

CRAVEN COUNTY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2008



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

Craven County



INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal	1 - 12
GFOA Certificate of Achievement	13
List of Principal Officials	14
Organizational Chart	15
Map of Craven County, North Carolina	16

FINANCIAL SECTION

Independent Auditor's Report	17 – 18
Management's Discussion and Analysis (Unaudited)	19 – 33
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	34
Statement of Activities	35
Fund Financial Statements	
Balance Sheet – Governmental Funds	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	37
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	40 - 42
Statement of Net Assets – Proprietary Funds	43
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	44
Statement of Cash Flows – Proprietary Funds	45
Statement of Fiduciary Net Assets – Fiduciary Funds	46
Notes to Financial Statements	47 - 92
Required Supplementary Information:	
Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance	93
Schedule of Employer Contributions for Law Enforcement Officers' Special Separation Allowance	93
Other Supplementary Information:	
Schedule of Ad Valorem Taxes Receivable	94
Analysis of Current Tax Levy	95
Combining Schedules of Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	96
Combining Balance Sheet – Nonmajor Special Revenue Funds	97
Combining Balance Sheet – Nonmajor Capital Project Funds	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	101
<i>Special Revenue Funds:</i>	
Detailed Balance Sheet – All Fire District Funds	102
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances- All Fire District Funds	103
Schedules of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual – All Fire District Funds	104 - 114

Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual:	
E-911 Fund.....	115
Emergency Telephone System E-911 Fund.....	116
Occupancy Tax Fund.....	117
2006 CDBG Project Scattered Sites Project Fund	118
Predisaster Mitigation 06 Fund	119
 <i>Debt Service Fund:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	120
 <i>Capital Project Funds:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual:	
Judicial Center Project Fund	121
County Reserve Capital Project Fund	122
New Elementary School Project Fund.....	123
Mapping Project Fund.....	124
Orthophotography Project Fund.....	125
Northwest Craven Park Project Fund	126
Fiber Optic Project Fund.....	127
Schools Special Project Fund.....	128
New World Software Project Fund	129
 <i>Enterprise Funds:</i>	
Combining Schedule of Net Assets – Nonmajor Enterprise Funds	130
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds	131
Combining Schedule of Cash Flows – Nonmajor Enterprise Funds	132
Schedule of Net Assets – Craven County Water Fund	133
Detailed Schedule of Revenues, Expenses and Changes in Net Assets – Craven County Water Fund.....	134
Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis:	
Craven County Water Operating Fund	135 - 136
PeeDee Aquifer Capital Project Fund	137
Northwest Craven Roads Project Fund	138
Blended Component Unit, Township 6 Water and Sewer District.....	139
Blended Component Unit, Northwest Craven Water and Sewer District.....	140
Blended Component Unit, Neuse River Water and Sewer District	141
 <i>Internal Service Fund:</i>	
Schedule of Revenues, Expenditures and Other Financing Sources (Uses), Budget and Actual, Non-GAAP, Modified Accrual Basis	142
 <i>Agency Funds:</i>	
Combining Balance Sheet – All Agency Funds.....	143
Schedule of Changes in Assets and Liabilities – All Agency Funds.....	144
 <i>Component Units:</i>	
Tourism Development Authority Fund (A Component Unit)	
Detailed Balance Sheet	145
Schedule of Revenues, Expenditures and Changes in Net Assets Budget and Actual	146
Craven County Regional Airport Authority (A Component Unit)	
Combining Balance Sheet	147
Combining Schedule of Revenues, Expenses and Changes in Net Assets.....	148
Combining Schedule of Cash Flows.....	149

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

Operating Fund	150-151
Terminal Area Development Site No. 25 Capital Project Fund	152
Terminal Area Development Site No. 26 Capital Project Fund	153
General Aviation Terminal Capital Project Fund.....	154
Terminal Area Development Site No. 27 Capital Project Fund	155
Parking Lot Expansion Capital Project Fund	156

Capital Assets Used in the Operation of Governmental Funds

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source.....	157
Capital Assets Used in the Operation of Governmental Funds Schedule by Function & Activity.....	158
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function & Activity.....	159

STATISTICAL SECTION (Unaudited)

Net Assets by Component – Last Five Fiscal Years (Schedule 1)	160
Changes in Net Assets – Last Five Fiscal Years (Schedule 2).....	161 - 162
Fund Balances – Governmental Funds – Last Ten Fiscal Years (Schedule 3).....	163
Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years (Schedule 4)	164
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years (Schedule 5).....	165
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years (Schedule 6)	166
Principal Property Taxpayers – Current Year and Nine Years Ago (Schedule 7)	167
Property Tax Levies and Collections – Last Ten Fiscal Years (Schedule 8)	168
Ratios of Outstanding Debt by Type – Last Ten Fiscal years (Schedule 9).....	169
Ratio of Net General Bonded Debt Outstanding – Last Ten Fiscal Years (Schedule 10).....	170
Legal Debt Margin Information – Last Ten Fiscal Years (Schedule 11)	171
Demographic and Economic Statistics – Last Ten Fiscal Years (Schedule 12).....	172
Principal Employers – Current Year and Nine Years Ago (Schedule 13)	173
Full-time Equivalent County Government Employees by Function – Last Ten Fiscal Years (Schedule 14)	174
Operating Indicators by Function – Last Ten Fiscal Years (Schedule 15).....	175
Capital Asset Statistics by Function – Last Ten Fiscal Years (Schedule 16)	176

COMPLIANCE SECTION

Independent Auditor’s Report on:

Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	177 - 178
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	179 - 180
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.....	181 - 182
Schedule of Findings and Questioned Costs	183 - 186
Corrective Action Plan	187
Status of Prior Audit Findings	188
Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges.....	189 - 193
Notes to Schedule of Expenditures of Federal and State Awards and Passenger Facility Charges.....	194

Craven County



INTRODUCTORY SECTION

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

Craven County



Craven County



October 30, 2008

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, 2008.

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 present 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 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 largest Marine Corps Air Station on the East Coast, employing 5,400 civilian workers. The Air Station is home of the 2nd Marine Aircraft Wing and sits on 13,164 acres of land in Craven County. The 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.

Over time, 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 government-wide financial statements to emphasize that they are legally separate from the primary government and to distinguish their financial positions and changes in financial position 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 of Governments, Craven Community College, and the Coastal Regional Solid Waste Management Authority have not met the criteria for inclusion in the reporting entity as component units and, accordingly, the financial information for these organizations is excluded from this report. Each of these entities publishes its own annual financial report to which the reader is referred.

THE LOCAL ECONOMY

Craven County continues to experience a steady level of economic growth. Per capita personal income in Craven County increased by 4.1 percent, to \$31,107, for the calendar year 2006 (the latest information available). The change for the state of North Carolina in 2006 was 5.0 percent and nationally the change was 5.6 percent. The County's per capita income level is 96 percent of the state average and 85 percent of the national average. The County ranked nineteenth out of one hundred counties in the state in per capita income. The 1996-2006 average annual growth rate of per capita personal income for the County was 3.8 percent, while the average annual growth rate for the state was 3.7 percent and 4.3 percent for the nation. The number of building inspections performed by the County Inspection Department, in fiscal 2008, was down 26% from the prior year as a result of the slowdown in the housing market. This 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 30.0 percent of all jobs, down almost one percent from a year ago and over 2 percent from two years ago. The U.S. Marine Corps Air Station at Cherry Point provides employment for a total work force of 15,602 personnel, including 5,422 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 was down slightly from the previous year. The total payroll for the base in 2008, including Fleet Readiness Center East, is expected to be approximately \$1.23 billion while the total economic impact of the Marine Corps Air Station at Cherry Point, including

the FRC East, is estimated to be \$1.46 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 13.9 percent, health care and social assistance with 15.3 percent, manufacturing with 11.6 percent, and accommodation and food services with 8.9 percent of the total work force.

The unemployment rate in Craven County dropped to 4.1 percent annual average for calendar year 2007 from 4.5 percent in 2006. The statewide average for calendar year 2007 was 4.7 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 mixed during the year adding employees during the year while both Hatteras and Moen reduced employment. Hatteras announced a cutback in August 2008 of approximately 200 employees due to lower demand for yachts. Employment in the trade, leisure and hospitality employers increased again this year.

BSH Home Appliances, a major manufacturer in the County, with production of dishwashers, cooktops, ranges and laundry equipment, announced an expansion in December of 2006. The \$15 million expansion has been completed and added over 200 jobs. The purpose of the expansion was to produce a new line of mid-priced dishwashers to broaden its customer base. Formerly BSH produced only high-end priced dishwashers, named best in class by Consumer Reports for the past nine years. Production of the new mid-range line began in 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 over 1,200 people in Craven County. 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. As of the end of 2008 employment had grown by 36 employees and investment had increased by over \$2.5 million. 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.

In October 2008, a German manufacturer, Drahtzug Stein Holding Company, announced it will open a plant in Craven County employing between 80 and 100 people. The Company produces dishwasher baskets internationally for BSH Home Appliances. The Company will invest between \$16 and \$18 million to begin production here in the Craven County. The Company has leased the former Amital Manufacturing building directly across the street from BSH. Once full capacity is reached at the plant, two million polyamide-covered steel dishwasher baskets a year will be produced.

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. 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 will pay its \$1 million dollar pledge to the project in the

next fiscal year, assuming all conditions of the pledge are met. The County borrowed the \$1 million to be paid for the project in the COPS issue closed in August 2007. The current schedule calls for the building 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 State awarded all of the significant contracts in September 2008 for the construction and foundation work was begun in October, 2008.

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 \$704,000 in fiscal 2008, up from \$645,000 in fiscal 2007. The increase in revenues was due to the hosting of many large conventions during the year. There were 308 events held at the Center during fiscal 2008 which converted to 427 utilization days. The Center incurred an operating deficit of \$154,000 in fiscal 2008 which included setting aside \$40,000 in the capital reserve fund for future improvements. The total budgeted deficit was \$202,000. 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 23,500 overnight rooms and over \$12.9 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 2009 indicate another successful upcoming year.

Construction of new homes continues, while at a somewhat slower pace, in a large 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 annually in County property taxes.

In November 2007 Jupiter, USA announced plans to develop a large residential, retail, commercial development, along with a marina in Bridgeton. Bridgeton is located across the Neuse River from New Bern. The construction of the marina has been completed and the company is currently leasing slips. The company opened a sales center in July 2008 to market the marina and pre-sale an 18 unit high-end condominium development in the yacht club, expected to open late 2008. The long range plans call for more than 900 residential units, a large retail center, office space, hotels, and an amphitheater. In addition the developer is building a new wastewater treatment plant which will be donated to the Town of Bridgeton.

In October 2008, Weyerhaeuser Real Estate Company announced plans to develop a 600 acre development with a thousand residential units, shopping and a hotel near the NC 43 connector and Highway 70 in New Bern. The residential area will be a mix of houses, patio homes and townhouses. There also is a 35 acre site for apartments. The NC 43 connector is a 2.35 mile connector from NC 43 to US 70 and is expected to be completed in 2010. Work began in December 2007 after contracts were approved by NC DOT. The connector road was promised to BSH Home Appliances in 2001 by the State as incentive to expand operations here. The \$35.4 million project includes another road connecting BSH's main complex to NC 43 near NC 55. The road goes through undeveloped Weyerhaeuser and BSH land and will include a 30 foot overpass of a five-track railroad switching station that is expected to eliminate the switching station currently in downtown New Bern.

Construction is nearing completion on a new riverfront condominium project, SkySail Condominiums, located adjacent to the Sheraton Hotel, on the Trent River. SkySail is a 120 unit project with prices ranging from \$230,000 to over \$770,000. The project was developed by the Soleil group and currently 25% of the units have been closed with most of the remaining units under contract and expected to close in the coming months. The project is valued at \$46 million and will generate over \$250,000 of property taxes annually for the County. The property is adjacent to the location of the soon to be built Tryon Palace History Education Center. SkySail will offer 30 of the condominium units for daily rental.

Several new hotel properties are in various stages of development. Springhill Suites, a Marriot property with 109 rooms, will open in late 2008 and a new Candlewood Suites, with 74 rooms on the present location of the Economy Inn, currently 42 rooms was announced in 2008. The number of available rooms will increase by 141 with the addition of these two properties. In addition to the new properties, major renovations have been completed at the Sheraton Grand Hotel, also owned by the Soleil group, and at the Hampton Inn. Recently plans have been announced for a Best Western property in Havelock and another Best Western property just outside of New Bern. Both of these properties are expected to be 65 room facilities. Another developer is working with the City of New Bern to obtain parking for a hotel property in the downtown area. It would be a limited service Hilton or Marriot property with approximately 80 rooms.

During 2008, the Soleil group announced plans to renovate the New Bern Grand Marina, a deepwater marina adjacent to the Sheraton Hotel. The marina has 25 to 100+ foot boat slips which are being offered for sale or long term lease. Twenty slips will be available for transient travelers.

MAJOR INITIATIVES

For the Year. The County's General Fund balance increased by \$1,143,732, or 4.6 percent, in fiscal 2008. The County's unreserved General Fund balance at June 30, 2008, represents 18.5 percent of actual expenditures and transfers out for fiscal year 2008. The tax rate for fiscal 2008 remained unchanged at \$.61 per \$100 of property valuation. Property values increased from \$6.3 billion to \$6.7 billion, or 6.3 percent countywide.

During fiscal 2008 the Board of Commissioners continued to fund the capital reserve by appropriating and transferring \$.9 million from the general fund to the reserve. The capital reserve was established to provide funds that will be required for upcoming capital projects. Some of these projects include the new judicial center (discussed later), a \$2 million commitment to the Community College for a business and technology building, and over \$400,000 for new carpet in the human services building. During fiscal 2008 approximately \$2.7 million was transferred out of the reserve for use in projects. Of the \$2.7 million, \$2.2 million was transferred to the Community College and \$400,000 was transferred to the general fund for carpet at the human services building. The remainder was transferred to the general fund for improvements at the new West Craven Park.

Rather than decreasing fund balance as the budget projected by \$2.2 million, the County added approximately \$1.2 million to its fund balance for the fiscal year ending June 30, 2008. This swing of \$3.4 million was a result of actual expenditures and transfers in the general fund being \$3.2 million below budget while revenues were \$.2 million above budget. The savings in expenditures were principally in three areas: General Government expenditures were \$.6 million below budget, Health Department expenditures were \$.6 million below budget and Social Services expenditures were \$1.3 million below budget. Revenues which exceeded expectations included property tax, sales tax, intergovernmental, and investment earnings.

During fiscal 2008, construction of the new elementary school located in the Carolina Colours subdivision was completed. The County purchased 30 acres of land for the school in 2006. The school was financed through an interim installment borrowing of \$14 million in 2006 which was repaid with the August 2007 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.

In 2006, the County agreed to partner with the Board of Education, the Community College and the cities of Havelock and New Bern to design a fiber optic network to 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 allowed 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. In 2006 the County borrowed \$1.2 million, part of the previously mentioned \$18.9 million interim installment loan, 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 (two 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 was able to connect the remaining three schools through a wireless solution with funds on hand and also add other sites in the rural part of the County including two branch library sites. The County was able to do all three phases of the fiber project and the wireless portion of the project for the original amount allocated. The fiber installation was completed in July 2008 and all 22 schools in the County are now up and running on the fiber or the wireless network. In addition, as an addendum to the contract, the County appropriated an additional \$165,000 out of the Capital Reserve Fund in fiscal 2008 to construct a fiber loop between all the buildings on the New Bern campus of the Community College. This will allow them quicker response time, more band width, and the ability to utilize VOIP technology for data and voice communications. The entities expect to save approximately \$250,000 per year on phone line costs that will be replaced by this project.

In 2007, the Board of Commissioners approved a request from the Board of Education to fund approximately \$8.25 million of construction at three sites. Additions and renovations were completed in 2008 at Grover C. Fields Middle School's new media center, and J. T. Barber Elementary School's expansion of the media center and administration area. Also completed during the year 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 of Commissioners. 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. The Board of Education is currently searching for land for the high school and has narrowed the search to a couple of parcels. The telephone and intercom projects were begun late in 2008 and will be completed in fiscal 2009.

The current jail was originally built in 1982 to house approximately 78 inmates and was then double bunked in areas to provide capacity for approximately 121 inmates. The work release center, constructed in 2001 at a remote location, can house up to 40 inmates. The average daily inmate population is now approximately 200. The work release center has provided some relief, but was never expected to be the

ultimate answer to the problem. During 2006, the County engaged a construction manager and an architect to design the new facility. The project went 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 courtroom, 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 and water lines were completed in fiscal 2008. The general contractor began construction in November 2007 and work is proceeding close to schedule. The judicial center is being constructed 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 2006 \$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. The original estimated completion date was April 2009, but will likely be June 2009. The courtroom will be used for District Court, the court which hears most cases of the County jail inmates and 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 in 2008 to be used for other County projects. As of the end of fiscal 2008 the County had expended approximately one-third of the total \$34 million budget.

In 2008, the County continued construction on a new recreation 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. In 2008 construction of the access road and two parking lots, four softball/baseball fields (two of which are lighted), one football field, a playground area, maintenance building, and six tennis courts were completed. These items were funded from the previously mentioned grant, as well as, an additional \$158,000 in the June 30, 2008 budget, of which \$72,000 was expended by the end of the year. In the June 30, 2009 budget there is \$227,000 appropriated to light the other two ball fields, install fencing around ball fields, provide an irrigation system and pave the entrance road as well as construct restrooms.

In May 2007, Delta Airlines began service at the Coastal Carolina Regional Airport, formerly the Craven Regional Airport with flights to Atlanta, Georgia using 50 seat jets. The Airport Authority had been seeking a second airline for some time and based on the number of passengers on Delta flights it would appear they are very successful. The number of enplanements for all the airlines was up 23% for the first six months of calendar 2008. US Air continues to fly to Charlotte and Philadelphia out of New Bern and their number of enplanements has increased even after Delta began service at Craven. During fiscal 2008, the Airport Authority acquired two large tracts of land adjacent to the airport at a total cost of approximately \$4 million. The County borrowed \$1.8 million in the 2007 COPS issue for the purchase of one tract and the Airport provided the approximate \$2 million for the other tract from its fund balance. The Airport Authority will repay the \$1.8 million over a three year period from FAA grants, as well as, repay its fund balance from FAA grants for the second piece of property. Both of these tracts were acquired to provide a buffer from development around the airport. One of the tracts is part of the long range expansion plans of the Authority for additional hangar space. There are no plans to develop the other tract at this time. Additionally the Airport Authority and County approved the construction of a

new improved General Aviation terminal facility for private and corporate aircraft using fixed base operation. This facility was a much needed improvement with the continuing growth of aircraft based at the airport and the increasing number of aircraft coming into the airport for corporate purposes. The Airport Authority was able to obtain a \$250,000 grant from the State DOT to assist with this public private partnership. The Airport was named the best in the state for on-time flights by AAA North Carolina in June 2008 based on first quarter 2008 statistics compiled by the U.S. Department of Transportation. Their ranking was almost 3% better than Raleigh-Durham Airport, the second highest ranked facility.

Fiscal 2008 was the initial year of implementing legislation passed by the General Assembly in 2007 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 required counties to give up approximately 60% of their revenue from the State Public School Capital Building Fund in 2008 only (ADM funds). Counties had to make this money up for schools from the savings they realized from the Medicaid assumption by the State. The legislation also calls for 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 for each county. The savings for Craven County in fiscal 2008 was \$500,000. The budgeted savings in fiscal 2009 are \$1 million. 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.

In fiscal 2008, the County appropriated approximately \$724,000 from the General Fund balance to acquire new software for the E-911 system, Sheriff and jail records, and field reporting for the Sheriff department which will allow deputies to file reports from remote locations. The switchover to this software is proceeding according to schedule. All of the conversion should be completed prior to the end of the calendar 2008 year.

The County completed the orthophotography project during 2008. This involved contracting to have new aerial photographs of the entire county. One of the major uses of the new color photographs is to aid the County in the revaluation process for property values. They are also frequently used by realtors and developers. The County has made these photographs available through the County website.

For the Future. The budget for fiscal 2009 was adopted with a tax rate of \$.61 per hundred dollars of valuation, the same rate as fiscal 2008, 2007 and 2006. The estimate of property values for fiscal 2009 is \$7.0 billion, an increase of 4.02 percent over the prior year's actual valuation. Budgeted expenditures of the General Fund total \$94.6 million and budgeted revenues \$93.6 million, with the difference of \$1 million being appropriated from the County's fund balance.

Upcoming plans for the County water system include the continued alternate water source project in response to restrictions imposed by the State limiting the volume of water that users of the Black Creek aquifer may withdraw. All entities 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). Craven County made the decision to meet the 25% reduction by putting wells into the Pee Dee aquifer. Test wells in the Pee Dee aquifer indicated that the amount of water available 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 five production wells have been drilled 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 remaining portion of the project is the me-

chanical stage of installing the pumps and making the connections. A contract was signed in August 2008 for the completion of this work.

The Pee Dee aquifer wells will not allow the County to meet the 2013 goal of 50% reduction from the Black Creek aquifer. The County will have to find another water source. This most likely will involve drilling wells into the Castle Hayne aquifer. This water will require advanced treatment and the need for a water treatment plant which may be located on the east side of the Trent River and provide water for all customers on that side of the river. The existing Black Creek and Pee Dee wells will then serve all customers on the western side of the river. The County has engaged an engineer to update a plan of future demands on the system to allow the decision of where to locate the plant. The study will also determine if other options are available to meet the next restriction in 2013.

During the budget process for fiscal 2009, the decision was made to implement a new rate schedule which has higher rates for higher levels of usage. This graduated rate schedule will be designed to increase revenue slightly, 5% or less, and is intended as an incentive to conservation of water. The change in rates will be implemented January 1, 2009. There will be several months of education and information distributed to customers to help them understand the changes. Most customers who use less than the average amount of water a month will see no increase and likely a decrease in their monthly bill.

Two major construction projects were recently completed 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. The facility, named the Bosch and Siemens Advanced Manufacturing Center, was dedicated in August 2008 and classes are scheduled to begin in January, 2009. The 30,000 square foot building will add five laboratories and three classrooms to the College. The building also includes classrooms for the Early College, a partnership with the public school system which gives students the opportunity to graduate high school and obtain an associate degree during the five year program. The program takes 50 ninth graders each year and is in the second year of operation. When fully implemented, there will be 200 students in the program at the college campus.

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 were 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 was completed late in fiscal 2008 and is in use. The building also houses the East Carolina/ Wachovia teaching partnership program which allows students to obtain an elementary education degree at the community college campus through East Carolina University.

In fiscal 2008, the President of Craven Community College, Dr. Scott Ralls, was named President of the North Carolina Community College system. He began his new position in August and a new president, Dr. Catherine Chew, took over on October 1, 2008.

The buildup of new personnel at Marine Corps Air Station Cherry Point which was announced in October 2007 began in 2008 and will be 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 re-

sult of the announcement. Discussions with the military continue 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, 2008, 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 \$3,930,617 for the year. The investment yield on the portfolio for the year was 4.96 percent as compared to 5.16 percent last year. The cash and investment portfolio balance at June 30, 2008, was \$70.6 million, compared to \$49.2 million at June 30, 2007. The increase in the ending balance was due to the unexpended proceeds from the COPS borrowing and excess of revenues over expenditures in the water enterprise fund and the general fund. The County portfolio at June 30, 2008 was composed of the following mix: State agencies 33 percent, certificate of deposits 14 percent, demand deposits 10 percent, and North Carolina Capital Management Trust 43 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 County increased health insurance premiums by 10% in fiscal 2008. Health insurance claims payments were \$.5 million more than fiscal 2007. The increase in premiums resulted in the health insurance plan ending the year with excess revenue of \$208,000. As a result of spiraling medical costs inflation, the County increased health insurance premiums by 5 percent for fiscal 2009. The health insurance plan had a fund balance of \$362,000 at the end of fiscal 2008. Risk to the County is restricted by a specific stop-loss limit of \$125,000 per individual per year for fiscal 2008 and fiscal 2009. This protection is provided through coverage acquired from a commercial underwriter. The County established a reserve of \$420,000 for incurred but not reported claims at June 30, 2008. This was an increase of \$15,000 in the reserve at year end over the prior year.

During fiscal 2008, 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, 2008, provided individual loss limits of \$350,000. A reserve of \$55,834 was established at June 30, 2008 for estimated claims incurred but not paid. The workers' compensation fund ended the year with a fund balance of \$1,039,624 available for future claims. Flood insurance on the Convention Center, the Administration Building, and the Water Maintenance Building, which are located in flood zones, 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, 2007, the eighteenth consecutive year this award was received. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

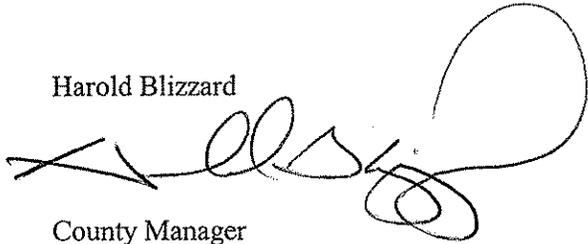
Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the entire Craven County Finance Department: Linda A. LeDrew, Assistant Finance Officer, Carolyn

Mattocks; Mary Ann Harper, Rosie Brinson, Andrea Brookins, Christy Moore, Donna Nelson, Aletta Brown, Nancy Dawson, and Craig Warren. Also of significant assistance in the preparation of the report were Brian Dunn, Tyler Drake, and Steve Johnson 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.

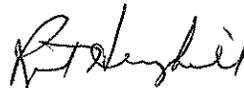
Respectively submitted,

Harold Blizzard

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

County Manager

Rick Hemphill

A handwritten signature in black ink, appearing to read 'R. Hemphill', with a stylized, cursive script.

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CRAVEN COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

June 30, 2008

**BOARD OF
COMMISSIONERS**

JASON R. JONES

Chairman
Cove City

THERON MCCABE

Vice-Chairman
Havelock

STEVE TYSON

New Bern

M. RENEE SISK

River Bend

PERRY L. MORRIS

Vanceboro

JOHNNIE SAMPSON, JR.

