

**CITY OF NEW BERN
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

**MARTIN ♦ STARNES
& ASSOCIATES, CPAs, P.A.**

"A Professional Association of Certified Public Accountants and Management Consultants"

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NORTH CAROLINA**

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FOR THE YEAR ENDED JUNE 30, 2010

*Prepared By The Finance Department
Mary Muraglia, Director of Finance*

CITY OF NEW BERN, NORTH CAROLINA

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Bern, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New Bern's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Bern, North Carolina, as of June 30, 2010 and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010 on our consideration of City of New Bern's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting a compliance and the results of that testing, and not to provide an opinion on the internal control over final reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Other Post-Employment Benefits Schedule are not required parts 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 this information and express no opinion thereon.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 6, 2010

Management's Discussion and Analysis

As management of the City of New Bern, we offer readers of the City of New Bern's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

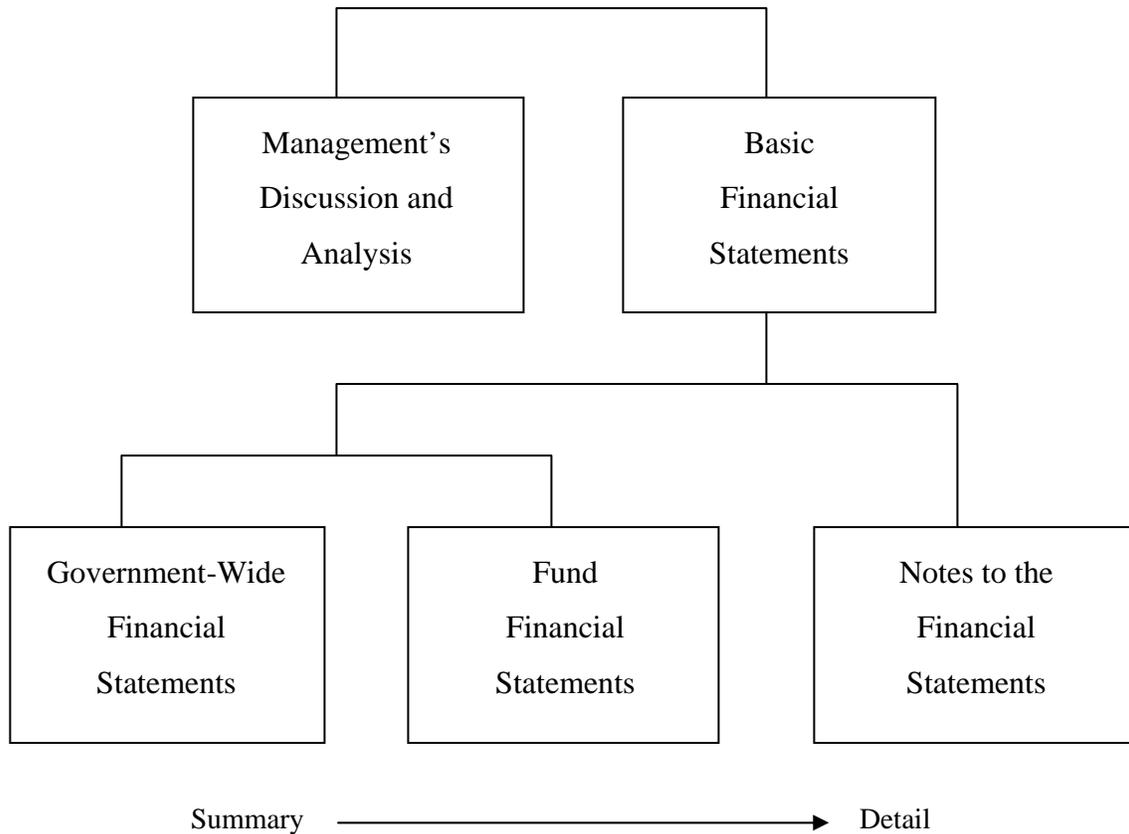
Financial Highlights

- The assets of the City of New Bern exceeded its liabilities at the close of the fiscal year by \$124,842,696 (*net assets*).
- The government's total net assets increased by \$7,094,969, due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the City of New Bern's governmental funds reported combined ending fund balances of \$6,595,275 an increase of \$156,171 in comparison with the prior year. Approximately 50.1 percent of the total fund balance, or \$3,306,143, is available for spending at the government's discretion (*unreserved fund balance*), and of this amount \$803,420 is designated for capital projects.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,035,562 or 7.4 percent of the total General Fund expenditures for the fiscal year. In 2009, unreserved fund balance in the General Fund was \$2,701,696 or 9.9 percent of total expenditures. The previous Governing Board had set an informal fund balance goal of 15 – 20 percent.
- The City's long-term liabilities related to capital asset acquisition and construction increased by \$410,736 (.47%) during the current fiscal year. The key factor is additional borrowing of \$6,073,419 on a Drinking Water State Revolving loan for the construction of wells and a new water treatment plant, offset by repayments on existing debt.
- Multiple water and sewer rate increases effective during fiscal year 2010 were approved by the previous Governing Board in June 2009 to maintain adequate fund balances and to repay the debt on the new water treatment plant.
- The City of New Bern maintained its A3 rating from Moody's Investors Service and its A rating from Standard & Poor's Corporation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the readers understanding of the financial condition of the City of New Bern. The following diagram illustrates how the required components relate to one another.

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories:

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

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

Fund Financial Statements

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

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

The City adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Governing Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement reflects the following: (a) the original budget as adopted by the Board, (b) the final budget as amended by the Board, (c) the actual resources, charges to appropriations, and ending balances in the General Fund, and (d) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26-58 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of New Bern exceeded liabilities by \$124,842,696 as of June 30, 2010. The City's net assets increased by \$7,094,969 for the fiscal year ended June 30, 2010. However, the largest portion \$107,580,297 (86.2%) reflects the City's investment in capital assets (e.g. land, buildings, equipment, and distribution systems), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$17,262,399 (13.8%) is unrestricted. In 2009, the amount of net assets invested in capital assets net of related debt was \$106,308,935, and the remaining balance of \$11,438,792 was unrestricted net assets for that year.

City of New Bern Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 9,777,115	\$ 9,361,804	\$ 26,434,069	\$ 25,652,449	\$ 36,211,184	\$ 35,014,253
Capital assets	45,963,972	47,747,080	146,074,281	136,719,925	192,038,253	184,467,005
Total assets	<u>55,741,087</u>	<u>57,108,884</u>	<u>172,508,350</u>	<u>162,372,374</u>	<u>228,249,437</u>	<u>219,481,258</u>
Liabilities:						
Long-term liabilities outstanding	16,734,159	16,146,847	71,470,659	68,299,607	88,204,818	84,446,454
Other liabilities	4,535,920	4,426,370	10,666,003	12,860,707	15,201,923	17,287,077
Total liabilities	<u>21,270,079</u>	<u>20,573,217</u>	<u>82,136,662</u>	<u>81,160,314</u>	<u>103,406,741</u>	<u>101,733,531</u>
Net Assets:						
Invested in capital assets, net of related debt	31,419,739	32,315,686	76,160,558	73,993,249	107,580,297	106,308,935
Unrestricted	3,051,269	4,219,981	14,211,130	7,218,811	17,262,399	11,438,792
Total net assets	<u>\$ 34,471,008</u>	<u>\$ 36,535,667</u>	<u>\$ 90,371,688</u>	<u>\$ 81,212,060</u>	<u>\$ 124,842,696</u>	<u>\$ 117,747,727</u>

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

- Continued diligence in the collection of property taxes despite an increased number of bankruptcies and foreclosures, by maintaining a tax collection percentage (excluding motor vehicles) of 97.92%. The overall tax collection percentage of 97.26% for fiscal year 2010 decreased slightly as compared to 97.83% for 2009.
- Rate increases in business-type activities, in particular, the Water Fund.

City of New Bern Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 5,200,660	\$ 5,005,395	\$ 87,305,982	\$ 79,978,414	\$ 92,506,642	\$ 84,983,809
Operating grants and contributions	672,267	498,269	-	-	672,267	498,269
Capital grants and contributions	854,835	929,954	485,085	1,201,782	1,339,920	2,131,736
General revenues:						
Property taxes	12,043,657	11,976,146	-	-	12,043,657	11,976,146
Other taxes	7,853,822	8,121,813	-	-	7,853,822	8,121,813
Unrestricted investment earnings	12,916	56,074	18,096	20,914	31,012	76,988
Total revenues	<u>26,638,157</u>	<u>26,587,651</u>	<u>87,809,163</u>	<u>81,201,110</u>	<u>114,447,320</u>	<u>107,788,761</u>
Expenses:						
General government	1,715,925	1,607,896	-	-	1,715,925	1,607,896
Public safety	17,093,862	16,013,462	-	-	17,093,862	16,013,462
Public works	4,376,173	4,473,588	-	-	4,376,173	4,473,588
Environmental protection	2,033,675	1,913,120	-	-	2,033,675	1,913,120
Economic development	1,791,932	1,762,997	-	-	1,791,932	1,762,997
Culture and recreation	2,708,074	2,589,437	-	-	2,708,074	2,589,437
Interest on long-term debt	563,132	536,678	-	-	563,132	536,678
Water	-	-	6,331,408	5,688,144	6,331,408	5,688,144
Sewer	-	-	10,677,006	10,052,081	10,677,006	10,052,081
Electric	-	-	60,061,164	57,412,727	60,061,164	57,412,727
Total expenses	<u>30,282,773</u>	<u>28,897,178</u>	<u>77,069,578</u>	<u>73,152,952</u>	<u>107,352,351</u>	<u>102,050,130</u>
Increase in net assets before transfers	(3,644,616)	(2,309,527)	10,739,585	8,048,158	7,094,969	5,738,631
Transfers	1,579,957	2,237,407	(1,579,957)	(2,237,407)	-	-
Increase in net assets	(2,064,659)	(72,120)	9,159,628	5,810,751	7,094,969	5,738,631
Net assets, July 1	<u>36,535,667</u>	<u>36,607,787</u>	<u>81,212,060</u>	<u>75,401,309</u>	<u>117,747,727</u>	<u>112,009,096</u>
Net assets, June 30	<u>\$ 34,471,008</u>	<u>\$ 36,535,667</u>	<u>\$ 90,371,688</u>	<u>\$ 81,212,060</u>	<u>\$ 124,842,696</u>	<u>\$ 117,747,727</u>

Governmental Activities. Governmental activities, after transfers, decreased the City's net assets by \$2,064,659. Key elements of this decrease are as follows:

- Increase in expenses of \$1,385,595 or 4.8 percent, particularly public safety expenses.
- Decrease in sales tax revenue of \$285,357.
- Increase in charges for services, primarily due to increase in employee contributions to the health benefit plan, which has been included with the governmental activities.
- Recording of annual required contribution for Other Post-Employment Benefits (OPEB) for Phase II governments. The City has opted to fund the OPEB costs on a pay-as-you-go-basis.

Business-Type Activities. Business-type activities, after transfers, increased the City's net assets by \$9,159,628, accounting for 100.0 percent of the total growth in the net assets.

The increase is primarily due to rate increases in the water and sewer funds, as well as capital contributions totaling \$791,914 for a sewer line in a new subdivision and water and sewer improvements reimbursed by state agencies. Electric charges for services also increased due to the full effect of the rate increase from February 2009 as well as the warmer temperatures in the last few months of the fiscal year. Additionally, transfers to other funds decreased from the prior year as a one-time operating transfer from the enterprise funds totaling \$812,877 was made in 2009 due to higher than expected health claims. Management also curtailed spending in the enterprise funds to the extent possible, especially in the last six months of the fiscal year when the economy was not rebounding as had been expected.

Water rates were increased in July and November 2009 and March 2010 to offset increased operating costs and debt associated with the construction of new wells and a water treatment plant. The rate increases resulted in a 47 percent increase in charges for sales and service revenues. The effect of the economy on new construction was evident by a 20 percent reduction in connection fee revenue. The new water treatment plant had been expected to be completed in December 2009; however, it was May 2010 when operations were occurring at the plant on a routine basis. This delay resulted in lower operating expenses than had been expected and the deferment of the repayment on the state revolving loan until next fiscal year.

Sewer rates were increased in July and November 2009 to cover increased costs of operations and improve the Sewer Fund's financial position. The rate increases resulted in a 12 percent increase in charges for sales and service. Like in water, the Sewer Fund had an 18 percent reduction in connection fee revenue. Overall, total charges for services revenue in the Sewer Fund increased 8.6 percent while expenses increased 6.2 percent. While net assets in the Sewer Fund invested in capital assets increased, the unrestricted assets decreased from \$976,985 to \$798,727.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of New Bern. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,035,562 while total fund balance was \$5,236,896. Total fund balance in the General Fund decreased \$692,065, which is due to the City appropriating fund balance in June 2010 to cover a shortfall in expenditures exceeding revenues. 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 7.4 percent of total General Fund expenditures, while total fund balance represents 19.0 percent of the same amount.

At June 30, 2010, the governmental funds of the City of New Bern reported a combined fund balance of \$6,595,275, which is an increase of \$156,171 or 2.4 percent increase from last year. Included in this change in fund balance is the decrease in the General Fund of \$692,065 and increases in Special Revenue and Capital Project Funds.

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

Several amendments totaling \$810,268 recognized grant funding that the City was awarded. An amendment was made in October 2009 reducing revenue by \$103,480 as a result of the State changing the percentage of the beer and wine tax revenue going to local governments as well as less Powell Bill revenue was received than was budgeted. The most significant amendment was made in June, appropriating a total fund balance of \$1,188,042, of which \$570,476 was to close out the General Equipment Fund, an equipment purchase fund, into the General Fund.

Revenues were less than the budgeted amount primarily due to the impact the recession is having on our revenue streams. The fiscal year began with our continuing efforts to monitor revenues and expenditures with a hiring freeze still in effect, only essential spending, and limited capital purchases. City Management further curtailed operational spending and implemented furlough days to mitigate the projected shortfall in revenues which could have exceeded \$1,000,000.

Management's efforts and diligence by City staff to collect property taxes and reduce expenditures helped to lessen the reduction in General Fund balance to \$692,065. Sales tax revenue was \$659,608 less than we had originally budgeted; it was budgeted at 7.5 percent more than actual for the prior fiscal year. Sales tax received was \$285,357 or 5.7 percent less than we received in 2009. Property and motor vehicle tax levies were also less than originally budgeted. Utility franchise tax revenue exceeded the amended budget as a result of June's warm weather. Actual grant revenues were less than budgeted as a large multi-year public safety grant was received mid-year. Building permits and inspection fees revenue exceeded the amended budget due to increased activity in June. Revenue from building permits actually increased 22.2 percent from the prior year while inspection fees decreased .8 percent. Management's curtailment of operational spending was the primary factor in being able to contain expenditures below the authorized budget.

Proprietary Funds. The City of New Bern's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets for the Electric, Water, and Sewer funds at the end of the fiscal year amounted to \$7,180,398, \$6,232,005, and \$798,727, respectively. The increase in total unrestricted net assets for all three funds was \$9,159,628, which is primarily attributable to increased revenues in the Water Fund.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities section above.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010, the City had \$192,038,253 (net of accumulated depreciation) in capital assets consisting of land, buildings and systems, equipment, vehicles, and infrastructure. This amount represents a net increase of \$7.6 million, or 4.1 percent over last year.

