

City of New Bern

North Carolina



Comprehensive Annual Financial Report

For Year Ending June 30, 2014

Prepared by: City of New Bern Finance Department
Keith M. Fiaschetti, Director of Finance

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Table of Contents

Introductory Section	Exhibit	Page
Letter of Transmittal		1-10
GFOA Certificate of Achievement		11
List of Principal Officials		12
Organizational Chart		13
<hr/>		
Financial Section		
Independent Auditor's Report		15-17
Management's Discussion and Analysis (Unaudited)		18-32
<hr/>		
Basic Financial Statements		
Government-wide financial statements:		
Statement of net position	A	33
Statement of activities	B	34-35
Fund financial statements:		
Governmental Funds:		
Balance sheet	C	36
Reconciliation of the governmental funds balance sheet to the statement of net position - governmental activities	C	37
Statement of revenues, expenditures and changes in fund balances	D	38
Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities	E	39
General Fund:		
Statement of revenues, expenditures and changes in fund balance - budget and actual	F	40
Proprietary Funds:		
Statement of fund net position	G	41
Statement of revenues, expenses and changes in fund net position	H	42
Statement of cash flows	I	43-44
Notes to financial statements	-	45-86

Table of Contents (Continued)

Required Supplemental Financial Data (Unaudited)	Schedule	Page
Law Enforcement Officers' Special Separation Allowance	A-1	87
Other Postemployment Benefits	A-2	88
Other Supplementary Information	Schedule	Page
Government Fund Financial Statements		
General Fund:		
Schedule of revenues, expenditures and changes in fund balance budget and actual	B-1	89-94
Nonmajor Governmental Funds:		
Combining balance sheet	C-1	95
Combining statement of revenues, expenditures and changes in fund balances	C-2	96
Nonmajor Special Revenue Funds:		
Combining balance sheet	D-1	98-99
Combining statement of revenues, expenditures and changes in fund balances	D-2	100-101
Schedules of revenues and expenditures and changes in fund balance - budget and actual		
Community Development Fund	D-3	102
2007 Stormwater CWMTF Fund	D-4	103
Emergency Telephone System Fund	D-5	104
Police Special Revenue Fund	D-6	105
COPS Hiring Program Special Revenue Fund	D-7	106
2007 Part F Recreation Grant Program	D-8	107
Grants Special Revenue Fund	D-9	108
Public-Private Special Revenue Fund	D-10	109
FEMA Hurricane Irene Special Revenue Fund	D-11	110
Union Station Train Depot Special Revenue Fund	D-12	111
CDBG Talent Enhancement Grant Special Revenue Fund	D-13	112
2012 CDBG NC Catalyst Grant Special Revenue Fund	D-14	113
2013 Urgent Repair Grant Special Revenue Fund	D-15	114

Table of Contents (Continued)

Other Supplementary Information (Continued)	Schedule	Page
Municipal Planning Grant (MPO) Special Revenue Fund	D-16	115
2013 Justice Assistance Special Revenue Fund	D-17	116
Wayfinding Sign Grant Program Special Revenue Fund	D-18	117
Nonmajor Capital Projects Funds:		
Combining balance sheet	E-1	118
Combining statement of revenues, expenditures and changes in fund balances	E-2	119
Schedules of revenues and expenditures -		
budget and actual		
CDBG Revitalization Capital Project	E-3	120
Radio System Capital Project	E-4	121
South Front Street Capital Project	E-5	122
Proprietary Fund Financial Statements:		
Major Enterprise Funds		
Schedules of revenues and expenditures, budget and actual (Non-GAAP)		
Electric Fund		
Electric Operating Fund	F-1	123-124
Electric Substation Capital Project Fund	F-2	125
AMI/DSM System	F-3	126
Electric Rate Stabilization Fund	F-4	127
Kale Road Project Fund	F-5	128
Water Fund		
Water Operating Fund	F-6	129-130
Water Capital Reserve Fund	F-7	131
Township 7 Water Improvements Capital Project Fund	F-8	132
Neuse Blvd Phase II Capital Project Fund	F-9	133
Water Treatment Facility Improvements Capital Project Fund	F-10	134
Sewer Fund		
Sewer Operating Fund	F-11	135-136
Sewer Capital Reserve Fund	F-12	137
Township 7 Sewer Improvements Capital Project Fund	F-13	138
Sewer Debt Service Reserve	F-14	139
Stormwater Operating Fund	F-15	141
Internal Service Fund:		
Schedule of revenues and expenditures - budget and actual (Non-GAAP)		
Employee Benefit Insurance Fund	G-1	143

Table of Contents (Continued)

	Page
Other financial data:	
Schedule of Ad Valorem Taxes Receivable	A-3 144
Analysis of Current Year Levy-City-Wide Levy	A-4 145
<hr/>	
Statistical Section (Unaudited)	
Net Position By Component - Last Ten Fiscal Years	146-147
Changes in Net Position - Last Ten Fiscal Years	148-153
Program Revenues by Function/Program Net of Expense - Last Ten Fiscal Years	154-155
Fund Balances, Governmental Funds - Last Ten Fiscal Years	156-157
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	158-159
The Electric System, Electricity Purchased, Consumed & Unbilled - Last Ten Fiscal Years	160-161
Electric Rates - Last Ten Fiscal Years	162-163
Electric System - Major Users - Current Year and Nine Years Ago	164
Assessed Value and Estimated Actual Value of Taxable Property	165
Property Tax Levies and Collections - Last Ten Fiscal Years	166
Principal Property Tax Payers - Current and Nine Years Ago	168-169
Direct and Overlapping Property Tax Rates	170
Ratio of Net General Bonded Debt Outstanding by Type - Last Ten Fiscal Years	172-173
Direct and Overlapping Governmental Activities Debt	174
Legal Debt Margin Information - Last Ten Fiscal Years	176-177
Demographic and Economic Statistics - Last Ten Fiscal Years	178
Principal Employers - Current Year and Nine Years Ago	179
Full-Time Equivalent Town Government Employees By Functions/Programs - Last Ten Fiscal Years	180
Operating Indicators by Function/Program - Last Ten Fiscal Years	182-183
Capital Asset Statistics By Function/Program - Last Ten Fiscal Years	184-185
<hr/>	
Single Audit and Compliance Section:	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	187-188
Independent Auditor's Report on Compliance For the Major State Program and On Internal control Over Compliance in Accordance Applicable Sections of OMB Circular A-133 and the State Single Audit Impementation Act	189-190
Schedule of Findings and Questioned Costs	191-192
Corrective Action Plan	193
Summary Schedule of Prior Year Findings	194
Schedule of Expenditures of Federal and State Awards	195
Notes to Schedule of Expenditures of Federal and State Awards	196

Introductory Section

- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting
- List of Principal Officials
- Organizational Chart

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NEW BERN

CITY OF NEW BERN

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New Bern, NC 28563-1129
(252)636-4000

Aldermen

Dallas O. Blackiston
Victor J. Taylor
Patricia C. Schaible
Johnnie Ray Kinsey
Bernard W. White
Jeffrey T. Odham

Dana E. Outlaw
Mayor

Mark A. Stephens
City Manager

Veronica E. Mattocks
City Clerk

Keith M. Fiaschetti
Director of Finance

October 29, 2014

To the Honorable Mayor, the Board of Aldermen, and Citizens of the **CITY OF NEW BERN**:

The Comprehensive Annual Financial Report of the **CITY OF NEW BERN**, North Carolina (the City) for the fiscal year ended June 30, 2014, is hereby submitted. The basic financial statements contained herein have been audited by the independent certified public accounting firm of McGladrey LLP, a firm of licensed certified public accountants, and their unmodified opinion are included in the financial section. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the data enclosed is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position and, where applicable, the cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all the funds of the City. The City provides a full range of services including police and fire protection; sanitation services; construction and maintenance of streets and other infrastructure; community development services including planning and zoning; and parks and recreational services. In addition to general governmental activities, the City owns and operates electric, water, sewer and stormwater utilities; therefore, these activities are included in the reporting entity. The New Bern Housing Authority, the New Bern-Craven County Public Library, Swiss Bear Downtown Development Corporation, and Friends of the Fireman's Museum do not meet the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of New Bern's MD&A can be found immediately following the independent auditor's report.

Everything comes together here.

The City is required to undergo an annual “Single Audit” in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and the auditor’s reports on the internal control over financial reporting and compliance with applicable laws, regulations, and contract and grants agreements, is included in a separate reporting package.

ECONOMIC CONDITION AND OUTLOOK

New Bern, settled in 1710 at the confluence of the Trent and Neuse Rivers, is located 110 miles east of Raleigh, the State Capitol, and 35 miles west of the Atlantic Ocean. New Bern is the largest municipality in Craven County and serves as the County seat. Rich in history, it is the site of North Carolina’s Colonial Capital and its first State Capitol. New Bern is also the Birthplace of Pepsi Cola, a drink first created by Caleb Bradham, a local pharmacist, in 1898. Downtown New Bern offers museums, shops, galleries, restaurants, historic sites, waterfront hotels, bed and breakfast accommodations, marinas, convention center, parks, historic homes and churches. Tryon Palace Historic Sites & Gardens, the first permanent seat of colonial government in North Carolina, offers visitors an opportunity to experience over 300 years of American history and acres of period-inspired gardens. The City is centrally located to several growing communities including Jacksonville, Morehead City, Greenville, and Kinston, all less than an hour away. The City is easily accessible by US 70, US 17, and NC 43. The community currently has 7.1 percent unemployment rate compared to a statewide rate of 6.5 percent. The 2013 census population for the city was reported as 30,242.

The City is a council-manager form of government with a Board of Alderman and Mayor. The Board is composed of six members who are elected by ward, and a mayor who is elected at-large. Each serves for four year coincident terms. The City Manager, Director of Finance, City Attorney, and City Clerk are appointed by, and serve at the pleasure of the Mayor and Board of Aldermen. The City Manager serves as the chief executive officer of the organization, and is responsible for carrying out Board of Aldermen policy through the administration of the various departments and their staff.

The City thrives on tourism as it has over 150 sites included in the National Register of Historic Places. Stretching 248 miles, the Neuse River, located in New Bern, is the longest river in North Carolina and the widest river in America (6 miles across). The City also offers 157,000 acres of the Croatan National Forest which is nationally recognized for its trails and recreation opportunities.

Government (federal, state and local) is the largest single employer in the County with 24 percent of all jobs. CarolinaEast Health System is the City’s largest single employer serving approximately 185,000 patients a year and employing over 2,100 people. With an annual payroll of \$146 million and average utility payment of \$2.7 million per year, CarolinaEast Health Systems contributes significantly to the City’s economy.

New Bern is home to two large manufacturing facilities—Moen, Inc. and BSH Appliances, Corp. Moen is the number one faucet brand in North America. BSH Appliances, a German

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based manufacturer, is the world's third-largest home appliance manufacturer specializing in cooking, washing/drying, refrigeration/freezing, and other consumer products. New Bern is host to the largest of the only three U.S based factories.

For those looking to start a business in New Bern, the City has a new economic development tool that will hopefully attract companies and possibly create jobs, the Commercial Real Estate Mapping & Economic Development website. City of New Bern Development Services has created a prospector website (www.newbernprospector.com) that can lead potential companies to non-single family residential and commercial buildings the City has to offer. The website contents include: the City's new brand, photographs, maps, and information on demographics, consumer expenses, and the labor force. This will be an essential tool used to bring more business to New Bern.

Additionally, in August 2013, 20th Century FOX contacted the City of New Bern about scouting city locations for the debut season of "Sleepy Hollow." A month later, production teams, actors and extras were in New Bern filming several scenes. Locations included Cedar Grove Cemetery, Kafer Park, Tryon Palace, and Glenburnie Park. The crew also filmed an additional scene at a historic hotel in Havelock, NC.

Tryon Palace reported 200-300 visitors per day during filming, and many New Bern hotels said they filled to capacity housing the crew, actors, and extras. The Craven County Tourism Development Authority (TDA) reported to its Board in December 2013 that "Sleepy Hollow's" economic impact to New Bern & Craven County totaled \$454,000. TDA also reported that the production used an estimated 1600 overnight rooms during their time here. The New Bern scenes were featured in episode three of the "Sleepy Hollow" debut season.

