

**CITY OF NEW BERN
NORTH CAROLINA**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009



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

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

**CITY OF NEW BERN
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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

CITY OF NEW BERN, NORTH CAROLINA
Basic Financial Statements
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
FINANCIAL SECTION		
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-13
Basic Financial Statements:		
Government-Wide Financial Statements:		
A	Statement of Net Assets	14
B	Statement of Activities	15-16
Fund Financial Statements:		
C	Balance Sheet - Governmental Funds	17
D	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
G	Statement of Net Assets - Proprietary Funds	21
H	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	22
I	Statement of Cash Flows - Proprietary Funds	23
	Notes to the Basic Financial Statements	24-55

CITY OF NEW BERN, NORTH CAROLINA
Basic Financial Statements
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Combining and Individual Fund Statements and Schedules:	
A-1	Other Post-Employment Benefit - Retiree Healthcare Required Supplementary Information	56
	General Fund:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	57-62
	Combining Nonmajor Schedules:	
C-1	Combining Balance Sheet - Nonmajor Governmental Funds	63
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Governmental Funds	64
	Special Revenue Funds:	
D-1	Combining Balance Sheet - Nonmajor Special Revenue Funds	65-66
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds	67-68
D-3	Community Development Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69
D-4	2007 Stormwater CWMTF Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70
D-5	Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	71
D-6	Police Special Revenue Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72

CITY OF NEW BERN, NORTH CAROLINA
Basic Financial Statements
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
D-7	SAFER Fire Grant - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73
D-8	2007 PARTF Recreation Grant Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	74
	Capital Project Funds:	
E-1	Combining Balance Sheet - Nonmajor Capital Project Funds	75
E-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Project Funds	76
E-3	Swimming Pool Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
E-4	Elizabeth Avenue Fire Station - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
E-5	Kale Road Property Capital Project - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
	Enterprise Funds:	
F-1	Enterprise Fund - Electric - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	80-81
F-2	Electric Distribution Facilities Capital Projects Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses - Budget and Actual (Non-GAAP)	82

CITY OF NEW BERN, NORTH CAROLINA
Basic Financial Statements
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
F-3	Electric Substation Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	83
F-4	Broad Street Electric Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	84
F-5	Enterprise Fund - Water - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual	85
F-6	Water Capital Reserve Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	86
F-7	Water Treatment Capital Projects Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	87
F-8	Township 7 Water Improvements Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	88
F-9	Industrial Park Water Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financial Sources (Uses) - Budget and Actual (Non-GAAP)	89
F-10	Neuse Boulevard Water Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financial Sources (Uses) - Budget and Actual (Non-GAAP)	90
F-11	Enterprise Fund - Sewer - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	91-92

CITY OF NEW BERN, NORTH CAROLINA
Basic Financial Statements
For the Year Ended June 30, 2009

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
F-12	Trent Woods Sewer Construction Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	93
F-13	Township 7 Sewer Improvements Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	94
F-14	Regional Lift Station Sewer Capital Project Fund - Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	95
Internal Service Funds:		
G-1	Internal Service Fund - Employee Benefit Insurance Fund - Statement of Revenues, Expenditures, and Changes in Net Assets - Plan and Actual	96
Additional Financial Data:		
H-1	Schedule of Ad Valorem Taxes Receivable	97
H-2	Analysis of Current Year Levy - County-Wide Levy	98
Compliance Section:		
	Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	99-100
	Report On Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	101-102
	Schedule of Findings, Responses and Questioned Costs	103-104
	Schedule of Expenditures of Federal and State Awards	105-106

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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, 2009, 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, 2009 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 September 16, 2009 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.
September 16, 2009

Management's Discussion and Analysis

As management of the City, 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, 2009. 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

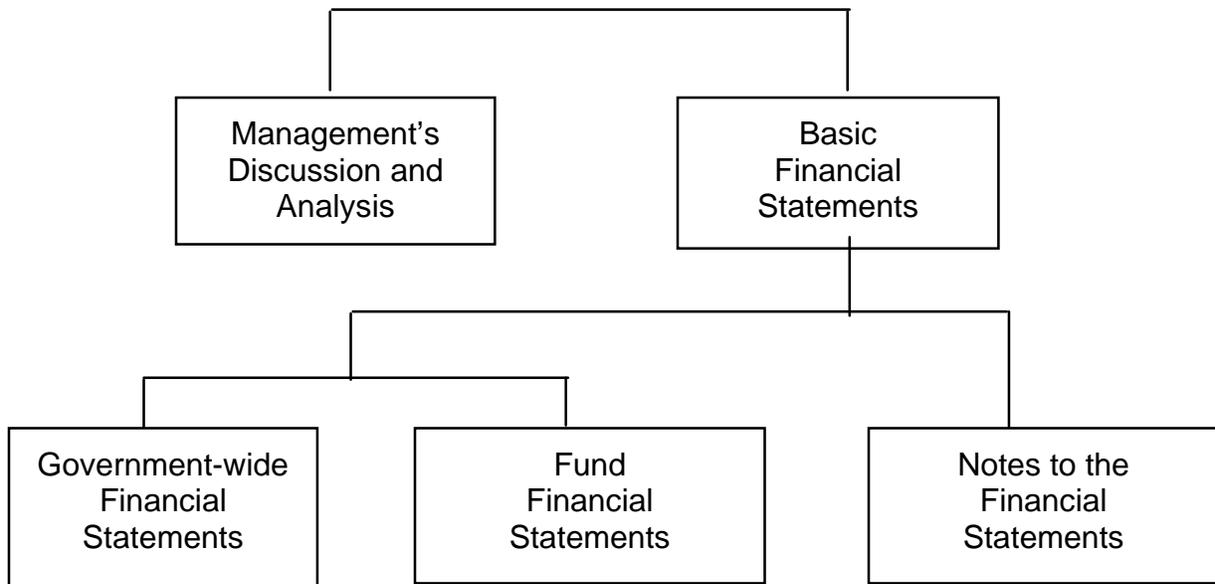
- The assets of the City of New Bern exceeded its liabilities at the close of the fiscal year by \$117,747,727 (*net assets*).
- The government's total net assets increased by \$5,738,631, due to increases in the business-type activities net assets.
- As of the close of the current fiscal year, the City of New Bern's governmental funds reported combined ending fund balances of \$6,439,104 a decrease of \$4,103,601 in comparison with the prior year. Long-term debt proceeds received in the prior year were spent on capital projects, accounting for the majority of the decrease in governmental fund balances. Approximately 45.7 percent of the total fund balance, or \$2,945,008, is available for spending at the government's discretion (*unreserved fund balance*), and of this amount \$327,441 is designated for capital projects.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,701,696 or 9.9 percent of the total general fund expenditures for the fiscal year. In 2008, unreserved fund balance in the General Fund was \$253,896. Funds loaned to the Electric and Sewer Funds in the prior year totaling \$2,668,254 were repaid to the General Fund during fiscal year 2009. Our percentage is less than our goal of 15 - 20 percent, although there is no formal fund balance policy.
- The City's long-term liabilities related to capital asset acquisition and construction increased by \$26,168,946 or 42.3% during the current fiscal year. The key factor is additional borrowing of \$18,400,566 on a Drinking Water State Revolving loan for the construction of wells and a new water treatment plant. There were two new installment financings totaling \$14,090,287, with \$10,221,835 of this amount for water and sewer improvements.
- As a result of our goal to maintain adequate fund balances and to repay the debt on the new water treatment plant after its completion, the Governing Board approved multiple water and sewer rate increases for fiscal year 2010.
- The City's sound financial condition is evidenced by the continuation of its A3 rating from Moody's Investors Service and its rating increase in January 2009 from A- to A 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



Summary → Detail

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 gauge 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 24-55 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 \$117,747,727 as of June 30, 2009. The City's net assets increased by \$5,738,631 for the fiscal year ended June 30, 2009. The largest portion \$106,308,935 (90.3%) 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 \$11,438,792 (9.7%) is unrestricted. In 2008, the amount of net assets invested in capital assets net of related debt was \$103,885,156, and the remaining balance of \$8,123,940 was unrestricted net assets for that year.

City of New Bern Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$9,361,804	\$14,086,406	\$25,652,449	\$11,590,436	\$35,014,253	\$25,676,842
Capital assets	47,747,080	42,981,478	136,719,925	117,121,952	184,467,005	160,103,430
Total assets	<u>\$57,108,884</u>	<u>\$57,067,884</u>	<u>\$162,372,374</u>	<u>\$128,712,388</u>	<u>\$219,481,258</u>	<u>\$185,780,272</u>
Long-term liabilities outstanding	\$16,146,847	\$15,108,900	\$68,299,607	\$41,588,071	\$84,446,454	\$56,696,971
Other liabilities	4,426,370	5,351,197	12,860,707	11,723,008	17,287,077	17,074,205
Total liabilities	<u>20,573,217</u>	<u>20,460,097</u>	<u>81,160,314</u>	<u>53,311,079</u>	<u>101,733,531</u>	<u>73,771,176</u>
Net assets:						
Invested in capital assets, net of related debt	32,315,686	31,404,726	73,993,249	72,480,430	106,308,935	103,885,156
Restricted	-	-	-	-	-	-
Unrestricted	4,219,981	5,203,061	7,218,811	2,920,879	11,438,792	8,123,940
Total net assets	<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>

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 by maintaining a tax collection percentage (excluding motor vehicles) of 98.6%, which is comparable to the statewide average as reported for the year ending June 30, 2008 of 98.64%. The overall tax collection percentage of 97.83% for fiscal year 2009 decreased slightly as compared to 98.22% for 2008.
- Continued increase in property tax values due to economic growth in the City. The property tax rate remained at 50.5 cents per \$100 of property value. Receipts of total ad valorem taxes increased \$560,580 or 4.9% over prior year.
- General Fund expenditures, after transfers out, decreased \$826,686 over the prior year.

City of New Bern Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$5,005,395	\$5,396,019	\$79,978,414	\$71,592,713	\$84,983,809	\$76,988,732
Operating grants and contributions	498,269	1,490,112	-	-	498,269	1,490,112
Capital grants and contributions	929,954	1,389,464	1,201,782	598,245	2,131,736	1,987,709
General revenues:						
Property taxes	11,976,146	11,394,396	-	-	11,976,146	11,394,396
Other taxes	8,121,813	7,812,084	-	-	8,121,813	7,812,084
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Unrestricted investment earnings	56,074	220,341	20,914	82,241	76,988	302,582
Total revenues	26,587,651	27,702,416	81,201,110	72,273,199	107,788,761	99,975,615
Expenses:						
General government	1,607,896	1,740,209	-	-	1,607,896	1,740,209
Public safety	16,013,462	14,256,696	-	-	16,013,462	14,256,696
Public works	4,473,588	4,155,602	-	-	4,473,588	4,155,602
Environmental protection	1,913,120	1,857,096	-	-	1,913,120	1,857,096
Economic development	1,762,997	1,573,633	-	-	1,762,997	1,573,633
Culture and recreation	2,589,437	2,447,858	-	-	2,589,437	2,447,858
Interest on long-term debt	536,678	352,292	-	-	536,678	352,292
Water	-	-	5,688,144	6,003,170	5,688,144	6,003,170
Sewer	-	-	10,052,081	9,919,852	10,052,081	9,919,852
Electric	-	-	57,412,727	51,942,501	57,412,727	51,942,501
Total expenses	28,897,178	26,383,386	73,152,952	67,865,523	102,050,130	94,248,909
Increase in net assets before transfers	(2,309,527)	1,319,030	8,048,158	4,407,676	5,738,631	5,726,706
Transfers	2,237,407	1,198,590	(2,237,407)	(1,198,590)	-	-
Increase in net assets	(72,120)	2,517,620	5,810,751	3,209,086	5,738,631	5,726,706
Net assets, July 1	36,607,787	34,090,167	75,401,309	72,192,223	112,009,096	106,282,390
Net assets, June 30	\$36,535,667	\$36,607,787	\$81,212,060	\$75,401,309	\$117,747,727	\$112,009,096

Governmental Activities. Governmental activities, after transfers, decreased the City's net assets by \$72,120. Key elements of this decrease are as follows:

- Expenditures exceeded revenues in the General Fund by \$514,037. Included in this amount is a one-time operating transfer of \$116,139 to the Internal Service Fund due to higher than expected health claims.
- Restricted cash was used to purchase and construct capital assets.
- 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 \$5,810,751, accounting for 100.0 percent of the total growth in the net assets.

The increase is primarily due to rate increases in the water, sewer and electric funds, as well as \$1,201,782 capital contributions for water and sewer lines for three new subdivisions. As did the General Fund, the enterprise funds made a one-time operating transfer totaling \$812,876 to the Internal Service Fund due to higher than expected health claims.

Electric rate increases in July 2008 and February 2009 were necessary to cover increases in our wholesale power cost, as well as improve the Electric Fund's financial position. Although the 5.0 percent sewer rate increase in July 2008 resulted in only about a 2.0 percent increase in customer charges, the Sewer Fund's net assets increased and the fund had \$976,985 in unrestricted assets at June 30, 2009 as compared to \$38,951 negative unrestricted net assets in the prior year. During this fiscal year, the Electric and Sewer funds repaid loans from the General Fund and ended fiscal year 2009 in a positive position.

