

**CITY OF NEW BERN
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

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*Prepared By The Finance Department
Keith Fiaschetti, Director of Finance*

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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, 2011, 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 opinion.

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, 2011 and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance. Management has omitted the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employers Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of City of New Bern, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards 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 Organizations*, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 27, 2011

Management's Discussion and Analysis

As management of the City of New Bern, we offer readers of the City of New Bern's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. 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.

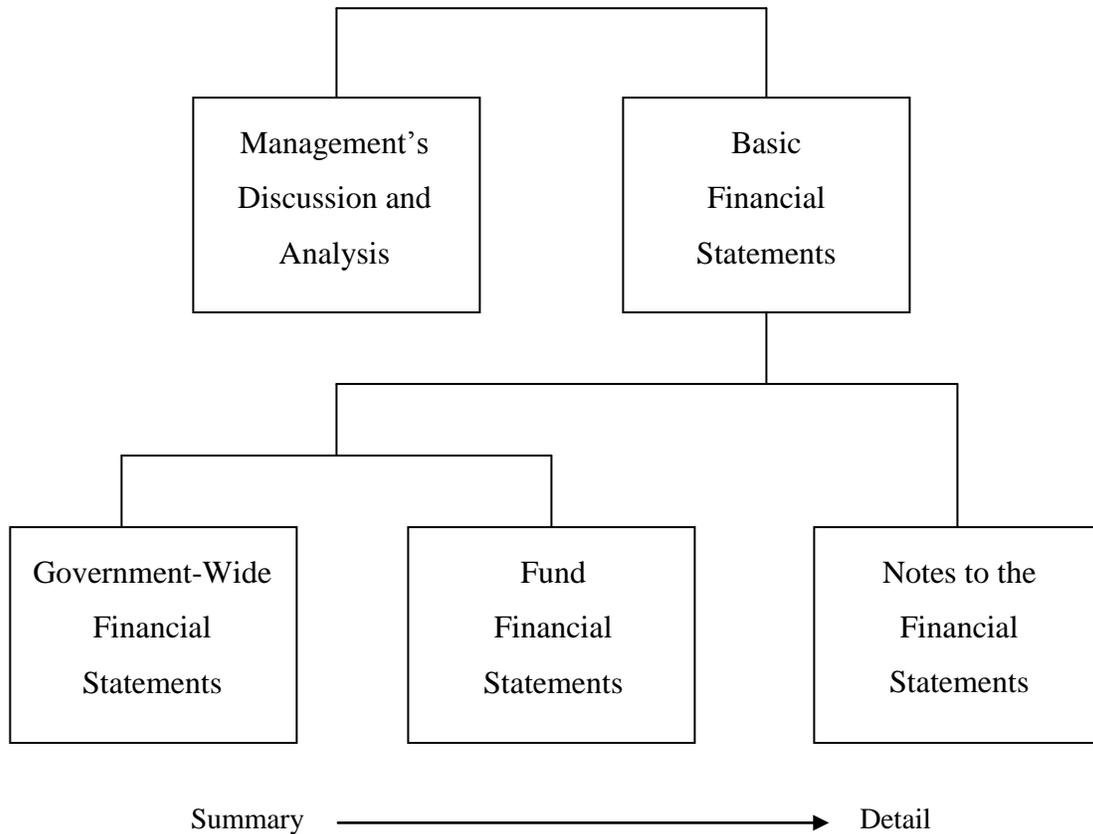
Financial Highlights

- The overall financial position of the City increased in 2011 as evidenced by an increase in total net assets of \$14,015,298. This was from governmental activities which increased by \$4,148,569, and business-type activities increased by \$9,866,729.
- The assets of the City of New Bern exceeded its liabilities at the close of the fiscal year by \$138,857,994 (*net assets*). Of this amount, \$22,419,737 (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,431,088. an increase of \$1,835,813 in comparison with the prior year. Approximately 45 percent of the total fund balance, or \$3,802,640, is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, available fund balance for the General Fund was \$4,608,300, or 17.8 percent of the total General Fund expenditures and transfers out for the fiscal year. In 2010, unreserved fund balance in the General Fund was \$2,035,562 or 7.4 percent of total expenditures. The previous governing board had set an informal fund balance goal of 15–20 percent.
- On January 22, 2009, the City received an A rating from Standard & Poor's Corporation.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to 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, environmental protection, parks and recreation, and general administration. Property taxes, other taxes, and federal and State 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 24-58 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve, over time, as one useful indicator of a government's financial condition. The assets of the City of New Bern exceeded liabilities by \$138,857,994 as of June 30, 2011. The City's net assets increased by \$14,015,298 for the fiscal year ended June 30, 2011. However, the largest portion, \$112,597,645 (81.1%), reflects the City's investment in capital assets (e.g. land, buildings, machinery, equipment, infrastructure, 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. Unrestricted net assets were \$22,419,737 (16.1%) as of June 30, 2011. In 2010, the amount of net assets invested in capital assets net of related debt was \$107,580,297, and unrestricted net assets was \$17,262,399.

City of New Bern Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current and other assets	\$ 11,587,908	\$ 9,777,115	\$ 32,063,885	\$ 26,434,069	\$ 43,651,793	\$ 36,211,184
Capital assets	<u>46,746,279</u>	<u>4,596,397</u>	<u>147,541,401</u>	<u>146,074,281</u>	<u>194,287,680</u>	<u>192,038,253</u>
Total assets	<u>58,334,187</u>	<u>14,373,512</u>	<u>179,605,286</u>	<u>172,508,350</u>	<u>237,939,473</u>	<u>228,249,437</u>
Liabilities:						
Long-term liabilities						
outstanding	15,435,466	16,734,159	72,705,554	71,470,659	82,743,947	88,204,818
Other liabilities	<u>4,279,144</u>	<u>4,535,920</u>	<u>6,661,315</u>	<u>10,666,003</u>	<u>16,337,532</u>	<u>15,201,923</u>
Total liabilities	<u>19,714,610</u>	<u>21,270,079</u>	<u>79,366,869</u>	<u>82,136,662</u>	<u>99,081,479</u>	<u>103,406,741</u>
Net Assets:						
Invested in capital assets, net of related debt	34,018,646	31,419,739	78,578,999	76,160,558	112,597,645	107,580,297
Restricted for stabilization by State statute	3,840,612	-	-	-	3,840,612	-
Unrestricted	<u>760,319</u>	<u>3,051,269</u>	<u>21,659,418</u>	<u>14,211,130</u>	<u>22,419,737</u>	<u>17,262,399</u>
Total net assets	<u>\$ 38,619,577</u>	<u>\$ 34,471,008</u>	<u>\$ 100,238,417</u>	<u>\$ 90,371,688</u>	<u>\$ 138,857,994</u>	<u>\$ 124,842,696</u>

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

- Continued diligence in the collection of property taxes despite an increased number of bankruptcies and foreclosures, by maintaining a tax collection percentage (excluding motor vehicles) of 97.65%. The overall tax collection percentage of 97.15% for fiscal year 2011 decreased slightly as compared to 97.26% for 2010.
- Water rate increases in the business-type activities - effective March 1, 2010.

City of New Bern Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Charges for services	\$ 5,757,880	\$ 5,200,660	\$ 89,345,709	\$ 86,999,153	\$ 95,103,589	\$ 92,199,813
Operating grants and contributions	335,319	672,267	-	-	335,319	672,267
Capital grants and contributions	2,514,740	854,835	689,685	791,914	3,204,425	1,646,749
General revenues:						
Property taxes	12,919,994	12,043,657	-	-	12,919,994	12,043,657
Other taxes	8,070,894	7,853,822	-	-	8,070,894	7,853,822
Unrestricted investment earnings	16,880	12,916	17,566	18,096	34,446	31,012
Total assets	29,615,707	26,638,157	90,052,960	87,809,163	119,668,667	114,447,320
Expenses:						
General government	1,959,814	1,715,925	-	-	1,959,814	1,715,925
Public safety	15,232,805	17,093,862	-	-	15,232,805	17,093,862
Public works	3,970,149	4,376,173	-	-	3,970,149	4,376,173
Environmental protection	2,054,485	2,033,675	-	-	2,054,485	2,033,675
Economic development	1,405,498	1,791,932	-	-	1,405,498	1,791,932
Cultural and recreational	2,280,243	2,708,074	-	-	2,280,243	2,708,074
Interest on long-term debt	518,902	563,132	-	-	518,902	563,132
Water	-	-	6,699,559	6,331,408	6,699,559	6,331,408
Sewer	-	-	10,233,465	10,677,006	10,233,465	10,677,006
Electric	-	-	61,298,449	60,061,164	61,298,449	60,061,164
Total expenses	27,421,896	30,282,773	78,231,473	77,069,578	105,653,369	107,352,351
Increase in net assets before transfers	2,193,811	(3,644,616)	11,821,487	10,739,585	14,015,298	7,094,969
Transfers	1,954,758	1,579,957	(1,954,758)	(1,579,957)	-	-
Increase in net assets	4,148,569	(2,064,659)	9,866,729	9,159,628	14,015,298	7,094,969
Net Assets:						
Beginning of year - July 1	34,471,008	36,535,667	90,371,688	81,212,060	124,842,696	117,747,727
End of year - June 30	\$ 38,619,577	\$ 34,471,008	\$ 100,238,417	\$ 90,371,688	\$ 138,857,994	\$ 124,842,696

Governmental Activities. Governmental activities, after transfers, increased the City's net assets by \$4,148,569, accounting for 29.6% of the total growth in the net assets. Key elements of this increase are as follows:

- Increase in government's revenues of \$2,977,550 primarily due to increases generated by: Capital grants \$1,659,905, property taxes \$876,337, and charges for services \$557,220.
- Decrease in expenses of \$2,860,877, or 9.45 percent, particularly public safety expenses and other measures to increase the General Fund balance.

Business-Type Activities. Business-type activities, after transfers, increased the City's net assets by \$9,866,729, accounting for 70.4 percent of the total growth in the net assets. Key elements of this increase are as follows:

- Charges for services increased \$2,039,727, or 2.3%, over the prior year. This increase was the result of increases in water utility rates in March 2010. The revenue increase in electric was offset by \$1,440,974 increase in additional purchased power costs over the prior year.

Financial Analysis of the City's Funds

As noted earlier, the City 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, unassigned 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. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,604,056, while total fund balance was \$7,544,149. Total fund balance in the General Fund increased by \$2,307,253. As a measure of the General Fund's liquidity, it may be useful to compare both fund balance available for appropriation and total fund balance to total fund expenditures. Available fund balance represents 17.8 percent of total General Fund expenditures, while total fund balance represents 29.1 percent of the same amount.

At June 30, 2011, the governmental funds of the City reported a combined fund balance of \$8,431,088, which is an increase of \$1,835,813, or 27.8 percent increase from last year. Included in this change in fund balance is the increase in the General Fund of \$2,307,253 and decreases in Special Revenue and Capital Project Funds.

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

There were no significant budget amendments in the current fiscal year.

Revenues were less than the budgeted amounts in several categories. The most significant variances were in sales and services, \$955,130, mainly attributable to the conversion of budgetary interfund allocations to actual expenditures. This variance was partially offset from higher sales tax distributions and utility franchise excise tax receipts.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$10,668,919 in the Electric Fund, \$8,726,866 in the Water Fund and \$2,263,633 in the Sewer fund. The electric, water, and sewer funds experienced growth in net assets of \$3,015,387, \$4,046,091, and \$2,805,251, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities section above.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the City had \$194,287,680 (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and systems, equipment, vehicles, infrastructure, and construction in process. This amount represents a net increase of \$2.2 million, or 1.2 percent over last year.

Major capital asset transactions during the year include the following:

- Construction in progress for water improvements in Township 7 totaling \$1,478,715, consisting of booster stations, elevated water tank, and water mains.
- Construction in progress for sewer improvements in Township 7 totaling \$5,379,221, consisting of force main upgrade, equalization basin, and sewer pump station.
- Construction in progress for the Northwest interceptor rehab project totaling \$410,239, consisting of repairs to the gravity sewer outfall line located on Glenburnie Road.
- Construction in progress for the Neuse Boulevard water improvements totaling \$796,741, consisting of replacement of the deteriorating water lines.
- Construction in progress for the Lewis Farm Road substation totaling \$866,164, consisting of construction of a new electric substation.

- Construction in progress for the purchase of computer-aided dispatch and records management software system for public safety totaling \$929,366.
- Construction in progress for the replacement of the radio system totaling \$329,818.
- Completion of Water Treatment Plant, \$33,000,750 asset placed in service.
- Completion of the Broad Street improvements, \$1,808,419.28, asset placed in service.
- Completion of North Carolina History Education Center, \$810,029, asset placed in service.
- Completion of the regional lift station and force main, \$746,249, asset placed in service.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 14,047,630	\$ 14,047,630	\$ 13,865,640	\$ 13,816,137	\$ 27,913,270	\$ 27,863,767
Buildings and systems	13,462,786	11,598,981	116,611,433	82,547,839	130,074,219	94,146,820
Equipment, furniture, and fixtures	2,701,500	2,915,569	5,029,703	5,552,031	7,731,203	8,467,600
Infrastructure	12,204,126	12,810,504	-	-	12,204,126	12,810,504
Vehicles and motorized equipment	920,105	1,193,458	1,319,991	1,402,818	2,240,096	2,596,276
Construction in progress	<u>3,410,132</u>	<u>3,397,830</u>	<u>10,714,634</u>	<u>42,755,456</u>	<u>14,124,766</u>	<u>46,153,286</u>
Total capital assets	<u>\$ 46,746,279</u>	<u>\$ 45,963,972</u>	<u>\$ 147,541,401</u>	<u>\$ 146,074,281</u>	<u>\$ 194,287,680</u>	<u>\$ 192,038,253</u>

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

Long-Term Debt

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ -	\$ -	\$ -	\$ 240,000	\$ -	\$ 240,000
Installment purchases	12,731,877	14,660,687	23,617,057	23,979,189	36,348,934	38,639,876
Notes payable	-	-	<u>47,724,116</u>	<u>49,785,268</u>	<u>47,724,116</u>	<u>49,785,268</u>
Total long-term debt	<u>\$ 12,731,877</u>	<u>\$ 14,660,687</u>	<u>\$ 71,341,173</u>	<u>\$ 74,004,457</u>	<u>\$ 84,073,050</u>	<u>\$ 88,665,144</u>

The City's long-term liabilities decreased by \$4,592,094 million (5.2%) during the fiscal year, primarily due to \$7,715,343 in principal payments made against existing debt which was partially offset by \$3,363,254 in new debt to finance improvements to the electric and water treatment systems and for various vehicles and equipment.

As indicated in the financial highlights section of this document, the City's sound financial condition is evidenced by an A rating from Standard and Poor's Corporation which was received on January 22, 2009. 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, 2011 is approximately \$187,320,180.