MAJOR INITIATIVES

FOR THE YEAR

Fiscal year 2013-2014 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

AMI/DSM Smart Grid Project Phase II

The scope of this project involved the expansion of an Advanced Metering Infrastructure System (AMI), capable of two-way communications with the City of New Bern electric and water meters, and load management devices, capable of two-way communications for more effective load shedding. This system will provide the opportunity for residential electric customers to participate in "pay as you go" rates and "time of use" rates, allowing customers to better control their consumption of electricity and manage payment schedules more effectively. This system will be able to furnish electric and water consumption data to customers. The electric meters can also detect outages and deliver this information to the Utility Communications and Control Division operators for enhanced outage management. The Department of Public Utilities is requesting a budget of \$2,500,000 for the second phase of the AMI Project. This second phase is comprised of the installation of 5,000 electric meters, 5,000 water meters, and 1,000 load management devices to enable customers of the Public Utilities Department to actively monitor and control their electric and water consumption. The cost of this system is divided between the Electric and Water Funds based upon the meters, devices, and core system allocation for each fund. The largest driver behind better implementing this technology will be the ability to reduce

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system demand through load management. This ability will directly affect the power supply costs for the City as the system is expanded.

Branding

The scope of this project was to identify a new brand for New Bern to increase tourism and new residents and businesses. The City partnered with Swiss Bear Downtown Development Corporation, Craven County Tourism Development Authority, Craven County Committee of 100, and the New Bern Area Chamber of Commerce to hire North Star Destination Strategies of Nashville, Tennessee to facilitate our branding initiative. The project began in January 2013 with an in-depth look at what New Bern offers the areas of Education, Business/Economic Development, Arts & Culture, Environment, and Government. After thorough research, two community surveys, and nearly one-thousand interviews with local, regional, and state stakeholders, the branding initiative culminated in November 2013 with a presentation to the Board of Aldermen and the community revealing New Bern's new brand and tagline "everything comes together here." Since then, the City and the community have produced several deliverables using the new brand such as community signage, business stationery, and website marketing. The branding project cost the City and its partners \$85,900.

2014 Public Power Award of Excellence

The City of New Bern Utility Business Office was awarded the 2014 Public Power Award of Excellence for Service Excellence. The Service Excellence award recognizes outstanding efforts by the City to communicate with customers through advertisements, online resources, social media, and other community-based methods. The award also addresses emergency communications and community public power celebrations.

Downtown Wayfinding Signage System:

The Downtown Wayfinding Signage System Project is being implemented to provide both pedestrian and vehicular directional signage to important destinations in the downtown area. Bids for this project were received on April 1, 2014 with the project being awarded to Waybaytay Inc., dba Sign Etc. of Charlotte NC. A contract in the amount of \$142,246 was awarded on June 9, 2014 with an anticipated completion date on October 6, 2014.

Various Stormwater Improvement Projects:

An estimated \$200,000 in stormwater improvement projects were completed to improve flooding issues with the improvement of existing storm drain infrastructure throughout the City.

2011 Main Street Solutions Fund

The City was awarded a \$100,000 grant to assist two (2) downtown businesses to expand. The required match will be met by the businesses. There is no local match required from the City. Craven Arts Council will use the grant funds to expand the retail sales area of the Bank of the Arts. Craven Arts Council will create one (1) full-time job with this expansion. RKC Associates Limited Partnership will renovate the former grocery store site at 217 East Front Street to allow Branch's Furniture to operate a wholesale outlet in the building. Branch's Furniture will create three (3) full-time jobs with this expansion.

The City received an additional \$25,000 from the Main Street Solutions Fund for a second application in support of the renovations at the Craven Arts Council and Gallery. One (1) existing full-time job will be retained as a condition of the additional funding.

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Safe Routes to School - Elizabeth Avenue Phase-II

Phase II of this Project is a continuation of Phase-I which is being implemented to further improve pedestrian access to H.J. McDonald Middle School. Greater access will be provided by installing new sidewalks from the school extending into the surrounding residential communities on the west side of Racetrack Road. These improvements are being implemented as part of an NCDOT & FHWA Safe Routes to School grant. The engineering design and construction administration services for this project will be performed by City of New Bern staff. The engineer's estimate for the project is \$113,720.

Change Street Rehabilitation Project

This project involved the complete replacement of the water, sewer, storm drainage and street infrastructure located along Change Street. The engineering design and construction administration services for this project were performed by City of New Bern staff and the project construction was completed by James L. Cayton Utilities, Inc. The project was completed in September 2013 at a cost of \$232,050.

FY 2014 Misc. Water System Improvements Project

This project involved replacing aging portions of the City water distribution system at various locations throughout the City. At most of these locations, existing 2" galvanized water mains will be replaced with 6" ductile iron and PVC piping. These changes to the water distribution system will improve system pressures and firefighting capabilities. The engineering design and construction administration services for this project were performed by City of New Bern staff and the construction completed with City staff and local utility contractors.

NC Legacy Tree Fund

The City received notification that we are being awarded a \$2,000 grant to purchase and plant trees to create an urban forest on lots near the Biddle Street Pump Station. The lots were purchased through a FEMA Hazard Mitigation Grant in 2000, and are precluded from being developed. The grant will also assist with conducting a community tree workshop. The Greater Duffyfield Residents Council will partner with the City for the tree planting and workshop.

IN THE FUTURE

Website

Since the development of New Bern's new brand, the City is launching a website redesign project. The current website dates back more than ten years and lacks updated functionality and user-friendliness. The City has hired Evolve, Inc. of Greenville, NC to spearhead this project, implementing not only New Bern's new brand, but also increased interactivity, user-friendliness, and modern appeal. Our new website will offer the ability to posts videos and podcasts; increase our social media presence; implement "hot button" reporting mechanisms for employment opportunities, reporting power outages & other utility emergencies, contacting aldermen, searching city code, and paying utility bills; and will increase cyber-security for the city through new, improved communication methods. The budget for the website redesign project is \$18,000. The City launched the new site in July 2014.

Kale Rd. Project

The scope of this project is the relocation of the following Department of Public Utilities divisions; Administration, City Engineer Administration, Warehouse, and Distribution Operations from the buildings at 303 First St. and 205 First St. to the 210 Kale Rd. site. This project fund will include the expense for all the necessary construction and additions to the Kale Rd. building and site to facilitate the relocation of the above operations. The estimated expense for the site and building project is \$1,636,000.

This project will include two phases. The first phase will be the make ready work on the Kale Rd. building to allow for the organizations within 303 First St. to occupy the building. This will include minor remodeling, the installation of an emergency generator, the installation of the necessary information technology equipment to add the building to the City network, and an uninterruptible power supply to support the System Control operations that will be housed within the building. This work will commence upon approval of the project fund creation. The second phase will include the site work, remodeling of the existing out building and construction of the shelters for the City Warehouse and Distribution Operations organizations to move to the Kale Rd. property. This work will commence in coordination with the finalization of the financing for the project.

IT Consolidation and Upgrade

This \$520,000 project is working to consolidate the Police Department Information Technology environment with the City, creating a single manageable, best practice computing environment for the entire city. The project will also replace outdated equipment and consolidate the costly duplication of systems making the city more efficient. The project has just started and will be finalized in late 2015.

FY 14/15 CDBG Entitlement Cities Program Consolidated Plan/Annual Action Plan

As of this fiscal year, New Bern is eligible to become a CDBG Entitlement City. An annual funding allotment will be awarded to the City directly from HUD. For 2014 – 2015, the City will receive \$263,375. These funds can be used for projects that we develop based on the needs within the community as long as they primarily benefit very-low, low and moderate income persons and meet other HUD requirements. The Five Year Consolidated Plan reflects the needs of the community. The Annual Action Plan will establish how the City plans to use the funding. The 2015 – 2019 Comprehensive Plan and 2015 Annual Action Plan were approved by the Board of Aldermen on July 22, 2014. Staff is working on administrative requirements for funds to be released.

Trent Road Substation Transformer Bank A Replacement

As identified in our five year Capital Projects plan the 50 MVA transformer bank at the Trent Rd. Substation will require replacement. This transformer bank was built in 1960 and through recent testing there have been indications that the units are reaching the end of their useful life. During periods of peak demand, the electric system requires the capacity provided by this transformer bank and cannot provide service to its customers if the unit were to fail. A new substation transformer installation to replace this unit is estimated at a cost of \$1,000,000.00. The replacement cost of this unit is expected to be financed as its useful life exceeds 30 years.

FY 2015 Misc. Water System Improvements Project

This project will involve replacing aging portions of the City water distribution system at various locations throughout the City. At most of these locations, existing 2” galvanized water mains will be replaced with 6” ductile iron and PVC piping. These changes to the water distribution system will improve system pressures and firefighting capabilities. The engineering design and construction administration services for this project will be performed by City of New Bern staff. The project is scheduled to be under contract by the end of the third quarter for FY13-14 and is expected to take 60 days to complete. The engineer’s estimate for the project is \$200,000.

Neuse Boulevard Sidewalk Improvements – Phase I

The first phase Neuse Boulevard Sidewalk Project is being implemented to enhance the safety for pedestrian access to the hospital campus. The project will involve installation of new sidewalks along Neuse Boulevard from the existing sidewalk at Chattawka Lane to the hospital campus. In addition to the new sidewalks, the existing sidewalk between Chattawka Lane and Gaston Boulevard will be retrofitted with new ADA compliant curb ramps. Providing these improvements will establish safe pedestrian access to the hospital campus for thousands of residents living in Duffyfield, Five Points, and other areas of downtown New Bern. The proposed improvements are being implemented in part with NCDOT Local Enhancement program funding, which the City was granted in November of 2013. The NCDOT program will reimburse the City for \$49,700 of total project costs, with the balance being funded from the approved Public Works Sidewalk Improvements budget line item. The contract for the project was awarded to T.E. Davis Construction Co. in July 2014 for \$58,085. The project is scheduled to be completed by November 15th, 2014.

Neuse Boulevard Sidewalk Improvements – Phase II

This project will extend sidewalk improvements along Neuse Boulevard from Hospital Drive to Glenburnie Road. At Glenburnie Road, this project will connect with another NCDOT TIP project that will provide for a new multiuse path along Glenburnie Road from Neuse Boulevard to Elizabeth Avenue. At Hospital Drive, the project will connect with another sidewalk improvement project that is scheduled for completion this summer. Completion of these projects will greatly enhance the opportunity for safe pedestrian access through the core of New Bern.

NCDOT and the Federal Highway Administration (FHWA) have agreed to provide \$500,000 towards the project design, preparation of environmental documentation, right-of-way acquisition, and construction of the proposed project. This funding is being provided with FHWA contributing 80% (\$400,000) and NCDOT contributing 20% (\$100,000). As part of this agreement, there will not be a cash contribution that is required from the City of New Bern.

The City of New Bern will only have to provide cash funding in the event that the total project cost exceeds \$500,000. At this point the preliminary cost estimate for the proposed construction is \$300,000. In order to keep the total project costs to a minimum, the City will be handling all of the engineering design, contract procurement, construction administration, and CEI services in-house for this project. With the City providing these services, the NCDOT and FHWA funding should be sufficient to cover all project costs without the need of a cash contribution from the City. The contract for the project construction is scheduled to be awarded in July 2015.