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 \$2,701,696 while total fund balance was \$5,928,961. 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 9.9 percent of total General Fund expenditures, while total fund balance represents 21.7 percent of the same amount.

At June 30, 2009, the governmental funds of the City of New Bern reported a combined fund balance of \$6,439,104, a decrease of \$4,103,601 over last year. Included in this change in fund balance is a decrease in the General Fund of \$514,037 and decreases in Capital Project Funds as designated funds were spent to complete capital assets.

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.

There was one significant amendment made in June, reducing the overall General Fund budget by \$302,154. Permits and fees revenue and investment earnings were reduced as these revenues were less than originally budgeted. The amendment also included a transfer to the Internal Service Fund to fund a deficit due to higher than expected health claims.

Revenues were less than the budgeted amounts primarily due to the slowing economy. Sales tax revenue was budgeted 6.0 percent more than actual for the prior fiscal year. Actual sales tax revenue for 2009 remained fairly stable with a decrease of \$57,104 or 1.1 percent less than in 2008. The motor vehicle tax levy was less than estimated, resulting in \$177,315 or 16.3% less revenue received than budgeted. With the weakening economy, spending was restricted throughout the year. Expenditures, after transfers out, decreased \$826,686 over the prior year and capital purchases of \$4,431,471 were postponed.

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. Total net assets at the end of the fiscal year amounted to \$81,212,060 which is comprised of \$12,689,417 for the Water Fund, \$41,503,721 for the Sewer Fund and \$27,018,922 for the Electric Fund. The total change in net assets for these funds was \$1,292,645, \$2,061,822 and \$2,456,284 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the City had \$184,467,006 (net of accumulated depreciation) in capital assets consisting of land, buildings and systems, equipment, vehicles, and infrastructure. This amount represents a net increase of \$24.4 million, or 15.2 percent over last year.

Major capital asset transactions during the year include the following:

- Construction in progress for new wells and water treatment plant totaling \$18,788,477.
- Construction for aquatic center/swimming pool was completed and \$3,952,192 asset placed in service.
- Purchase of land and building on Kale Road \$2,502,710 for multi-department facility.
- Construction in progress for addition to Elizabeth Ave. Fire Station of \$311,660.

- Construction in progress for Neuse Boulevard water line project of \$402,025.
- Construction in progress for Broad Street electrical improvements totaling \$477,170.
- Capital contributions of water systems of \$360,626 and sewer systems of \$841,156 for three new subdivision developments.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$18,138,032	\$12,395,825	\$14,129,418	\$13,996,362	\$32,267,450	\$26,392,187
Buildings and Systems	11,327,103	11,666,550	82,988,902	83,258,372	94,316,005	94,924,922
Equipment, Furniture and Fixtures	3,503,584	4,121,426	5,514,163	5,960,951	9,017,747	10,082,377
Infrastructure	9,557,092	9,924,036	-	-	9,557,092	9,924,036
Vehicles and Motorized Equipment	1,534,801	1,974,633	1,735,862	1,946,122	3,270,663	3,920,755
Construction in Progress	3,686,468	2,899,008	32,351,581	11,960,145	36,038,049	14,859,153
Total	\$47,747,080	\$42,981,478	\$136,719,926	\$117,121,952	\$184,467,006	\$160,103,430

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, 2009, the City had total bonded debt outstanding of \$485,000. 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 Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ -	\$ -	\$ 485,000	\$ 740,000	\$ 485,000	\$ 740,000
Installment purchases	16,106,428	16,626,035	26,528,141	16,830,785	42,634,569	33,456,820
Notes payable	-	-	44,894,829	27,648,632	44,894,829	27,648,632
Total:	\$16,106,428	\$16,626,035	\$71,907,970	\$45,219,417	\$88,014,398	\$61,845,452

The City's long-term liabilities related to capital asset acquisition and construction increased by \$26,168,946 (42.3%) during the past fiscal year, primarily due to the additional borrowing of \$18,400,566 on a Drinking Water State Revolving loan for the construction of wells and the new water treatment plant. The City also issued \$11,721,835 in installment financing to construct water improvements of \$4,780,520, sewer improvements of \$5,441,315 and electrical improvements of \$1,500,000. Additionally, an installment purchase contract with the U.S. Department of Agriculture Rural Development for \$2,368,452 was closed on June 30, 2009 for the purchase of land and building facility on Kale Road.

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 the upgrade in January 2009 from A- to 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, 2009 is approximately \$186,561,090.

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:

- Reductions in construction were evident as building permits valued at \$45.5 million in fiscal year 2009 were \$70.0 million less than the permitted values in fiscal year 2008. Building permits were issued for 165 commercial and 360 residential units, compared to 250 and 387, respectively, in 2008. Residential permitted value was down 4.6 percent while commercial permitted value was down 80.7 percent from last year.
- The June 2009 unemployment rate for Craven County was 10.3, a 74.6 percent increase from the June 2008 unemployment rate of 5.9 percent. This compares to the June 2009 unemployment rate of 11.0 percent for the state and 9.5 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2010

Governmental Activities: Property taxes are expected to lead the increase in budgeted revenue by 3.8 percent. Sales tax revenue is budgeted at no growth from last year's budget. The year ended, however, with less sales tax revenue than projected. With the adoption of the State budget in August, the City will receive only one third of expected beer and wine tax revenue in fiscal year 2010, which is \$66,511 less than budgeted.

Budgeted expenditures in the General Fund, after reimbursements, are expected to rise approximately 4.0 percent from 2009 actual to \$28,059,740. Included in the increase are essential capital purchases of \$570,275 and an increase of \$554,910 for departmental health insurance costs. The budget restrictions on non-critical expenditures and a hiring freeze that were in place throughout fiscal year 2009, continue as of the writing of this discussion, and will remain until positive improvement in the economy and our revenues.

Business-type Activities: An approximate 8.0 percent increase in sewer rates is effective July 1, 2009 and another increase effective November 1, 2009 to cover increased costs of operations and improve the Sewer Fund's financial position. This equates to a \$3.00 per month increase in July for in-city households. General operating expenses for Sewer, including capital outlay and debt service, will increase 16.4 percent over actual expenditures for fiscal year ending June 30, 2009. A previously approved increase in sewer connection fees is implemented July 1, 2009 with fifty percent of the increase being set aside in a capital reserve fund for future capital expenditures.

An approximate 20.0 percent increase in water rates is effective July 1, 2009, with additional increases effective November 1, 2009 and March 1, 2010. This equates to about a \$4.00 per month increase in July for in-city households. The rate increases are necessary due to increased operating costs and debt associated with the construction of new wells and a water treatment plant, which is expected to be completed in December 2009. Water Fund expenses will increase 57.4 percent over actual expenditures for fiscal year ending June 30, 2009.

At this time, the City is not aware of any increases in our wholesale power costs through the end of fiscal year 2010.

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, 2009

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 5,019,538	\$ 3,687,450	\$ 8,706,988
Taxes receivable, net	436,982	-	436,982
Accounts receivable, net	648,214	9,217,145	9,865,359
Due from other governments	2,422,083	1,246,165	3,668,248
Prepaid items	19,850	-	19,850
Inventories	140,103	2,320,395	2,460,498
Cash and investments, restricted	675,034	9,181,294	9,856,328
Non-depreciable capital assets	21,824,500	46,167,717	67,992,217
Depreciable capital assets, net	25,922,580	90,552,208	116,474,788
Total assets	<u>57,108,884</u>	<u>162,372,374</u>	<u>219,481,258</u>
Liabilities:			
Accounts payable and accrued liabilities	2,074,010	7,527,149	9,601,159
Unearned revenues	31,182	-	31,182
Customer deposits	-	1,043,616	1,043,616
Current maturities of long-term debt	2,321,178	4,289,942	6,611,120
Non-current portion of long-term debt	16,146,847	68,299,607	84,446,454
Total liabilities	<u>20,573,217</u>	<u>81,160,314</u>	<u>101,733,531</u>
Net Assets:			
Invested in capital assets, net of related debt	32,315,686	73,993,249	106,308,935
Unrestricted	4,219,981	7,218,811	11,438,792
Total net assets	<u>\$ 36,535,667</u>	<u>\$ 81,212,060</u>	<u>\$ 117,747,727</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, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,607,896	\$ 2,734,955	\$ -	\$ -
Public safety	16,013,462	464,430	349,007	105,509
Public works	4,473,588	198,964	9,048	824,445
Environmental protection	1,913,120	1,502,513	563	-
Cultural and recreation	2,589,437	98,533	107,531	-
Economic and physical development	1,762,996	6,000	32,120	-
Interest on long-term debt	536,678	-	-	-
Total governmental activities	<u>28,897,178</u>	<u>5,005,395</u>	<u>498,269</u>	<u>929,954</u>
Business-Type Activities:				
Electric Fund	57,412,727	61,694,281	-	-
Water Fund	5,688,144	6,877,360	-	360,626
Sewer Fund	10,052,081	11,406,773	-	841,156
Total business-type activities	<u>73,152,952</u>	<u>79,978,414</u>	<u>-</u>	<u>1,201,782</u>
Total primary government	<u>\$ 102,050,130</u>	<u>\$ 84,983,809</u>	<u>\$ 498,269</u>	<u>\$ 2,131,736</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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ 1,127,059	\$ -	\$ 1,127,059
(15,094,516)	-	(15,094,516)
(3,441,131)	-	(3,441,131)
(410,044)	-	(410,044)
(2,383,373)	-	(2,383,373)
(1,724,876)	-	(1,724,876)
(536,678)	-	(536,678)
<u>(22,463,560)</u>	<u>-</u>	<u>(22,463,560)</u>
-	4,281,554	4,281,554
-	1,549,842	1,549,842
-	2,195,848	2,195,848
<u>-</u>	<u>8,027,244</u>	<u>8,027,244</u>
<u>(22,463,560)</u>	<u>8,027,244</u>	<u>(14,436,316)</u>
11,976,146	-	11,976,146
4,992,972	-	4,992,972
1,455,896	-	1,455,896
1,672,945	-	1,672,945
56,074	20,914	76,988
2,237,407	(2,237,407)	-
<u>22,391,440</u>	<u>(2,216,493)</u>	<u>18,719,051</u>
(72,120)	5,810,751	5,738,631
<u>36,607,787</u>	<u>75,401,309</u>	<u>112,009,096</u>
<u>\$ 36,535,667</u>	<u>\$ 81,212,060</u>	<u>\$ 117,747,727</u>

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

CITY OF NEW BERN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 3,988,973	\$ 196,362	\$ 4,185,335
Taxes receivable, net	436,982	-	436,982
Accounts receivable, net	627,790	18,101	645,891
Cash and investments, restricted	344,317	330,717	675,034
Due from other funds	-	266,831	266,831
Due from other governments	2,422,083	-	2,422,083
Prepaid items	19,850	-	19,850
Inventories	140,103	-	140,103
Total assets	<u>\$ 7,980,098</u>	<u>\$ 812,011</u>	<u>\$ 8,792,109</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,256,095	\$ 17,291	\$ 1,273,386
Due to other funds	-	266,831	266,831
Deferred revenue	795,042	17,746	812,788
Total liabilities	<u>2,051,137</u>	<u>301,868</u>	<u>2,353,005</u>
Fund Balances:			
Reserved by State statute	2,722,995	266,831	2,989,826
Reserved for prepaids and inventories	159,953	-	159,953
Reserved for capital projects	344,317	-	344,317
Unreserved - General Fund	2,701,696	-	2,701,696
Unreserved, reported in:			
Special revenue funds	-	(84,129)	(84,129)
Capital projects funds	-	327,441	327,441
Total fund balances	<u>5,928,961</u>	<u>510,143</u>	<u>6,439,104</u>
Total liabilities and fund balances	<u>\$ 7,980,098</u>	<u>\$ 812,011</u>	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			47,747,080
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.			35,902
Liabilities for earned, but deferred, revenues in fund statements.			781,606
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(18,468,025)</u>
Net assets of governmental activities, per Exhibit A			<u>\$ 36,535,667</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, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 11,916,033	\$ -	\$ 11,916,033
Other taxes and licenses	282,833	-	282,833
Unrestricted intergovernmental revenues	7,838,980	-	7,838,980
Restricted intergovernmental revenues	1,087,761	331,414	1,419,175
Permits and fees	537,054	-	537,054
Sales and services	3,633,618	388,039	4,021,657
Interest earned on investments	33,609	20,600	54,209
Miscellaneous	179,804	15,048	194,852
Total revenues	<u>25,509,692</u>	<u>755,101</u>	<u>26,264,793</u>
Expenditures:			
General government	594,586	-	594,586
Public safety	13,823,967	816,909	14,640,876
Public works	3,763,739	-	3,763,739
Environmental protection	1,856,632	-	1,856,632
Cultural and recreation	2,282,102	22,720	2,304,822
Economic and physical development	1,608,179	61,770	1,669,949
Capital outlay	82,843	6,160,629	6,243,472
Debt service:			
Principal repayments	2,434,480	-	2,434,480
Interest	536,681	-	536,681
Total expenditures	<u>26,983,209</u>	<u>7,062,028</u>	<u>34,045,237</u>
Revenues over (under) expenditures	<u>(1,473,517)</u>	<u>(6,306,927)</u>	<u>(7,780,444)</u>
Other Financing Sources (Uses):			
Transfers from other funds	959,480	348,911	1,308,391
Issuance of long-term debt	-	2,368,452	2,368,452
Total other financing sources (uses)	<u>959,480</u>	<u>2,717,363</u>	<u>3,676,843</u>
Net change in fund balances	(514,037)	(3,589,564)	(4,103,601)
Fund Balances:			
Beginning of year - July 1	<u>6,442,998</u>	<u>4,099,707</u>	<u>10,542,705</u>
End of year - June 30	<u>\$ 5,928,961</u>	<u>\$ 510,143</u>	<u>\$ 6,439,104</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, 2009**