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators impact the City:

- Building permits decreased in fiscal year 2011 with a total estimated construction cost of \$45.6 million compared to \$51.8 million in 2010. Permits were issued for 213 commercial and 346 residential units, compared to 209 and 416, respectively, in 2010.
- Retail sales during 2011 were \$ 816.0 million, compared to \$ 480.5 million in 2010, a 69.8% increase.
- The June 2011 unemployment rate for Craven County was 10.4 percent compared to 9.9 percent for the State and 9.2 percent for the nation. This compares to June 2010 rates of 9.8 for Craven County, 10.0 for the State, and 9.5 percent for the nation.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities:

The most significant factors negatively impacting the 2012 budget is the escalating costs of doing business and the overall weaknesses and uncertainties in the national, State and local economies.

General Fund revenues are estimated to remain flat or negative growth while operating costs to maintain the same service levels have increased. Therefore, the City began implementing additional cost-cutting measures. The net effect of these changes is a more efficient organization with fewer employees, which is a key for a sustainable future. Having made these changes allows the City to award a more efficient organization with a cost-of-living increase of 2.5% effective July 2011 for employees. No employee merit pay increases have been budgeted again this year.

The General Fund initial budget for 2011-2012 decreased 3.0% from \$34,577,085 (2011 adopted budget) to \$33,553,702. The decrease is attributable to deferring capital outlay spending and reduced staffing levels.

Business-Type Activities

In order to increase working capital levels and capital reserves in our enterprise funds, the City is gradually building toward the necessary reserve levels consistent with the Board's adopted goals. This will allow us to better meet short and long-term commitments. The City is continually reviewing the organizational structure to ensure the capacity to accomplish these goals. The net effect of these changes is a more efficient organization with fewer employees, which is a key for a sustainable future.

In addition, to help meet the goals outlined above, the 2012 budget includes rate increases in the water and sewer funds. The budget does not include any rate increase in the Electric Fund, and at this time the City is not aware of any increases in our wholesale power costs through the end of fiscal year 2012.

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, North Carolina 28563-1129, or call (252) 639-2711.

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CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 7,519,875	\$ 15,627,180	\$ 23,147,055
Taxes receivable, net	565,224	-	565,224
Accounts receivable, net	653,953	10,343,014	10,996,967
Due from other governments	3,356,169	-	3,356,169
Inventories	168,263	1,799,394	1,967,657
Internal balances	(679,820)	679,820	-
Cash and investments, restricted	4,244	3,614,477	3,618,721
Non-depreciable capital assets	17,457,762	24,580,274	42,038,036
Depreciable capital assets, net	<u>29,288,517</u>	<u>122,961,127</u>	<u>152,249,644</u>
Total assets	<u>58,334,187</u>	<u>179,605,286</u>	<u>237,939,473</u>
Liabilities:			
Accounts payable and accrued liabilities	2,073,000	5,425,611	7,498,611
Unearned revenues	42,589	-	42,589
Customer deposits	-	1,235,704	1,235,704
Current maturities of long-term debt	2,413,555	5,397,073	7,810,628
Non-current portion of long-term debt	<u>15,185,466</u>	<u>67,308,481</u>	<u>82,493,947</u>
Total liabilities	<u>19,714,610</u>	<u>79,366,869</u>	<u>99,081,479</u>
Net Assets:			
Invested in capital assets, net of related debt	34,018,646	78,578,999	112,597,645
Restricted for stabilization by State statute	3,840,612	-	3,840,612
Unrestricted	<u>760,319</u>	<u>21,659,418</u>	<u>22,419,737</u>
Total net assets	<u>\$ 38,619,577</u>	<u>\$ 100,238,417</u>	<u>\$ 138,857,994</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, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,959,814	\$ 3,158,508	\$ -	\$ -
Public safety	15,232,805	355,296	125,120	542,146
Public works	3,970,149	247,586	-	754,012
Environmental protection	2,054,485	1,861,267	145,054	-
Cultural and recreation	2,280,243	133,623	12,383	460,082
Economic and physical development	1,405,498	1,600	52,762	758,500
Interest on long-term debt	518,902	-	-	-
Total governmental activities	<u>27,421,895</u>	<u>5,757,880</u>	<u>335,319</u>	<u>2,514,740</u>
Business-Type Activities:				
Electric Fund	61,298,449	65,916,870	-	44,523
Water Fund	6,699,559	11,130,551	-	341,531
Sewer Fund	10,233,465	12,298,288	-	303,631
Total business-type activities	<u>78,231,473</u>	<u>89,345,709</u>	<u>-</u>	<u>689,685</u>
Total primary government	<u>\$ 105,653,368</u>	<u>\$ 95,103,589</u>	<u>\$ 335,319</u>	<u>\$ 3,204,425</u>

General Revenues:

Ad valorem taxes
Sales tax
Utility franchise tax
Other taxes

Interest earned on investments

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 1,198,694	\$ -	\$ 1,198,694
(14,210,243)	-	(14,210,243)
(2,968,551)	-	(2,968,551)
(48,164)	-	(48,164)
(1,674,155)	-	(1,674,155)
(592,636)	-	(592,636)
(518,902)	-	(518,902)
<u>(18,813,956)</u>	<u>-</u>	<u>(18,813,956)</u>
-	4,662,944	4,662,944
-	4,772,523	4,772,523
-	2,368,454	2,368,454
<u>-</u>	<u>11,803,921</u>	<u>11,803,921</u>
<u>(18,813,956)</u>	<u>11,803,921</u>	<u>(7,010,035)</u>
12,919,994	-	12,919,994
4,892,122	-	4,892,122
1,520,306	-	-
1,658,465	-	1,658,465
16,880	17,566	34,446
<u>21,007,767</u>	<u>17,566</u>	<u>19,505,027</u>
<u>1,954,758</u>	<u>(1,954,758)</u>	<u>-</u>
<u>22,962,525</u>	<u>(1,937,192)</u>	<u>19,505,027</u>
4,148,569	9,866,729	14,015,298
<u>34,471,008</u>	<u>90,371,688</u>	<u>124,842,696</u>
<u>\$ 38,619,577</u>	<u>\$ 100,238,417</u>	<u>\$ 138,857,994</u>

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

CITY OF NEW BERN, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 5,888,171	\$ 622,466	\$ 6,510,637
Taxes receivable, net	565,224	-	565,224
Accounts receivable, net	640,484	13,469	653,953
Cash and investments, restricted	4,244	-	4,244
Due from other funds	-	113,259	113,259
Due from other governments	2,396,402	959,767	3,356,169
Inventories	168,263	-	168,263
Total assets	<u>\$ 9,662,788</u>	<u>\$ 1,708,961</u>	<u>\$ 11,371,749</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,241,526	\$ 15,474	\$ 1,257,000
Due to other funds	-	793,079	793,079
Unearned revenues	42,589	-	42,589
Deferred revenues	834,524	13,469	847,993
Total liabilities	<u>2,118,639</u>	<u>822,022</u>	<u>2,940,661</u>
Fund Balances:			
Non-spendable	168,263	-	168,263
Restricted for stabilization by State statute	2,767,586	1,073,026	3,840,612
Restricted	4,244	217,852	222,096
Committed	-	391,977	391,977
Assigned	-	5,500	5,500
Unassigned	4,604,056	(801,416)	3,802,640
Total fund balances	<u>7,544,149</u>	<u>886,939</u>	<u>8,431,088</u>
Total liabilities and fund balances	<u>\$ 9,662,788</u>	<u>\$ 1,708,961</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	46,746,279
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.	193,238
Liabilities for earned, but deferred, revenues in fund statements.	847,993
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(17,599,021)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ 38,619,577</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, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 12,882,798	\$ -	\$ 12,882,798
Other taxes and licenses	255,333	-	255,333
Unrestricted intergovernmental revenues	7,815,560	-	7,815,560
Restricted intergovernmental revenues	810,620	1,851,695	2,662,315
Permits and fees	573,392	-	573,392
Sales and services	3,983,424	324,603	4,308,027
Interest earned on investments	15,211	1,189	16,400
Miscellaneous	187,312	189,344	376,656
Total revenues	<u>26,523,650</u>	<u>2,366,831</u>	<u>28,890,481</u>
Expenditures:			
General government	703,279	-	703,279
Public safety	13,425,571	1,413,368	14,838,939
Public works	3,491,813	-	3,491,813
Environmental protection	1,909,184	88,446	1,997,630
Cultural and recreation	2,091,263	1,059,052	3,150,315
Economic and physical development	1,334,740	914,451	2,249,191
Capital outlay	35,848	94,699	130,547
Debt service:			
Principal repayments	2,128,628	-	2,128,628
Interest	518,901	-	518,901
Total expenditures	<u>25,639,227</u>	<u>3,570,016</u>	<u>29,209,243</u>
Revenues over (under) expenditures	<u>884,423</u>	<u>(1,203,185)</u>	<u>(318,762)</u>
Other Financing Sources (Uses):			
Transfers in	1,684,737	763,004	2,447,741
Transfers out	(461,724)	(31,259)	(492,983)
Issuance of long-term debt	199,817	-	199,817
Total other financing sources (uses)	<u>1,422,830</u>	<u>731,745</u>	<u>2,154,575</u>
Net change in fund balances	2,307,253	(471,440)	1,835,813
Fund Balances:			
Beginning of year - July 1	<u>5,236,896</u>	<u>1,358,379</u>	<u>6,595,275</u>
End of year - June 30	<u>\$ 7,544,149</u>	<u>\$ 886,939</u>	<u>\$ 8,431,088</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, 2011

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)	\$ 1,835,813
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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:

Property taxes	37,196
Sales and services	(24,281)

Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	169,864
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Expenses related to other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(604,987)
--	-----------

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.	2,580,755
--	-----------

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.	(3,500)
--	---------

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,794,948)
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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.	2,128,627
---	-----------

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.	(199,817)
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The net revenue of the internal service funds are reported with governmental activities.	<u>23,847</u>
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Change in net assets of governmental activities per Exhibit B	<u>\$ 4,148,569</u>
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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, 2011**

	Original	Budgeted Amounts		Variance with Final Budget Over/Under
		Final	Actual	
Revenues:				
Ad valorem taxes	\$ 12,889,000	\$ 12,889,000	\$ 12,882,798	\$ (6,202)
Other taxes and licenses	266,100	266,100	255,333	(10,767)
Unrestricted intergovernmental revenues	7,416,332	7,441,272	7,815,560	374,288
Restricted intergovernmental revenues	967,282	700,000	810,620	110,620
Permits and fees	611,490	611,490	573,392	(38,098)
Sales and services	4,935,839	4,938,554	3,983,424	(955,130)
Interest earned on investments	7,000	7,000	15,211	8,211
Miscellaneous	136,500	136,500	187,312	50,812
Total revenues	<u>27,229,543</u>	<u>26,989,916</u>	<u>26,523,650</u>	<u>(466,266)</u>
Expenditures:				
General government	1,346,275	1,334,427	703,279	631,148
Public safety	14,711,696	14,283,828	13,425,571	858,257
Public works	4,142,171	4,172,716	3,491,813	680,903
Environmental protection	2,072,780	1,915,490	1,909,184	6,306
Cultural and recreation	2,331,082	2,313,582	2,091,263	222,319
Economic and physical development	1,530,525	1,440,895	1,334,740	106,155
Capital outlay	35,500	35,848	35,848	-
Debt service:				
Principal	2,134,017	2,136,017	2,128,628	7,389
Interest	521,283	522,283	518,901	3,382
Total expenditures	<u>28,825,329</u>	<u>28,155,086</u>	<u>25,639,227</u>	<u>2,515,859</u>
Revenues over (under) expenditures	<u>(1,595,786)</u>	<u>(1,165,170)</u>	<u>884,423</u>	<u>2,049,593</u>
Other Financing Sources (Uses):				
Transfers in	1,500,000	1,684,737	1,684,737	-
Transfers out	(428,955)	(480,661)	(461,724)	18,937
Issuance of long-term debt	677,213	211,902	199,817	(12,085)
Contingency	(152,472)	(250,808)	-	250,808
Total other financing sources (uses)	<u>1,595,786</u>	<u>1,165,170</u>	<u>1,422,830</u>	<u>257,660</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,307,253	<u>\$ 2,307,253</u>
Fund Balance:				
Beginning of year - July 1			<u>5,236,896</u>	
End of year - June 30			<u>\$ 7,544,149</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, 2011

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 6,751,186	\$ 7,170,636	\$ 1,705,358	\$ 15,627,180	\$ 1,009,238
Accounts receivable, net	7,647,836	1,291,666	1,403,512	10,343,014	-
Due from other funds	-	679,820	-	679,820	-
Inventories	1,596,182	131,937	71,275	1,799,394	-
Cash, restricted	2,577,170	932,862	104,445	3,614,477	-
Total current assets	18,572,374	10,206,921	3,284,590	32,063,885	1,009,238
Non-current assets:					
Non-depreciable capital assets	1,548,965	4,860,465	18,170,844	24,580,274	-
Depreciable capital assets, net	25,038,206	42,983,958	54,938,963	122,961,127	-
Total capital assets	26,587,171	47,844,423	73,109,807	147,541,401	-
Total assets	45,159,545	58,051,344	76,394,397	179,605,286	1,009,238
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	4,555,863	115,756	418,770	5,090,389	816,000
Accrued interest	7,553	4,234	118,019	129,806	-
Retainage payable	16,382	189,034	-	205,416	-
Customer deposits	1,235,704	-	-	1,235,704	-
Long-term debt, due in one year	571,562	2,060,489	2,765,022	5,397,073	-
Total current liabilities	6,387,064	2,369,513	3,301,811	12,058,388	816,000
Non-current liabilities:					
Non-current portion of long-term debt	5,528,727	35,157,289	26,622,465	67,308,481	-
Total non-current liabilities	5,528,727	35,157,289	26,622,465	67,308,481	-
Total liabilities	11,915,791	37,526,802	29,924,276	79,366,869	816,000
Net Assets:					
Invested in capital assets, net of related debt	22,574,834	11,797,676	44,206,489	78,578,999	-
Unrestricted	10,668,920	8,726,866	2,263,632	21,659,418	193,238
Total net assets	\$ 33,243,754	\$ 20,524,542	\$ 46,470,121	\$ 100,238,417	\$ 193,238