Major capital asset transactions during the year include the following:

- Construction in progress for water treatment plant of \$4,125,210.
- Construction in progress for water improvements in Township 7 totaling \$1,184,174, consisting of booster stations, elevated water tank and water mains.
- Construction of water line extension to the Industrial Park of \$351,919.
- Construction in progress for water and sewer improvements for North Carolina History Education Center of \$545,704.
- Construction in progress for sewer improvements in Township 7 totaling \$3,267,047, consisting of force main upgrade, equalization basin and sewer pump station.
- Construction in progress for regional lift station and force main of \$613,682.
- Construction in progress for purchase of computer-aided dispatch and records management software system for public safety of \$223,263.
- Completion of addition to Elizabeth Ave. Fire Station, \$635,144 asset placed in service.

- Completion of construction of electric lines for Highway 43 and Highway 17 projects and assets totaling \$838,558 placed in service.
- Construction in progress for Broad Street electrical improvements of \$1,208,385.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 14,047,630	\$ 18,138,032	\$ 13,816,137	\$ 14,129,418	\$ 27,863,767	\$ 32,267,450
Buildings and systems	11,598,981	11,327,103	82,547,839	82,988,902	94,146,820	94,316,005
Equipment, furniture, and fixtures	2,915,569	3,503,584	5,552,031	5,514,163	8,467,600	9,017,747
Infrastructure	12,810,504	9,557,092	-	-	12,810,504	9,557,092
Vehicles and motorized equipment	1,193,458	1,534,801	1,402,818	1,735,862	2,596,276	3,270,663
Construction in progress	3,397,830	3,686,468	42,755,456	32,351,581	46,153,286	36,038,049
Total	\$ 45,963,972	\$ 47,747,080	\$ 146,074,281	\$ 136,719,926	\$ 192,038,253	\$ 184,467,006

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

Long-Term Debt

As of June 30, 2010, the City had total bonded debt outstanding of \$240,000. This general obligation debt is backed by the full faith and credit of the City. The remainder of the City's debt represents installment purchases and revolving loans to the State of North Carolina.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ -	\$ -	\$ 240,000	\$ 485,000	\$ 240,000	\$ 485,000
Installment purchases	14,660,687	16,106,426	23,979,189	27,013,141	38,639,876	43,119,567
Notes payable	-	-	49,785,268	44,894,829	49,785,268	44,894,829
Total:	\$ 14,660,687	\$ 16,106,426	\$ 74,004,457	\$ 72,392,970	\$ 88,665,144	\$ 88,499,396

The City's long-term liabilities related to capital asset acquisition and construction increased by \$410,748 (.47%) during the past fiscal year, primarily due to the additional borrowing of \$6,073,419 on a Drinking Water State Revolving Loan for the construction of wells and the new water treatment plant. The City also issued \$750,438 in installment financing for construction of an addition and improvements to the Stanley White Recreation Center and a tub grinder. Additionally, the City retired \$6,413,121 in debt.

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

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City at June 30, 2010 is approximately \$187,320,180.

Additional information regarding the City's long-term debt can be found in the notes of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators impact the City:

- Building permits increased in fiscal year 2010 with a total estimated construction cost of \$51.8 million compared to \$45.5 million in 2009. Permits were issued for 209 commercial and 416 residential units, compared to 165 and 360, respectively, in 2009. There were fewer large commercial projects, with more remodeling and renovation projects, and residential values include construction of a new seven apartment building complex.
- The June 2010 unemployment rate for Craven County was 9.8 percent compared to 10.0 percent for the State and 9.5 percent for the nation. This compares to June 2009 rates of 10.3 for Craven County, 11.0 for the State and 9.5 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities: Property values are expected to increase approximately 34.0 percent due to a revaluation of property conducted by Craven County. The Governing Board adopted a budget with a tax rate of 41.0 cents per \$100 of assessed value, which is a decrease from the prior rate of 50.5 cents. The revenue neutral tax rate was 39.15 cents. With the change in value and tax rate, current and delinquent ad valorem taxes are budgeted at \$953,793 or 8.2 percent more than was received in fiscal year 2010.

Revenues are budgeted at essentially no or negative growth, except for building permits and inspection fees, recreation fees and sanitation or refuse fees where the amount we charge for these services has been increased. The residential refuse fee for standard service increased from \$4 to \$5 per month and other residential rates similarly increased 25.0 percent. This is the first residential rate increase in about 20 years. Commercial rate increases will recover the total cost of the program as in past years. There is one expanded initiative included in revenue as the City began selling all of its mulch in 2010 rather than providing it free to the public. The tub grinder equipment was refurbished in June and full operations are expected to produce \$215,000 in revenue as compared to \$83,039 in 2010. With a declining fund balance, projected to be below 8.0 percent, the budget did not include an appropriation of fund balance.

Budgeted expenditures in the General Fund, excluding transfers and after reimbursements, are expected to rise \$1,424,299 or 5.2 percent to \$28,860,433. The increase is primarily due to new expenditures which are unavoidable, including a 1.55 percent or \$250,000 increase in the City's contribution for participation in the Local Government Employees' Retirement System, fully funding of Police and Fire salaries and the City's share of 12 firefighter salaries from a SAFER Grant, and \$124,000 in operating costs for the new Alfred Cunningham Bridge. To offset these new expenditures, the City's contribution to employees' 401(k) plan is reduced 1.0 percent, employees will take two holidays as unpaid furlough days, and there are no cost of living adjustments or merit increases included in the budget. Other cost cutting measures include reduction of contractual cleaning services, City forces assuming responsibility for ground maintenance at a savings, and reduced services for road side trash and curbside loose leaf pick-up. At the adoption of the General Fund budget, 7 positions were eliminated (three employees reassigned to other vacant positions) and 23 positions remain frozen and not funded.

The City welcomed a new City Manager, Michael Epperson, in August 2010. As of the writing of this discussion, the budget restrictions already in place will continue until positive improvement in the economy and our revenues. Positions that become vacant and frozen positions funded but not filled, as well as the City's organizational structure, are being reviewed by the City Manager in an effort to optimize our efficiency and reduce our operating costs. In addition, work that was underway by the Interim City Manager in reviewing health care expenditures is continuing to be evaluated for potential cost reductions.

Business-Type Activities: The budget does not include any rate increases in the Water, Sewer, or Electric Funds, and at this time the City is not aware of any increases in our wholesale power costs through the end of fiscal year 2011. Two vacant positions were eliminated in both the Water and Sewer funds, and a total of eight positions remain frozen and not funded. Funding is included for a water and sewer rate analysis to be performed by an outside consultant. The information obtained from this analysis will be instrumental in revising the current rate structures to better accommodate today's customer, while continuing to meet the financial requirements of the water and sewer funds. The rate analysis is expected to be completed mid-year, and the Governing Board could consider implementing any recommended rate structure changes or rate adjustments during the fiscal year.

In May 2010, with the completion of the water line extension to the Industrial Park, the City acquired the Craven County Wood Energy facility as a water customer. This facility consumes approximately 200,000 gallons a water per day, making it the City's single largest water customer. Anticipated revenue of \$360,000 a year is included in the charges for sales and service revenue in the Water Fund. Debt service expenditures are budgeted to increase \$1,164,898; however, with the new water treatment plant being certified later in July 2010, the interest payment is expected to be less than is budgeted. The state revolving loan cost for the construction of the wells and plant should be finalized in October.

Electric Fund charges for sales and service revenue is budgeted 3.1 percent less than actual in 2010 due to reductions in consumer usage. The projected reduction in energy consumption is attributed to numerous factors including the current economy and the effects upon the City's largest customers, weather patterns, and energy conservation efforts. Funding is included for a long-range system plan to provide a comprehensive review of the electric system infrastructure, electric demand and load growth over the next five to ten years. Activity in the Electric Substation Capital Project Fund is expected with the delivery of a large transformer, purchase of land, and the design and commencement of construction during the fiscal year.

For business-type activities also, the budget restrictions already in place will continue until positive improvement in the economy and our revenues.

Requests for Information

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

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 5,650,801	\$ 10,160,795	\$ 15,811,596
Taxes receivable, net	535,525	-	535,525
Accounts receivable, net	651,485	10,714,638	11,366,123
Due from other governments	2,665,278	255,221	2,920,499
Prepaid items	19,850	-	19,850
Inventories	137,722	1,692,681	1,830,403
Cash and investments, restricted	116,454	3,610,734	3,727,188
Non-depreciable capital assets	17,445,460	56,571,593	74,017,053
Depreciable capital assets, net	28,518,512	89,502,688	118,021,200
Total assets	<u>55,741,087</u>	<u>172,508,350</u>	<u>228,249,437</u>
Liabilities:			
Accounts payable and accrued liabilities	2,126,073	6,205,380	8,331,453
Unearned revenues	51,298	-	51,298
Customer deposits	-	1,167,923	1,167,923
Current maturities of long-term debt	2,358,549	3,292,700	5,651,249
Non-current portion of long-term debt	16,734,159	71,470,659	88,204,818
Total liabilities	<u>21,270,079</u>	<u>82,136,662</u>	<u>103,406,741</u>
Net Assets:			
Invested in capital assets, net of related debt	31,419,739	76,160,558	107,580,297
Unrestricted	<u>3,051,269</u>	<u>14,211,130</u>	<u>17,262,399</u>
Total net assets	<u>\$ 34,471,008</u>	<u>\$ 90,371,688</u>	<u>\$ 124,842,696</u>

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

CITY OF NEW BERN, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,715,925	\$ 2,919,172	\$ -	\$ -
Public safety	17,093,862	414,458	479,895	89,130
Public works	4,376,173	179,765	-	738,519
Environmental protection	2,033,675	1,550,860	63,892	-
Cultural and recreation	2,708,074	133,105	7,875	27,186
Economic and physical development	1,791,932	3,300	120,605	-
Interest on long-term debt	<u>563,132</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>30,282,773</u>	<u>5,200,660</u>	<u>672,267</u>	<u>854,835</u>
Business-Type Activities:				
Electric Fund	60,061,164	64,846,861	-	-
Water Fund	6,331,408	9,768,948	-	342,085
Sewer Fund	<u>10,677,006</u>	<u>12,383,344</u>	<u>-</u>	<u>449,829</u>
Total business-type activities	<u>77,069,578</u>	<u>86,999,153</u>	<u>-</u>	<u>791,914</u>
Total primary government	<u>\$ 107,352,351</u>	<u>\$ 92,199,813</u>	<u>\$ 672,267</u>	<u>\$ 1,646,749</u>

General Revenues:

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

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 1,203,247	\$ -	\$ 1,203,247
(16,110,379)	-	(16,110,379)
(3,457,889)	-	(3,457,889)
(418,923)	-	(418,923)
(2,539,908)	-	(2,539,908)
(1,668,027)	-	(1,668,027)
(563,132)	-	(563,132)
<u>(23,555,011)</u>	<u>-</u>	<u>(23,555,011)</u>
-	4,785,697	4,785,697
-	3,779,625	3,779,625
-	2,156,167	2,156,167
<u>-</u>	<u>10,721,489</u>	<u>10,721,489</u>
<u>(23,555,011)</u>	<u>10,721,489</u>	<u>(12,833,522)</u>
12,043,657	-	12,043,657
4,707,615	-	4,707,615
1,482,365	-	-
1,663,842	-	1,663,842
12,916	18,096	31,012
<u>1,579,957</u>	<u>(1,579,957)</u>	<u>-</u>
<u>21,490,352</u>	<u>(1,561,861)</u>	<u>18,446,126</u>
(2,064,659)	9,159,628	7,094,969
<u>36,535,667</u>	<u>81,212,060</u>	<u>117,747,727</u>
<u>\$ 34,471,008</u>	<u>\$ 90,371,688</u>	<u>\$ 124,842,696</u>

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

CITY OF NEW BERN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 3,272,149	\$ 1,294,278	\$ 4,566,427
Taxes receivable, net	535,525	-	535,525
Accounts receivable, net	605,433	43,948	649,381
Cash and investments, restricted	116,454	-	116,454
Due from other funds	-	56,423	56,423
Due from other governments	2,606,543	58,735	2,665,278
Prepaid items	19,850	-	19,850
Inventories	137,722	-	137,722
Total assets	<u>\$ 7,293,676</u>	<u>\$ 1,453,384</u>	<u>\$ 8,747,060</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,185,289	\$ 23,697	\$ 1,208,986
Due to other funds	-	56,423	56,423
Deferred revenue	871,491	14,885	886,376
Total liabilities	<u>2,056,780</u>	<u>95,005</u>	<u>2,151,785</u>
Fund Balances:			
Reserved by State statute	2,927,308	87,798	3,015,106
Reserved for prepaids and inventories	157,572	-	157,572
Reserved for capital projects	116,454	-	116,454
Unreserved - General Fund	2,035,562	-	2,035,562
Unreserved, reported in:			
Special revenue funds	-	1,270,581	1,270,581
Total fund balances	<u>5,236,896</u>	<u>1,358,379</u>	<u>6,595,275</u>
Total liabilities and fund balances	<u>\$ 7,293,676</u>	<u>\$ 1,453,384</u>	

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	45,963,972
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	169,391
Liabilities for earned, but deferred, revenues in fund statements.	835,078
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(19,092,708)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ 34,471,008</u>

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

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 11,935,701	\$ -	\$ 11,935,701
Other taxes and licenses	268,819	-	268,819
Unrestricted intergovernmental revenues	7,585,003	-	7,585,003
Restricted intergovernmental revenues	1,176,866	350,236	1,527,102
Permits and fees	557,945	-	557,945
Sales and services	3,551,251	379,205	3,930,456
Interest earned on investments	10,630	1,153	11,783
Miscellaneous	202,336	3,300	205,636
Total revenues	<u>25,288,551</u>	<u>733,894</u>	<u>26,022,445</u>
Expenditures:			
General government	553,996	-	553,996
Public safety	14,533,752	581,719	15,115,471
Public works	3,394,160	-	3,394,160
Environmental protection	1,896,516	63,222	1,959,738
Cultural and recreation	2,265,890	43,206	2,309,096
Economic and physical development	1,575,088	71,914	1,647,002
Capital outlay	457,421	474	457,895
Debt service:			
Principal repayments	2,196,177	-	2,196,177
Interest	563,134	-	563,134
Total expenditures	<u>27,436,134</u>	<u>760,535</u>	<u>28,196,669</u>
Revenues over (under) expenditures	<u>(2,147,583)</u>	<u>(26,641)</u>	<u>(2,174,224)</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,365,540	541,535	1,907,075
Transfers to other funds	-	(327,118)	(327,118)
Issuance of long-term debt	89,978	660,460	750,438
Total other financing sources (uses)	<u>1,455,518</u>	<u>874,877</u>	<u>2,330,395</u>
Net change in fund balances	(692,065)	848,236	156,171
Fund Balances:			
Beginning of year - July 1	<u>5,928,961</u>	<u>510,143</u>	<u>6,439,104</u>
End of year - June 30	<u>\$ 5,236,896</u>	<u>\$ 1,358,379</u>	<u>\$ 6,595,275</u>

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

CITY OF NEW BERN, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 156,171
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	107,956
Sales and services	(54,484)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(283,055)
Expenses related to other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(1,787,369)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	761,079
The sale of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.	(209,927)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(2,334,260)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	2,196,179
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(750,438)
The net revenue of the internal service funds are reported with governmental activities.	<u>133,489</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ (2,064,659)</u>