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)	\$ (4,103,601)
<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	60,113
Sales and services	15,406
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(102,380)
Expenses related to other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(1,226,869)
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.	7,400,325
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.	(397,772)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,783,375)
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.	2,434,483
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.	(2,368,452)
The net revenue of the internal service funds are reported with governmental activities.	<u>2</u>
Change in net assets of governmental activities per Exhibit B	<u>\$ (72,120)</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, 2009**

	2009			
	Original	Budgeted Amounts		Variance Over/Under
		Final	Actual	
Revenues:				
Ad valorem taxes	\$ 12,123,686	\$ 12,123,686	\$ 11,916,033	\$ (207,653)
Other taxes and licenses	291,100	291,100	282,833	(8,267)
Unrestricted intergovernmental revenues	8,033,048	8,093,024	7,838,980	(254,044)
Restricted intergovernmental revenues	1,295,009	1,356,929	1,087,761	(269,168)
Permits and fees	703,363	539,363	537,054	(2,309)
Sales and services	4,060,493	4,034,943	3,633,618	(401,325)
Interest earned on investments	224,100	92,520	33,609	(58,911)
Miscellaneous	246,100	246,100	179,804	(66,296)
Total revenues	<u>26,976,899</u>	<u>26,777,665</u>	<u>25,509,692</u>	<u>(1,267,973)</u>
Expenditures:				
General government	951,486	765,864	594,586	171,278
Public safety	13,515,349	14,005,935	13,823,967	181,968
Public works	4,006,168	3,927,868	3,763,739	164,129
Environmental protection	1,880,129	1,880,129	1,856,632	23,497
Cultural and recreation	2,465,083	2,369,798	2,282,102	87,696
Economic and physical development	1,694,984	1,717,115	1,608,179	108,936
Capital outlay	4,526,134	4,514,314	82,843	4,431,471
Debt service:				
Principal	2,455,706	2,436,215	2,434,480	1,735
Interest	536,887	536,884	536,681	203
Total expenditures	<u>32,031,926</u>	<u>32,154,122</u>	<u>26,983,209</u>	<u>5,170,913</u>
Revenues over (under) expenditures	<u>(5,055,027)</u>	<u>(5,376,457)</u>	<u>(1,473,517)</u>	<u>3,902,940</u>
Other Financing Sources (Uses):				
Transfers	951,619	779,828	959,480	179,652
Issuance of long-term debt	4,486,134	4,446,629	-	(4,446,629)
Contingency	(532,726)	-	-	-
Appropriated fund balance	150,000	150,000	-	(150,000)
Total other financing sources (uses)	<u>5,055,027</u>	<u>5,376,457</u>	<u>959,480</u>	<u>(4,416,977)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(514,037)	<u>\$ (514,037)</u>
Fund Balance:				
Beginning of year - July 1			6,442,998	
End of year - June 30			<u>\$ 5,928,961</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, 2009

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 604,115	\$ 2,849,029	\$ 234,306	\$ 3,687,450	\$ 834,203
Accounts receivable, net	7,092,453	819,790	1,304,902	9,217,145	2,323
Due from other governments	-	1,096,165	150,000	1,246,165	-
Inventories	2,123,578	125,223	71,594	2,320,395	-
Cash, restricted	1,024,250	3,386,034	4,771,010	9,181,294	-
Total current assets	<u>10,844,396</u>	<u>8,276,241</u>	<u>6,531,812</u>	<u>25,652,449</u>	<u>836,526</u>
Non-current Assets:					
Non-depreciable capital assets	1,788,286	30,393,643	13,985,788	46,167,717	-
Depreciable capital assets, net	<u>24,114,468</u>	<u>9,815,847</u>	<u>56,621,893</u>	<u>90,552,208</u>	<u>-</u>
Total capital assets	<u>25,902,754</u>	<u>40,209,490</u>	<u>70,607,681</u>	<u>136,719,925</u>	<u>-</u>
Total assets	<u>36,747,150</u>	<u>48,485,731</u>	<u>77,139,493</u>	<u>162,372,374</u>	<u>836,526</u>
Liabilities:					
Current Liabilities:					
Accounts payable and accrued expenses	4,339,002	2,555,810	451,230	7,346,042	800,624
Accrued interest	14,755	17,255	149,097	181,107	-
Customer deposits	1,043,616	-	-	1,043,616	-
Long-term debt, due in one year	<u>544,999</u>	<u>783,320</u>	<u>2,961,623</u>	<u>4,289,942</u>	<u>-</u>
Total current liabilities	<u>5,942,372</u>	<u>3,356,385</u>	<u>3,561,950</u>	<u>12,860,707</u>	<u>800,624</u>
Non-current Liabilities:					
Non-current portion of long-term debt	<u>3,785,856</u>	<u>32,439,929</u>	<u>32,073,822</u>	<u>68,299,607</u>	<u>-</u>
Total non-current liabilities	<u>3,785,856</u>	<u>32,439,929</u>	<u>32,073,822</u>	<u>68,299,607</u>	<u>-</u>
Total liabilities	<u>9,728,228</u>	<u>35,796,314</u>	<u>35,635,772</u>	<u>81,160,314</u>	<u>800,624</u>
Net Assets:					
Invested in capital assets, net of related debt	22,982,717	10,483,796	40,526,736	73,993,249	-
Unrestricted	<u>4,036,205</u>	<u>2,205,621</u>	<u>976,985</u>	<u>7,218,811</u>	<u>35,902</u>
Total net assets	<u>\$ 27,018,922</u>	<u>\$ 12,689,417</u>	<u>\$ 41,503,721</u>	<u>\$ 81,212,060</u>	<u>\$ 35,902</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, 2009

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Operating Revenues:					
Charges for services	\$ 61,032,236	\$ 6,312,712	\$ 9,542,973	\$ 76,887,921	\$ -
Connection fees	222,697	599,276	1,224,497	2,046,470	-
Local government availability fee	-	-	694,327	694,327	-
Employee and retiree contributions	-	-	-	-	643,246
Employer and other contributions	-	-	-	-	5,334,005
Total operating revenues	<u>61,254,933</u>	<u>6,911,988</u>	<u>11,461,797</u>	<u>79,628,718</u>	<u>5,977,251</u>
Operating Expenses:					
Administration	6,839,316	2,568,524	1,903,720	11,311,560	-
Production	46,407,947	-	-	46,407,947	-
Distribution	2,177,620	-	-	2,177,620	-
System maintenance/extension	-	2,121,357	3,107,824	5,229,181	-
Hydrant maintenance	-	200,450	-	200,450	-
Pre-treatment	-	-	64,677	64,677	-
Treatment	-	262,301	2,183,434	2,445,735	-
Depreciation	1,889,735	475,983	1,839,092	4,204,810	-
Employee insurance plan	-	-	-	-	6,908,130
Total operating expenses	<u>57,314,618</u>	<u>5,628,615</u>	<u>9,098,747</u>	<u>72,041,980</u>	<u>6,908,130</u>
Operating income	<u>3,940,315</u>	<u>1,283,373</u>	<u>2,363,050</u>	<u>7,586,738</u>	<u>(930,879)</u>
Non-operating Revenues (Expenses):					
Miscellaneous	439,348	(34,628)	(55,024)	349,696	-
Investment income	1,318	15,745	3,851	20,914	1,865
Interest expense	(98,109)	(59,529)	(953,334)	(1,110,972)	-
Total non-operating revenues (expenses)	<u>342,557</u>	<u>(78,412)</u>	<u>(1,004,507)</u>	<u>(740,362)</u>	<u>1,865</u>
Income before capital contributions and transfers	4,282,872	1,204,961	1,358,543	6,846,376	(929,014)
Capital contributions	-	360,626	841,156	1,201,782	-
Transfers from other funds	-	-	-	-	929,016
Transfers to other funds	(1,826,588)	(272,942)	(137,877)	(2,237,407)	-
Change in net assets	2,456,284	1,292,645	2,061,822	5,810,751	2
Net Assets:					
Beginning of year - July 1	<u>24,562,638</u>	<u>11,396,772</u>	<u>39,441,899</u>	<u>75,401,309</u>	<u>35,900</u>
End of year - June 30	<u>\$ 27,018,922</u>	<u>\$ 12,689,417</u>	<u>\$ 41,503,721</u>	<u>\$ 81,212,060</u>	<u>\$ 35,902</u>

The accompanying notes 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, 2009

	Business-Type Activities			Government- Type Activities	
	Electric Fund	Water Fund	Sewer Fund	Internal Service Fund	
Cash Flows from Operating Activities:					
Cash received from customers	\$ 61,201,078	\$ 7,147,786	\$ 11,665,748	\$ 80,014,612	\$ 5,977,569
Cash paid to employees	(3,806,914)	(1,336,865)	(2,497,440)	(7,641,219)	(6,868,494)
Cash paid for goods and services	(50,821,726)	(4,354,711)	(4,586,050)	(59,762,487)	-
Net cash provided (used) by operating activities	<u>6,572,438</u>	<u>1,456,210</u>	<u>4,582,258</u>	<u>12,610,906</u>	<u>(890,925)</u>
Cash Flows from Non-capital Financing Activities:					
Other non-operating income items	437,548	5,826	(7,272)	436,102	-
Change in due to/from other funds	(2,103,841)	580,000	(1,144,413)	(2,668,254)	-
Transfers from (to) other funds	(1,826,588)	(272,942)	(137,877)	(2,237,407)	929,016
Net cash provided (used) by non-capital financing activities	<u>(3,492,881)</u>	<u>312,884</u>	<u>(1,289,562)</u>	<u>(4,469,559)</u>	<u>929,016</u>
Cash Flows from Capital and Related Financing Activities:					
Issuance of long-term debt	1,500,000	23,181,084	5,441,315	30,122,399	-
Acquisition and construction of capital assets	(2,374,001)	(18,833,470)	(1,254,559)	(22,462,030)	-
Proceeds from the sale of capital assets	900	1,450	18,179	20,529	-
Principal payments on long-term debt	(593,489)	(529,858)	(2,764,100)	(3,887,447)	-
Interest paid	(119,607)	(68,284)	(970,438)	(1,158,329)	-
Capital contributions and grants	-	360,626	841,156	1,201,782	-
Net cash provided (used) by capital and related financing activities	<u>(1,586,197)</u>	<u>4,111,548</u>	<u>1,311,553</u>	<u>3,836,904</u>	<u>-</u>
Cash Flows from Investing Activities:					
Investment income received	1,311	15,510	3,622	20,443	1,864
Net increase (decrease) in cash and cash equivalents	<u>1,494,671</u>	<u>5,896,152</u>	<u>4,607,871</u>	<u>11,998,694</u>	<u>39,955</u>
Cash and Cash Equivalents:					
Beginning of year - July 1	<u>133,694</u>	<u>338,911</u>	<u>397,445</u>	<u>870,050</u>	<u>794,248</u>
End of year - June 30	<u>\$ 1,628,365</u>	<u>\$ 6,235,063</u>	<u>\$ 5,005,316</u>	<u>\$ 12,868,744</u>	<u>\$ 834,203</u>
Reconciliation of Operating Income to Cash Flows from Operating Activities:					
Operating income	\$ 3,940,315	\$ 1,283,373	\$ 2,363,050	\$ 7,586,738	\$ (930,879)
Depreciation	1,889,735	475,983	1,839,092	4,204,810	-
Change in Assets and Liabilities:					
Increase (decrease) in accounts receivable and other receivables	(132,062)	235,798	203,951	307,687	318
Increase (decrease) in inventories	270,597	12,460	14,658	297,715	-
Increase (decrease) in accounts payable and accrued liabilities	525,646	(551,404)	161,507	135,749	39,636
Increase (decrease) in customer deposits	78,207	-	-	78,207	-
Net cash provided (used) by operating activities	<u>\$ 6,572,438</u>	<u>\$ 1,456,210</u>	<u>\$ 4,582,258</u>	<u>\$ 12,610,906</u>	<u>\$ (890,925)</u>

Capital assets and related debt were transferred from the governmental construction in progress to the enterprise funds as follows: Electric Fund \$66,500; Water Fund \$132,420; and Sewer Fund \$254,657

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, 2009

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 the 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, the Electric Substation Capital Project Fund, and the 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, the Township 7 Sewer Improvements Capital Project Fund, and the 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, Kale Road 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, 2009

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. Nonexchange 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.