Glenburnie Road Multiuse Path

This project will implement a new multiuse path project along Glenburnie Road aimed at enhancing safety for bike and pedestrian travel along this corridor. Together, we have developed a proposed project that will extend a multiuse path along Glenburnie Road from the existing

sidewalks at Elizabeth Avenue to Neuse Boulevard. At Neuse Boulevard, this project will connect with another NCDOT TIP project that will provide for new sidewalks along Neuse Boulevard from Glenburnie Road to Hospital Drive. Completion of these two projects will greatly enhance the opportunity for safe pedestrian access through the core of New Bern. NCDOT and the Federal Highway Administration (FHWA) have agreed to provide \$540,000 towards the project design, preparation of environmental documentation, right-of-way acquisition, and construction of the proposed project. This funding is being provided with FHWA contributing 80% (\$432,000) and NCDOT contributing 20% (\$108,000). As part of this agreement, there will not be a cash contribution that is required from the City of New Bern. The City of New Bern will only have to provide cash funding in the event that the total project cost exceeds \$540,000. At this point the preliminary cost estimate for the proposed construction is \$350,000. In order to keep the total project costs to a minimum, the City will be handling all of the engineering design, contract procurement, construction administration, and CEI services in-house for this project. With the City providing these services, the NCDOT and FHWA funding should be sufficient to cover all project costs without the need of a cash contribution from the City. The contract for the project construction is scheduled to be awarded in July 2015.

Various Stormwater Improvement Project:

The estimated \$150,000 project will involve replacing aging portions of the City’s storm drain system at various locations throughout the City. These improvements will consist of replacing failing infrastructure and enlarging existing undersized storm drain pipes.

Street Resurfacing & Repairs Project:

The estimated \$575,000 street resurfacing project will consist of approximately 70% resurfacing and 30% patching, crack sealing, and/or pavement treatments. Improvements will be made in order of priority according to the 2013 pavement condition survey that outlines a high priority list of roads that needed maintenance.

2013 Urgent Repair Program

This \$75,000 grant will be used to perform eligible repairs on owner-occupied homes of low and very-low income households. Repairs on one house have been completed and a second is under contract. Bids on repairs to a third house have been received and are being evaluated.

2013 Public Beach and Coastal Waterfront Access Grant

This project will construct a boardwalk from near Tryon Palace, along the Trent River/Taylor Creek at the rear of the Public Housing Authority property to connect with the walkway in Morgan Park. Grant amount is \$186,340.00. City cash match is \$31,049.00 and in-kind match is \$30,000.00. The estimated cost of the project is \$244,195.00. Staff is working on design of the boardwalk.

OTHER INFORMATION

Budget preparation process.

Preparation of the City’s fiscal year budget is a process that involves the citizens of New Bern, the New Bern Board of Aldermen, individual city departments, and the City Manager’s Budget Committee.

A budget retreat is held by the City Manager in February. During this meeting, a preview of the economic forecast for the coming fiscal year is presented and the Board's goals and objectives for the upcoming fiscal year are confirmed. This important meeting provides valuable insight and feedback from board members for the management team to use in developing the proposed budget.

The next major phase in the preparation of the budget occurs after the retreat with the distribution of the new budget preparation package instructions to department heads to be used in submitting their proposed budgets.

Budget review meetings are schedule as necessary in March with department heads and the Budget Committee to study their requests. The City Manager is given a briefing on any new programs, new position requests, as well as major increases in budget requests.

In April, the City Manager makes any final revisions to the proposed budget along with the proposed utility and tax rate for the new fiscal year.

In late April, the City Manager's proposed budget is presented to the Board, the press, and the public. The proposed budget is made available for public inspection in the office of the City Clerk, the library, and on the City's website (which can be viewed by visiting <http://www.newbern-nc.org/departments/finance/budget/>).

In May, the Board holds a series of budget workshops in which intense study of the proposed budget occurs. During these meetings the Board reviews the budget and makes any necessary adjustments.

North Carolina General Statues require one public hearing be held for public comment on the proposed budget. In a concentrated attempt to give an opportunity to the Citizens of New Bern, a public hearing is scheduled by the Board for public input on the budget. This hearing is usually conducted in late May or early June. The Board formally adopts the budget at a regular Board of Aldermen meeting on or prior to June 30th.

Acknowledgements. This report is the work of the efficient and dedicated services of the City of New Bern Accounting Staff: Ginger Heath, Diane Moore, Lori Mullican, Jennifer Rawls, Anita Saunders, Davonna Short, Kim Maxey, Tracey Lewis, Cynthia West, and Deidre Wrought. Each member of the accounting division has our sincere appreciation for the contributions made in the preparation of this report and in their continued professional excellence in accounting for the fiscal actions of the City.

We also acknowledge the valuable professional service provided by the accounting firm of McGladrey LLP and appreciate their assistance in preparing this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of New Bern for the fiscal year ended June 30, 2013, which was the second year the City prepared a comprehensive annual financial report (CAFR). The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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In order to be awarded a Certificate of Achievement, a Government Unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and the City will be submitting it to the GFOA to determine its eligibility for another certificate.

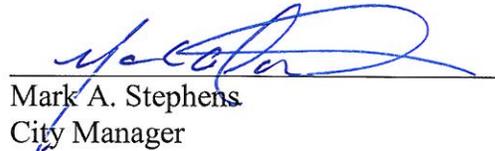
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State single Audit Implementation Act require annual independent audits of the City's compliance with the applicable law as and regulations related to certain statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditor's reports on the compliance matters are included in the financial section of this report.

In closing, we would like to express our appreciation to the Mayor, Board of Aldermen, Department Heads, and all City staff for their leadership, interest, and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Keith M. Fiaschetti, MBA
Director of Finance



Mark A. Stephens
City Manager



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**City of New Bern
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF NEW BERN, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS

June 30, 2014

BOARD OF ALDERMEN

DANA E. OUTLAW

Mayor

JOHNNIE RAY KINSEY

Mayor Pro Tem

DALLAS O. BLACKISTON

BERNARD W. WHITE

VICTOR J. TAYLOR

JEFFREY T. ODHAM

PATRICIA C. SCHAIBLE

CITY ADMINISTRATION

MARK STEPHENS

City Manager

KEITH M. FIASCHETTI

Director of Finance

VERONICA MATTOCKS

City Clerk

THURMAN HARDISON

Director of Parks & Recreation

JONATHAN RYNNE

Director of Utilities

JEFFREY RUGGIERI

Director of Development Services

ROBERT ASTER

Fire Chief

SONYA HAYES

Director of Human Resources

MATTHEW MONTANYE

Interim Director of Public Works

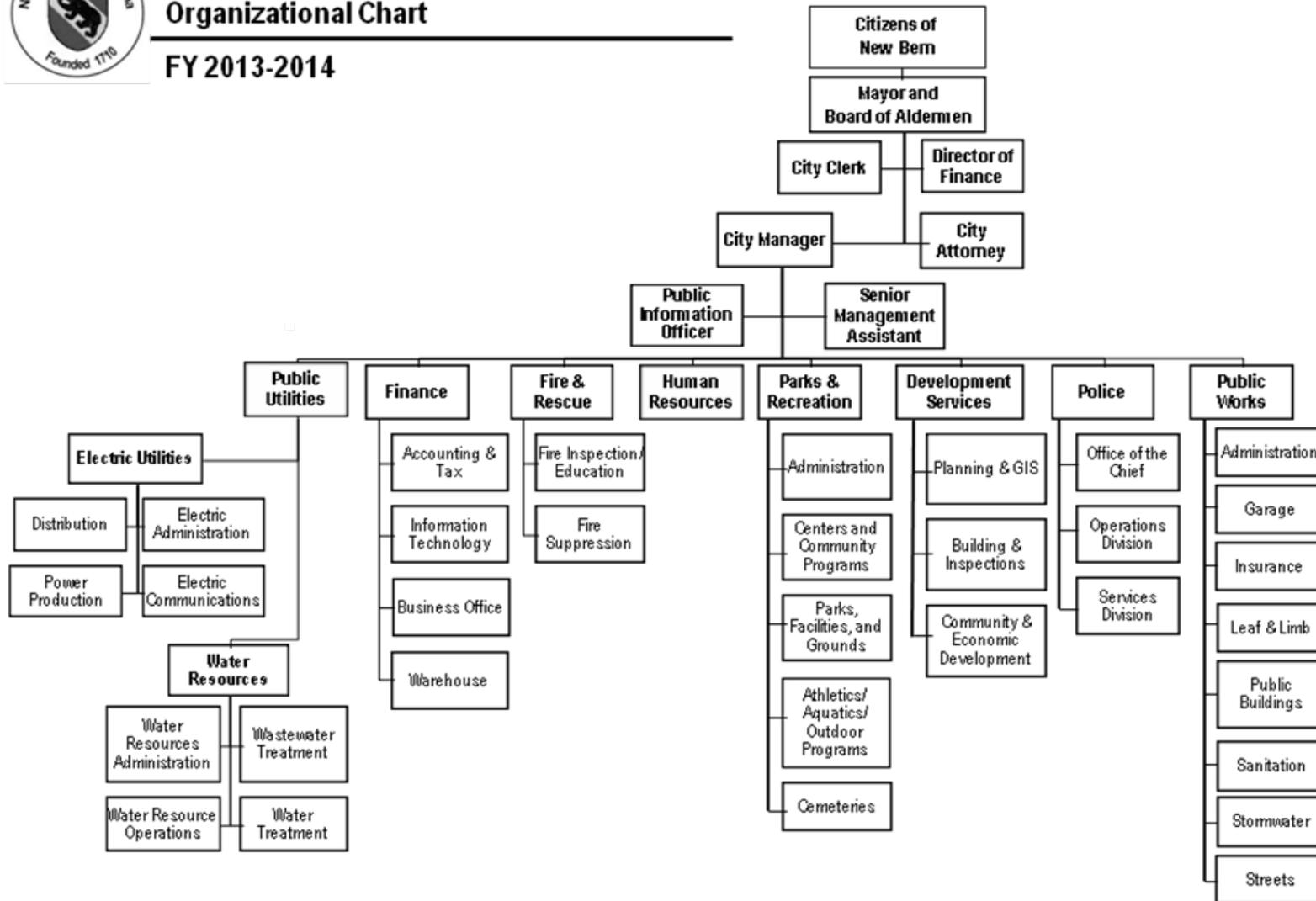
TOUSSAINT SUMMERS

Chief of Police



City of New Bern Organizational Chart

FY 2013-2014



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Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Basic Financial Statements
- Required Supplemental Financial Data
- Combining and Individual Fund Statements and Schedules
- Additional Financial Data

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 City of New Bern, North Carolina "the City", as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of New Bern's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of New Bern, North Carolina as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 18 through 32 and 87 through 88 be presented to supplement the basic financial statements. Such 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. 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 any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Bern's basic financial statements. The individual fund financial statements and schedules, budgetary schedules and other financial data listed in the table of contents as "other supplementary information", as well as the Schedule of Expenditures of Federal and State Awards 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules, budgetary schedules and other financial data, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables of the Comprehensive Annual Financial Report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Bern's internal control over financial reporting and compliance.

McGladrey LLP

Morehead City, North Carolina
October 29, 2014

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, 2014. 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 2014 as evidenced by an increase in the total net position of \$ 10.5 million. This was from governmental activities which increased \$2.4 million and business-type activities increased \$8.1 million.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 166.6 million (*net position*). Of this amount, \$ 36.0 million (unrestricted net position) can be used to meet the City's ongoing obligations to its citizens and creditors.
- Fund Balance - As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 14.9 million - an increase of \$ 2.1 million in comparison with the prior year. Approximately 52.9% of the total fund balance, or \$ 7.9 million, is unassigned and available for spending at the government's discretion.
- Fund Balance Available - At the end of the current fiscal year, fund balance available for appropriation (statutory formula) for the general fund was \$ 8.3 million (without including restricted cash) or 27.4% of the total general fund expenditures and transfers out for the fiscal year. In 2013, available fund balance in the general fund was \$ 7.5 million (without including restricted cash) or 25.2% of total expenditures. The informal fund balance goal of the City is 25%.
- Cash balances across all proprietary funds remain healthy and are a source of credit stability.
- The City's total debt decreased by \$ 4.0 million (5.3%) during the current fiscal year, primarily due to \$ 6.7 million in principal payments made against existing debt which was partially offset by \$ 2.7 million in new debt.
- The City is in compliance with all bond covenants.
- Continued low cost of debt due to the City's continued fiscal health.
- The City improved its North Carolina Municipal Council (NCMC) rating score to 83 (up 2 points from the previous report).