New Bern

LEE K. ALLEN

Havelock

COUNTY OFFICIALS

HAROLD BLIZZARD

County Manager

RICHARD F. HEMPHILL

Finance Officer

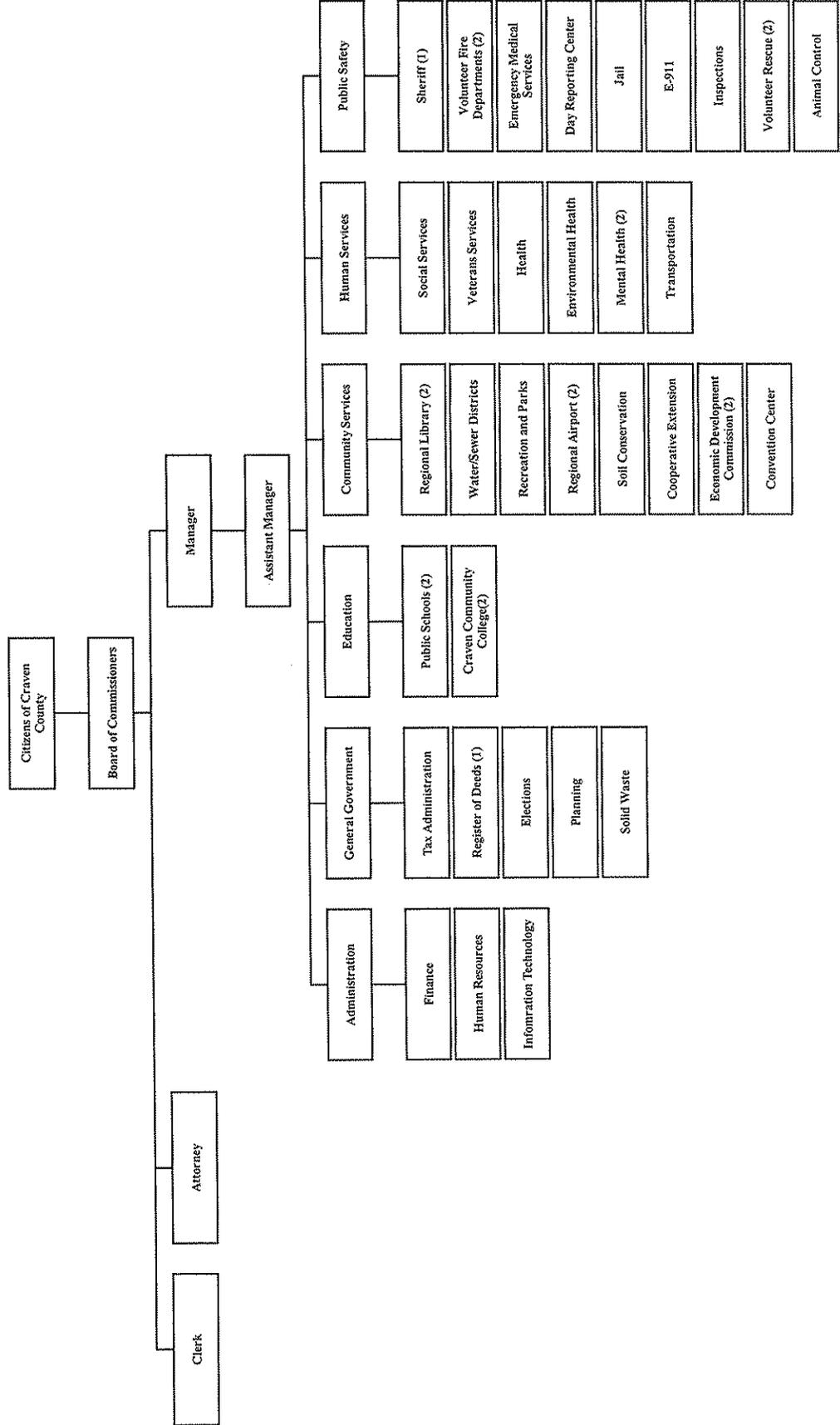
SHERRI RICHARD

Register of Deeds

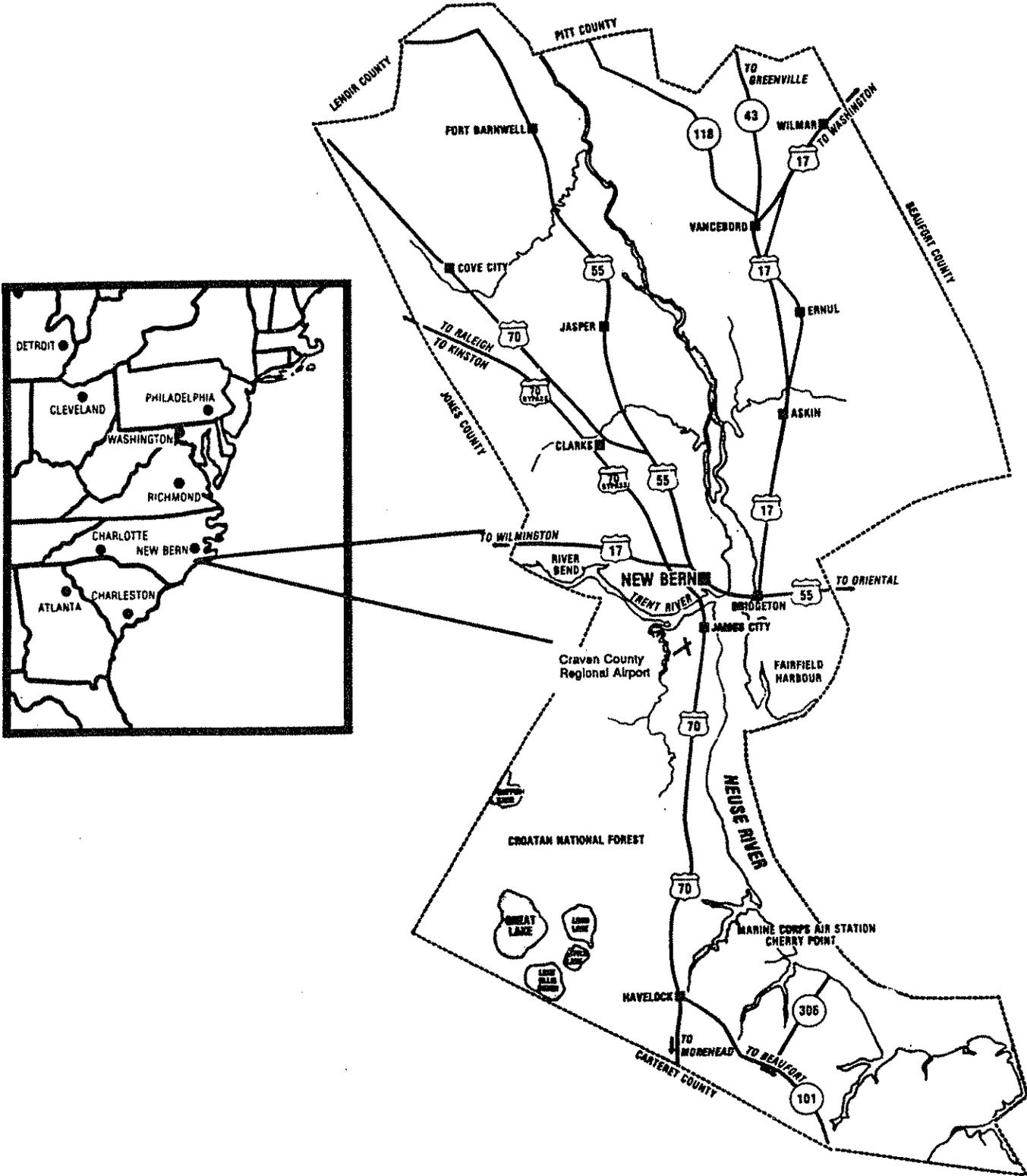
JERRY MONETTE

Sheriff

Craven County Organizational Chart



Craven County, North Carolina



FINANCIAL SECTION

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

Crauen 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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 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 19 through 33 and page 93 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 other supplementary information is presented for purposes of additional analysis and is 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
October 30, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS

Craven County



Craven County
Management's Discussion and Analysis
June 30, 2008

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, 2008. 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 \$45,446,101.
- The government's total net assets increased by \$2,095,905, due primarily to an increase of \$1,535,945 in the net assets of the Water Fund. This increase in the Water Fund was a result of increased investment earnings and less interest expense on debt. The remaining increase in net assets can be attributed to the increase in the Internal Service Fund used for partially self insured risk management. The net assets of the Internal Service Fund increased by \$674,000 and are combined with the governmental funds for purposes of the government wide statements.
- 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, 2008, the outstanding balance of school related debt was \$59,460,000.
- As of the close of the current fiscal year, Craven County's governmental funds reported combined ending fund balances of \$64,016,897 an increase of \$20,607,190 for the year. Most of this increase was due to a borrowing in the net amount of \$39,013,563 during the year, of which \$24,826,245 was unexpended at June 30, 2008. Actual expenditures of the General Fund were \$3,418,607 less than the budgeted expenditures and actual revenues exceeded budgeted revenues by \$147,190. The increase in revenues was due to a higher than anticipated collection rate of property taxes. The lower than anticipated expenditures were in the General Government, Health, and Social Services Departments. Expenditures in the Register of Deeds office were \$218,000 below budget due to lower revenues resulting in less payment to the State for the shared revenues. Health Department costs were down due to declining revenue in programs such as Child Health and

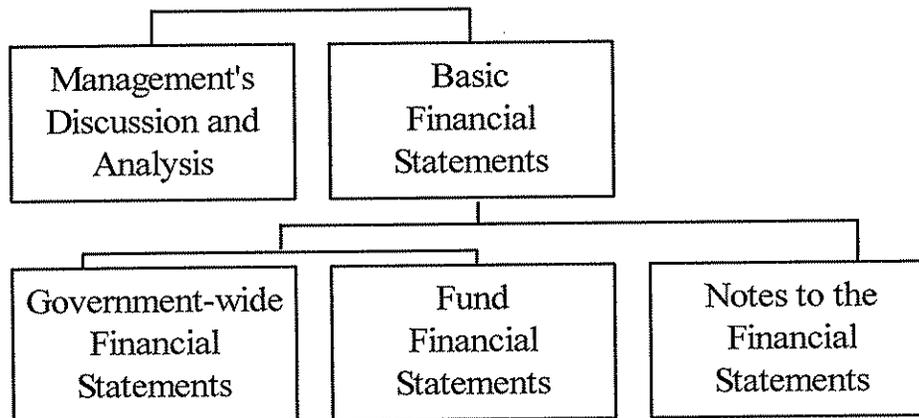
Home Health where the lower activity resulted in less expenditure. County Medicaid costs, in 2008, were \$493,000 less than budget and \$527,000 less than the prior year as a result of the legislation passed in 2007. The State is assuming the County's portion of Medicaid cost over a three year period in return for taking a half cent of sales tax over a three year period. Approximately 80 percent of the total governmental funds fund balance, or \$51,322,000 is available at June 30, 2008 for spending at the government's discretion (unreserved fund balance). In 2007, unreserved fund balance was \$32,324,000 approximately 74 percent of the total fund balance.

- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$17,781,000 or 18.5 percent of total General Fund expenditures (including transfer outs) for the fiscal year. In 2007, unreserved fund balance in the General Fund was \$17,661,000, or 20.3 percent of total expenditures. Even though unreserved fund balance increased during the year, the percentage of fund balance compared to the expenditures declined. This was due to a \$5 million increase in expenditures consisting of capital money for the Community College in the amount of \$2.3 million as well as a \$2.3 million increase in debt service for the new COPS issued in August, 2007.
- The County's bonded and installment debt increased by \$30,309,000 during the current fiscal year. 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 dated July, 2006 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 net amount of new debt, \$36,935,000, and the net increase in debt of \$30,309,000 was due to the normal amortization of principal balances. The \$1.8 million borrowed for the airport is reflected as debt of the Airport Authority, leaving \$55,835,000 on the new issue recorded as County debt. The COPS were sold at a premium of \$2,078,000 and the \$18.9 million installment loan was paid off leaving a net new debt of \$39,013,000.

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 own the property upon which the hospital is built. The land is leased for \$1 per year to the Authority by the County. 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 a component unit of the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on pages 34 and 35 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 47 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 \$45,446,101 as of June 30, 2008. As of June 30, 2007, the net assets of Craven County were \$43,350,196. The County's net assets increased by \$2,095,905 for the fiscal year ended June 30, 2008.

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 \$2,199,421 over the prior year. While both capital assets and debt related to capital assets increased in the fiscal year due to the COPS borrowing, debt increased by \$2.2 million less than the assets, due to the normal amortization of debt through timely payments. The increase in the capital assets of the governmental activities was due to the construction of the new Judicial Center. The assets net of debt of the business activities were relatively unchanged.

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 \$203,523 this year as a result of more assets in the debt service fund used to retire school debt was caused by higher sales tax and lottery revenues.

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, 2008,

the unrestricted deficit of \$8,853,015 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	\$ (59,460,000)
All other	<u>50,606,985</u>
Total unrestricted (deficit)	\$ (8,853,015)

Craven County's Net Assets – at June 30

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 74,236,068	\$ 52,199,153	\$ 9,540,634	\$ 8,320,372	\$ 83,776,702	\$ 60,519,525
Capital assets, net	50,866,028	38,919,103	19,962,461	20,274,551	70,828,489	59,193,654
Total assets	125,102,096	91,118,256	29,503,095	28,594,923	154,605,191	119,713,179
Long-term liabilities/schools	59,460,000	51,930,000			59,460,000	51,930,000
Long-term liabilities/other	42,191,950	16,738,213	1,863,135	2,438,271	44,055,085	19,176,484
Other liabilities	5,198,444	4,758,301	445,561	498,198	5,644,005	5,256,499
Total liabilities	106,850,394	73,426,514	2,308,696	2,936,469	109,159,090	76,362,983
Net assets:						
Invested in capital assets, net of related debt	31,120,067	29,183,692	18,099,326	17,836,280	49,219,393	47,019,972
Restricted	5,079,723	4,876,200			5,079,723	4,876,200
Unrestricted (deficit)	(17,948,088)	(16,368,150)	9,095,073	7,822,174	(8,853,015)	(8,545,976)
Total net assets	\$ 18,251,702	\$ 17,691,742	\$ 27,194,399	\$ 25,658,454	\$ 45,446,101	\$ 43,350,196

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 98.27, up from 98.19 the previous year and higher than the statewide average of 97.46 percent for the previous year.

- General Fund actual revenues exceeded budgeted revenues by \$ 147,000. While this is a relatively small amount, it is significant that the budget was exceeded. Charges for services revenue for 2008 was significantly lower in certain areas such as fees collected by the Register of Deeds and the Inspections Department. Both of these revenues have been negatively impacted by the slowdown in the housing market. Actual property taxes collected were \$573,000 higher than the budgeted amount. Sales tax was \$111,000 more than the budgeted amount for the year due to higher than anticipated collections in the County. Interest earnings were \$157,000 above the budgeted amount as rates increased during the year.
- An increase of 6.3 percent in property values countywide due to the continued steady growth in the County of both residential and commercial property as of January 1, 2007.

Craven County Changes in Net Assets – years ended June 30,

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$13,063,977	\$12,643,819	\$3,387,837	\$3,350,661	\$16,451,814	\$15,994,480
Operating grants and contributions	19,195,643	16,870,225			19,195,643	16,870,225
Capital grants and contributions	529,725	218,669			529,725	218,669
General revenues:						
Property taxes	42,236,411	40,057,692			42,236,411	40,057,692
Sales and use taxes	20,131,706	19,769,089			20,131,706	19,769,089
Other	5,526,546	6,218,350	596,526	524,135	6,123,072	6,742,485
Total revenues	100,684,008	95,777,874	3,984,363	3,874,796	104,668,371	99,652,640
Expenses:						
General government	6,568,743	7,679,876			6,568,743	7,679,876
Public safety	13,475,510	12,792,549			13,475,510	12,792,549
Environmental protection	5,369,403	5,448,188			5,369,403	5,448,188
Economic and physical development	3,447,939	2,629,063			3,447,939	2,629,063
Human services	32,544,458	31,067,818			32,544,458	31,067,818
Culture and recreation	2,070,824	2,307,962			2,070,824	2,307,962
Education	33,000,753	29,897,811			33,000,753	29,897,811
Interest on long term debt	3,716,568	3,042,742			3,716,568	3,042,742
Water and sewer districts			2,378,268	2,350,421	2,378,268	2,350,421
Total expenses	100,194,198	94,866,009	2,378,268	2,350,421	102,572,466	97,216,430
Incr/(decr) in net assets before transfers	489,810	911,865	1,606,095	1,524,375	2,095,905	2,436,210
Transfers	70,150	45,799	(70,150)	(45,799)	-	-
Increase in net assets	559,960	957,664	1,535,945	1,478,576	2,095,905	2,436,240
Net assets, beginning of year	17,691,742	16,734,078	25,658,454	24,179,878	43,350,196	40,913,956
Net assets, end of year	18,251,702	\$17,691,742	\$27,194,399	\$25,658,454	\$45,446,101	\$43,350,196

Governmental activities. Governmental activities increased the County's net assets by \$559,960 during the fiscal year ended June 30, 2008. The decline in the increase in net assets from the \$911,865 reported in the prior year was caused by both an increase in revenues of \$4.9 million and an increase in expenses of \$5.3 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 6.3 percent increase in property values. The rate remained unchanged at \$.61 per \$100 of valuation. The remainder of the increase was due to increased collection efforts.
- Sales tax revenue was up by 1.8 percent over the prior year, or \$362,000 due to favorable economic conditions in the County, primarily during the first three quarters of the fiscal year.
- Other earnings were lower than the prior year as a result of several items. Investment earnings increased by \$1.0 million as a result of an increase in the average daily invested amount. This was due to the investment of the unexpended loan proceeds from the COPS issue. The yield on the portfolio decreased by 3.9% from 5.16% to 4.96%. The increase in investment earnings was offset by reduction in other earnings due to a donation of a building received in the prior year in the amount of \$1.8 million. There was no comparable donation in the current year.
- The most significant increase in expenses was in education and was a result of funding provided for the construction of the three public school projects: the completion of Creekside Elementary School; the fiber optic network project; and a project which included renovation at two schools and the replacement of the bus garage. Over \$10.3 million dollars was expended in the current year for these projects. Additionally the amount paid, by the County, to the Craven Community College was up by \$2.3 million in fiscal 2008. This was the County's commitment to the Business and Technology Building as well as funds for a parking lot and a fiber optic network on the New Bern campus.
- Interest expense was up by \$673,000 over the prior year due to the COPS issue in August, 2007. This borrowing was to refinance the \$18.9 million installment from 2006 which funded the new elementary school, and to complete the funding for the park improvements, the fiber optic project, and the Judicial Center, and fund the school renovations and land purchase, and purchase of land at the airport.

Business-type activities. Business-type activities, the County's water utility, increased Craven County's net assets by \$1,535,945.

- Revenue increased by \$109,000 over the prior year which consisted of approximately \$36,000 of additional water charges and the remainder due to an increase in investment earnings.

- Operating income decreased from 36.2% of revenue to 35.29% this year primarily due to an increase in depreciation of \$154,079 this year. This increase in depreciation was the result of capitalizing the Pee Dee Aquifer wells and the extension of water lines in the Northwest Craven area. Operating income was \$1,250,730 and accounted for most of the increase in net assets.
- The water utility rates remained unchanged during 2008. They 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 for the County system. 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 completed drilling the 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. The remaining work will be completed in fiscal 2009 and involves installing the pumps and tying the new wells into the existing wells. This project has been funded on a pay as go basis. Before 2013 the County will, most likely, 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. One aspect of the conservation program is to implement a graduated rate structure. This will occur in fiscal 2009 and will require users to pay more per gallon for greater volume.

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 \$17,780,899, an increase of \$120,391, while total fund balance increased by \$1,143,732 to \$25,749,140. The increase in the General Fund balance for the year was 4.6 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 18.5 percent of total General Fund expenditures (including transfers out), while total fund balance represents 26.7 percent of that same amount.

While the fund balance increased during the year, the percentage of fund balance to expenditures (and transfers out) actually decreased, due to an increase in total expenditures of over \$9 million. This increase was due to an increase of \$2.3 million in debt service, primarily due to the COPS issue relating to the Judicial Center and the park. Education expenditures increased by over \$3 million of which \$2.3 was capital for the community college. Even with the decrease in Medicaid costs to the County this year, the cost of social services increased by over \$1 million. Much of this was due to an ever increasing costs relating to foster care. Expenditures in the general fund were approximately \$3.4 million less than budget due primarily to lower than anticipated expenditures in general government, health and social services. The general government expenditures were significantly lower in the Register of Deeds department where revenues also declined.

At June 30, 2008, the governmental funds of Craven County reported a combined fund balance of \$64,016,897, a 47.5 percent increase over last year. This increase was due primarily to the unexpended debt proceeds from the 2007 COPS issue, most of which are in the Judicial Center Fund.

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 \$1.7 million including the following:

- Intergovernmental revenues increased by approximately \$1,168,000 from the original budget and consisted of the following items. Over \$218,000 of additional pass through grants were received from the state for various agencies throughout the County after the original budget was adopted. 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 \$116,000 of the increase; CARTS accounted for \$146,000; and the Department of Social Services overhead reimbursement for \$83,000. Subsidized day care revenues increased by \$338,000 during the year and assistance for energy grants increased by \$109,000. It is not unusual for the State to make more funds available in these programs as the year progresses.

- Charges for services budgeted amounts increased by \$487,000 during the year. Collection of fees for the volunteer rescue squads accounted for \$110,000 of this amount. Collections for fees charged by the Health Department were increased by over \$145,000 during the year. Fees for services provided by CARTS increased \$110,000. The estimated revenue for the convention center also increased by \$111,000 during the year due to an outstanding year at the center.

Appropriations in the final budget were increased by approximately \$6.6 million from the original budget. The changes included \$1,935,000 additional funds being appropriated from the General Fund balance during the year. Of this amount, \$724,000 was for the acquisition of the new software for E911 and the Sheriff department. The County appropriated \$113,000 of fund balance for matching Department of Insurance grants for the volunteer rescue squads. The County had to appropriate \$113,000 of additional funds for the foster care programs due to higher number of children in the program than anticipated. The County moved an additional \$350,000 from fund balance to the County Reserve for future capital outlay. Expenditures were increased by \$2.1 million for the Community College to fund the capital commitment the County made several years ago for the Business and Technology Building. This money was moved from the County Reserve Fund to the General Fund and disbursed to the college. Debt service expenditures were increased by \$2.3 million in the General Fund to service the new COPS issue. The debt service was originally budgeted in the County Reserve Fund and was transferred to the General Fund and paid. The remainder of the fund balance appropriations during the year of \$265,000 was for a variety of expenditures, none of which were significant in themselves.

Proprietary Funds. Craven County's proprietary funds statements (water utility) provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water Fund increased during the fiscal year by \$1.3 million to \$9.1 million. This was a result of an operating income of \$1.3 million for the year, the same as the previous 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, 2008, totaled \$70,828,489 (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
- Construction of the new judicial center project
- Construction at new park in western portion of County

- Purchase backhoe for use at the County's solid waste convenience centers
- Purchase of new carpet in the human services building
- Acquisition of new software for E-911 and the Sheriff department
- Disposal of old vehicles of the Sheriff department and CARTS

Craven County's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$7,783,556	\$7,774,584	\$207,676	\$207,676	\$7,991,232	\$7,982,260
Buildings	37,315,561	37,260,124	563,318	563,318	37,878,879	37,823,442
Improvements	4,302,071	3,681,220	27,956,624	27,436,562	32,258,695	31,117,782
Machinery and equipment	5,548,435	5,302,208	347,763	353,114	5,896,198	5,655,322
Vehicles	4,827,525	4,775,897	185,509	214,454	5,013,034	4,990,351
Construction in progress	14,823,271	2,047,520	590,422	657,980	15,413,693	2,705,500
Total	74,600,419	60,841,553	29,851,312	29,433,104	104,451,731	90,274,657
Less accumulated depreciation	23,734,391	21,922,450	9,888,851	9,158,553	33,623,242	31,081,003
Total net of depreciation	\$50,866,028	\$38,919,103	\$19,962,461	20,274,551	\$70,828,489	\$59,193,654

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, 2008, Craven County had total bonded general obligation debt outstanding of \$36,642,000. Of this amount, \$36,265,000 is debt backed by the full faith and credit of the County. Included in this amount is \$930,000 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, \$377,000 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	
	2008	2007	2008	2007	2008	2007
G. O. bonds	\$35,335,000	\$37,930,000	\$377,000	\$839,500	\$35,712,000	\$38,769,500
Installment debt	62,006,934	28,527,792	1,486,135	1,598,771	63,493,069	30,126,563
Total long debt	\$97,341,934	\$66,457,792	\$1,863,135	\$2,438,271	\$99,205,069	68,896,063

Craven County's total bonded and installment debt increased by \$30,309,005 (44 percent) during the past fiscal year. This increase was the result of the August 2007 COPS issue which was used to pay off the interim installment financing incurred for the judicial center, elementary school, park, and fiber project in the amount of \$18,900,000 and finish funding these projects, as well as, additional school projects. The total amount of the COPS issue was \$57,635,000 of which \$1,800,000 is shown as Airport Authority debt and was used to acquire land to prevent development around the airport. This increase was partially offset by regularly scheduled payments of \$6,625,995.

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 \$442,557,380.

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

Economic Factors and Next Year's Budgets and Rates

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

- The annual average unemployment rate for calendar year 2007 was 4.1 percent in the County, compared with a State rate of 4.7 percent. The rate has increased to 5.8% at the end of August, 2008.
- The number of building inspections performed by the County Inspections Department in fiscal 2008 was down 26% percent from 2007 due to the sharp decline in the housing market. Commercial building is less affected in Craven County at the present but is slowing. Housing market conditions have been adversely affected by the lack of credit and uncertainty with the economy although not to the extent that many areas of the country have experienced.
- Per capita income for the years 1996-2006 for Craven County shows an average annual growth rate of 3.8 percent, while the average annual growth rate for the State was 3.7 percent and 4.3 percent for the nation. The County's per capita income increased 4.1 percent in calendar 2006 (the latest year information is available) while the State increased 5.0 percent and the nation by 5.6 percent. The County's per capita income level is 96 percent of the state average and 85 percent of the national average.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: The County has approved a \$94.6 million General Fund budget for fiscal year 2009. This budget was adopted with no increase in the ad valorem tax rate of 61 cents per \$100 of property valuation.

Property values are estimated to increase 4.02 percent over last years estimate resulting in higher property tax revenue. The budget for fiscal 2009 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.

Work continues on the Judicial Center in 2009 with an expected completion date of around June, 2009. This will alleviate an overcrowding situation at the current facility as well as provide new facilities for the Sheriff Department and a new District Courtroom. In fiscal 2009 the fiber optic network will be completed with all public schools, community college buildings and many county facilities on the network making use of the broadband connection. All of the school projects financed with the 2007 COPS issue will be completed during 2009. The Board of Education is looking for suitable land in the Havelock/New Bern corridor for a new high school and possibly a middle school. The construction of the school could be several years later than the purchase of the land.

County staff is closely monitoring all revenues and expenditures as a result of the current economic downturn nationwide. Sales tax collected to date has not been adversely impacted but it is expected to decrease in the next several months. Certain expenditures at social services are expected to increase as a result of more people being unemployed and eligible for services. The department is experiencing an increase in the number of people attempting to qualify for benefits at present.

Business-type Activities: There were no rate increases or unusual items included in the budget for fiscal 2009 for the County water function. There will be a rate change, however, probably effective January 1, 2009 which will enact a graduated rate scale. This will be calculated to generate about 5% additional revenue and will reward users with little usage and users with higher usage will pay more for the incremental additional water. Work will continue on the alternate water supply project in fiscal 2009 by finishing the Pee Dee aquifer project.

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, 2008

	Primary Government		Component Units			
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Craven County Regional Airport Authority	Craven County ABC Board
ASSETS						
Cash and cash equivalents	\$ 12,420,328	\$ 161,774	\$ 12,582,102	\$ 64,869	\$ 375,446	\$ 13,776,774
Short-term investments	24,713,228	8,450,000	33,163,228	200,000	200,000	52,955,879
Restricted short-term investments	24,826,245	-	24,826,245	-	-	-
Accounts receivables (net)	2,944,299	633,860	3,578,159	313	586,367	32,369,597
Taxes receivables (net)	7,182,860	-	7,182,860	-	-	-
Accrued interest receivable	516,133	-	516,133	-	-	-
Due from other government	-	295,000	295,000	-	-	-
Inventories	-	-	-	-	-	-
Prepaid items	4,174	-	4,174	-	-	5,448,416
Deferred charges - issuance costs	757,805	-	757,805	-	-	1,517,618
Deferred charges - refunding	870,996	-	870,996	-	-	-
Long-term cash and investments	-	-	-	-	-	152,387,005
Other assets	-	-	-	-	-	243,285
Capital assets:						
Land and construction in progress	22,606,828	798,099	23,404,927	-	11,218,958	14,509,394
Other capital assets, net of depreciation/amortization	28,259,200	19,164,362	47,423,562	-	12,509,923	82,586,415
Total capital assets	50,866,028	19,962,461	70,828,489	-	23,728,881	97,095,809
Total assets	125,102,096	29,503,095	154,605,191	265,182	24,890,694	355,794,383
LIABILITIES						
Accounts payable	2,876,240	63,601	2,939,841	-	12,835	21,504,308
Accrued salaries and benefits	1,551,776	29,441	1,581,217	-	36,894	11,111,977
Unearned revenue	250,385	345,376	595,761	-	-	33,750
Accrued interest payable	520,043	7,143	527,186	-	31,735	306,242
Long-term liabilities:						
Due within one year	7,862,932	244,637	8,107,569	-	1,230,133	725,225
Due in more than one year	93,789,018	1,618,498	95,407,516	-	3,292,903	3,971,380
Total liabilities	106,850,394	2,308,696	109,159,090	-	4,604,500	37,652,882
NET ASSETS						
Invested in capital assets, net of related debt	31,120,067	18,099,326	49,219,393	-	19,205,845	92,641,390
Restricted for:						
Debt service-education	4,328,413	-	4,328,413	-	-	-
Public safety	704,753	-	704,753	-	-	-
Other purposes	46,557	-	46,557	-	-	-
Unrestricted (deficit)	(17,948,088)	9,095,073	(8,853,015)	265,182	1,080,349	225,500,111
Total net assets	\$ 18,251,702	\$ 27,194,399	\$ 45,446,101	\$ 265,182	\$ 20,286,194	\$ 318,141,501
						\$ 2,499,426

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

CRAVEN COUNTY, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General	Judicial Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,391,977	\$ 433,658	\$ 1,231,167	\$ 12,056,802
Short-term investments	10,285,400	3,657,135	9,160,693	23,103,228
Restricted short-term investments	1,000,000	19,435,305	4,390,940	24,826,245
Taxes receivable	7,045,969	-	36,891	7,082,860
Accounts receivable	2,640,522	71,175	332,602	3,044,299
Due from other funds	38,816	-	1,010,067	1,048,883
Total assets	\$ 31,402,684	\$ 23,597,273	\$ 16,162,360	\$ 71,162,317
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,076,290	\$ 1,187,502	\$ 136,045	\$ 2,399,837
Accrued salaries and benefits	1,549,180	-	2,596	1,551,776
Due to other funds	1,010,067	-	38,816	1,048,883
Deferred revenue	2,018,007	-	36,917	2,054,924
Total liabilities	5,653,544	1,187,502	214,374	7,055,420
Fund balances:				
Reserved for:				
State statute	7,920,769	71,175	326,979	8,318,923
Debt service	-	-	4,328,413	4,328,413
Future law enforcement expenditures	915	-	-	915
Register of deeds	46,557	-	-	46,557
Unreserved:				
Designated for subsequent year's expenditures, reported in:				
General fund	1,057,114	-	-	1,057,114
Special revenue funds	-	-	469,202	469,202
Capital project funds	-	22,338,596	10,838,077	33,176,673
Undesignated, reported in:				
General fund	16,723,785	-	-	16,723,785
Capital project funds (deficit)	-	-	(14,685)	(14,685)
Total fund balances	25,749,140	22,409,771	15,947,986	64,106,897
Total liabilities and fund balances	\$ 31,402,684	\$ 23,597,273	\$ 16,162,360	\$ 71,162,317

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, 2008**

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

Fund balance at June 30, 2008 - total governmental funds (page 36)	\$ 64,016,897
Capital assets used in governmental activities that are not current financial resources and therefore are not reported in the funds.	50,866,028
Other assets are not available to pay for current-period expenditures and therefore are not recognized in the funds.	2,144,933
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.	1,591,298
Liabilities for earned but deferred revenues in the fund.	1,804,539
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>(102,171,993)</u>
Net assets of governmental activities at June 30, 2008 (page 34)	<u><u>\$ 18,251,702</u></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, 2008