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

CITY OF NEW BERN, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original</u>	<u>Budgeted Amounts</u>		<u>Variance Over/Under</u>
		<u>Final</u>	<u>Actual</u>	
Revenues:				
Ad valorem taxes	\$ 12,584,029	\$ 11,946,914	\$ 11,935,701	\$ (11,213)
Other taxes and licenses	291,100	268,700	268,819	119
Unrestricted intergovernmental revenues	8,172,244	7,474,973	7,585,003	110,030
Restricted intergovernmental revenues	1,032,323	1,806,111	1,176,866	(629,245)
Permits and fees	626,107	555,607	557,945	2,338
Sales and services	4,683,690	4,120,060	3,551,251	(568,809)
Interest earned on investments	224,100	10,559	10,630	71
Miscellaneous	244,885	197,685	202,336	4,651
Total revenues	<u>27,858,478</u>	<u>26,380,609</u>	<u>25,288,551</u>	<u>(1,092,058)</u>
Expenditures:				
General government	1,526,111	1,132,330	553,996	578,334
Public safety	14,202,868	15,163,171	14,533,752	629,419
Public works	4,014,411	3,510,311	3,394,160	116,151
Environmental protection	1,885,441	1,899,941	1,896,516	3,425
Cultural and recreation	2,556,211	2,313,436	2,265,890	47,546
Economic and physical development	1,754,434	1,631,034	1,575,088	55,946
Capital outlay	435,335	459,839	457,421	2,418
Debt service:				
Principal	2,203,546	2,203,086	2,196,177	6,909
Interest	465,140	563,940	563,134	806
Total expenditures	<u>29,043,497</u>	<u>28,877,088</u>	<u>27,436,134</u>	<u>1,440,954</u>
Revenues over (under) expenditures	<u>(1,185,019)</u>	<u>(2,496,479)</u>	<u>(2,147,583)</u>	<u>348,896</u>
Other Financing Sources (Uses):				
Transfers	1,106,689	1,206,637	1,365,540	158,903
Issuance of long-term debt	388,000	101,800	89,978	(11,822)
Contingency	(309,670)	-	-	-
Appropriated fund balance	-	1,188,042	-	(1,188,042)
Total other financing sources (uses)	<u>1,185,019</u>	<u>2,496,479</u>	<u>1,455,518</u>	<u>(1,040,961)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(692,065)</u>	<u>\$ (692,065)</u>
Fund Balance:				
Beginning of year - July 1			<u>5,928,961</u>	
End of year - June 30			<u>\$ 5,236,896</u>	

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

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 4,277,053	\$ 5,328,767	\$ 554,975	\$ 10,160,795	\$ 1,084,374
Accounts receivable, net	7,970,093	1,274,660	1,469,885	10,714,638	2,104
Due from other governments	1,250	9,901	244,070	255,221	-
Inventories	1,485,202	133,719	73,760	1,692,681	-
Cash, restricted	2,523	2,556,497	1,051,714	3,610,734	-
Total current assets	<u>13,736,121</u>	<u>9,303,544</u>	<u>3,394,404</u>	<u>26,434,069</u>	<u>1,086,478</u>
Non-current assets:					
Non-depreciable capital assets	2,413,982	36,089,491	18,068,120	56,571,593	-
Depreciable capital assets, net	24,072,754	9,987,041	55,442,893	89,502,688	-
Total capital assets	<u>26,486,736</u>	<u>46,076,532</u>	<u>73,511,013</u>	<u>146,074,281</u>	<u>-</u>
Total assets	<u>40,222,857</u>	<u>55,380,076</u>	<u>76,905,417</u>	<u>172,508,350</u>	<u>1,086,478</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	4,822,732	330,012	899,816	6,052,560	917,087
Accrued interest	10,665	8,709	133,446	152,820	-
Customer deposits	1,167,923	-	-	1,167,923	-
Long-term debt, due in one year	340,910	308,024	2,643,766	3,292,700	-
Total current liabilities	<u>6,342,230</u>	<u>646,745</u>	<u>3,677,028</u>	<u>10,666,003</u>	<u>917,087</u>
Non-current liabilities:					
Non-current portion of long-term debt	3,652,260	38,254,880	29,563,519	71,470,659	-
Total non-current liabilities	<u>3,652,260</u>	<u>38,254,880</u>	<u>29,563,519</u>	<u>71,470,659</u>	<u>-</u>
Total liabilities	<u>9,994,490</u>	<u>38,901,625</u>	<u>33,240,547</u>	<u>82,136,662</u>	<u>917,087</u>
Net Assets:					
Invested in capital assets, net of related debt	23,047,969	10,246,446	42,866,143	76,160,558	-
Unrestricted	7,180,398	6,232,005	798,727	14,211,130	169,391
Total net assets	<u>\$ 30,228,367</u>	<u>\$ 16,478,451</u>	<u>\$ 43,664,870</u>	<u>\$ 90,371,688</u>	<u>\$ 169,391</u>

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

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Operating Revenues:					
Charges for services	\$ 64,119,755	\$ 9,283,751	\$ 10,653,282	\$ 84,056,788	\$ -
Connection fees	245,643	477,616	1,056,993	1,780,252	-
Local government availability fee	-	-	675,459	675,459	-
Employee and retiree contributions	-	-	-	-	771,034
Employer and other contributions	-	-	-	-	5,599,494
Total operating revenues	<u>64,365,398</u>	<u>9,761,367</u>	<u>12,385,734</u>	<u>86,512,499</u>	<u>6,370,528</u>
Operating Expenses:					
Administration	7,712,907	2,492,201	1,966,034	12,171,142	-
Production	48,048,886	-	-	48,048,886	-
Distribution	2,042,393	-	-	2,042,393	-
System maintenance/extension	-	2,218,504	3,490,115	5,708,619	-
Hydrant maintenance	-	226,645	-	226,645	-
Pre-treatment	-	-	81,783	81,783	-
Treatment	-	707,503	2,214,661	2,922,164	-
Depreciation	1,886,905	466,536	1,851,924	4,205,365	-
Employee insurance plan	-	-	-	-	6,238,172
Total operating expenses	<u>59,922,969</u>	<u>6,111,389</u>	<u>9,604,517</u>	<u>75,638,875</u>	<u>6,238,172</u>
Operating income	<u>4,442,429</u>	<u>3,649,978</u>	<u>2,781,217</u>	<u>10,873,624</u>	<u>132,356</u>
Non-Operating Revenues (Expenses):					
Miscellaneous	481,463	7,581	(2,390)	486,654	-
Investment income	3,705	9,409	4,982	18,096	1,133
Interest expense	(138,195)	(220,019)	(1,072,489)	(1,430,703)	-
Total non-operating revenues (expenses)	<u>346,973</u>	<u>(203,029)</u>	<u>(1,069,897)</u>	<u>(925,953)</u>	<u>1,133</u>
Income before capital contributions and transfers	4,789,402	3,446,949	1,711,320	9,947,671	133,489
Capital contributions	-	342,085	449,829	791,914	-
Transfers to other funds	(1,579,957)	-	-	(1,579,957)	-
Change in net assets	3,209,445	3,789,034	2,161,149	9,159,628	133,489
Net Assets:					
Beginning of year - July 1	<u>27,018,922</u>	<u>12,689,417</u>	<u>41,503,721</u>	<u>81,212,060</u>	<u>35,902</u>
End of year - June 30	<u>\$ 30,228,367</u>	<u>\$ 16,478,451</u>	<u>\$ 43,664,870</u>	<u>\$ 90,371,688</u>	<u>\$ 169,391</u>

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

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities				Government- Type Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Cash received from customers	\$ 63,612,065	\$ 10,392,761	\$ 12,126,681	\$ 86,131,507	\$ 6,370,748
Cash paid to employees	(4,309,255)	(1,558,514)	(2,678,217)	(8,545,986)	(6,121,709)
Cash paid for goods and services	(52,428,726)	(6,340,713)	(4,633,548)	(63,402,987)	-
Net cash provided (used) by operating activities	6,874,084	2,493,534	4,814,916	14,182,534	249,039
Cash Flows from					
Non-Capital Financing Activities:					
Other non-operating income items	481,463	7,481	2,610	491,554	-
Change in due from other governments	(1,250)	-	-	(1,250)	-
Transfers from (to) other funds	(1,579,957)	-	-	(1,579,957)	-
Net cash provided (used) by non-capital financing activities	(1,099,744)	7,481	2,610	(1,089,653)	-
Cash Flows from Capital and Related Financing Activities:					
Issuance of long-term debt	-	6,073,419	36,227	6,109,646	-
Acquisition and construction of capital assets	(2,470,887)	(6,248,698)	(4,667,453)	(13,387,038)	-
Principal payments on long-term debt	(502,997)	(798,564)	(2,951,598)	(4,253,159)	-
Interest paid	(152,950)	(228,565)	(1,088,140)	(1,469,655)	-
Capital contributions and grants	-	342,085	449,829	791,914	-
Net cash provided (used) by capital and related financing activities	(3,126,834)	(860,323)	(8,221,135)	(12,208,292)	-
Cash Flows from Investing Activities:					
Investment income received	3,705	9,509	4,982	18,196	1,132
Net increase (decrease) in cash and cash equivalents	2,651,211	1,650,201	(3,398,627)	902,785	250,171
Cash and Cash Equivalents:					
Beginning of year - July 1	1,628,365	6,235,063	5,005,316	12,868,744	834,203
End of year - June 30	\$ 4,279,576	\$ 7,885,264	\$ 1,606,689	\$ 13,771,529	\$ 1,084,374
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$ 4,442,429	\$ 3,649,978	\$ 2,781,217	\$ 10,873,624	\$ 132,356
Depreciation	1,886,905	466,536	1,851,924	4,205,365	-
Change in assets and liabilities:					
Increase (decrease) in accounts receivable and other receivables	(877,640)	631,394	(259,053)	(505,299)	220
Increase (decrease) in inventories	638,376	(8,496)	(2,166)	627,714	-
Increase (decrease) in accounts payable and accrued liabilities	659,707	(2,245,878)	442,994	(1,143,177)	116,463
Increase (decrease) in customer deposits	124,307	-	-	124,307	-
Net cash provided (used) by operating activities	\$ 6,874,084	\$ 2,493,534	\$ 4,814,916	\$ 14,182,534	\$ 249,039

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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 the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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

Nonmajor Funds

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

The City reports the following fund type:

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer 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 non-operating 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 City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

this change in the law, Craven County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of New Bern. For motor vehicles registered, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Craven County from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

D. Budgetary Data

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

E. Assets, Liabilities, and Equity

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents

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

Restricted Assets

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

Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Allowance for Doubtful Accounts

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

Taxes receivable - General Fund	\$ 232,737
Taxes receivable - municipal service district	677
Accounts receivable - General Fund	131,500
Interest receivable - General Fund	17,551
Accounts receivable - Special Revenue Fund	1,675
Accounts receivable - Electric Fund	118,200
Accounts receivable - Water Fund	55,375
Accounts receivable - Sewer Fund	110,205
Total	<u>\$ 667,920</u>

Interfund Receivables/Payables

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

Inventory and Prepaid Items

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of fuel and expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Capital Assets

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

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

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

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

Long-Term Obligations

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Compensated Absences

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

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

Net Assets/Fund Balances

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

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

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Reserved:

Reserved for Prepaids and Inventories - portion of fund balance, which is *not* available for appropriation under State law (G.S. 159-8(a)), that represents prepaid items and inventories.

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

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

F. Revenues, Expenditures, and Expenses

Other Resources

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

G. Management Estimates

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

2. Deposits and Investments

A. Deposits

City deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with the securities held by the City's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, 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 City has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2010, the City's deposits had a carrying amount of \$9,788,668 and a bank balance of \$10,449,663. The City only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$649,602 was covered by federal depository insurance, and \$14,674,704 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The City had \$9,150 of cash on hand at year-end.

B. Investments

At June 30, 2010, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>
NC Capital Management Trust - Cash Portfolio	\$ 9,740,966	\$ 9,740,966	\$ -	\$ -

Credit Risk: State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the City had no formal policy on managing credit risk. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

3. Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2010.

	Balance	Balance			Balance	Accumulated
	July 1, 2009	Additions	Disposals	Transfers	June 30, 2010	Depreciation
						June 30, 2010
Non-Depreciable						
Capital Assets:						
Land	\$ 13,980,980	\$ 71,720	\$ (5,070)	\$ -	\$ 14,047,630	
Construction in progress	3,686,469	346,505	-	(635,144)	3,397,830	
Total non-depreciable capital assets	17,667,449	418,225	(5,070)	(635,144)	17,445,460	
Depreciable Capital Assets:						
Buildings and improvements	14,747,866	-	-	635,144	15,383,010	\$ 3,784,029
Equipment	6,686,622	175,996	(196,112)	-	6,666,506	4,326,478
Furniture and fixtures	3,555,442	129,852	-	-	3,685,294	3,109,753
Vehicles	7,884,715	37,007	(116,212)	-	7,805,510	6,612,052
Infrastructure	16,726,589	-	(204,857)	-	16,521,732	3,711,228
Total depreciable capital assets	49,601,234	342,855	(517,181)	635,144	50,062,052	\$ 21,543,540
Accumulated depreciation	(19,521,603)	\$ (2,334,260)	\$ 312,323	\$ -	(21,543,540)	
Capital assets, net	30,079,631				28,518,512	
Total capital assets	\$ 47,747,080				\$ 45,963,972	

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

General government	\$ 536,575
Public safety	839,658
Public works	650,745
Environmental protection	73,937
Cultural and recreation	233,345
Total depreciation expense	\$ 2,334,260

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2010.

