					
	93 563		23,720	-	12,220
Low-Income Home Energy Assistance					
Administration					
	93 568		15,847	-	-
Energy Assistance Payments - Direct Benefit Payments					
	93 568		228,193	5,474	-
Crisis Intervention Payments					
	93 568		127,430	-	-
			<u>371,470</u>	<u>5,474</u>	<u>-</u>
Administered by Craven County Health					
Child Welfare Services					
Permanency Planning					
Adolescent Parenting					
	93 645		41,080	18,990	23,676
Permanency Planning - Families for Kids					
	93 645		22,901	7,634	-
Permanency Planning - Special					
	93 645		6,366	-	2,122
Adoption Subsidy					
			-	155,979	44,845
			<u>70,347</u>	<u>182,603</u>	<u>70,643</u>
Foster Care and Adoption Cluster					
Title IV-E Foster Care:					
Administration					
	93 658		213,592	-	210,258
Foster Care - At Risk					
			-	45,049	24,342
IV-E CPS					
	93 658		369,291	113,311	255,979
Foster Care - Direct Benefit Payments					
	93 658		128,686	29,468	40,047
Title IV-E Adoption Subsidy					
	93 659		172,199	42,103	63,726
			<u>883,768</u>	<u>229,931</u>	<u>594,352</u>
Division of Child Development					
Administered by Craven County DSS					
Subsidized Child Care Cluster					
Child Care & Development Fund - Discretionary					
	93 575		1,644,305	-	-
Child Care & Development Fund - Mandatory					
	93 596		657,781	-	-
Child Care & Development Fund - Match					
	93 596		526,129	291,690	-
Child Care & Development Fund - Administration					
	93 596		170,573	40,242	-
Social Services Block Grant					
	93 667		32,809	-	-
Temporary Assistance for Needy Families					
	93 558		602,701	-	-
TANF - MOE					
			-	687,546	-
Smart Start					
			-	45,709	-
State Appropriation					
			-	219,565	-
			<u>3,634,298</u>	<u>1,284,752</u>	<u>-</u>

CRAVEN COUNTY, NORTH CAROLINA  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES**  
 For the Fiscal Year Ended June 30, 2007  
 (Page 3 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>Administered by County Department of Social Services</b>					
<b>Social Services Block Grant</b>					
<b>Family Planning.</b>					
Adopt FC	93 667		\$ 135,601	\$ -	\$ 17
In-Home Services	93 667		62,168	-	8,881
In-Home Services over 60	93 667		57,573	-	8,225
Other Services and Training	93 667		299,785	38,051	112,612
			<u>555,127</u>	<u>38,051</u>	<u>129,735</u>
<b>Passed through NC Department of Health and Human Services</b>					
<b>Administered by County Department of Social Services.</b>					
Independent Living - Foster Care	93 674		12,965	1,656	-
<b>Health Care Financing Administration</b>					
<b>Passed through NC Department of Health and Human Services</b>					
<b>Division of Medical Assistance.</b>					
<b>Administration</b>					
Medical Assistance Program	93 778		1,125,080	-	1,125,080
Eligibility Workers Administration - MA	93 778		19,417	19,417	-
Medical Transportation Administration	93 778		82,127	-	82,127
Medicaid At-Risk Administration	93 778		65,265	1,588	2,268
<b>Other:</b>					
Adult Care Home Case Management	93 778		64,389	30,858	33,531
Transportation Regular	93 778		190,132	87,644	20,719
NC Health Choice	93 767		56,332	3,273	15,542
<b>Direct Benefit Payments:</b>					
Medical Assistance Program	93 778		58,825,400	28,880,651	5,128,129
<b>Passed through Craven County Finance Office</b>					
Craven Smart Start			-	5,613	-
			<u>60,428,142</u>	<u>29,029,044</u>	<u>6,407,396</u>
<b>Center for Disease Control</b>					
<b>Division of Epidemiology.</b>					
<b>Administered by County Health Department.</b>					
Preventive Health and Health Services Block Grant					
Adult Health- Statewide Health Promotion	93 991		22,633	11,760	(348)
<b>Health Resources and Services Administration</b>					
<b>Passed through NC Department of Health and Human Services</b>					
<b>Division of Public Health</b>					
Family Planning	93 217		83,515	-	-
Immunization Action Plan/ Aid to County Funding	93 268		37,858	-	8,503
BioTerrorism Grant	93 283		74,364	-	(3,902)
Prevention Investigations and Technical Assistance	93 283		27,500	-	184
Minority Health Cancer Initiative	93 283		11,250	-	-
Temporary Assistance for Needy Families	93 558		12,377	-	-
CDC Refugee Health	93 987		1,869	-	840
Diabetes Control Program Project Direct	93 988		52,505	8,635	(11,886)
<b>Maternal and Child Health Services Block Grant:</b>					
Maternal Health	93 994		97,544	71,428	644,853
Womens Preventive Health	93 994		144,768	1,421	183,343
Child Health	93 994		124,761	-	897,558
			<u>668,311</u>	<u>81,484</u>	<u>1,719,493</u>
<b>Total US Department of Health and Human Services</b>			<u>69,737,247</u>	<u>30,940,866</u>	<u>10,121,482</u>
<b>STATE ASSISTANCE</b>					
<b>NC Department of Health and Human Services</b>					
<b>Division of Social Services.</b>					
<b>Administered by County Department of Social Services</b>					
State/County Special Assistance Benefits Payments			-	673,095	673,095
State/County Special Assistance			-	-	68,519
Energy Assistance, Carolina Power & Light Project			-	5,474	-
Food Stamp Tax Intercept			-	8,839	-
Medicaid Maximization			-	473,786	-
State Aid to Counties			-	79,306	-
CPS Expansion			-	84,411	-
Family Care Giver			-	27,109	-
State Foster Home			-	73,742	73,741
State Adult Protective Services			-	62,783	-
			-	<u>1,488,545</u>	<u>815,355</u>
<b>Division of Services for the Blind.</b>					
<b>Administered by County Department of Social Services.</b>					
Services for the Blind			-	35,456	4,534