	General	Judicial Center Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 40,754,564	\$ -	\$ 1,506,943	\$ 42,261,507
Sales	19,417,676	-	714,030	20,131,706
Tourism Room	-	-	798,930	798,930
Intergovernmental	17,042,380	-	2,682,988	19,725,368
Charges for services	13,192,411	-	304,428	13,496,839
Interest	1,359,219	1,507,009	537,173	3,403,401
Miscellaneous	1,113,229	69,729	80,306	1,263,264
Total revenues	<u>92,879,479</u>	<u>1,576,738</u>	<u>6,624,798</u>	<u>101,081,015</u>
EXPENDITURES				
Current:				
General government	7,770,341	-	768,866	8,539,207
Public safety	11,079,523	9,997,559	2,479,594	23,556,676
Environmental protection	5,413,220	-	-	5,413,220
Economic and physical development	2,572,320	-	470,989	3,043,309
Health	8,064,577	-	-	8,064,577
Social services	24,829,156	-	-	24,829,156
Culture and recreation	2,134,291	-	744,251	2,878,542
Education	22,696,797	-	10,303,956	33,000,753
Debt service:				
Principal	2,575,858	-	3,475,000	6,050,858
Interest	1,619,240	-	2,588,649	4,207,889
Total expenditures	<u>88,755,323</u>	<u>9,997,559</u>	<u>20,831,305</u>	<u>119,584,187</u>
Excess of revenues over (under) expenditures	<u>4,124,156</u>	<u>(8,420,821)</u>	<u>(14,206,507)</u>	<u>(18,503,172)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	1,000,000	30,695,619	26,217,944	57,913,563
Current refunding of debt	-	(3,200,000)	(15,700,000)	(18,900,000)
Transfers in	3,539,119	-	8,072,517	11,611,636
Transfers out	(7,519,543)	-	(3,995,294)	(11,514,837)
Total other financing sources (uses)	<u>(2,980,424)</u>	<u>27,495,619</u>	<u>14,595,167</u>	<u>39,110,362</u>
Net change in fund balances	1,143,732	19,074,798	388,660	20,607,190
FUND BALANCES:				
Beginning	<u>24,605,408</u>	<u>3,244,973</u>	<u>15,559,326</u>	<u>43,409,707</u>
Ending	<u>\$ 25,749,140</u>	<u>\$ 22,319,771</u>	<u>\$ 15,947,986</u>	<u>\$ 64,016,897</u>

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

CRAVEN COUNTY, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2008**

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

Net change in fund balances - total governmental funds (page 38) \$ 20,607,190

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. 12,008,226

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets. (61,301)

Decrease in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (23,575)

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. (32,644,714)

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. 674,134

Change in net assets of governmental activities (page 35) \$ 559,960

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, 2008
(Page 1 of 3)**

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 40,171,029	\$ 40,181,029	\$ 40,754,564	\$ 573,535
Sales	19,306,643	19,306,643	19,417,676	111,033
Intergovernmental	15,793,467	16,961,389	17,042,380	80,991
Charges for services	13,544,746	14,031,290	13,192,411	(838,879)
Interest	1,200,800	1,202,185	1,359,219	157,034
Miscellaneous	1,014,431	1,049,753	1,113,229	63,476
Total revenues	<u>91,031,116</u>	<u>92,732,289</u>	<u>92,879,479</u>	<u>147,190</u>
EXPENDITURES				
General government:				
Commissioners	506,533	505,849	418,096	87,753
Administration	604,108	515,982	493,376	
Human resources	389,272	390,979	383,976	7,003
Information technology	865,784	872,961	848,857	24,104
Finance	744,936	751,810	748,995	2,815
Elections	257,271	270,620	244,220	26,400
Tax assessor	1,079,740	793,726	787,706	6,020
Tax collections	500,146	505,780	492,849	12,931
Register of deeds	1,165,491	1,166,769	948,997	217,772
Public buildings	349,107	267,073	256,476	10,597
Housekeeping	226,125	226,171	218,027	8,144
Court facilities	258,820	290,495	277,314	13,181
GIS/Mapping	-	288,400	246,244	42,156
Maintenance	366,619	370,441	365,791	4,650
Non-departmental	1,317,783	1,166,193	1,039,417	126,776
Total general government	<u>8,631,735</u>	<u>8,383,249</u>	<u>7,770,341</u>	<u>590,302</u>
Public safety:				
Animal control	319,962	331,679	323,831	7,848
Medical examiner	69,000	69,000	66,900	2,100
Sheriff	4,793,737	4,955,385	4,927,296	28,089
Criminal Justice Partnership Program	-	120,817	120,817	-
Jail	2,881,035	2,960,869	2,942,012	18,857
Communications	503,269	508,622	504,459	4,163
Fire marshal/ Emergency management	290,845	316,407	268,716	47,691
Inspections	567,337	566,741	473,839	92,902
Volunteer rescue squads	1,250,868	1,476,256	1,420,471	55,785
Special appropriation	8,700	8,700	8,700	-
Wired E-911	24,848	24,848	17,574	7,274
Wireless E-911	18,135	4,909	4,908	1
Total public safety	<u>10,727,736</u>	<u>11,344,233</u>	<u>11,079,523</u>	<u>264,710</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, 2008

(Page 2 of 3)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
Environmental protection:				
Solid waste	\$ 3,939,588	\$ 3,946,077	\$ 3,730,580	\$ 215,497
Environmental health	1,260,298	1,255,846	1,236,903	18,943
Soil conservation	109,550	110,834	110,326	508
Cooperative extension	335,062	343,688	335,411	8,277
Total environmental protection	<u>5,644,498</u>	<u>5,656,445</u>	<u>5,413,220</u>	<u>243,225</u>
Economic and physical development:				
Planning	528,531	570,696	520,571	50,125
Economic Development Commission	627,353	740,409	579,415	160,994
Convention Center	1,083,437	1,171,311	1,170,627	684
Other-Airport	-	66,263	66,263	-
Other-Legal	100,000	244,500	235,444	9,056
Total economic and physical development	<u>2,339,321</u>	<u>2,793,179</u>	<u>2,572,320</u>	<u>220,859</u>
Health:				
Dental	277,343	305,343	296,322	9,021
Maternity	989,664	1,036,167	996,381	39,786
Child health	1,347,850	1,378,836	1,271,012	107,824
Risk Reduction	99,140	129,140	117,136	12,004
WIC	469,428	469,428	441,519	27,909
Adult Health Services	37,940	68,101	51,290	16,811
Vector Control	155,537	157,009	125,199	31,810
Communicable Disease	163,303	163,303	148,964	14,339
Bio-Terrorism	55,960	74,060	72,463	1,597
Family planning	441,280	454,847	432,864	21,983
Home health	2,225,131	2,380,108	2,085,109	294,999
Mental health	272,827	274,027	274,018	9
Other - unclassified	1,605,125	1,807,044	1,752,300	54,744
Total health	<u>8,140,528</u>	<u>8,697,413</u>	<u>8,064,577</u>	<u>632,836</u>
Social services:				
Transportation	1,264,353	1,579,978	1,481,765	98,213
Administration	1,957,281	2,315,231	2,241,807	73,424
Employment assistance	2,828,562	2,758,868	2,588,880	169,988
Adult/child services	1,342,343	1,366,958	1,253,154	113,804
Veterans services	123,382	125,888	123,444	2,444
Senior services	530,147	552,093	478,919	73,174
Public assistance payments	10,951,592	10,739,102	10,216,242	522,860
TANF	5,954,645	6,220,632	5,956,674	263,958
Other - unclassified	391,871	492,512	488,271	4,241
Total social services	<u>25,344,176</u>	<u>26,151,262</u>	<u>24,829,156</u>	<u>1,322,106</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, 2008
(Page 3 of 3)**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation				
Recreation	\$ 937,564	\$ 920,299	\$ 808,170	\$ 112,129
Libraries	1,191,866	1,191,866	1,191,866	-
Special appropriation	141,806	141,806	134,255	7,551
Total culture and recreation	<u>2,271,236</u>	<u>2,253,971</u>	<u>2,134,291</u>	<u>119,680</u>
Education, schools				
Public schools - current expenditures	16,538,963	16,623,838	16,621,667	2,171
Public schools - capital outlay	850,000	850,000	850,000	-
Community college	3,210,130	5,225,130	5,225,130	-
Total education	<u>20,599,093</u>	<u>22,698,968</u>	<u>22,696,797</u>	<u>2,171</u>
Debt service:				
Principal	1,375,763	2,575,912	2,575,858	54
Interest	476,001	1,619,298	1,619,240	58
Total debt service	<u>1,851,764</u>	<u>4,195,210</u>	<u>4,195,098</u>	<u>112</u>
Total expenditures	<u>85,550,087</u>	<u>92,173,930</u>	<u>88,755,323</u>	<u>3,418,607</u>
Excess of revenues over expenditures	<u>5,481,029</u>	<u>558,359</u>	<u>4,124,156</u>	<u>3,565,797</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	1,000,000	1,000,000	-
Transfers in	1,187,291	3,750,995	3,539,119	(211,876)
Transfers out	(6,946,670)	(7,522,713)	(7,519,543)	3,170
Total other financing sources (uses)	<u>(5,759,379)</u>	<u>(2,771,718)</u>	<u>(2,980,424)</u>	<u>(208,706)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	<u>(278,350)</u>	<u>(2,213,359)</u>	<u>1,143,732</u>	<u>3,357,091</u>
Appropriated fund balance	278,350	2,213,359	-	(2,213,359)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,143,732</u>	<u>\$ 1,143,732</u>
FUND BALANCE				
Beginning			<u>24,605,408</u>	
Ending			<u>\$ 25,749,140</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, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund	
	Water Fund	Northwest		Aggregate Nonmajor Funds		Total
		Craven Water and Sewer District				
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 161,774	\$ -	\$ -	\$ 161,774	\$ 363,526	
Short-term investments	8,450,000	-	-	8,450,000	1,700,000	
Accounts receivable, net of allowance for doubtful accounts	633,860	-	-	633,860	4,175	
Due from other government-current	-	-	50,000	50,000	-	
Total current assets	<u>9,245,634</u>	<u>-</u>	<u>50,000</u>	<u>9,295,634</u>	<u>2,067,701</u>	
Noncurrent Assets:						
Due from other government-noncurrent	-	-	245,000	245,000	-	
Capital assets:						
Land	207,676	-	-	207,676	-	
Improvements other than buildings	27,956,624	-	-	27,956,624	-	
Buildings	563,318	-	-	563,318	-	
Machinery and equipment	533,274	-	-	533,274	-	
Construction in progress	590,422	-	-	590,422	-	
Less accumulated depreciation	(9,888,853)	-	-	(9,888,853)	-	
Total capital assets (net of accumulated depreciation)	<u>19,962,461</u>	<u>-</u>	<u>-</u>	<u>19,962,461</u>	<u>-</u>	
Total noncurrent assets	<u>19,962,461</u>	<u>-</u>	<u>245,000</u>	<u>20,207,461</u>	<u>-</u>	
Total assets	<u>29,208,095</u>	<u>-</u>	<u>295,000</u>	<u>29,503,095</u>	<u>2,067,701</u>	
LIABILITIES						
Current liabilities:						
Accounts payable	63,601	-	-	63,601	476,403	
Accrued salaries and benefits	29,441	-	-	29,441	-	
Accrued interest payable	-	6,557	586	7,143	-	
Customer deposits payable	345,376	-	-	345,376	-	
Installment notes payable-current	-	107,312	5,325	112,637	-	
General obligation bonds payable-current	-	-	132,000	132,000	-	
Total current liabilities	<u>438,418</u>	<u>113,869</u>	<u>137,911</u>	<u>690,198</u>	<u>476,403</u>	
Noncurrent liabilities:						
Installment notes payable	-	1,336,223	37,275	1,373,498	-	
General obligation bonds payable	-	-	245,000	245,000	-	
Internal balances	1,575,278	(1,450,092)	(125,186)	-	-	
Total noncurrent liabilities	<u>1,575,278</u>	<u>(113,869)</u>	<u>157,089</u>	<u>1,618,498</u>	<u>-</u>	
Total liabilities	<u>2,013,696</u>	<u>-</u>	<u>295,000</u>	<u>2,308,696</u>	<u>476,403</u>	
NET ASSETS						
Invested in capital assets, net of related debt	19,962,461	(1,443,535)	(419,600)	18,099,326	-	
Unrestricted	7,231,938	1,443,535	419,600	9,095,073	1,591,298	
Total net assets	<u>\$ 27,194,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,194,399</u>	<u>\$ 1,591,298</u>	

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, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest Craven Water and Sewer District	Aggregate Nonmajor Funds	Total	
OPERATING REVENUES					
Charges for services	\$ 3,387,837	\$ -	\$ -	\$ 3,387,837	\$ 4,115,826
Miscellaneous	166,684	-	-	166,684	132,305
Total operating revenues	<u>3,554,521</u>	<u>-</u>	<u>-</u>	<u>3,554,521</u>	<u>4,248,131</u>
OPERATING EXPENSES					
Cost of services	1,481,767	-	-	1,481,767	3,644,722
Depreciation and amortization	822,024	-	-	822,024	-
Total operating expenses	<u>2,303,791</u>	<u>-</u>	<u>-</u>	<u>2,303,791</u>	<u>3,644,722</u>
Operating income (loss)	<u>1,250,730</u>	<u>-</u>	<u>-</u>	<u>1,250,730</u>	<u>603,409</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	429,842	-	-	429,842	97,374
Interest expense	-	(58,736)	(15,741)	(74,477)	-
Total net nonoperating revenues (expenses)	<u>429,842</u>	<u>(58,736)</u>	<u>(15,741)</u>	<u>355,365</u>	<u>97,374</u>
Income (loss) before transfers	<u>1,680,572</u>	<u>(58,736)</u>	<u>(15,741)</u>	<u>1,606,095</u>	<u>700,783</u>
Transfers in	26,649	58,736	15,741	101,126	-
Transfers out	(171,276)	-	-	(171,276)	(26,649)
Total transfers in (out)	<u>(144,627)</u>	<u>58,736</u>	<u>15,741</u>	<u>(70,150)</u>	<u>(26,649)</u>
Change in net assets	<u>1,535,945</u>	<u>-</u>	<u>-</u>	<u>1,535,945</u>	<u>674,134</u>
Total net assets - beginning	<u>25,658,454</u>	<u>-</u>	<u>-</u>	<u>25,658,454</u>	<u>917,164</u>
Total net assets - ending	<u>\$ 27,194,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,194,399</u>	<u>\$ 1,591,298</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, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water Fund	Northwest		Total	
		Craven Water and Sewer District	Aggregate Nonmajor Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,579,368	\$ -	\$ -	\$ 3,579,368	\$ 4,267,848
Payments to customers and suppliers	(932,397)	-	-	(932,397)	(3,908,804)
Payments to employees	(598,462)	-	-	(598,462)	-
Net cash provided by operating activities	2,048,509	-	-	2,048,509	359,044
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition & construction of capital assets	(535,882)	-	-	(535,882)	-
Repayment of installment notes and bonds	-	(380,311)	(144,825)	(525,136)	-
Payments on obligations under capital lease payable	(525,136)	-	-	(525,136)	-
Proceeds from investment in direct finance leasing	-	380,311	144,825	525,136	-
Interest paid	(78,023)	-	-	(78,023)	-
Net cash used in capital and related financing activities	(1,139,041)	-	-	(1,139,041)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(70,150)	-	-	(70,150)	(26,649)
Net cash used in noncapital financing activities	(70,150)	-	-	(70,150)	(26,649)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds (purchase) of short-term investments	(1,350,000)	-	-	(1,350,000)	(300,000)
Interest on cash and investments	429,842	-	-	429,842	97,374
Net cash used in investing activities	(920,158)	-	-	(920,158)	(202,626)
Net increase (decrease) in cash and cash equivalents	(80,840)	-	-	(80,840)	129,769
CASH AND CASH EQUIVALENTS					
Beginning	242,614	-	-	242,614	233,757
Ending	\$ 161,774	\$ -	\$ -	\$ 161,774	\$ 363,526
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,250,730	\$ -	\$ -	\$ 1,250,730	\$ 603,409
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	822,024	-	-	822,024	-
Loss on disposal of assets	25,948	-	-	25,948	-
Change in assets and liabilities:					
Accounts receivable	(1,102)	-	-	(1,102)	19,717
Accounts payable	(47,622)	-	-	(47,622)	(264,082)
Customer deposits payable	(1,469)	-	-	(1,469)	-
Net cash provided by operating activities	\$ 2,048,509	\$ -	\$ -	\$ 2,048,509	\$ 359,044
SUPPLEMENTAL SCHEDULE OF FINANCING ACTIVITIES					
Repayment of installment notes and bonds by other governments	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -

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

CRAVEN COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2008

	<u>All Agency Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	113,512
Total assets	<u>\$ 113,512</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	113,512
Total liabilities	<u>\$ 113,512</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 47 - 59
Note 2.	Cash on Deposit and Investments 60 - 64
Note 3.	Capital Assets 65 - 68
Note 4.	Long-Term Obligations 69 - 75
Note 5.	Interfund Assets/Liabilities and Transfers 76
Note 6.	Deferred Compensation Plan 77
Note 7.	Joint Ventures 77 - 78
Note 8.	Jointly Governed Organizations 79
Note 9.	Related Organizations 79
Note 10.	Additional Social Welfare Expenditures 80
Note 11.	Risk Management 81 - 84
Note 12.	Retirement Systems 84 - 88
Note 13.	Other Postemployment Benefits 88 - 90
Note 14.	Contingent Liabilities 90
Note 15.	Commitments 91
Note 16.	Subsequent Event 91
Note 17.	Pronouncements Issued Not Yet Implemented or Fully Implemented 91-92

Craven County, North Carolina

Notes to Financial Statements

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

Nature of operations:

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

Reporting entity:

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

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

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

Craven Regional Medical Authority. The Craven County Commissioners established the Craven Regional Medical Authority ("Medical Authority") to provide medical services to County residents. The Commissioners select the Medical Authority's governing board. In addition, Craven County leases land and improvements to The Medical Authority for \$1 per year "in perpetuity", and therefore does not record these assets in the County's financial statements. The Medical Authority's financial statements are presented as of and for the year ended September 30, 2007 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, 2008 as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained at 3493 Martin Drive, New Bern, NC 28561.

Craven County, North Carolina

Notes to Financial Statements

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

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

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

Northwest Craven Water and Sewer District
Tuscarora Rhems Water and Sewer District
East Craven Water and Sewer District

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

The County maintains the Districts' assets, provides water operations and makes payments on outstanding debts on behalf of the respective Districts. Therefore, the County's financial statements reflect the assets and debts in the Craven County Water Fund. The Board of County Commissioners sits as the Board of each District. No separate financial statements are issued by these Districts as they have no operations, only certain outstanding debt that is paid on their behalf by Craven County pursuant to the agreement noted above. The 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. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2008 because they are intended to finance the County's operations during the 2009 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to availability.

Craven County, North Carolina

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, 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, 2007, and the budget as amended at June 30, 2008.

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.

Restricted Investments. The unexpended bond proceeds of the County's 2007 Certificates of Participation Issue are classified as restricted investments within the County's general fund and certain capital project funds because their use is completely restricted to the purpose for which the bonds were originally issued.

Craven County, North Carolina

Notes to Financial Statements

Note 1. Nature of Operations, Reporting Entity, 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, 2008:

	Component Unit Craven Regional Medical Authority
Patient receivables (at September 30, 2007)	\$ 12,779,720

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, 2008, are recorded as prepaid items.

Notes to Financial Statements

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

Bond Issuance Costs and Refunding. Bond issuance costs and refunding 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. The bond issuance costs relate to the 2007 Certificates of Participation and the 1996 General Obligation Bonds, both issued in the Governmental funds. The amount recorded as bond refunding relates only to the refunding of the 1996 General Obligation Bonds, which were refunded during the year-ended June 30, 2004.

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, and are included in the total for capital assets on the Statement of Net Assets. 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 holds title to certain Craven County Board of Education properties which have not been included in fixed assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction. Agreements between the County and Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions on the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Craven County Board of Education.

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.

Craven County, North Carolina

Notes to Financial Statements

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

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.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as another financing source and is not considered fund liabilities.

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

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned	\$ 226,775	\$ 226,775
Prepaid fees	23,587	23,587
Property taxes receivable, net (General)	1,647,654	-
Property taxes receivable, net (Special Revenue)	36,917	23
Recycling fees receivable	119,991	-
Total deferred revenue	\$ 2,054,924	\$ 250,385

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 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 2008-2009 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 \$(45,765,195) 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.	\$ 74,600,420
Less accumulated depreciation	23,734,392
Net capital assets	<u>50,866,028</u>
Accrued interest receivable less the amount recorded 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.	2,144,933
Liabilities for revenue deferred but earned therefore recorded in the fund statements but not in the government-wide statements.	1,804,539
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.	1,591,298
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	(62,006,934)
Bonds financing	(35,335,000)
Deferred bonds premium	(1,987,064)
Accrued interest payable	(520,043)
Compensated absences	(1,946,403)
Net pension obligation	(376,549)
Total adjustment	<u>\$ (45,765,195)</u>

Craven County, North Carolina

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 \$(20,047,230) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 14,333,155
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	(2,324,929)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, retirements, and donations)	(61,301)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	6,050,858
Revenues reported in the fund statements from the proceeds of long-term borrowings that are not reported as revenues in the statement of activities	(36,935,000)
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	(94,743)
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	(31,770)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(197,134)
Bond issuance and 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	(1,436,925)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	(23,575)
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	674,134
Total adjustment	<u>\$ (20,047,230)</u>

Craven County, North Carolina

Notes to Financial Statements

Note 2. Cash on Deposit and Investments

At June 30, 2008, the primary government's cash and investments are comprised of the following:

Cash on hand	\$	20,885
Carrying value of deposits		2,501,217
Investments and restricted short-term investments		68,049,473
	\$	<u>70,571,575</u>

Statement of net assets reconciliation:

Cash and cash equivalents	\$	12,582,102
Short-term investments		57,989,473
	\$	<u>70,571,575</u>

Deposits:

The deposits of the County and its component units are made in Board designated official depositories and are collateralized 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, 2008, the County's (primary government) deposits had a carrying amount of \$12,582,102 and a bank balance of \$14,641,342. Of the bank balance, \$100,000 was covered by federal depository insurance and \$14,541,342 was covered by collateral held under the pooling method.

At June 30, 2008, the County's agency fund deposits had a carrying amount of \$113,512 and a bank balance of \$119,292. 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, 2008, both the carrying amount and bank balance of deposits for the Tourism Development Authority was \$64,869. The bank balance was covered by collateral held under the pooling method.

At June 30, 2008, both the carrying amount and bank balance of deposits for the Airport Authority was \$375,446. The bank balance was covered by collateral held under the pooling method.

At June 30, 2008, the carrying amount of deposits for the ABC Board was \$1,715,340 and the bank balance was \$1,689,530. Of the bank balance, \$380,000 was covered by federal depository insurance and \$1,309,530 was covered by collateral held by the State Treasurer.

At September 30, 2007, the carrying amount of deposits for the Medical Authority was \$11,812,725 and the bank balance was \$13,036,741. Of the bank balance, \$102,796 was covered by federal depository insurance and \$12,933,945 was covered by collateral held under the pooling method.

Investments:

State law [G.S. 159-30(c)] authorizes the County, the ABC Board, the Tourism Development Authority, the Airport Authority, and the Medical Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). In addition to the above, the Medical Authority may invest in other property or securities in which trustees, guardians, executors, administrators, and others acting in a fiduciary capacity may legally invest funds under their control.

As of June 30, 2008, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than 6 Months
State Agencies	\$ 23,200,000	\$ 23,200,000
NC Capital Management Trust- Cash Portfolio	34,789,473	N/A
Total	\$ 57,989,473	\$ 23,200,000

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.

The North Carolina State Education Assistance Authority (NCSEAA) instruments in the portfolio have final stated maturities ranging from 2015 to 2036. Historically they could be redeemed at par and the interest rate reset every 7, 28 or 35 days making the effective maturity date the next reset date, until February 2008 when the auctions began failing. At that time the instruments became illiquid and there was no secondary market. See note 16.

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. 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, 2008. 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: the North Carolina Education Student Assistance Authority (40%), and the North Carolina Capital Management Trust-Cash Portfolio (60%).

Component Unit Information

At June 30, 2008, the Airport Authority's investments consisted of \$200,000 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, 2008, 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, 2007 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	\$ 13,600	\$ -	\$ 9,106	\$ 4,494	\$ -	\$ -
US Government Agencies	24,703	1,076	11,916	7,384	4,111	217
Asset Backed CMO's	16,877	125	9,337	4,795	2,020	601
Corporate Bonds	33,290	726	19,658	6,496	1,569	4,841
Equity Securities	95,089	N/A	N/A	N/A	N/A	N/A
Hedge Fund	11,360	N/A	N/A	N/A	N/A	N/A
Short Term Cash Equivalents*	7,109	N/A	N/A	N/A	N/A	N/A
NC Capital Management Trust*	4,430	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
Total	\$ 207,302	\$ 1,927	\$ 50,017	\$ 23,169	\$ 7,700	\$ 5,659

* These amounts include \$1,959,509 which is included in cash and cash equivalents.

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 "BBB" category or better by S&P, Moody's, and Fitch. "BBB" securities will be limited to 10% of the fixed income portfolio. No single "BBB" issue will be greater than \$500,000 face value at purchase. Obligations of the U.S. Government or explicitly guaranteed by the U.S. Government are generally not considered to have credit risk.

Craven County, North Carolina

Notes to Financial Statements

Note 2. Cash on Deposit and Investments (Continued)

As of September 30, 2007, 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	32.48%	24.46%	37.69%	5.37%			100.00%
Short Term Cash Equivalents	100.00%						100.00%
NC Capital Management Trust	100.00%						100.00%
NC Capital Management Trust - Bank of New York Trustee	100.00%						100.00%

Concentration of Credit Risk: The 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.

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

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

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

Craven County, North Carolina

Notes to Financial Statements

Note 3. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2008 was as follows:

	Capital Assets			Capital Assets
	July 1, 2007	Additions *	Retirements	June 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land, other	\$ 7,774,584	\$ 13,789	\$ (4,816)	\$ 7,783,557
Construction in progress	2,047,520	12,775,751	-	14,823,271
Total capital assets not being depreciated	\$ 9,822,104	\$ 12,789,540	\$ (4,816)	\$ 22,606,828
Capital assets, being depreciated:				
Buildings	\$ 37,260,124	\$ 60,032	\$ (4,595)	\$ 37,315,561
Vehicles	4,775,897	563,274	(511,646)	4,827,525
Equipment	5,302,208	299,458	(53,231)	5,548,435
Other improvements	3,681,220	620,851	-	4,302,071
Total capital assets being depreciated	51,019,449	1,543,615	(569,472)	51,993,592
Less accumulated depreciation for:				
Buildings	13,508,798	1,367,081	(1,247)	14,874,632
Vehicles	3,484,568	533,538	(458,509)	3,559,597
Equipment	4,077,577	239,899	(53,231)	4,264,245
Other improvements	851,507	184,411	-	1,035,918
Total accumulated depreciation	21,922,450	2,324,929	(512,987)	23,734,392
Total capital assets, being depreciated, net	\$ 29,096,999	\$ (781,314)	\$ (56,485)	\$ 28,259,200
Business-type Activities				
Capital assets, not being depreciated:				
Land, other	\$ 207,676	\$ -	\$ -	\$ 207,676
Construction in progress	657,980	161,166	(228,723)	590,423
Total capital assets not being depreciated	\$ 865,656	\$ 161,166	\$ (228,723)	\$ 798,099
Capital assets, being depreciated:				
Buildings & other improvements	\$ 27,999,880	\$ 530,822	\$ (10,760)	\$ 28,519,942
Vehicles	214,455	72,616	(101,562)	185,509
Equipment	353,113	-	(5,350)	347,763
Total capital assets being depreciated	28,567,448	603,438	(117,672)	29,053,214
Less accumulated depreciation for:				
Buildings & other improvements	8,657,938	792,706	(10,760)	9,439,884
Vehicles	173,495	22,495	(75,616)	120,374
Equipment	327,120	6,824	(5,350)	328,594
Total accumulated depreciation	9,158,553	822,025	(91,726)	9,888,852
Total capital assets, being depreciated, net	\$ 19,408,895	\$ (218,587)	\$ (25,946)	\$ 19,164,362

* Additions include \$228,723 of assets transferred from construction in progress.