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2010</u>
Water Fund:						
Non-Depreciable Capital Assets:						
Land	\$ 852,479	\$ -	\$ -	\$ -	\$ 852,479	
Construction in progress	<u>29,541,164</u>	<u>6,047,767</u>	<u>-</u>	<u>(351,919)</u>	<u>35,237,012</u>	
Total non-depreciable capital assets	<u>30,393,643</u>	<u>6,047,767</u>	<u>-</u>	<u>(351,919)</u>	<u>36,089,491</u>	
Depreciable Capital Assets:						
Buildings	748,307	-	-	-	748,307	\$ 246,063
Distribution systems	14,247,949	221,555	-	351,919	14,821,423	6,125,663
Equipment	1,799,205	64,256	(53,219)	-	1,810,242	1,154,378
Vehicles	<u>570,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,398</u>	<u>437,225</u>
Total depreciable assets	<u>17,365,859</u>	<u>285,811</u>	<u>(53,219)</u>	<u>351,919</u>	<u>17,950,370</u>	<u>\$ 7,963,329</u>
Accumulated depreciation	<u>(7,550,012)</u>	<u>\$ (466,536)</u>	<u>\$ 53,219</u>	<u>\$ -</u>	<u>(7,963,329)</u>	
Depreciable capital assets, net	<u>9,815,847</u>				<u>9,987,041</u>	
Total capital assets, net	<u>\$ 40,209,490</u>				<u>\$ 46,076,532</u>	

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2010</u>
Sewer Fund:						
Non-Depreciable Capital Assets:						
Land	\$ 12,379,418	\$ -	\$ -	\$ -	\$ 12,379,418	
Construction in progress	<u>1,606,370</u>	<u>4,150,891</u>	<u>-</u>	<u>(68,559)</u>	<u>5,688,702</u>	
Total non-depreciable capital assets	<u>13,985,788</u>	<u>4,150,891</u>	<u>-</u>	<u>(68,559)</u>	<u>18,068,120</u>	
Depreciable Capital Assets:						
Buildings	39,182,195	-	-	-	39,182,195	\$ 11,580,642
Distribution systems	30,382,043	143,000	(4,990)	18,499	30,538,552	4,752,997
Equipment	2,656,022	466,355	-	50,060	3,172,437	1,517,927
Vehicles	1,562,883	-	(158,697)	-	1,404,186	1,022,306
Furniture and fixtures	<u>48,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,820</u>	<u>29,425</u>
Total depreciable assets	<u>73,831,963</u>	<u>609,355</u>	<u>(163,687)</u>	<u>68,559</u>	<u>74,346,190</u>	<u>\$ 18,903,297</u>
Accumulated depreciation	<u>(17,210,070)</u>	<u>\$ (1,851,924)</u>	<u>\$ 158,697</u>	<u>\$ -</u>	<u>(18,903,297)</u>	
Depreciable capital assets, net	<u>56,621,893</u>				<u>55,442,893</u>	
Total capital assets, net	<u>\$ 70,607,681</u>				<u>\$ 73,511,013</u>	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2010</u>
Electric Fund:						
Non-Depreciable Capital Assets:						
Land	\$ 584,240	\$ -	\$ -	\$ -	\$ 584,240	
Construction in progress	1,204,046	1,464,254	-	(838,558)	1,829,742	
Total non-depreciable capital assets	<u>1,788,286</u>	<u>1,464,254</u>	<u>-</u>	<u>(838,558)</u>	<u>2,413,982</u>	
Depreciable Capital Assets:						
Buildings	971,323	-	-	-	971,323	\$ 406,880
Distribution systems	38,134,343	890,210	-	838,558	39,863,111	20,464,827
Equipment	9,324,668	90,911	-	-	9,415,579	6,195,141
Furniture and fixtures	44,005	-	-	-	44,005	42,181
Vehicles	2,402,639	25,511	(20,219)	-	2,407,931	1,520,166
Total depreciable assets	<u>50,876,978</u>	<u>1,006,632</u>	<u>(20,219)</u>	<u>838,558</u>	<u>52,701,949</u>	<u>\$ 28,629,195</u>
Accumulated depreciation	<u>(26,762,509)</u>	<u>\$ (1,886,905)</u>	<u>\$ 20,219</u>	<u>\$ -</u>	<u>(28,629,195)</u>	
Depreciable capital assets, net	<u>24,114,469</u>				<u>24,072,754</u>	
Total capital assets, net	<u>\$ 25,902,755</u>				<u>\$ 26,486,736</u>	

Maintenance and repairs of \$102,465, \$316,410, and \$100,439 was reported for the Water Fund, Sewer Fund, and Electric Fund respectively.

Invested In Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt (a component of net assets) is determined as follows at June 30, 2010.

	<u>Business-Type Activities</u>				
	<u>Governmental</u> <u>Activities</u>	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>	<u>Total</u>
Capital assets, net of depreciation	\$ 45,963,972	\$ 46,076,532	\$ 73,511,013	\$ 26,486,736	\$ 146,074,281
Long-term debt	18,527,418	38,562,904	32,207,285	3,993,170	74,763,359
Less:					
Unspent debt proceeds	(116,454)	(2,556,497)	(1,051,714)	(2,523)	(3,610,734)
Compensated absences	(1,417,783)	(53,874)	(87,031)	(245,761)	(386,666)
Unfunded pension obligations	(2,448,948)	(122,447)	(183,670)	(306,119)	(612,236)
General obligation bonds	<u>-</u>	<u>-</u>	<u>(240,000)</u>	<u>-</u>	<u>(240,000)</u>
Long-term debt related to capital assets	<u>14,544,233</u>	<u>35,830,086</u>	<u>30,644,870</u>	<u>3,438,767</u>	<u>69,913,723</u>
Invested in capital assets, net	<u>\$ 31,419,739</u>	<u>\$ 10,246,446</u>	<u>\$ 42,866,143</u>	<u>\$ 23,047,969</u>	<u>\$ 76,160,558</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

4. Accounts Payable Disaggregate Information

Amounts presented for accounts payable are disaggregated as follows:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables, including retainage	\$ 265,301	\$ 5,597,107	\$ 5,862,408
Accrued liabilities	900,922	455,453	1,356,375
Security deposits held	44,850	-	44,850
Accrued interest	-	152,820	152,820
Health claims incurred, but not reported	915,000	-	915,000
Total	<u>\$ 2,126,073</u>	<u>\$ 6,205,380</u>	<u>\$ 8,331,453</u>

5. Deferred / Unearned Revenues

The balances in deferred revenues in the governmental funds statement and unearned revenues in the Statement of Net Assets are comprised of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
General Fund:		
Prepaid taxes and licenses	\$ 39,019	\$ 39,019
Other unearned revenue	12,279	12,279
Taxes receivable, net	480,491	-
Liens receivable	295,136	-
Street assessment receivable	6,333	-
Motor vehicle fees	38,233	-
Total	<u>\$ 871,491</u>	<u>\$ 51,298</u>
Special Revenue Fund:		
Loans receivable	<u>\$ 14,885</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

6. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. The City contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The LGERS 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, the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.71 percent, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2008, 2009, and 2010 were \$947,191, \$1,000,192, and \$1,010,012 respectively. The contributions made by the City equaled the required contributions for each year.

B. Law Enforcement Officers' Special Separation Allowance

Description. The City administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified full-time employees. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly.

Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate financial statement was not issued for the plan.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

All full-time employees of the City are covered by the Separation Allowance. At December 31, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>81</u>
Total	<u>89</u>

Summary of Significant Accounting Policies

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

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The City has elected to contribute six percent of each officer's salary to the plan. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$406,385, which consisted of \$263,792 from the City and \$142,593 from the law enforcement officers.

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

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

Funding Policy. The City contributes each month an amount equal to six percent of each covered non-law enforcement employee's compensation, and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$1,412,856, which consisted of \$1,007,231 from the City and \$405,625 from the non-law enforcement employees.

7. Other Employment Benefits

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis.

The beneficiaries of those employees who die in active service after one year of contributing membership in the plan, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan.

The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the City made contributions to the State for death benefits of \$22,865. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the plan cannot be separated between the post-employment benefit amount and the other benefit amount.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

8. Other Post-Employment Benefits – Healthcare Benefits

Plan Description. In addition to providing pension benefits, the City has elected to provide healthcare benefits to employees who retire under the provisions of the North Carolina Local Government Employees' Retirement System. Healthcare benefits include healthcare, prescription drug coverage, vision insurance, and dental insurance. Vision coverage is provided to retirees under age 65. Dental coverage is only available to "maximum retirees." Retirees may receive benefits under one of the following provisions:

	<u>City's Participation</u>
"Maximum Retirees"	
Thirty or more years of service with the City and at least fifteen of those years with the City	100%
Twenty-seven or more years of service with the City and three years of prior military service	100%
"Other Retirees"	
Twenty-five to twenty-nine years of service with at least ten of those years with the City	See A
Twenty years of service with the City	See B

A - May remain on the City health plan until they reach age 65, with 100% of the cost paid by the retiree

B - May remain on the City health plan for up to 36 months, or until they reach age 65 (whichever occurs earlier), with 100% of the cost paid by the retiree

Either class of retiree may purchase healthcare benefits for their dependents as long as they are enrolled in dependent coverage at the time of retirement. Retirees pay 100% of the cost of dependent coverage.

Currently, 40 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2010, the City made payments for post-retirement health benefit premiums of \$71,394 and retirees paid \$51,144 for dependent health benefits. The City is self-insured for healthcare coverage and purchases catastrophic loss coverage through private insurers. A separate report was not issued for the plan.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Membership of the plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Fire Fighter Officers
Retirees and dependents receiving benefits	40	N/A	N/A
Terminated plan members entitled to, but not yet receiving, benefits	-	-	-
Active plan members	383	75	56
Total	423	75	56

Funding Policy. The City’s participation in the cost of coverage for the healthcare benefits provided to qualified retirees provided under a City resolution that can be amended by the Board of Aldermen. The City’s members pay the current active employee rate for dependent coverage, which has an estimated savings to the retiree of 35%, if the retiree elects to purchase the coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 7.84% of annual covered payroll. For the current year, the City contributed \$122,538 or 0.58% of annual covered payroll. The City is self-insured for health care coverage and purchases catastrophic loss coverage through private insurers. The City’s required contributions, under a City resolution, for employees not engaged in law enforcement, and for law enforcement officers represented 7.84% and 7.84% of covered payroll, respectively. There were no contributions made by employees. The City’s obligation to contribute to the Plan is established and may be amended by the Board of Aldermen.

Summary of Significant Accounting Policies

Post-employment expenditures are made from the General Fund, Water Fund, Sewer Fund, and Electric Fund, which are maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Annual OPEB Cost and Net Obligation

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

Annual required contribution	\$ 1,603,190
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	1,603,190
Contributions made	<u>(122,538)</u>
Increase (decrease) in net OPEB obligation	1,480,652
Net OPEB obligation, beginning of year	<u>1,533,586</u>
Net OPEB obligation, end of year	<u><u>\$ 3,014,238</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2010	\$ 1,603,190	4.7%	\$ 3,014,238
2009	1,603,190	4.3%	1,533,586

Funding Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$17,665,523. The covered payroll (annual payroll of active employees covered by the plan) was \$20,448,378, and the ratio of the UAAL to the covered payroll was 86.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

9. Risk Management

The City's Internal Service Fund was established to account for an employee self-insurance health benefit program. The purpose of the fund is to pay medical claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Funding is provided by employee contributions and charges to the various funds of the City based upon estimated claim and employee participation. Estimated claims are determined annually by the claims administrator. The City has recognized a provision for claims incurred, but not reported, in the accompanying financial statements. This provision is estimated based upon actuarial claims history as no actuarial study has been performed. The City carries aggregate stop/loss insurance coverage of 125% of annual expected paid claims and individual stop/loss coverage of \$100,000 with an additional \$100,000 aggregating specific, through the plan administrator.

The City is self-insured for workers' compensation claims up to \$400,000 for law enforcement, fire, and electric, and \$350,000 for all other employees. The City has re-insurance through a commercial company for single occurrence claims up to \$1,000,000 and a loss fund of \$1,375,781. The City's Internal Service Fund is also used to account for this program.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

The City carries \$1,000,000 of flood insurance, subject to a \$50,000 deductible, included in its commercial property coverage. The City does not have any property that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

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

For the Hospitalization Fund, a total of \$6,238,172 in claims and changes in estimates were incurred for benefits during fiscal year 2010. Changes in the fund’s claims liability amounts in fiscal 2009-2010 were as follows:

Year Ended June 30	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Liability at End of Fiscal Year
2008	\$ 760,790	\$ 5,453,562	\$ 5,453,562	\$ 760,790
2009	760,790	6,908,130	6,868,920	800,000
2010	800,000	6,238,172	6,123,172	915,000

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

10. Long-Term Obligations

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

A. Changes In Long-Term Debt

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Installment notes payable	\$ 13,737,974	\$ 750,438	\$ (2,168,855)	\$ 12,319,557	\$ 2,100,563
USDA installment note payable	2,368,452	-	(27,322)	2,341,130	27,986
Unfunded OPEB	1,226,869	1,909,907	(122,538)	3,014,238	-
Compensated absences	1,134,728	230,000	53,055	1,417,783	230,000
Total	<u>\$ 18,468,023</u>	<u>\$ 2,890,345</u>	<u>\$ (2,265,660)</u>	<u>\$ 19,092,708</u>	<u>\$ 2,358,549</u>
Business-Type Activities:					
Water Fund:					
Notes payable	\$ 26,701,680	\$ 6,073,419	\$ -	\$ 32,775,099	\$ 348,820
Installment notes payable	6,410,048	-	(798,564)	5,611,484	558,165
Unfunded OPEB	61,343	64,128	(3,024)	122,447	-
Compensated absences	50,178	20,000	(16,304)	53,874	20,000
Total	<u>33,223,249</u>	<u>6,157,547</u>	<u>(817,892)</u>	<u>38,562,904</u>	<u>926,985</u>
Sewer Fund:					
General obligation bonds	485,000	-	(245,000)	240,000	240,000
Notes payable	18,193,149	-	(1,182,980)	17,010,169	1,212,346
Installment notes payable	16,173,806	36,227	(1,523,618)	14,686,415	1,476,137
Unfunded OPEB	92,015	96,191	(4,536)	183,670	-
Compensated absences	91,475	45,000	(49,444)	87,031	45,000
Total	<u>35,035,445</u>	<u>177,418</u>	<u>(3,005,578)</u>	<u>32,207,285</u>	<u>2,973,483</u>
Electric Fund:					
Installment notes payable	3,944,287	-	(502,997)	3,441,290	419,397
Unfunded OPEB	153,359	160,319	(7,559)	306,119	-
Compensated absences	233,209	53,000	(40,448)	245,761	53,000
Total	<u>4,330,855</u>	<u>213,319</u>	<u>(551,004)</u>	<u>3,993,170</u>	<u>472,397</u>
Total business-type activities	<u>\$ 72,589,549</u>	<u>\$ 6,548,284</u>	<u>\$ (4,374,474)</u>	<u>\$ 74,763,359</u>	<u>\$ 4,372,865</u>

Note: The General Fund is typically used to liquidate compensated absences payable in the governmental funds. The City's legal debt margin as of June 30, 2010 was \$187,320,180.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

B. Governmental Activities – Installment Notes Payable

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Average Rate</u>	<u>Balance</u>
Fire station, police building, parking facilities, street improvements, and parking	2013	3.35%	\$ 1,613,192
Dunn Building	2015	4.02%	311,475
E-911 building	2015	4.05%	260,000
Restroom facility and fire station	2017	4.11%	282,030
Streetscape improvements, 200 and 300 Block Craven Street, various construction projects, fire classroom	2020	3.72%	886,910
Various vehicles and equipment	2013	3.83%	205,024
Streets div complex, Lawson Creek Park	2021	4.12%	968,498
Fire truck	2017	3.67%	389,962
125KW Generator, (2) Volvo EC210BLC Excavator, 2007 Model 4300 SBA Int'l	2012	3.35%	142,127
2006 Honda Element, 2006 GMC Tandem Dump Truck, 2007 Dodge Durango SUV	2014	3.35%	70,265
Improvements to Lawson Creek Park and Henderson Park	2017	3.78%	276,500
Various vehicles and equipment	2015	3.04%	154,097
Various vehicles and equipment	2013	2.91%	898,372
Aquatic Center and swimming pool project, downtown streetscape improvements, and Elizabeth Avenue Fire Station renovations	2023	3.31%	5,110,667
Kale road property	2045	4.625%	2,341,130
Stanley White Recreation Center renovations	2020	3.73%	660,460
Tub grinder	2014	3.580%	<u>89,978</u>
Total installment notes payable			<u>\$ 14,660,687</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Year Ended June 30	Principal	Interest	Total
2011	\$ 2,128,549	\$ 519,575	\$ 2,648,124
2012	2,122,647	446,433	2,569,080
2013	1,589,088	374,103	1,963,191
2014	1,011,400	327,190	1,338,590
2015	916,421	291,160	1,207,581
2016-2020	3,629,969	1,020,566	4,650,535
2021-2025	1,508,732	506,500	2,015,232
2026-2030	302,550	379,095	681,645
2031-2035	379,344	302,301	681,645
2036-2040	475,630	206,015	681,645
2041-2045	596,355	85,290	681,645
Total	<u>\$ 14,660,687</u>	<u>\$ 4,458,226</u>	<u>\$ 19,118,914</u>

C. Business-Type Activities – General Obligation Bonds

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

Series 2003 sanitary sewer bonds; interest rate varies between 2.00% - 3.00%; final installment due 2011	<u>\$ 240,000</u>
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Annual debt service requirements to maturity for the City's business-type activities general obligation bonds payable for 2011 are principal of \$240,000 and interest of \$7,200 for a total of \$247,200.