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, 2011

	Business-Type Activities				Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Total	
Operating Revenues:					
Charges for services	\$ 65,630,186	\$ 10,840,785	\$ 10,919,456	\$ 87,390,427	\$ -
Connection fees	214,506	286,126	716,754	1,217,386	-
Local government availability fee	-	-	656,591	656,591	-
Employee and retiree contributions	-	-	-	-	715,330
Employer and other contributions	-	-	-	-	5,287,731
Total operating revenues	<u>65,844,692</u>	<u>11,126,911</u>	<u>12,292,801</u>	<u>89,264,404</u>	<u>6,003,061</u>
Operating Expenses:					
Administration	6,430,490	2,142,028	1,851,531	10,424,049	-
Production	49,931,643	-	-	49,931,643	-
Distribution	2,822,845	-	-	2,822,845	-
System maintenance/extension	-	1,652,885	3,247,467	4,900,352	-
Hydrant maintenance	-	233,965	-	233,965	-
Pre-treatment	-	-	104,117	104,117	-
Treatment	-	1,433,687	2,192,244	3,625,931	-
Depreciation	1,911,731	466,130	1,860,575	4,238,436	-
Employee insurance plan	-	-	-	-	5,979,694
Total operating expenses	<u>61,096,709</u>	<u>5,928,695</u>	<u>9,255,934</u>	<u>76,281,338</u>	<u>5,979,694</u>
Operating income	<u>4,747,983</u>	<u>5,198,216</u>	<u>3,036,867</u>	<u>12,983,066</u>	<u>23,367</u>
Non-Operating Revenues (Expenses):					
Miscellaneous	72,178	3,640	5,487	81,305	-
Investment income	5,921	9,244	2,401	17,566	480
Interest expense	(201,740)	(770,864)	(977,531)	(1,950,135)	-
Total non-operating revenues (expenses)	<u>(123,641)</u>	<u>(757,980)</u>	<u>(969,643)</u>	<u>(1,851,264)</u>	<u>480</u>
Income before capital contributions and transfers	4,624,342	4,440,236	2,067,224	11,131,802	23,847
Capital contributions	44,523	341,531	303,631	689,685	-
Transfers to other funds	(1,653,478)	(735,676)	434,396	(1,954,758)	-
Change in net assets	3,015,387	4,046,091	2,805,251	9,866,729	23,847
Net Assets:					
Beginning of year - July 1	<u>30,228,367</u>	<u>16,478,451</u>	<u>43,664,870</u>	<u>90,371,688</u>	<u>169,391</u>
End of year - June 30	<u>\$ 33,243,754</u>	<u>\$ 20,524,542</u>	<u>\$ 46,470,121</u>	<u>\$ 100,238,417</u>	<u>\$ 193,238</u>

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

CITY OF NEW BERN, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities				Government- Wide Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows from Operating Activities:					
Cash received from customers	\$ 66,235,981	\$ 11,109,929	\$ 12,359,172	\$ 89,705,082	\$ 6,005,166
Cash paid to/ on behalf of employees	212,754	59,939	116,561	389,254	(6,080,781)
Cash paid for goods and services	(59,573,510)	(5,496,855)	(7,443,364)	(72,513,729)	-
Net cash provided (used) by operating activities	<u>6,875,225</u>	<u>5,673,013</u>	<u>5,032,369</u>	<u>17,580,607</u>	<u>(75,615)</u>
Cash Flows from					
Non-Capital Financing Activities:					
Change in due to/from other funds	-	(679,820)	-	(679,820)	-
Transfers from (to) other funds	(1,653,478)	(735,676)	434,396	(1,954,758)	-
Net cash provided (used) by non-capital financing activities	<u>(1,653,478)</u>	<u>(1,415,496)</u>	<u>434,396</u>	<u>(2,634,578)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Issuance of long-term debt	2,331,912	831,525	-	3,163,437	-
Acquisition and construction of capital assets	(2,011,668)	(2,211,359)	(1,642,337)	(5,865,364)	-
Principal payments on long-term debt	(419,398)	(2,238,499)	(2,928,819)	(5,586,716)	-
Interest paid	(204,851)	(775,339)	(992,958)	(1,973,148)	-
Non-operating income	80,597	3,640	5,487	89,724	-
Capital contributions and grants	44,523	341,531	292,575	678,629	-
Net cash provided (used) by capital and related financing activities	<u>(178,885)</u>	<u>(4,048,501)</u>	<u>(5,266,052)</u>	<u>(9,493,438)</u>	<u>-</u>
Cash Flows from Investing Activities:					
Investment income received	5,921	9,244	2,401	17,566	480
Net increase (decrease) in cash and cash equivalents	5,048,783	218,260	203,114	5,470,157	(75,135)
Cash and Cash Equivalents:					
Beginning of year - July 1	4,279,573	7,885,238	1,606,689	13,771,500	1,084,373
End of year - June 30	<u>\$ 9,328,356</u>	<u>\$ 8,103,498</u>	<u>\$ 1,809,803</u>	<u>\$ 19,241,657</u>	<u>\$ 1,009,238</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$ 4,747,983	\$ 5,198,216	\$ 3,036,867	\$ 12,983,066	\$ 23,367
Depreciation	1,911,731	466,130	1,860,575	4,238,436	-
Change in assets and liabilities:					
Increase (decrease) in accounts receivable and other receivables	323,508	(7,081)	66,371	382,798	2,105
Increase (decrease) in inventories	(110,980)	1,782	2,485	(106,713)	-
Increase (decrease) in accounts payable and accrued liabilities	(64,798)	13,966	66,071	15,239	(101,087)
Increase (decrease) in customer deposits	67,781	-	-	67,781	-
Net cash provided (used) by operating activities	<u>\$ 6,875,225</u>	<u>\$ 5,673,013</u>	<u>\$ 5,032,369</u>	<u>\$ 17,580,607</u>	<u>\$ (75,615)</u>
Non-Cash Activities:					
Contributed capital assets received by fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,126</u>	<u>\$ 255,126</u>	<u>\$ -</u>

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, 2011

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

Government-Wide Statements. The Statement of Net Assets and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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

Nonmajor Funds

The City reports the following nonmajor governmental funds: 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, Brownfields Assessment and Cleanup Grant Special Revenue Fund, Five Points Area Planning Grant Special Revenue Fund, COPS Hiring Grant Special Revenue Fund, 2007 PARTF Recreation Grant Special Revenue Fund, Grants Fund Special Revenue Fund, Public-Private Partnership Special Revenue Fund, CDBG Community Development Capital Project Fund, and Radio System Equipment Capital Project 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, 2011

C. Measurement Focus and Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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

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

D. Budgetary Data

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

E. Assets, Liabilities, and Equity

Deposits and Investments

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

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

Cash and Cash Equivalents

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

Restricted Assets

The unexpended proceeds of debt issued by the City are classified as restricted assets because their use is restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

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, 2010.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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	\$ 348,789
Taxes receivable - municipal service district	37,857
Accounts receivable - General Fund	1,700
Interest receivable - General Fund	18,852
Lien receivable Green Park Terrace - General Fund	130,000
Accounts receivable - Special Revenue Fund	1,675
Accounts receivable - Electric Fund	135,400
Accounts receivable - Water Fund	64,675
Accounts receivable - Sewer Fund	<u>116,705</u>
Total	<u>\$ 855,653</u>

Interfund Receivables/Payables

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

Inventory and Prepaid Items

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

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

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Capital Assets

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

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

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

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

Long-Term Obligations

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

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Compensated Absences

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

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

Net Assets

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Restricted Fund Balance

This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law. Restricted fund balance is summarized as follows:

	General Fund	Special Revenue	Capital Projects	Total
<i>Restricted for Stabilization of State Statute</i> – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	\$ 2,767,586	\$ 1,070,678	\$ 2,348	\$ 3,840,612
<i>Restricted for Economic Development</i> – portion of fund balance that is restricted by revenue source for unspent grant funds.	\$ -	\$ 32,928	\$ -	\$ 32,928
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for E911 expenditures.	-	159,146	-	159,146
<i>Restricted for Public Safety</i> – portion of fund balance that is restricted by revenue source for unspent police shared asset program funds.	-	25,778	-	25,778
Total restricted net assets (Exhibit A)	-	217,852	-	217,852
<i>Restricted for Education</i> – portion of fund balance that is restricted by revenue (unspent debt proceeds and/or grants) source for education.	-	-	-	-
<i>Restricted for Economic Development</i> – portion of fund balance that is restricted by revenue (unspent debt proceeds and/or grants) source for improvement projects.	4,244	-	-	4,244
Total restricted fund balances (Exhibit C)	\$ 4,244	\$ 217,852	\$ -	\$ 222,096

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Committed Fund Balance

Committed fund balance is the portion of fund balance that can only be used for specific purpose imposed by majority vote of City of New Bern's governing body. Any changes or removal of specific purposes requires majority action by the governing body. Committed fund balance is summarized as follows:

	<u>Capital Projects</u>
<i>Committed for Public Safety</i> – portion of fund balance that can only be used for radio system equipment purchases	\$ 391,977

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that City of New Bern intends to use for specific purposes. The City's governing body has the authority to assign fund balance. The City Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Unassigned Fund Balance

Unassigned fund balance is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Fund Balance Available for Appropriation

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 7,544,149
Less:	
Inventories	(168,263)
Stabilization by State statute	<u>(2,767,586)</u>
Fund balance available for appropriation	<u>\$ 4,608,300</u>

The City of New Bern has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the City. The City has not adopted a formal fund balance policy.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

F. Revenues, Expenditures, and Expenses

Other Resources

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

G. Management Estimates

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

2. Deposits and Investments

A. Deposits

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

At June 30, 2011, the City's deposits had a carrying amount of \$5,534,593 and a bank balance of \$10,540,417. 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 \$9,790,417 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The City had \$8,650 of cash on hand at year-end.

B. Investments

At June 30, 2011, 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	\$ 21,222,533	\$ 21,222,533	\$ -	\$ -

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, 2011.

3. Capital Assets

The following is a summary of changes in the governmental capital assets for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance June 30, 2011</u>	<u>Accumulated Depreciation June 30, 2011</u>
Non-Depreciable						
Capital Assets:						
Land	\$ 14,047,630	\$ -	\$ -	\$ -	\$ 14,047,630	
Construction in progress	3,397,830	2,364,078	-	(2,351,776)	3,410,132	
Total non-depreciable capital assets	17,445,460	2,364,078	-	(2,351,776)	17,457,762	
Depreciable Capital Assets:						
Buildings and improvements	15,383,010	-	-	2,235,010	17,618,020	\$ 4,155,234
Equipment	6,666,506	154,754	(10,800)	-	6,810,460	4,671,948
Furniture and fixtures	3,685,294	61,923	(3,500)	116,766	3,860,483	3,297,495
Vehicles	7,805,510	-	(55,879)	-	7,749,631	6,829,526
Infrastructure	16,521,732	-	-	-	16,521,732	4,317,606
Total depreciable capital assets	50,062,052	216,677	(70,179)	2,351,776	52,560,326	\$ 23,271,809
Accumulated depreciation	(21,543,540)	\$ (1,794,948)	\$ 66,679	\$ -	(23,271,809)	
Depreciable capital assets, net	28,518,512				29,288,517	
Total capital assets	\$ 45,963,972				\$ 46,746,279	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

General government	\$	412,603
Public safety		645,662
Public works		500,396
Environmental protection		56,855
Cultural and recreation		179,432
Total depreciation expense	\$	<u>1,794,948</u>

The following is a summary of changes in the business-type capital assets for the year ended June 30, 2011.

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Accumulated</u> <u>Depreciation</u> <u>June 30, 2011</u>
Electric Fund:						
Non-Depreciable						
Capital Assets:						
Land	\$ 584,240	\$ 44,503	\$ -	\$ -	\$ 628,743	
Construction in progress	1,829,742	1,006,012	-	(1,915,532)	920,222	
Total non-depreciable capital assets	<u>2,413,982</u>	<u>1,050,515</u>	<u>-</u>	<u>(1,915,532)</u>	<u>1,548,965</u>	
Depreciable Capital Assets:						
Buildings	971,323	-	-	-	971,323	\$ 435,020
Distribution systems	39,863,111	677,616	-	1,915,532	42,456,259	21,813,916
Equipment	9,415,579	58,418	(8,447)	-	9,465,550	6,545,065
Furniture and fixtures	44,005	-	-	-	44,005	44,004
Vehicles	2,407,931	234,064	(25,863)	-	2,616,132	1,677,058
Total depreciable assets	52,701,949	970,098	(34,310)	1,915,532	55,553,269	<u>\$ 30,515,063</u>
Accumulated depreciation	(28,629,195)	\$ (1,911,731)	\$ 25,863	\$ -	(30,515,063)	
Depreciable capital assets, net	<u>24,072,754</u>				<u>25,038,206</u>	
Total capital assets, net	<u>\$ 26,486,736</u>				<u>\$ 26,587,171</u>	

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u>				<u>Balance</u>	<u>Accumulated</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2011</u>	<u>Depreciation</u>
						<u>June 30, 2011</u>
Water Fund:						
Non-Depreciable						
Capital Assets:						
Land	\$ 852,479	\$ -	\$ -	\$ -	\$ 852,479	
Construction in progress	<u>35,237,012</u>	<u>2,234,021</u>	<u>-</u>	<u>(33,463,047)</u>	<u>4,007,986</u>	
Total non-depreciable capital assets	<u>36,089,491</u>	<u>2,234,021</u>	<u>-</u>	<u>(33,463,047)</u>	<u>4,860,465</u>	
Depreciable Capital Assets:						
Buildings	748,307	-	-	33,000,750	33,749,057	\$ 264,770
Distribution systems	14,821,423	-	-	462,297	15,283,720	6,461,864
Equipment	1,810,242	-	-	-	1,810,242	1,225,825
Vehicles	<u>570,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,398</u>	<u>477,000</u>
Total depreciable assets	<u>17,950,370</u>	<u>-</u>	<u>-</u>	<u>33,463,047</u>	<u>51,413,417</u>	<u>\$ 8,429,459</u>
Accumulated depreciation	<u>(7,963,329)</u>	<u>\$ (466,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(8,429,459)</u>	
Depreciable capital assets, net	<u>9,987,041</u>				<u>42,983,958</u>	
Total capital assets, net	<u>\$ 46,076,532</u>				<u>\$ 47,844,423</u>	

	<u>Balance</u>				<u>Balance</u>	<u>Accumulated</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2011</u>	<u>Depreciation</u>
						<u>June 30, 2011</u>
Sewer Fund:						
Non-Depreciable						
Capital Assets:						
Land	\$ 12,379,418	\$ 5,000	\$ -	\$ -	\$ 12,384,418	
Construction in progress	<u>5,688,702</u>	<u>1,191,705</u>	<u>-</u>	<u>(1,093,981)</u>	<u>5,786,426</u>	
Total non-depreciable capital assets	<u>18,068,120</u>	<u>1,196,705</u>	<u>-</u>	<u>(1,093,981)</u>	<u>18,170,844</u>	
Depreciable Capital Assets:						
Buildings	39,182,195	-	-	715,949	39,898,144	\$ 12,540,034
Distribution systems	30,538,542	255,125	-	347,732	31,141,399	5,372,875
Equipment	3,172,437	7,539	(8,430)	30,300	3,201,846	1,692,124
Vehicles	1,404,186	-	(19,065)	-	1,385,121	1,097,602
Furniture and fixtures	<u>48,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,820</u>	<u>33,742</u>
Total depreciable assets	<u>74,346,190</u>	<u>262,664</u>	<u>(27,495)</u>	<u>1,093,981</u>	<u>75,675,340</u>	<u>\$ 20,736,377</u>
Accumulated depreciation	<u>(18,903,297)</u>	<u>\$ (1,860,575)</u>	<u>\$ 27,495</u>	<u>\$ -</u>	<u>(20,736,377)</u>	
Depreciable capital assets, net	<u>55,442,893</u>				<u>54,938,963</u>	
Total capital assets, net	<u>\$ 73,511,013</u>				<u>\$ 73,109,807</u>	

Maintenance and repairs of \$329,712, \$100,515, and \$124,136 were reported for the Electric Fund, Water Fund, and Sewer Fund, respectively.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt (a component of net assets) is determined as follows at June 30, 2011.