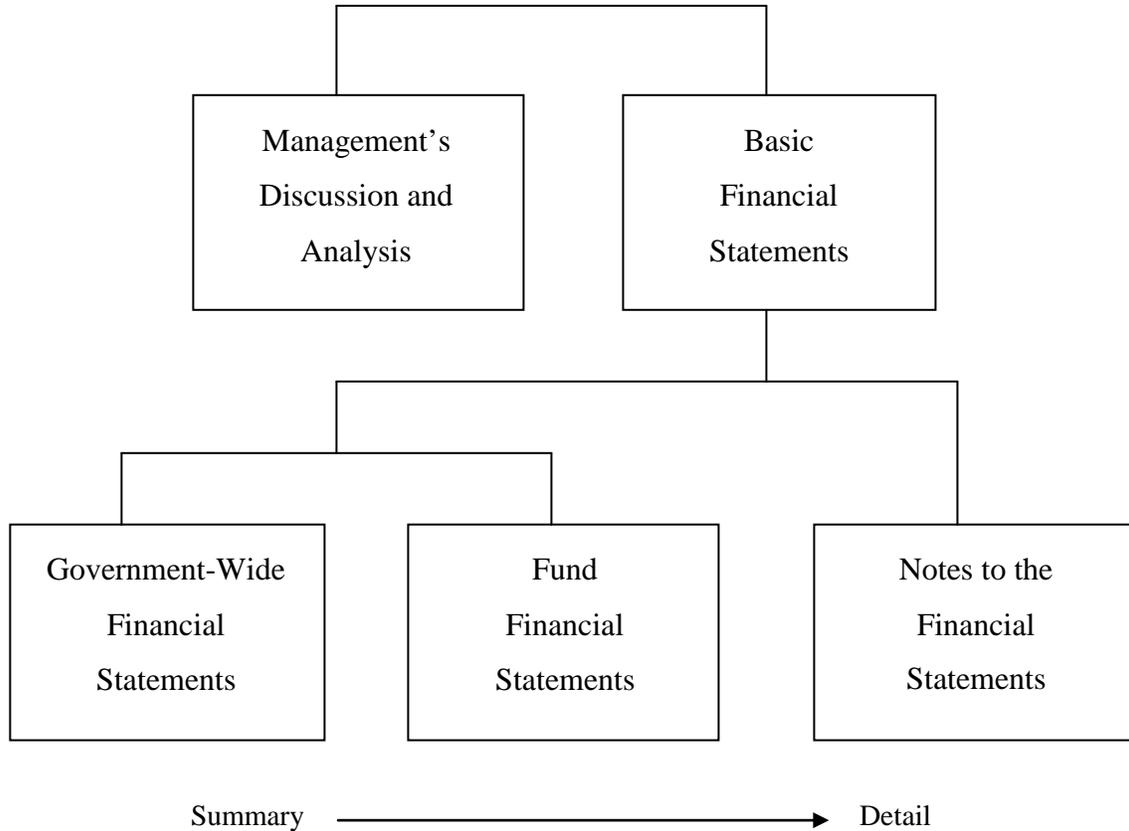
Overview of the Financial Statements

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 required and 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

Figure 1



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 position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the City's financial condition.

The government-wide statements are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as public safety, streets, environmental protection, parks and recreation, and general administration. Property taxes, other taxes, and state and federal grant funds finance most of these activities.
- Business-type activities – The City charges fees to customers to cover the costs of services provided. The City's water, sewer, electric and stormwater 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 (see Figure 1) 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 Position 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 and stormwater operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position 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 employee 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 45-86 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of New Bern's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 87 of this report.

Interdependence with Other Entities: The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also

subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. For the City, the assets and deferred outflows exceeded liabilities and deferred inflows by \$ 166.6 million (*net position*) for the most recent fiscal year. A summary of the City's net position at June 30, 2014 and 2013 is presented below:

City of New Bern's Net Position

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 22,020,003	\$ 19,259,977	\$ 40,598,471	\$ 34,593,320	\$ 62,618,474	\$ 53,853,297
Capital assets	49,424,463	48,833,020	145,045,872	146,692,693	194,470,335	195,525,713
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	71,444,466	68,092,997	185,644,343	181,286,013	257,088,809	249,379,010
Liabilities:						
Long-term liabilities						
outstanding	17,634,096	16,867,777	55,326,508	59,728,888	72,960,604	76,596,665
Other liabilities	5,081,505	4,878,794	12,457,369	11,837,938	17,538,874	16,716,732
Deferred inflows of resources	16,658	39,566	-	-	16,658	39,566
Total liabilities and deferred inflows of resources	22,732,259	21,786,137	67,783,877	71,566,826	90,516,136	93,352,963
Net Position:						
Invested in capital assets, net of related debt	36,694,879	36,383,138	86,397,864	83,796,943	123,713,943	120,180,081
Restricted:						
Stabilization by State						
Statute	5,348,748	4,811,153	-	-	5,348,748	4,811,153
Public Safety	749,641	641,127			749,641	641,127
Public Works	18,470	62,343			18,470	62,343
Economic Development	554,006	56,994			554,006	56,994
Culture & Recreation	181,101	39,974			181,101	39,974
Unrestricted	5,165,362	4,312,131	31,462,602	25,922,244	36,006,764	30,234,375
Total net position	\$ 48,712,207	\$ 46,306,860	\$117,860,466	\$ 109,719,187	\$ 166,572,673	\$ 156,026,047

The City's net position increased by \$ 10.5 million for the fiscal year ended June 30, 2014. However, the largest portion \$ 124.1 million (74.3%) 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 net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The City's unrestricted net position is \$ 36.0 million (21.6%) as of June 30, 2014. In 2013, the amount of net position invested in capital assets net of related debt was \$ 120.2 million, and unrestricted net position was \$ 30.2 million.

Governmental activities increased the City's net position by \$ 2.4 million, or 5.2%, to \$ 48.7 million. However \$ 42.4 million of the net position either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery and equipment, buildings, roads, etc.). The remaining balance of \$ 6.3 million is unrestricted. The unrestricted net position is available primarily to support operations and to provide for payment of long-term debt.

Business-type activities increased the City's net position by \$ 8.1 million, or 7.4%, to \$117.9 million. The unrestricted net position will be used to help finance the operations and/or expansion of the electric, water, sewer, and stormwater management systems.

Changes in Net Position: The following table presents the City's changes in net positions for the fiscal years ended June 30, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 5,535,157	\$ 5,469,434	\$ 86,532,169	\$ 84,998,995	\$ 92,067,326	\$ 90,468,429
Operating grants and contributions	1,834,222	3,629,498	839,978	1,075,601	2,674,200	4,705,099
Capital grants and contributions	68,424	323,776	1,399,998	-	1,468,422	323,776
General revenues:						
Property taxes	13,701,543	13,251,107	-	-	13,701,543	13,251,107
Other taxes	8,946,724	8,621,740	-	-	8,946,724	8,621,740
Unrestricted investment earnings	12,210	18,930	5,199	11,506	17,409	30,436
Total revenues	30,098,280	31,314,485	88,777,344	86,086,102	118,875,624	117,400,587
Expenses:						
General government	3,175,305	2,980,543	-	-	3,175,305	2,980,543
Public safety	15,369,029	15,660,542	-	-	15,369,029	15,660,542
Public works	4,295,470	2,998,765	-	-	4,295,470	2,998,765
Environmental protection	1,825,829	1,663,347	-	-	1,825,829	1,663,347
Economic development	2,077,157	2,378,028	-	-	2,077,157	2,378,028
Culture and recreation	2,503,892	2,497,152	-	-	2,503,892	2,497,152
Interest on long-term debt & Fees	342,703	365,826	-	-	342,703	365,826
Water	-	-	8,665,646	8,677,687	8,665,646	8,677,687
Sewer	-	-	9,727,442	10,830,003	9,727,442	10,830,003
Electric	-	-	59,713,453	57,737,100	59,713,453	57,737,100
Stormwater	-	-	633,072	671,691	633,072	671,691
Total expenses	29,589,385	28,544,203	78,739,613	77,916,481	108,328,998	106,460,684
Increase in net position before transfers	508,895	2,770,282	10,037,731	8,169,621	10,546,626	10,939,903
Transfers	1,896,452	2,440,119	(1,896,452)	(2,440,119)	-	-
Increase in net position	2,405,347	5,210,401	8,141,279	5,729,502	10,546,626	10,939,903
Net position, July 1	46,306,860	41,096,459	109,719,187	103,989,685	156,026,047	145,086,144
Net position, June 30	\$ 48,712,207	\$ 46,306,860	\$ 117,860,466	\$ 109,719,187	\$ 166,572,673	\$ 156,026,047

Governmental Activities. Governmental activities, after transfers, increased the City's net position by \$ 2.4 million, accounting for 22.8% of the total growth in the net position. Key elements of this increase are as follows:

- Though overall revenue growth is showing marginal decreases, the increase in net position was the result of concerted effort to control costs and manage expenses to minimize the impact on our citizens. City management reduced non-essential programs to a minimum and implemented cost saving strategies across City departments. Certain nonrecurring expenses were either postponed or renegotiated in an attempt to maintain a healthy net position. Management believes healthy investment in the City will result in additional revenues, and in that vein added to the City's net position by investing approximately \$1.9 million in capital assets which were largely funded by economic and physical development, public safety, public works and general government grant revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. City management acknowledges that 2014 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.
- Continued diligence in the collection of property taxes by improving the tax collection percentage to 98.6% versus 97.6% in the prior year, which compares favorably to the statewide average of 97.5%.
- Increased sales tax revenues of approximately \$ 0.3 million due to economic growth in the City.
- Continued low cost of debt due to the City's higher NCMC rating.

Business-Type Activities. Business-type activities, after transfers, increased the City's net position by \$8.1 million, accounting for 77.2% of the total growth in the government's net position. Key elements of this increase are as follows:

- \$ 2.2 million in capital assets in the electric, water, sewer, and stormwater systems that were largely funded by operating and capital grant revenues
- \$ 1.4 million in net cost reductions primarily due to the prior year implementation of an indirect cost allocation study that reduced interfund reimbursements (or shared service costs) to the general fund.
- \$ 2.3 million in budgeted water and sewer transfer supports to the general fund which did not have to be made.
- \$ 0.8 million in increased revenues from the electric fund primarily due to the unusual cold winter.
- Reduced operating and maintenance costs

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements.

The general fund is the chief operating fund of the City of New Bern. At the end of the current fiscal year, the City's fund balance available (statutory formula) was \$ 8.3 million (without including restricted cash); total fund balance reached \$ 14.4 million. Total fund balance in the general fund increased \$ 2.5 million. The City of New Bern has determined that the City should maintain an available fund balance of 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 27.4% (without including restricted cash) of general fund expenditures, while total fund balance represents 47.7% of the same amount.

At June 30, 2014, the governmental funds of the City of New Bern reported a combined fund balance of \$ 14.9 million, which is an increase of \$ 2.1 million or 16.1% from last year. Included in this change in fund balance are increases in fund balance in the General fund and a very slight decrease in Capital Projects 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.

- Overall revenues exceeded budget by \$ 1.3 million, the key to this was as follows: \$ 0.3 million increase in unrestricted intergovernmental mainly attributed to increased sales tax revenue; \$ 0.7 million increase in tax revenues primarily due \$ 0.3 million from the implementation of the State Tax and Tag System (HB 1779) and \$ 0.4 million increase in tax revenues due to continued diligence in the collection of property taxes. The tax collection rate improved to 98.6% versus 97.6% in the prior year. The city collection rate compares favorably to the statewide average of 97.5%.
- Total expenditures were \$ 4.6 million under budget primarily due to \$ 1.0 million in reduced employee-related costs including job vacancies; \$ 1.2 million due to open encumbrances; and the balance of \$ 2.4 million due to implementing cost savings measures and reduced spending.

- \$ 0.8 Million from proceeds from borrowing for vehicles and equipment purchased in the prior fiscal year.

In light of the foregoing the City was able to eliminate the need for a \$2.3 million budgeted transfer support from the water and sewer funds of \$ 0.9 million and \$ 1.4 million respectively.