CITY OF NEW BERN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

D. Business-Type Activities – Installment Notes Payable

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Average Rate</u>	<u>Balance</u>
Water Fund:			
Water system improvements	2011	3.39%	\$ 210,638
Water line extension - Carolina Colours Subdivision	2020	3.72%	222,003
Various vehicles and equipment	2014	3.35%	37,083
Various vehicles and equipment	2015	3.04%	66,474
Various vehicles and equipment	2013	2.91%	67,604
New Street water improvements and Stillwater Harbor water project	2023	3.31%	467,946
Township water improvements	2024	3.83%	<u>4,539,736</u>
Total water installment notes payable			<u>\$ 5,611,484</u>
Notes Payable:			
Clean Water Trust Revolving Loan	2032	2.265%	<u>\$ 32,775,099</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Year Ended June 30	Principal	Interest	Total
2011	\$ 558,165	\$ 201,818	\$ 759,983
2012	360,135	185,327	545,462
2013	359,139	171,904	531,043
2014	357,996	158,637	516,633
2015	361,187	145,179	506,366
2016-2020	1,940,526	515,279	2,455,805
2021-2025	1,674,336	135,992	1,810,328
Total	<u>\$ 5,611,484</u>	<u>\$ 1,514,136</u>	<u>\$ 7,125,620</u>

Annual debt service requirements to maturity for the Clean Water Trust Revolving Loan installment notes payable are as follows:

Year Ended June 30	Principal	Interest	Total
2011	\$ 348,820	\$ 934,090	\$ 1,282,910
2012	535,602	747,308	1,282,910
2013	547,733	735,176	1,282,910
2014	560,140	722,770	1,282,910
2015	2,996,851	3,417,697	6,414,548
2016-2020	3,351,971	3,062,577	6,414,548
2021-2025	3,749,172	2,665,376	6,414,548
2026-2030	4,193,440	2,221,108	6,414,548
2031-2035	4,690,354	1,724,195	6,414,548
2036-2040	5,246,150	1,168,398	6,414,548
2041-2045	5,867,807	546,741	6,414,548
2046-2050	687,059	28,414	715,473
Total	<u>\$ 32,775,099</u>	<u>\$ 17,973,851</u>	<u>\$ 50,748,950</u>

The Drinking Water State Revolving Fund note payable loan commitment is \$35,964,137. As of June 30, 2010, the City had drawn down \$32,775,099 of the loan.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Average Rate</u>	<u>Balance</u>
Sewer Fund - Notes Payable:			
Township 7 Sanitary Sewer	2018	2.91%	\$ 1,877,716
Wastewater Treatment Plant Upgrade	2023	2.57%	14,186,436
Wastewater Treatment Diffuser Project	2024	2.66%	<u>946,017</u>
Total sewer notes payable			<u>\$ 17,010,169</u>
Sewer Fund - Installment Purchases Payable:			
Pembroke Sanitary Sewer	2013	6.00%	\$ 90,000
Township 7 Sanitary Sewer	2016	5.30%	105,000
Sewer lines N. 2nd Ave. and N. Glenburnie	2017	4.11%	142,637
Trent Woods sewer project	2018	3.68%	4,101,770
Sewer line extension - Carolina Colours subdivision and quarry projects	2020	3.72%	1,619,493
Vactor vacuum jet rodder	2013	3.83%	112,274
Various equipment; Township 7:			
Brices Crossing	2021	4.11%	1,317,337
Various equipment	2012	3.35%	96,224
Various vehicles	2014	3.35%	33,446
Evans Mill sewer line and facilities	2017	3.84%	382,629
Various equipment and vehicles	2015	3.04%	271,560
Various equipment and vehicles	2013	2.91%	263,891
WWTP maintenance building, New Street sewer improvements, and Stillwater sewer	2023	3.31%	982,907
Township sewer improvements	2024	3.83%	<u>5,167,247</u>
Total sewer installment purchases payable			<u>\$ 14,686,415</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Year Ended	Notes Payable			Installment Purchases Payable		
	June 30	Principal	Interest	Total	Principal	Interest
2011	\$ 1,212,346	\$ 444,397	\$ 1,656,743	\$ 1,476,137	\$ 534,064	\$ 2,010,201
2012	1,242,487	412,459	1,654,945	1,474,994	478,775	1,953,768
2013	1,273,423	379,725	1,653,148	1,418,551	423,737	1,842,288
2014	1,305,176	346,174	1,651,350	1,322,963	371,071	1,694,035
2015	1,337,768	311,785	1,649,553	1,342,519	321,210	1,663,729
2016-2020	6,667,923	1,019,924	7,687,847	5,481,811	901,512	6,383,323
2021-2025	3,971,047	209,802	4,180,849	2,169,440	165,723	2,335,163
Total	<u>\$ 17,010,169</u>	<u>\$ 3,124,265</u>	<u>\$ 20,134,434</u>	<u>\$ 14,686,415</u>	<u>\$ 3,196,093</u>	<u>\$ 17,882,508</u>

Purpose and Collateral	Maturity	Average Rate	Balance
Electric Fund:			
Various vehicles and equipment	2010	2.61%	\$ -
Various vehicles and equipment	2013	3.83%	218,493
Carolina Colours line extension	2021	4.11%	1,127,214
Various equipment	2012	3.35%	54,462
Various vehicles	2014	3.35%	222,273
Various vehicles and equipment	2015	3.04%	182,842
Various vehicles and equipment	2013	2.91%	153,922
Various system improvement	2023	3.31%	-
Downtown improvements	2023	3.31%	57,633
Broad street improvements	2024	3.83%	1,424,448
Total electric installment notes payable			<u>\$ 3,441,287</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Year Ended June 30	Electric Fund		
	Principal	Interest	Total
2011	\$ 419,397	\$ 126,365	\$ 545,762
2012	415,658	111,192	526,850
2013	379,382	96,415	475,797
2014	282,140	83,573	365,713
2015	232,235	73,494	305,729
2016-2020	1,087,504	240,466	1,327,970
2021-2025	624,973	45,157	670,130
Total	\$ 3,441,290	\$ 776,662	\$ 4,217,952

11. Interfund Balances and Activity

Interfund balances as of June 30, 2010 consisted of the following:

	Due From	Due To	Purpose
SAFER Fire Grant Fund	\$ 56,423		Temporary cash deficit
Emergency Telephone Fund		\$ 56,423	

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	From	To	Purpose
Electric Fund	\$ 1,579,957		
General Fund		\$ 1,579,957	Annual budgeted contribution
Swimming Pool Capital Project Fund	285,591		Transfer remaining project proceeds
Other Capital Project Fund	41,527		
2007 Stormwater CWMTF Fund		327,118	
General Fund	214,417		Local contribution
SAFER Fire Grant Fund		214,417	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The City's enterprise funds reimburse the General Fund for administrative expenses and rent of public buildings. The reimbursements are based on actual expenditures in the General Fund and management's estimate of the portion of the expenses attributable to each enterprise fund. Reimbursements were as follows for the year ended June 30, 2010:

<u>Reimbursing Fund</u>	<u>Administrative Expenses</u>	<u>Rent of Public Buildings</u>
Electric Fund	\$ 3,202,999	\$ 759,810
Water Fund	1,602,630	180,539
Sewer Fund	<u>1,419,496</u>	<u>180,059</u>
Total	<u>\$ 6,225,125</u>	<u>\$ 1,120,408</u>

12. Operating Lease Obligations

The City leases public safety vehicles and various pieces of office equipment under noncancelable operating leases extending through June 2014. Minimum quarterly payments range from \$1,344 to \$30,864.

Lease payments charged to governmental activities expenditures and sewer fund expense for the year ended June 30, 2010 under operating leases was \$270,869 and \$3,157, respectively. Future lease payments for the sewer fund are \$1,579 for the year ending June 30, 2011.

Governmental activities future minimum lease payments for the next five years and in the aggregate are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 125,184
2012	71,397
2013	70,486
2014	11,436
2015	<u>-</u>
Total	<u>\$ 278,503</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

13. Joint Ventures

The City participates in a joint venture with Craven County to operate the New Bern/Craven County Library. The City appoints five members of the ten-member Board. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2010. The City contributed \$75,000 to the Library during the fiscal year ended June 30, 2010.

14. Jointly Governed Organizations

Eastern Carolina Council

The City, in conjunction with nine counties and twenty-eight other municipalities, established the Eastern Carolina Council (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership and administrative fees of \$9,066 to the Council during the fiscal year ended June 30, 2010.

North Carolina Eastern Power Agency

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

Each municipality may appoint one commissioner to serve on the Agency's Board. The Board elects its own officers and is responsible for the selection of management to run the daily operations of the Agency. The Agency is responsible for budgeting and receiving its financing.

The City has made no investment in this joint venture. The City's only financial involvement with the Agency relates to the power sales agreement for power purchases. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, North Carolina 27626-0513. The City's purchases of power from the Agency for the fiscal year ended June 30, 2010 were \$47,070,080.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

15. Related Organization

The Board of Aldermen of the City New Bern Housing Authority is appointed by the Mayor of the City of New Bern. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

16. Claims and Judgments

At June 30, 2010, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

17. Commitments

The City had commitments, as shown below, for construction contracts outstanding at June 30, 2010. The projects are accounted for in the General Fund, Capital Projects Fund, and Enterprise Fund Capital Projects and are mainly funded by debt proceeds.

<u>Project</u>	<u>Balance of Contract</u>
Business-Type Projects:	
Water Treatment Project	\$ 322,589
Township 7 Water Improvement	1,575,646
Neuse Boulevard Water Project	102,650
Township 7 Sewer Improvement	343,102
Regional Lift Station Project	150,364
Electric Substation Project	583,933
Total	<u>\$ 3,078,284</u>

18. Summary Disclosure of Significant Contingencies

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

CITY OF NEW BERN, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFIT - RETIREE HEALTHCARE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Liability (AAL)- Projected Unit Credit B	Unfunded AAL (UAAL) A-B	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
12/31/2008	\$ -	\$ 17,665,523	\$ 17,665,523	0.00%	\$ 20,448,378	86.4%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 1,603,190	0.00%
2010	1,603,190	0.00%

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 last actuarial valuation follows:

Valuation date	12/31/2008
Actuarial cost method	Projected unit cost
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	4.00%
Projected salary increases *	10.5% - 5.00%
Year of Ultimate trend rate	2016
Cost of living adjustments	N/A

* Includes inflation at 3.75%

CITY OF NEW BERN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 11,707,229	\$ 11,702,007	\$ (5,222)	\$ 11,655,040
Municipal service district taxes, interest, and penalties	168,260	163,171	(5,089)	190,179
Interest collected	60,125	59,519	(606)	54,159
Penalties collected	11,300	11,004	(296)	16,655
Total	<u>11,946,914</u>	<u>11,935,701</u>	<u>(11,213)</u>	<u>11,916,033</u>
Other Taxes and Licenses:				
Privilege licenses	<u>268,700</u>	<u>268,819</u>	<u>119</u>	<u>282,833</u>
Total	<u>268,700</u>	<u>268,819</u>	<u>119</u>	<u>282,833</u>
Unrestricted Intergovernmental Revenues:				
Local option sales taxes	4,665,940	4,707,615	41,675	4,992,972
Payments in lieu of taxes - outside sources	-	-	-	9,250
Enterprise Fund - payment in lieu of taxes	507,146	507,145	(1)	394,826
Telecommunications sales tax	681,000	683,122	2,122	705,358
Utility franchise tax	1,415,000	1,482,365	67,365	1,455,896
Piped natural gas tax	92,000	96,861	4,861	87,973
Beer and wine tax	38,000	37,304	(696)	115,467
Fire protection reimbursement	10,887	10,887	-	10,887
ABC distributions	65,000	59,704	(5,296)	66,351
Total	<u>7,474,973</u>	<u>7,585,003</u>	<u>110,030</u>	<u>7,838,980</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	738,520	738,519	(1)	824,445
Other federal grants	948,214	350,971	(597,243)	115,763
Other State grants	117,177	86,676	(30,501)	143,553
Other local grants	<u>2,200</u>	<u>700</u>	<u>(1,500)</u>	<u>4,000</u>
Total	<u>1,806,111</u>	<u>1,176,866</u>	<u>(629,245)</u>	<u>1,087,761</u>
Permits and Fees:				
Building permits and inspection fees	429,507	434,137	4,630	437,849
Auto and taxi fees	124,000	121,598	(2,402)	115,573
Beer and wine licenses	<u>2,100</u>	<u>2,210</u>	<u>110</u>	<u>2,125</u>
Total permits and fees	<u>555,607</u>	<u>557,945</u>	<u>2,338</u>	<u>555,547</u>

CITY OF NEW BERN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Sales and Services:				
Public works fees	181,500	177,935	(3,565)	196,728
Refuse collection fees	1,451,000	1,460,367	9,367	1,422,517
Planning and inspections revenue	93,000	96,128	3,128	95,073
Public safety fees	38,120	24,460	(13,660)	25,161
Cultural and recreation fees	121,750	133,104	11,354	100,833
Rent income	229,416	236,620	7,204	117,656
Interfund rent of public buildings	1,702,120	1,120,408	(581,712)	1,100,576
Other sales and services	303,154	302,229	(925)	570,955
Total	<u>4,120,060</u>	<u>3,551,251</u>	<u>(568,809)</u>	<u>3,629,499</u>
Investment Earnings	<u>10,559</u>	<u>10,630</u>	<u>71</u>	<u>33,609</u>
Miscellaneous:				
Sale of capital assets	45,000	48,491	3,491	22,513
Cemetery	89,000	90,055	1,055	87,735
Cable franchise fee	23,700	23,676	(24)	26,743
Other	39,985	40,114	129	44,736
Total	<u>197,685</u>	<u>202,336</u>	<u>4,651</u>	<u>181,727</u>
Total revenues	<u>26,380,609</u>	<u>25,288,551</u>	<u>(1,092,058)</u>	<u>25,525,989</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	189,765	186,460	3,305	220,110
Special appropriations	873,370	328,114	545,256	349,965
Operating expenses	101,250	96,901	4,349	95,036
Interfund reimbursement	(255,119)	(255,119)	-	(283,633)
Total	<u>909,266</u>	<u>356,356</u>	<u>552,910</u>	<u>381,478</u>
Administration:				
Salaries and employee benefits	202,905	201,882	1,023	274,446
Operating expenses	54,400	50,764	3,636	46,100
Interfund reimbursement	(227,382)	(227,382)	-	(288,492)
Total	<u>29,923</u>	<u>25,264</u>	<u>4,659</u>	<u>32,054</u>