	Governmental Activities	Business-Type Activities			Total
		Electric Fund	Water Fund	Sewer Fund	
Capital assets, net of depreciation	\$ 46,746,279	\$ 26,587,171	\$ 47,844,423	\$ 73,109,807	\$ 147,541,401
Long-term debt	17,599,021	6,100,289	37,217,778	29,387,487	72,705,554
Less:					
Unspent debt proceeds	(4,244)	(1,341,466)	(932,862)	(104,445)	(2,378,773)
Compensated absences	(1,247,919)	(288,214)	(54,861)	(104,761)	(447,836)
Unfunded pension obligations	(3,619,225)	(458,272)	(183,308)	(274,963)	(916,543)
Long-term debt related to capital assets	12,727,633	4,012,337	36,046,747	28,903,318	68,962,402
Invested in capital assets, net	<u>\$ 34,018,646</u>	<u>\$ 22,574,834</u>	<u>\$ 11,797,676</u>	<u>\$ 44,206,489</u>	<u>\$ 78,578,999</u>

4. Accounts Payable Disaggregate Information

Amounts presented for accounts payable are disaggregated as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 350,479	\$ 4,711,159	\$ 5,061,638
Retainage payable	-	205,416	205,416
Accrued liabilities	881,111	379,230	1,260,341
Accrued interest	-	129,806	129,806
Performance and bid deposits held	25,410	-	25,410
Health claims incurred, but not reported	816,000	-	816,000
Total	<u>\$ 2,073,000</u>	<u>\$ 5,425,611</u>	<u>\$ 7,498,611</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

5. Deferred/Unearned Revenues

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

	Deferred Revenues	Unearned Revenues
General Fund:		
Prepaid taxes and licenses	\$ -	\$ 42,589
Taxes receivable, net	517,687	-
Liens receivable	274,158	-
Street assessment receivable	5,206	-
Motor vehicle fees	37,473	-
Total	\$ 834,524	\$ 42,589
Special Revenue Fund:		
Loans receivable	\$ 13,469	\$ -

6. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. The City contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.35 percent and 6.27 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, 2009, 2010, and 2011 were \$1,000,192, \$1,008,336, and \$1,272,465 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, 2011

B. Law Enforcement Officers' Special Separation Allowance

Plan 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, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	11
Terminated plan members entitled to, but not yet, receiving benefits	-
Active plan members	<u>81</u>
Total	<u><u>92</u></u>

Summary of Significant Accounting Policies

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

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

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 were \$363,590, which consisted of \$210,287 from the City and \$153,303 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, 2011 were \$1,178,607, which consisted of \$803,577 from the City and \$375,030 from the non-law enforcement employees.

7. Other Employment Benefits

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011, the City made contributions to the State for death benefits of \$21,742. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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 under a single-employer defined benefit plan. 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's Participation
"Maximum Retirees"	
Thirty or more years of service with the City and at least fifteen of those years with the City	100%
Twenty-seven or more years of service with the City and three years of prior military service	100%
"Other Retirees"	
Twenty-five to twenty-nine years of service with at least ten of those years with the City	See A
Twenty years of service with the City	See B

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 52 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2011, the City made payments for post-retirement health benefit premiums of \$87,029 and retirees paid \$63,768 for dependent health benefits. The City is self-insured for healthcare coverage and purchases catastrophic loss coverage through private insurers. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Fire Fighter Officers
Retirees and dependents receiving benefits	49	N/A	N/A
Terminated plan members entitled to, but not yet receiving, benefits	-	-	-
Active plan members	337	84	58
Total	386	84	58

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 8.27% of annual covered payroll. For the current year, the City contributed \$150,797 or 0.75% of annual covered payroll. The City is self-insured for healthcare 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 6.69% and 6.69% 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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Summary of Significant Accounting Policies. Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting and from the Water Fund, Sewer Fund, and Electric Fund, which are maintained on the 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	\$ 1,663,310
Interest on net OPEB obligation	113,034
Adjustments to annual required contribution	(716,256)
Annual OPEB cost (expense)	1,060,088
Contributions made	<u>(150,797)</u>
Increase (decrease) in net OPEB obligation	909,291
Net OPEB Obligation:	
Beginning of year, July 1	<u>3,626,474</u>
End of year, June 30	<u><u>\$ 4,535,765</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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>
2011	\$ 1,060,088	14.2%	\$ 4,535,765
2010	1,603,190	4.7%	3,626,474
2009	1,603,190	4.3%	1,533,586

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Funding Status and Funding Progress. As of December 31, 2010, 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 \$15,666,249. The covered payroll (annual payroll of active employees covered by the plan) was \$20,111,064, and the ratio of the UAAL to the covered payroll was 75.9 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, 2010 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 3.00 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, 2010 was 30 years.

9. Risk Management

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The City is self-insured for workers' compensation claims up to \$400,000 for law enforcement, fire, and electric, and \$350,000 for all other employees. The City has re-insurance through a commercial company for single occurrence claims up to \$1,000,000. 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 \$5,979,694 in claims and changes in estimates were incurred for benefits during fiscal year 2011. Changes in the fund's claims liability amounts in fiscal 2010-2011 were as follows:

Year Ended June 30	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Liability at End of Fiscal Year
2009	\$ 760,790	\$ 6,908,130	\$ 6,868,920	\$ 800,000
2010	800,000	6,238,172	6,123,172	915,000
2011	915,000	5,979,694	6,078,694	816,000

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

10. Long-Term Obligations

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

A. Changes In Long-Term Debt

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Installment notes payable	\$ 14,660,687	\$ 199,817	\$ (2,128,627)	\$ 12,731,877	\$ 2,163,555
Unfunded OPEB	3,014,238	725,624	(120,637)	3,619,225	-
Compensated absences	1,417,783	250,000	(419,864)	1,247,919	250,000
Total	<u>\$ 19,092,708</u>	<u>\$ 1,175,441</u>	<u>\$ (2,669,128)</u>	<u>\$ 17,599,021</u>	<u>\$ 2,413,555</u>
Business-Type Activities:					
Water Fund:					
Notes payable	\$ 32,775,099	\$ 831,525	\$ (1,680,331)	\$ 31,926,293	\$ 1,680,331
Installment notes payable	5,611,483	-	(558,168)	5,053,315	360,158
Unfunded OPEB	122,447	66,893	(6,032)	183,308	-
Compensated absences	53,874	20,000	(19,013)	54,861	20,000
Total	<u>38,562,904</u>	<u>918,418</u>	<u>(2,263,544)</u>	<u>37,217,778</u>	<u>2,060,489</u>
Sewer Fund:					
General obligation bonds	240,000	-	(240,000)	-	-
Notes payable	17,010,169	-	(1,212,346)	15,797,823	1,242,487
Installment notes payable	14,686,413	-	(1,476,473)	13,209,940	1,475,535
Unfunded OPEB	183,670	100,339	(9,048)	274,961	-
Compensated absences	87,031	47,000	(29,270)	104,761	47,000
Total	<u>32,207,285</u>	<u>147,339</u>	<u>(2,967,137)</u>	<u>29,387,487</u>	<u>2,765,022</u>
Electric Fund:					
Installment notes payable	3,441,288	2,331,912	(419,398)	5,353,802	516,562
Unfunded OPEB	306,119	167,232	(15,080)	458,271	-
Compensated absences	245,761	55,000	(12,547)	288,214	55,000
Total	<u>3,993,170</u>	<u>2,554,144</u>	<u>(447,025)</u>	<u>6,100,289</u>	<u>571,562</u>
Total business-type activities	<u>\$ 74,763,359</u>	<u>\$ 3,619,901</u>	<u>\$ (5,677,706)</u>	<u>\$ 72,705,554</u>	<u>\$ 5,397,073</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, 2011 was \$187,320,180.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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%	\$ 983,944
Dunn Building	2015	4.02%	242,877
E-911 building	2015	4.05%	208,000
Restroom facility and fire station	2017	4.11%	241,740
Streetscape improvements, 200 and 300 Block Craven Street, various construction projects, fire classroom	2020	3.72%	798,220
Various vehicles and equipment	2013	3.83%	136,682
Streets div complex, Lawson Creek Park	2021	4.12%	880,453
Fire truck	2017	3.67%	335,827
125KW Generator, (2) Volvo EC210BLC Excavator, 2007 Model 4300 SBA Int'l	2012	3.35%	48,165
2006 Honda Element, 2006 GMC Tandem Dump Truck, 2007 Dodge Durango SUV	2014	3.10%	53,565
Improvements to Lawson Creek Park and Henderson Park	2017	3.40%	237,000
Various vehicles and equipment	2015	3.04%	125,109
Various vehicles and equipment	2013	2.91%	546,790
Aquatic Center and swimming pool project, downtown streetscape improvements, and Elizabeth Avenue Fire Station renovations	2023	3.31%	4,717,538
Kale road property	2045	4.625%	2,313,144
Stanley White Recreation Center renovations	2020	3.73%	594,414
Tub grinder	2014	3.100%	68,592
Various vehicles and equipment	2016	1.645%	199,817
Total installment notes payable			<u>\$ 12,731,877</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,163,555	\$ 448,189	\$ 2,611,743
2013	1,630,522	375,482	2,006,005
2014	1,053,361	328,192	1,381,554
2015	959,261	291,725	1,250,986
2016	848,369	259,044	1,107,412
2017-2021	3,339,365	890,627	4,229,992
2022-2026	1,038,725	458,454	1,497,180
2027-2031	316,552	365,093	681,645
2032-2036	396,900	284,745	681,645
2037-2041	497,641	184,004	681,645
2042-2045	487,625	57,691	545,316
Total	<u>\$ 12,731,877</u>	<u>\$ 3,943,247</u>	<u>\$ 16,675,124</u>

C. Business-Type Activities – Installment Notes Payable

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Average Rate</u>	<u>Balance</u>
Water Fund:			
Water line extension - Carolina Colours Subdivision	2020	3.72%	\$ 203,344
Various vehicles and equipment	2014	3.10%	28,269
Various vehicles and equipment	2015	3.04%	53,969
Various vehicles and equipment	2013	2.91%	41,146
New Street water improvements and Stillwater Harbor water project	2023	3.31%	436,993
Township water improvements	2024	3.83%	<u>4,289,594</u>
Total water installment notes payable			<u>\$ 5,053,315</u>
Notes Payable:			
Clean Water Trust Revolving Loan	2030	2.265%	<u>\$ 31,926,293</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 360,158	\$ 185,262	\$ 545,420
2013	359,139	171,861	531,001
2014	357,972	158,618	516,590
2015	361,187	145,179	506,366
2016	360,057	131,604	491,660
2017-2021	1,986,267	441,462	2,427,729
2022-2024	1,268,536	78,205	1,346,741
Total	<u>\$ 5,053,315</u>	<u>\$ 1,312,191</u>	<u>\$ 6,365,507</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,680,331	\$ 723,131	\$ 2,403,462
2013	1,680,331	685,071	2,365,402
2014	1,680,331	647,012	2,327,343
2015	1,680,331	608,952	2,289,283
2016	1,680,331	570,893	2,251,224
2016-2021	8,401,656	2,283,570	10,685,226
2022-2026	8,401,656	1,332,083	9,733,739
2027-2030	6,721,325	380,595	7,101,920
Total	<u>\$ 31,926,293</u>	<u>\$ 7,231,306</u>	<u>\$ 39,157,598</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

<u>Purpose and Collateral</u>	<u>Maturity</u>	<u>Average Rate</u>	<u>Balance</u>
Sewer Fund - Notes Payable:			
Township 7 Sanitary Sewer	2018	2.91%	\$ 1,665,879
Wastewater Treatment Plant Upgrade	2023	2.57%	13,253,500
Wastewater Treatment Diffuser Project	2024	2.66%	<u>878,444</u>
Total sewer notes payable			<u>\$ 15,797,823</u>
Sewer Fund - Installment Purchases Payable:			
Pembroke Sanitary Sewer	2013	6.00%	\$ 60,000
Township 7 Sanitary Sewer	2016	5.30%	85,000
Sewer lines N. 2nd Ave. and N. Glenburnie	2017	4.11%	122,260
Trent Woods Sewer Project	2018	3.68%	3,589,049
Sewer line extension - Carolina Colours subdivision and quarry projects	2020	3.72%	1,483,366
Vactor vacuum jet rodder	2013	3.83%	76,261
Various equipment; Township 7:			
Brices Crossing	2021	4.11%	1,220,426
Various equipment	2012	3.35%	32,608
Various vehicles	2014	3.10%	25,497
Evans Mill sewer line and facilities	2017	3.40%	333,669
Various equipment and vehicles	2015	3.04%	220,475
Various equipment and vehicles	2013	2.91%	160,616
WWTP maintenance building, New Street Sewer improvements, and Stillwater Sewer	2023	3.31%	918,183
Township sewer improvements	2024	3.83%	<u>4,882,530</u>
Total sewer installment purchases payable			<u>\$ 13,209,940</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

Year Ending June 30	Notes Payable			Installment Purchases Payable		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,242,487	\$ 412,459	\$ 1,654,945	\$ 1,475,535	\$ 477,285	\$ 1,952,820
2013	1,273,423	379,725	1,653,148	1,418,864	422,476	1,841,340
2014	1,305,176	346,174	1,651,350	1,323,030	370,056	1,693,086
2015	1,337,768	311,785	1,649,553	1,342,366	320,453	1,662,819
2016	1,371,219	276,536	1,647,755	1,297,045	270,590	1,567,635
2017-2021	6,566,695	845,687	7,412,382	4,829,423	703,916	5,533,339
2022-2025	2,701,055	107,503	2,808,558	1,523,677	92,010	1,615,687
Total	<u>\$ 15,797,823</u>	<u>\$ 2,679,868</u>	<u>\$ 18,477,692</u>	<u>\$ 13,209,940</u>	<u>\$ 2,656,787</u>	<u>\$ 15,866,727</u>