The only major budget amendment adopted in the current fiscal year was \$ 1.2 million in increased appropriations for open encumbrances in the prior year. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2013.

Proprietary Funds.

Proprietary funds provide the same type of information found in the government-wide statements, but in more detail. The government's unrestricted net position at the end of the year amounted to \$16.6 million in the electric fund, \$ 9.2 million in the water fund and \$ 5.5 million in the sewer fund, and \$0.1 million in the stormwater fund.

All four (4) utility funds, electric, water, sewer and stormwater experienced growth in net position of \$ 2.3 million, \$ 2.2 million, \$ 2.5 million, and \$ 1.1 million respectively. The primary reason for the increase in net position for the electric fund was due to weather conditions which have a profound impact on revenues, in particularly a unusually cold winter (January and February) and a mild economic recovery, were the keys in the \$ 0.8 million increase in revenues, there were also \$ 0.3 million in open encumbrances and a \$ 1.5 million budgeted transfer to the rate stabilization fund which was not made. By ordinance a transfer to the rate stabilization fund cannot be made until there is at least 90 days cash on hand (DSO), the electric funds DSO was slightly below this level. The primary reason for the increase in net position for the water fund was a \$ 0.9 million transfer support to the general fund which did not occur and \$ 0.6 million in open encumbrances. The primary reason for the sewer funds increase in net position was a \$ 1.4 million in transfer support to the general fund which did not occur and \$0.1 million in open encumbrances. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities section above.

The were no significant budget amendments made in the current fiscal year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the City had \$ 194.5 million (net of accumulated depreciation) in capital assets consisting primarily of land, roads, buildings and systems, machinery and equipment, park

facilities, vehicles, infrastructure and construction in process. This amount represents a net decrease of \$ 1.1 million, or 0.54% under last year.

Major capital asset transactions during the year include the following:

- Construction in progress for the purchase of Advanced Metering Infrastructure/Demand Side Management System totaling \$ 0.4 million.
- Construction in progress for the Kale Road project totaling \$ 0.2 million.
- Completion of the Lewis Farm Road substation consisting of construction of a new electric substation with a total cost of \$ 1.9 million. Asset placed in service.
- Completion of Phase II of the Neuse Boulevard water improvements consisting of replacement of the deteriorating water lines with a total project cost of \$ 3.1 million. Asset placed in service.
- Completion of the Water Treatment Facility improvements consisting of upgrades to technology to allow for training and to serve as an Emergency Operations Center with a total cost of \$ 0.2 million. Asset placed in service.
- Completion of the South Front Street Streetscape improvements consisting of construction and installation of streetscape infrastructure improvements with a total cost of \$ 0.5 million. Asset placed in service.
- Construction in progress for the file server project for the purchase of server backup solution hardware and software totaling \$ 0.2 million.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 14,473,733	\$ 14,394,043	\$ 14,186,277	\$ 13,886,430	\$ 28,660,010	\$ 28,280,473
Buildings and systems	13,201,798	13,660,292	123,064,605	120,295,487	136,266,403	133,955,779
Equipment, furniture, and fixtures	2,480,869	2,395,057	5,606,878	4,632,630	8,087,747	7,027,687
Infrastructure	11,616,981	11,103,068	-	-	11,616,981	11,103,068
Vehicles and motorized equipment	1,488,014	924,862	1,077,251	1,265,734	2,565,265	2,190,596
Construction in progress	6,163,068	6,355,698	1,110,861	6,612,412	7,273,929	12,968,110
Total	<u>\$ 49,424,463</u>	<u>\$ 48,833,020</u>	<u>\$ 145,045,872</u>	<u>\$ 146,692,693</u>	<u>\$ 194,470,335</u>	<u>\$ 195,525,713</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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$ -	\$ -	\$ 15,576,277	\$ 17,180,000	\$ 15,576,277	\$ 17,180,000
Installment purchases	12,729,584	12,449,882	4,209,693	3,868,205	16,939,277	16,318,087
Notes payable	-	-	38,862,038	41,847,545	38,862,038	41,847,545
Total:	<u>\$ 12,729,584</u>	<u>\$ 12,449,882</u>	<u>\$ 58,648,008</u>	<u>\$ 62,895,750</u>	<u>\$ 71,377,592</u>	<u>\$ 75,345,632</u>

The City's long-term liabilities decreased by \$ 4.0 million (5.3%) during the fiscal year, primarily due to \$ 6.7 million in principal payments made against existing debt which was partially offset by \$ 2.7 million in new debt to finance the purchase of vehicles and equipment in public safety, information technology, recreation, public works, and the electric, sewer and stormwater systems.

The City's overall weighted cost of capital (WACC) represents the proportional interest cost that the city pays on its outstanding long-term debt. The City's WACC continues trending downward, for the years ending June 30, 2011, 2012, 2013 and 2014 were 3%, 2.75%, 2.36% and 2.31% respectively, this low cost of debt is due to the City's ongoing refunding strategy and continued fiscal health.

As mentioned in the financial highlights section of this document, on January 10, 2014 the City's North Carolina Municipal Council rating is 83, a 2 point increase over its last rating in 2009, this rating is a clear indication of the sound financial condition of the City. This achievement 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% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City at June 30, 2014 is approximately \$ 235.4 million.

Additional information regarding the City's long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators impact the City:

- Building permits issued during 2014 was 529, which is lower compared to 605 permits issued in the prior year. Total value of all permits was \$ 40.6 million, which was an increase from a \$ 37.1 million level in the prior year.
- Retail sales during 2014 were \$ 856.4 Million compared to \$ 859.0 Million in 2013, a 0.3% decrease.
- The June 2014 unemployment rate for Craven County was 7.1% compared to 6.5% for the State and 6.1% for the nation. This compares to June 2013 rates of 9.9% for Craven County, 9.5% for the State and 8.3% for the nation.

Economic Factors and Next Year's Budgets and Rates

Governmental Activities:

The two most significant factors negatively impacting the fiscal year 2015 budget are local economic indicators pointing to slow growth and the continued impact of an indirect cost allocation plan implemented in fiscal year 2013 which created a \$2.7 million annual recurring revenue shortfall through decreased interfund reimbursements for shared services costs from the Utility funds (Electric, Water, and Sewer). In the fiscal year 2015 budget this shortfall was partially offset by \$ 1.3 million increase in transfer supports from the Electric fund and the balance was made up primarily by cutting general fund operating expenses 5% and reducing capital spending.

The City has chosen not to increase property tax rates in the 2015 budget. In addition, the City has chosen not to appropriate fund balance either. Management believes that continued restrictions on spending will maintain the City's financial position and a city-wide hiring freeze went into effect in October 2014 on all vacant funded positions.

In addition, there is still some uncertainty regarding how acts of the North Carolina General Assembly could ultimately affect the City's future budgets. For instance, Governor Pat McCrory signed HB 1050 into law in May 2014 revoking local authority statewide to levy privilege taxes effective July 1, 2015 (fiscal year 2016). The impact this has on the City is approximately \$0.3 million in lost revenue. Though State lawmakers pledged to work with towns and cities to help them make up lost revenue nothing has been decided as of the date of this report.

Business-Type Activities:

The fiscal year 2015 budget does not include any rate increase in the electric, water, sewer, and stormwater funds. However, please note that in the electric fund, the North Carolina Eastern Municipal Power Agency (NCEMPA) had been projecting the need for 3% rate increases to our wholesale power costs beginning January 1, 2015 (Fiscal year 2015) and occurring every January 1st until 2021.

With the proposed sale of NCEMPA generation assets (power plants) to Duke Energy Progress, NCEMPA has postponed its plan to increase the wholesale power costs through the end of fiscal year 2015. If the asset sale does not occur then they are projecting a 6.4% increase on January 1, 2016 and 3% increases each year thereafter through 2021,

NCEMPA and Duke Entergy Progress Agreement Update:

The North Carolina Eastern Municipal Power Agency (NCEMPA) and Duke Entergy Progress (DEP) announced in July 2014 that both companies' boards of directors have approved an agreement for DEP to purchase the Power Agency's generating assets. The \$ 1.2 billion transaction would lower wholesale electric rates for NCEMPA's 32 member communities across eastern North Carolina (which includes the City of New Bern) if it is completed.

This is a complicated transaction that would require federal and state approvals. The sale could reduce NCEMPA debt by more than 70%. The exact impact on electric rates for each community will vary and depend on a number of factors. As part of the transaction, DEP and NCEMPA will enter into a wholesale power contract.

The sale of NCEMPA's electric generation assets would not affect distribution assets. Public power communities (like the City of New Bern) would continue to own the power lines, substations and transformers that carry electricity directly to the consumers. In addition, they would continue to employ their own utility staff and be responsible for issues such as maintenance, customer service and billing.

Electric Franchise Tax and Sales Tax:

In accordance with State House Bill 998 and North Carolina General Statutes 105-164.4(a)(9) – effective July 1, 2014 (fiscal year 2015) the City adjusted the tax rate for electricity by eliminating the current 3% Franchise Tax and adding the required 7% sales tax. So the electric customer is paying a 4% increase in retail sales tax for energy sales. House Bill 998 also eliminates the 3.22% franchise tax on wholesale power which lowers the City's cost of power. As discussed earlier in this report, since NCEMPA has been projecting the need for rate increases, the City Board of Aldermen decided to maintain the existing rate structure as opposed to enacting a small rate decrease in July 2014 with the impending power supply cost increase, and corresponding retail rate increase that would result.

The New Bern Board of Aldermen established an electric rate stabilization fund (“ERSF”). The ERSF will be funded through operating transfers from the electric system as excess funds are available. These funds would be used to help mitigate electric rate increases based on the NCEMPA projected rate increases discussed earlier in this report. Excess funds are defined as those that exceed the 90 day cash-on-hand level. As of June 30, 2014 the electric fund has 87.8 days of cash on hand. The adequacy of a 90 day reserve level is currently under review to ensure continuity of operations.

In addition, the fiscal year 2015 electric fund budget includes a \$ 1.3 million increase in transfer supports to the general fund. This is the maximum legally permitted use of revenue from electric power rates as authorized by N.C.G.S. 159B-39. As mentioned earlier, this increase was needed due to the implementation of an indirect cost allocation plan in fiscal year 2013 which created a recurring \$2.7 million revenue shortfall in the general fund through reduced shared service cost allocations/ interfund reimbursements.

Requests for Information

This financial report is designed to provide an overview of the City’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of New Bern, P.O. Box 1129, New Bern, NC 28563-1129. One can also call (252) 639-2711, visit our website www.newbern-nc.org or send an email to finadm@newbern-nc.org for more information.

Basic Financial Statements

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Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 16,427,557	\$ 28,954,495	\$ 45,382,052
Taxes receivable, net	357,245	-	357,245
Accounts receivable, net	707,751	9,641,482	10,349,233
Due from other governments	2,965,091	-	2,965,091
Internal balances	539,180	(539,180)	-
Inventories	148,408	1,920,474	2,068,882
Prepaid items	8,000	-	8,000
Cash and investments, restricted	866,771	621,200	1,487,971
Total current assets	22,020,003	40,598,471	62,618,474
Land, improvements and construction in progress	20,636,801	15,297,138	35,933,939
Other capital assets, net of depreciation	28,787,662	129,748,734	158,536,396
Total noncurrent assets	49,424,463	145,045,872	194,470,335
Total assets	71,444,466	185,644,343	257,088,809
Liabilities			
Accounts payable and accrued liabilities	2,407,173	5,152,132	7,559,305
Customer deposits	-	1,302,980	1,302,980
Accrued interest payable	42,248	200,795	243,043
Current portion of compensated absences	906,588	374,035	1,280,623
Current portion of long-term liabilities	1,725,496	5,427,427	7,152,923
Total current liabilities	5,081,505	12,457,369	17,538,874
Long-Term Liabilities:			
Noncurrent portion of long-term liabilities	17,634,096	55,326,508	72,960,604
Total liabilities	22,715,601	67,783,877	90,499,478
Deferred Inflows of Resources			
Prepaid taxes	16,658	-	16,658
Total inflows of resources	16,658	-	16,658
Net Position			
Investment in capital assets	36,694,879	87,019,064	123,713,943
Restricted for:			
Stabilization by State Statute	5,348,748	-	5,348,748
Public safety	749,641	-	749,641
Public works	18,470	-	18,470
Economic development	554,006	-	554,006
Culture and recreation	181,101	-	181,101
Unrestricted	5,165,362	30,841,402	36,006,764
Total net position	\$ 48,712,207	\$ 117,860,466	\$ 166,572,673

See Notes to the Financial Statements.