CITY OF NEW BERN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Finance:				
Salaries and employee benefits	1,682,997	1,677,358	5,639	1,652,345
Operating expenses	630,696	622,383	8,313	654,053
Interfund reimbursement	(2,248,396)	(2,248,396)	-	(2,224,376)
Total	65,297	51,345	13,952	82,022
Legal:				
Contracted services	193,680	193,678	2	213,119
Interfund reimbursement	(164,626)	(164,626)	-	(163,683)
Total	29,054	29,052	2	49,436
Human Resources:				
Salaries and employee benefits	456,474	455,287	1,187	435,473
Operating expenses	53,647	48,023	5,624	60,484
Interfund reimbursement	(452,975)	(452,975)	-	(446,361)
Total	57,146	50,335	6,811	49,596
Elections:				
Registration	41,644	41,644	-	-
Total	41,644	41,644	-	-
Total general government	1,132,330	553,996	578,334	594,586
Public Safety:				
Police:				
Salaries and employee benefits	8,319,388	8,311,564	7,824	8,224,037
Operating expenses	2,431,709	1,643,261	788,448	1,405,997
Interfund reimbursement	(90,000)	(90,000)	-	(90,000)
Total general government	10,661,097	9,864,825	796,272	9,540,034
Fire:				
Salaries and benefits	4,507,907	4,507,819	88	3,774,381
Operating expenses	454,337	453,789	548	518,110
Interfund reimbursement	(460,170)	(292,681)	(167,489)	-
Total	4,502,074	4,668,927	(166,853)	4,292,491
Total public safety	15,163,171	14,533,752	629,419	13,832,525

CITY OF NEW BERN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Public Works:				
Streets:				
Salaries and employee benefits	1,395,995	1,380,815	15,180	1,400,916
Operating expenses	918,102	865,633	52,469	1,234,403
Interfund reimbursement	(48,760)	(48,760)	-	(47,292)
Total	<u>2,265,337</u>	<u>2,197,688</u>	<u>67,649</u>	<u>2,588,027</u>
Public Buildings:				
Salaries and employee benefits	394,716	386,557	8,159	376,925
Operating expenses	471,693	466,203	5,490	460,320
Interfund reimbursement	(712,809)	(712,809)	-	(717,828)
Total	<u>153,600</u>	<u>139,951</u>	<u>13,649</u>	<u>119,417</u>
Administration:				
Salaries and employee benefits	554,856	553,609	1,247	579,190
Operating expenses	357,746	351,655	6,091	294,679
Interfund reimbursement	(747,206)	(747,206)	-	(718,245)
Total	<u>165,396</u>	<u>158,058</u>	<u>7,338</u>	<u>155,624</u>
Engineering:				
Salaries and employee benefits	591,574	590,546	1,028	640,396
Operating expenses	41,944	41,335	609	41,761
Interfund reimbursement	(631,867)	(631,867)	-	(682,157)
Total	<u>1,651</u>	<u>14</u>	<u>1,637</u>	<u>-</u>
Cemeteries:				
Salaries and employee benefits	69,655	66,994	2,661	65,472
Operating expenditures	165,843	162,284	3,559	163,092
Total	<u>235,498</u>	<u>229,278</u>	<u>6,220</u>	<u>228,564</u>
Leaf and Limb:				
Salaries and employee benefits	497,498	485,987	11,511	493,387
Operating expenditures	191,331	183,184	8,147	178,720
Total	<u>688,829</u>	<u>669,171</u>	<u>19,658</u>	<u>672,107</u>
Total public works	<u>3,510,311</u>	<u>3,394,160</u>	<u>116,151</u>	<u>3,763,739</u>

CITY OF NEW BERN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	49,852	48,726	1,126	46,763
Operating expenditures	1,850,089	1,847,790	2,299	1,817,608
Total environmental protection	1,899,941	1,896,516	3,425	1,864,371
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,774,583	1,769,478	5,105	1,759,983
Operating expenditures	538,853	496,412	42,441	522,119
Total culture and recreation	2,313,436	2,265,890	47,546	2,282,102
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	1,385,998	1,379,577	6,421	1,395,635
Operating expenditures	270,118	221,720	48,398	236,784
Interfund reimbursement	(123,338)	(123,338)	-	(121,444)
Total	1,532,778	1,477,959	54,819	1,510,975
Municipal Service District:				
Salaries and employee benefits	87,593	87,118	475	87,548
Operating expenditures	10,663	10,011	652	9,656
Total	98,256	97,129	1,127	97,204
Total economic and physical development	1,631,034	1,575,088	55,946	1,608,179
Capital Outlay	459,839	457,421	2,418	82,843
Debt Service:				
Principal retirement	2,203,086	2,196,177	6,909	2,434,480
Interest and other charges	563,940	563,134	806	536,681
Total debt service	2,767,026	2,759,311	7,715	2,971,161
Total expenditures	28,877,088	27,436,134	1,440,954	26,999,506
Revenues over (under) expenditures	(2,496,479)	(2,147,583)	348,896	(1,473,517)

CITY OF NEW BERN, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers (to) from other funds:				
Enterprise Fund	1,579,958	1,579,957	(1)	1,299,320
Other governmental funds	(373,321)	(214,417)	158,904	(339,840)
Issuance of long-term debt	101,800	89,978	(11,822)	-
Appropriated fund balance	1,188,042	-	(1,188,042)	-
Total other financing sources (uses)	<u>2,496,479</u>	<u>1,455,518</u>	<u>(1,040,961)</u>	<u>959,480</u>
Net change in fund balance	<u>\$ -</u>	<u>(692,065)</u>	<u>\$ (692,065)</u>	<u>(514,037)</u>
Fund Balance:				
Beginning of year - July 1		<u>5,928,961</u>		<u>6,442,998</u>
End of year - June 30		<u>\$ 5,236,896</u>		<u>\$ 5,928,961</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 1,294,278	\$ -	\$ 1,294,278
Accounts receivable, net	43,948	-	43,948
Due from other funds	<u>56,423</u>	-	<u>56,423</u>
Due from other governments	<u>58,735</u>	-	<u>58,735</u>
Total assets	<u>\$ 1,453,384</u>	<u>\$ -</u>	<u>\$ 1,453,384</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 23,697	\$ -	\$ 23,697
Due to other funds	56,423	-	56,423
Deferred revenues	<u>14,885</u>	-	<u>14,885</u>
Total liabilities	<u>95,005</u>	-	<u>95,005</u>
Fund Balances:			
Reserved by State Statute	87,798	-	87,798
Unreserved, undesignated	<u>1,270,581</u>	-	<u>1,270,581</u>
Total fund balances	<u>1,358,379</u>	-	<u>1,358,379</u>
Total liabilities and fund balances	<u>\$ 1,453,384</u>	<u>\$ -</u>	<u>\$ 1,453,384</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Revenues:			
Restricted intergovernmental revenues	\$ 350,236	\$ -	\$ 350,236
Sales and services	379,205	-	379,205
Investment earnings	1,002	151	1,153
Program income	3,300	-	3,300
Total revenues	<u>733,743</u>	<u>151</u>	<u>733,894</u>
Expenditures:			
Public safety	289,037	-	289,037
Fire department	292,682	-	292,682
Environmental protection	63,222	-	63,222
Culture and recreation	43,206	-	43,206
Economic and physical development	71,914	-	71,914
Capital outlay	-	474	474
Total expenditures	<u>760,061</u>	<u>474</u>	<u>760,535</u>
Revenues over (under) expenditures	<u>(26,318)</u>	<u>(323)</u>	<u>(26,641)</u>
Other Financing Sources (Uses):			
Transfers in	541,535	-	541,535
Transfers out	-	(327,118)	(327,118)
Issuance of debt	660,460	-	660,460
Total other financing sources (uses)	<u>1,201,995</u>	<u>(327,118)</u>	<u>874,877</u>
Net change in fund balances	1,175,677	(327,441)	848,236
Fund Balances:			
Beginning of year - July 1	<u>182,702</u>	<u>327,441</u>	<u>510,143</u>
End of year - June 30	<u>\$ 1,358,379</u>	<u>\$ -</u>	<u>\$ 1,358,379</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010**

	Community Development Fund	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue
Assets:				
Cash, cash equivalents and investments	\$ 31,300	\$ 216,661	\$ 416,938	\$ 20,149
Accounts receivable, net	14,885	-	27,050	2,013
Due from other funds	-	-	56,423	-
Due from other governments	-	-	2,312	-
Total assets	<u>\$ 46,185</u>	<u>\$ 216,661</u>	<u>\$ 502,723</u>	<u>\$ 22,162</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 22,471	\$ 1,226	\$ -
Due to other funds	-	-	-	-
Deferred revenues	14,885	-	-	-
Total liabilities	<u>14,885</u>	<u>22,471</u>	<u>1,226</u>	<u>-</u>
Fund Balances:				
Reserved by State Statute	-	-	85,785	2,013
Undesignated (deficit)	31,300	194,190	415,712	20,149
Total fund balance	<u>31,300</u>	<u>194,190</u>	<u>501,497</u>	<u>22,162</u>
Total liabilities and fund balances	<u>\$ 46,185</u>	<u>\$ 216,661</u>	<u>\$ 502,723</u>	<u>\$ 22,162</u>

Schedule D-1

SAFER Fire Grant	Brownfields Assessment and Cleanup Grant	2007 PARTF Recreation Grant	Total
\$ -	\$ -	\$ 609,230	\$ 1,294,278
-	-	-	43,948
-	-	-	56,423
<u>56,423</u>	-	-	<u>58,735</u>
<u>\$ 56,423</u>	<u>\$ -</u>	<u>\$ 609,230</u>	<u>\$ 1,453,384</u>
\$ -	\$ -	\$ -	\$ 23,697
56,423	-	-	56,423
-	-	-	14,885
<u>56,423</u>	<u>-</u>	<u>-</u>	<u>95,005</u>
-	-	-	87,798
<u>-</u>	<u>-</u>	<u>609,230</u>	<u>1,270,581</u>
<u>-</u>	<u>-</u>	<u>609,230</u>	<u>1,358,379</u>
<u>\$ 56,423</u>	<u>\$ -</u>	<u>\$ 609,230</u>	<u>\$ 1,453,384</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Community Development Fund	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 14,006
Emergency 911 surcharge	-	-	379,205	-
Investment earnings	37	183	516	23
Program income	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,337</u>	<u>183</u>	<u>379,721</u>	<u>14,029</u>
Expenditures:				
Economic and physical development	4,149	67,765	-	-
Public safety:				
E-911	-	-	274,030	-
Police	-	-	-	15,007
Fire	-	-	-	-
Environmental protection	-	-	-	-
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,149</u>	<u>67,765</u>	<u>274,030</u>	<u>15,007</u>
Revenues over (under) expenditures	<u>(812)</u>	<u>(67,582)</u>	<u>105,691</u>	<u>(978)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	-	-
Transfers in	<u>-</u>	<u>327,118</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>327,118</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(812)	259,536	105,691	(978)
Fund Balances:				
Beginning of year - July 1	<u>32,112</u>	<u>(65,346)</u>	<u>395,806</u>	<u>23,140</u>
End of year - June 30	<u>\$ 31,300</u>	<u>\$ 194,190</u>	<u>\$ 501,497</u>	<u>\$ 22,162</u>

Schedule D-2

SAFER Fire Grant	Brownfields Assessment and Cleanup Grant	2007 PARTF Recreation Grant	Total
\$ 245,822	\$ 63,222	\$ 27,186	\$ 350,236
-	-	-	379,205
-	-	243	1,002
-	-	-	3,300
<u>245,822</u>	<u>63,222</u>	<u>27,429</u>	<u>733,743</u>
-	-	-	71,914
-	-	-	274,030
-	-	-	15,007
292,682	-	-	292,682
-	63,222	-	63,222
-	-	43,206	43,206
<u>292,682</u>	<u>63,222</u>	<u>43,206</u>	<u>760,061</u>
<u>(46,860)</u>	<u>-</u>	<u>(15,777)</u>	<u>(26,318)</u>
-	-	660,460	660,460
<u>214,417</u>	<u>-</u>	<u>-</u>	<u>541,535</u>
<u>214,417</u>	<u>-</u>	<u>660,460</u>	<u>1,201,995</u>
167,557	-	644,683	1,175,677
<u>(167,557)</u>	<u>-</u>	<u>(35,453)</u>	<u>182,702</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,230</u>	<u>\$ 1,358,379</u>

CITY OF NEW BERN, NORTH CAROLINA

COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 37	\$ 37	\$ 129
Project income	3,100	3,300	200	6,000
Total revenues	<u>3,100</u>	<u>3,337</u>	<u>237</u>	<u>6,129</u>
Expenditures:				
Economic and physical development:				
Community development	6,000	4,150	1,850	4,443
Total expenditures	<u>6,000</u>	<u>4,150</u>	<u>1,850</u>	<u>4,443</u>
Revenues over (under) expenditures	<u>(2,900)</u>	<u>(813)</u>	<u>2,087</u>	<u>1,686</u>
Other Financing Sources (Uses):				
Fund balance appropriated	<u>2,900</u>	-	<u>(2,900)</u>	-
Net change in fund balance	<u>\$ -</u>	(813)	<u>\$ (813)</u>	<u>\$ 1,686</u>
Fund Balance:				
Beginning of year - July 1		<u>32,113</u>		
End of year - June 30		<u>\$ 31,300</u>		

CITY OF NEW BERN, NORTH CAROLINA

2007 STORMWATER CWMTF FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental:				
Clean Water Management Trust Grant	\$ 1,000,000	\$ -	\$ -	\$ -
Investment earnings	-	-	183	183
Total revenues	<u>1,000,000</u>	<u>-</u>	<u>183</u>	<u>183</u>
Expenditures:				
Economic and physical development:				
Land and right of ways	506,360	506,352	-	506,352
Drainage improvements	<u>1,493,640</u>	<u>65,346</u>	<u>67,765</u>	<u>133,111</u>
Total expenditures	<u>2,000,000</u>	<u>571,698</u>	<u>67,765</u>	<u>639,463</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(571,698)</u>	<u>(67,582)</u>	<u>(639,280)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	833,470	506,352	-	506,352
Transfers in	<u>166,530</u>	<u>-</u>	<u>327,118</u>	<u>327,118</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>506,352</u>	<u>327,118</u>	<u>833,470</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (65,346)</u>	<u>\$ 259,536</u>	<u>\$ 194,190</u>

CITY OF NEW BERN, NORTH CAROLINA

EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses:				
Wireless 911 funds	\$ 322,722	\$ 351,653	\$ 28,931	\$ 312,174
Reimbursements:				
Subscriber maintenance fees	52,000	3,615	(48,385)	64,419
Data position reimbursements	10,000	10,000	-	10,000
Router line cost fees	1,700	260	(1,440)	1,446
Router maintenance contract	17,000	13,677	(3,323)	-
Other reimbursements	12,000	-	(12,000)	-
Investment earnings	7,400	516	(6,884)	1,395
Total revenues	<u>422,822</u>	<u>379,721</u>	<u>(43,101)</u>	<u>389,434</u>
Expenditures:				
Public safety:				
911 system subscriber fees:				
Salaries and employee benefits		86,875		92,440
Employee travel and training		1,031		240
Telephone		74,103		96,597
Maintenance-communications		55,013		27,231
Miscellaneous supplies		608		8,135
Capital outlay		56,400		-
Total expenditures	<u>422,822</u>	<u>274,030</u>	<u>148,792</u>	<u>224,643</u>
Net change in fund balance	<u>\$ -</u>	105,691	<u>\$ 105,691</u>	164,791
Fund Balance:				
Beginning of year - July 1		<u>395,806</u>		<u>231,015</u>
End of year - June 30		<u>\$ 501,497</u>		<u>\$ 395,806</u>