Purpose and Collateral	Maturity	Average Rate	Balance
Electric Fund:			
Various vehicles and equipment	2013	3.83%	\$ 148,410
Carolina Colours line extension	2021	4.11%	1,044,290
Various equipment	2012	3.35%	18,456
Various vehicles	2014	3.10%	169,443
Various vehicles and equipment	2015	3.04%	148,446
Various vehicles and equipment	2013	2.91%	93,684
Downtown improvements	2023	3.31%	53,200
Broad street improvements	2024	3.83%	1,345,961
Lewis Farm substation	2031	4.165%	2,190,000
Altec aerial lift	2016	1.645%	141,912
Total electric installment notes payable			<u>\$ 5,353,802</u>

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

Year Ending June 30	Electric Fund		
	Principal	Interest	Total
2012	\$ 516,562	\$ 203,059	\$ 719,621
2013	483,668	184,899	668,567
2014	389,936	168,548	558,484
2015	343,967	154,786	498,753
2016	308,926	142,205	451,131
2017-2021	1,611,006	525,750	2,136,756
2022-2026	972,351	242,142	1,214,493
2027-2031	727,387	82,133	809,520
Total	\$ 5,353,802	\$ 1,703,522	\$ 7,057,323

11. Interfund Balances and Activity

Interfund balances as of June 30, 2011 consisted of the following:

	Due From	Due To	Purpose
Stormwater 2007 CWMTF Special Revenue Fund	\$ 679,820		Temporary cash deficit
Water Fund		\$ 679,820	
Brownfields Assessment and Cleanup Grant Special Revenue Fund	\$ 5,609		Temporary cash deficit
Five Points Area Planning Special Revenue Fund	545		Temporary cash deficit
COPS Hiring Grant Special Revenue Fund	45,379		Temporary cash deficit
2007 PARTF Recreation Grant Special Revenue Fund	31,564		Temporary cash deficit
Grants Special Revenue Fund	27,814		Temporary cash deficit
Emergency Telephone System Special Revenue Fund		\$ 110,911	
CDBG Community Development Capital Project	\$ 2,348		Temporary cash deficit
Radio System Equipment Capital Project		\$ 2,348	

CITY OF NEW BERN, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Interfund transfers for the year ended June 30, 2011 consisted of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
Electric Fund	\$ 1,653,478		Budgeted contribution
Emergency Telephone System Special Revenue Fund	31,259		Transfer of local service provided
General Fund		\$ 1,684,737	
General Fund	461,725		
SAFER Fire Grant Special Revenue Fund		428,954	Local contribution
Grants Special Revenue Fund		31,271	Local contribution
Public Private Partnership Special Revenue Fund		1,500	Local contribution
Water Fund	301,280		
Radio System Capital Project Fund		301,280	Enterprise fund's portion of project
Water Fund	434,396		
Sewer Fund		434,396	Advance of project expenditures

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, 2011:

<u>Reimbursing Fund</u>	<u>Administrative Expenses</u>	<u>Rent of Public Buildings</u>
Electric Fund	\$ 3,426,919	\$ 694,811
Water Fund	1,457,165	171,018
Sewer Fund	1,447,727	161,580
Total	<u>\$ 6,331,811</u>	<u>\$ 1,027,409</u>

12. Operating Lease Obligations

The City leases public safety vehicles and various pieces of office equipment under noncancelable operating leases extending through June 2014. Minimum quarterly payments range from \$90 to \$30,864.

Lease payments charged to governmental activities expenditures and expense for the year ended June 30, 2011 under operating leases was \$160,084.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2012	\$ 115,339
2013	71,930
2014	12,157
2015	-
2016	-
Total	<u>\$ 199,426</u>

13. Joint Ventures

The City participates in a joint venture with Craven County to operate the New Bern/Craven County Library. The City appoints five members of the ten-member Board. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2011. The City contributed \$75,000 to the Library during the fiscal year ended June 30, 2011.

14. Jointly Governed Organizations

Eastern Carolina Council

The City, in conjunction with nine counties and twenty-eight other municipalities, established the Eastern Carolina Council (the "Council"). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership and administrative fees of \$9,232 to the Council during the fiscal year ended June 30, 2011.

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.

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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, 2011 were \$48,511,054.

15. Related Organization

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

16. Claims and Judgments

At June 30, 2011, the City was a defendant to various lawsuits. In the opinion of the City's management and the City's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

17. Commitments

The City had commitments, as shown below, for construction contracts outstanding at June 30, 2011. 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:	
Township 7 Water Improvement	\$ 89,776
Electric Substation Project	828,847
Total	<u>\$ 918,623</u>

18. Summary Disclosure of Significant Contingencies

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

CITY OF NEW BERN, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

19. Subsequent Event

In August 2011 the City suffered significant storm damage from Hurricane Irene. Federal Emergency Management Agency and the State of North Carolina have declared the storm damage a qualifying natural disaster, and the City is eligible to receive federal and State assistance related to the storm. Estimated storm cost incurred by the City, as of the report date, was \$3,350,000. The City expects to receive reimbursement for its loss from commercial insurance, federal government, and State government; however, the City has not received notification of its award as of the report date. The financial statements for the year ended June 30, 2011 were not affected by this disaster.

CITY OF NEW BERN, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFIT - RETIREE HEALTHCARE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Projected Unit Credit		Unfunded AAL (UAAL) A-B	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
		B					
12/31/2008	\$ -	\$ 17,665,523		\$ 17,665,523	0.00%	\$ 20,448,378	86.4%
12/31/2010	-	15,666,249		15,666,249	0.00%	20,111,064	77.9%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
	2009	\$ 1,603,190
2010	1,603,190	9.30%
2011	1,663,310	9.01%

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	12/31/2010
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	2018
Cost of living adjustments	N/A

* Includes inflation at 3.00%

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 12,655,800	\$ 12,651,709	\$ (4,091)	\$ 11,702,007
Municipal service district taxes, interest, and penalties	174,300	166,256	(8,044)	163,171
Interest collected	49,500	58,261	8,761	59,519
Penalties collected	9,400	6,572	(2,828)	11,004
Total	12,889,000	12,882,798	(6,202)	11,935,701
Other Taxes and Licenses:				
Privilege licenses	266,100	255,333	(10,767)	268,819
Total	266,100	255,333	(10,767)	268,819
Unrestricted Intergovernmental Revenues:				
Local option sales taxes	4,668,845	4,892,122	223,277	4,707,615
Enterprise Fund - payment in lieu of taxes	447,540	447,538	(2)	507,145
Telecommunications sales tax	663,000	668,428	5,428	683,122
Utility franchise tax	1,400,000	1,520,306	120,306	1,482,365
Piped natural gas tax	81,000	100,080	19,080	96,861
Beer and wine tax	115,000	117,294	2,294	37,304
Fire protection reimbursement	10,887	10,887	-	10,887
ABC distributions	55,000	58,905	3,905	59,704
Total	7,441,272	7,815,560	374,288	7,585,003
Restricted Intergovernmental Revenues:				
Powell Bill allocation	700,000	754,012	54,012	738,519
Other federal grants	-	42,456	42,456	350,971
Other State grants	-	14,152	14,152	86,676
Other local grants	-	-	-	700
Total	700,000	810,620	110,620	1,176,866
Permits and Fees:				
Building permits and inspection fees	498,590	436,729	(61,861)	434,137
Auto and taxi fees	110,800	134,378	23,578	121,598
Beer and wine licenses	2,100	2,285	185	2,210
Total permits and fees	611,490	573,392	(38,098)	557,945

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Sales and Services:				
Public works fees	329,545	246,264	(83,281)	177,935
Refuse collection fees	1,708,000	1,756,764	48,764	1,460,367
Planning and inspections revenue	104,500	123,025	18,525	96,128
Public safety fees	15,600	21,672	6,072	24,460
Cultural and recreation fees	118,300	133,612	15,312	133,104
Rent income	253,886	272,620	18,734	236,620
Interfund rent of public buildings	2,128,043	1,027,409	(1,100,634)	1,120,408
Other sales and services	280,680	402,058	121,378	302,229
Total	4,938,554	3,983,424	(955,130)	3,551,251
Investment Earnings	7,000	15,211	8,211	10,630
Miscellaneous:				
Sale of capital assets	15,500	21,099	5,599	48,491
Cemetery	81,000	103,320	22,320	90,055
Cable franchise fee	20,000	29,435	9,435	23,676
Other	20,000	33,458	13,458	40,114
Total	136,500	187,312	50,812	202,336
Total revenues	26,989,916	26,523,650	(466,266)	25,288,551
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	179,019	178,278	741	186,460
Special appropriations	697,130	273,923	423,207	328,114
Operating expenses	100,878	84,538	16,340	96,901
Interfund reimbursement	(236,532)	(236,532)	-	(255,119)
Total	740,495	300,207	440,288	356,356
Administration:				
Salaries and employee benefits	294,967	275,932	19,035	201,882
Operating expenses	68,816	63,725	5,091	50,764
Interfund reimbursement	(305,690)	(305,690)	-	(227,382)
Total	58,093	33,967	24,126	25,264

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Finance:				
Salaries and employee benefits	1,683,745	1,606,932	76,813	1,677,358
Operating expenses	688,807	646,493	42,314	622,383
Interfund reimbursement	(1,959,510)	(1,959,510)	-	(2,248,396)
Total	413,042	293,915	119,127	51,345
Legal:				
Contracted services	193,680	193,680	-	193,678
Interfund reimbursement	(164,628)	(164,628)	-	(164,626)
Total	29,052	29,052	-	29,052
Human Resources:				
Salaries and employee benefits	457,178	414,271	42,907	455,287
Operating expenses	51,263	46,563	4,700	48,023
Interfund reimbursement	(414,696)	(414,696)	-	(452,975)
Total	93,745	46,138	47,607	50,335
Elections:				
Registration	-	-	-	41,644
Total	-	-	-	41,644
Total general government	1,334,427	703,279	631,148	553,996
Public Safety:				
Police:				
Salaries and employee benefits	8,098,838	7,817,402	281,436	8,311,564
Operating expenses	1,805,262	1,338,850	466,412	1,643,261
Interfund reimbursement	(90,000)	(90,000)	-	(90,000)
Total general government	9,814,100	9,066,252	747,848	9,864,825
Fire:				
Salaries and benefits	4,409,958	4,362,165	47,793	4,507,819
Operating expenses	562,260	499,644	62,616	453,789
Interfund reimbursement	(502,490)	(502,490)	-	(292,681)
Total	4,469,728	4,359,319	110,409	4,668,927
Total public safety	14,283,828	13,425,571	858,257	14,533,752

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Public Works:				
Streets:				
Salaries and employee benefits	1,282,600	1,224,021	58,579	1,380,815
Operating expenses	1,257,230	1,132,871	124,359	865,633
Interfund reimbursement	-	-	-	(48,760)
Total	<u>2,539,830</u>	<u>2,356,892</u>	<u>182,938</u>	<u>2,197,688</u>
Public Buildings:				
Salaries and employee benefits	344,385	311,475	32,910	386,557
Operating expenses	376,068	296,585	79,483	466,203
Interfund reimbursement	(425,463)	(425,463)	-	(712,809)
Total	<u>294,990</u>	<u>182,597</u>	<u>112,393</u>	<u>139,951</u>
Administration:				
Salaries and employee benefits	492,529	404,510	88,019	553,609
Operating expenses	391,915	382,266	9,649	351,655
Interfund reimbursement	(652,520)	(652,520)	-	(747,206)
Total	<u>231,924</u>	<u>134,256</u>	<u>97,668</u>	<u>158,058</u>
Engineering:				
Salaries and employee benefits	660,753	510,215	150,538	590,546
Operating expenses	43,261	40,642	2,619	41,335
Interfund reimbursement	(550,854)	(550,854)	-	(631,867)
Total	<u>153,160</u>	<u>3</u>	<u>153,157</u>	<u>14</u>
Cemeteries:				
Salaries and employee benefits	66,651	68,434	(1,783)	66,994
Operating expenditures	101,793	97,532	4,261	162,284
Total	<u>168,444</u>	<u>165,966</u>	<u>2,478</u>	<u>229,278</u>
Leaf and Limb:				
Salaries and employee benefits	483,563	450,233	33,330	485,987
Operating expenditures	300,805	201,866	98,939	183,184
Total	<u>784,368</u>	<u>652,099</u>	<u>132,269</u>	<u>669,171</u>
Total public works	<u>4,172,716</u>	<u>3,491,813</u>	<u>680,903</u>	<u>3,394,160</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and employee benefits	-	-	-	48,726
Operating expenditures	1,915,490	1,909,184	6,306	1,847,790
Total environmental protection	1,915,490	1,909,184	6,306	1,896,516
Culture and Recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,778,639	1,600,650	177,989	1,769,478
Operating expenditures	534,943	490,613	44,330	496,412
Total culture and recreation	2,313,582	2,091,263	222,319	2,265,890
Economic and Physical Development:				
Planning:				
Salaries and employee benefits	1,340,814	1,318,745	22,069	1,379,577
Operating expenditures	104,171	91,114	13,057	221,720
Interfund reimbursement	(117,811)	(117,811)	-	(123,338)
Total	1,327,174	1,292,048	35,126	1,477,959
Municipal Service District:				
Salaries and employee benefits	90,413	40,832	49,581	87,118
Operating expenditures	23,308	1,860	21,448	10,011
Total	113,721	42,692	71,029	97,129
Total economic and physical development	1,440,895	1,334,740	106,155	1,575,088
Capital Outlay	35,848	35,848	-	457,421
Debt Service:				
Principal retirement	2,136,017	2,128,628	7,389	2,196,177
Interest and other charges	522,283	518,901	3,382	563,134
Total debt service	2,658,300	2,647,529	10,771	2,759,311
Total expenditures	28,155,086	25,639,227	2,515,859	27,436,134

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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues over (under) expenditures	(1,165,170)	884,423	2,049,593	(2,147,583)
Other Financing Sources (Uses):				
Transfers in	1,684,737	1,684,737	-	1,579,957
Transfers out	(480,661)	(461,724)	18,937	(214,417)
Issuance of long-term debt	211,902	199,817	(12,085)	89,978
Contingency	(250,808)	-	250,808	-
Total other financing sources (uses)	1,165,170	1,422,830	257,660	1,455,518
Net change in fund balance	\$ -	2,307,253	\$ 2,307,253	(692,065)
Fund Balance:				
Beginning of year - July 1		5,236,896		5,928,961
End of year - June 30		\$ 7,544,149		\$ 5,236,896