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 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2008.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 191,820
Taxes receivable - MSD	285
Accounts receivable - General Fund	131,600
Interest receivable - General Fund	16,251
Accounts receivable - Special Revenue Fund	1,675
Accounts receivable - Electric Fund	123,500
Accounts receivable - Water Fund	21,294
Accounts receivable - Sewer Fund	<u>44,101</u>
Total	<u>\$ 530,526</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."

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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

Reserved:

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

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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. Stewardship, Compliance, and Accountability

Deficit Fund Balance of Individual Funds

For the fiscal year ended June 30, 2009, the City had the following funds with deficit fund balances. Management believes revenues will exceed expenditures in these funds in the subsequent years, sufficient to satisfy the fund deficits.

Special Revenue Funds:

Stormwater 2007 CWMTF	\$ 65,346
SAFER Fire Grant	167,557
2007 PARTF Recreation Grant	35,453

3. 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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the 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, 2009, the City's deposits had a carrying amount of \$13,759,647 and a bank balance of \$15,424,704. The City only has deposits in institutions that collateralize under the Pooling Method. Of the bank balance, \$750,000 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, 2009, 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	<u>\$ 4,794,519</u>	<u>\$ 4,794,519</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk: The City does not have a policy for interest rate risk.

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, 2009.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

4. Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2009.

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2009</u>
Non-depreciable						
Capital Assets:						
Land	\$ 12,395,825	\$ 1,337,006	\$ (352,683)	\$ 4,757,884	\$ 18,138,032	
Construction in progress	<u>2,899,008</u>	<u>5,998,921</u>	<u>-</u>	<u>(5,211,461)</u>	<u>3,686,468</u>	
Total non-depreciable capital assets	<u>15,294,833</u>	<u>7,335,927</u>	<u>(352,683)</u>	<u>(453,577)</u>	<u>21,824,500</u>	
Depreciable Capital Assets:						
Buildings and improvements	14,747,866	-	-	-	14,747,866	\$ 3,420,763
Equipment	6,688,458	58,598	(265,804)	205,369	6,686,621	4,160,544
Furniture and fixtures	3,555,442	-	-	-	3,555,442	2,577,935
Vehicles	8,102,197	5,800	(223,283)	-	7,884,714	6,349,913
Infrastructure	<u>12,569,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,569,540</u>	<u>3,012,448</u>
Total	45,663,503	<u>64,398</u>	<u>(489,087)</u>	<u>205,369</u>	45,444,183	<u>\$ 19,521,603</u>
Accumulated depreciation	<u>(17,976,858)</u>	<u>\$ (1,783,375)</u>	<u>\$ 238,630</u>	<u>\$ -</u>	<u>(19,521,603)</u>	
Capital assets, net	<u>27,686,645</u>				<u>25,922,580</u>	
Total capital assets	<u>\$ 42,981,478</u>				<u>\$ 47,747,080</u>	

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

General government	\$ 409,946
Public safety	641,501
Public works	497,170
Environmental protection	56,488
Cultural and recreation	<u>178,270</u>
Total depreciation expense	<u>\$ 1,783,375</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2009.

Water Fund:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2009</u>
Non-depreciable Capital Assets:						
Land	\$ 719,423	\$ 133,056	\$ -	\$ -	\$ 852,479	
Construction in progress	10,222,014	19,319,150	-	-	29,541,164	
Total non-depreciable capital assets	<u>10,941,437</u>	<u>19,452,206</u>	<u>-</u>	<u>-</u>	<u>30,393,643</u>	
Depreciable Capital Assets:						
Buildings	748,307	-	-	-	748,307	\$ 227,355
Distribution systems	13,802,199	493,046	(47,296)	-	14,247,949	5,803,066
Equipment	1,750,441	16,200	-	32,564	1,799,205	1,128,593
Furniture and fixtures	32,564	-	-	(32,564)	-	-
Vehicles	589,948	-	(19,550)	-	570,398	390,998
Total depreciable assets	16,923,459	509,246	(66,846)	-	17,365,859	<u>\$ 7,550,012</u>
Accumulated depreciation	(7,097,522)	<u>\$ (475,983)</u>	<u>\$ 23,493</u>	<u>\$ -</u>	(7,550,012)	
Depreciable capital assets, net	<u>9,825,937</u>				<u>9,815,847</u>	
Total capital assets, net	<u>\$ 20,767,374</u>				<u>\$ 40,209,490</u>	

Sewer Fund:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2009</u>
Non-depreciable Capital Assets:						
Land	\$ 12,692,699	\$ -	\$ -	\$ -	\$ 12,692,699	
Construction in progress	1,337,448	286,052	-	(17,130)	1,606,370	
Total non-depreciable capital assets	<u>14,030,147</u>	<u>286,052</u>	<u>-</u>	<u>(17,130)</u>	<u>14,299,069</u>	
Depreciable Capital Assets:						
Buildings	39,182,195	-	-	-	39,182,195	\$ 10,621,249
Distribution systems	29,009,453	841,156	(85,252)	271,787	30,037,144	4,142,934
Equipment	2,699,115	37,345	-	-	2,736,460	1,381,460
Vehicles	1,527,677	108,186	(72,980)	-	1,562,883	1,064,427
Total depreciable assets	72,418,440	986,687	(158,232)	271,787	73,518,682	<u>\$ 17,210,070</u>
Accumulated depreciation	(15,445,100)	<u>\$ (1,839,092)</u>	<u>\$ 74,122</u>	<u>\$ -</u>	(17,210,070)	
Depreciable capital assets, net	<u>56,973,340</u>				<u>56,308,612</u>	
Total capital assets, net	<u>\$ 71,003,487</u>				<u>\$ 70,607,681</u>	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Electric Fund:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2009</u>
Non-depreciable						
Capital Assets:						
Land	\$ 584,240	\$ -	\$ -	\$ -	\$ 584,240	
Construction in progress	400,682	889,481	-	(86,117)	1,204,046	
Total non-depreciable capital assets	<u>984,922</u>	<u>889,481</u>	<u>-</u>	<u>(86,117)</u>	<u>1,788,286</u>	
Depreciable Capital Assets:						
Buildings	971,323	-	-	-	971,323	\$ 378,740
Distribution systems	36,695,431	1,352,795	-	86,117	38,134,343	19,159,016
Equipment	9,253,932	70,736	-	-	9,324,668	5,841,623
Furniture and fixtures	44,005	-	-	-	44,005	38,500
Vehicles	2,368,829	128,390	(94,580)	-	2,402,639	1,344,631
Total depreciable assets	49,333,520	<u>1,551,921</u>	<u>(94,580)</u>	<u>86,117</u>	50,876,978	<u>\$ 26,762,510</u>
Accumulated depreciation	<u>(24,967,355)</u>	<u>\$ (1,889,735)</u>	<u>\$ 94,580</u>	<u>\$ -</u>	<u>(26,762,510)</u>	
Depreciable capital assets, net	24,366,165				24,114,468	
Total capital assets, net	<u>\$ 25,351,087</u>				<u>\$ 25,902,754</u>	

Maintenance and repairs of \$111,050 and \$125,619 was reported for the Water Fund and Sewer Fund, respectively.

5. Accounts Payable Disaggregate Information

Amounts presented for accounts payable are disaggregated as follows:

<u>Type of Payable</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Trade payables, including retainage	\$ 216,563	\$ 6,960,744	\$ 7,177,307
Accrued liabilities	1,012,837	385,298	1,398,135
Security deposits held	44,610	-	44,610
Accrued interest	-	181,107	181,107
Health claims incurred, but not reported	800,000	-	800,000
Total	<u>\$ 2,074,010</u>	<u>\$ 7,527,149</u>	<u>\$ 9,601,159</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

6. 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:

	Deferred Revenue	Unearned Revenue
General Fund:		
Prepaid taxes and licenses	\$ 31,182	\$ 31,182
Taxes receivable, net	372,535	-
Liens receivable	341,845	-
Street assessment receivable	7,833	-
Motor vehicle fees	38,047	-
Other receivables	3,600	-
Total	\$ 795,042	\$ 31,182
 Special Revenue Fund:		
Loans receivable	\$ 17,746	\$ -

7. 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 4.72 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, 2007, 2008, and 2009 were \$864,634, \$947,191, and \$1,000,192, respectively. The contributions made by the City equaled the required contributions for each year.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

All full-time employees of the City are covered by the Separation Allowance. At December 31, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	9
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>81</u>
Total	<u>90</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. Investments are reported at fair value.

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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.

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, 2009 were \$407,730, which consisted of \$265,815 from the City and \$141,915 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, 2009 were \$1,423,953, which consisted of \$1,001,626 from the City and \$422,328 from the non-law enforcement employees.

8. 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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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, 2009, the City made contributions to the State for death benefits of \$24,272. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% 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.

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:

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

	<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%
Member of the governing board who has served a total exceeding sixteen years in office	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, 2009, the City made payments for post-retirement health benefit premiums of \$69,604. 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.

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 \$69,604 or 0.34% 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.

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>(69,604)</u>
Increase (decrease) in net OPEB obligation	1,533,586
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$1,533,586</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ <u>1,603,190</u>	<u>4.3%</u>	\$ <u>1,533,586</u>

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 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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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 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 \$2,000,000. The City's Internal Service Fund is also used to account for this program.

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 \$5,754,716 in claims and changes in estimates were incurred for benefits during fiscal year 2009. Changes in the fund's claims liability amounts in fiscal 2008-2009 were as follows:

<u>Year Ended June 30</u>	<u>Liability at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability at End of Fiscal Year</u>
2007	\$ 759,711	\$ 5,056,341	\$ 5,055,262	\$ 760,790
2008	760,790	5,453,562	5,453,562	760,790
2009	760,790	5,660,311	5,621,101	800,000

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

11. 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

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
Governmental Activities:					
Installment notes payable	\$ 16,626,035	\$ -	\$ (2,888,059)	\$ 13,737,976	\$ 2,168,192
USDA installment note payable	-	2,368,452	-	2,368,452	27,986
Unfunded OPEB	-	1,282,552	(55,683)	1,226,869	-
Compensated absences	1,032,348	225,000	(122,620)	1,134,728	125,000
Total	<u>\$ 17,658,383</u>	<u>\$ 3,876,004</u>	<u>\$ (3,066,362)</u>	<u>\$ 18,468,025</u>	<u>\$ 2,321,178</u>
Business-Type Activities:					
Water Fund:					
Notes payable	\$ 8,301,114	\$ 18,400,566	\$ -	\$ 26,701,680	\$ -
Installment notes payable	2,026,966	4,912,940	(529,858)	6,410,048	772,320
Unfunded OPEB	-	64,127	(2,784)	61,343	-
Compensated absences	42,207	18,000	(10,029)	50,178	11,000
Total	<u>10,370,287</u>	<u>23,395,633</u>	<u>(542,671)</u>	<u>33,223,249</u>	<u>783,320</u>
Sewer Fund:					
General obligation bonds	740,000	-	(255,000)	485,000	245,000
Notes payable	19,347,518	-	(1,154,369)	18,193,149	1,182,980
Installment notes payable	11,832,564	5,695,972	(1,354,730)	16,173,806	1,513,643
Unfunded OPEB	-	96,191	(4,176)	92,015	-
Compensated absences	73,109	42,000	(23,634)	91,475	20,000
Total	<u>31,993,191</u>	<u>5,834,163</u>	<u>(2,791,909)</u>	<u>35,035,445</u>	<u>2,961,623</u>
Electric Fund:					
Installment notes payable	2,971,255	1,566,500	(593,468)	3,944,287	502,999
Unfunded OPEB	-	160,319	(6,960)	153,359	-
Compensated absences	201,762	52,000	(20,553)	233,209	42,000
Total	<u>3,173,017</u>	<u>1,778,819</u>	<u>(620,981)</u>	<u>4,330,855</u>	<u>544,999</u>
Total business-type activities	<u>\$ 45,536,495</u>	<u>\$ 31,008,615</u>	<u>\$ (3,955,561)</u>	<u>\$ 72,589,549</u>	<u>\$ 4,289,942</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, 2009 was \$186,561,090.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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%	\$ 2,221,880
Dunn Building	2015	4.02%	377,383
E-911 building	2015	4.05%	312,000
Restroom facility and fire station	2017	4.11%	322,320
Various vehicles and equipment	2010	2.61%	195,328
Streetscape improvements, 200 and 300 Block Craven Street, various construction projects, fire classroom	2020	3.72%	975,600
Various vehicles and equipment	2013	3.83%	273,365
Streets div complex, Lawson Creek Park	2021	4.12%	1,056,543
Fire truck	2017	3.67%	442,156
125KW Generator, (2) Volvo EC210BLC Excavator, 2007 Model 4300 SBA Int'l	2012	3.35%	233,019
2006 Honda Element, 2006 GMC Tandem Dump Truck, 2007 Dodge Durango SUV	2014	3.35%	86,421
Improvements to Lawson Creek Park and Henderson Park	2017	3.78%	316,000
Various vehicles and equipment	2015	3.04%	182,224
Various vehicles and equipment	2013	2.91%	1,239,942
Aquatic Center and swimming pool project, downtown streetscape improvements, Elizabeth Avenue Fire Station renovations	2023	3.31%	5,503,795
Kale road property	2045	4.625%	<u>2,368,452</u>
Total installment notes payable			<u>\$16,106,428</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,196,178	\$ 563,132	\$ 2,759,310
2011	2,041,197	492,618	2,533,815
2012	2,034,522	422,713	2,457,235
2013	1,500,162	353,647	1,853,809
2014	921,643	310,029	1,231,672
2015-2019	3,538,191	1,112,897	4,651,088
2020-2024	2,067,932	573,684	2,641,616
2025-2029	289,168	392,477	681,645
2030-2034	362,565	319,080	681,645
2035-2039	454,592	227,053	681,645
2040-2044	569,978	111,667	681,645
2045	130,300	6,030	136,330
	<u>\$ 16,106,428</u>	<u>\$ 4,885,027</u>	<u>\$ 20,991,455</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 \$ 485,000