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	\$ 503,587
Public safety	595,359
Social Services	327,782
Economic and physical development	431,242
Health	299,241
Environmental protection	83,777
Culture and recreation	83,941
Total depreciation expense, governmental activities	<u>\$ 2,324,929</u>
Business-type activities:	
Water Fund	\$ 822,025
Total depreciation expense-business-type activities	<u>\$ 822,025</u>

Discretely presented component units

The following is a summary of the capital assets of the Airport Authority at June 30, 2008:

Capital assets, not being depreciated:	
Land	\$ 9,456,818
Construction in Progress	1,762,140
Total capital assets, not being depreciated	<u>11,218,958</u>
Capital assets, being depreciated:	
Buildings	9,639,436
Improvements other than buildings	12,160,897
Machinery, equipment, and vehicles	1,696,985
Total capital assets being depreciated	<u>23,497,318</u>
Less accumulated depreciation	10,987,395
Total capital assets being depreciated, net	<u>12,509,923</u>
Capital assets, net	<u>\$ 23,728,881</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, 2007:

	Year Ended September 30, 2007			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,844,655	\$ -	\$ -	\$ 2,844,655
Construction in progress	5,962,088	11,945,496	(6,242,845)	11,664,739
Total capital assets, not being depreciated	8,806,743	11,945,496	(6,242,845)	14,509,394
Capital assets, being depreciated/amortized				
Intangible assets	15,727,713	-	-	15,727,713
Land improvements	3,680,672	86,110	-	3,766,782
Building and fixtures	93,303,776	4,892,180	-	98,195,956
Equipment	111,078,781	9,591,989	(3,639,205)	117,031,565
Total capital assets being depreciated	223,790,942	14,570,279	(3,639,205)	234,722,016
Less accumulated depreciation/amortization for:				
Intangible assets	(6,906,812)	(518,424)	-	(7,425,236)
Land improvements, building and fixtures, and equipment	(133,934,084)	(14,281,148)	3,504,867	(144,710,365)
	(140,840,896)	(14,799,572)	3,504,867	(152,135,601)
Total capital assets being depreciated/amortized, net	82,950,046	(229,293)	(134,338)	82,586,415
Medical Authority capital assets, net	\$ 91,756,789	\$ 11,716,203	\$ (6,377,183)	\$ 97,095,809

All depreciation is directly or indirectly in relation to the provision of healthcare services. The Authority has active construction projects as of September 30, 2007. The projects include various building renovations and information systems installations. As of September 30, 2007, the Authority has outstanding commitments for construction in progress for approximately \$52,000.

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, 2007 are as follows:

Capital assets, as above	\$	97,095,809
Capital related debt (Note 4)		4,454,419
	\$	<u>92,641,390</u>

The following is a summary of the capital assets of the ABC Board at June 30, 2008:

Capital assets, not being depreciated:		
Land	\$	98,533
Construction in progress		34,841
Total capital assets not being depreciated	\$	<u>133,374</u>
Capital assets, being depreciated:		
Buildings	\$	451,282
Furniture & equipment		308,626
Leasehold improvements		10,507
Automotive equipment		74,264
Total capital assets being depreciated		<u>844,679</u>
Less accumulated depreciation		459,966
Total capital assets being depreciated, net	\$	<u>384,713</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, 2008 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%	\$ 23,600,000
\$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	2.5% - 3.75%	10,435,000
\$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%	1,300,000
		<u>35,335,000</u>
Proprietary (Water and Sewer Districts) bonds:		
\$325,000 Neuse River Water and Sewer District bonds with installments due September 1 (interest only) and March 1 (principal of \$5,000 to \$20,000 plus interest) through March 2016	5.25% - 5.5%	145,000
\$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	82,000
\$600,000 Pembroke Water and Sewer District bonds with installments due November 1 (interest only) and May 1 (principal of \$30,000 plus interest) through May 2013	6.00%	150,000
		<u>377,000</u>
		<u>\$ 35,712,000</u>

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

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

Year Ending June 30	Governmental Activities		Business-type activities	
	Principal	Interest	Principal	Interest
2009	\$ 2,560,000	\$ 1,541,563	\$ 132,000	\$ 20,915
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	2,445,000	1,166,969	50,000	5,375
2014 – 2018	12,130,000	4,334,019	45,000	4,125
2019 – 2023	10,700,000	1,504,700	-	-
Total	\$ 35,335,000	\$ 12,624,090	\$ 377,000	\$ 63,750

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Loans and installment notes payable:

Purpose	Interest Rates	Amount
General government:		
Human Services Complex	3.59%	\$ 1,518,419
Convention Center	4.72%	6,765,000
Industrial Park Improvements	3.88%	68,515
New School/School Projects/Fiber Optic	4.5%-5.0%	24,125,000
Law Enforcement Center/Park/Tryon Palace	4.5%-5.0%	29,530,000
Total General Government		<u>62,006,934</u>
Enterprise:		
Water line expansion project- Northwest Craven Water and Sewer District	3.82% - Clean water note	81,593
Water line expansion project- Township 6 Water and Sewer District	3.43% - Clean water note	42,600
Water line expansion project- Northwest Craven Water and Sewer District	2.66% - Drinking Water Revolving Loan	1,361,942
Total Enterprise		<u>1,486,135</u>
Total loans and installment notes payable		<u>\$ 63,493,069</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 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.

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 New School/School Projects/Fiber Optic debt is a portion of the Certificates of Participation, Series 2007 Bonds issued in August, 2007 in the full amount of \$57,635,000. Principal on this portion is due in annual installments ranging between \$1,265,000 and \$1,270,000. The Law Enforcement Center/Park/Tryon Palace debt is also a portion of the Certificates of Participation, Series 2007 Bonds. Principal on this portion is due in annual installments ranging between \$1,550,000 and \$1,555,000. Interest with respect to the 2007 Certificates is payable on each June 1 and December 1 at rates ranging from 4.25%-5%. The remaining \$1,800,000 issued was used by the Airport Authority as discussed below.

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

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
2009	\$ 3,861,859	\$ 2,944,787	\$ 112,637	\$ 40,806
2010	3,841,167	2,775,021	112,637	37,453
2011	3,878,908	2,606,838	112,636	34,100
2012	3,380,000	2,439,460	85,439	30,748
2013	3,405,000	2,283,403	85,439	28,434
2014 – 2018	17,470,000	9,006,279	416,545	107,647
2019 – 2023	14,890,000	4,964,876	400,570	53,275
2024 – 2027	11,280,000	1,410,000	160,232	6,393
Total	<u>\$ 62,006,934</u>	<u>\$ 28,430,664</u>	<u>\$ 1,486,135</u>	<u>\$ 338,856</u>

Craven County, North Carolina

Notes to Financial Statements

Note 4. Long-Term Obligations (Continued)

Changes in long-term liabilities:

Changes in long-term obligations for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 37,930,000	\$ -	\$ 2,595,000	\$ 35,335,000	\$ 2,560,000
Deferred premium on new debt	13,982	2,078,563	105,481	1,987,064	-
Loans and installment notes	28,527,793	55,835,000	22,355,859	62,006,934	3,861,859
Law enforcement pension obligation	344,779	31,770	-	376,549	-
Compensated absences	1,851,659	1,535,817	1,441,073	1,946,403	1,441,073
Governmental activity Long-term liabilities	<u>\$ 68,668,213</u>	<u>\$ 59,481,150</u>	<u>\$ 26,497,413</u>	<u>\$ 101,651,950</u>	<u>\$ 7,862,932</u>
Due within one year					\$ 7,862,932
Due in more than one year					93,789,018
Total Governmental Activities					<u>\$ 101,651,950</u>
Business-type activities:					
General obligation bonds	\$ 839,500	\$ -	\$ 462,500	\$ 377,000	\$ 132,000
Loans and installment notes	1,598,771	-	112,636	1,486,135	112,637
	<u>\$ 2,438,271</u>	<u>\$ -</u>	<u>\$ 575,136</u>	<u>\$ 1,863,135</u>	<u>\$ 244,637</u>
Due within one year					\$ 244,637
Due in more than one year					1,618,498
Total Business-type Activities					<u>\$ 1,863,135</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 \$92,920,940 of its legal debt limitation of \$535,478,320, leaving a legal debt margin of \$442,557,380 at June 30, 2008.

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%		\$ 930,000
	Principal	Interest	Total
During the Year Ending June 30,			
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	175,000	14,335	189,335
2014	130,000	6,110	136,110
	<u>\$ 930,000</u>	<u>\$ 152,985</u>	<u>\$ 1,082,985</u>

Loans and installment notes payable:

Enterprise:	Stated Interest Rate	Amount
Airport Terminal	4.09%	\$ 2,178,927
Airport Land	4.5% - 5%	1,450,000
		<u>3,628,927</u>
(Less) Unamortized charges		(35,891)
Net		<u>\$ 3,593,036</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.

The Airport Land note is a portion of the 2007 Certificates of Participation used for land acquisition, payable in annual installments consisting of principal and interest ranging from \$262,500 to \$695,000 through 2011, at the interest rate terms indicated above.

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
2009	\$ 880,984	\$ 155,439	\$ 1,036,423
2010	994,568	117,105	1,111,673
2011	608,805	70,368	679,173
2012	373,522	43,151	416,673
2013	389,063	27,610	416,673
2014	381,985	11,534	393,519
Total	<u>\$ 3,628,927</u>	<u>\$ 425,207</u>	<u>\$ 4,054,134</u>

The Medical Authority had the following bonds payable at September 30, 2007:

Health Care Facilities Revenue Notes, Series 1993:

7.5% interest payable annually on November 1, maturing through 2013 \$ 4,454,419

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, 2007 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2008	\$ 506,914	\$ 334,082	\$ 840,996
2009	544,933	296,063	840,996
2010	585,803	255,193	840,996
2011	629,738	211,258	840,996
2012	676,968	164,028	840,996
2013 - 2014	1,510,063	171,928	1,681,991
	<u>\$ 4,454,419</u>	<u>\$ 1,432,552</u>	<u>\$ 5,886,971</u>

The total current and long-term liabilities presented for the Authority in the Statement of Net Assets includes certain other liabilities totaling \$242,186, including the current obligation for other post employment benefits.

Interest expense charged to operations was \$208,579, while \$131,539 of interest was capitalized for the year-ended September 30, 2007.

Craven County, North Carolina

Notes to Financial Statements

Note 5. Interfund Assets/Liabilities and Transfers

Amounts due from/to funds at June 30, 2008 were as follows (balances within fund types are eliminated):

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	1,010,067
Tri-Community Fire Dept.	Sandy Point Fire Dept.	26
Northwest Craven Park Fund	General Fund	38,816
		\$ 1,048,909

The due from/to between the Debt Service Fund and General Fund represents the year-end accruals for certain sales taxes which will be received and transferred within the first 3 months of the year-ended June 30, 2009.

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, 2008:

Transfers out:	Transfers In:			
	General Fund	Non-Major Governmental Funds	Water Fund	Total
General Fund	\$ 576	\$ 7,502,767	\$ 16,200	\$ 7,519,543
Non-Major Governmental Funds	3,425,544	569,750	-	3,995,294
Water Fund	112,999	-	-	112,999
Internal Service Fund	-	-	26,649	26,649
Total Transfers out	\$ 3,539,119	\$ 8,072,517	\$ 42,849	\$ 11,654,485

Transfers consist primarily of the following:

- \$4,452,513 From General Fund to Non-Major Governmental Funds primarily for future debt retirement of school bonds.
- \$2,306,989 From General Fund to County Reserve Fund to accumulate resources for various future capital projects.
- \$2,165,000 From County Reserve Fund (Non-Major Governmental Funds) to General Fund to provide funds for capital project expenditures on the community college.
- \$724,230 From the General Fund to the New World Software Project (Non-Major Governmental Funds) to provide for capital project expenditures.

Notes to Financial Statements

Note 6. Deferred Compensation Plan

County Plan:

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

The second plan, administered by the International City Managers Association Retirement Corporation (ICMA/RC), is available to all permanent County employees who wish to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

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

Note 7. Joint Ventures

The County participates in a joint venture with the City of New Bern to operate the New Bern/Craven County Library. The County appoints five board members of the ten-member board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2008. During the year ended June 30, 2008, the County appropriated \$975,110 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 \$216,756. 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, 2008. 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, 2008. Complete financial statements for the Waste Management Authority can be obtained from the Waste Management Authority's administrative offices at 7400 Old Highway 70 West, Cove City, NC.

Notes to Financial Statements

Note 7. Joint Ventures (Continued)

The County, in conjunction with Jones, Pamlico, Bertie, Gates, Hertford, Northampton, Pitt and Beaufort Counties, participates in a joint venture to operate East Carolina Behavioral Health ("ECBH"). Two members from each County serve on the board of eighteen members. The County has an ongoing financial responsibility for the joint venture because ECBH's continued existence depends on the participating governments' funding in conjunction with funding from the State of North Carolina. None of the participating governments have any equity interest in ECBH, so no equity interest has been reflected in the financial statements at June 30, 2008. The County appropriated \$274,018 to the Center during the fiscal year ended June 30, 2008, which included money received from the ABC Board designated for alcohol education. Complete financial statements for ECBH can be obtained from ECBH's administrative offices at 405 Middle Street, New Bern, NC 28560.

The County, in conjunction with the State of North Carolina and the Craven County Board of Education, participates in a joint venture to operate Craven Community College. The County appoints five members of the eleven-member board of trustees of the Community College. The college is included as a component unit of the State of North Carolina. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$1,300,000 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 \$2,935,130, \$2,075,000 and \$165,000 to the Community College for operating, capital, and technology purposes, respectively, during the fiscal year ended June 30, 2008. In addition, the County made debt service principal payments of \$100,000 during the fiscal year ended June 30, 2008. 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, 2008. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 800 College Court, New Bern, NC 28562.

Craven County, North Carolina

Notes to Financial Statements

Note 8. Jointly Governed Organizations

The County, in conjunction with nine other counties and 26 municipalities, established the Eastern Carolina Council ("Council") formerly known as Neuse River Council of Governments. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board.

The County, in conjunction with two other counties, governs the operations of the Craven-Pamlico-Carteret Regional Library. Each participating government appoints three board members to the nine-member board. The County has no ongoing financial responsibility for the joint venture because the library's continued existence depends on the State of North Carolina's continued funding. None of the participating governments have any equity interest in the library, so no equity interest has been reflected in the financial statements at June 30, 2008.

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, 2008, Craven County had a loan outstanding in the amount of \$68,514 due to the Commission. Also, at June 30, 2008, the portion of the trust available to be loaned exclusively to Craven County was \$1,961,080.

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, 2008, there were industrial revenue bonds outstanding, with an aggregate principal amount payable of approximately \$920,000.

Craven County, North Carolina

Notes to Financial Statements

Note 10. Additional Social Welfare Expenditures

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

Medicaid	\$	97,967,815
Temporary Assistance to Needy Families		813,360
Food stamps		10,178,513
Special Assistance		692,822
WIC		2,406,340
Other programs		438,132
	\$	<u>112,496,982</u>

Craven County, North Carolina

Notes to Financial Statements

Note 11. Risk Management

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

The County's Internal Service Fund was established to account for a limited risk, self-insurance program to provide health benefits to County employees. Premiums are paid into the Internal Service Fund by all other funds (including amounts withheld from employees) and are available to pay claims and administrative costs of the program. The interfund premiums are based upon actuarial estimates of the amounts needed to pay prior and current year claims. An excess coverage insurance policy provides for individual claims in excess of \$125,000. A total of \$3,155,753 in claims was incurred for benefits during fiscal year 2008. Payments received from the insurer for claims over the limit of \$10,186 during fiscal 2008 and \$27,916 during fiscal 2007, have been netted against the claims shown below. A receivable of \$4,173 and \$23,892 at June 30, 2008 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
2007-2008	\$ 381,408	\$ 3,155,753	\$ 3,121,334	\$ 415,827
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 \$119,269 in claims was incurred for benefits during fiscal year 2008. 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
2007-2008	\$ 335,185	\$ 119,269	\$ 398,051	\$ 56,403
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 \$58 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.

Craven County, North Carolina

Notes to Financial Statements

Note 11. 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 2007 and 2006 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2006-2007	\$ 1,250,000	\$ 8,893,932	\$ 9,043,932	\$ 1,100,000
2005-2006	1,250,000	9,195,544	9,195,544	1,250,000

Total claims expense is partially offset by employee contributions.

Notes to Financial Statements

Note 11. 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 \$100,910, \$149,116, and \$762,585 during fiscal year 2007, 2006, and 2005 respectively.

Craven County, North Carolina

Notes to Financial Statements

Note 11. 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 \$930,824 for General, Professional, and Umbrella coverage in fiscal year 2007. 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 12. Retirement Systems

North Carolina Local Governmental Employees' Retirement System:

Plan Description. Craven County, the Airport Authority and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the 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 are as follows:

	Employees Not Engaged In Law Enforcement	Employees Engaged In Law Enforcement
Craven County	4.91%	4.86%
Airport Authority	7.28%	
ABC Board	6.00%	

Craven County, North Carolina

Notes to Financial Statements

Note 12. Retirement Systems (Continued)

North Carolina Local Governmental Employees' Retirement System:

The contribution requirements of members and of Craven County, the Airport Authority and the ABC Board are established and may be amended by the North Carolina General Assembly. Contributions to LGERS for these entities for the years ended June 30, 2008, 2007, and 2006 were as follows:

	2008	2007	2006
Craven County	\$ 1,109,216	\$ 1,042,343	\$ 995,043
Airport Authority	21,035	20,843	21,670
ABC Board	35,305	22,498	22,056

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, 2007 the System's membership consisted of:

Retirees receiving benefits	7
Active plan members	65
Total	72

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

Summary of Significant Accounting Policies:

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

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

Craven County, North Carolina

Notes to Financial Statements

Note 12. Retirement Systems (Continued)

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method, the level percent of pay closed amortization method over a remaining amortization period of 23 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.

Funded Status and Funding Progress. As of December 31 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$781,597. The covered payroll (annual payroll of active employees covered by the plan) was \$2,434,754, and the ratio of the UAAL to the covered payroll was 32.1 percent.

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

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	\$ 79,477
Interest on Net Pension Obligation	24,996
Adjustment to Annual Required Contribution	<u>(21,186)</u>
Annual Pension Cost	83,287
Employer Contributions made for fiscal year ending June 30, 2008	<u>51,517</u>
Increase in Net Pension Obligation	31,770
Net Pension Obligation, beginning of fiscal year	<u>344,779</u>
Net Pension Obligation, end of fiscal year	<u><u>376,549</u></u>

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	85,346	76.69%	316,848
6/30/2007	82,095	65.98%	344,779
6/30/2008	83,287	61.86%	376,549

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

Notes to Financial Statements

Note 12. Retirement Systems (Continued)

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, 2008 were \$190,637, which consisted of \$125,286 (required and actual) from the County and \$65,351 from the law enforcement officers.

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, 2008, the County made contributions to the State for death benefits of \$23,620. 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. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the financial statements and supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. Chapter 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County's required and actual contributions were \$9,578.

Craven County, North Carolina

Notes to Financial Statements

Note 12. 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 \$37,360,306 and \$41,484,574 for the primary and supplementary plans, respectively.

The total employer contributions of the Medical Authority were \$3,736,031 and \$829,691 for the primary and supplementary plans, respectively, for the fiscal year ended September 30, 2007. 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 13. 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 36 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008, the County made payments for postretirement health benefit premiums of \$129,911 to the internal service fund established for the partially self-funded health insurance plan. The County's required contributions for employees represented .58 percent of covered payroll.

Craven County, North Carolina

Notes to Financial Statements

Note 13. Other Postemployment Benefits (Continued)

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, 2007, the Authority's membership consisted of:

Retirees receiving benefits	36
Active plan members	291
Total	<u>327</u>

Funding Policy. To date, the Authority has chosen to fund these obligations on a pay-as-you-go basis. During 2007, the Authority funded the actuarially determined net OPEB obligation which was accrued at September 30, 2006 and made some interim pay-as-you-go benefit payments until the trust was funded.

Annual OPEB Cost and Net OPEB Obligation. The Authority's OPEB cost (expense) for the fiscal year ended September 30, 2007 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, 2006. The Authority's annual OPEB cost components and its net OPEB obligation for the year ended September 30, 2007 were as follows:

Annual Required Contribution	\$ 444,193
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	<u>444,193</u>
Employer Contributions made for fiscal year ending September 30, 2007	<u>(4,381,949)</u>
Increase in Net OPEB Obligation	<u>(3,937,756)</u>
Net OPEB Obligation, beginning of fiscal year	4,134,467
Net OPEB Obligation, end of fiscal year	<u>\$ 196,711</u>

Trend Information (only 1 year presented)

Fiscal Year Ended	Annual OPEB Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2007	\$444,193	986.50%*	196,711

* Includes initial funding for the net OPEB obligation for the year-ended September 30, 2006. As of September 30, 2007, the Authority has funded a total of 95.85% of the Annual OPEB cost since implementation of GASB Statement 45.

Craven County, North Carolina

Notes to Financial Statements

Note 13. Other Postemployment Benefits (Continued)

A summary of the costs recognized in each of the years ended September 30, 2007, 2006 and 2005 follows:

Years Ended September 30,	
2007	\$ 444,193
2006 (Year GASB Statement 45 implemented)	4,300,137
2005	100,904

Funded Status and Funding Progress. The plan was fully funded on April 3, 2007, the date the trust was established.

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, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, 1 year period
Remaining amortization period	0 years
Asset valuation method	Present Value
Actuarial assumptions:	
Investment rate of return	7.0%
Health care cost trend rates	11.0% down to 5%
Includes inflation at	3.00%
Cost-of-living adjustments	None

Note 14. Contingent Liabilities

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

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

Craven County, North Carolina

Notes to Financial Statements

Note 15. Commitments

At June 30, 2008, the County had contractual commitments totaling approximately \$36,393,000 within the Capital Project Funds related to the projects being financed with the 2007 Certificates of Participation bonds, of which approximately \$18,708,000 was paid through June 30, 2008, leaving total outstanding commitments under these contracts of approximately \$17,685,000.

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, 2008, future minimum lease payments under this operating lease are as follows:

Year Ending June 30,	
2009	\$ 9,000

Note 16. Subsequent Event

The North Carolina State Education Assistance Authority instruments in the portfolio, having final stated maturities ranging from 2015 to 2036, have been called effective July 2008 resolving the matter of illiquid investments for the County.

Note 17. 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 fully determined what impact these statements may have on its financial statements. The Medical Authority adopted Statement No. 45 during the fiscal year ended September 30, 2007.

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.

Notes to Financial Statements

Note 17. Pronouncements Issued Not Yet Implemented (Continued)

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
For the Fiscal Year Ended June 30, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/2007	-	781,597	781,597	-	2,434,754	32.10%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR LAW
ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
For the Fiscal Year Ended June 30, 2008**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	37,005	25.1%
2000	42,472	68.1%
2001	55,288	48.9%
2002	61,538	44.8%
2003	64,552	56.1%
2004	71,794	52.7%
2005	78,890	71.6%
2006	80,873	80.9%
2007	78,085	69.4%
2008	79,477	64.8%

Notes to the Required Schedules:

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

Valuation date	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 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, 2008

Fiscal Year Ended June 30,	Uncollected Balance June 30, 2007	Additions	Collections Credits and Adjustments	Uncollected Balance June 30, 2008
2008		\$ 41,762,365	\$ 41,038,179	\$ 724,186
2007	\$ 699,817	-	513,397	186,420
2006	187,551	-	55,023	132,528
2005	127,749	-	26,160	101,589
2004	149,582	-	31,009	118,573
2003	150,090	-	37,357	112,733
2002	113,083	-	7,033	106,050
2001	96,100	-	3,688	92,412
2000	97,918	-	2,741	95,177
1999	80,015	-	2,030	77,985
1998	75,131	-	75,131	-
	<u>\$ 1,777,036</u>	<u>\$ 41,762,365</u>	<u>\$ 41,791,748</u>	<u>\$ 1,747,653</u>

Less allowance for uncollectible
ad valorem taxes receivable

100,000

\$ 1,647,653

Reconciliation with revenues:

Ad valorem taxes- General Fund \$ 40,754,564

Less: Collection of taxes older than ten years 6,315

Plus: Abatements and adjustments of prior
year taxes 1,043,499

Total collections and credits \$ 41,791,748

CRAVEN COUNTY, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
For the Fiscal Year Ended June 30, 2008**

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Motor Vehicles	Registered Motor Vehicles
ORIGINAL LEVY:					
Property taxed at current year's rate	\$ 6,397,232,017	0.6100	\$ 39,021,731	\$ 35,394,111	\$ 3,627,620
Motor vehicles taxed at prior year's rate	312,874,333	0.6100	1,907,932	-	1,907,932
Penalties	-		93,833	93,833	-
	<u>6,710,106,350</u>		<u>41,023,496</u>	<u>35,487,944</u>	<u>5,535,552</u>
DISCOVERIES	121,698,204		738,869	738,869	-
	<u>6,831,804,554</u>		<u>41,762,365</u>	<u>36,226,813</u>	<u>5,535,552</u>
ABATEMENTS	(138,326,003)		(870,478)	(258,885)	(611,593)
Total property valuation	<u>\$ 6,693,478,551</u>				
Net Levy			40,891,887	35,967,928	4,923,959
Uncollected taxes at June 30, 2008			<u>724,186</u>	<u>241,429</u>	<u>482,757</u>
Current year's taxes collected			<u>\$ 40,167,701</u>	<u>\$ 35,726,499</u>	<u>\$ 4,441,202</u>
Current levy collection percentage			<u>98.23%</u>	<u>99.33%</u>	<u>90.20%</u>

Craven County



COMBINING SCHEDULES OF NONMAJOR FUNDS

CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 471,798	\$ 714,733	\$ 44,636	\$ 1,231,167
Short-term investments	-	5,800,000	3,360,693	9,160,693
Restricted short-term investments	-	4,390,940	-	4,390,940
Taxes receivable	36,891	-	-	36,891
Accounts receivable	234,662	92,343	5,597	332,602
Due from other fund	-	-	1,010,067	1,010,067
Total assets	<u>\$ 743,351</u>	<u>\$ 10,998,016</u>	<u>\$ 4,420,993</u>	<u>\$ 16,162,360</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 43,465	\$ 92,580	\$ 136,045
Accrued salaries and benefits	2,596	-	-	2,596
Due to/Due from	-	38,816	-	38,816
Deferred revenue	36,917	-	-	36,917
Total liabilities	<u>39,513</u>	<u>82,281</u>	<u>92,580</u>	<u>214,374</u>
Fund balances:				
Reserved for:				
State statute	234,636	92,343	-	326,979
Debt service	-	-	4,328,413	4,328,413
Unreserved, reported in:				
Special revenue funds	469,202	-	-	469,202
Capital project funds	-	10,838,077	-	10,838,077
Undesignated (deficit)	-	(14,685)	-	(14,685)
Total fund balances	<u>703,838</u>	<u>10,915,735</u>	<u>4,328,413</u>	<u>15,947,986</u>
Total liabilities and fund balances	<u>\$ 743,351</u>	<u>\$ 10,998,016</u>	<u>\$ 4,420,993</u>	<u>\$ 16,162,360</u>

CRAVEN COUNTY, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2008

	Fire District Funds	Emergency Telephone System 911	Totals
ASSETS			
Cash and cash equivalents	\$ 319,101	\$ 152,697	\$ 471,798
Taxes receivable	36,891	-	36,891
Accounts receivable	188,822	45,840	234,662
Total assets	<u>\$ 544,814</u>	<u>\$ 198,537</u>	<u>\$ 743,351</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued salaries and benefits	\$ -	\$ 2,596	\$ 2,596
Deferred revenue	36,917	-	36,917
Total liabilities	<u>36,917</u>	<u>2,596</u>	<u>39,513</u>
Fund balances:			
Reserved by State statute	188,796	45,840	234,636
Unreserved, designated for subsequent year's expenditures	<u>319,101</u>	<u>150,101</u>	<u>469,202</u>
Total fund balances	<u>507,897</u>	<u>195,941</u>	<u>703,838</u>
Total liabilities and fund balances	<u>\$ 544,814</u>	<u>\$ 198,537</u>	<u>\$ 743,351</u>

CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECT FUNDS

June 30, 2008

	County Reserve	New Elementary School		Mapping Project	Northwest Craven Park		Fiber Optic Project Fund	Schools Special Project		New World Software	Totals
		Project Fund	Project Fund		Project Fund	Project Fund					
ASSETS											
Cash and cash equivalents	\$ 120,202	\$ 215,238	\$ 90,877	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,416	\$ 714,733	
Short-term investments	5,800,000	-	-	-	-	-	-	-	-	5,800,000	
Restricted short-term investments	-	42,718	-	24,131	-	-	496,091	3,828,000	-	4,390,940	
Accounts receivable	12,037	80,306	-	-	-	-	-	-	-	92,343	
Total assets	\$ 5,932,239	\$ 338,262	\$ 90,877	\$ 24,131	\$ 24,131	\$ 496,091	\$ 496,091	\$ 3,828,000	\$ 288,416	\$ 10,998,016	

LIABILITIES AND FUND BALANCES

Liabilities:											
Accounts payable	\$ -	\$ 15,004	\$ 1,155	\$ -	\$ -	\$ 368	\$ 368	\$ 25,858	\$ 1,080	\$ 43,465	
Due to/Due from	-	-	-	38,816	-	-	-	-	-	38,816	
Total liabilities	-	15,004	1,155	38,816	-	368	368	25,858	1,080	82,281	

FUND BALANCES

Fund Balances:											
Reserved by State statute	12,037	80,306	-	-	-	-	-	-	-	-	92,343
Unreserved, designated for project expenditures	5,920,202	242,952	89,722	-	-	495,723	495,723	3,802,142	287,336	10,838,077	
Undesignated (deficit)	-	-	-	(14,685)	-	-	-	-	-	(14,685)	
Total fund balances	5,932,239	323,258	89,722	(14,685)	(14,685)	495,723	495,723	3,802,142	287,336	10,915,735	
Total liabilities and fund balances	\$ 5,932,239	\$ 338,262	\$ 90,877	\$ 24,131	\$ 24,131	\$ 496,091	\$ 496,091	\$ 3,828,000	\$ 288,416	\$ 10,998,016	