CITY OF NEW BERN, NORTH CAROLINA

POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
Police Special Revenue Fund	\$ 24,500	\$ 14,006	\$ (10,494)	\$ 35,142
Investment earnings	250	23	(227)	50
Total revenues	<u>24,750</u>	<u>14,029</u>	<u>(10,721)</u>	<u>35,192</u>
Expenditures:				
Public safety:				
Police expenditures	<u>27,850</u>	<u>15,007</u>	<u>12,843</u>	<u>11,825</u>
Revenues over (under) expenditures	<u>(3,100)</u>	<u>(978)</u>	<u>2,122</u>	<u>23,367</u>
Other Financing Sources (Uses):				
Fund balance appropriated	<u>3,100</u>	<u>-</u>	<u>(3,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,100</u>	<u>-</u>	<u>(3,100)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(978)</u>	<u>\$ (978)</u>	<u>23,367</u>
Fund Balance:				
Beginning of year - July 1		<u>23,140</u>		<u>(227)</u>
End of year - June 30		<u>\$ 22,162</u>		<u>\$ 23,140</u>

CITY OF NEW BERN, NORTH CAROLINA

SAFER FIRE GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
SAFER Fire Department Grant	\$ 1,117,375	\$ 798,017	\$ 245,822	\$ 1,043,839
Total revenues	<u>1,117,375</u>	<u>798,017</u>	<u>245,822</u>	<u>1,043,839</u>
Expenditures:				
Public Safety - Fire Department	2,340,007	1,287,462	292,682	1,580,144
Total expenditures	<u>2,340,007</u>	<u>1,287,462</u>	<u>292,682</u>	<u>1,580,144</u>
Revenues over (under) expenditures	(1,222,632)	(489,445)	(46,860)	(536,305)
Other Financing Sources (Uses):				
Transfers in	1,222,632	321,888	214,417	536,305
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (167,557)</u>	<u>\$ 167,557</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

BROWNFIELDS ASSESSMENT AND CLEANUP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
Brownfields Assessment and Cleanup Grant	\$ 400,000	\$ -	\$ 63,222	\$ 63,222
Total revenues	<u>400,000</u>	<u>-</u>	<u>63,222</u>	<u>63,222</u>
Expenditures:				
Environmental protection	400,000	-	63,222	63,222
Total expenditures	<u>400,000</u>	<u>-</u>	<u>63,222</u>	<u>63,222</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

2007 PARTF RECREATION GRANT PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
2007 PARTF Recreation Grant	\$ 500,000	\$ 12,732	\$ 27,186	\$ 39,918
Investment earnings	<u>500</u>	<u>-</u>	<u>243</u>	<u>243</u>
Total revenues	<u>500,500</u>	<u>12,732</u>	<u>27,429</u>	<u>40,161</u>
Expenditures:				
Cultural and recreation	<u>1,160,960</u>	<u>48,185</u>	<u>43,206</u>	<u>91,391</u>
Total expenditures	<u>1,160,960</u>	<u>48,185</u>	<u>43,206</u>	<u>91,391</u>
Revenues over (under) expenditures	(660,460)	(35,453)	(15,777)	(51,230)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>660,460</u>	<u>-</u>	<u>660,460</u>	<u>660,460</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (35,453)</u>	<u>\$ 644,683</u>	<u>\$ 609,230</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2010

	<u>Swimming Pool Project</u>	<u>Elizabeth Street Fire Station Project</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Cash and investments, restricted	-	-	-
Due from other funds	-	-	-
Accounts receivable, net	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>	<hr/>
Fund Balances:			
Unreserved, undesignated	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Swimming Pool Project</u>	<u>Elizabeth Street Fire Station Project</u>	<u>Total</u>
Revenues:			
Investment earnings	\$ 131	\$ 20	\$ 151
Total revenues	<u>131</u>	<u>20</u>	<u>151</u>
Expenditures:			
Capital outlay	<u>-</u>	<u>474</u>	<u>474</u>
Revenues over (under) expenditures	<u>131</u>	<u>(454)</u>	<u>(323)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(285,591)</u>	<u>(41,527)</u>	<u>(327,118)</u>
Total other financing sources (uses)	<u>(285,591)</u>	<u>(41,527)</u>	<u>(327,118)</u>
Net change in fund balances	(285,460)	(41,981)	(327,441)
Fund Balances:			
Beginning of year - July 1	<u>285,460</u>	<u>41,981</u>	<u>327,441</u>
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

SWIMMING POOL CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>
Revenues				
Investment earnings	\$ 23,784	\$ 23,652	\$ 131	\$ 23,783
Total revenues	<u>23,784</u>	<u>23,652</u>	<u>131</u>	<u>23,783</u>
Expenditures:				
Capital outlay	<u>3,952,193</u>	<u>3,952,192</u>	<u>-</u>	<u>3,952,192</u>
Revenues over (under) expenditures	<u>(3,928,409)</u>	<u>(3,928,540)</u>	<u>131</u>	<u>(3,928,409)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	4,214,000	4,214,000	-	4,214,000
Transfers out	<u>(285,591)</u>	<u>-</u>	<u>(285,591)</u>	<u>(285,591)</u>
Total other financing sources (uses)	<u>3,928,409</u>	<u>4,214,000</u>	<u>(285,591)</u>	<u>3,928,409</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 285,460</u>	<u>\$ (285,460)</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

ELIZABETH AVENUE FIRE STATION CAPITAL PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
Revenues:				
Investment earnings	\$ 3,671	\$ 3,650	\$ 20	\$ 3,670
Total revenues	<u>3,671</u>	<u>3,650</u>	<u>20</u>	<u>3,670</u>
Expenditures:				
Capital outlay	<u>635,144</u>	<u>634,669</u>	<u>474</u>	<u>635,143</u>
Revenues over (under) expenditures	<u>(631,473)</u>	<u>(631,019)</u>	<u>(454)</u>	<u>(631,473)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	673,000	673,000	-	673,000
Transfer out	<u>(41,527)</u>	<u>-</u>	<u>(41,527)</u>	<u>(41,527)</u>
Total other financing sources (uses)	<u>631,473</u>	<u>673,000</u>	<u>(41,527)</u>	<u>631,473</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 41,981</u>	<u>\$ (41,981)</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 64,158,668	\$ 64,365,398	\$ 206,730	\$ 61,254,933
Total operating revenues	<u>64,158,668</u>	<u>64,365,398</u>	<u>206,730</u>	<u>61,254,933</u>
Non-operating revenues:				
Miscellaneous	1,005,517	481,463	(524,054)	439,348
Interest	<u>50,000</u>	<u>2,636</u>	<u>(47,364)</u>	<u>1,199</u>
Total non-operating revenues	<u>1,055,517</u>	<u>484,099</u>	<u>(571,418)</u>	<u>440,547</u>
Total revenues	<u>65,214,185</u>	<u>64,849,497</u>	<u>(364,688)</u>	<u>61,695,480</u>
Expenditures:				
Administration	9,933,837	7,560,147	2,373,690	7,668,836
Production	48,186,030	48,048,887	137,143	46,407,947
Distribution	2,887,447	1,864,423	1,023,024	2,205,064
Reimbursed expenses - interfund	-	-	-	(643,961)
Capital outlay	1,680,698	1,680,698	-	1,531,369
Debt service	<u>645,415</u>	<u>641,192</u>	<u>4,223</u>	<u>691,577</u>
Total expenditures	<u>63,333,427</u>	<u>59,795,347</u>	<u>3,538,080</u>	<u>57,860,832</u>
Revenues over (under) expenditures	<u>1,880,758</u>	<u>5,054,150</u>	<u>3,173,392</u>	<u>3,834,648</u>
Other Financing Sources (Uses):				
Transfers to (from) other funds	(1,579,958)	(1,579,957)	1	(1,763,878)
Transfer to Electric Capital Projects Fund	(300,800)	(300,800)	-	(71,060)
Installment purchase debt issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Total other financing sources (uses)	<u>(1,880,758)</u>	<u>(1,880,757)</u>	<u>1</u>	<u>(334,938)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,173,393</u>	<u>\$ 3,173,393</u>	<u>\$ 3,499,710</u>

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	<u>2010</u>		<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
Reconciliation from Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 3,173,393	
Reconciling items:			
Capital project revenues		1,069	
Capital project expenditures		(1,200,035)	
Addition to construction in progress		1,200,035	
Capitalized work orders from electric fund		264,219	
Capital assets purchased		1,006,632	
Depreciation		(1,886,905)	
Transfer to electric capital project		300,800	
Principal payment on debt		502,997	
Increase in unfunded OPEB obligation		<u>(152,760)</u>	
Change in net assets		<u>\$ 3,209,445</u>	

CITY OF NEW BERN, NORTH CAROLINA

ELECTRIC SUBSTATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

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

CITY OF NEW BERN, NORTH CAROLINA

BROAD STREET ELECTRIC CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project</u> <u>Authorization</u>	<u>Actual</u>		<u>Total to</u> <u>Date</u>
		<u>Prior</u> <u>Years</u>	<u>Current</u> <u>Year</u>	
Revenues:				
Investment earnings	\$ -	\$ 112	\$ 1,069	\$ 1,181
Total revenues	<u>-</u>	<u>112</u>	<u>1,069</u>	<u>1,181</u>
Expenditures:				
Electric system project	1,800,800	477,170	1,208,385	1,685,555
Total expenditures	<u>1,800,800</u>	<u>477,170</u>	<u>1,208,385</u>	<u>1,685,555</u>
Revenues over (under) expenditures	<u>(1,800,800)</u>	<u>(477,058)</u>	<u>(1,207,316)</u>	<u>(1,684,374)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	1,500,000	1,500,000	-	1,500,000
Intrafund transfer	300,800	-	300,800	300,800
Total other financing sources (uses):	<u>1,800,800</u>	<u>1,500,000</u>	<u>300,800</u>	<u>1,800,800</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,022,942</u>	<u>\$ (906,516)</u>	<u>\$ 116,426</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 9,372,874	\$ 9,612,653	\$ 239,779	\$ 6,790,993
Non-operating revenues:				
Miscellaneous	-	7,581	7,581	8,726
Capital contributions	387,630	342,085	(45,545)	-
Investment earnings	4,053	4,301	248	11,196
Total non-operating revenues	391,683	353,967	(37,716)	19,922
Total revenues	9,764,557	9,966,620	202,063	6,810,915
Expenditures:				
Administration	3,174,788	2,492,201	682,587	2,568,524
System maintenance and extensions	2,437,569	2,157,400	280,169	2,060,014
Hydrant maintenance	246,126	226,645	19,481	200,450
Treatment	1,123,809	707,503	416,306	262,301
Capital outlay	621,000	561,343	59,657	16,200
Debt service	2,161,265	1,018,583	1,142,682	589,387
Total expenditures	9,764,557	7,163,675	2,600,882	5,696,876
Revenues over (under) expenditures	-	2,802,945	(2,398,819)	1,114,039
Other Financing Sources (Uses):				
Installment purchase debt issued	-	-	-	23,181,086
Transfer in (out)	-	-	-	(272,942)
Total other financing sources (uses)	-	-	-	22,908,144
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,802,945	\$ 2,802,945	\$ 24,022,183

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010		2009
	Budget	Actual	Actual
		Variance Over/Under	
Reconciliation from Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 2,802,945	
Reconciling items:			
Capital project revenues		153,822	
Capital project expenditures		(5,772,235)	
Additions to construction in progress		5,772,235	
Capitalized work orders from Water Fund		275,532	
Depreciation		(466,536)	
Capital outlay capitalized		285,811	
Principal payment on debt		798,564	
Increase in unfunded OPEB obligation		<u>(61,104)</u>	
Change in net assets		<u>\$ 3,789,034</u>	

CITY OF NEW BERN, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Connection fees	\$ 58,000	\$ 148,714	\$ 90,714	\$ 123,905
Investment earnings	-	379	379	938
Total revenues	<u>58,000</u>	<u>149,093</u>	<u>91,093</u>	<u>124,843</u>
Expenditures:				
Capital items	<u>58,000</u>	<u>-</u>	<u>58,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 149,093</u>	<u>\$ 149,093</u>	<u>\$ 124,843</u>

CITY OF NEW BERN, NORTH CAROLINA

WATER TREATMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
State grant	\$ 40,000	\$ 39,990	\$ -	\$ 39,990
Total revenues	<u>40,000</u>	<u>39,990</u>	<u>-</u>	<u>39,990</u>
Expenditures:				
Water treatment project	36,000,000	29,239,317	4,125,210	33,364,527
Total expenditures	<u>36,000,000</u>	<u>29,239,317</u>	<u>4,125,210</u>	<u>33,364,527</u>
Revenues over (under) expenditures	<u>(35,960,000)</u>	<u>(29,199,327)</u>	<u>(4,125,210)</u>	<u>(33,324,537)</u>
Other Financing Sources (Uses):				
Intrafund transfer	40,000	40,000	-	40,000
Installment purchase debt issued	35,920,000	26,701,680	6,073,419	32,775,099
Total other financing sources (uses)	<u>35,960,000</u>	<u>26,741,680</u>	<u>6,073,419</u>	<u>32,815,099</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (2,457,647)</u>	<u>\$ 8,021,628</u>	<u>\$ (509,438)</u>

Note: \$686,870 of project expenditures have already been placed in service, and the remaining \$32,677,657 of project expenditures are reported as construction in progress.

CITY OF NEW BERN, NORTH CAROLINA

TOWNSHIP 7 WATER IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>
Revenues:				
Investment earnings	\$ -	\$ 726	\$ 3,261	\$ 3,987
Total revenues	<u>-</u>	<u>726</u>	<u>3,261</u>	<u>3,987</u>
Expenditures:				
Water improvement project	3,500,000	548,358	1,184,174	1,732,532
Total expenditures	<u>3,500,000</u>	<u>548,358</u>	<u>1,184,174</u>	<u>1,732,532</u>
Revenues over (under) expenditures	<u>(3,500,000)</u>	<u>(547,632)</u>	<u>(1,180,913)</u>	<u>(1,728,545)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	3,500,000	3,371,150	23,000	3,394,150
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,823,518</u>	<u>\$ (1,157,913)</u>	<u>\$ 1,665,605</u>

CITY OF NEW BERN, NORTH CAROLINA

INDUSTRIAL PARK WATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ 249	\$ -	\$ 249	\$ 249
Total revenues	<u>249</u>	<u>-</u>	<u>249</u>	<u>249</u>
Expenditures:				
Water system improvements	335,919	22,335	313,584	335,919
Total expenditures	<u>335,919</u>	<u>22,335</u>	<u>313,584</u>	<u>335,919</u>
Revenues over (under) expenditures	<u>(335,670)</u>	<u>(22,335)</u>	<u>(313,335)</u>	<u>(335,670)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>335,670</u>	<u>358,670</u>	<u>(23,000)</u>	<u>335,670</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 336,335</u>	<u>\$ (336,335)</u>	<u>\$ -</u>

Note: Project completed in current year and line additions were reclassified from construction in progress to distribution system.