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

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 245,000	\$ 14,550	\$ 259,550
2011	240,000	7,200	247,200
	<u>\$ 485,000</u>	<u>\$ 21,750</u>	<u>\$ 506,750</u>

CITY OF NEW BERN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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%	\$ 621,438
Various vehicles and equipment	2010	2.61%	16,181
Water line extension - Carolina Colours Subdivision	2020	3.72%	239,978
Various vehicles and equipment	2012	3.35%	45,609
Various vehicles and equipment	2015	3.04%	78,607
Various vehicles and equipment	2013	2.91%	129,535
New Street water improvements, Stillwater Harbor water project,	2023	3.31%	498,180
Township water improvements	2024	3.83%	<u>4,780,520</u>
Total water installment notes payable			<u>\$ 6,410,048</u>
Notes Payable:			
Clean Water Trust Revolving Loan	2032	2.265%	<u>\$ 26,701,680</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Year Ended June 30	Water Fund		
	Principal	Interest	Total
2010	\$ 772,320	\$ 229,547	\$ 1,001,867
2011	568,437	202,507	770,944
2012	370,708	185,716	556,424
2013	364,541	171,983	536,524
2014	357,995	158,637	516,632
2015-2019	1,884,482	586,998	2,471,480
2020-2024	2,091,565	209,452	2,301,017
	\$ 6,410,048	\$ 1,744,840	\$ 8,154,888

Year Ended June 30	Principal	Interest	Total
2010	\$ -	\$ -	\$ -
2011	-	-	-
2012	-	-	-
2013	1,335,084	510,187	1,845,271
2014	1,335,084	574,553	1,909,637
2015-2019	6,675,420	2,419,172	9,094,592
2020-2024	6,675,420	1,663,181	8,338,601
2025-2029	6,675,420	907,190	7,582,610
2030-2032	4,005,252	181,438	4,186,690
	\$ 26,701,680	\$ 6,255,721	\$ 32,957,401

The Drinking Water State Revolving Fund note payable loan commitment is \$35,964,137. As of June 30, 2009, the City had drawn down \$26,701,680 of the loan.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

<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%	\$ 2,083,563
Wastewater Treatment Plant Upgrade	2023	2.57%	15,095,997
Wastewater Treatment Diffuser Project	2024	2.66%	<u>1,013,589</u>
Total sewer notes payable			<u>\$ 18,193,149</u>
 Sewer Fund - Installment Purchases Payable:			
Pembroke Sanitary Sewer	2013	6.00%	\$ 120,000
Township 7 Sanitary Sewer	2016	5.30%	125,000
Sewer lines N. 2nd Ave. and N. Glenburnie	2017	4.11%	163,013
Trent Woods sewer project	2018	3.68%	4,614,492
Various vehicles and equipment	2010	2.61%	78,494
Sewer line extension - Carolina Colours subdivision and quarry projects	2020	3.72%	1,750,627
Vactor vacuum jet rodder	2013	3.83%	146,943
Various equipment; Township 7: Brices Crossing	2021	4.11%	1,410,384
Various equipment	2012	3.35%	157,757
Various vehicles	2014	3.35%	41,136
Evans Mill sewer line and facilities	2017	3.84%	429,440
Various equipment and vehicles	2015	3.04%	321,127
Various equipment and vehicles	2013	2.91%	327,997
WWTP maintenance building, New Street sewer improvements, Stillwater sewer	2023	3.31%	1,046,081
Township sewer improvements	2024	3.83%	<u>5,441,315</u>
Total sewer installment purchases payable			<u>\$ 16,173,806</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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	Total					
2010	\$	1,182,980	\$	475,560	\$	1,658,540	\$	1,513,643	\$	588,442	\$	2,102,085
2011		1,212,346		444,397		1,656,743		1,465,865		533,375		1,999,240
2012		1,242,487		412,459		1,654,946		1,464,420		478,386		1,942,806
2013		1,273,423		379,725		1,653,148		1,413,149		423,659		1,836,808
2014		1,305,176		346,174		1,651,350		1,322,963		371,071		1,694,034
2015-2019		6,765,828		1,197,484		7,963,312		6,011,613		1,119,889		7,131,502
2020-2024		5,210,909		344,026		5,554,935		2,982,153		268,557		3,250,710
		<u>\$ 18,193,149</u>		<u>\$ 3,599,825</u>		<u>\$ 21,792,974</u>		<u>\$ 16,173,806</u>		<u>\$ 3,783,379</u>		<u>\$ 19,957,185</u>

Purpose and Collateral	Maturity	Average Rate	Balance
Electric Fund:			
Various vehicles and equipment	2010	2.61%	\$ 98,096
Various vehicles and equipment	2013	3.83%	285,964
Carolina Colours line extension	2021	4.11%	1,206,833
Various equipment	2012	3.35%	89,290
Various vehicles	2014	3.35%	273,377
Various vehicles and equipment	2015	3.04%	216,215
Various vehicles and equipment	2013	2.91%	212,444
Downtown improvements	2023	3.31%	62,068
Broad street improvements	2024	3.83%	1,500,000
Total electric installment notes payable			<u>\$ 3,944,287</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

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

Electric Fund			
Year Ended June 30	Principal	Interest	Total
2010	\$ 502,999	\$ 142,286	\$ 645,285
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
2015-2019	1,085,106	283,293	1,368,399
2020-2024	859,605	75,824	935,429
	\$ 3,944,287	\$ 918,948	\$ 4,863,235

12. Interfund Balances and Activity

Interfund balances as of June 30, 2009 consisted of the following:

	Due From	Due To	Purpose
Stormwater 2007 CWMTF Fund	\$ 63,821		Temporary cash deficit
SAFER Fire Grant Fund	167,557		Temporary cash deficit
2007 PARTF Recreation Grant Fund	35,453		Temporary cash deficit
Emergency Telephone Fund		\$ 266,831	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

Interfund transfers for the year ended June 30, 2009 consisted of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
Electric Fund	\$ 1,826,588		
General Fund		\$ 1,299,320	Operating expenditures
Internal Service Fund		464,558	Fund operating deficit
Kale Road Capital Project Fund		62,710	Local contribution
General Fund	\$ 339,840		
Internal Service Fund		\$ 116,139	Fund operating deficit
SAFER Fire Grant Fund		223,701	Local contribution
Water Fund	\$ 272,942		
Internal Service Fund		\$ 241,692	Fund operating deficit
Kale Road Capital Project Fund		31,250	Local contribution
Sewer Fund	\$ 137,877		
Internal Service Fund		\$ 106,627	Fund operating deficit
Kale Road Capital Project Fund		31,250	Local contribution

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, 2009:

<u>Reimbursing Fund</u>	<u>Administrative Expenses</u>	<u>Rent of Public Buildings</u>
Electric Fund	\$ 3,177,025	\$ 749,895
Water Fund	1,740,409	171,606
Sewer Fund	1,327,141	179,075
Total	<u>\$ 6,244,575</u>	<u>\$ 1,100,576</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

12. Joint Ventures

The City participates in a joint venture with Craven County to operate the New Bern/Craven County Library. The City appoints five board 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, 2009. The City contributed \$75,000 to the Library during the fiscal year ended June 30, 2009.

13. 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 \$8,986 to the Council during the fiscal year ended June 30, 2009.

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, 2009 were \$45,647,079.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

14. 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.

15. Claims and Judgments

At June 30, 2009, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

16. Commitments

The City had commitments, as shown below, for construction contracts outstanding at June 30, 2009. 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	\$ 4,882,485
Township 7 Water Improvement	42,521
Neuse Boulevard Water Project	27,742
Township 7 Sewer Improvement	61,446
Broad Street Project	<u>53,564</u>
Total	<u>\$ 5,067,758</u>

17. 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, 2009

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued 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 (APC)	Percentage of APC Contributed