CRAVEN COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 3,019,903	\$ -	\$ -	\$ 3,019,903
Intergovernmental	369,953	343,815	1,969,220	2,682,988
Charges for services	304,428	-	-	304,428
Interest	12,194	258,662	266,317	537,173
Miscellaneous	-	80,306	-	80,306
Total revenues	3,706,478	682,783	2,235,537	6,624,798
EXPENDITURES				
Current:				
General government	-	768,866	-	768,866
Public safety	2,479,594	-	-	2,479,594
Economic and physical development	470,989	-	-	470,989
Culture and recreation	-	744,251	-	744,251
Education	-	10,303,956	-	10,303,956
Debt service:				
Principal	-	-	3,475,000	3,475,000
Interest	-	-	2,588,649	2,588,649
Total expenditures	2,950,583	11,817,073	6,063,649	20,831,305
Excess of revenues over (under) expenditures	755,895	(11,134,290)	(3,828,112)	(14,206,507)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	26,217,944	-	26,217,944
Current refunding of debt	-	(15,700,000)	-	(15,700,000)
Transfers in	175,732	3,444,272	4,452,513	8,072,517
Transfers out	(893,157)	(3,102,137)	-	(3,995,294)
Total other financing sources (uses)	(717,425)	10,860,079	4,452,513	14,595,167
Net change in fund balances	38,470	(274,211)	624,401	388,660
FUND BALANCES:				
Beginning	665,368	11,189,946	3,704,012	15,559,326
Ending	\$ 703,838	\$ 10,915,735	\$ 4,328,413	\$ 15,947,986

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, 2008

	Fire District Funds	E-911 Fund	Emergency Telephone System 911	Occupancy Tax Fund	2006 CDBG Scattered Sites Project Fund	Predisaster Mitigation 06 Fund	Totals
REVENUES							
Taxes	\$ 2,220,973	\$ -	\$ -	\$ 798,930	\$ -	\$ -	\$ 3,019,903
Intergovernmental	-	-	-	-	365,425	4,528	369,953
Charges for services	-	139,001	165,427	-	-	-	304,428
Interest	-	5,451	2,177	4,566	-	-	12,194
Total revenues	2,220,973	144,452	167,604	803,496	365,425	4,528	3,706,478
EXPENDITURES							
Current:							
Public safety	2,257,259	127,903	94,432	-	-	-	2,479,594
Economic and physical development	-	-	-	97,036	365,425	8,528	470,989
Total expenditures	2,257,259	127,903	94,432	97,036	365,425	8,528	2,950,583
Excess of revenues over (under) expenditures	(36,286)	16,549	73,172	706,460	-	(4,000)	755,895
OTHER FINANCING SOURCES (USES)							
Transfers in (out):							
From General Fund	52,963	-	122,769	-	-	-	175,732
To County Reserve Fund	-	(156,697)	-	-	-	-	(156,697)
To General Fund	-	(30,000)	-	(706,460)	-	-	(736,460)
Total other financing sources (uses)	52,963	(186,697)	122,769	(706,460)	-	-	(717,425)
Net change in fund balances	16,677	(170,148)	195,941	-	-	(4,000)	38,470
FUND BALANCES:							
Beginning	491,220	170,148	-	-	-	4,000	665,368
Ending	\$ 507,897	\$ -	\$ 195,941	\$ -	\$ -	\$ -	\$ 703,838

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, 2008**

	County Reserve	New Elementary School Project Fund	Mapping Project	Ortho-Photography Project Fund	Northwest Craven Park Project Fund	Fiber Optic Project Fund	Schools Special Project	New World Software	Totals
REVENUES									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 343,815	\$ -	\$ -	\$ -	\$ 343,815
Interest	246,622	-	3,198	1,869	-	-	-	6,973	258,662
Miscellaneous	-	80,306	-	-	-	-	-	-	80,306
Total revenue	246,622	80,306	3,198	1,869	343,815	-	-	6,973	682,783
EXPENDITURES									
General government	-	-	62,139	262,860	-	-	-	443,867	768,866
Culture and recreation	-	2,475,804	-	-	744,251	-	-	-	744,251
Education	-	2,475,804	62,139	262,860	744,251	1,666,849	6,161,303	-	10,303,956
Total expenditures	-	2,475,804	62,139	262,860	744,251	1,666,849	6,161,303	443,867	11,817,073
Excess of revenues over (under) expenditures	246,622	(2,395,498)	(58,941)	(260,991)	(400,436)	(1,666,849)	(6,161,303)	(436,894)	(11,134,290)
OTHER FINANCING SOURCES									
Debt issued	-	14,000,000	-	-	500,000	2,167,552	9,550,392	-	26,217,944
Current refunding of debt	-	(14,000,000)	-	-	(500,000)	(1,200,000)	-	-	(15,700,000)
Transfers in	2,306,989	-	-	-	-	-	413,053	724,230	3,444,272
Transfers out	(2,682,680)	(413,053)	-	(6,404)	-	-	-	-	(3,102,137)
Total other financing sources	(375,691)	(413,053)	-	(6,404)	-	967,552	9,963,445	724,230	10,860,079
Net change in fund balances	(129,069)	(2,808,551)	(58,941)	(267,395)	(400,436)	(699,297)	3,802,142	287,336	(274,211)
FUND BALANCES									
Beginning	6,061,308	3,131,809	148,663	267,395	385,751	1,195,020	-	-	11,189,946
Ending	\$ 5,932,239	\$ 323,258	\$ 89,722	\$ -	\$ (14,685)	\$ 495,723	\$ 3,802,142	\$ 287,336	\$ 10,915,735

Crauen 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.
- **Emergency Telephone System E-911 Fund** – The Emergency Telephone System 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.
- **Pre-Disaster Mitigation 06 Fund** – The Pre-Disaster Mitigation 06 Fund was originally setup to account for funds to be used for a housing elevation project; however this project ultimately did not occur.

Craven County, North Carolina

Detailed Balance Sheet
All Fire District Funds

June 30, 2008

	Rhems	No. 1 Township	Tri- Community	Little Swift Creek	No. 3 Township	No. 5 Township	No. 6 Township	No. 7 Township	West New Bern	No. 9 Township	Sandy Point Service District	Totals
ASSETS												
Cash and cash equivalents	\$ 16,074	\$ 17,127	\$ 23,790	\$ 26,165	\$ 20,012	\$ 52,186	\$ 36,240	\$ 79,168	\$ 18,664	\$ 29,675	\$ -	\$ 319,101
Taxes receivable	2,113	3,852	2,817	3,249	3,979	5,171	3,054	3,930	2,411	5,920	395	36,891
Accounts receivable	15,480	15,993	20,580	9,725	13,650	18,780	21,395	27,856	28,595	15,750	1,018	188,822
Total assets	\$ 33,667	\$ 36,972	\$ 47,187	\$ 39,139	\$ 37,641	\$ 76,137	\$ 60,689	\$ 110,954	\$ 49,670	\$ 51,345	\$ 1,413	\$ 544,814

LIABILITIES AND FUND BALANCES

Liabilities:												
Deferred revenue	\$ 2,113	\$ 3,852	\$ 2,817	\$ 3,249	\$ 3,979	\$ 5,171	\$ 3,054	\$ 3,930	\$ 2,411	\$ 5,920	\$ 421	\$ 36,917
Total liabilities	2,113	3,852	2,817	3,249	3,979	5,171	3,054	3,930	2,411	5,920	421	36,917
Fund Balances:												
Reserved by State statute	15,480	15,993	20,580	9,725	13,650	18,780	21,395	27,856	28,595	15,750	992	188,796
Unreserved, designated for subsequent year's expenditures	16,074	17,127	23,790	26,165	20,012	52,186	36,240	79,168	18,664	29,675	-	319,101
Total fund balances	31,554	33,120	44,370	35,890	33,662	70,966	57,635	107,024	47,259	45,425	992	507,897
Total liabilities and fund balances	\$ 33,667	\$ 36,972	\$ 47,187	\$ 39,139	\$ 37,641	\$ 76,137	\$ 60,689	\$ 110,954	\$ 49,670	\$ 51,345	\$ 1,413	\$ 544,814

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, 2008

	No. 1 Township	Tri- Community	Little Swift Creek	No. 3 Township	No. 5 Township	No. 6 Township	No. 7 Township	West New Bern	No. 9 Township	Sandy Point Service District	Totals
REVENUES											
Taxes:											
Property	\$ 121,729	\$ 167,522	\$ 73,759	\$ 100,400	\$ 161,387	\$ 178,001	\$ 232,189	\$ 220,344	\$ 116,607	\$ 5,501	\$ 1,506,943
Sales	56,722	78,641	36,631	50,198	72,387	82,152	105,908	109,771	58,630	3,090	714,030
Total revenues	186,226	246,163	110,390	150,598	233,774	260,153	338,097	330,115	175,237	8,591	2,220,973
EXPENDITURES											
Remittances to fire districts	188,930	248,254	105,703	111,772	239,782	248,039	307,432	340,095	169,950	-	2,126,426
Workers' compensation	1,980	5,115	2,750	75,707	1,595	1,650	3,575	4,125	2,585	-	102,767
Capital outlay	-	-	-	17,853	-	-	-	-	-	-	17,853
Miscellaneous	1,043	1,043	1,042	829	1,042	1,043	1,042	1,043	1,043	-	10,213
Total expenditures	191,953	254,412	109,495	206,161	242,419	245,732	312,049	345,263	173,578	-	2,257,259
Excess of revenues over (under) expenditures	(5,727)	(8,249)	895	(55,563)	(8,645)	14,421	26,048	(15,148)	1,659	8,591	(36,286)
OTHER FINANCING SOURCES (USES)											
Transfers in (out):											
From General Fund	-	-	-	52,963	-	-	-	-	-	-	52,963
Between fire districts	-	(5,666)	10,913	3,000	-	-	-	-	(3,000)	(10,913)	-
Total other financing sources (uses)	-	(5,666)	10,913	55,963	-	-	-	-	(3,000)	(10,913)	52,963
Excess of revenues over (under) expenditures and other financing sources (uses)	(5,727)	2,664	6,561	400	(8,645)	14,421	26,048	(15,148)	(1,341)	(2,322)	16,677
FUND BALANCES											
Beginning	37,281	33,354	41,706	29,329	33,262	43,214	80,976	62,407	46,766	3,314	491,220
Ending	\$ 31,554	\$ 44,370	\$ 35,890	\$ 33,662	\$ 70,966	\$ 57,635	\$ 107,024	\$ 47,259	\$ 45,425	\$ 992	\$ 507,897

**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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 127,631	\$ 129,504	\$ 1,873
Sales	57,296	56,722	(574)
Total revenues	<u>184,927</u>	<u>186,226</u>	<u>1,299</u>
EXPENDITURES			
Remittances to fire districts	188,930	188,930	-
Workers' compensation	2,090	1,980	110
Miscellaneous	1,043	1,043	-
Total expenditures	<u>192,063</u>	<u>191,953</u>	<u>110</u>
Excess of revenue over (under) expenditures	(7,136)	(5,727)	1,409
Appropriated fund balance	<u>7,136</u>	<u>-</u>	<u>(7,136)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(5,727)</u>	<u>\$ (5,727)</u>
FUND BALANCE			
Beginning		<u>37,281</u>	
Ending		<u>\$ 31,554</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 121,458	\$ 121,729	\$ 271
Sales	60,929	59,900	(1,029)
Total revenues	<u>182,387</u>	<u>181,629</u>	<u>(758)</u>
EXPENDITURES			
Remittances to fire districts	171,469	171,469	-
Workers' compensation	3,900	3,685	215
Miscellaneous	1,395	1,043	352
Total expenditures	<u>176,764</u>	<u>176,197</u>	<u>567</u>
Excess of revenue over (under) expenditures	5,623	5,432	(191)
OTHER FINANCING USES			
Transfers out:			
To Little Swift Creek Fire District Fund	(5,666)	(5,666)	-
Excess of revenues over (under) expenditures and other financing uses	(43)	(234)	(191)
Appropriated fund balance	43	-	(43)
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(234)</u>	<u>\$ (234)</u>
FUND BALANCE			
Beginning		<u>33,354</u>	
Ending		<u>\$ 33,120</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 161,440	\$ 167,522	\$ 6,082
Sales	79,328	78,641	(687)
Total revenues	<u>240,768</u>	<u>246,163</u>	<u>5,395</u>
EXPENDITURES			
Remittances to fire districts	248,254	248,254	-
Workers' compensation	5,115	5,115	-
Miscellaneous	1,043	1,043	-
Total expenditures	<u>254,412</u>	<u>254,412</u>	<u>-</u>
Excess of revenue over (under) expenditures	(13,644)	(8,249)	5,395
OTHER FINANCING SOURCES			
Transfers in:			
From Sandy Point	8,486	10,913	(2,427)
Excess of revenues and other financing sources over (under) expenditures	(5,158)	2,664	7,822
Appropriated fund balance	<u>5,158</u>	<u>-</u>	<u>(5,158)</u>
Revenues, other sources, and appropriated fund balance over expenditures	<u>\$ -</u>	<u>2,664</u>	<u>\$ 2,664</u>
FUND BALANCE			
Beginning		<u>41,706</u>	
Ending		<u>\$ 44,370</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 75,273	\$ 73,759	\$ (1,514)
Sales	36,944	36,631	(313)
Intergovernmental	-	-	-
Total revenues	<u>112,217</u>	<u>110,390</u>	<u>(1,827)</u>
EXPENDITURES			
Remittances to fire districts	105,703	105,703	-
Workers' compensation	3,200	2,750	450
Miscellaneous	9,023	1,042	7,981
Total expenditures	<u>117,926</u>	<u>109,495</u>	<u>8,431</u>
Excess of revenue over (under) expenditures	<u>(5,709)</u>	<u>895</u>	<u>6,604</u>
OTHER FINANCING SOURCES			
Transfers in:			
From Township No. 1 Fire District Fund	<u>5,666</u>	<u>5,666</u>	-
Excess of revenues and other financing sources over expenditures	(43)	6,561	6,604
Appropriated fund balance	<u>43</u>	<u>-</u>	<u>(43)</u>
Revenues, other sources, and appropriated fund balance over expenditures	<u>\$ -</u>	<u>6,561</u>	<u>\$ 6,561</u>
FUND BALANCE			
Beginning		<u>29,329</u>	
Ending		<u>\$ 35,890</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 99,582	\$ 100,400	\$ 818
Sales	50,739	50,198	(541)
Total revenues	<u>150,321</u>	<u>150,598</u>	<u>277</u>
EXPENDITURES			
Remittances to fire districts	111,772	111,772	-
Workers' compensation	76,664	75,707	957
Capital outlay	19,138	17,853	1,285
Miscellaneous	900	829	71
Total expenditures	<u>208,474</u>	<u>206,161</u>	<u>2,313</u>
Excess of revenue over (under) expenditures	(58,153)	(55,563)	2,590
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	54,888	52,963	(1,925)
From Township No. 9 Fire District Fund	3,000	3,000	-
Total other financing sources	<u>57,888</u>	<u>55,963</u>	<u>(1,925)</u>
Excess of revenues and other financing sources over (under) expenditures	(265)	400	665
Appropriated fund balance	<u>265</u>	<u>-</u>	<u>(265)</u>
Revenues, other sources, and appropriated fund balance over expenditures	<u>\$ -</u>	400	<u>\$ 400</u>
FUND BALANCE			
Beginning		<u>33,262</u>	
Ending		<u>\$ 33,662</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 164,286	\$ 161,387	\$ (2,899)
Sales	72,646	72,387	(259)
Total revenues	<u>236,932</u>	<u>233,774</u>	<u>(3,158)</u>
EXPENDITURES			
Remittances to fire districts	239,782	239,782	-
Workers' compensation	1,650	1,595	55
Miscellaneous	1,042	1,042	-
Total expenditures	<u>242,474</u>	<u>242,419</u>	<u>55</u>
Excess of revenue over (under) expenditures	(5,542)	(8,645)	(3,103)
Appropriated fund balance	<u>5,542</u>	-	<u>(5,542)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(8,645)	<u>\$ (8,645)</u>
FUND BALANCE			
Beginning		<u>79,611</u>	
Ending		<u>\$ 70,966</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 172,236	\$ 178,001	\$ 5,765
Sales	82,839	82,152	(687)
Total revenues	<u>255,075</u>	<u>260,153</u>	<u>5,078</u>
EXPENDITURES			
Remittances to fire districts	243,039	243,039	-
Workers' compensation	2,299	1,650	649
Miscellaneous	9,779	1,043	8,736
Total expenditures	<u>255,117</u>	<u>245,732</u>	<u>9,385</u>
Excess of revenue over (under) expenditures	(42)	14,421	14,463
Appropriated fund balance	<u>42</u>	<u>-</u>	<u>(42)</u>
Revenues, other sources, and appropriated fund balance over expenditures	<u>\$ -</u>	<u>14,421</u>	<u>\$ 14,421</u>
FUND BALANCE			
Beginning		<u>43,214</u>	
Ending		<u>\$ 57,635</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 222,582	\$ 232,189	\$ 9,607
Sales	106,922	105,908	(1,014)
Total revenues	<u>329,504</u>	<u>338,097</u>	<u>8,593</u>
EXPENDITURES			
Remittances to fire districts	307,432	307,432	-
Workers' compensation	3,575	3,575	-
Miscellaneous	18,614	1,042	17,572
Total expenditures	<u>329,621</u>	<u>312,049</u>	<u>17,572</u>
Excess of revenue over (under) expenditures	(117)	26,048	26,165
Appropriated fund balance	<u>117</u>	<u>-</u>	<u>(117)</u>
Revenues, other sources, and appropriated fund balance over expenditures	<u>\$ -</u>	26,048	<u>\$ 26,048</u>
FUND BALANCE			
Beginning		<u>80,976</u>	
Ending		<u>\$ 107,024</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 220,265	\$ 220,344	\$ 79
Sales	108,570	109,771	1,201
Total revenues	<u>328,835</u>	<u>330,115</u>	<u>1,280</u>
EXPENDITURES			
Remittances to fire districts	340,095	340,095	-
Workers' compensation	4,125	4,125	-
Miscellaneous	1,043	1,043	-
Total expenditures	<u>345,263</u>	<u>345,263</u>	<u>-</u>
Excess of revenue over (under) expenditures	(16,428)	(15,148)	1,280
Appropriated fund balance	<u>16,428</u>	<u>-</u>	<u>(16,428)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(15,148)</u>	<u>\$ (15,148)</u>
FUND BALANCE			
Beginning		<u>62,407</u>	
Ending		<u>\$ 47,259</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 118,955	\$ 116,607	\$ (2,348)
Sales	59,207	58,630	(577)
Total revenues	<u>178,162</u>	<u>175,237</u>	<u>(2,925)</u>
EXPENDITURES			
Remittances to fire districts	169,950	169,950	-
Workers' compensation	3,200	2,585	615
Miscellaneous	2,055	1,043	1,012
Total expenditures	<u>175,205</u>	<u>173,578</u>	<u>1,627</u>
Excess of revenue over (under) expenditures	2,957	1,659	(1,298)
OTHER FINANCING USES			
Transfers out:			
To Township No. 3 Fire District Fund	(3,000)	(3,000)	-
Excess of revenues over (under) expenditures and other financing uses	(43)	(1,341)	(1,298)
Appropriated fund balance	43	-	(43)
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(1,341)	<u>\$ (1,341)</u>
FUND BALANCE			
Beginning		<u>46,766</u>	
Ending		<u>\$ 45,425</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 5,620	\$ 5,501	\$ (119)
Sales	2,866	3,090	224
Total revenues	<u>8,486</u>	<u>8,591</u>	<u>105</u>
OTHER FINANCING USES			
Transfers out:			
To Tri-Community Fire District Fund	<u>(10,913)</u>	<u>(10,913)</u>	-
Excess of revenues over (under) other financing uses	(2,427)	(2,322)	105
Appropriated fund balance	<u>2,427</u>	-	<u>(2,427)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(2,322)	<u>\$ (2,322)</u>
FUND BALANCE			
Beginning		<u>3,314</u>	
Ending		<u>\$ 992</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, 2008**

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 139,001	\$ 139,001	\$ -
Interest	5,451	5,451	-
Total revenues	<u>144,452</u>	<u>144,452</u>	<u>-</u>
EXPENDITURES			
Public safety	127,907	127,903	4
Total expenditures	<u>127,907</u>	<u>127,903</u>	<u>4</u>
Excess of revenues over expenditures	16,545	16,549	4
OTHER FINANCING USES			
Transfers out:			
To General Fund	(30,000)	(30,000)	-
To County Reserve Fund	(156,697)	(156,697)	-
Total other financing uses	<u>(186,697)</u>	<u>(186,697)</u>	<u>-</u>
Excess of revenues over (under) expenditures and other financing uses	(170,152)	(170,148)	4
Appropriated fund balance	<u>170,152</u>	<u>-</u>	<u>(170,152)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(170,148)</u>	<u>\$ (170,148)</u>
FUND BALANCE			
Beginning		<u>170,148</u>	
Ending		<u>\$ -</u>	

**CRAVEN COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM E-911 FUND**

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

For the Fiscal Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 140,598	\$ 165,427	\$ 24,829
Interest	-	2,177	2,177
Total revenues	<u>140,598</u>	<u>167,604</u>	<u>27,006</u>
EXPENDITURES			
Public safety	140,598	94,432	46,166
Total expenditures	<u>140,598</u>	<u>94,432</u>	<u>46,166</u>
Excess of revenues over expenditures	-	73,172	73,172
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	-	122,769	122,769
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>195,941</u>	<u>\$ 195,941</u>
FUND BALANCE			
Beginning		<u>-</u>	
Ending		<u>\$ 195,941</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, 2008

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 892,760	\$ 798,930	\$ (93,830)
Interest	-	4,566	4,566
Total revenues	<u>892,760</u>	<u>803,496</u>	<u>(89,264)</u>
EXPENDITURES			
Economic and physical development:			
Remittance to City of Havelock	97,000	97,000	-
Professional services	50	36	14
Total expenditures	<u>97,050</u>	<u>97,036</u>	<u>14</u>
Excess of revenue over expenditures	<u>795,710</u>	<u>706,460</u>	<u>(89,250)</u>
OTHER FINANCING USES			
Transfers out:			
To General Fund	<u>(795,710)</u>	<u>(706,460)</u>	<u>(89,250)</u>
Excess of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE			
Beginning		<u>-</u>	
Ending		<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, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 400,000	\$ 34,575	\$ 365,425	\$ 400,000
EXPENDITURES				
Economic and physical development	400,000	34,575	365,425	400,000
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE				
Beginning			<u>-</u>	
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, 2008**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 4,529	\$ -	\$ 4,528	\$ 4,528
Miscellaneous	4,000	4,000	-	4,000
Total revenues	<u>8,529</u>	<u>4,000</u>	<u>4,528</u>	<u>8,528</u>
EXPENDITURES				
Economic and physical development	8,529	-	8,528	8,528
	<u>8,529</u>	<u>-</u>	<u>8,528</u>	<u>8,528</u>
Excess of revenues over expenditures	\$ -	\$ <u>4,000</u>	(4,000)	\$ <u>-</u>
FUND BALANCE				
Beginning			<u>4,000</u>	
Ending			<u>\$ -</u>	

Craven County



DEBT SERVICE FUND

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

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
For the Year Ended June 30, 2008**

	Budget	Actual	Variance Positive
REVENUES			
Intergovernmental-lottery proceeds	\$ 936,000	\$ 368,420	\$ (567,580)
Intergovernmental-other	1,130,753	1,600,800	470,047
Interest	125,000	266,317	141,317
Total revenues	<u>2,191,753</u>	<u>2,235,537</u>	<u>43,784</u>
EXPENDITURES			
Principal	3,475,000	3,475,000	-
Interest and fiscal charges	2,591,753	2,588,649	3,104
Total expenditures	<u>6,066,753</u>	<u>6,063,649</u>	<u>3,104</u>
Excess of revenue over (under) expenditures	<u>(3,875,000)</u>	<u>(3,828,112)</u>	<u>46,888</u>
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	3,875,000	4,452,513	577,513
Total other financing sources	<u>3,875,000</u>	<u>4,452,513</u>	<u>577,513</u>
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	624,401	<u>\$ 624,401</u>
FUND BALANCE			
Beginning		<u>3,704,012</u>	
Ending		<u>\$ 4,328,413</u>	

CAPITAL PROJECT FUNDS

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

The following comprise the County's Capital Project Funds:

Major Fund:

- **Judicial Center Project Fund** – The Law Enforcement Center Project Fund accounts for construction of a new law enforcement facility in Craven County.

Non-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.
- **New Elementary School Project Fund** – The New Elementary School Project Fund accounts for construction of a new elementary school in Craven County.
- **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.
- **Schools Special Project Fund** – The Schools Special Project Fund accounts for construction of a replacement bus garage, renovations at Grover C. Fields Middle School and J.T. Barber Elementary School, land for a future high school, replacement of telephone systems at ten schools, and a new roof on the administration building. All of these projects are being funded through the 2007 COPS issue.
- **New World Software Fund** – The New World Software Project accounts for the acquisition and implementation of new software for E-911 (dispatch), as well as new records software for the Sheriff Department and jail, and mobile field reporting for patrol deputies.