CRAVEN COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES  
 For the Fiscal Year Ended June 30, 2007  
 (Page 4 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>Health Divisions</b>					
Administered by County Health Department					
General			\$ -	\$ 79,925	\$ -
Communicable Disease			-	7,149	43,411
Tuberculosis			-	31,587	35,423
AIDS - State			-	12,500	27,576
TB Medical Services			-	1,700	-
Public Health Nurse Training			-	2,000	-
Children's Special Health Services			-	3,434	-
Minonty Health			-	6,795	-
			-	145,090	106,410
Total NC Department of Health and Human Services					
			-	1,669,091	926,299
<b>NC Department of Juvenile Justice and Delinquency Prevention</b>					
Division of Youth Services					
Juvenile Crime Prevention Program					
Administered by County Finance Department:					
Psychological Services for Court Referred Youth		825041	-	4,800	-
Juvenile Restitution Fund		825181	-	44,000	-
Passed through County Finance Department					
Tau Rites of Passage		825023	-	17,000	-
Committee for Children		825000	-	800	-
Resolve		825022	-	54,890	-
Home-based Intervention and Treatment-Disciplined					
Teen Court		825032	-	12,000	-
Structured Day Reporting		825006	-	83,203	-
United Cerebral Palsy - Home Based Treatment		825066	-	48,000	-
			-	264,693	-
Total NC Department of Juvenile Justice and Delinquency Prevention					
			-	264,693	-
<b>NC Department of Environment and Natural Resources</b>					
Natural Resources Division					
Administered by County Soil Conservation Department					
Soil Conservation State Matching Funds		DSWC-2006-25	-	30,147	74,484
Division of Parks and Recreation:					
Administered by Craven County Recreation:					
Northwest Craven Park		PARTF 2005-396	-	106,185	109,054
Division of Community Assistance					
Administered by Craven County Planning					
Community Development Block Grant		06-C-1523	-	34,573	(3,350)
CORE Land Use Plan		507070	-	15,275	6,642
			-	49,850	3,292
Total NC Department of Environment and Natural Resources					
			-	186,182	186,830
<b>NC Department of Transportation:</b>					
Administered by Craven Area Rural Transportation System:					
Administration and Operations		9.9046028	-	189,924	597,524
Capital		9.9052029	-	112,514	161,285
Executive Parkway Extension		1901478254	-	60,000	-
Rural Operating Assistance Program (ROAP):					
Elderly Handicap		EHTAP	-	80,736	-
General Public Transportation (Craven)		GPT	-	90,990	-
Pass through Pitt County:					
General Public Transportation (Pamlico & Jones)		GPT	-	52,344	-
Pass through Craven County Finance:					
Little Swift Creek Volunteer Fire Department		WBS2C-025050	-	12,500	-
			-	599,008	758,809
Administered by Craven Regional Airport:					
Annual Appropriation - State Aid to Airports		9.9417010	-	300,000	293,496
NC Consortium of Small Commercial Air Service					
Developmental Pilot Program		W381 17700009800	-	32,595	-
General Aviation Terminal			-	-	4,779
			-	332,595	298,275
Total NC Department of Transportation					
			-	931,603	1,057,084
<b>NC Department of Corrections:</b>					
Administered by Craven County Day Reporting Center					
Criminal Justice Partnership Program		025-0700-1-A	-	104,774	-
<b>NC Department of Commerce:</b>					
Administered by Craven County Economic Development					
Wirtwein/Carolina Plastics			-	112,500	-
<b>Department of the State Treasurer:</b>					
Public School Building Capital Fund					
			-	1,150,405	-
<b>NC Department of Administration:</b>					
Division of Veterans Affairs:					
Administered by Craven County Department of Veterans Services					
Veterans Services			-	2,000	-

**CRAVEN COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES**  
 For the Fiscal Year Ended June 30, 2007  
 (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			\$ -	\$ 49,127	\$ -
NC Department of Elections:					
Administered by Cooperative Extension					
Senior Health Insurance Information Program (SHIIP)			-	3,100	-
Office of State Controller					
Unauthorized Substance Abuse			-	33,361	-
Total Federal Expenditures			<u>\$ 82,364,131</u>		
Total State Expenditures				<u>\$ 35,447,702</u>	
Total Local Expenditures					<u>\$ 12,958,212</u>
Federal Aviation Administration					
Administered by Craven Regional Airport:					
Passenger Facility Charges		96-01-C-00-EWN	<u>\$ 342,162</u>	\$ -	\$ -

**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, 2007**

**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 \$342,162 and are included on the schedule of federal awards.

Revenue from passenger facility charges for the year ended June 30, 2007 consists of \$380,252 for passenger facility charges plus \$15,879 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, 2006	Loan Proceeds	Principal Repayments	Loan Balance June 30, 2007
NC Clean Water Revolving Loan & Grant Program	N/A	\$ 1,522,170	\$ -	\$ 80,114	\$ 1,442,056