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>2009</u>		<u>2008</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 12,047,191	\$ 11,841,865	\$ (205,326)	\$ 11,285,337
Penalties and interest	76,495	74,168	(2,327)	70,116
Total ad valorem taxes	<u>12,123,686</u>	<u>11,916,033</u>	<u>(207,653)</u>	<u>11,355,453</u>
Other Taxes and Licenses:				
Privilege licenses	<u>291,100</u>	<u>282,833</u>	<u>(8,267)</u>	<u>286,108</u>
Unrestricted Intergovernmental Revenues:				
Local option sales taxes	5,353,697	4,992,972	(360,725)	5,050,076
Payments in lieu of taxes - outside sources	-	9,250	9,250	8,831
Enterprise Fund - payment in lieu of taxes	394,827	394,826	(1)	340,097
Telecommunications sales tax	665,000	705,358	40,358	635,496
Utility franchise tax	1,425,000	1,455,896	30,896	1,237,478
Piped natural gas tax	80,000	87,973	7,973	79,790
Beer and wine tax	110,000	115,467	5,467	117,284
Fire protection reimbursement	12,000	10,887	(1,113)	10,887
ABC distributions	<u>52,500</u>	<u>66,351</u>	<u>13,851</u>	<u>46,037</u>
Total unrestricted intergovernmental revenues	<u>8,093,024</u>	<u>7,838,980</u>	<u>(254,044)</u>	<u>7,525,976</u>
Restricted Intergovernmental Revenues:				
Powell Bill allocation	915,000	824,445	(90,555)	910,462
Other federal grants	226,361	115,763	(110,598)	352,135
Other State grants	211,568	143,553	(68,015)	207,700
Other local grants	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>5,762</u>
Total restricted intergovernmental revenues	<u>1,356,929</u>	<u>1,087,761</u>	<u>(269,168)</u>	<u>1,476,059</u>
Permits and Fees:				
Building permits and inspection fees	425,763	419,356	(6,407)	405,672
Auto and taxi fees	111,500	115,573	4,073	111,305
Beer and wine licenses	<u>2,100</u>	<u>2,125</u>	<u>25</u>	<u>2,065</u>
Total permits and fees	<u>539,363</u>	<u>537,054</u>	<u>(2,309)</u>	<u>519,042</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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	2009		Variance Over/Under	2008
	Budget	Actual		Actual
Sales and Services:				
Public works fees	113,500	196,728	83,228	162,910
Refuse collection fees	1,433,000	1,414,778	(18,222)	1,418,840
Planning and inspections revenue	95,000	95,073	73	236,608
Public safety fees	111,750	65,143	(46,607)	72,181
Cultural and recreation fees	83,640	94,223	10,583	93,681
Rent income	82,600	96,142	13,542	85,436
Interfund rent of public buildings	1,739,803	1,100,576	(639,227)	795,112
Other sales and services	375,650	570,955	195,305	396,166
Total sales and services	<u>4,034,943</u>	<u>3,633,618</u>	<u>(401,325)</u>	<u>3,260,934</u>
Investment Earnings	<u>92,520</u>	<u>33,609</u>	<u>(58,911)</u>	<u>188,973</u>
Miscellaneous:				
Sale of capital assets	50,000	22,513	(27,487)	29,193
Cemetery	104,000	87,735	(16,265)	116,275
Cable franchise fee	30,000	26,743	(3,257)	27,875
Other	62,100	42,813	(19,287)	63,073
Total miscellaneous	<u>246,100</u>	<u>179,804</u>	<u>(66,296)</u>	<u>236,416</u>
Total revenues	<u>26,777,665</u>	<u>25,509,692</u>	<u>(1,267,973)</u>	<u>24,848,961</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	225,357	220,110	5,247	213,283
Special appropriations	368,019	349,965	18,054	399,600
Operating expenses	98,450	95,036	3,414	108,206
Interfund reimbursement	(283,633)	(283,633)	-	(273,268)
Total	<u>408,193</u>	<u>381,478</u>	<u>26,715</u>	<u>447,821</u>
Administration:				
Salaries and employee benefits	276,783	274,446	2,337	288,641
Operating expenses	54,900	46,100	8,800	65,397
Interfund reimbursement	(288,492)	(288,492)	-	(304,861)
Total	<u>43,191</u>	<u>32,054</u>	<u>11,137</u>	<u>49,177</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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Finance:				
Salaries and employee benefits	1,677,103	1,652,345	24,758	1,608,724
Operating expenses	748,318	654,053	94,265	806,092
Interfund reimbursement	(2,224,376)	(2,224,376)	-	(2,331,042)
Total	<u>201,045</u>	<u>82,022</u>	<u>119,023</u>	<u>83,774</u>
Legal:				
Contracted services	214,280	213,119	1,161	225,533
Interfund reimbursement	(163,683)	(163,683)	-	(163,200)
Total	<u>50,597</u>	<u>49,436</u>	<u>1,161</u>	<u>62,333</u>
Human Resources:				
Salaries and employee benefits	435,902	435,473	429	403,254
Operating expenses	73,297	60,484	12,813	74,872
Interfund reimbursement	(446,361)	(446,361)	-	(386,080)
Total	<u>62,838</u>	<u>49,596</u>	<u>13,242</u>	<u>92,046</u>
Total general government	<u>765,864</u>	<u>594,586</u>	<u>171,278</u>	<u>735,151</u>
Public Safety:				
Police:				
Salaries and employee benefits	8,246,367	8,224,037	22,330	6,984,523
Operating expenses	1,544,824	1,405,997	138,827	1,838,535
Interfund reimbursement	(90,000)	(90,000)	-	-
Total general government	<u>9,701,191</u>	<u>9,540,034</u>	<u>161,157</u>	<u>8,823,058</u>
Animal Control:				
Salaries and employee benefits	-	-	-	74,498
Operating expenses	-	-	-	10,517
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,015</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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Fire:				
Salaries and benefits	3,776,651	3,774,381	2,270	3,631,735
Operating expenses	528,093	509,552	18,541	582,766
Total	<u>4,304,744</u>	<u>4,283,933</u>	<u>20,811</u>	<u>4,214,501</u>
Communications:				
Salaries and employee benefits	-	-	-	866,820
Operating expenses	-	-	-	172,328
Interfund reimbursement	-	-	-	(602,351)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,797</u>
Total public safety	<u>14,005,935</u>	<u>13,823,967</u>	<u>181,968</u>	<u>13,559,371</u>
Public Works:				
Streets:				
Salaries and employee benefits	1,404,941	1,400,916	4,025	1,363,913
Operating expenses	1,281,727	1,234,403	47,324	1,222,289
Interfund reimbursement	(47,292)	(47,292)	-	(45,662)
Total	<u>2,639,376</u>	<u>2,588,027</u>	<u>51,349</u>	<u>2,540,540</u>
Public Buildings:				
Salaries and employee benefits	378,910	376,925	1,985	340,773
Operating expenses	485,777	460,320	25,457	446,187
Interfund reimbursement	(717,828)	(717,828)	-	(645,426)
Total	<u>146,859</u>	<u>119,417</u>	<u>27,442</u>	<u>141,534</u>
Administration:				
Salaries and employee benefits	583,228	579,190	4,038	540,953
Operating expenses	308,796	294,679	14,117	276,001
Interfund reimbursement	(718,245)	(718,245)	-	(692,415)
Total	<u>173,779</u>	<u>155,624</u>	<u>18,155</u>	<u>124,539</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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Engineering:				
Salaries and employee benefits	665,638	640,396	25,242	561,304
Operating expenses	58,591	41,761	16,830	56,772
Interfund reimbursement	(682,157)	(682,157)	-	(625,450)
Total	42,072	-	42,072	(7,374)
Cemeteries:				
Salaries and employee benefits	76,041	65,472	10,569	75,532
Operating expenditures	172,811	163,092	9,719	160,633
Total	248,852	228,564	20,288	236,165
Leaf and Limb:				
Salaries and employee benefits	493,740	493,387	353	471,124
Operating expenditures	183,190	178,720	4,470	159,014
Total	676,930	672,107	4,823	630,138
Total public works	3,927,868	3,763,739	164,129	3,665,542
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	47,502	46,763	739	35,941
Operating expenditures	1,832,627	1,809,869	22,758	1,753,482
Total environmental protection	1,880,129	1,856,632	23,497	1,789,423
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,791,804	1,759,983	31,821	1,677,583
Operating expenditures	577,994	522,119	55,875	552,584
Total culture and recreation	2,369,798	2,282,102	87,696	2,230,167
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	1,396,069	1,395,635	434	1,318,822
Operating expenditures	342,472	236,784	105,688	267,672
Interfund reimbursement	(121,444)	(121,444)	-	(111,948)
Total	1,617,097	1,510,975	106,122	1,474,546

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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Municipal Service District:	88,018	87,548	470	84,033
Salaries and employee benefits	12,000	9,656	2,344	21,553
Operating expenditures	100,018	97,204	2,814	105,586
Total economic and physical development	1,717,115	1,608,179	108,936	1,580,132
Capital Outlay	4,514,314	82,843	4,431,471	2,038,371
Debt Service:				
Principal retirement	2,436,215	2,434,480	1,735	2,001,293
Interest and other charges	536,884	536,681	203	352,562
Total debt service	2,973,099	2,971,161	1,938	2,353,855
Total expenditures	32,154,122	26,983,209	5,170,913	27,952,012
Revenues over (under) expenditures	(5,376,457)	(1,473,517)	3,902,940	(3,103,051)
Other Financing Sources (Uses):				
Transfers (to) from other funds:				
Enterprise Fund	1,302,080	1,299,320	(2,760)	1,198,590
Other governmental funds	(522,252)	(339,840)	182,412	208,999
Issuance of long-term debt	4,446,629	-	(4,446,629)	1,906,472
Appropriated fund balance	150,000	-	(150,000)	-
Contingency	-	-	-	-
Total other financing sources (uses)	5,376,457	959,480	(4,416,977)	3,314,061
Net change in fund balances	\$ -	(514,037)	\$ (514,037)	211,010
Fund Balances:				
Beginning of year - July 1		6,442,998		6,231,988
End of year - June 30		\$ 5,928,961		\$ 6,442,998

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 196,362	\$ -	\$ 196,362
Restricted cash	-	330,717	330,717
Accounts receivable, net	18,101	-	18,101
Due from other funds	<u>266,831</u>	<u>-</u>	<u>266,831</u>
Total assets	<u>\$ 481,294</u>	<u>\$ 330,717</u>	<u>\$ 812,011</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 14,015	\$ 3,276	\$ 17,291
Due to other funds	266,831	-	266,831
Deferred revenues	<u>17,746</u>	<u>-</u>	<u>17,746</u>
Total liabilities	<u>298,592</u>	<u>3,276</u>	<u>301,868</u>
Fund Balances:			
Reserved by State Statute	266,831	-	266,831
Unreserved, undesignated	<u>(84,129)</u>	<u>327,441</u>	<u>243,312</u>
Total fund balances	<u>182,702</u>	<u>327,441</u>	<u>510,143</u>
Total liabilities and fund balances	<u>\$ 481,294</u>	<u>\$ 330,717</u>	<u>\$ 812,011</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total</u>
Revenues:			
Restricted intergovernmental revenues	\$ 331,414	\$ -	\$ 331,414
Sales and services	388,039	-	388,039
Investment earnings	1,574	19,026	20,600
Other	-	9,048	9,048
Program income	6,000	-	6,000
Total revenues	<u>727,027</u>	<u>28,074</u>	<u>755,101</u>
Expenditures:			
Economic and physical development	61,770	-	61,770
Public safety	232,125	-	232,125
Fire department	584,784	-	584,784
Culture and recreation	22,720	-	22,720
Capital outlay	-	6,160,629	6,160,629
Total expenditures	<u>901,399</u>	<u>6,160,629</u>	<u>7,062,028</u>
Revenues over (under) expenditures	<u>(174,372)</u>	<u>(6,132,555)</u>	<u>(6,306,927)</u>
Other Financing Sources (Uses):			
Transfers in	223,701	125,210	348,911
Issuance of debt	-	2,368,452	2,368,452
Total other financing sources (uses)	<u>223,701</u>	<u>2,493,662</u>	<u>2,717,363</u>
Net change in fund balances	49,329	(3,638,893)	(3,589,564)
Fund Balances:			
Beginning of year - July 1	<u>133,373</u>	<u>3,966,334</u>	<u>4,099,707</u>
End of year - June 30	<u>\$ 182,702</u>	<u>\$ 327,441</u>	<u>\$ 510,143</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2009**

	Community Development Fund	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash, cash equivalents and investments	\$ 32,112	\$ -	\$ 141,465
Accounts receivable, net	17,746	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>266,831</u>
 Total assets	 <u>\$ 49,858</u>	 <u>\$ -</u>	 <u>\$ 408,296</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	1,525	\$ 12,490
Due to other funds	-	63,821	-
Deferred revenues	<u>17,746</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>17,746</u>	<u>65,346</u>	<u>12,490</u>
Fund Balances:			
Reserved by State Statute	-	-	266,831
Undesignated (deficit)	<u>32,112</u>	<u>(65,346)</u>	<u>128,975</u>
Total fund balance	<u>32,112</u>	<u>(65,346)</u>	<u>395,806</u>
 Total liabilities and fund balances	 <u>\$ 49,858</u>	 <u>\$ -</u>	 <u>\$ 408,296</u>

Schedule D-1

Police Special Revenue	SAFER Fire Grant	2007 PARTF Recreation Grant	Total
\$ 22,785	\$ -	\$ -	\$ 196,362
355	-	-	18,101
<u>-</u>	<u>-</u>	<u>-</u>	<u>266,831</u>
<u>\$ 23,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,294</u>
\$ -	\$ -	\$ -	\$ 14,015
-	167,557	35,453	266,831
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,746</u>
<u>-</u>	<u>167,557</u>	<u>35,453</u>	<u>298,592</u>
-	-	-	266,831
<u>23,140</u>	<u>(167,557)</u>	<u>(35,453)</u>	<u>(84,129)</u>
<u>23,140</u>	<u>(167,557)</u>	<u>(35,453)</u>	<u>182,702</u>
<u>\$ 23,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,294</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Community Development Fund	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ -
Emergency 911 surcharge	-	-	388,039
Investment income	129	-	1,395
Program income	<u>6,000</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,129</u>	<u>-</u>	<u>389,434</u>
Expenditures:			
Economic and physical development	4,442	57,328	-
Public safety:			
E-911	-	-	220,300
Police	-	-	-
Fire	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>4,442</u>	<u>57,328</u>	<u>220,300</u>
Revenues over (under) expenditures	1,687	(57,328)	169,134
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,687	(57,328)	169,134
Fund Balances:			
Beginning of year - July 1	<u>30,425</u>	<u>(8,018)</u>	<u>226,672</u>
End of year - June 30	<u>\$ 32,112</u>	<u>\$ (65,346)</u>	<u>\$ 395,806</u>

Schedule D-2

Police Special Revenue	SAFER Fire Grant	2007 PARTF Recreation Grant	Total
\$ 35,142	\$ 296,272	\$ -	\$ 331,414
-	-	-	388,039
50	-	-	1,574
-	-	-	6,000
<u>35,192</u>	<u>296,272</u>	<u>-</u>	<u>727,027</u>
-	-	-	61,770
-	-	-	220,300
11,825	-	-	11,825
-	584,784	-	584,784
-	-	22,720	22,720
<u>11,825</u>	<u>584,784</u>	<u>22,720</u>	<u>901,399</u>
23,367	(288,512)	(22,720)	(174,372)
<u>-</u>	<u>223,701</u>	<u>-</u>	<u>223,701</u>
23,367	(64,811)	(22,720)	49,329
<u>(227)</u>	<u>(102,746)</u>	<u>(12,733)</u>	<u>133,373</u>
<u>\$ 23,140</u>	<u>\$ (167,557)</u>	<u>\$ (35,453)</u>	<u>\$ 182,702</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, 2009
WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2009</u>			<u>2008</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 129	\$ 129	\$ 619
Project income	<u>8,800</u>	<u>6,000</u>	<u>(2,800)</u>	<u>6,000</u>
Total revenues	<u>8,800</u>	<u>6,129</u>	<u>(2,671)</u>	<u>6,619</u>
Expenditures:				
Economic and physical development:				
Community development	<u>16,880</u>	<u>4,443</u>	<u>12,437</u>	<u>5,209</u>
Total expenditures	<u>16,880</u>	<u>4,443</u>	<u>12,437</u>	<u>5,209</u>
Revenues over (under) expenditures	<u>(8,080)</u>	<u>1,686</u>	<u>9,766</u>	<u>1,410</u>
Other Financing Sources (Uses):				
Fund balance appropriated	<u>8,080</u>	<u>-</u>	<u>(8,080)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>1,686</u>	<u>\$ 1,686</u>	<u>\$ 1,410</u>
Fund Balances:				
Beginning of year - July 1		<u>30,426</u>		
End of year - June 30		<u>\$ 32,112</u>		