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

Crauen County



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, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ 777,000	\$ 83,762	\$ 1,507,009	\$ 1,590,771
Miscellaneous	-	2,763	69,729	72,492
Total revenues	<u>777,000</u>	<u>86,525</u>	<u>1,576,738</u>	<u>1,663,263</u>
EXPENDITURES				
Capital outlay:				
Project construction	33,973,000	2,541,552	9,997,559	12,539,111
Total expenditures	<u>33,973,000</u>	<u>2,541,552</u>	<u>9,997,559</u>	<u>12,539,111</u>
Excess of revenues under expenditures	<u>(33,196,000)</u>	<u>(2,455,027)</u>	<u>(8,420,821)</u>	<u>(10,875,848)</u>
OTHER FINANCING SOURCES				
Debt issued, net of current refunding	30,696,000	3,200,000	27,495,619	30,695,619
Transfers in:				
From County Reserve Fund	2,500,000	2,500,000	-	2,500,000
Total other financing sources	<u>33,196,000</u>	<u>5,700,000</u>	<u>27,495,619</u>	<u>33,195,619</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 3,244,973</u>	<u>19,074,798</u>	<u>\$ 22,319,771</u>
FUND BALANCE				
Beginning			<u>3,244,973</u>	
Ending			<u>\$ 22,319,771</u>	

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, 2008

	Total Project Estimates	Actual		
		Prior Years	Current Year	Total to Date
REVENUE				
Interest	\$ 533,858	\$ 606,926	\$ 246,622	\$ 853,548
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
From General Fund	16,983,891	15,110,079	2,150,292	17,260,371
From E-911 Fund	-	-	156,697	156,697
To Mapping Project Fund	(150,000)	(150,000)	-	(150,000)
To Judicial Center Capital Project Fund	(7,500,000)	(2,500,000)	-	(2,500,000)
To General Fund	(4,698,623)	(1,913,781)	(2,682,680)	(4,596,461)
Between closed projects	(7,151,761)	(5,091,916)	-	(5,091,916)
Total other financing sources (uses)	<u>(2,516,493)</u>	<u>5,454,382</u>	<u>(375,691)</u>	<u>5,078,691</u>
Excess of revenues over other financing sources (uses)	(1,982,635)	6,061,308	(129,069)	5,932,239
Appropriated fund balance	<u>1,982,635</u>	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ 6,061,308</u>	<u>(129,069)</u>	<u>\$ 5,932,239</u>
FUND BALANCE				
Beginning			<u>6,061,308</u>	
Ending			<u>\$ 5,932,239</u>	

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, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ 65,555	\$ 65,555	\$ -	\$ 65,555
Miscellaneous	215,238	215,238	80,306	295,544
Total revenues	<u>280,793</u>	<u>280,793</u>	<u>80,306</u>	<u>361,099</u>
EXPENDITURES				
Capital outlay:				
Project construction	13,867,740	11,148,984	2,475,804	13,624,788
Total expenditures	<u>13,867,740</u>	<u>11,148,984</u>	<u>2,475,804</u>	<u>13,624,788</u>
Excess of revenues under expenditures	<u>(13,586,947)</u>	<u>(10,868,191)</u>	<u>(2,395,498)</u>	<u>(13,263,689)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued, net of current refunding	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 Schools Special Project Fund	(413,053)	-	(413,053)	(413,053)
To Debt Service Fund	(1,198,486)	(1,198,486)	-	(1,198,486)
Total transfers in (out)	<u>(413,053)</u>	<u>-</u>	<u>(413,053)</u>	<u>(413,053)</u>
Total other financing sources (uses)	<u>13,586,947</u>	<u>14,000,000</u>	<u>(413,053)</u>	<u>13,586,947</u>
Excess of revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 3,131,809</u>	<u>(2,808,551)</u>	<u>\$ 323,258</u>
FUND BALANCE				
Beginning			<u>3,131,809</u>	
Ending			<u>\$ 323,258</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, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ -	\$ 6,263	\$ 3,198	\$ 9,461
Total revenues	-	6,263	3,198	9,461
EXPENDITURES				
Capital outlay:				
Project construction	150,000	7,600	62,139	69,739
Total expenditures	150,000	7,600	62,139	69,739
Excess of revenues under expenditures	(150,000)	(1,337)	(58,941)	(60,278)
OTHER FINANCING SOURCES				
Transfers in (out):				
From County Reserve Fund	150,000	150,000	-	150,000
Excess of revenues over expenditures and other financing sources	\$ -	\$ 148,663	(58,941)	\$ 89,722
FUND BALANCE				
Beginning			148,663	
Ending			\$ 89,722	

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, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ 6,405	\$ 4,535	\$ 1,869	\$ 6,404
Total revenues	<u>6,405</u>	<u>4,535</u>	<u>1,869</u>	<u>6,404</u>
EXPENDITURES				
Capital outlay:				
Contractual services	359,250	96,390	262,860	359,250
Total expenditures	<u>359,250</u>	<u>96,390</u>	<u>262,860</u>	<u>359,250</u>
Excess of revenues under expenditures	<u>(352,845)</u>	<u>(91,855)</u>	<u>(260,991)</u>	<u>(352,846)</u>
OTHER FINANCING SOURCES				
Transfers in (out):				
To General Fund	(6,405)	-	(6,404)	(6,404)
From General Fund	359,250	359,250	-	359,250
Total other financing sources (uses)	<u>352,845</u>	<u>359,250</u>	<u>(6,404)</u>	<u>352,846</u>
Excess of revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 267,395</u>	<u>(267,395)</u>	<u>\$ -</u>
FUND BALANCE				
Beginning			<u>267,395</u>	
Ending			<u>\$ -</u>	

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, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 500,000	\$ 106,185	\$ 343,815	\$ 450,000
Total revenues	<u>500,000</u>	<u>106,185</u>	<u>343,815</u>	<u>450,000</u>
EXPENDITURES				
Capital outlay:				
Project construction	951,537	206,775	725,317	932,092
Engineering fees	48,463	13,659	18,934	32,593
Total expenditures	<u>1,000,000</u>	<u>220,434</u>	<u>744,251</u>	<u>964,685</u>
Excess of revenues under expenditures	<u>(500,000)</u>	<u>(114,249)</u>	<u>(400,436)</u>	<u>(514,685)</u>
OTHER FINANCING SOURCES				
Debt issued, net of current refunding	500,000	500,000	-	500,000
Total other financing sources	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 385,751</u>	<u>(400,436)</u>	<u>\$ (14,685)</u>
FUND BALANCE				
Beginning			<u>385,751</u>	
Ending			<u>\$ (14,685)</u>	

CRAVEN COUNTY, NORTH CAROLINA
 FIBER OPTIC PROJECT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
 BUDGET AND ACTUAL
 From Inception and for the Fiscal Year Ended June 30, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
EXPENDITURES				
Capital outlay:				
Project construction	\$ 2,167,552	\$ 4,980	\$ 1,666,849	\$ 1,671,829
Total expenditures	<u>2,167,552</u>	<u>4,980</u>	<u>1,666,849</u>	<u>1,671,829</u>
OTHER FINANCING SOURCES				
Debt issued, net of current refunding	2,167,552	1,200,000	967,552	2,167,552
Total other financing sources	<u>2,167,552</u>	<u>1,200,000</u>	<u>967,552</u>	<u>2,167,552</u>
Excess of other financing sources over expenditures	\$ -	\$ 1,195,020	(699,297)	\$ 495,723
FUND BALANCE				
Beginning			1,195,020	
Ending			<u>\$ 495,723</u>	

CRAVEN COUNTY, NORTH CAROLINA
SCHOOLS SPECIAL PROJECT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
EXPENDITURES				
Capital outlay:				
Project construction	\$ 9,963,445	\$ -	\$ 6,161,303	\$ 6,161,303
Total expenditures	<u>9,963,445</u>	<u>-</u>	<u>6,161,303</u>	<u>6,161,303</u>
OTHER FINANCING SOURCES				
Debt issued	9,550,392	-	9,550,392	9,550,392
Transfers in:				
From School Capital Project	413,053	-	413,053	413,053
Total other financing sources	<u>9,963,445</u>	<u>-</u>	<u>9,963,445</u>	<u>9,963,445</u>
Excess of other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>3,802,142</u>	<u>\$ 3,802,142</u>
FUND BALANCE				
Beginning			<u>-</u>	
Ending			<u>\$ 3,802,142</u>	

CRAVEN COUNTY, NORTH CAROLINA
NEW WORLD SOFTWARE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE,
BUDGET AND ACTUAL
From Inception and for the Fiscal Year Ended June 30, 2008

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest	\$ -	\$ -	\$ 6,973	\$ 6,973
Total revenues	-	-	6,973	6,973
EXPENDITURES				
Capital outlay:				
Project construction	724,230	-	443,867	443,867
Total expenditures	724,230	-	443,867	443,867
Excess of revenues under expenditures	(724,230)	-	(436,894)	(436,894)
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	724,230	-	724,230	724,230
Excess of other financing sources over expenditures	\$ -	\$ -	287,336	\$ 287,336
FUND BALANCE				
Beginning			-	
Ending			\$ 287,336	

Craven County



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, NORTH CAROLINA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

June 30, 2008

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Pembroke Water and Sewer District	Total Nonmajor Enterprise Funds
ASSETS				
Current assets:				
Due from other government-current	\$ -	\$ 20,000	\$ 30,000	\$ 50,000
Total current assets	-	20,000	30,000	50,000
Noncurrent Assets:				
Due from other government-noncurrent	-	125,000	120,000	245,000
Total noncurrent assets	-	125,000	120,000	245,000
Total assets	-	145,000	150,000	295,000
LIABILITIES				
Current liabilities:				
Accrued interest payable	586	-	-	586
Installment notes payable-current	5,325	-	-	5,325
General obligation bonds payable-current	82,000	20,000	30,000	132,000
Total current liabilities	87,911	20,000	30,000	137,911
Noncurrent liabilities:				
Installment notes payable	37,275	-	-	37,275
General obligation bonds payable	-	125,000	120,000	245,000
Internal balances	(125,186)	-	-	(125,186)
Total noncurrent liabilities	(87,911)	125,000	120,000	157,089
Total liabilities	-	145,000	150,000	295,000
NET ASSETS				
Invested in capital assets, net of related debt	(124,600)	(145,000)	(150,000)	(419,600)
Unrestricted	124,600	145,000	150,000	419,600
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, 2008

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Total Nonmajor Enterprise Funds
NONOPERATING REVENUES (EXPENSES)			
Interest income	\$ 11,699	\$ 4,042	\$ 15,741
Interest expense	(11,699)	(4,042)	(15,741)
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, 2008**

	Township 6 Water and Sewer District	Neuse River Water and Sewer District	Total Nonmajor Enterprise Funds
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayment of installment notes and bonds	\$ (78,925)	\$ (65,900)	\$ (144,825)
Proceeds from investment in direct financing lease	78,925	65,900	144,825
Net cash provided by (used in) capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
CASH AND CASH EQUIVALENTS			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -

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

**SCHEDULE OF NET ASSETS
 June 30, 2008**

	Craven County Water Operating Fund	PeeDee Aquifer Project Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 54,191	\$ 107,583	\$ 161,774
Short-term investments	8,050,000	400,000	8,450,000
Accounts receivable, net of allowance for doubtful accounts	633,597	263	633,860
Total current assets	<u>8,737,788</u>	<u>507,846</u>	<u>9,245,634</u>
Noncurrent assets:			
Capital assets:			
Land	207,676	-	207,676
Improvements other than buildings	27,956,624	-	27,956,624
Buildings	563,318	-	563,318
Machinery and equipment	533,274	-	533,274
Construction in progress	-	590,422	590,422
Accumulated depreciation	(9,888,853)	-	(9,888,853)
Total capital assets, net of accumulated depreciation	<u>19,372,039</u>	<u>590,422</u>	<u>19,962,461</u>
Total noncurrent assets	<u>19,372,039</u>	<u>590,422</u>	<u>19,962,461</u>
Total assets	<u>28,109,827</u>	<u>1,098,268</u>	<u>29,208,095</u>
LIABILITIES			
Current liabilities:			
Accounts payable	60,804	2,797	63,601
Accrued salaries and benefits	29,441	-	29,441
Customer deposits payable	345,376	-	345,376
Total current liabilities	<u>435,621</u>	<u>2,797</u>	<u>438,418</u>
Noncurrent liabilities			
Obligations under capital lease	1,575,278	-	1,575,278
Total noncurrent liabilities	<u>1,575,278</u>	<u>-</u>	<u>1,575,278</u>
Total liabilities	<u>2,010,899</u>	<u>2,797</u>	<u>2,013,696</u>
NET ASSETS			
Capital assets, net of related debt	19,372,040	590,422	19,962,462
Unrestricted	6,726,888	505,049	7,231,937
Total net assets	<u>\$ 26,098,928</u>	<u>\$ 1,095,471</u>	<u>\$ 27,194,399</u>

**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, 2008**

	Craven County Water Operating Fund	PeeDee Aquifer Project Fund	Northwest Craven Roads Project Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 3,387,837	\$ -	\$ -	\$ 3,387,837
Miscellaneous	166,684	-	-	166,684
Total operating revenues	3,554,521	-	-	3,554,521
OPERATING EXPENSES				
Cost of services	1,481,767	-	-	1,481,767
Depreciation	822,024	-	-	822,024
Total operating expenses	2,303,791	-	-	2,303,791
Operating income	1,250,730	-	-	1,250,730
NONOPERATING REVENUES (EXPENSES)				
Interest income	398,065	31,777	-	429,842
Interest expense	(74,477)	-	-	(74,477)
Total nonoperating revenues (expenses)	323,588	31,777	-	355,365
Income before transfers	1,574,318	31,777	-	1,606,095
TRANSFERS IN (OUT):				
Between Water and Sewer funds	241,500	-	(241,500)	-
From Internal Service Fund	26,649	-	-	26,649
To General Fund	(96,799)	-	-	(96,799)
Total transfers in (out)	171,350	-	(241,500)	(70,150)
Change in net assets	1,745,668	31,777	(241,500)	1,535,945
Total net assets, beginning	24,353,260	1,063,694	241,500	25,658,454
Total net assets, ending	\$ 26,098,928	\$ 1,095,471	\$ -	\$ 27,194,399

**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, 2008
(Page 1 of 2)**

	Budget	Actual	Variance, Positive (Negative)
OPERATING REVENUES			
Water and sewer sales	\$ 2,950,000	\$ 3,083,012	\$ 133,012
Tap and permit fees	319,100	304,825	(14,275)
Miscellaneous	84,500	166,684	82,184
Total operating revenues	<u>3,353,600</u>	<u>3,554,521</u>	<u>200,921</u>
OPERATING EXPENDITURES			
Personnel services:			
Salaries	462,505	450,051	12,454
Employee benefits	132,423	129,284	3,139
Retirement	22,155	21,958	197
Professional services:			
Audit and accounting fees	1,000	856	144
Consumer and conf report	13,500	1,155	12,345
Legal fees	4,000	-	4,000
Engineering fees	34,985	34,267	718
Contractual services	29,780	19,375	10,405
Operating supplies	28,000	22,921	5,079
Utilities	229,800	219,823	9,977
Maintenance and repairs:			
Systems	140,000	106,117	33,883
Building and grounds	58,200	58,177	23
Vehicle expense	73,146	71,026	2,120
Equipment	13,500	6,263	7,237
Insurance	23,386	21,643	1,743
Tap outlays	122,000	107,975	14,025
Telephone and postage	27,500	23,119	4,381
Lockbox	86,000	85,551	449
Chemical and lab work	77,000	76,899	101
Capital outlay	1,273,938	374,717	899,221
Bad Debt Expenses	-	10,755	(10,755)
Miscellaneous	25,485	14,552	10,933
Total operating expenditures	<u>2,878,303</u>	<u>1,856,484</u>	<u>1,021,819</u>
Excess of operating revenues over operating expenditures	<u>475,297</u>	<u>1,698,037</u>	<u>1,222,740</u>
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	240,000	398,065	158,065
Interest paid	(93,361)	(74,477)	18,884
Principal payments	(525,137)	(525,137)	-
Total nonoperating revenues (expenditures)	<u>(378,498)</u>	<u>(201,549)</u>	<u>176,949</u>
Excess of revenues over expenditures	<u>96,799</u>	<u>1,496,488</u>	<u>1,399,689</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, 2008
(Page 2 of 2)**

	Budget	Actual	Variance, Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
From General Fund	\$ 16,200	\$ 16,200	\$ -
From Internal Service Fund	-	26,649	26,649
From NorthWest Craven Roads Project Fund	-	241,500	241,500
To General Fund	(112,999)	(112,999)	-
Total other financing sources (uses)	<u>(96,799)</u>	<u>171,350</u>	<u>268,149</u>
 Excess of revenues over (under) expenditures and other financing sources (uses)	 \$ -	 \$ 1,667,838	 \$ 1,667,838
 Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above		\$ 1,667,838	
Capital outlay		374,717	
Payment on obligation under capital lease payable		525,137	
Depreciation		<u>(822,024)</u>	
 Net income, full accrual basis		 <u>\$ 1,745,668</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, 2008**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest revenue	\$ 25,000	\$ 32,659	\$ 31,777	\$ 64,436
EXPENDITURES				
Capital outlay				
Architect fees	19,518	19,518	-	19,518
Inspection	48,390	22,174	17,682	39,856
General construction	494,481	351,616	76,178	427,794
Bidding phase	8,000	8,000	-	8,000
Chemical and labs	25,060	9,440	4,746	14,186
Contingency	377,105	-	-	-
Engineering	62,590	20,973	41,553	62,526
Administration	29,915	26,866	699	27,565
Total expenditures	1,065,059	458,587	140,858	599,445
Excess of revenues under expenditures	(1,040,059)	(425,928)	(109,081)	(535,009)
OTHER FINANCING SOURCES				
Transfers in:				
From Craven County Water Operating Fund	1,040,059	1,040,059	-	1,040,059
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ 614,131	\$ (109,081)	\$ 505,050

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

Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above	\$ (109,081)
Capital outlay	140,858
Net income, full accrual basis	<u>\$ 31,777</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, 2008**

	Total Project Estimates	Actual		Total To Date
		Prior Years	Current Year	
REVENUES				
Interest revenue	\$ 4,502	\$ 4,500	\$ -	\$ 4,500
EXPENDITURES				
Professional services:				
Engineering fees	7,597	7,596	-	7,596
Administration fees	1,332	1,331	-	1,331
Inspection fees	22,373	21,808	565	22,373
Contractual services	197,423	177,681	19,742	197,423
Total expenditures	228,725	208,416	20,307	228,723
Excess of revenues under expenditures	(224,223)	(203,916)	(20,307)	(224,223)
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
To Craven County Water Operating Fund	(12,777)	-	(241,500)	(241,500)
From Craven County Water Operating Fund	237,000	237,000	-	237,000
Total other financing sources (uses)	224,223	237,000	(241,500)	(4,500)
Excess of revenues over (under) expenditures and other financing sources	\$ -	\$ 33,084	\$ (261,807)	\$ (228,723)
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ (261,807)	
Capital outlay			20,307	
Net income, full accrual basis			\$ (241,500)	

**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, 2008**

	Budget	Actual	Variance, Positive (Negative)
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	\$ -	\$ 11,699	\$ 11,699
Interest paid	-	(11,699)	(11,699)
Principal payment	(78,925)	(78,925)	-
Total nonoperating revenues (expenditures)	<u>(78,925)</u>	<u>(78,925)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Direct financing lease proceeds	<u>78,925</u>	<u>78,925</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		78,925	
Reduction of investment in direct financing lease receivable		<u>(78,925)</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, 2008

	Budget	Actual	Variance, Positive (Negative)
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	\$ -	\$ 58,736	\$ 58,736
Interest paid	-	(58,736)	(58,736)
Principal payment	(380,312)	(380,312)	-
Total nonoperating revenues (expenditures)	(380,312)	(380,312)	-
OTHER FINANCING SOURCES			
Direct financing lease proceeds	380,312	380,312	-
Excess of revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		380,312	
Reduction of investment in direct financing lease receivable		(380,312)	
Net income, full accrual basis		\$ -	

**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, 2008

	Budget	Actual	Variance, Positive (Negative)
NONOPERATING REVENUES (EXPENDITURES)			
Interest income	\$ -	\$ 4,042	\$ 4,042
Interest paid	-	(4,042)	(4,042)
Principal payment	(65,900)	(65,900)	-
Total nonoperating revenues (expenditures)	<u>(65,900)</u>	<u>(65,900)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Direct financing lease proceeds	<u>65,900</u>	<u>65,900</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of modified accrual basis with full accrual basis:			
Excess of revenues and other financing sources over (under) expenditures, modified accrual basis, above		\$ -	
Payment of bond principal		65,900	
Reduction of investment in direct financing lease receivable		<u>(65,900)</u>	
Net income, full accrual basis		<u>\$ -</u>	

Craven County



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, 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, 2008**

	Budget	Actual	Variance, Favorable (Unfavorable)
OPERATING REVENUES			
Charge for services	\$ 4,100,378	\$ 4,115,826	\$ 15,448
Miscellaneous	-	132,305	132,305
Total revenues	<u>4,100,378</u>	<u>4,248,131</u>	<u>147,753</u>
OPERATING EXPENDITURES			
Claims reimbursement	<u>4,105,350</u>	<u>3,644,722</u>	<u>460,628</u>
Excess of operating revenues over (under) operating expenditures	(4,972)	603,409	608,381
NONOPERATING REVENUES			
Interest income	<u>31,622</u>	<u>97,374</u>	<u>65,752</u>
Income before transfers	26,650	700,783	674,133
Transfers out:			
To Water Fund	<u>(26,650)</u>	<u>(26,649)</u>	<u>1</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 674,134</u>	<u>\$ 674,134</u>

AGENCY FUNDS

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

The following comprise the County's Agency Funds:

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

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

Department of Motor Vehicle Interest Fund – The Motor Vehicle Tax Fund accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

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

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

Craven County



CRAVEN COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET

ALL AGENCY FUNDS

June 30, 2008

	Social Services Trust Fund	Totals
ASSETS		
Cash	\$ 113,512	\$ 113,512
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 113,512	\$ 113,512

CRAVEN COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Fiscal Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Social Services Trust Fund:				
Assets, cash and investments	\$ 129,406	\$ -	\$ 15,894	\$ 113,512
Liabilities, accounts payable and accrued liabilities	\$ 129,406	\$ -	\$ 15,894	\$ 113,512
Juvenile Restitution Fund:				
Assets, cash and investments	\$ 6	\$ 47,993	\$ 47,999	\$ -
Liabilities, accounts payable and accrued liabilities	\$ 6	\$ 47,993	\$ 47,999	\$ -
Department of Motor Vehicle Interest Fund:				
Assets, cash and investments	\$ -	\$ 53,201	\$ 53,201	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 53,201	\$ 53,201	\$ -
Municipal Property Tax Fund:				
Assets, cash and investments	\$ -	\$ 5,672,440	\$ 5,672,440	\$ -
Liabilities, accounts payable and accrued liabilities	\$ -	\$ 5,672,440	\$ 5,672,440	\$ -
Totals - All Agency Funds:				
Assets, cash and investments	\$ 129,412	\$ 5,773,634	\$ 5,789,534	\$ 113,512
Liabilities, accounts payable and accrued liabilities	\$ 129,412	\$ 5,773,634	\$ 5,789,534	\$ 113,512

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

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

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

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

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

Craven County



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

**DETAILED BALANCE SHEET
June 30, 2008**

	<u>2008</u>
ASSETS	
Cash	\$ 64,869
Accounts receivable	313
Investments	<u>200,000</u>
Total assets	<u><u>\$ 265,182</u></u>
 NET ASSETS	
Unrestricted	<u><u>\$ 265,182</u></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, 2008**

	Budget	Actual	Variance, Positive (Negative)
REVENUES			
Occupancy tax	\$ 400,000	\$ 436,733	\$ 36,733
Interest	12,000	16,091	4,091
Miscellaneous	5,500	2,206	(3,294)
Total revenues	<u>417,500</u>	<u>455,030</u>	<u>37,530</u>
EXPENDITURES			
Economic development	<u>518,193</u>	<u>473,668</u>	<u>44,525</u>
Excess of revenues over (under) expenditures	(100,693)	(18,638)	82,055
NET ASSETS			
Beginning	<u>283,820</u>	<u>283,820</u>	-
Ending	<u>\$ 183,127</u>	<u>\$ 265,182</u>	<u>\$ 82,055</u>
Reconciliation of modified accrual basis with full accrual basis			
Excess of revenues over (under) expenditures, modified accrual basis, above		<u>\$ (18,638)</u>	
Net income, full accrual basis		<u>\$ (18,638)</u>	

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

**COMBINING BALANCE SHEET
June 30, 2008**

	Airport Authority Operating Fund	Airport Improvement Program No. 25 Project Fund	Airport Improvement Program No. 26 Project Fund	General Aviation Terminal Capital Project Fund	Airport Improvement Program No. 27 Project Fund	Airport Parking Lot Expansion Fund	Totals
ASSETS							
Cash and cash equivalents	\$ 256,776	\$ 1,278	\$ 18,025	\$ 23,873	\$ 58,129	\$ 17,365	\$ 375,446
Short term investments	200,000	-	-	-	-	-	200,000
Accounts receivable	583,133	-	732	1,094	1,408	-	586,367
	<u>1,039,909</u>	<u>1,278</u>	<u>18,757</u>	<u>24,967</u>	<u>59,537</u>	<u>17,365</u>	<u>1,161,813</u>
Capital assets:							
Land	9,456,818	-	-	-	-	-	9,456,818
Buildings	9,639,436	-	-	-	-	-	9,639,436
Improvements other than buildings	12,160,897	-	-	-	-	-	12,160,897
Machinery and equipment	1,696,985	-	-	-	-	-	1,696,985
Construction in progress	-	823,897	578,882	217,995	105,531	35,835	1,762,140
Accumulated depreciation	(10,987,395)	-	-	-	-	-	(10,987,395)
Capital assets, net of accumulated depreciation	21,966,741	823,897	578,882	217,995	105,531	35,835	23,728,881
Total assets	<u>\$ 23,006,650</u>	<u>\$ 825,175</u>	<u>\$ 597,639</u>	<u>\$ 242,962</u>	<u>\$ 165,068</u>	<u>\$ 53,200</u>	<u>\$ 24,890,694</u>

LIABILITIES AND NET ASSETS

Liabilities:							
Accounts payable	\$ 12,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,835
Accrued salaries and benefits	36,894	-	-	-	-	-	36,894
Accrued interest payable	31,735	-	-	-	-	-	31,735
Installment note payable, net of deferred charges	3,593,036	-	-	-	-	-	3,593,036
Bonds payable	930,000	-	-	-	-	-	930,000
Total liabilities	<u>4,604,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,604,500</u>
Net assets:							
Invested in capital assets, net of related debt	17,443,705	823,897	578,882	217,995	105,531	35,835	19,205,845
Unrestricted	958,445	1,278	18,757	24,967	59,537	17,365	1,080,349
Total net assets	<u>18,402,150</u>	<u>825,175</u>	<u>597,639</u>	<u>242,962</u>	<u>165,068</u>	<u>53,200</u>	<u>20,286,194</u>
Total liabilities and net assets	<u>\$ 23,006,650</u>	<u>\$ 825,175</u>	<u>\$ 597,639</u>	<u>\$ 242,962</u>	<u>\$ 165,068</u>	<u>\$ 53,200</u>	<u>\$ 24,890,694</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, 2008**

	Airport Authority Operating Fund	Airport Improvement Program No. 25 Project Fund	Airport Improvement Program No. 26 Project Fund	General Aviation Terminal Capital Project Fund	Airport Improvement Program No. 27 Project Fund	Airport Parking Lot Expansion Fund	Totals
OPERATING REVENUES							
Charges for services	\$ 1,925,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,925,370
Miscellaneous	-	-	-	19,817	1,408	-	21,225
Total revenues	1,925,370	-	-	19,817	1,408	-	1,946,595
OPERATING EXPENSES							
Cost of sales and services	1,410,762	-	-	-	-	-	1,410,762
Depreciation and amortization	865,747	-	-	-	-	-	865,747
Total operating expenses	2,276,509	-	-	-	-	-	2,276,509
Operating loss	(351,139)	-	-	19,817	1,408	-	(329,914)
NONOPERATING REVENUES (EXPENSES)							
Interest income	35,378	-	732	1,022	-	-	37,132
Interest expense	(216,932)	-	-	-	-	-	(216,932)
Intergovernmental revenue	588,801	23,000	195,000	176,746	1,936,002	-	2,919,549
Total nonoperating revenues (expenses)	407,247	23,000	195,732	177,768	1,936,002	-	2,739,749
Income (loss) before transfers	56,108	23,000	195,732	197,585	1,937,410	-	2,409,835
Transfers in (out) Between Airport Funds	1,749,139	-	-	(29,997)	(1,772,342)	53,200	-
Total transfers in (out)	1,749,139	-	-	(29,997)	(1,772,342)	53,200	-
Change in net assets	1,805,247	23,000	195,732	167,588	165,068	53,200	2,409,835
Net assets-beginning	16,596,903	802,175	401,907	75,374	-	-	17,876,359
Net assets-ending	\$ 18,402,150	\$ 825,175	\$ 597,639	\$ 242,962	\$ 165,068	\$ 53,200	\$ 20,286,194

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

**COMBINING SCHEDULE OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008**

	Airport Authority Operating Fund	Airport Improvement Program No. 25 Project Fund	Airport Improvement Program No. 26 Project Fund	General Aviation Terminal Project Fund	Airport Improvement Program No. 27 Project Fund	Airport Parking Lot Expansion Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 1,927,498	\$ -	\$ 2,000	\$ 18,723	\$ -	\$ -	\$ 1,948,221
Payments to suppliers	(695,760)	-	(2,758)	-	-	-	(698,518)
Payments to employees	(722,282)	-	(758)	-	-	-	(722,282)
Net cash provided by (used in) operating activities	\$ 509,456	\$ -	\$ (758)	\$ 18,723	\$ -	\$ -	\$ 527,421
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition & construction of capital assets	(4,125,076)	(23,562)	(183,664)	(213,216)	(105,531)	(55,835)	(4,686,884)
Repayment of installment notes	(667,663)	-	-	-	-	-	(667,663)
Repayment of bonds	(125,000)	-	-	-	-	-	(125,000)
Receipts from capital grants and installment notes	2,388,801	23,000	195,000	176,746	1,936,002	-	4,719,549
Interest paid	(214,857)	-	-	-	-	-	(214,857)
Net cash provided by (used in) capital and related financing activities	\$ (2,743,795)	\$ (562)	\$ 11,336	\$ (35,470)	\$ 1,830,471	\$ (55,835)	\$ (974,855)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	2,255,670	-	-	2,984	270,347	53,200	2,582,201
Transfers out	(506,531)	-	-	(32,981)	(2,042,689)	-	(2,582,201)
Net cash provided by (used in) noncapital financing activities	\$ 1,749,139	\$ -	\$ -	\$ (29,997)	\$ (1,772,342)	\$ 53,200	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on cash and investments	35,378	-	732	1,022	-	-	37,132
Proceeds on sale of short term investments	500,000	-	-	-	-	-	500,000
Net cash provided by investing activities	\$ 535,378	\$ -	\$ 732	\$ 1,022	\$ -	\$ -	\$ 537,132
Net increase (decrease) in cash and cash equivalents	\$ 50,178	\$ (562)	\$ 11,310	\$ (46,722)	\$ 58,129	\$ 17,365	\$ 89,698
CASH AND CASH EQUIVALENTS							
Beginning	206,598	1,840	6,715	70,595	-	-	285,748
Ending	\$ 256,776	\$ 1,278	\$ 18,025	\$ 23,873	\$ 58,129	\$ 17,365	\$ 375,446
Reconciliation of operating loss to net cash provided by (used) in operating activities:							
Operating loss	\$ (351,139)	\$ -	\$ -	\$ 19,817	\$ 1,408	\$ -	\$ (329,914)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:							
Depreciation and amortization	865,747	-	-	-	-	-	865,747
Previously unrecognized	2,128	-	2,000	(1,094)	(1,408)	-	1,626
Change in assets and liabilities:	(7,280)	-	(2,758)	-	-	-	(10,038)
Accounts receivable	-	-	(758)	18,723	-	-	17,217
Accounts payable and accrued expenses	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	\$ 509,456	\$ -	\$ (758)	\$ 18,723	\$ -	\$ -	\$ 527,421

**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, 2008

(Page 1 of 2)

	Budget	Actual	Variance, Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,709,414	\$ 1,925,370	\$ 215,956
OPERATING EXPENDITURES			
Personnel Services:			
Salaries	625,265	581,527	43,738
Employee benefits	128,542	124,130	4,412
Retirement	21,051	20,337	714
Professional Services:			
Audit and accounting fees	876	876	-
Legal fees	30,862	30,862	-
Contractual services	72,690	72,583	107
Operating supplies	55,156	53,839	1,317
Utilities	148,800	148,673	127
Maintenance and repairs:			
Building and grounds	106,854	106,540	314
Vehicle expense	9,500	9,471	29
Insurance	75,802	75,802	-
Telephone and postage	14,300	10,748	3,552
Capital outlay	2,050,161	2,049,406	755
Board Member fees	10,800	10,800	-
Miscellaneous	22,682	22,376	306
Travel/Training	16,200	13,625	2,575
Advertising	124,105	123,363	742
Dues and subscriptions	5,550	5,210	340
Total operating expenditures	3,519,196	3,460,168	59,028
Excess of operating revenues over (under) operating expenditures	(1,809,782) #	(1,534,798) #	156,928
NONOPERATING REVENUES (EXPENSES)			
Interest income	29,103	35,378	6,275
Interest expense	(223,599)	(216,932)	6,667
Debt issued	1,800,000	1,800,000	-
Principal payments	(792,664)	(792,663)	1
Intergovernmental revenue - operating grants	592,164	588,801	(3,363)
Total nonoperating revenues (expenses)	1,405,004	1,414,584	9,580
Excess of revenues over (under) expenditures	(404,778)	(120,214)	284,564