City of New Bern, North Carolina

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,175,305	\$ 1,591,361	\$ 174,765	\$ -
Public safety	15,369,029	337,912	676,810	-
Public works	4,295,470	11,000	871,986	-
Environmental protection	1,825,829	2,817,704	-	-
Cultural and recreational	2,503,892	227,068	-	-
Economic and physical development	2,077,157	550,112	110,661	68,424
Interest and fees	342,703	-	-	-
Total governmental activities	29,589,385	5,535,157	1,834,222	68,424
Business-type activities:				
Electric	59,713,453	63,763,783	171,545	-
Water	8,665,646	10,423,585	245,689	152,400
Sewer	9,727,442	11,669,211	422,744	233,027
Stormwater	633,072	675,590	-	1,014,571
Total business-type activities	78,739,613	86,532,169	839,978	1,399,998
Total primary government	\$ 108,328,998	\$ 92,067,326	\$ 2,674,200	\$ 1,468,422

General revenues:

- Ad valorem taxes
- Sales and use taxes
- Utilities franchise tax
- Payments in lieu of taxes
- Other taxes
- Investment earnings
- Subtotal general revenues

Transfers

Total general revenues and transfers

- Change in net position
- Net position, beginning of year
- Net position, ending

See Notes to the Financial Statements.

Exhibit B

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,409,179)	\$ -	\$ (1,409,179)
(14,354,307)	-	(14,354,307)
(3,412,484)	-	(3,412,484)
991,875	-	991,875
(2,276,824)	-	(2,276,824)
(1,347,960)	-	(1,347,960)
(342,703)	-	(342,703)
<u>(22,151,582)</u>	<u>-</u>	<u>(22,151,582)</u>
-	4,221,875	4,221,875
-	2,156,028	2,156,028
-	2,597,540	2,597,540
-	1,057,089	1,057,089
-	10,032,532	10,032,532
<u>(22,151,582)</u>	<u>10,032,532</u>	<u>(12,119,050)</u>
13,701,543	-	13,701,543
6,231,042	-	6,231,042
1,573,495	-	1,573,495
863,337	-	863,337
278,850	-	278,850
12,210	5,199	17,409
<u>22,660,477</u>	<u>5,199</u>	<u>22,665,676</u>
1,896,452	(1,896,452)	-
<u>24,556,929</u>	<u>(1,891,253)</u>	<u>22,665,676</u>
2,405,347	8,141,279	10,546,626
46,306,860	109,719,187	156,026,047
<u>\$ 48,712,207</u>	<u>\$ 117,860,466</u>	<u>\$ 166,572,673</u>

Balance Sheet - Governmental Funds
June 30, 2014

	General	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 11,232,638	\$ 505,304	\$ 11,737,942
Taxes receivable, net	357,245	-	357,245
Accounts receivable, net	665,046	36,764	701,810
Due from other governments	2,688,523	276,568	2,965,091
Due from other funds	976,969	181,101	1,158,070
Inventories	148,408	-	148,408
Cash and investments, restricted	866,771	-	866,771
Total assets	\$ 16,935,600	\$ 999,737	\$ 17,935,337
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,672,073	\$ 72,442	\$ 1,744,515
Due to other funds	181,101	437,789	618,890
Total liabilities	1,853,174	510,231	2,363,405
Deferred Inflows of Resources			
Property taxes receivable	318,969	-	318,969
Prepaid taxes and licenses	16,658	-	16,658
Liens and other receivables	370,194	9,106	379,300
Total deferred inflows of resources	705,821	9,106	714,927
Fund Balances			
Nonspendable			
Inventory	148,408	-	148,408
Spendable			
Restricted			
Stabilization by State Statute	5,044,522	304,226	5,348,748
Public safety	469,225	280,416	749,641
Public works	-	18,470	18,470
Economic development	397,546	156,460	554,006
Committed for public safety	-	181,101	181,101
Unassigned	8,316,904	(460,273)	7,856,631
Total fund balances	14,376,605	480,400	14,857,005
Total liabilities, deferred inflows of resources and fund balances	\$ 16,935,600	\$ 999,737	\$ 17,935,337

See Notes to the Financial Statements.

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position - Governmental Activities
June 30, 2014**

Amounts reported for governmental activities in the Statements of Net Position are different because:

Total fund balances for governmental funds	\$ 14,857,005
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds	49,424,463
Deferred inflows in the governmental funds used to offset accounts receivable not expected to be available within 60 days of year end. These are a component of net position in the statement of net position	698,269
Internal service funds are used by management to charge the costs of dental and health insurance costs to individual funds, provide for vehicle replacements and charge the costs of fleet maintenance to individual funds. The assets and liabilities are included in the governmental activities in the statement of net position	4,040,898
Long-term liabilities, including compensated absences, unfunded other postemployment benefits and unfunded pension obligations and accrued interest are not due and payable in the current period and therefore, are not reported in the funds.	(20,308,428)
Net position of governmental activities	<u><u>\$ 48,712,207</u></u>

See Notes to the Financial Statements.

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 13,804,623	\$ -	\$ 13,804,623
Other taxes	278,850	-	278,850
Unrestricted intergovernmental	8,667,874	-	8,667,874
Restricted intergovernmental	871,986	1,030,660	1,902,646
Licenses, permits and fees	629,737	-	629,737
Sales and services	4,697,698	-	4,697,698
Investment earnings	11,265	88	11,353
Other revenues	174,765	11,728	186,493
Total revenues	29,136,798	1,042,476	30,179,274
Expenditures:			
Current:			
General government	4,503,448	-	4,503,448
Public safety	14,679,750	916,486	15,596,236
Public works	4,947,552	-	4,947,552
Environmental protection	1,772,657	-	1,772,657
Cultural and recreational	2,438,260	22,117	2,460,377
Economic and physical development	1,471,788	650,187	2,121,975
Interfund reimbursements	(3,310,269)	-	(3,310,269)
Capital outlay	1,857,062	-	1,857,062
Debt service:			
Principal retirement	1,461,189	-	1,461,189
Interest and fees	349,093	-	349,093
Total expenditures	30,170,530	1,588,790	31,759,320
Deficiency of revenues under expenditures	(1,033,732)	(546,314)	(1,580,046)
Other financing sources (uses):			
Debt issued	1,740,891	-	1,740,891
Transfers from other funds	2,005,077	188,205	2,193,282
Transfers to other funds	(188,205)	(108,625)	(296,830)
Total other financing sources	3,557,763	79,580	3,637,343
Net change in fund balances	2,524,031	(466,734)	2,057,297
Fund balance:			
Beginning	11,852,574	947,134	12,799,708
Ending	\$ 14,376,605	\$ 480,400	\$ 14,857,005

See Notes to the Financial Statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 2,057,297
Capital outlays are reported as expenditures in the governmental fund statement. However, in the statement of activities, capital outlay is not an expense, rather it is an increase in capital assets.	2,422,391
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,830,947)
Expenses related to other postemployment benefits, compensated absences and law enforcement officer's separation allowance that do not require current financial resources are not reported as expenditures in the governmental fund statement.	(998,868)
There are differences in the revenues in the statement of activities and revenues in the funds for:	
Property tax	(103,091)
Sales and services and other revenues	10,571
Accrued interest on debt	6,393
Proceeds from issuance of long-term debt are reported as revenues in the governmental fund statement. However, in the statement of activities, it is not a revenue, rather it is an increase in liabilities.	(1,740,891)
Principal repayments on long-term debt 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.	1,461,189
The internal service fund is used by management to charge the costs of employee insurance costs. The net revenue of the internal service fund is determined to be governmental-type.	<u>1,121,303</u>
Change in net position of governmental activities	<u>\$ 2,405,347</u>

See Notes to the Financial Statements.

General Fund Annually Budgeted Major Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2014

	General Fund			
	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 13,108,150	\$ 13,108,150	\$ 13,804,623	\$ 696,473
Other taxes	260,000	260,000	278,850	18,850
Unrestricted intergovernmental	8,401,721	8,401,721	8,667,874	266,153
Restricted intergovernmental	862,500	862,500	871,986	9,486
Licenses, permits and fees	548,993	548,993	629,737	80,744
Sales and services	4,648,813	4,537,363	4,697,698	160,335
Investment earnings	14,500	14,500	11,265	(3,235)
Other revenues	136,000	136,000	174,765	38,765
Total revenues	27,980,677	27,869,227	29,136,798	1,267,571
Expenditures:				
Current:				
General government	5,182,941	5,256,995	4,503,448	753,547
Public safety	14,978,048	14,929,664	14,679,750	249,914
Public works	6,019,105	6,683,487	4,947,552	1,735,935
Environmental protection	2,050,000	2,050,000	1,772,657	277,343
Economic development	1,894,258	1,816,549	1,471,788	344,761
Cultural and recreational	2,646,269	2,652,919	2,438,260	214,659
Interfund reimbursements	(3,310,269)	(3,310,269)	(3,310,269)	-
Capital outlay	2,647,677	2,844,914	1,857,062	987,852
Debt service:				
Principal retirement	1,352,229	1,456,784	1,461,189	(4,405)
Interest and other charges	317,755	371,290	349,093	22,197
Total expenditures	33,778,013	34,752,333	30,170,530	4,581,803
Revenues over (under) expenditures	(5,797,336)	(6,883,106)	(1,033,732)	5,849,374
Other financing sources (uses):				
Transfers from other funds	4,134,629	4,160,703	2,005,077	(2,155,626)
Transfers to other funds	-	(188,205)	(188,205)	-
Appropriated fund balance	-	405,978	-	(405,978)
Contingency	(154,067)	(73,179)	-	73,179
Debt issued	1,816,774	2,577,809	1,740,891	(836,918)
Total other financing sources (uses)	5,797,336	6,883,106	3,557,763	(3,325,343)
Net change in fund balance	\$ -	\$ -	2,524,031	\$ 2,524,031
Fund balance, beginning of year			11,852,574	
Fund balance, end of year			\$ 14,376,605	

See Notes to the Financial Statements.

Statement of Fund Net Position
 Proprietary Funds
 June 30, 2014

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
Assets						
Current Assets						
Cash and cash equivalents	\$ 15,031,590	\$ 8,733,193	\$ 5,031,574	\$ 158,138	\$ 28,954,495	\$ 4,689,615
Accounts receivable, net	7,090,390	1,160,874	1,356,229	33,989	9,641,482	5,941
Due from other funds	-	82,020	-	-	82,020	-
Inventories	1,726,365	116,507	77,602	-	1,920,474	-
Prepaid item	-	-	-	-	-	8,000
Restricted cash and cash equivalents	495,919	-	125,281	-	621,200	-
Total current assets	24,344,264	10,092,594	6,590,686	192,127	41,219,671	4,703,556
Noncurrent Assets						
Land and construction in progress	2,055,148	852,479	12,389,511	-	15,297,138	-
Other capital assets, net	24,511,459	47,463,874	55,763,844	2,009,557	129,748,734	-
Total noncurrent assets	26,566,607	48,316,353	68,153,355	2,009,557	145,045,872	-
Total assets	50,910,871	58,408,947	74,744,041	2,201,684	186,265,543	4,703,556
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	4,627,942	98,182	420,804	5,204	5,152,132	662,658
Customer deposits	1,302,980	-	-	-	1,302,980	-
Accrued interest payable	10,924	108,734	78,432	2,705	200,795	-
Due to other funds	495,919	-	125,281	-	621,200	-
Current portion of compensated absences	203,649	89,575	72,411	8,400	374,035	-
Current portion of long-term debt	620,038	2,109,638	2,633,569	64,182	5,427,427	-
Total current liabilities	7,261,452	2,406,129	3,330,497	80,491	13,078,569	662,658
Noncurrent Liabilities						
Noncurrent portion of compensated absences	142,577	44,069	23,315	6,817	216,778	-
Noncurrent portion of OPEB	944,574	507,709	377,830	59,036	1,889,149	-
Noncurrent portion of long-term debt	4,465,175	28,713,753	19,556,433	485,220	53,220,581	-
Total noncurrent liabilities	5,552,326	29,265,531	19,957,578	551,073	55,326,508	-
Total liabilities	12,813,778	31,671,660	23,288,075	631,564	68,405,077	662,658
Net Position						
Net investment in capital assets	21,977,313	17,492,962	46,088,634	1,460,155	87,019,064	-
Unrestricted net position	16,119,780	9,244,325	5,367,332	109,965	30,841,402	4,040,898
Total net position	\$ 38,097,093	\$ 26,737,287	\$ 51,455,966	\$ 1,570,120	\$ 117,860,466	\$ 4,040,898

See Notes to the Financial Statements.