CITY OF NEW BERN, NORTH CAROLINA

**2007 STORMWATER CWMTF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
Clean Water Management Trust Grant	\$ 1,000,000	\$ -	\$ -	\$ -
Expenditures:				
Economic and physical development:				
Land and right of ways	506,360	506,352	-	506,352
Drainage improvements	<u>1,493,640</u>	<u>8,018</u>	<u>57,328</u>	<u>65,346</u>
Total expenditures	<u>2,000,000</u>	<u>514,370</u>	<u>57,328</u>	<u>571,698</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(514,370)</u>	<u>(57,328)</u>	<u>(571,698)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	503,500	506,352	-	506,352
Transfers in	<u>496,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>506,352</u>	<u>-</u>	<u>506,352</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (8,018)</u>	<u>\$ (57,328)</u>	<u>\$ (65,346)</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, 2009**

	2009		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Other taxes and licenses:			
Wireless 911 funds	\$ 224,588	\$ 312,174	\$ 87,586
Reimbursements:			
Subscriber maintenance fees	50,000	64,419	14,419
Data position reimbursements	10,000	10,000	-
Router line cost fees	1,700	1,446	(254)
Router maintenance contract	17,000	-	(17,000)
Other reimbursements	12,000	-	(12,000)
Interest earnings	7,400	1,395	(6,005)
Total revenues	<u>322,688</u>	<u>389,434</u>	<u>66,746</u>
Expenditures:			
Public safety:			
911 system subscriber fees:			
Salaries and employee benefits		92,680	
Telephone		96,597	
Maintenance-communications		27,231	
Miscellaneous supplies		<u>8,135</u>	
Total expenditures	<u>354,962</u>	<u>224,643</u>	<u>130,319</u>
Revenues over (under) expenditures	(32,274)	164,791	197,065
Other Financing Sources (Uses):			
Appropriated fund balance	<u>32,274</u>	-	<u>(32,274)</u>
Net change in fund balance	<u>\$ -</u>	164,791	<u>\$ 164,791</u>
Fund Balances:			
Beginning of year - July 1		<u>231,015</u>	
End of year - June 30		<u>\$ 395,806</u>	

CITY OF NEW BERN, NORTH CAROLINA

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental:			
Police Special Revenue	\$ 23,550	\$ 35,142	\$ 11,592
Investment earnings	50	50	-
Total revenues	<u>23,600</u>	<u>35,192</u>	<u>11,592</u>
Expenditures:			
Public safety:			
Police expenditures	<u>23,600</u>	<u>11,825</u>	<u>11,775</u>
Total expenditures	<u>23,600</u>	<u>11,825</u>	<u>11,775</u>
Revenues over (under) expenditures	<u>-</u>	<u>23,367</u>	<u>23,367</u>
Net change in fund balance	<u>\$ -</u>	<u>23,367</u>	<u>\$ 23,367</u>
Fund Balances:			
Beginning of year - July 1		<u>(227)</u>	
End of year - June 30		<u>\$ 23,140</u>	

CITY OF NEW BERN, NORTH CAROLINA

**SAFER FIRE GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental: SAFER Fire Department Grant	\$ 1,117,375	\$ 501,745	\$ 296,272	\$ 798,017
Expenditures:				
Public safety - Fire Department	2,340,007	702,678	584,784	1,287,462
Revenues over (under) expenditures	(1,222,632)	(200,933)	(288,512)	(489,445)
Other Financing Sources (Uses):				
Transfers in	1,222,632	98,187	223,701	321,888
Net change in fund balance	\$ -	\$ (102,746)	\$ (64,811)	\$ (167,557)

CITY OF NEW BERN, NORTH CAROLINA

**2007 PARTF RECREATION GRANT PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
2007 PARTF Grant	\$ 500,000	\$ 12,732	\$ -	\$ 12,732
Expenditures:				
Cultural and recreation	1,157,616	25,465	22,720	48,185
Revenues over (under) expenditures	(657,616)	(12,733)	(22,720)	(35,453)
Other Financing Sources (Uses):				
Issuance of long-term debt	657,616	-	-	-
Net change in fund balance	\$ -	\$ (12,733)	\$ (22,720)	\$ (35,453)

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS

JUNE 30, 2009

	<u>Swimming Pool Project</u>	<u>Elizabeth Street Fire Station Project</u>	<u>Kale Road Capital Project</u>	<u>Downtown Improvements #5 Capital Project</u>	<u>Total</u>
Assets:					
Cash and investments, restricted	\$ 285,736	\$ 44,981	\$ -	\$ -	\$ 330,717
Total assets	<u>\$ 285,736</u>	<u>\$ 44,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,717</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 276	\$ 3,000	\$ -	\$ -	\$ 3,276
Fund Balances (Deficit):					
Unreserved, undesignated	<u>285,460</u>	<u>41,981</u>	<u>-</u>	<u>-</u>	<u>327,441</u>
Total liabilities and fund balances	<u>\$ 285,736</u>	<u>\$ 44,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,717</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, 2009

	<u>Swimming Pool Project</u>	<u>Elizabeth Street Fire Station Project</u>	<u>Kale Road Capital Project</u>	<u>Downtown Improvements #5 Capital Project</u>	<u>Total</u>
Revenues:					
Miscellaneous income	\$ -	\$ -	\$ 9,048	\$ -	\$ 9,048
Investment earnings	16,488	2,538	-	-	19,026
Total revenues	<u>16,488</u>	<u>2,538</u>	<u>9,048</u>	<u>-</u>	<u>28,074</u>
Expenditures:					
Capital outlay	\$ 3,346,258	\$ 311,661	\$ 2,502,710	\$ -	\$ 6,160,629
Revenues over (under) expenditures	<u>(3,329,770)</u>	<u>(309,123)</u>	<u>(2,493,662)</u>	<u>-</u>	<u>(6,132,555)</u>
Other Financing Sources (Uses):					
Issuance of long-term debt	-	-	2,368,452	-	2,368,452
Transfers in	-	-	125,210	-	125,210
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,493,662</u>	<u>-</u>	<u>2,493,662</u>
Net change in fund balances	(3,329,770)	(309,123)	-	-	(3,638,893)
Fund Balances:					
Beginning of year - July 1	<u>3,615,230</u>	<u>351,104</u>	<u>-</u>	<u>-</u>	<u>3,966,334</u>
End of year - June 30	<u>\$ 285,460</u>	<u>\$ 41,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,441</u>

CITY OF NEW BERN, NORTH CAROLINA

**SWIMMING POOL CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues				
Investment earnings	\$ -	\$ 7,164	\$ 16,488	\$ 23,652
Expenditures:				
Capital outlay	\$ 4,214,000	\$ 605,934	\$ 3,346,258	\$ 3,952,192
Revenues over (under) expenditures	(4,214,000)	(598,770)	(3,329,770)	(3,928,540)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>4,214,000</u>	<u>4,214,000</u>	<u>-</u>	<u>4,214,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,615,230</u>	<u>\$ (3,329,770)</u>	<u>\$ 285,460</u>

CITY OF NEW BERN, NORTH CAROLINA

**ELIZABETH AVENUE FIRE STATION CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues				
Investment earnings	\$ -	\$ 1,112	\$ 2,538	\$ 3,650
Expenditures:				
Capital outlay	\$ 673,000	\$ 323,008	\$ 311,661	\$ 634,669
Revenues over (under) expenditures	(673,000)	(321,896)	(309,123)	(631,019)
Other Financing Sources (Uses):				
Issuance of long-term debt	673,000	673,000	-	673,000
Net change in fund balance	\$ -	\$ 351,104	\$ (309,123)	\$ 41,981

CITY OF NEW BERN, NORTH CAROLINA

**KALE ROAD PROPERTY CAPITAL PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Miscellaneous income	\$ -	\$ -	\$ 9,048	\$ 9,048
Expenditures:				
Capital outlay	<u>3,500,000</u>	<u>-</u>	<u>2,502,710</u>	<u>2,502,710</u>
Revenues over (under) expenditures	(3,500,000)	-	(2,493,662)	(2,493,662)
Other Financing Sources (Uses):				
Transfers in	125,000	-	125,210	125,210
Issuance of long-term debt	<u>3,375,000</u>	<u>-</u>	<u>2,368,452</u>	<u>2,368,452</u>
Total other financing sources	<u>3,500,000</u>	<u>-</u>	<u>2,493,662</u>	<u>2,493,662</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008 Actual
	Budget	Actual	Variance Over/Under	
Revenues:				
Operating revenues:				
Charges for services	\$ 60,668,366	\$ 61,254,933	\$ 586,567	\$ 53,163,797
Total operating revenues	60,668,366	61,254,933	586,567	53,163,797
Non-operating revenues:				
Miscellaneous	1,037,000	439,348	(597,652)	359,493
Interest	50,000	1,199	(48,801)	13,390
Total non-operating revenues	1,087,000	440,547	(646,453)	372,883
Total revenues	61,755,366	61,695,480	(59,886)	53,536,680
Expenditures:				
Administration	8,773,425	7,668,836	1,104,589	7,682,184
Production	46,639,750	46,407,947	231,803	40,641,121
Distribution	2,369,820	2,205,064	164,756	2,164,612
Reimbursed expenses - interfund	(643,961)	(643,961)	-	-
Capital outlay	2,348,219	1,531,369	816,850	2,757,326
Debt service	718,462	691,577	26,885	712,468
Total expenditures	60,205,715	57,860,832	2,344,883	53,957,711
Revenues over (under) expenditures	1,549,651	3,834,648	2,284,997	(421,031)
Other Financing Sources (Uses):				
Transfers to (from) other funds	(1,976,480)	(1,834,938)	141,542	(1,198,590)
Installment purchase debt issued	426,829	1,500,000	1,073,171	516,575
Total other financing sources (uses)	(1,549,651)	(334,938)	1,214,713	(682,015)
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ 3,499,710	\$ 3,499,710	\$ (1,103,046)

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009			2008 Actual
	Budget	Actual	Variance Over/Under	
Reconciliation from Modified Accrual Basis to Full Accrual Basis:				
Revenues under expenditures		\$ 3,499,710		
Reconciling Items:				
Investment earnings - capital projects		112		
Work orders capitalized		1,906,088		
Depreciation		(1,889,735)		
Proceeds from issuance of debt		(1,500,000)		
Principal payment on debt		593,468		
Increase in unfunded OPEB obligation		<u>(153,359)</u>		
Change in net assets		<u>\$ 2,456,284</u>		

CITY OF NEW BERN, NORTH CAROLINA

**ELECTRIC DISTRIBUTION FACILITIES CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Expenditures:				
Electric system project	\$ 8,350	\$ 8,350	\$ -	\$ 8,350
Revenues over (under) expenditures	<u>(8,350)</u>	<u>(8,350)</u>	<u>-</u>	<u>(8,350)</u>
Other Financing Sources (Uses):				
Intrafund transfer	<u>8,350</u>	<u>-</u>	<u>8,350</u>	<u>8,350</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (8,350)</u>	<u>\$ 8,350</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

**ELECTRIC SUBSTATION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

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

CITY OF NEW BERN, NORTH CAROLINA

**BROAD STREET ELECTRIC CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 112	\$ 112
Expenditures:				
Electric system project	<u>1,500,000</u>	<u>-</u>	<u>477,170</u>	<u>477,170</u>
Total expenditures	<u>1,500,000</u>	<u>-</u>	<u>477,170</u>	<u>477,170</u>
Revenues over (under) expenditures	(1,500,000)	-	(477,058)	(477,058)
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,022,942</u>	<u>\$ 1,022,942</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - WATER
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2009
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Charges for services	\$ 7,087,035	\$ 6,790,993	\$ (296,042)	\$ 5,970,258
Non-operating Revenues:				
Miscellaneous	-	8,726	8,726	8,684
Investment earnings	52,253	11,196	(41,057)	51,869
Total non-operating revenues	52,253	19,922	(32,331)	60,553
Total revenues	7,139,288	6,810,915	(328,373)	6,030,811
Expenditures:				
Administration	2,751,626	2,568,524	183,102	2,779,483
System maintenance and extensions	2,604,182	2,060,014	544,168	2,240,513
Hydrant maintenance	206,268	200,450	5,818	196,504
Treatment	274,255	262,301	11,954	244,727
Capital outlay	2,010,997	16,200	1,994,797	208,483
Debt service	598,147	589,387	8,760	531,778
Total expenditures	8,445,475	5,696,876	2,748,599	6,201,488
Revenues over (under) expenditures	(1,306,187)	1,114,039	(3,076,972)	(170,677)
Other Financing Sources (Uses):				
Installment purchase debt issued	1,640,597	23,181,086	21,540,489	781,655
Transfer in (out)	(334,410)	(272,942)	61,468	-
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ 24,022,183	\$ 24,022,183	\$ 610,978
Reconciliation from Modified Accrual Basis to Full Accrual Basis:				
Revenues over expenditures		\$ 24,022,183		
Reconciling Items:				
Operating revenues - capital projects		123,905		
Investment earnings - capital projects		1,612		
Depreciation		(475,983)		
Capital outlay capitalized		16,227		
Contributed capital assets		360,626		
Loss on sale of capital assets		(43,354)		
Proceeds from issuance of debt		(23,181,086)		
Principal payment on debt		529,858		
Increase in unfunded OPEB obligation		(61,343)		
Change in net assets		\$ 1,292,645		