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 230,489	\$ 391,977	\$ 622,466
Accounts receivable, net	13,469	-	13,469
Due from other funds	110,911	2,348	113,259
Due from other governments	<u>959,767</u>	<u>-</u>	<u>959,767</u>
 Total assets	 <u>\$ 1,314,636</u>	 <u>\$ 394,325</u>	 <u>\$ 1,708,961</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 15,474	\$ -	\$ 15,474
Due to other funds	790,731	2,348	793,079
Deferred revenues	<u>13,469</u>	<u>-</u>	<u>13,469</u>
Total liabilities	<u>819,674</u>	<u>2,348</u>	<u>822,022</u>
Fund Balances:			
Restricted for stabilization by State statute	1,070,678	2,348	1,073,026
Restricted	217,852	-	217,852
Committed	-	391,977	391,977
Assigned	5,500	-	5,500
Unassigned	<u>(799,068)</u>	<u>(2,348)</u>	<u>(801,416)</u>
Total fund balance	<u>494,962</u>	<u>391,977</u>	<u>886,939</u>
 Total liabilities and fund balances	 <u>\$ 1,314,636</u>	 <u>\$ 394,325</u>	 <u>\$ 1,708,961</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Revenues:			
Restricted intergovernmental revenues	\$ 1,851,695	\$ -	\$ 1,851,695
Sales and services	324,603	-	324,603
Investment earnings	1,189	-	1,189
Other	-	187,744	187,744
Program income	1,600	-	1,600
Total revenues	<u>2,179,087</u>	<u>187,744</u>	<u>2,366,831</u>
Expenditures:			
Public safety	1,413,368	-	1,413,368
Environmental protection	88,446	-	88,446
Culture and recreation	1,059,052	-	1,059,052
Economic and physical development	912,103	2,348	914,451
Capital outlay	-	94,699	94,699
Total expenditures	<u>3,472,969</u>	<u>97,047</u>	<u>3,570,016</u>
Revenues over (under) expenditures	<u>(1,293,882)</u>	<u>90,697</u>	<u>(1,203,185)</u>
Other Financing Sources (Uses):			
Transfers in	461,724	301,280	763,004
Transfers out	<u>(31,259)</u>	<u>-</u>	<u>(31,259)</u>
Total other financing sources (uses)	<u>430,465</u>	<u>301,280</u>	<u>731,745</u>
Net change in fund balances	(863,417)	391,977	(471,440)
Fund Balances:			
Beginning of year - July 1	<u>1,358,379</u>	<u>-</u>	<u>1,358,379</u>
End of year - June 30	<u>\$ 494,962</u>	<u>\$ 391,977</u>	<u>\$ 886,939</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011**

	<u>Community Development Fund</u>	<u>Stormwater 2007 CWMTF Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Police Special Revenue Fund</u>	<u>SAFR Fire Grant Fund</u>
Assets:					
Cash, cash equivalents and investments	\$ 32,928	\$ -	\$ 166,085	\$ 25,976	\$ -
Accounts receivable, net	13,469	-	-	-	-
Due from other funds	-	-	110,911	-	-
Due from other governments	-	758,500	-	-	-
	<u>-</u>	<u>758,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 46,397</u>	 <u>\$ 758,500</u>	 <u>\$ 276,996</u>	 <u>\$ 25,976</u>	 <u>\$ -</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 6,939	\$ 198	\$ -
Due to other funds	-	679,820	-	-	-
Deferred revenues	13,469	-	-	-	-
Total liabilities	<u>13,469</u>	<u>679,820</u>	<u>6,939</u>	<u>198</u>	<u>-</u>
Fund Balances:					
Restricted for stabilization					
by State statute	-	758,500	110,911	-	-
Restricted	32,928	-	159,146	25,778	-
Assigned	-	-	-	-	-
Unassigned	-	(679,820)	-	-	-
Total fund balance	<u>32,928</u>	<u>78,680</u>	<u>270,057</u>	<u>25,778</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 46,397</u>	 <u>\$ 758,500</u>	 <u>\$ 276,996</u>	 <u>\$ 25,976</u>	 <u>\$ -</u>

Brownfields Assessment and Cleanup Fund	Five Points Area Planning Grant Fund	COPS Hiring Grant Fund	2007 PARTF Recreation Grant Fund	Grants Fund	Public-Private Partnership Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,500	\$ 230,489
-	-	-	-	-	-	13,469
-	-	-	-	-	-	110,911
<u>5,609</u>	<u>545</u>	<u>45,379</u>	<u>50,000</u>	<u>99,734</u>	<u>-</u>	<u>959,767</u>
<u>\$ 5,609</u>	<u>\$ 545</u>	<u>\$ 45,379</u>	<u>\$ 50,000</u>	<u>\$ 99,734</u>	<u>\$ 5,500</u>	<u>\$ 1,314,636</u>
\$ -	\$ -	\$ -	\$ 836	\$ 7,501	\$ -	\$ 15,474
5,609	545	45,379	31,564	27,814	-	790,731
-	-	-	-	-	-	13,469
<u>5,609</u>	<u>545</u>	<u>45,379</u>	<u>32,400</u>	<u>35,315</u>	<u>-</u>	<u>819,674</u>
5,609	545	45,379	50,000	99,734	-	1,070,678
-	-	-	-	-	-	217,852
-	-	-	-	-	5,500	5,500
<u>(5,609)</u>	<u>(545)</u>	<u>(45,379)</u>	<u>(32,400)</u>	<u>(35,315)</u>	<u>-</u>	<u>(799,068)</u>
-	-	-	17,600	64,419	5,500	494,962
<u>\$ 5,609</u>	<u>\$ 545</u>	<u>\$ 45,379</u>	<u>\$ 50,000</u>	<u>\$ 99,734</u>	<u>\$ 5,500</u>	<u>\$ 1,314,636</u>

CITY OF NEW BERN, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Community Development Fund	Stormwater 2007 CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue Fund	SAFR Fire Grant Fund
Revenues:					
Restricted intergovernmental	\$ -	\$ 758,500	\$ -	\$ 23,899	\$ 73,536
Emergency 911 surcharge	-	-	324,603	-	-
Investment earnings	28	142	421	17	-
Program income	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,628</u>	<u>758,642</u>	<u>325,024</u>	<u>23,916</u>	<u>73,536</u>
Expenditures:					
Economic and physical development	-	874,152	-	-	-
Public safety	-	-	525,205	20,300	502,489
Environmental protection	-	-	-	-	-
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>874,152</u>	<u>525,205</u>	<u>20,300</u>	<u>502,489</u>
Revenues over (under) expenditures	<u>1,628</u>	<u>(115,510)</u>	<u>(200,181)</u>	<u>3,616</u>	<u>(428,953)</u>
Other Financing Sources (Uses):					
Transfers out	-	-	(31,259)	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>428,953</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(31,259)</u>	<u>-</u>	<u>428,953</u>
Net change in fund balances	1,628	(115,510)	(231,440)	3,616	-
Fund Balances:					
Beginning of year - July 1	<u>31,300</u>	<u>194,190</u>	<u>501,497</u>	<u>22,162</u>	<u>-</u>
End of year - June 30	<u>\$ 32,928</u>	<u>\$ 78,680</u>	<u>\$ 270,057</u>	<u>\$ 25,778</u>	<u>\$ -</u>

Brownfields Assessment and Cleanup Fund	Five Points Area Planning Grant Fund	COPS Hiring Grant Fund	2007 PARTF Recreation Grant Fund	Grants Fund	Public-Private Partnership Fund	Total
\$ 88,446	\$ 3,190	\$ 45,379	\$ 460,082	\$ 386,591	\$ 12,072	\$ 1,851,695
-	-	-	-	-	-	324,603
-	-	-	581	-	-	1,189
-	-	-	-	-	-	1,600
<u>88,446</u>	<u>3,190</u>	<u>45,379</u>	<u>460,663</u>	<u>386,591</u>	<u>12,072</u>	<u>2,179,087</u>
-	3,190	-	-	26,689	8,072	912,103
-	-	45,379	-	319,995	-	1,413,368
88,446	-	-	-	-	-	88,446
-	-	-	1,052,293	6,759	-	1,059,052
<u>88,446</u>	<u>3,190</u>	<u>45,379</u>	<u>1,052,293</u>	<u>353,443</u>	<u>8,072</u>	<u>3,472,969</u>
-	-	-	(591,630)	33,148	4,000	(1,293,882)
-	-	-	-	-	-	(31,259)
-	-	-	-	31,271	1,500	461,724
-	-	-	-	31,271	1,500	430,465
-	-	-	(591,630)	64,419	5,500	(863,417)
-	-	-	609,230	-	-	1,358,379
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,600</u>	<u>\$ 64,419</u>	<u>\$ 5,500</u>	<u>\$ 494,962</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 28	\$ 28	\$ 37
Project income	6,000	1,600	(4,400)	3,300
Total revenues	<u>6,000</u>	<u>1,628</u>	<u>(4,372)</u>	<u>3,337</u>
Expenditures:				
Economic and physical development:				
Community development	6,000	-	6,000	4,150
Total expenditures	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>4,150</u>
Net change in fund balance	<u>\$ -</u>	1,628	<u>\$ 1,628</u>	<u>\$ (813)</u>
Fund Balance:				
Beginning of year - July 1		<u>31,300</u>		
End of year - June 30		<u>\$ 32,928</u>		

CITY OF NEW BERN, NORTH CAROLINA

2007 STORMWATER CWMTF FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Clean Water Management Trust Grant	\$ 1,000,000	\$ -	\$ 758,500	\$ 758,500
Investment earnings	-	183	142	325
Total revenues	<u>1,000,000</u>	<u>183</u>	<u>758,642</u>	<u>758,825</u>
Expenditures:				
Economic and physical development:				
Land and right of ways	506,360	506,352	-	506,352
Drainage improvements	<u>1,493,640</u>	<u>133,111</u>	<u>874,152</u>	<u>1,007,263</u>
Total expenditures	<u>2,000,000</u>	<u>639,463</u>	<u>874,152</u>	<u>1,513,615</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(639,280)</u>	<u>(115,510)</u>	<u>(754,790)</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	833,470	833,470	-	833,470
Transfers in	<u>166,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>833,470</u>	<u>-</u>	<u>833,470</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 194,190</u>	<u>\$ (115,510)</u>	<u>\$ 78,680</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, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Final Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses:				
Wireless 911 funds	\$ 304,642	\$ 324,603	\$ 19,961	\$ 351,653
Reimbursements:				
Subscriber maintenance fees	-	-	-	3,615
Data position reimbursements	-	-	-	10,000
Router line cost fees	-	-	-	260
Router maintenance contract	-	-	-	13,677
Investment earnings	500	421	(79)	516
Total revenues	<u>305,142</u>	<u>325,024</u>	<u>19,882</u>	<u>379,721</u>
Expenditures:				
Public safety:				
911 system subscriber fees:				
Salaries and employee benefits		107,022		86,875
Employee travel and training		1,336		1,031
Telephone		93,260		74,103
Maintenance-communications		62,412		55,013
Miscellaneous supplies		14,276		608
Capital outlay		246,899		56,400
Total expenditures	<u>540,261</u>	<u>525,205</u>	<u>15,056</u>	<u>274,030</u>
Revenues over (under) expenditures	(235,119)	(200,181)	34,938	105,691
Other Financing Sources (Uses):				
Transfers out	(31,259)	(31,259)	-	-
Appropriated fund balance	266,378	-	(266,378)	-
Total other financing sources (uses)	<u>235,119</u>	<u>(31,259)</u>	<u>(266,378)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	(231,440)	<u>\$ (231,440)</u>	105,691
Fund Balance:				
Beginning of year - July 1		<u>501,497</u>		<u>395,806</u>
End of year - June 30		<u>\$ 270,057</u>		<u>\$ 501,497</u>

CITY OF NEW BERN, NORTH CAROLINA

POLICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental:				
Police Special Revenue Fund	\$ 15,000	\$ 23,899	\$ 8,899	\$ 14,006
Investment earnings	-	17	17	23
Total revenues	<u>15,000</u>	<u>23,916</u>	<u>8,916</u>	<u>14,029</u>
Expenditures:				
Public safety:				
Police expenditures	<u>20,300</u>	<u>20,300</u>	-	<u>15,007</u>
Total expenditures	<u>20,300</u>	<u>20,300</u>	-	<u>15,007</u>
Revenues over (under) expenditures	(5,300)	3,616	8,916	(978)
Other Financing Sources (Uses):				
Appropriated fund balance	<u>5,300</u>	-	<u>(5,300)</u>	-
Net change in fund balance	<u>\$ -</u>	3,616	<u>\$ 3,616</u>	(978)
Fund Balance:				
Beginning of year - July 1		<u>22,162</u>		<u>23,140</u>
End of year - June 30		<u>\$ 25,778</u>		<u>\$ 22,162</u>

CITY OF NEW BERN, NORTH CAROLINA

SAFER FIRE GRANT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
SAFER Fire Department Grant	\$ 1,117,375	\$ 1,043,839	\$ 73,536	\$ 1,117,375
Total revenues	<u>1,117,375</u>	<u>1,043,839</u>	<u>73,536</u>	<u>1,117,375</u>
Expenditures:				
Public Safety - Fire Department	2,340,007	1,580,144	502,489	2,082,633
Total expenditures	<u>2,340,007</u>	<u>1,580,144</u>	<u>502,489</u>	<u>2,082,633</u>
Revenues over (under) expenditures	(1,222,632)	(536,305)	(428,953)	(965,258)
Other Financing Sources (Uses):				
Transfers in	1,222,632	536,305	428,953	965,258
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

BROWNFIELDS ASSESSMENT AND CLEANUP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Brownfields Assessment and Cleanup Grant	\$ 400,000	\$ 63,222	\$ 88,446	\$ 151,668
Total revenues	<u>400,000</u>	<u>63,222</u>	<u>88,446</u>	<u>151,668</u>
Expenditures:				
Environmental protection	400,000	63,222	88,446	151,668
Total expenditures	<u>400,000</u>	<u>63,222</u>	<u>88,446</u>	<u>151,668</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

FIVE POINTS AREA PLANNING GRANT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
Five Points Area Planning Grant	\$ 175,000	\$ -	\$ 3,190	\$ 3,190
Total revenues	<u>175,000</u>	<u>-</u>	<u>3,190</u>	<u>3,190</u>
Expenditures:				
Environmental protection	175,000	-	3,190	3,190
Total expenditures	<u>175,000</u>	<u>-</u>	<u>3,190</u>	<u>3,190</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

COPS HIRING PROGRAM SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental:				
Cops Hiring Grant	\$ 781,025	\$ -	\$ 45,379	\$ 45,379
Total revenues	<u>781,025</u>	<u>-</u>	<u>45,379</u>	<u>45,379</u>
Expenditures:				
Public safety	781,025	-	45,379	45,379
Total expenditures	<u>781,025</u>	<u>-</u>	<u>45,379</u>	<u>45,379</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