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2014

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
Operating revenues:						
Charges for services	\$ 63,763,783	\$ 10,423,585	\$ 11,084,424	\$ 675,590	\$ 85,947,382	\$ -
Other operating revenues	-	-	584,787	-	584,787	-
Employee and retiree contributions	-	-	-	-	-	635,629
Employer and other contributions	-	-	-	-	-	6,103,475
Total operating revenues	63,763,783	10,423,585	11,669,211	675,590	86,532,169	6,739,104
Operating expenses:						
Administrative and general	5,623,887	2,402,352	2,143,423	-	10,169,662	-
Operations and maintenance	3,294,670	4,072,511	5,078,492	568,670	13,014,343	-
Purchased power	48,695,744	-	-	-	48,695,744	-
Depreciation and amortization	1,988,542	1,477,354	1,958,934	48,422	5,473,252	-
Claims and payments to third party administrators.	-	-	-	-	-	5,618,658
Total operating expenses	59,602,843	7,952,217	9,180,849	617,092	77,353,001	5,618,658
Operating income	4,160,940	2,471,368	2,488,362	58,498	9,179,168	1,120,446
Nonoperating revenues (expenses):						
Investment earnings	2,521	1,645	823	210	5,199	857
Restricted intergovernmental revenues	161,217	-	-	-	161,217	-
Other revenue	10,328	245,689	422,744	-	678,761	-
Interest expense	(110,610)	(713,429)	(546,593)	(15,980)	(1,386,612)	-
Total nonoperating revenue	63,456	(466,095)	(123,026)	(15,770)	(541,435)	857
Income before transfers and contributions	4,224,396	2,005,273	2,365,336	42,728	8,637,733	1,121,303
Contributed capital	-	152,400	233,027	1,014,571	1,399,998	-
Transfers in (out)						
Transfers from other funds	8,427	114,396	8,427	78,857	210,107	-
Transfers to other funds	(1,966,882)	(25,281)	(114,396)	-	(2,106,559)	-
Total transfers in (out)	(1,958,455)	89,115	(105,969)	78,857	(1,896,452)	-
Change in net position	2,265,941	2,246,788	2,492,394	1,136,156	8,141,279	1,121,303
Net position:						
Beginning of year, July 1st	35,831,152	24,490,499	48,963,572	433,964	109,719,187	2,919,595
End of year, June 30th	\$ 38,097,093	\$ 26,737,287	\$ 51,455,966	\$ 1,570,120	\$ 117,860,466	\$ 4,040,898

See Notes to the Financial Statements.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
Cash Flows From Operating Activities						
Cash received from customers	\$ 64,059,047	\$ 10,452,047	\$ 11,168,933	\$ 707,027	\$ 86,387,054	\$ 6,733,163
Other operating receipts	-	-	584,787	-	584,787	-
Cash paid to vendors	(52,160,323)	(3,682,820)	(4,963,941)	(260,277)	(61,067,361)	(5,597,495)
Cash paid to employees	(5,208,605)	(2,781,897)	(2,134,292)	(299,102)	(10,423,896)	
Net cash provided by operating activities	6,690,119	3,987,330	4,655,487	147,648	15,480,584	1,135,668
Cash Flows From Noncapital Financing Activities						
Transfer from (to) other funds	(1,958,455)	344,357	(105,969)	78,857	(1,641,210)	-
Miscellaneous revenues	10,328	245,689	422,744	-	678,761	-
Restricted governmental operating grants	161,217	-	-	-	161,217	-
Net cash provided by (used in) noncapital financing activities	(1,786,910)	590,046	316,775	78,857	(801,232)	-
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(1,428,353)	(431,484)	(530,451)	(36,144)	(2,426,432)	-
Debt proceeds	309,680	-	647,900	35,300	992,880	-
Principal repayments of long-term debt	(608,311)	(2,116,268)	(2,458,921)	(57,122)	(5,240,622)	-
Interest and other debt related expenses	(111,898)	(721,311)	(551,367)	(16,055)	(1,400,631)	-
Net cash used in capital and related financing activities	(1,838,882)	(3,269,063)	(2,892,839)	(74,021)	(8,074,805)	-
Cash Flows From Investing Activities						
Interest received on investments	2,521	1,645	823	210	5,199	857
Net cash provided by investing activities	2,521	1,645	823	210	5,199	857
Net increase in cash and cash equivalents	3,066,848	1,309,958	2,080,246	152,694	6,609,746	1,136,525
Cash and cash equivalents						
Beginning	11,964,742	7,423,235	2,951,328	5,444	22,344,749	3,553,090
Ending	\$ 15,031,590	\$ 8,733,193	\$ 5,031,574	\$ 158,138	28,954,495	\$ 4,689,615

See Notes to the Financial Statements.

(Continued)

Statement of Cash Flows (Continued)
 Proprietary Funds
 For the Year Ended June 30, 2014

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
Reconciliation of Operating Income to Net						
Cash Provided by Operating Activities						
Operating income	\$ 4,160,940	\$ 2,471,368	\$ 2,488,362	\$ 58,498	\$ 9,179,168	\$ 1,120,446
Adjustments to reconcile operating income to to net cash provided by operating activities:						
Depreciation	1,988,542	1,477,354	1,958,934	48,421	5,473,251	-
Net change in assets and liabilities:						
Accounts receivable	264,027	28,462	84,509	31,437	408,435	(5,941)
Inventories	(46,429)	(5,050)	(7,603)	-	(59,082)	-
Prepaid item	-	-	-	-	-	-
Accounts payable and accrued expenses	186,604	(11,585)	107,041	(1,063)	280,997	21,163
Customer deposits	31,237	-	-	-	31,237	-
Compensated absences	18,461	9,265	3,846	2,381	33,953	-
Other postemployment benefits accrual	86,737	17,516	20,398	7,974	132,625	-
Net cash provided by operating activities	\$ 6,690,119	\$ 3,987,330	\$ 4,655,487	\$ 147,648	\$ 15,480,584	\$ 1,135,668
Noncash Capital and Related Financing Activities						
Donated capital assets	\$ -	\$ 152,400	\$ 233,027	\$ 1,014,571	\$ 1,399,998	\$ -

See Notes to the Financial Statements.

Notes to Financial Statements

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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity

The City of New Bern, North Carolina ("City") is located in the coastal plains area of the State and has a population of 30,242. The City, as authorized by its charter, operates its own police and fire departments, provides sanitation and street maintenance services, and maintains public parks and recreation facilities, among other services for its citizens. In addition, the City provides electric, water, sewer and stormwater utilities within the incorporated area and some surrounding areas. Electricity is purchased from North Carolina Eastern Municipal Power Agency.

Summary of significant accounting policies: The accounting policies of the City of New Bern, North Carolina, conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting entity: The City of New Bern is a municipal corporation that is governed by an elected mayor and a six-member board of alderman and managed by a City manager hired by the governing board. As required by generally accepted accounting principles, the City's financial statements include the operations of all funds, agencies, boards, and authorities for which the City is financially accountable. The City has no component units nor is it the component unit of any other entity.

Basis of presentation:

Government-wide statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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, proprietary, and, fiduciary, as applicable, 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 non-major funds.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State-shared revenue, and various other taxes and licenses. The primary expenditures are for public safety, public works, parks and recreation, and general government services.

The City reports the following major enterprise funds:

Electric Fund - This fund is used to account for the operation of providing power to residents. The City maintains three separate electric capital project funds for accounting purposes: the Electric Substation Capital Project Fund, the AMI/DSM Capital Project Fund, and the Electric Rate Stabilization Capital Project Fund. For financial reporting purposes, these funds are consolidated into the Electric Fund.

Water Fund - This fund is used to account for the operation of providing water to residents. The City maintains four separate water capital project funds for accounting purposes: the Water Capital Reserve Fund, Township 7 Water Improvements Capital Project Fund, Neuse Blvd. Phase II Water Capital Project Fund, and Water Treatment Facility Upgrade Improvements Capital Project Fund. For financial reporting purposes, these funds are consolidated into the Water Fund.

Sewer Fund - This fund is used to account for the operation of providing sewer services to residents. The City maintains three separate sewer capital project funds for accounting purposes: the Sewer Capital Reserve Fund, Township 7 Sewer Improvements Capital Project Fund, and the Sewer Debt Reserve. For financial reporting purposes, these funds are consolidated into the Sewer Fund.

Stormwater Fund - This fund is used to account for funds used in the construction of facilities to manage stormwater runoff and maintain stormwater drainage ditches. Although the Stormwater Fund does not meet the criteria for a major fund, it is being treated as major to be consistent with prior year.

Internal Service Fund - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The City of New Bern has one internal service fund: the Employee Benefit Insurance Fund which is used to account for the City's self-insured health benefit plan.

Additionally, the City reports the following non-major governmental funds, by type:

Special Revenue Funds - The special revenue funds account for specific revenue sources (other than expendable trusts and agency funds or major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City maintains fifteen special revenue funds: Community Development, 2007 Stormwater CWMTF, Emergency Telephone System, Police, COPS Hiring Program, 2007 Part F Recreation Grant Project, Grants, Public Private Partnership, Union Station Train Depot, CDBG Talent Enhancement Grant, 2012 CDBG NC Catalyst, 2013 Urgent Repair, Municipal Planning Organization, 2013 Justice Assistance, and Wayfinding Project.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

Capital Projects Funds - The capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). As of June 30, 2014, the City has the following three capital project funds that were open during the fiscal year, covering various construction projects: CDBG Community Revitalization, Radio System Equipment, and South Front Street Streetscape Project.

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is 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 between operating revenues and expenses from non-operating 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 systems. 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.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

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 and debt principal payments 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 that are not collected within 60 days after year-end are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource except as noted above to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Some 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 specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

Budgetary data: The City's budgets are adopted as required by the 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 enterprise funds for reporting purposes. Project ordinance appropriations lapse at the end of the project. 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 on the modified accrual basis of accounting as required by the General Statutes. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. Individual amendments were not material in relation to the original appropriations. The budget ordinance must be accepted 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. Budgeting control is exercised over aggregated funds at the departmental level for governmental funds, and for all other funds the budget is adopted at the fund level.

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, other post-employment benefit plan liabilities, incurred but not reported health insurance liabilities, and allowance for uncollectible accounts.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund 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 are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a 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.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

Cash and cash equivalents: The City pools money 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 bond 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. Revenue bond proceeds are placed with a trustee for safekeeping and disbursing as needed. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Certain unexpended revenues are also classified as restricted assets since their use is restricted by law.

Ad valorem taxes receivable: In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. Uncollected taxes receivable are written off at the end of ten years in accordance with North Carolina General Statutes.

Utility service revenues - unbilled usage: An estimated amount has been recorded for utility services provided but not billed as of the end of the year, and is included in accounts receivable, net of uncollectible amounts.

Allowance for doubtful accounts: An allowance for doubtful accounts is maintained for ad valorem taxes receivable and other receivables which historically experience uncollectible accounts. An allowance for doubtful accounts is also maintained for enterprise fund customer receivables. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. All other receivables are generally collectible and any doubtful accounts are considered immaterial.