CITY OF NEW BERN, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009

	2009		
	Budget	Actual	Variance Over/Under
Revenues:			
Connection fees	\$ -	\$ 123,905	\$ 123,905
Investment earnings	-	938	938
Total revenues	<u>-</u>	<u>124,843</u>	<u>124,843</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ 124,843</u>	<u>\$ 124,843</u>

CITY OF NEW BERN, NORTH CAROLINA

WATER TREATMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues:				
Restricted intergovernmental:				
State grant	\$ 40,000	\$ 39,990	\$ -	\$ 39,990
Expenditures:				
Water treatment project	36,000,000	10,317,785	18,921,532	29,239,317
Revenues over (under) expenditures	(35,960,000)	(10,277,795)	(18,921,532)	(29,199,327)
Other Financing Sources (Uses):				
Intrafund transfer	40,000	40,000	-	40,000
Installment purchase debt issued	35,920,000	8,301,114	18,400,566	26,701,680
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ (1,936,681)	\$ (520,966)	\$ (2,457,647)

CITY OF NEW BERN, NORTH CAROLINA

**TOWNSHIP 7 WATER IMPROVEMENTS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<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	\$ -	\$ 152	\$ 574	726
Expenditures:				
Water improvement project	\$ 3,500,000	\$ 420,240	\$ 128,118	\$ 548,358
Revenues over (under) expenditures	(3,500,000)	(420,088)	(127,544)	(547,632)
Other Financing Sources (Uses):				
Installment purchase debt issued	3,500,000	299,300	3,071,850	3,371,150
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ (120,788)	\$ 2,944,306	\$ 2,823,518

CITY OF NEW BERN, NORTH CAROLINA

**INDUSTRIAL PARK WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Project</u>	<u>Actual</u>		
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total to</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>
Expenditures:				
Water system improvements	\$ 450,000	\$ 21,805	\$ 530	\$ 22,335
Revenues over (under) expenditures	(450,000)	(21,805)	(530)	(22,335)
Other Financing Sources (Uses):				
Installment purchase debt issued	450,000	-	358,670	358,670
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ (21,805)	\$ 358,140	\$ 336,335

CITY OF NEW BERN, NORTH CAROLINA

**NEUSE BOULEVARD WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 100	\$ 100
Expenditures:				
Water system improvements	1,350,000	-	402,025	402,025
Revenues over (under) expenditures	(1,350,000)	-	(401,925)	(401,925)
Other Financing Sources (Uses):				
Installment purchase debt issued	1,350,000	-	1,350,000	1,350,000
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ 948,075	\$ 948,075

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008

	2009			2008
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating Revenues:				
Charges for services	\$ 11,720,552	\$ 10,746,470	\$ (974,082)	\$ 10,821,784
Availability fee	694,328	694,327	(1)	713,195
Total operating revenues	12,414,880	11,440,797	(974,083)	11,534,979
Non-operating Revenues:				
Miscellaneous	20,000	29,086	9,086	15,629
Investment earnings	10,495	3,307	(7,188)	14,368
Total non-operating revenues	30,495	32,393	1,898	29,997
Total revenues	12,445,375	11,473,190	(972,185)	11,564,976
Expenditures:				
Administration	2,299,309	1,914,220	385,089	1,763,746
System maintenance and extensions	3,509,789	3,047,309	462,480	3,346,348
Pre-treatment	70,925	64,677	6,248	44,768
Treatment	2,245,795	2,183,434	62,361	2,184,924
Reimbursed expenses - interfund	-	(42,000)	42,000	-
Capital outlay	3,960,586	145,531	3,815,055	1,103,677
Debt service	3,728,541	3,717,433	11,108	3,971,933
Total expenditures	15,814,945	11,030,604	4,784,341	12,415,396
Revenues over (under) expenditures	(3,369,570)	442,586	3,812,156	(850,420)
Other Financing Sources (Uses):				
Transfers in (out)	(182,830)	(137,877)	44,953	-
Installment purchase debt issued	3,552,400	5,441,315	1,888,915	1,890,754
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	\$ -	\$ 5,746,024	\$ 5,746,024	\$ 1,040,334

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008**

	2009		2008
	Budget	Actual	Actual
Reconciliation from Modified Accrual Basis to Full Accrual Basis:			
Revenues over expenditures		\$ 5,746,024	
Reconciling Items:			
Operating revenues - capital projects		21,000	
Investment earnings - capital projects		544	
Contributed capital assets		841,156	
Capital outlay capitalized		145,531	
Depreciation		(1,839,092)	
Principal payment on debt		2,764,099	
Proceeds from installment purchases		(5,441,315)	
Increase in unfunded OPEB obligation		(92,015)	
Loss on disposal of capital assets		(84,110)	
Change in net assets		<u>\$ 2,061,822</u>	

CITY OF NEW BERN, NORTH CAROLINA

**TRENT WOODS SEWER CONSTRUCTION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	Actual			Total to Date
	Budget	Prior Years	Current Year	
Revenues:				
Connection fees	\$ 1,505,400	\$ 1,675,139	\$ 21,000	\$ 1,696,139
Investment earnings	108,580	108,594	-	108,594
Total revenues	<u>1,613,980</u>	<u>1,783,733</u>	<u>21,000</u>	<u>1,804,733</u>
Expenditures:				
Sewer system:				
Sewer system - Trent Woods	<u>10,799,621</u>	<u>10,762,583</u>	<u>17,130</u>	<u>10,779,713</u>
Revenues over (under) expenditures	<u>(9,185,641)</u>	<u>(8,978,850)</u>	<u>3,870</u>	<u>(8,974,980)</u>
Other Financing Sources (Uses):				
Transfer to Sewer Fund	111,909	(117,511)	-	(117,511)
Installment purchase debt issued	<u>9,073,732</u>	<u>9,073,732</u>	<u>-</u>	<u>9,073,732</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (22,629)</u>	<u>\$ 3,870</u>	<u>\$ (18,759)</u>

CITY OF NEW BERN, NORTH CAROLINA

**TOWNSHIP 7 SEWER IMPROVEMENTS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ 61	\$ 487	\$ 548
Expenditures:				
Wastewater improvements	\$ 5,451,593	\$ 1,296,375	\$ 260,160	\$ 1,556,535
Revenues over (under) expenditures	<u>(5,451,593)</u>	<u>(1,296,314)</u>	<u>(259,673)</u>	<u>(1,555,987)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>5,451,593</u>	<u>781,986</u>	<u>4,669,607</u>	<u>5,451,593</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (514,328)</u>	<u>\$ 4,409,934</u>	<u>\$ 3,895,606</u>

CITY OF NEW BERN, NORTH CAROLINA

**REGIONAL LIFT STATION SEWER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING
 SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 57	\$ 57
Expenditures:				
Wastewater improvements	1,400,000	-	8,762	8,762
Revenues over (under) expenditures	(1,400,000)	-	(8,705)	(8,705)
Other Financing Sources (Uses):				
Installment purchase debt issued	1,400,000	-	771,708	771,708
Revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763,003</u>	<u>\$ 763,003</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, 2009**

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Employee and retiree contributions	\$ 580,000	\$ 643,246	\$ 63,246
Employer and other contributions	5,362,400	5,334,005	(28,395)
Investment income	2,000	1,865	(135)
Total revenue	<u>5,944,400</u>	<u>5,979,116</u>	<u>34,716</u>
Expenditures:			
Employee insurance plan benefits	<u>7,157,030</u>	<u>6,908,130</u>	<u>248,900</u>
Revenues over (under) expenditures	<u>(1,212,630)</u>	<u>(929,014)</u>	<u>283,616</u>
Other Financing Sources (Uses):			
Transfers in	<u>1,212,630</u>	<u>929,016</u>	<u>(283,614)</u>
Change in net assets	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2009

Fiscal Year	Uncollected Balance July 1, 2008	Additions	Collections and Credits	Uncollected Balance June 30, 2009
2008-2009	\$ -	\$ 11,789,165	\$ 11,533,142	\$ 256,023
2007-2008	199,871	-	123,032	76,839
2006-2007	56,005	-	11,364	44,641
2005-2006	39,217	-	6,048	33,169
2004-2005	35,269	-	2,749	32,520
2003-2004	30,487	-	2,151	28,336
2002-2003	30,055	-	1,555	28,500
2001-2002	26,945	-	1,438	25,507
2000-2001	22,000	-	1,167	20,833
1999-2000	18,262	-	1,227	17,035
1998-1999	20,967	-	20,967	-
	\$ 479,078	\$ 11,789,165	\$ 11,704,840	563,403
Plus: motor vehicle taxes collected but not received from County				65,399
Less: allowance for uncollectible ad valorem taxes receivable				(191,820)
Ad valorem taxes receivable - net				\$ 436,982
Reconciliation with Revenues:				
Taxes - ad valorem, per Exhibit D				\$ 11,916,033
Reconciling Items:				
Releases - ad valorem				10,608
Less interest collected				(52,517)
Less MSD Fund taxes, penalty and interest collected all years				(190,179)
Miscellaneous adjustments				(72)
Amounts written off for tax years per statute of limitations				20,967
Total collections and credits				\$ 11,704,840

CITY OF NEW BERN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2009

	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	\$ 2,305,701,895	0.505	\$ 11,637,889	\$ 10,458,659	\$ 1,179,230
Penalties	-		12,300	12,300	-
Total	<u>2,305,701,895</u>		<u>11,650,189</u>	<u>10,470,959</u>	<u>1,179,230</u>
Discoveries:					
Current year taxes	53,635,643	0.505	270,860	270,860	-
Penalties	-		(6,102)	(6,102)	-
Total	<u>53,635,643</u>		<u>276,962</u>	<u>276,962</u>	<u>-</u>
Abatements	<u>(27,323,918)</u>		<u>(137,986)</u>	<u>(52,769)</u>	<u>(85,217)</u>
Total property valuation	<u>\$ 2,332,013,620</u>				
Net levy			11,789,165	10,695,152	1,094,013
Less: uncollected taxes at June 30, 2009			<u>(256,023)</u>	<u>(149,360)</u>	<u>(106,663)</u>
Current year's taxes collected			<u>\$ 11,533,142</u>	<u>\$ 10,545,792</u>	<u>\$ 987,350</u>
Current levy collection percentage			<u>97.83%</u>	<u>98.60%</u>	<u>90.25%</u>
Prior year collection percentage			<u>98.22%</u>	<u>99.21%</u>	<u>89.24%</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 basic 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 16, 2009. 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's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, 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.
September 16, 2009

**Report On Compliance With Requirements Applicable To Each Major State Program
And Internal Control Over Compliance In Accordance With Applicable Section
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 compliance of the City of New Bern, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2009. The City of New Bern's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of City of New Bern'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; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of New Bern'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's compliance with those requirements.

In our opinion, the City of New Bern complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the City of New Bern 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's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, 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.
September 16, 2009

CITY OF NEW BERN, NORTH CAROLINA

**SUMMARY OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

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 that are not considered to be material weaknesses	No
Non-compliance material to financial statements noted	No

State Awards

Internal control over major State programs:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weaknesses	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
Clean Water Trust Grant

CITY OF NEW BERN, NORTH CAROLINA
SUMMARY OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009

<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					
2006 Justice Assistance	16.738	2006-DJ-BX-0461	\$ 8,656	\$ -	\$ 171
Bulletproof Vest	16.607	OMB-1121-0235	3,797	-	3,797
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	296,272	-	288,513
Passed through Division of N.C. Homeland Security					
Intelligence/Info Sharing Center	97.074	2006-GE-T6-0010	60,601	-	-
Intelligence/Info Sharing Center	97.074	2007-GE-T7-0048	44,908	-	7,881
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	13,420	-	(4,136)
National Park Service:					
Passed through N.C. Department of Cultural Resources					
2007 Historic Preservation Grant	15.904		3,000	-	2,000
Department of Environment & Natural Resources					
Division of Environmental Health					
Public Water Supply Section					
Clean Water Trust Grant		HLRXF040994	-	18,400,566	520,968
Division of Parks and Recreation					
N.C. Parks & Recreation Trust Fund (PARTF)		P08079	-	-	22,720
Division of Water Quality					
Clean Water Management Trust Fund		2007-711	-	-	57,329
Division of Coastal Management					
Morgan Park Neighborhood Access		S07017	-	67,585	(29,894)
CAMA Regional Land Use Plan Phase II		1007	-	13,300	7,600
Pollock Street Access Project		905	-	-	2,284
Queen Street Access Project		906	-	-	5,880
Division of Soil & Water Conservation					
N.C. Community Conservation Program		25-08-503-09	-	563	188

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2009

<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 Crime Control & Public Safety					
Division of Governor's Crime Commission					
Craven County Gang Task Force		025-1-06-001-BN-025	-	4,506	1,502
Department of Transportation					
Powell Bill			-	824,445	-
Traffic Enforcement & Management Unit		PT-08-03-04-34	-	1,333	(181)
Bicycle & Pedestrian Planning Grant		37309.1.1	-	23,625	10,125
Total Federal Expenditures			<u>\$ 430,654</u>		
Total State Expenditures				<u>\$ 19,335,923</u>	
Total Local Expenditures					<u>\$ 896,747</u>

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, 2009. 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	\$ 26,701,680