CITY OF NEW BERN, NORTH CAROLINA

NEUSE BOULEVARD WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ 100	\$ 1,219	\$ 1,319
Total revenues	<u>-</u>	<u>100</u>	<u>1,219</u>	<u>1,319</u>
Expenditures:				
Water system improvements	1,350,000	402,025	149,267	551,292
Total expenditures	<u>1,350,000</u>	<u>402,025</u>	<u>149,267</u>	<u>551,292</u>
Revenues over (under) expenditures	<u>(1,350,000)</u>	<u>(401,925)</u>	<u>(148,048)</u>	<u>(549,973)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	1,350,000	1,350,000	-	1,350,000
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 948,075</u>	<u>\$ (148,048)</u>	<u>\$ 800,027</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 11,642,748	\$ 11,623,401	\$ (19,347)	\$ 10,746,470
Availability fee	675,460	675,459	(1)	694,327
Total operating revenues	<u>12,318,208</u>	<u>12,298,860</u>	<u>(19,348)</u>	<u>11,440,797</u>
Non-operating revenues:				
Miscellaneous	790	(2,390)	(3,180)	29,086
Capital contributions	355,050	449,829	94,779	-
Investment earnings	695	724	29	3,307
Total non-operating revenues	<u>356,535</u>	<u>448,163</u>	<u>91,628</u>	<u>32,393</u>
Total revenues	<u>12,674,743</u>	<u>12,747,023</u>	<u>72,280</u>	<u>11,473,190</u>
Expenditures:				
Administration	2,001,592	1,966,034	35,558	1,914,220
System maintenance and extensions	3,406,868	3,398,459	8,409	3,047,309
Pre-treatment	83,000	81,783	1,217	64,677
Treatment	2,224,111	2,214,661	9,450	2,183,434
Reimbursed expenses - interfund	-	-	-	(42,000)
Capital outlay	906,700	904,383	2,317	145,531
Debt service	4,033,712	4,024,087	9,625	3,717,433
Total expenditures	<u>12,655,983</u>	<u>12,589,407</u>	<u>66,576</u>	<u>11,030,604</u>
Revenues over (under) expenditures	<u>18,760</u>	<u>157,616</u>	<u>138,856</u>	<u>442,586</u>
Other Financing Sources (Uses):				
Transfers in (out)	(18,760)	(13,759)	5,001	(137,877)
Installment purchase debt issued	-	36,227	36,227	5,441,315
Total other financing sources (uses)	<u>(18,760)</u>	<u>22,468</u>	<u>41,228</u>	<u>5,303,438</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 180,084</u>	<u>\$ 180,084</u>	<u>\$ 5,746,024</u>

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010		2009
	Budget	Actual	Actual
Reconciliation from Modified Accrual Basis to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 180,084	
Reconciling items:			
Intrafund transfer from/to capital projects		13,759	
Capital project revenues		91,132	
Capital project expenditures		(3,855,863)	
Construction in progress additions		3,855,863	
Capitalized work orders from Sewer Fund		295,028	
Capital outlay capitalized		609,355	
Depreciation		(1,851,924)	
Principal payment on debt		2,951,598	
Proceeds from installment purchases		(36,227)	
Increase in unfunded OPEB obligation		(91,656)	
Change in net assets		<u>\$ 2,161,149</u>	

CITY OF NEW BERN, NORTH CAROLINA

SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2010
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Connection fees	\$ 18,000	\$ 86,874	\$ 68,874	\$ -
Investment earnings	-	27	27	-
Total revenues	18,000	86,901	68,901	-
Other Financing Sources (Uses):				
Contingency	(18,000)	-	18,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 86,901	\$ 86,901	\$ -

CITY OF NEW BERN, NORTH CAROLINA

TRENT WOODS SEWER CONSTRUCTION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Connection fees	\$ 1,505,400	\$ 1,696,139	\$ -	\$ 1,696,139
Investment earnings	108,580	108,594	-	108,594
Total revenues	<u>1,613,980</u>	<u>1,804,733</u>	<u>-</u>	<u>1,804,733</u>
Expenditures:				
Sewer system:				
Sewer system - Trent Woods	<u>10,799,621</u>	<u>10,779,713</u>	<u>(5,000)</u>	<u>10,774,713</u>
Total expenditures	<u>10,799,621</u>	<u>10,779,713</u>	<u>(5,000)</u>	<u>10,774,713</u>
Revenues over (under) expenditures	<u>(9,185,641)</u>	<u>(8,974,980)</u>	<u>5,000</u>	<u>(8,969,980)</u>
Other Financing Sources (Uses):				
Transfer (to) from Sewer Fund	111,909	(117,511)	13,759	(103,752)
Installment purchase debt issued	<u>9,073,732</u>	<u>9,073,732</u>	<u>-</u>	<u>9,073,732</u>
Total other financing sources (uses)	<u>9,185,641</u>	<u>8,956,221</u>	<u>13,759</u>	<u>8,969,980</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (18,759)</u>	<u>\$ 18,759</u>	<u>\$ -</u>

Note: Project completed in prior year and line additions were reclassified from construction in progress to distribution system.

CITY OF NEW BERN, NORTH CAROLINA

TOWNSHIP 7 SEWER IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

		<u>Actual</u>		
	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 548	\$ 3,581	\$ 4,129
Total revenues	<u>-</u>	<u>548</u>	<u>3,581</u>	<u>4,129</u>
Expenditures:				
Wastewater improvements	5,451,593	1,556,535	3,267,046	4,823,581
Total expenditures	<u>5,451,593</u>	<u>1,556,535</u>	<u>3,267,046</u>	<u>4,823,581</u>
Revenues over (under) expenditures	<u>(5,451,593)</u>	<u>(1,555,987)</u>	<u>(3,263,465)</u>	<u>(4,819,452)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	5,451,593	5,451,593	-	5,451,593
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,895,606</u>	<u>\$ (3,263,465)</u>	<u>\$ 632,141</u>

Note: \$44,460 of project expenditures have been capitalized in prior year.

Remaining \$4,779,121 of project expenditures are reported as construction in progress.

CITY OF NEW BERN, NORTH CAROLINA

REGIONAL LIFT STATION SEWER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ 57	\$ 650	\$ 707
Total revenues	<u>-</u>	<u>57</u>	<u>650</u>	<u>707</u>
Expenditures:				
Wastewater improvements	1,400,000	8,762	593,817	602,579
Total expenditures	<u>1,400,000</u>	<u>8,762</u>	<u>593,817</u>	<u>602,579</u>
Revenues over (under) expenditures	<u>(1,400,000)</u>	<u>(8,705)</u>	<u>(593,167)</u>	<u>(601,872)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>1,400,000</u>	<u>771,708</u>	<u>-</u>	<u>771,708</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 763,003</u>	<u>\$ (593,167)</u>	<u>\$ 169,836</u>

CITY OF NEW BERN, NORTH CAROLINA

INTERNAL SERVICE FUND - EMPLOYEE BENEFIT INSURANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - PLAN AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Employee and retiree contributions	\$ 638,000	\$ 771,034	\$ 133,034
Employer and other contributions	6,184,350	5,599,494	(584,856)
Investment income	<u>3,000</u>	<u>1,133</u>	<u>(1,867)</u>
Total revenues	<u>6,825,350</u>	<u>6,371,661</u>	<u>(453,689)</u>
Expenditures:			
Employee insurance plan benefits	<u>6,825,350</u>	<u>6,238,172</u>	<u>587,178</u>
Change in net assets	<u>\$ -</u>	<u>\$ 133,489</u>	<u>\$ 133,489</u>

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2010

Fiscal Year	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 11,852,753	\$ 11,527,417	\$ 325,336
2008-2009	256,023	-	161,946	94,077
2007-2008	76,839	-	13,070	63,769
2006-2007	44,641	-	6,931	37,710
2005-2006	33,169	-	2,908	30,261
2004-2005	32,520	-	3,397	29,123
2003-2004	28,336	-	2,189	26,147
2002-2003	28,500	-	2,923	25,577
2001-2002	25,507	-	1,944	23,563
2000-2001	20,833	-	602	20,231
1999-2000	17,035	-	17,035	-
	\$ 563,403	\$ 11,852,753	\$ 11,740,362	675,794

Plus: Municipal Service District taxes receivable, all years	37,370
Plus: Motor vehicle taxes collected but not received from County	55,098
Less: Allowance for uncollectible ad valorem taxes receivable	(232,737)
Ad valorem taxes receivable - net	\$ 535,525

Reconciliation with Revenues:

Taxes - ad valorem, per Exhibit D	\$ 11,935,701
Reconciling items:	
Releases - ad valorem	10,129
Less interest collected	(59,519)
Less MSD Fund taxes, penalty and interest collected all years	(163,171)
Miscellaneous adjustments	315
Amounts written off for tax years per statute of limitations	16,907
Total collections and credits	\$ 11,740,362

CITY OF NEW BERN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2010

	City-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,247,057,851	0.00505	\$ 11,347,643	\$ 10,258,991	\$ 1,088,652
Penalties	-		4,923	4,923	-
Total	<u>2,247,057,851</u>		<u>11,352,566</u>	<u>10,263,914</u>	<u>1,088,652</u>
Discoveries:					
Current year taxes	124,772,707	0.50500	629,431	629,431	-
Penalties	-		(7,645)	(7,645)	-
Total	<u>124,772,707</u>		<u>637,076</u>	<u>637,076</u>	<u>-</u>
Abatements	<u>(27,328,296)</u>		<u>(136,889)</u>	<u>(66,549)</u>	<u>(70,340)</u>
Total property valuation	<u>\$ 2,344,502,262</u>				
Net Levy			11,852,753	10,834,441	1,018,312
Less: Uncollected taxes June 30, 2010			<u>(325,336)</u>	<u>(225,337)</u>	<u>(99,999)</u>
Current Year's Taxes Collected			<u>\$ 11,527,417</u>	<u>\$ 10,609,104</u>	<u>\$ 918,313</u>
Current Levy Collection Percentage			<u>97.26%</u>	<u>97.92%</u>	<u>90.18%</u>
Prior Year Collection Percentage			<u>97.83%</u>	<u>98.60%</u>	<u>90.25%</u>

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the financial statements of the City of New Bern, North Carolina as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Bern, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of New Bern, North Carolina in a separate letter dated October 6, 2010.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 6, 2010

**Report On Compliance With Requirements That Could Have A Direct And Material
Effect On Each Major State Program And Internal Control Over Compliance
In Accordance With Applicable Sections Of OMB Circular A-133
And The State Single Audit Implementation Act**

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

Compliance

We have audited the City of New Bern, North Carolina's compliance with the types of compliance requirements described in applicable sections of the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina issued by the Local Government Commission that could have a direct and material effect on each of the City of New Bern, North Carolina's major State programs for the year ended June 30, 2010. The City of New Bern, North Carolina's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City of New Bern, North Carolina's management. Our responsibility is to express an opinion on the City of New Bern, North Carolina's compliance based on our audit as described in the audit manual for governmental auditors in North Carolina.

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, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of New Bern, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of New Bern, North Carolina's compliance with those requirements.

In our opinion, the City of New Bern, North Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of New Bern, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the City of New Bern, North Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of New Bern, North Carolina's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 6, 2010

**Report On Compliance With Requirements That Could Have A Direct And
Material Effect On Each Major Federal Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
And The State Single Audit Implementation Act**

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

Compliance

We have audited the City of New Bern, North Carolina's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the State Single Audit Implementation Act that could have a direct and material effect on each of the City of New Bern, North Carolina's major federal programs for the year ended June 30, 2010. The City of New Bern, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of New Bern, North Carolina's management. Our responsibility is to express an opinion on the City of New Bern, North Carolina's compliance based on our audit.

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

In our opinion, the City of New Bern, North Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of New Bern, North Carolina is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of New Bern, North Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of New Bern, North Carolina's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
October 6, 2010

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency identified? No

Non-compliance material to financial statements noted No

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? No
- Significant deficiency identified? No

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 No

CITY OF NEW BERN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Summary of Auditors' Results (continued)

Identification of major federal programs:

<u>CFDA Number</u>	<u>Federal Program/Cluster Name</u>
97.044	Staffing for Adequate Fire and Emergency Response (SAFER)
97.074	Intelligence /Info Sharing Center

Dollar threshold used to distinguish between
Type A and Type B Programs

\$300,000

Auditee qualified as low-risk auditee?

No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiencies identified? No

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

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit
Implementation Act

No

Identification of major State programs:

Program Name

Powell Bill
Drinking Water State Revolving Fund

CITY OF NEW BERN, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Financial Statements Findings

None reported

Federal Award Findings and Questioned Costs

None reported

State Award Findings and Questioned Costs

None reported

CITY OF NEW BERN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
U.S. Department of Justice:					
Bureau of Justice Assistance: Direct Programs					
American Recovery Act Funds					
2009 Justice Assistance	16.804	2009-SB-B9-2845	\$ 59,538	\$ -	\$ -
Bureau of Justice Assistance: Direct Programs					
Bulletproof Vest	16.607	OMB-1121-0235	545	-	545
U.S. Department of Homeland Security:					
Federal Emergency Management Agency:					
Passed through N.C. Department of Crime Control and Public Safety					
Staffing for Adequate Fire & Emergency Response	97.044	EMW-2006-FF-04218	245,822	-	46,860
Passed through Division of N.C. Homeland Security					
Intelligence/Info Sharing Center	97.074	2007-GE-T7-0048	100,367	-	(7,881)
Intelligence/Info Sharing Center	97.067	2009-SS-T9-0068	96,624	-	-
USDHS Pen-Link Grant	97.067	2006-GE-T6-0010-EM06	40,000	-	-
U.S. Department of Agriculture:					
Passed through N.C. Department of Health and Human Services					
Nutrition Services Branch					
Summer Food Services Program	10.559	8386	11,224	-	-
U.S. Department of Housing and Urban Development:					
Passed through N.C. Department of Commerce					
Division of Community Service					
Infrastructure Hook Up Grant	14.228	08-C-1864	65,134	-	-
U.S. Environmental Protection Agency:					
Brownfields Assessment and Cleanup Cooperative	66.818	BF-95440709-0	63,221	-	-
Department of Environment & Natural Resources:					
Division of Environmental Health					
Public Water Supply Section					
Drinking Water State Revolving Fund		HLRXF040994	-	32,775,099	-
Division of Parks and Recreation					
N.C. Parks & Recreation Trust Fund (PARTF)		P08079	-	27,185	16,021
Division of Water Quality					
Clean Water Management Trust Fund		2007-711	-	-	67,764
Division of Coastal Management					
CAMA Regional Land Use Plan Phase II		1007	-	9,500	1,300
Pollock Street Access Project		905	-	9,162	211
Queen Street Access Project		906	-	25,585	2,117
Division of Soil & Water Conservation					
N.C. Community Conservation Program		25-08-503-09	-	670	190

CITY OF NEW BERN, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Department of Transportation:					
Powell Bill			-	738,519	-
Traffic Enforcement Unit Reconstruction	20.600	PT-10-03-03-22	-	22,660	27,198
Bicycle & Pedestrian Planning Grant		WBS ELEMENT 37309.1.1	-	7,875	3,375
Total Federal Expenditures			\$ 682,475		
Total State Expenditures				\$ 33,616,254	
Total Local Expenditures					\$ 157,700

Note 1 - Basis of Presentation

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

Note 2 - Loans Outstanding

The City of New Bern had the following loan balances outstanding at June 30, 2010. These loan balances outstanding are also included in the State expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA #</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Clean Water Trust Grant	N/A	N/A	\$ 32,775,099