2007 PARTF RECREATION GRANT PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
2007 PARTF Recreation Grant	\$ 500,000	\$ 39,918	\$ 460,082	\$ 500,000
Investment earnings	500	243	581	824
Total revenues	<u>500,500</u>	<u>40,161</u>	<u>460,663</u>	<u>500,824</u>
Expenditures:				
Cultural and recreation	<u>1,160,960</u>	<u>91,391</u>	<u>1,052,293</u>	<u>1,143,684</u>
Total expenditures	<u>1,160,960</u>	<u>91,391</u>	<u>1,052,293</u>	<u>1,143,684</u>
Revenues over (under) expenditures	(660,460)	(51,230)	(591,630)	(642,860)
Other Financing Sources (Uses):				
Issuance of long-term debt	<u>660,460</u>	<u>660,460</u>	<u>-</u>	<u>660,460</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 609,230</u>	<u>\$ (591,630)</u>	<u>\$ 17,600</u>

CITY OF NEW BERN, NORTH CAROLINA

GRANTS SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental revenue	\$ 948,163	\$ -	\$ 349,091	\$ 349,091
Urgent repair grant	75,000	-	37,500	37,500
CDBG grant	59,800	-	-	-
Total revenues	<u>1,082,963</u>	<u>-</u>	<u>386,591</u>	<u>386,591</u>
Expenditures:				
Economic development - Neuse Waterfront	293,490	-	22,300	22,300
Economic development - Urgent Repair	82,500	-	4,300	4,300
Economic development - CDBG	59,800	-	89	89
Public safety	686,200	-	319,995	319,995
Environmental protection	-	-	-	-
Cultural and recreation	11,179	-	6,759	6,759
Total expenditures	<u>1,133,169</u>	<u>-</u>	<u>353,443</u>	<u>353,443</u>
Revenues over (under) expenditures	(50,206)	-	33,148	33,148
Other Financing Sources (Uses):				
Transfers in	<u>50,206</u>	<u>-</u>	<u>31,271</u>	<u>31,271</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,419</u>	<u>\$ 64,419</u>

CITY OF NEW BERN, NORTH CAROLINA

PUBLIC-PRIVATE PARTNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental:				
Grants and private contributions	\$ 16,147	\$ -	\$ 12,072	\$ 12,072
Total revenues	<u>16,147</u>	<u>-</u>	<u>12,072</u>	<u>12,072</u>
Expenditures:				
Economic and physical development	17,647	-	8,072	8,072
Total expenditures	<u>17,647</u>	<u>-</u>	<u>8,072</u>	<u>8,072</u>
Revenues over (under) expenditures	(1,500)	-	4,000	4,000
Other Financing Sources (Uses):				
Transfers in	1,500	-	1,500	1,500
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,500</u>	<u>\$ 5,500</u>

CITY OF NEW BERN, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2011

	CDBG Community Development Capital Project	Radio System Equipment Capital Project	Total
Assets:			
Cash and cash equivalents	\$ -	391,977	\$ 391,977
Due from other funds	-	2,348	2,348
Total assets	<u>\$ -</u>	<u>\$ 394,325</u>	<u>\$ 394,325</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ 2,348	\$ -	\$ 2,348
Total liabilities	<u>2,348</u>	<u>-</u>	<u>2,348</u>
Fund Balances:			
Restricted for stabilization by State statute	-	2,348	2,348
Committed	-	391,977	391,977
Unassigned	(2,348)	-	(2,348)
Total fund balances	<u>(2,348)</u>	<u>394,325</u>	<u>391,977</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 394,325</u>	<u>\$ 394,325</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, 2011

	CDBG Community Development Capital Project	Radio System Equipment Capital Project	Total
Revenues:			
Miscellaneous income	\$ -	\$ 187,744	\$ 187,744
Total revenues	<u>-</u>	<u>187,744</u>	<u>187,744</u>
Expenditures:			
Economic physical development	2,348	-	2,348
Public safety	<u>-</u>	<u>94,699</u>	<u>94,699</u>
Total expenditures	<u>2,348</u>	<u>94,699</u>	<u>97,047</u>
Revenues over (under) expenditures	(2,348)	93,045	90,697
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>301,280</u>	<u>301,280</u>
Net change in fund balances	(2,348)	394,325	391,977
Fund Balances:			
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ (2,348)</u>	<u>\$ 394,325</u>	<u>\$ 391,977</u>

CITY OF NEW BERN, NORTH CAROLINA

**CDBG COMMUNITY REVITALIZATION CAPITAL PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental revenues	\$ 1,165,000	\$ -	\$ -	\$ -
Total revenues	1,165,000	-	-	-
Expenditures:				
Economic physical development	1,165,000	-	2,348	2,348
Total expenditures	1,165,000	-	2,348	2,348
Net change in fund balance	\$ -	\$ -	\$ (2,348)	\$ (2,348)

CITY OF NEW BERN, NORTH CAROLINA

**RADIO SYSTEM EQUIPMENT CAPITAL PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Miscellaneous revenues	\$ 495,537	\$ -	\$ 187,744	\$ 187,744
Total revenues	<u>495,537</u>	<u>-</u>	<u>187,744</u>	<u>187,744</u>
Expenditures:				
Capital outlay	4,342,697	-	94,699	94,699
Total expenditures	<u>4,342,697</u>	<u>-</u>	<u>94,699</u>	<u>94,699</u>
Revenues over (under) expenditures	<u>(3,847,160)</u>	<u>-</u>	<u>93,045</u>	<u>93,045</u>
Other Financing Sources (Uses):				
Issuance of long-term debt	3,545,880	-	-	-
Transfer in	301,280	-	301,280	301,280
Total other financing sources (uses)	<u>3,847,160</u>	<u>-</u>	<u>301,280</u>	<u>301,280</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,325</u>	<u>\$ 394,325</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 63,937,278	\$ 65,844,692	\$ 1,907,414	\$ 64,365,398
Total operating revenues	<u>63,937,278</u>	<u>65,844,692</u>	<u>1,907,414</u>	<u>64,365,398</u>
Non-operating revenues:				
Miscellaneous	20,000	72,178	52,178	481,463
Interest	2,000	5,900	3,900	2,636
FEMA and State emergency assistance	-	44,523	44,523	-
Total non-operating revenues	<u>22,000</u>	<u>122,601</u>	<u>100,601</u>	<u>484,099</u>
Total revenues	<u>63,959,278</u>	<u>65,967,293</u>	<u>2,008,015</u>	<u>64,849,497</u>
Expenditures:				
Administration	8,241,934	6,939,114	1,302,820	7,560,199
Production	50,363,355	49,931,643	431,712	48,048,835
Distribution	2,541,272	2,746,223	(204,951)	1,864,423
Reimbursed expenses - interfund	(660,777)	(660,777)	-	-
Capital outlay	1,377,763	1,123,054	254,709	1,680,698
Debt service	610,711	621,138	(10,427)	641,192
Total expenditures	<u>62,474,258</u>	<u>60,700,395</u>	<u>1,773,863</u>	<u>59,795,347</u>
Revenues over (under) expenditures	<u>1,485,020</u>	<u>5,266,898</u>	<u>3,781,878</u>	<u>5,054,150</u>
Other Financing Sources (Uses):				
Transfers out	(1,653,478)	(1,653,478)	-	(1,579,957)
Transfer from Electric Capital Projects Fund	8,458	8,458	-	(300,800)
Installment purchase debt issued	160,000	141,912	(18,088)	-
Total other financing sources (uses)	<u>(1,485,020)</u>	<u>(1,503,108)</u>	<u>(18,088)</u>	<u>(1,880,757)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,763,790</u>	<u>\$ 3,763,790</u>	<u>\$ 3,173,393</u>

CITY OF NEW BERN, NORTH CAROLINA

**ENTERPRISE FUND - ELECTRIC
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>		<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
Reconciliation from Budgetary Basis			
(Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 3,763,790	
Reconciling items:			
Capital project revenues		21	
Capital project expenditures		(974,153)	
Addition to construction in progress		974,153	
Capitalized work orders from Electric Fund		677,587	
Capital assets purchased		368,845	
Depreciation		(1,911,731)	
Transfer to/(from) Electric Capital Project		(8,458)	
Proceeds from issuance of debt		(141,912)	
Principal payment on debt		419,398	
Increase in unfunded OPEB obligation		<u>(152,153)</u>	
Change in net assets		<u>\$ 3,015,387</u>	

CITY OF NEW BERN, NORTH CAROLINA

ELECTRIC SUBSTATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Expenditures:				
Substation	\$ 2,750,000	\$ -	\$ 866,164	\$ 866,164
Total expenditures	<u>2,750,000</u>	<u>-</u>	<u>866,164</u>	<u>866,164</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>2,750,000</u>	<u>-</u>	<u>2,190,000</u>	<u>2,190,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,323,836</u>	<u>\$ 1,323,836</u>

CITY OF NEW BERN, NORTH CAROLINA

BROAD STREET ELECTRIC CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ 1,203	\$ 1,181	\$ 21	\$ 1,202
Total revenues	<u>1,203</u>	<u>1,181</u>	<u>21</u>	<u>1,202</u>
Expenditures:				
Electric system project	1,793,545	1,685,555	107,989	1,793,544
Total expenditures	<u>1,793,545</u>	<u>1,685,555</u>	<u>107,989</u>	<u>1,793,544</u>
Revenues over (under) expenditures	<u>(1,792,342)</u>	<u>(1,684,374)</u>	<u>(107,968)</u>	<u>(1,792,342)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	1,500,000	1,500,000	-	1,500,000
Intrafund transfer	292,342	300,800	(8,458)	292,342
Total other financing sources (uses):	<u>1,792,342</u>	<u>1,800,800</u>	<u>(8,458)</u>	<u>1,792,342</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 116,426</u>	<u>\$ (116,426)</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 10,873,595	\$ 11,037,540	\$ 163,945	\$ 9,612,653
Non-operating revenues:				
Miscellaneous	1,000	3,640	2,640	7,581
Capital contributions	326,440	341,531	15,091	342,085
Investment earnings	3,500	6,413	2,913	4,301
Total non-operating revenues	330,940	351,584	20,644	353,967
Total revenues	11,204,535	11,389,124	184,589	9,966,620
Expenditures:				
Administration	2,863,878	2,142,028	721,850	2,492,201
System maintenance and extensions	2,069,283	1,592,022	477,261	2,157,400
Hydrant maintenance	256,129	233,965	22,164	226,645
Treatment	1,627,517	1,433,687	193,830	707,503
Capital outlay	186,790	186,763	27	561,343
Debt service	3,326,163	3,009,362	316,801	1,018,583
Total expenditures	10,329,760	8,597,827	1,731,933	7,163,675
Revenues over (under) expenditures	874,775	2,791,297	(1,547,344)	2,802,945
Other Financing Sources (Uses):				
Transfers out	(873,769)	(735,676)	138,093	-
Intrafund transfer	(1,006)	(1,006)	-	-
Total other financing sources (uses)	(874,775)	(736,682)	138,093	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 2,054,615	\$ 2,054,615	\$ 2,802,945

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - WATER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010
	Budget	Actual	Actual
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 2,054,615	
Reconciling items:			
Intrafund transfer		1,006	
Capital project revenues		92,202	
Capital project expenditures		(2,047,258)	
Additions to construction in progress		2,047,258	
Capitalized work orders from Water Fund		186,763	
Depreciation		(466,130)	
Principal payment on debt		2,238,496	
Increase in unfunded OPEB obligation		<u>(60,861)</u>	
Change in net assets		<u>\$ 4,046,091</u>	

CITY OF NEW BERN, NORTH CAROLINA

WATER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Connection fees	\$ 62,500	\$ 89,371	\$ 26,871	\$ 148,714
Investment earnings	-	435	435	379
Total revenues	<u>62,500</u>	<u>89,806</u>	<u>27,306</u>	<u>149,093</u>
Expenditures:				
Capital items	<u>62,500</u>	-	62,500	-
Total expenditures	<u>62,500</u>	-	62,500	-
Revenues over (under) expenditures	<u>\$ -</u>	89,806	<u>\$ 89,806</u>	<u>\$ 149,093</u>
Net Assets:				
Beginning of year - July 1		<u>453,187</u>		
End of year - June 30		<u>\$ 542,993</u>		

CITY OF NEW BERN, NORTH CAROLINA

WATER TREATMENT CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental:				
State grant	\$ 40,000	\$ 39,990	\$ -	\$ 39,990
Total revenues	<u>40,000</u>	<u>39,990</u>	<u>-</u>	<u>39,990</u>
Expenditures:				
Water treatment project	<u>36,000,000</u>	<u>33,364,527</u>	<u>323,093</u>	<u>33,687,620</u>
Total expenditures	<u>36,000,000</u>	<u>33,364,527</u>	<u>323,093</u>	<u>33,687,620</u>
Revenues over (under) expenditures	<u>(35,960,000)</u>	<u>(33,324,537)</u>	<u>(323,093)</u>	<u>(33,647,630)</u>
Other Financing Sources (Uses):				
Intrafund transfer	40,000	40,000	1,006	41,006
Installment purchase debt issued	<u>35,920,000</u>	<u>32,775,099</u>	<u>831,525</u>	<u>33,606,624</u>
Total other financing sources (uses)	<u>35,960,000</u>	<u>32,815,099</u>	<u>832,531</u>	<u>33,647,630</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (509,438)</u>	<u>\$ 1,341,969</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

TOWNSHIP 7 WATER IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ -	\$ 3,987	\$ 1,460	\$ 5,447
Total revenues	<u>-</u>	<u>3,987</u>	<u>1,460</u>	<u>5,447</u>
Expenditures:				
Water improvement project	3,500,000	1,732,532	1,478,716	3,211,248
Total expenditures	<u>3,500,000</u>	<u>1,732,532</u>	<u>1,478,716</u>	<u>3,211,248</u>
Revenues over (under) expenditures	(3,500,000)	(1,728,545)	(1,477,256)	(3,205,801)
Other Financing Sources (Uses):				
Installment purchase debt issued	3,500,000	3,394,150	-	3,394,150
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,665,605</u>	<u>\$ (1,477,256)</u>	<u>\$ 188,349</u>

CITY OF NEW BERN, NORTH CAROLINA

NEUSE BOULEVARD WATER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ 1,319	\$ 936	\$ 2,255
Total revenues	<u>-</u>	<u>1,319</u>	<u>936</u>	<u>2,255</u>
Expenditures:				
Water system improvements	1,350,000	551,292	245,449	796,741
Total expenditures	<u>1,350,000</u>	<u>551,292</u>	<u>245,449</u>	<u>796,741</u>
Revenues over (under) expenditures	<u>(1,350,000)</u>	<u>(549,973)</u>	<u>(244,513)</u>	<u>(794,486)</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	1,350,000	1,350,000	-	1,350,000
Total other financing sources (uses)	<u>1,350,000</u>	<u>1,350,000</u>	<u>-</u>	<u>1,350,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 800,027</u>	<u>\$ (244,513)</u>	<u>\$ 555,514</u>