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, 2008**

(Page 2 of 2)

	Budget	Actual	Variance, Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
To Airport Capital Project Funds	\$ (509,832)	\$ (506,531)	\$ 3,301
From Airport Capital Project Funds	-	2,255,670	2,255,670
Total other financing sources (uses)	<u>(509,832)</u>	<u>1,749,139</u>	<u>2,258,971</u>
Excess revenues over (under) expenditures and other financing sources (uses)	<u>(914,610)</u>	<u>1,628,925</u>	<u>2,543,535</u>
Appropriated fund balance	914,610	-	(914,610)
Excess revenues over (under) expenditures, other financing sources (uses) and appropriated fund balance	<u>\$ -</u>	<u>\$ 1,628,925</u>	<u>\$ 1,628,925</u>

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

Excess revenues over (under) expenditures and other financing sources (uses), modified accrual basis, above	\$ 1,628,925
Capital outlay	2,049,406
Depreciation	(858,568)
Amortization	(7,179)
Debt issued	(1,800,000)
Principal payments	<u>792,663</u>
Net income, full accrual basis	<u>\$ 1,805,247</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, 2008**

	Total	Actual		Total to Date
	Project Estimates	Prior Years	Current Year	
REVENUES				
Federal grants	\$ 810,825	\$ 759,500	\$ 23,000	\$ 782,500
Total revenues	<u>810,825</u>	<u>759,500</u>	<u>23,000</u>	<u>782,500</u>
EXPENDITURES				
Capital outlay:				
Project construction	480,084	463,786	-	463,786
Legal and administrative	11,272	6,637	-	6,637
Engineering fees	306,499	283,461	23,038	306,499
Inspection	27,285	19,510	-	19,510
Capital outlay	5,390	4,970	-	4,970
Miscellaneous	22,970	21,970	524	22,495
Total expenditures	<u>853,500</u>	<u>800,334</u>	<u>23,562</u>	<u>823,897</u>
Excess of revenues under expenditures	<u>(42,675)</u>	<u>(40,834)</u>	<u>(562)</u>	<u>(41,397)</u>
OTHER FINANCING SOURCES				
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>\$ 1,841</u>	<u>\$ (562)</u>	<u>\$ 1,278</u>
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over expenditures and other financing sources, modified accrual basis, above Capital outlay			\$ (562)	
			<u>23,562</u>	
Net income, full accrual basis			<u>\$ 23,000</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, 2008**

	Total Project Estimates	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
Federal grants	\$ 922,168	\$ 414,500	\$ 195,000	\$ 609,500
Interest	-	2,732	732	3,464
Total revenues	<u>922,168</u>	<u>417,232</u>	<u>195,732</u>	<u>612,964</u>
EXPENDITURES				
Capital outlay:				
Project construction	594,680	224,463	100,034	324,497
Land	75,000	71,112	-	71,112
Legal and administrative	41,247	4,854	7,968	12,822
Architect	16,613	6,613	8,625	15,238
Engineering fees	113,358	64,706	38,038	102,744
Inspection	47,150	18,615	21,517	40,132
Miscellaneous	82,656	68,716	7,482	76,197
Total expenditures	<u>970,704</u>	<u>459,079</u>	<u>183,664</u>	<u>642,742</u>
Excess of revenues under expenditures	<u>(48,536)</u>	<u>(41,847)</u>	<u>12,068</u>	<u>(29,778)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From Airport Operating Fund	48,536	48,536	-	48,536
Total other financing sources	<u>48,536</u>	<u>48,536</u>	<u>-</u>	<u>48,536</u>
Excess of revenues over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 6,689</u>	<u>\$ 12,068</u>	<u>\$ 18,758</u>
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues over (under) expenditures and other financing sources, modified accrual basis, above			\$ 12,068	
Capital outlay			<u>183,664</u>	
Net loss, full accrual basis			<u>\$ 195,732</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, 2008**

	Total Project Estimates	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
State grants	\$ 250,000	\$ -	\$ 176,746	\$ 176,746
Interest	-	374	1,022	1,396
Miscellaneous	35,296	-	19,817	19,817
Total revenues	<u>285,296</u>	<u>374</u>	<u>197,585</u>	<u>197,959</u>
EXPENDITURES				
Capital outlay:				
Project construction	254,579	-	149,662	149,662
Legal and administrative	2,427	-	1,312	1,312
Contractual services	8,459	4,779	3,670	8,449
Capital outlay	32,981	-	32,981	32,981
Engineering fees	45,225	-	44,094	44,094
Miscellaneous	19,609	-	14,478	14,478
Total expenditures	<u>363,280</u>	<u>4,779</u>	<u>246,197</u>	<u>250,976</u>
Excess of revenues under expenditures	<u>(77,984)</u>	<u>(4,405)</u>	<u>(48,612)</u>	<u>(53,017)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
From Airport Operating Fund	77,984	75,000	2,984	77,984
To Airport Operating Fund	-	-	(32,981)	(32,981)
Total other financing sources (uses)	<u>77,984</u>	<u>75,000</u>	<u>(29,997)</u>	<u>45,003</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 70,595</u>	<u>\$ (78,609)</u>	<u>\$ (8,014)</u>

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

Excess of revenues and other financing sources over expenditures, modified accrual basis, above	\$ (78,609)
Capital outlay	<u>246,197</u>
Net loss, full accrual basis	<u>\$ 167,588</u>

**CRAVEN COUNTY, NORTH CAROLINA
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)
TERMINAL AREA DEVELOPMENT SITE NO. 27 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, 2008**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
REVENUES				
Federal grants	\$ 1,973,145	\$ -	\$ 1,936,002	\$ 1,936,002
Miscellaneous	-	-	1,408	1,408
Total revenues	<u>1,973,145</u>	<u>-</u>	<u>1,937,410</u>	<u>1,937,410</u>
EXPENDITURES				
Capital outlay:				
Project construction	62,724	-	59,545	59,545
Legal and administrative	29,476	-	23,565	23,565
Capital outlay	2,042,691	-	2,042,689	2,042,689
Engineering fees	26,099	-	5,587	5,587
Miscellaneous	82,502	-	16,834	16,834
Total expenditures	<u>2,243,492</u>	<u>-</u>	<u>2,148,220</u>	<u>2,148,220</u>
Excess of revenues under expenditures	<u>(270,347)</u>	<u>-</u>	<u>(210,810)</u>	<u>(210,810)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out):				
From Airport Operating Fund	270,347	-	270,347	270,347
To Airport Operating Fund	-	-	(2,042,689)	(2,042,689)
Total other financing sources (uses)	<u>270,347</u>	<u>-</u>	<u>(1,772,342)</u>	<u>(1,772,342)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,983,152)</u>	<u>\$ (1,983,152)</u>
Reconciliation of modified accrual basis with full accrual basis:				
Excess of revenues and other financing sources over expenditures, modified accrual basis, above			\$ (1,983,152)	
Capital outlay			<u>2,148,220</u>	
Net loss, full accrual basis			<u>\$ 165,068</u>	

**CRAVEN COUNTY, NORTH CAROLINA
CRAVEN COUNTY REGIONAL AIRPORT AUTHORITY (A Component Unit)
PARKING LOT EXPANSION 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, 2008**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
EXPENDITURES				
Capital outlay:				
Legal and administrative	\$ 884	\$ -	\$ -	\$ -
Engineering fees	43,436	-	30,703	30,703
Miscellaneous	8,880	-	5,132	5,132
Total expenditures	<u>53,200</u>	<u>-</u>	<u>35,835</u>	<u>35,835</u>
OTHER FINANCING SOURCES				
Transfers in:				
From Airport Operating Fund	53,200	-	53,200	53,200
Total other financing sources	<u>53,200</u>	<u>-</u>	<u>53,200</u>	<u>53,200</u>
Excess of other financing sources over expenditures	\$ -	\$ -	\$ 17,365	\$ 17,365
Reconciliation of modified accrual basis with full accrual basis:				
Excess of other financing sources over expenditures, modified accrual basis, above			\$ 17,365	
Capital outlay			<u>35,835</u>	
Net loss, full accrual basis			<u>\$ 53,200</u>	

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

Craven County



**CRAVEN COUNTY
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 7,783,557	\$ 7,774,584
Buildings	37,315,561	37,260,124
Other Improvements	4,302,071	3,681,220
Equipment & Vehicles	10,375,960	10,078,105
Construction in Progress	14,823,271	2,047,520
	<hr/>	<hr/>
Total governmental funds capital assets	<u>\$ 74,600,420</u>	<u>\$ 60,841,553</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 20,719,389	\$ 8,232,815
Capital Projects	43,710,097	42,437,804
Prior to June, 1992*	10,170,934	10,170,934
	<hr/>	<hr/>
Total investment in governmental funds capital assets	<u>\$ 74,600,420</u>	<u>\$ 60,841,553</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, 2008					
Function and Activity		Governmental Funds Capital Assets July 1, 2007	Additions	Deductions	Governmental Funds Capital Assets June 30, 2008
General Government:					
0101	Commissioners	\$ 10,726	\$ 19,743	\$ -	\$ 30,469
0201	Administration	19,742	-	19,742	-
0301	Personnel	14,332	-	-	14,332
0401	Information Technology	936,736	72,968	-	1,009,704
0501	Finance	15,510	-	-	15,510
0560	Non Department	343,602	289,731	486,355	146,978
0601	Elections	447,102	-	-	447,102
0801	Tax Assessor	95,955	-	-	95,955
0804	Tax Assessor -Mapping	21,321	37,570	8,000	50,891
0805	Tax Assessor -Appraisal	89,327	-	-	89,327
1001	Register of Deeds	369,719	-	-	369,719
1201	Public Buildings	10,073,511	62,430	9,410	10,126,531
1212	Housekeeping	12,444	13,660	-	26,104
1301	Court Facilities	5,553,816	35,912	-	5,589,728
1401	Maintenance	107,596	22,308	8,977	120,927
1501	Central Maintenance	84,025	43,761	22,903	104,883
Total General Government		18,195,464	598,083	555,387	18,238,160
Public Safety:					
2001	Sheriff	1,874,580	346,001	306,675	1,913,906
2008	Jail	4,610,237	31,448	-	4,641,685
2015	Communications	75,372	13,339	-	88,711
2301	Emergency Services	470,308	7,586	-	477,894
2401	Inspections	101,447	-	19,710	81,737
2501	E 911	985,145	-	-	985,145
2601	Animal Control	441,420	15,450	-	456,870
Total Public Safety		8,558,509	413,824	326,385	8,645,948
Environmental Protection:					
3101	Environmental Health	294,963	19,474	28,402	286,035
3201	Solid Waste	273,128	104,823	-	377,951
4201	Cooperative Extension	856,755	29,246	19,467	866,534
Total Environmental Protection		1,424,846	153,543	47,869	1,530,520
Economic and Physical Development:					
4001	Planning	87,043	19,710	-	106,753
4401	Economic Development	933,483	-	-	933,483
8201	Convention Center	12,186,890	-	-	12,186,890
Total Economic and Physical Development		13,207,416	19,710	-	13,227,126
Health					
5001	Health	7,018,320	237,184	9,330	7,246,174
Social Services:					
7001	CARTS	994,191	157,623	115,410	1,036,404
7201	DSS	6,282,167	338,636	64,107	6,556,696
Total Social Services		7,276,358	496,259	179,517	7,593,100
Recreation:					
8001	Recreation	3,103,313	200,224	17,225	3,286,312
	Library- Havelock	9,809	-	-	9,809
Total Recreation		3,113,122	200,224	17,225	3,296,121
Construction in Progress		2,047,520	12,775,751	-	14,823,271
Total governmental funds capital assets		\$ 60,841,555	\$ 14,894,578	\$ 1,135,713	\$ 74,600,420

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 Six Fiscal Years
 (accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 22,674,229	\$ 23,254,067	\$ 24,089,182	\$ 26,036,499	\$ 29,183,692	\$ 31,120,067
Restricted	11,699,026	8,313,499	4,830,932	3,078,658	4,876,200	5,079,723
Unrestricted (deficit)	(27,951,015)	(25,230,973)	(18,939,009)	(12,381,079)	(16,368,150)	(17,948,088)
Total governmental activities net assets	\$ 6,422,240	\$ 6,336,593	\$ 9,981,105	\$ 16,734,078	\$ 17,691,742	\$ 18,251,702
Business-type activities						
Invested in capital assets, net of related debt	\$ 14,081,588	\$ 16,869,221	\$ 17,299,771	\$ 17,289,167	\$ 17,836,280	\$ 18,099,326
Unrestricted	6,895,720	5,088,075	5,711,338	6,890,711	7,822,174	9,095,073
Total business-type activities	\$ 20,977,308	\$ 21,957,296	\$ 23,011,109	\$ 24,179,878	\$ 25,658,454	\$ 27,194,399
Primary government						
Invested in capital assets, net of related debt	\$ 36,755,817	\$ 40,123,288	\$ 41,388,953	\$ 43,325,666	\$ 47,019,972	\$ 49,219,393
Restricted	11,699,026	8,313,499	4,830,932	3,078,658	4,876,200	5,079,723
Unrestricted (deficit)	(21,055,295)	(20,142,898)	(13,227,671)	(5,490,368)	(8,545,976)	(8,853,015)
Total primary government net assets	\$ 27,399,548	\$ 28,293,889	\$ 32,992,214	\$ 40,913,956	\$ 43,350,196	\$ 45,446,101

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 Six Fiscal Years
 (accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 5,896,630	\$ 6,802,230	\$ 6,557,817	\$ 7,391,683	\$ 7,679,876	\$ 6,568,743
Public safety	10,732,195	11,584,190	11,895,790	12,643,683	12,792,549	13,475,510
Social services	19,641,710	20,695,194	21,364,472	22,822,110	23,686,006	24,491,355
Economic and physical development	5,360,444	3,292,424	3,873,381	2,658,847	2,629,063	3,447,939
Environmental protection	3,850,575	5,083,596	4,943,096	5,105,286	5,448,188	5,369,403
Health	6,479,067	6,981,725	6,915,059	7,419,050	7,381,812	8,053,103
Cultural and recreation	1,490,297	1,801,012	1,898,961	2,077,212	2,307,962	2,070,824
Education	35,104,248	20,600,373	18,391,669	20,218,865	29,897,811	33,000,753
Interest on long term debt	3,183,668	2,715,170	2,593,134	2,414,904	3,042,742	3,716,568
Total governmental activities	<u>91,738,834</u>	<u>79,555,914</u>	<u>78,433,379</u>	<u>82,751,640</u>	<u>94,866,009</u>	<u>100,194,198</u>
Business-type activities:						
Water	2,294,785	2,092,799	2,212,566	2,452,231	2,350,421	2,378,268
Total primary government expenses	<u>\$ 94,033,619</u>	<u>\$ 81,648,713</u>	<u>\$ 80,645,945</u>	<u>\$ 85,203,871</u>	<u>\$ 97,216,430</u>	<u>\$ 102,572,466</u>
Program Revenues						
Governmental activities						
Charges for services:						
General government	\$ 1,666,826	\$ 1,657,142	\$ 1,838,261	\$ 2,406,806	\$ 2,116,173	\$ 1,737,095
Public safety	1,500,193	1,597,259	1,697,240	2,148,811	1,957,081	2,076,961
Social services	451,043	650,102	690,235	626,859	600,994	708,758
Economic and physical development	683,866	809,529	920,675	916,702	990,517	1,072,446
Environmental protection	2,214,990	2,178,704	2,212,444	2,462,004	2,639,579	2,821,666
Health	3,754,021	4,225,968	4,283,919	4,436,213	4,288,785	4,603,742
Cultural and recreation	43,438	51,000	45,745	38,948	50,690	43,309
Education	-	503,596	-	-	-	-
Operating grants and contributions:						
General government	1,578,967	1,660,038	1,202,220	1,147,799	1,078,615	1,533,601
Public safety	707,552	669,885	912,191	651,655	612,213	634,277
Social services	10,066,157	10,854,794	10,662,434	11,834,461	12,228,544	12,805,213
Economic and physical development	2,187,801	637,866	1,195,959	50,750	219,000	499,293
Environmental protection	436,921	613,754	210,007	168,890	138,582	183,564
Health	1,590,116	1,592,510	1,520,635	1,473,080	1,407,566	1,495,242
Cultural and recreation	-	1,000	-	9,250	35,300	75,233
Education	-	-	859,450	1,182,900	1,150,405	1,969,220
Capital grants and contributions:						
General government	-	-	-	417,447	-	-
Public safety	51,897	324,304	-	34,526	-	-
Social services	91,638	117,050	-	228,739	112,514	185,910
Cultural and recreation	-	-	-	65,625	106,185	343,815
Total governmental activities program revenues	<u>27,025,426</u>	<u>28,144,501</u>	<u>28,251,415</u>	<u>30,301,465</u>	<u>29,732,743</u>	<u>32,789,345</u>

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Business-type activities:						
Charge for services - Water	\$ 3,001,287	\$ 2,925,947	\$ 3,003,662	\$ 3,296,858	\$ 3,350,661	\$ 3,387,837
Capital grants and contributions - Water	145,830	-	-	-	-	-
Total business-type activities program revenues	<u>3,147,117</u>	<u>2,925,947</u>	<u>3,003,662</u>	<u>3,296,858</u>	<u>3,350,661</u>	<u>3,387,837</u>
Total primary government program revenues	<u>\$ 30,172,543</u>	<u>\$ 31,070,448</u>	<u>\$ 31,255,077</u>	<u>\$ 33,598,323</u>	<u>\$ 33,083,404</u>	<u>\$ 36,177,182</u>
Net (Expense)/Revenue						
Governmental activities	\$ (64,713,408)	\$ (51,411,413)	\$ (50,181,964)	\$ (52,450,175)	\$ (65,133,266)	\$ (67,404,853)
Business-type activities	<u>852,332</u>	<u>833,148</u>	<u>791,096</u>	<u>844,627</u>	<u>1,000,240</u>	<u>1,009,569</u>
Total primary government net (expense)/revenue	<u>\$ (63,861,076)</u>	<u>\$ (50,578,265)</u>	<u>\$ (49,390,868)</u>	<u>\$ (51,605,548)</u>	<u>\$ (64,133,026)</u>	<u>\$ (66,395,284)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 32,399,791	\$ 32,409,695	\$ 33,462,209	\$ 37,864,384	\$ 40,057,692	\$ 42,236,411
Local option sales tax	13,998,546	16,963,021	17,433,367	18,100,692	19,769,089	20,131,706
Other taxes and licenses	551,086	580,312	631,352	716,807	730,206	798,930
Investment earnings	643,283	311,727	622,429	1,250,704	2,452,049	3,500,775
Miscellaneous	623,341	999,012	1,631,320	1,224,762	3,036,095	1,226,841
Transfers	61,998	61,999	45,799	45,799	45,799	70,150
Total governmental activities:	<u>48,278,045</u>	<u>51,325,766</u>	<u>53,826,476</u>	<u>59,203,148</u>	<u>66,090,930</u>	<u>67,964,813</u>
Business-type activities:						
Investment earnings	87,816	57,500	102,105	246,435	370,366	429,842
Miscellaneous	206,032	151,339	206,411	123,506	153,769	166,684
Transfers	(61,998)	(61,999)	(45,799)	(45,799)	(45,799)	(70,150)
Total business-type activities	<u>231,850</u>	<u>146,840</u>	<u>262,717</u>	<u>324,142</u>	<u>478,336</u>	<u>526,376</u>
Total primary government	<u>\$ 48,509,895</u>	<u>\$ 51,472,606</u>	<u>\$ 54,089,193</u>	<u>\$ 59,527,290</u>	<u>\$ 66,569,266</u>	<u>\$ 68,491,189</u>
Change in Net Assets						
Governmental activities	\$ (16,435,363)	\$ (85,647)	\$ 3,644,512	\$ 6,752,973	\$ 957,664	\$ 559,960
Business-type activities	<u>1,084,182</u>	<u>979,988</u>	<u>1,053,813</u>	<u>1,168,769</u>	<u>1,478,576</u>	<u>1,535,945</u>
Total primary government	<u>\$ (15,351,181)</u>	<u>\$ 894,341</u>	<u>\$ 4,698,325</u>	<u>\$ 7,921,742</u>	<u>\$ 2,436,240</u>	<u>\$ 2,095,905</u>

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Reserved for:										
State statute	\$ 4,356,544	\$ 5,023,469	\$ 6,513,924	\$ 6,047,088	\$ 6,316,488	\$ 6,584,888	\$ 6,224,153	\$ 5,689,161	\$ 6,434,080	\$ 7,920,769
Future wireless E-911 expenditures	-	90,977	165,145	241,968	343,409	346,933	486,726	578,914	360,975	-
Future wired E-911 expenditures	-	-	74,859	22,871	74,896	2,112	46,274	104,956	125,234	-
Future register of deeds technology enhancements	-	-	-	33,646	26,212	67,142	89,380	-	8,840	46,557
Future law enforcement expenditures	4,179	49,613	11,700	11,000	287,143	66,358	23,964	81	15,771	915
Total reserved	4,360,723	5,164,059	6,765,628	6,358,573	7,048,148	7,067,433	6,870,497	6,373,112	6,944,900	7,968,241
Unreserved										
Designated for subsequent year's expenditures	1,251,576	1,417,824	827,906	1,308,653	1,106,513	1,512,962	805,563	1,112,286	278,250	1,057,114
Undesignated	11,295,205	10,918,794	9,315,767	9,339,144	10,745,164	10,916,933	11,461,312	14,627,823	17,382,258	16,723,765
Total General Fund	\$ 16,907,504	\$ 17,500,677	\$ 16,909,301	\$ 17,604,370	\$ 18,899,825	\$ 19,497,328	\$ 19,137,372	\$ 22,113,221	\$ 24,605,408	\$ 25,749,140
All Other Governmental Funds										
Reserved for:										
State statute	\$ 1,265,677	\$ 286,783	\$ 258,546	\$ 133,352	\$ 169,610	\$ 177,452	\$ 204,407	\$ 199,848	\$ 436,966	\$ 398,154
Debt service	3,496,004	2,957,736	2,959,789	4,529,553	3,339,171	2,805,486	2,640,065	1,785,304	3,704,012	4,328,413
Total reserved	4,761,681	3,244,519	3,218,335	4,662,915	3,508,781	2,982,938	2,844,472	1,985,152	4,140,978	4,726,567
Unreserved										
Undesignated/(deficit)										
Special revenue funds:										
Room occupancy tax trust fund (1)	1,152,319	1,435,079	(337,002)	(677,700)	(1,008,021)	(628,436)	(500,000)	-	-	-
All other special revenue funds	433,951	453,794	415,763	269,313	333,283	291,374	317,510	417,160	456,779	469,202
Designated for capital projects	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	33,071,988
Total all other governmental funds	\$ 17,342,201	\$ 9,122,930	\$ 6,866,008	\$ 28,857,337	\$ 10,066,234	\$ 7,010,519	\$ 7,341,107	\$ 7,154,259	\$ 18,804,289	\$ 38,267,757

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes:										
Property	\$ 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	\$ 42,261,507
Sales	12,352,938	12,854,091	12,992,853	12,582,248	13,998,546	16,983,021	17,433,367	18,100,692	19,769,089	20,131,706
Other	0	1,805,562	543,625	512,536	551,086	580,312	631,352	716,807	730,206	798,930
Total taxes	36,649,630	39,923,933	39,716,626	41,132,407	46,768,109	50,093,076	51,648,742	56,694,050	60,531,016	63,192,143
Intergovernmental	21,833,434	23,659,149	23,692,026	23,448,484	16,711,049	16,974,797	16,352,896	17,265,122	17,088,924	19,725,368
Charges for Services	7,212,119	6,949,051	7,569,405	9,252,065	10,473,891	11,606,329	12,118,416	13,470,741	13,072,951	13,496,839
Interest	1,428,369	1,831,907	1,512,586	847,287	629,045	298,455	598,241	1,190,972	2,370,690	3,403,481
Miscellaneous	685,373	2,191,860	898,036	802,006	848,392	999,009	872,030	998,896	1,225,277	1,263,264
Total Revenues	67,808,925	74,555,900	73,386,679	75,282,249	75,430,476	79,971,660	81,801,325	89,619,781	94,288,858	101,081,016
Expenditures										
General Government	4,809,654	5,159,082	5,319,753	5,084,859	5,667,050	7,434,198	6,875,991	8,193,210	7,514,048	8,539,207
Public Safety	7,598,633	8,858,789	8,830,928	9,685,860	9,807,768	11,271,390	11,391,656	13,151,735	13,860,441	23,556,676
Environmental Protection	3,750,810	3,752,516	3,849,309	4,114,223	4,554,577	5,046,646	5,006,185	5,103,095	5,444,288	5,413,220
Economic Development	2,041,393	2,642,179	3,973,447	6,178,676	4,122,872	2,989,088	3,505,260	2,194,383	2,241,260	3,043,309
Health	5,723,773	5,887,427	6,010,653	6,297,018	6,195,238	6,626,527	7,007,312	7,072,213	7,169,879	8,064,577
Social Services (2)	14,562,134	17,510,212	18,284,894	18,614,048	19,501,613	20,761,989	21,367,549	22,624,569	23,790,287	24,829,166
Culture and Recreation	1,623,407	1,629,808	2,025,889	2,202,975	1,521,415	1,684,669	1,904,814	2,138,565	2,261,117	2,870,542
Education	20,932,287	19,822,056	19,661,846	21,816,342	35,104,248	20,600,373	18,391,669	20,218,665	29,897,811	33,000,753
Capital Outlay	2,668,080	10,007,319	4,836,064	1,449,640	239,123	91,517	95,980	-	-	-
Debt Service:										
Principal	4,101,206	4,077,115	3,170,964	3,085,162	3,163,277	3,435,146	3,816,917	3,846,504	3,864,145	6,050,858
Interest	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	4,207,889
Total Expenditures	70,023,392	81,459,353	78,067,676	80,633,850	92,988,122	82,766,739	81,876,491	85,876,580	99,092,430	119,584,187
Excess of revenues over (under) expenditures	\$ (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)	\$ (18,503,172)
Other Financing Sources (Uses)										
Transfers in	6,550,680	7,074,825	6,825,025	7,929,356	5,690,306	7,215,800	8,507,419	9,082,318	10,057,944	11,611,636
Transfers out	(6,583,354)	(6,984,126)	(7,891,367)	(7,891,367)	(5,628,308)	(7,153,801)	(8,461,620)	(9,036,519)	(10,012,145)	(11,514,837)
Bonds issued	-	-	1,800,000	28,090,000	-	-	-	-	-	-
Refunding bonds issued	-	28,000	-	-	-	13,875,194	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-	(13,712,107)	-	-	-	-
Proceeds from capital lease	-	338,975	-	-	-	-	-	-	-	-
Proceeds from installment note/COPS	10,550,000	-	-	-	-	131,773	-	-	-	-
Total other financing sources (uses)	10,517,306	425,674	1,832,659	28,037,999	61,998	356,859	45,799	45,799	18,945,799	39,110,362
Net change in fund balances	\$ 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	\$ 20,607,190
Debt service as a percentage of noncapital expenditures	9.23%	8.66%	7.20%	6.55%	6.82%	7.77%	7.94%	7.37%	7.06%	9.75%

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

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

Fiscal Year	Real Property			Present-use Value (1)	Personal Property	Public Service Companies (2)	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
	Residential Property	Commercial Property	Industrial Property						
1999	2,132,691,943	700,163,040	35,609,608	52,099,602	1,109,500,727	91,966,206	4,122,031,126	0.570	4,717,362,241
2000	2,198,190,140	754,106,467	36,312,310	52,537,102	1,178,799,113	89,694,376	4,309,639,508	0.570	5,011,208,730
2001	2,278,831,310	787,441,202	39,321,420	51,676,360	1,208,865,037	90,975,362	4,457,110,691	0.570	5,350,673,098
2002	2,311,595,479	832,814,818	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	2,929,225,703	1,144,525,817	44,679,730	67,315,000	1,273,712,947	105,752,076	5,565,211,273	0.560	5,710,251,665
2005	3,048,945,696	1,183,144,808	44,584,740	72,290,740	1,316,591,615	105,008,267	5,770,565,866	0.560	6,115,478,875
2006	3,215,295,945	1,211,684,688	43,244,210	67,076,256	1,366,718,652	117,580,795	6,021,600,546	0.610	7,323,766,171
2007	3,344,659,741	1,346,918,941	42,427,600	67,623,321	1,430,699,795	108,576,827	6,340,906,231	0.610	9,241,956,320
2008	3,558,507,233	1,436,304,943	42,626,400	66,670,292	1,477,929,350	111,440,333	6,693,478,551	0.610	10,118,637,265

Source: Annual County Report of Valuation and Property Tax Levies

Notes:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable are a lien on the property and are deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
- (2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (3) Per \$100 of value.
- (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales which took place in the calendar year ending during the fiscal year. (The 2008 figure is based on property sales which took place in calendar 2007.)
- (5) Property in Craven County is reassessed every eight years. The last reassessment was on January 1, 2002 and was the basis for fiscal 2003 taxes.