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services	\$ 11,461,711	\$ 11,578,140	\$ 116,429	\$ 11,623,401
Availability fees	656,590	656,591	1	675,459
Total operating revenues	12,118,301	12,234,731	116,430	12,298,860
Non-operating revenues:				
Miscellaneous	40,000	5,487	(34,513)	(2,390)
Capital contributions	46,946	302,072	255,126	449,829
Restricted intergovernmental revenue	-	1,559	1,559	-
Investment earnings	500	1,434	934	724
Total non-operating revenues	87,446	310,552	223,106	448,163
Total revenues	12,205,747	12,545,283	339,536	12,747,023
Expenditures:				
Administration	2,124,612	1,851,531	273,081	1,966,034
System maintenance and extensions	3,974,470	3,648,974	325,496	3,398,459
Pre-treatment	110,896	104,117	6,779	81,783
Treatment	2,384,023	2,192,244	191,779	2,214,661
Capital outlay	424,367	262,664	161,703	904,383
Debt service	3,917,154	3,906,350	10,804	4,024,087
Total expenditures	12,935,522	11,965,880	969,642	12,589,407
Revenues over (under) expenditures	(729,775)	579,403	1,309,178	157,616
Other Financing Sources (Uses):				
Transfers in	424,775	434,396	9,621	(13,759)
Installment purchase debt issued	305,000	-	(305,000)	36,227
Total other financing sources (uses)	729,775	434,396	(295,379)	22,468
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,013,799	\$ 1,013,799	\$ 180,084

CITY OF NEW BERN, NORTH CAROLINA

ENTERPRISE FUND - SEWER
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		2010
	Budget	Actual	Actual
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual Basis:			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 1,013,799	
Reconciling items:			
Capital project revenues		59,037	
Capital project expenditures		(703,906)	
Construction in progress additions		703,906	
Capitalized work orders from Sewer Fund		492,799	
Capital outlay capitalized		262,664	
Depreciation		(1,860,575)	
Principal payment on debt		2,928,819	
Increase in unfunded OPEB obligation		(91,292)	
Change in net assets		<u>\$ 2,805,251</u>	

CITY OF NEW BERN, NORTH CAROLINA

SEWER CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2011
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Connection fees	\$ 65,000	\$ 58,070	\$ (6,930)	\$ 86,874
Investment earnings	-	98	98	27
Total revenues	<u>65,000</u>	<u>58,168</u>	<u>(6,832)</u>	<u>86,901</u>
Other Financing Sources (Uses):				
Contingency	<u>(65,000)</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>58,168</u>	<u>\$ 58,168</u>	<u>\$ 86,901</u>
Net Assets:				
Beginning of year - July 1		<u>86,900</u>		
End of year, June 30		<u>\$ 145,068</u>		

CITY OF NEW BERN, NORTH CAROLINA

TRENT WOODS SEWER CONSTRUCTION CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Connection fees	\$ 1,397,475	\$ 1,696,139	\$ -	\$ 1,696,139
Non-operating revenues	298,665	-	-	-
Investment earnings	108,594	108,594	-	108,594
Total revenues	<u>1,804,734</u>	<u>1,804,733</u>	<u>-</u>	<u>1,804,733</u>
Expenditures:				
Sewer system:				
Sewer system - Trent Woods	<u>10,774,714</u>	<u>10,774,713</u>	<u>-</u>	<u>10,774,713</u>
Total expenditures	<u>10,774,714</u>	<u>10,774,713</u>	<u>-</u>	<u>10,774,713</u>
Revenues over (under) expenditures	<u>(8,969,980)</u>	<u>(8,969,980)</u>	<u>-</u>	<u>(8,969,980)</u>
Other Financing Sources (Uses):				
Transfer (to) from Sewer Fund	(103,752)	(103,752)	-	(103,752)
Installment purchase debt issued	<u>9,073,732</u>	<u>9,073,732</u>	<u>-</u>	<u>9,073,732</u>
Total other financing sources (uses)	<u>8,969,980</u>	<u>8,969,980</u>	<u>-</u>	<u>8,969,980</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEW BERN, NORTH CAROLINA

TOWNSHIP 7 SEWER IMPROVEMENTS CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ -	\$ 4,129	\$ 733	\$ 4,862
Total revenues	<u>-</u>	<u>4,129</u>	<u>733</u>	<u>4,862</u>
Expenditures:				
Wastewater improvements	5,451,593	4,823,581	580,101	5,403,682
Total expenditures	<u>5,451,593</u>	<u>4,823,581</u>	<u>580,101</u>	<u>5,403,682</u>
Revenues over (under) expenditures	(5,451,593)	(4,819,452)	(579,368)	(5,398,820)
Other Financing Sources (Uses):				
Installment purchase debt issued	5,451,593	5,451,593	46,167	5,497,760
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 632,141</u>	<u>\$ (533,201)</u>	<u>\$ 98,940</u>

CITY OF NEW BERN, NORTH CAROLINA

REGIONAL LIFT STATION SEWER CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Investment earnings	\$ 843	\$ 707	\$ 136	\$ 843
Total revenues	<u>843</u>	<u>707</u>	<u>136</u>	<u>843</u>
Expenditures:				
Wastewater improvements	726,384	602,579	123,805	726,384
Total expenditures	<u>726,384</u>	<u>602,579</u>	<u>123,805</u>	<u>726,384</u>
Revenues over (under) expenditures	(725,541)	(601,872)	(123,669)	(725,541)
Other Financing Sources (Uses):				
Installment purchase debt issued	<u>725,541</u>	<u>771,708</u>	<u>(46,167)</u>	<u>725,541</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 169,836</u>	<u>\$ (169,836)</u>	<u>\$ -</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, 2011

	<u>Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Employee and retiree contributions	\$ 900,612	\$ 715,330	\$ (185,282)
Employer and other contributions	5,410,768	5,287,731	(123,037)
Investment income	<u>1,100</u>	<u>480</u>	<u>(620)</u>
Total revenues	<u>6,312,480</u>	<u>6,003,541</u>	<u>(308,939)</u>
Expenditures:			
Employee insurance plan benefits	<u>6,392,480</u>	<u>5,979,694</u>	<u>412,786</u>
Total expenditures	<u>6,392,480</u>	<u>5,979,694</u>	<u>412,786</u>
Revenues over (under) expenditures	(80,000)	23,847	103,847
Other Financing Sources (Uses):			
Appropriated fund balance	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
Change in net assets	<u>\$ -</u>	<u>\$ 23,847</u>	<u>\$ 23,847</u>

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2011

Fiscal Year	Uncollected Balance July 1, 2010	Additions	Collections and Credits	Uncollected Balance June 30, 2011
2010-2011	\$ -	\$ 12,841,454	\$ 12,474,944	\$ 366,510
2009-2010	325,336	-	139,698	185,638
2008-2009	94,077	-	25,135	68,942
2007-2008	63,769	-	10,881	52,888
2006-2007	37,710	-	3,444	34,266
2005-2006	30,261	-	2,515	27,746
2004-2005	29,123	-	4,332	24,791
2003-2004	26,147	-	4,230	21,917
2002-2003	25,577	-	1,099	24,478
2001-2002	23,563	-	1,130	22,433
2000-2001	20,231	-	20,231	-
Total	<u>\$ 675,794</u>	<u>\$ 12,841,454</u>	<u>\$ 12,687,639</u>	<u>829,609</u>

Plus: Municipal Service District taxes receivable, all years, net of allowance	36,864
Plus: Motor vehicle taxes collected, but not received, from County	47,540
Less: Allowance for uncollectible ad valorem taxes receivable	(348,789)
Ad valorem taxes receivable - net	<u>\$ 565,224</u>

Reconcilement with Revenues:

Taxes - ad valorem, per Exhibit D	\$ 12,882,798
Reconciling items:	
Releases - ad valorem	9,086
Less interest collected	(58,261)
Less MSD Fund taxes, penalty, and interest collected all years	(166,256)
Miscellaneous adjustments	63
Amounts written off for tax years per Statute of Limitations	20,209
Total collections and credits	<u>\$ 12,687,639</u>

CITY OF NEW BERN, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY
CITY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ 2,794,299,918	0.00410	\$ 11,531,083	\$ 10,566,641	\$ 964,442
Penalties	-		8,037	8,037	-
Total	<u>2,794,299,918</u>		<u>11,539,120</u>	<u>10,574,678</u>	<u>964,442</u>
Discoveries:					
Current year taxes	390,339,306	0.00410	1,598,897	1,598,897	-
Penalties	-		(243)	(243)	-
Total	<u>390,339,306</u>		<u>1,599,140</u>	<u>1,599,140</u>	<u>-</u>
Abatements	<u>(71,427,394)</u>		<u>(296,806)</u>	<u>(223,195)</u>	<u>(73,611)</u>
Total property valuation	<u>\$ 3,113,211,830</u>				
Net Levy			12,841,454	11,950,623	890,831
Less: Uncollected taxes June 30, 2011			<u>(366,510)</u>	<u>(281,001)</u>	<u>(85,509)</u>
Current Year's Taxes Collected			<u>\$ 12,474,944</u>	<u>\$ 11,669,622</u>	<u>\$ 805,322</u>
Current Levy Collection Percentage			<u>97.15%</u>	<u>97.65%</u>	<u>90.40%</u>
Prior Year Collection Percentage			<u>97.26%</u>	<u>97.92%</u>	<u>90.18%</u>

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the financial statements of the City of New Bern, North Carolina as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. 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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of New Bern, North Carolina in a separate letter dated October 27, 2011.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 27, 2011

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

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

Compliance

We have audited the City of New Bern, North Carolina's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the State Single Audit Implementation Act that could have a direct and material effect on each of the City of New Bern, North Carolina's major federal programs for the year ended June 30, 2011. The City of New Bern, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of New Bern, North Carolina's management. Our responsibility is to express an opinion on the City of New Bern, North Carolina's compliance based on our audit.

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

In our opinion, the City of New Bern, North Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P. A.
October 27, 2011

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

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

Compliance

We have audited the City of New Bern, North Carolina's compliance with the types of compliance requirements described in applicable sections of the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina issued by the Local Government Commission that could have a direct and material effect on each of the City of New Bern, North Carolina's major State programs for the year ended June 30, 2011. The City of New Bern, North Carolina's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the City of New Bern, North Carolina's management. Our responsibility is to express an opinion on the City of New Bern, North Carolina's compliance based on our audit as described in the audit manual for governmental auditors in North Carolina.

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

In our opinion, the City of New Bern, North Carolina complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 27, 2011

CITY OF NEW BERN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? No

• Significant deficiency identified? No

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

• Material weakness (es) identified? No

• Significant deficiency identified? No

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

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

CITY OF NEW BERN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Auditors' Results (continued)

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA Number</u>
Intelligence /Info Sharing Center	97.067
Staffing for Adequate Fire and Emergency Response	97.044

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	Yes
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State Awards

Internal control over major State programs:

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

Type of auditors' report issued on compliance for major State programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	No
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Identification of major State programs:

Program Name

Powell Bill
 Drinking Water State Revolving Fund
 N.C. Parks and Recreation Trust Fund (PARTF)
 Clean Water Management Trust Fund

CITY OF NEW BERN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

2. Financial Statements Findings

None reported

3. Federal Award Findings and Questioned Costs

None reported

4. State Award Findings and Questioned Costs

None reported

CITY OF NEW BERN, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

None.

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
U.S. Department of Justice:					
Bureau of Justice Assistance: Direct Programs					
American Recovery Act Funds					
2009 Justice Assistance	16.804	2009-SB-B9-2845	\$ 12,404	\$ -	\$ -
Passed through Office of Community Oriented Policing Services (COPS)					
American Recovery Act Funds					
2010 COPS Hiring Program	16.710	2010-UMWX-0197	45,379	-	-
Bureau of Justice Assistance - Direct Programs					
Bulletproof vests	16.607	OMB-1121-0235	11,780	-	11,780
2009 Justice Assistance Conductive Energy (Canine)	16.737	2009-DJ-BX-0823	11,776	-	-
2010 Justice Assistance Field Equipment Grant	16.738	2010-DJ-BX-0299	884	-	-
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	73,536	-	428,954
2009 FEMA Assistance to Firefighters Grant	97.044	EMW-2009-FO-11013	54,842	-	6,093
Passed through Division of N.C. Homeland Security					
Intelligence/Info Sharing Center	97.074	2007-GE-T7-0048	15,105	-	-
Intelligence/Info Sharing Center	97.067	2009-SS-T9-0046	193,454	-	-
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	6,083	-	676
National Park Service					
Passed through N.C. Department of Cultural Resources					
2010 Historic Preservation Grant	15.904		6,300	-	9,700
U.S. Department of Housing and Urban Development:					
Passed through N.C. Department of Commerce					
Division of Community Service					
Infrastructure Hook Up Grant	14.228	08-C-1864	-	-	89
2010 Urgent Repair Grant	14.000	URP1018	4,300	-	-
2009 CDBG Community Revitalization	14.228	09-C-2071	-	-	2,348
U.S. Environmental Protection Agency:					
Brownfields Assessment and Cleanup Cooperative					
Five Points Area-Wide Planning (Brownfields Pilot)	66.818	BF-95440709-0	88,447	-	-
	66.814	TR-83491301-0	3,190	-	-

CITY OF NEW BERN, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<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 Environment & Natural Resources:					
Division of Environmental Health					
Public Water Supply Section					
Drinking Water State Revolving Fund		HLRXF040994	-	323,093	-
Division of Parks and Recreation					
N.C. Parks & Recreation Trust Fund (PARTF)		P08079	-	422,723	629,571
Division of Water Quality					
Clean Water Management Trust Fund		2007-711	-	708,500	165,653
Division of Coastal Management					
CAMA Regional Land Use Plan Phase II		1007	-	9,500	1,300
Pollock Street Access Project		905	-	9,162	211
Queen Street Access Project		906	-	25,585	2,117
Division of Soil & Water Conservation					
N.C. Community Conservation Program		25-08-503-09	-	670	190
Department of Transportation:					
Powell Bill			-	754,012	-
Traffic Enforcement Unit Reconstruction	20.600	PT-10-03-03-22	20,018	-	(12,972)
Traffic Enforcement Unit	20.600	PT-11-03-04-37	<u>7,875</u>	<u>-</u>	<u>3,375</u>
Total Federal Expenditures			<u>\$ 555,373</u>		
Total State Expenditures				<u>\$ 2,253,245</u>	
Total Local Expenditures					<u>\$ 1,249,085</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, 2011. 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	\$ 31,926,293