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

	Year Taxes Are Payable									
	1999	2000	2001	2002	2003(1)	2004	2005	2006	2007	2008
Craven County	\$.5700	\$.5700	\$.5700	\$.6000	\$.5800	\$.5600	\$.5600	\$.6100	\$.6100	\$.6100
Municipality Rates:										
Bridgeton	.5000	.5000	.5000	.4700	.4700	.4700	.4700	.4700	.4700	.5000
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	.4200	.4200	.4200	.4500	.4500	.4900	.5300
New Bern	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.4700	.5050
River Bend	.1500	.1500	.1800	.1900	.1900	.1900	.2200	.2200	.2200	.2800
Trent Woods	.0930	.0930	.0930	.0930	.1300	.2700	.2700	.2700	.2700	.2700
Vanceboro	.5000	.5000	.5000	.5000	.4800	.4800	.4800	.4800	.4800	.4800
Fire Districts:										
Rhems	.0275	.0375	.0375	.0375	.0375	.0375	.0375	.0375	.0375	.0425
Township #1	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0238	.0263
Tri Community	.0297	.0297	.0297	.0297	.0297	.0350	.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	.0781
Township #5	.0561	.0561	.0661	.0661	.0600	.0570	.0570	.0570	.0570	.0620
Township #6	.0380	.0380	.0350	.0350	.0375	.0475	.0675	.0675	.0675	.0600
Township #7	.0365	.0365	.0365	.0365	.0270	.0270	.0270	.0270	.0270	.0240
West New Bern	.0256	.0356	.0356	.0356	.0312	.0312	.0312	.0362	.0362	.0422
Township #9	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713	.0713
Sandy Point	.0619	.0619	.0619	.0619	.0567	.0567	.0567	.0567	.0567	.0567

Source: Craven County Tax Department

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 2008			Fiscal Year 1999		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Weyerhaeuser Company	Wood pulp manufacturer	\$ 204,285,203	1	3.05%	\$ 183,677,835	1	4.46%
BSH Home Appliances Corp	Home appliance manufacturer	105,522,288	2	1.58%	18,877,047	5	0.46%
Carolina Telephone & Telegraph Co.	Communications utility	39,616,985	3	0.59%	36,407,219	3	0.88%
Progress Energy Carolinas	Electric utility	37,461,238	4	0.56%	28,050,416	4	0.68%
Hatteras Yachts	Yacht builder	26,903,720	5	0.40%	11,329,440	10	0.27%
Craven Wood Energy LTD	Electricity manufacturer	16,019,942	6	0.24%	52,730,406	2	1.28%
Atlantic Marine Corps Communities, LLC	Real estate development	14,885,011	7	0.22%			
DDR Xenia & New Bern LLC	Real estate development	13,536,930	8	0.20%	15,079,240	7	0.37%
Fairfield Communities	Real estate development	13,071,990	9	0.20%			
Bill Clark Homes of Greenville LLC	Real estate development	12,751,270	10	0.19%			
Amital Spinning Corp	Yarn manufacturer				16,372,821	6	0.40%
S-B Power Tool Company	Power tool manufacturer				13,635,729	9	0.33%
Moen Incorporated	Plumbing products mfrg.				14,374,328	8	0.35%
Totals		\$ 484,054,577		7.23%	\$ 390,534,481		9.47%

Source: Craven County Tax Department

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments			Total Adjusted Levy	Amount		Percentage of Original Levy	Amount
1999	\$ 23,497,905	\$ 53,833	\$ 23,551,738	\$ 23,051,868	97.88%	\$ 421,885	\$ 23,473,753	99.67%	
2000	23,973,204	640,060	24,613,264	23,930,186	97.22%	587,901	24,518,087	99.61%	
2001	25,619,122	(167,174)	25,451,948	24,761,949	97.29%	597,587	25,359,536	99.64%	
2002	27,527,244	(225,539)	27,301,705	26,493,834	97.04%	701,821	27,195,655	99.61%	
2003	32,173,298	(785,503)	31,387,795	30,482,909	97.12%	792,153	31,275,062	99.64%	
2004	31,563,099	(221,056)	31,342,043	30,570,553	97.54%	652,917	31,223,470	99.62%	
2005	32,468,045	(133,839)	32,334,206	31,690,897	98.01%	541,720	32,232,617	99.69%	
2006	36,919,653	(321,980)	36,597,673	35,915,565	98.14%	549,580	36,465,145	99.64%	
2007	39,046,381	(315,261)	38,731,120	38,031,297	98.19%	513,403	38,031,297	98.19%	
2008	40,976,799	785,566	41,762,365	41,038,179	98.27%	*	41,038,179	98.27%	

*Information not yet available

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				
1999	\$ 23,605,000	\$ 2,700,000	\$ 17,873,035	\$ 103,332	\$ 6,216,700	\$ 590,000	\$ 4,288,688	\$ 55,376,755	612	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	562	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	535	2.07%	
2002	46,930,000	1,595,000	15,238,459	212,813	5,124,600	570,500	319,330	69,990,702	754	2.92%	
2003	45,680,000	820,000	14,258,760	144,972	4,229,600	564,000	1,037,789	66,735,121	720	2.80%	
2004	45,755,000	-	13,248,452	71,907	2,067,800	-	1,118,743	62,261,902	664	2.50%	
2005	43,185,000	-	12,073,442	-	1,690,800	-	1,824,045	58,773,287	627	2.21%	
2006	40,560,000	-	10,851,937	-	1,282,500	-	1,711,408	54,405,845	574	1.91%	
2007	37,930,000	-	28,527,792	-	839,500	-	1,598,771	68,896,063	721	2.30%	
2008	35,335,000	-	62,006,933	-	377,000	-	1,486,135	99,205,068	1,029	*	

*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 2007 personal income not available to calculate fiscal year 2008.

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			
1999	\$ 29,821,700	\$ 3,496,004	\$ 26,325,696	1.24%	0.64%	\$ 291
2000	26,231,300	2,957,736	23,273,564	1.06%	0.54%	256
2001	25,731,600	2,959,789	22,771,811	0.96%	0.51%	248
2002	52,054,600	4,529,563	47,525,037	1.98%	1.04%	512
2003	49,909,600	3,339,171	46,570,429	1.95%	0.86%	502
2004	47,822,800	2,805,486	45,017,314	1.81%	0.81%	480
2005	44,875,800	2,640,065	42,235,735	1.59%	0.73%	451
2006	41,842,500	1,785,303	40,057,197	1.41%	0.67%	422
2007	38,769,500	3,901,084	34,868,416	1.16%	0.55%	365
2008	35,712,000	4,420,993	31,291,007	*	0.47%	325

*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 2007 personal income not available to calculate fiscal year 2008.

(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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Value of Property	\$ 4,122,031	\$ 4,309,640	\$ 4,457,111	\$ 4,556,125	\$ 5,396,476	\$ 5,565,211	\$ 5,770,566	\$ 6,021,601	\$ 6,340,906	\$ 6,693,479
Debt Limit, 8% of Assessed Value (Statutory Limitation)	329,762	344,771	356,569	364,490	431,718	445,217	461,645	481,728	507,272	535,478
Amount of Debt Applicable to Limit										
Gross debt	55,377	51,129	49,076	69,991	66,735	62,262	58,773	54,406	68,896	99,205
Less: Amount available for repayment of g.o.bonds	3,496	2,958	2,960	4,530	3,339	2,805	2,640	1,785	3,901	4,421
Debt outstanding for water and sewer purposes	10,505	10,058	9,437	5,125	5,267	3,187	3,515	2,994	2,438	1,863
Revenue bonds	3,290	3,104	2,907	2,166	1,384	-	-	-	-	-
Total net debt applicable to limit	38,085	35,010	33,772	58,171	56,745	56,270	52,618	49,627	62,557	92,921
Legal Debt Margin	\$ 291,677	\$ 309,761	\$ 322,797	\$ 306,319	\$ 374,974	\$ 388,947	\$ 409,027	\$ 432,101	\$ 444,715	\$ 442,557

Total net debt applicable to the limit as a percentage of debt limit 11.55% 10.15% 9.47% 15.96% 13.14% 12.64% 11.40% 10.30% 12.33% 17.35%

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>
1999	90,527	2,118,079	23,523	14,613	4.40%	N/A
2000	91,040	2,190,549	24,114	14,690	4.30%	N/A
2001	91,693	2,370,029	25,845	14,644	4.20%	6,450
2002	92,844	2,400,702	25,775	14,465	5.70%	7,124
2003	92,693	2,385,406	25,738	14,362	6.00%	6,767
2004	93,761	2,489,593	26,467	14,388	5.80%	8,744
2005	93,698	2,657,216	28,275	14,523	4.80%	10,426
2006	94,838	2,841,408	29,896	14,609	4.70%	12,633
2007	95,558	2,993,558	31,107	14,632	4.40%	13,000
2008	96,426	*	*	14,538	4.10%	9,682

* 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	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Department of Defense (1)	5,400	1	12.68%	5,000	1	13.39%
Craven County Schools	1,917	2	4.50%	1,800	2	4.82%
Craven Regional Medical Center	1,700	3	3.99%	1,500	3	4.02%
BSH Home Appliances	1,209	4	2.84%			
State of North Carolina	981	5	2.30%	900	5	2.41%
Moen Incorporated	750	6	1.76%	950	4	2.54%
Hatteras Yachts	700	7	1.64%	800	6	2.14%
Craven County	614	8	1.44%	570	8	1.53%
Wal-Mart	500	9	1.17%			
Craven Community College	489	10	1.15%	450	9	1.21%
Weyerhaeuser Company				700	7	1.87%
City of New Bern				400	10	1.07%
	<u>14,260</u>		<u>33.48%</u>	<u>13,070</u>		<u>35.00%</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.
 The amount shown includes employees from all counties (Of the 5,400 employees, 3,093 are Craven County residents, or 7.3% of the County employment)

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	88	89	88	89	98	94	92	87	83	82
Public safety	112	115	118	120	125	128	125	129	134	134
Social services	182	187	185	197	200	201	203	207	204	206
Economic and physical development	5	5	19	19	19	19	18	23	19	21
Environmental protection	25	33	39	32	33	31	30	33	36	33
Health	116	112	104	94	95	97	102	97	111	115
Cultural and recreation	11	12	11	11	11	10	10	7	8	9
Water/Sewer (Business activity)	13	13	13	13	13	13	13	13	13	14
Total	552	566	577	575	594	593	593	596	608	614

Source: County Finance Department

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

Schedule 15

Craven County

Operating Indicators by Function,
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Fire/Rescue calls to County E911 (A)				6,423	6,591	6,973	7,331	7,517	8,083	8,882
Average daily population in jail (B)						154	158	175	185	200
Number of papers served (B)						18,820	17,366	16,229	15,952	12,283
Health Services (C)										
Food and lodging inspections						1,225	1,424	1,647	1,160	1,615
Home health/hospice visits				16,893	17,986	15,640	17,478	16,573	16,603	16,327
Visits to health department				27,956	27,550	27,546	27,563	27,579	26,199	25,400
Transportation Services (J)										
Number of miles driven (I)					790,262	814,546	843,124	808,771	761,466	782,257
Number of trips provided (I)					108,315	109,225	106,627	101,235	100,754	93,984
Tax/Real Estate Services (E)										
Deed transfers processed	3,858	3,871	3,742	3,702	4,047	4,574	5,446	6,405	6,134	4,677
Number of real estate parcels	46,049	46,889	47,729	48,306	48,600	49,824	50,933	52,163	54,469	55,035
Number of tax bills generated	124,437	131,431	135,808	138,838	142,600	145,735	143,765	147,675	150,126	153,477
Economic and Physical Development										
County tourism revenues (1)(2) (F)	\$67.55	\$69.06	\$74.09	\$69.67	\$72.32	\$74.73	\$79.68	\$87.42	\$94.16	\$101.70
Economic impact of convention center (2) (G)				\$7.01	\$6.91	\$8.27	\$9.06	\$9.00	\$8.73	\$12.90
Number of registered voters (H)	47,915	48,165	51,914	56,456	57,195	55,749	60,503	60,653	61,668	64,110
Number of enplanements at airport (3) (I)	77,289	88,509	81,047	78,139	70,443	92,516	97,876	90,221	110,882	59,060
Water Services										
Number of service connections (J)	9,814	9,956	10,174	10,400	10,614	10,851	11,570	12,001	12,300	12,697

Notes:

- (1) These amounts shown as 2008 are for calendar year ending December 31, 2007.
- (2) Amounts shown are millions of dollars
- (3) Amounts shown are by calendar year, therefore the amount shown for 2008 is only six months.

Source of data:

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

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

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety (A) Correction facility rated capacities	121	121	161	161	161	161	161	161	161	161
Parks and Land Use (B) Number of county parks	2	2	2	2	2	2	2	2	2	3
Boat ramps operated	2	2	2	2	2	2	2	2	2	2
Water Service (C) Miles of water main	540	565	565	580	595	615	625	645	650	653
Number of elevated water tanks (1)	9	9	9	8	8	8	8	9	9	9
Transportation Services (D) Number of CARTS vehicles	30	30	30	31	32	32	32	32	32	32
Economic and Physical Development Convention center		1	1	1	1	1	1	1	1	1
Number of remaining acres in Industrial Park (E)	322	322	322	294	258	258	196	192	192	192
Airport (F) 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

Source of data:

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

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, 2008, which collectively comprise Craven County's basic financial statements, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

McGladrey & Pullen

Certified Public Accountants

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
October 30, 2008

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, 2008. 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, 2008.

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, 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 of 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
October 30, 2008

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, 2008. 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, 2008.

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, 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 of 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
October 30, 2008

McGladrey & Pullen, LLP

CRAVEN COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008**

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, 2008**

State Awards

Internal control over major State programs:

• 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 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
Parks and Recreation Trust Fund	2006-443
Special Assistance	N/A
Public School Building Capital Fund	N/A

CRAVEN COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Fiscal Year Ended June 30, 2008**

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, 2008**

No corrective action plan is required for the current year.

**CRAVEN COUNTY, NORTH CAROLINA
STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008**

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, 2008
(Page 1 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
FEDERAL AWARDS:					
US Department of Agriculture					
Passed through NC Department of Agriculture:					
Administered by Craven County Sheriff:					
National Forest	10.418	05-LE-11081122-163	\$ 11,069	\$ -	\$ -
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	437,283	-	4,235
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5405	2,406,340	-	-
			<u>2,843,623</u>	<u>-</u>	<u>4,235</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		10,178,513	-	-
Food Stamp Admin	10.561		498,456	-	498,456
Food Stamp Issuance	10.561		20,989	-	20,989
Food Stamp Fraud Admin	10.561		66,557	-	66,557
Food Stamp Emp and Training	10.561		1,375	-	1,375
Total Food Stamp Cluster			<u>10,765,890</u>	<u>-</u>	<u>587,377</u>
Total US Department of Agriculture			<u>13,620,382</u>	<u>-</u>	<u>591,612</u>
US Department of Justice:					
Passed through NC Department of Crime Control and Public Safety:					
Passed through County Finance Department:					
Administered by City of New Bern Housing Authority:					
ASAP After School Program	16.540	025-1-04-009-AJ-166 &-167	26,222	-	-
Administered by Craven County Sheriff:					
Mobile Data Terminals	16.738	025-1-06-15B-D133	16,401	-	-
Total US Department of Justice			<u>42,623</u>	<u>-</u>	<u>-</u>
US Department of Transportation					
<u>Federal Aviation Administration</u>					
Direct Programs:					
Administered by Craven Regional Airport:					
Airport Improvement Program:					
LEO Staff	20.106	D TSA20-02-P5026	138,802	-	-
Airport Improvement Project No. 25	20.106	3-37-0050-25	23,000	-	562
Airport Improvement Project No. 26	20.106	3-37-0050-26	195,000	-	(11,336)
Airport Improvement Project No. 27	20.106	3-37-0050-27	1,936,002	-	212,218
			<u>2,292,804</u>	<u>-</u>	<u>201,444</u>
Passed through NC Department of Transportation:					
Administered by Craven Area Rural Transportation System:					
Administration	20.509	36233.31.9.1	231,522	14,470	780,003
Operating	20.509	36233.31.9.2	40,053	-	-
Capital	20.509	36233.31.9.3	143,933	17,992	(7,442)
			<u>415,508</u>	<u>32,462</u>	<u>772,561</u>
Total US Department of Transportation			<u>2,708,312</u>	<u>32,462</u>	<u>974,005</u>
US Department of Homeland Security					
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	4,900	-	-
Homeland Security	97.004	2006-GE-T4-0010-5021	11,712	-	-
Emergency Management Assistance - Performance	97.042	EM PA 00 025 24	39,337	-	265,136
Administered by Craven County Sheriff:					
Bullet Proof Vests	97.004	BVP 2006	11,032	-	11,033
State Criminal Alien Assistance Program	16.606	2006-F3299NC-AP	3,296	-	-
Administered by Craven County Planning:					
Pre Disaster Mitigation	97.047	PDM-PJ-04-NC-2006-001	4,528	-	4,000
Total US Department of Homeland Security			<u>74,805</u>	<u>-</u>	<u>280,169</u>
US Department of Housing and Urban Development					
Passed through NC Department of Commerce:					
Administered by Craven County Planning:					
Community Development Block Grant	14.228	06-C-1523	\$ 365,425	\$ -	\$ -

CRAVEN COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
 For the Fiscal Year Ended June 30, 2008
 (Page 2 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
US Department of Health and Human Services					
<u>Administration on Aging</u>					
Passed through NC Department of Health and Human Services:					
Division of Aging, Home, and Community Care Block Grant					
Aging Cluster:					
Passed through Eastern Carolina Council					
Passed through Craven County Department of Social Services:					
Administered by Craven Area Rural Transportation	93.044		\$ 47,411	\$ 8,367	\$ 6,198
Administered by Coastal Community Action:					
Senior Companion Program	93.045		23,700	4,182	3,098
Administered by Craven County Department of Social Services:					
Congregate Meals	93.045		59,369	10,477	7,761
USDA Congregate	93.045		8,691	-	-
Home Delivered Meals	93.045		133,114	20,554	15,225
In Home Level II	93.044		111,117	19,609	14,525
Care Management Administration	93.044		66,476	11,731	8,690
Administered by Craven County Home Health:					
In Home Services Level III	93.044		18,482	3,261	2,416
			<u>468,360</u>	<u>78,181</u>	<u>57,913</u>
<u>Administration for Children and Families</u>					
Passed through NC Department of Health and Human Services:					
Division of Social Services:					
Administered by Craven County Department of Social Services:					
Work First/TANF Benefit Payments	93.558		813,360	-	344
Work First Admin	93.558		260,839	-	292,177
Work First Service	93.558		1,567,057	-	893,129
Family Support Payments	93.560		(340)	(93)	(93)
			<u>2,640,916</u>	<u>(93)</u>	<u>1,185,557</u>
Refugee Assistance Administration	93.566		87,449	-	-
IV-D Child Support Enforcement:					
Administration	93.563		16,274	-	8,384
Low-Income Home Energy Assistance:					
Administration	93.568		17,542	-	-
Energy Assistance Payments - Direct Benefit Payments	93.568		142,839	-	-
Crisis Intervention Payments	93.568		194,279	-	-
			<u>354,660</u>	<u>-</u>	<u>-</u>
Administered by Craven County Health:					
Child Welfare Services:					
Permanency Planning:					
Permanency Planning - Families for Kids	93.645		21,032	7,011	-
Permanency Planning - Special	93.645		6,110	-	2,037
Adoption Subsidy			-	145,136	39,993
			<u>27,142</u>	<u>152,147</u>	<u>42,030</u>
Foster Care and Adoption Cluster:					
Title IV-E Foster Care:					
Administration	93.658		205,524	-	197,784
Foster Care - At Risk			-	51,186	27,081
IV-E CPS	93.658		301,538	110,029	191,510
Foster Care - Direct Benefit Payments	93.658		85,604	19,710	28,228
Title IV-E Adoption Subsidy	93.659		176,319	41,784	69,908
Total Foster Care and Adoption Cluster			<u>768,985</u>	<u>222,709</u>	<u>514,511</u>
Division of Child Development :					
Administered by Craven County DSS:					
Subsidized Child Care Cluster:					
Child Care & Development Fund - Discretionary	93.575		1,387,568	-	-
Child Care & Development Fund - Mandatory	93.596		616,799	-	-
Child Care & Development Fund - Match	93.596		757,118	423,229	-
Child Care & Development Fund - Administration	93.596		175,624	40,242	-
Social Services Block Grant	93.667		33,984	-	-
Temporary Assistance for Needy Families	93.558		538,656	-	-
TANF - MOE			-	721,932	-
Smart Start			-	83,357	-
More at Four State Funding			-	120,000	-
State Appropriation			-	227,433	-
Total Subsidized Child Care Cluster			<u>3,509,749</u>	<u>1,616,193</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, 2008
(Page 3 of 5)

	CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Administered by County Department of Social Services:					
Social Services Block Grant:					
Family Planning:					
Adopt FC	93.667		\$ 128,649	\$ -	\$ 18,520
In-Home Services	93.667		51,898	-	7,414
In-Home Services over 60	93.667		42,382	-	6,055
Other Services and Training	93.667		331,194	36,722	122,639
			<u>554,123</u>	<u>36,722</u>	<u>154,628</u>
Passed through NC Department of Health and Human Services:					
Administered by County Department of Social Services:					
Independent Living - Foster Care	93.674		20,064	3,472	-
<u>Health Care Financing Administration</u>					
Passed through NC Department of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778		1,168,870	-	1,168,870
Eligibility Workers Administration - MA	93.778		19,417	19,417	-
Medical Transportation Administration	93.778		79,035	-	79,035
Medicaid At-Risk Administration	93.778		68,029	-	2,375
Family Preservation	93.778		10,027	-	-
Other:					
Adult Care Home Case Management	93.778		71,507	33,934	37,572
Transportation Regular	93.778		255,671	122,568	23,564
NC Health Choice	93.767		62,169	3,584	17,172
Direct Benefit Payments:					
Medical Assistance Program	93.778		64,738,580	33,229,235	4,425,304
			<u>66,473,305</u>	<u>33,408,738</u>	<u>5,753,892</u>
<u>Center for Disease Control</u>					
Division of Epidemiology:					
Administered by County Health Department:					
Preventive Health and Health Services Block Grant:					
Adult Health- Statewide Health Promotion	93.991		20,745	13,646	(547)
<u>Health Resources and Services Administration</u>					
Passed through NC Department of Health and Human Services:					
Division of Public Health:					
Family Planning	93.217		82,672	-	-
Immunization Action Plan/ Aid to County Funding	93.268		37,858	-	9,050
BioTerrorism Grant	93.283		55,317	-	61
Pandemic Flu Prevention	93.283		17,085	-	-
Breast and Cervical Cancer Control	93.283		24,246	15,375	(9,808)
Temporary Assistance for Needy Families	93.558		12,377	-	-
CCDG-Discretionary	93.575		2,750	-	250
Tobacco Use Prevention and Control	93.283		53,083	8,000	(2,642)
Maternal and Child Health Services Block Grant:					
Maternal Health	93.994		97,544	71,428	805,904
Womens Preventive Health	93.994		144,768	1,421	191,436
Child Health	93.994		123,301	-	969,438
			<u>651,001</u>	<u>96,224</u>	<u>1,963,689</u>
Total US Department of Health and Human Services			<u>75,592,773</u>	<u>35,627,939</u>	<u>9,680,057</u>
STATE ASSISTANCE					
NC Department of Health and Human Services					
Division of Social Services:					
Administered by County Department of Social Services:					
State/County Special Assistance Benefits Payments			-	692,822	693,975
State/County Special Assistance			-	-	79,764
Energy Assistance, Carolina Power & Light Project			-	10,161	-
Food Stamp Tax Intercept			-	12,568	-
Medicaid Maximization			-	541,744	-
State Aid to Counties			-	79,306	-
CPS Expansion			-	87,172	-
Family Care Giver			-	33,325	-
State Foster Home			-	144,636	144,636
State Adult Protective Services			-	62,166	-
			<u>-</u>	<u>1,663,900</u>	<u>918,375</u>
Division of Services for the Blind:					
Administered by County Department of Social Services:					
Services for the Blind			-	35,245	5,035

CRAVEN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
For the Fiscal Year Ended June 30, 2008
(Page 4 of 5)

CFDA Number	Grantor's Number	Expenditures		
		Federal	State	Local
Health Divisions:				
Administered by County Health Department:				
General		\$ -	\$ 83,675	\$ -
Communicable Disease		-	6,343	29,025
Tuberculosis		-	31,587	37,105
AIDS - State		-	12,500	30,554
TB Medical Services		-	1,850	-
Healthy Carolinians		-	9,744	-
Minority Health		-	18,911	2,940
		-	164,610	99,624
Total NC Department of Health and Human Services		-	1,863,755	1,023,034
NC Department of Juvenile Justice and Delinquency Prevention				
Division of Youth Services:				
Juvenile Crime Prevention Program:				
Administered by County Finance Department:				
Psychological Services for Court Referred Youth	825041	-	7,600	-
Juvenile Restitution Fund	825181	-	47,993	-
Passed through County Finance Department:				
Committee for Children	825000	-	1,200	-
Resolve	825022	-	56,000	-
Home-based Intervention and Treatment-Disciplined:				
Teen Court	825032	-	12,500	-
Structured Day Reporting	825006	-	90,000	-
United Cerebral Palsy - Home Based Treatment	825066	-	50,050	-
Total NC Department of Juvenile Justice and Delinquency Prevention		-	265,343	-
NC Department of Environment and Natural Resources				
Natural Resources Division:				
Administered by County Soil Conservation Department:				
Soil Conservation State Matching Funds	DSWC-2008-25	-	29,835	84,491
Division of Parks and Recreation:				
Administered by Craven County Recreation:				
Northwest Craven Park	PARTF 2006-443	-	376,158	373,289
Adopt A Trail	08P08065	-	4,845	-
		-	381,003	373,289
Division of Community Assistance:				
Administered by Craven County Planning:				
CORE Land Use Plan	S07070	-	16,840	6,642
Total NC Department of Environment and Natural Resources		-	427,678	457,780
NC Department of Transportation:				
Rural Operating Assistance Program (ROAP):				
Elderly Handicap	EHTAP	-	104,895	-
General Public Transportation (Craven)	GPT	-	111,366	-
Work First (Craven)	Work First	-	16,491	-
Pass through Pitt County:				
General Public Transportation (Pamlico & Jones)	GPT	-	61,630	-
Work First (Pamlico & Jones)	Work First	-	8,020	-
		-	302,402	-
Administered by Craven Regional Airport:				
Annual Appropriation - State Aid to Airports	9.9417010	-	300,000	409,594
NC Consortium of Small Commercial Air Service				
Developmental Pilot Program	W381.17700009800	-	83,736	-
General Aviation Terminal	41179	-	176,746	69,450
		-	560,482	479,044
Total NC Department of Transportation		-	862,884	479,044
NC Department of Corrections:				
Administered by Craven County Day Reporting Center:				
Criminal Justice Partnership Program	025-0700-I-A	-	120,817	-
NC Department of Commerce:				
Administered by Craven County Economic Development				
Wirthwein/Carolina Plastics		-	112,500	-
Department of the State Treasurer:				
Public School Building Capital Fund				
Public School Building Capital Fund-Lottery Proceeds		-	368,420	-
		-	1,600,800	-
Total NC Department of Public Instruction		-	1,969,220	-

CRAVEN COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND PASSENGER FACILITY CHARGES
 For the Fiscal Year Ended June 30, 2008
 (Page 5 of 5)

	CFDA Number	Grantor's Number	Expenditures					
			Federal	State	Local			
NC Department of Administration:								
Division of Veterans Affairs:								
Administered by Craven County Department of Veterans Services:								
			\$	-	\$	2,000	\$	121,444
Veterans Services								
State of North Carolina:								
Pass Through Craven County Partnership for Children:								
Administered by Craven County Cooperative Extension:								
			-	54,094	-			
Parents As Teachers								
NC Department of Elections:								
Administered by Cooperative Extension:								
			-	5,000	-			
Senior Health Insurance Information Program (SHIIP)								
Office of State Controller								
Unauthorized Substance Abuse								
			-	14,614	-			
Total Federal Expenditures								
			\$	92,404,520				
Total State Expenditures								
			\$	41,358,306				
Total Local Expenditures								
			\$	13,607,145				
Federal Aviation Administration:								
Administered by Craven Regional Airport:								
		96-01-C-00-EWN	\$	492,649	\$	-	\$	-
Passenger Facility Charges								

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, 2008

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, and including subsequent revisions, Craven County Regional Airport Authority was authorized to impose a passenger facility charge to a maximum of \$11,160,275. Current year expenditures from these funds are \$492,649 and are included on the schedule of federal awards.

Revenue from passenger facility charges for the year ended June 30, 2008 consists of \$493,246 for passenger facility charges plus \$7,218 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, 2007	Loan Proceeds	Principal Repayments	Loan Balance June 30, 2008
NC Clean Water Revolving Loan & Grant Program	N/A	\$ 1,442,056	\$ -	\$ 80,114	\$ 1,361,942