Inventories and prepaid items: Inventories consist of major items held for consumption by the governmental funds and for all Enterprise Fund materials and supplies. Inventories are valued at cost using the first-in, first-out ("FIFO") method, which approximates market. Disbursements for inventory-type items of the City are considered to be expenses/expenditures at the time of use ("consumption method" of accounting). Supplies transferred to and consumed by the individual departments are considered a reduction of the inventory and an expenditure of the user department.

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.

Long-Term loan receivables: The City has entered into two financing arrangements with an unrelated third party for the renovation and rehab of certain structures within the City limits, which have resulted in long-term loan receivables for the City. These receivables are collateralized by a third position deed of trust on the underlying property; however the City has considered the possibility of receiving these funds as remote and, accordingly, has not recorded them as part of the City's financial statements. These notes include two (2) promissory notes collateralized by a third lien position, deed of trust on Green Park Terrace, LLC (for Autumn Chase Apartments, elderly low income housing) in the amount totaling \$ 130,000, at 1% interest with payment in full plus accrued interest on November 7, 2017 for the \$100,000 loan and June 30, 2018 for a \$ 30,000 loan

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

Capital assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements and are defined by the government as assets with an initial individual cost of more than a certain amount and estimated useful life in excess of two years. The capitalization threshold for assets are as follows: land, \$1; infrastructure, \$100,000; land improvements, \$25,000; buildings and improvements, \$25,000; and equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Commencing with the fiscal year ended 2010, donated intangible assets which have an indefinite life such as street right-of-ways or utility easements have been recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. All assets are depreciated using a method which approximates the straight-line method. Interest expense is capitalized on business-type construction in progress to the extent that it exceeds income.

The estimated useful lives are as follows:

Asset Class	Estimated Useful Lives
Buildings	25-60 years
Improvements	20-50 years
Infrastructure	30-50 years
Plants and distribution systems	30-50 years
Vehicles and service equipment	3-10 years
Furniture and equipment	5-10 years

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City does not have any of these items. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City's accounts that meet the criterion for this category are prepaid taxes and, in the governmental fund financial statements, receivables which do not meet the "availability" criterion to be considered revenue.

Long-term obligations: In the government-wide and proprietary 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 position. Bond premiums and discounts 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, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the term of the related debt. For business-type activities, the debt service requirements are being financed by the revenues of these funds.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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. Principal payments are reported as debt service expenditures. The full taxing power of the City is pledged to make payments if applicable fund revenues should be insufficient.

Compensated absences: The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and 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. These amounts are not recognized as expenditures in governmental funds until they are paid.

The City's sick leave policy provides 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net position/fund balances:

Net Position: Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 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:

Nonspendable 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 intact.

Prepays and inventories: portion of fund balance that is not an available resource because it represents the year-end balances of ending inventories and prepaids, which are not spendable resources.

Restricted fund balance: This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The City's restricted fund balance consists of the following:

Restricted for Stabilization by State statute - portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred inflows of resources.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Reporting Entity (Continued)

Restricted for public safety - portion of fund balance that is restricted by revenue source for public safety expenditures. These revenue sources include revenues restricted by source for certain emergency telephone system expenditures and for unspent grant funds

Restricted for public works - portion of fund balance that is restricted by revenue source for unspent grant funds.

Restricted for economic development – portion of fund balance that is restricted by revenue source for unspent grant funds.

Committed fund balance: The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of New Bern's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires the majority action by the governing body. The City's committed fund balance consists of the following:

Committed for Public Safety - portion of fund balance committed by the Board of Aldermen for radio system equipment purchases.

Assigned fund balance: portion of fund balance that the 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. The City's Assigned fund balance consists of the following;

Assigned for subsequent year's expenditures - portion of total fund balance that is appropriated in the next year's budget that is not classified as restricted or committed. The governing body approves the appropriation, however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriations in certain circumstances.

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

The City has a revenue spending policy 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 the purposes of the fund balance classifications, the expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balances. The finance officer may deviate from this order if it is in the best interest of the City. The City has not adopted a formal fund balance policy.

Notes to Financial Statements

Note 2. Deposits and Investments

Deposits

All of the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in its 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 their 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 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 under collateralization, and this risk may increase during 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the City's deposits had a carrying amount of \$3,077,862 and a bank balance of \$3,057,176. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder of \$2,307,114 covered by collateral held under the pooling method. The City's cash on hand at June 30, 2014 consisted of various petty cash funds totaling \$9,050.

The City is contractually required to maintain a compensating balance of \$400,000 for banking services in lieu of fees.

Investments

At June 30, 2014, the City's investment balances were as follows:

Investment Type	Fair Value	Less Than			
		Six Months	6 - 12 Months	1 - 3 Years	3 - 5 Years
NC Capital Management Trust,					
Term Portfolio	\$ 10,025,926	\$ 10,025,926	\$ -	\$ -	\$ -
Cash Portfolio	33,757,185	33,757,185	-	-	-
Total investments	\$ 43,783,111	\$ 43,783,111	\$ -	\$ -	\$ -

Interest rate risk: The City has no formal policy regarding interest rate risk.

Credit risk: The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of North Carolina G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in the NCCMT Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014. The City's investment in the NCCMT-Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade market instruments as permitted under North Carolina G.S. 159-30, as amended.

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

City of New Bern Restricted Cash

Governmental activities:

General fund	
Public safety	\$ 469,225
Economic development	397,546
Total governmental activities	<u>\$ 866,771</u>

Business-type Activities

Water and Sewer fund	
Unexpended debt proceeds	495,919
Sewer fund	
Unexpended debt proceeds	125,281
Total business-type activities	<u>\$ 621,200</u>

Total Restricted cash	<u><u>\$ 1,487,971</u></u>
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Note 3. Allowance for Doubtful Accounts

Accounts and taxes receivable are shown net of the following allowances for doubtful accounts:

Governmental Activities:

Taxes receivable- General fund	\$ 295,607
Taxes receivable- Municipal service district	732
Accounts receivable-General Fund	8,238
Interest receivable - General Fund	22,755
Lien receivable Green Park Terrace -General Fund	130,000
Accounts receivable - Special Revenue Fund	1,675
Total governmental activities	<u>\$ 459,007</u>

Business-type Activities:

Accounts receivable - Electric Fund	\$ 282,020
Accounts receivable - Water Fund	83,774
Accounts receivable - Stormwater Fund	34,441
Accounts receivable - Sewer Fund	109,307
Total business-type activities	<u>\$ 509,542</u>

Notes to Financial Statements

Note 4. Capital Assets

Primary government: Capital asset activity for the City's capital assets used in governmental activities for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,394,043	\$ 79,690	\$ -	\$ 14,473,733
Construction in progress	6,355,698	1,143,124	(1,335,754)	6,163,068
Total capital assets not being depreciated	20,749,741	1,222,814	(1,335,754)	20,636,801
Capital assets being depreciated:				
Buildings and improvements	18,761,704	-	-	18,761,704
Equipment	6,528,010	394,649	-	6,922,659
Furniture and fixtures	3,803,911	150,333	-	3,954,244
Transformers	70,275	-	-	70,275
Infrastructure	16,620,088	1,138,672	-	17,758,760
Vehicles	6,931,648	851,677	-	7,783,325
Total capital assets being depreciated	52,715,636	2,535,331	-	55,250,967
Less accumulated depreciation for:				
Buildings and improvements	(5,101,412)	(458,494)	-	(5,559,906)
Equipment	(4,739,030)	(329,576)	-	(5,068,606)
Furniture and fixtures	(3,244,216)	(126,783)	-	(3,370,999)
Transformers	(23,893)	(2,811)	-	(26,704)
Infrastructure	(5,517,020)	(624,759)	-	(6,141,779)
Vehicles	(6,006,787)	(288,524)	-	(6,295,311)
Total accumulated depreciation	(24,632,358)	(1,830,947)	-	(26,463,305)
Total capital assets being depreciated, net	28,083,278			28,787,662
Governmental activities capital assets, net	\$ 48,833,019			\$ 49,424,463

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

General government	\$ 218,982
Public safety	559,736
Cultural and recreational	390,444
Public works	563,795
Environmental protection	97,990
Total	\$ 1,830,947

Notes to Financial Statements

Note 4. Capital Assets (Continued)

A summary of changes in the City's capital assets used in business-type activities follows. The following schedules represent business-type activity capital assets managed by the City. Capital asset activity for the Electric fund for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Electric fund activities:				
Capital assets not being depreciated:				
Land	\$ 644,440	\$ 299,847	\$ -	\$ 944,287
Construction in progress	2,269,510	740,012	(1,898,661)	1,110,861
Total capital assets not being depreciated	2,913,950	1,039,859	(1,898,661)	2,055,148
Capital assets being depreciated:				
Buildings	971,323	662,311	-	1,633,634
Equipment	5,802,978	375,822	-	6,178,800
Furniture and fixtures	35,504	-	-	35,504
Transformers	3,843,170	578,734	-	4,421,904
Distribution systems	44,980,229	626,120	-	45,606,349
Vehicles	2,745,844	44,168	(12,394)	2,777,618
Total capital assets being depreciated	58,379,048	2,287,155	(12,394)	60,653,809
Less accumulated depreciation for:				
Buildings	(497,320)	(32,654)	-	(529,974)
Equipment	(3,974,991)	(245,918)	-	(4,220,909)
Furniture and fixtures	(35,504)	-	-	(35,504)
Transformers	(3,142,822)	(58,668)	-	(3,201,490)
Distribution systems	(24,661,758)	(1,426,159)	-	(26,087,917)
Vehicles	(1,853,807)	(225,143)	12,394	(2,066,556)
Total accumulated depreciation	(34,166,202)	(1,988,542)	12,394	(36,142,350)
Total capital assets being depreciated, net	24,212,846			24,511,459
Electric fund capital assets, net	\$ 27,126,796			\$ 26,566,607

Depreciation of \$1,988,542 was charged to the Electric Fund.

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Capital asset activity for the Water fund for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Water fund activities:				
Capital assets not being depreciated:				
Land	\$ 852,479	\$ -	\$ -	\$ 852,479
Construction in progress	3,335,639	14,782	(3,350,421)	-
Total capital assets not being depreciated	4,188,118	14,782	(3,350,421)	852,479
Capital assets being depreciated:				
Buildings	33,749,057	214,871	-	33,963,928
Equipment	1,874,711	105,570	-	1,980,281
Furniture and fixtures	7,731	-	-	7,731
Distribution systems	19,676,210	3,549,621	-	23,225,831
Vehicles	700,541	49,461	-	750,002
Total capital assets being depreciated	56,008,250	3,919,523	-	59,927,773
Less accumulated depreciation for:				
Buildings	(1,952,223)	(845,517)	-	(2,797,740)
Equipment	(1,205,607)	(94,037)	-	(1,299,644)
Furniture and fixtures	(7,731)	-	-	(7,731)
Distribution systems	(7,302,419)	(486,558)	-	(7,788,977)
Vehicles	(518,565)	(51,242)	-	(569,807)
Total accumulated depreciation	(10,986,545)	(1,477,354)	-	(12,463,899)
Total capital assets being depreciated, net	45,021,705			47,463,874
Water Fund capital assets, net	\$ 49,209,823			\$ 48,316,353

Depreciation of \$1,477,354 was charged to the Water Fund.

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Capital asset activity for the Sewer fund for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Sewer fund activities:				
Capital assets not being depreciated:				
Land	\$ 12,389,511	\$ -	\$ -	\$ 12,389,511
Construction in progress	-	-	-	-
Total capital assets not being depreciated	12,389,511	-	-	12,389,511
Capital assets being depreciated:				
Buildings	39,268,740	-	-	39,268,740
Equipment	3,263,592	505,773	-	3,769,365
Furniture and fixtures	48,820	-	-	48,820
Distribution systems	36,914,159	233,029	-	37,147,188
Vehicles	1,386,616	24,676	-	1,411,292
Total capital assets being depreciated	80,881,927	763,478	-	81,645,405
Less accumulated depreciation for:				
Buildings	(14,066,043)	(961,556)	-	(15,027,599)
Equipment	(1,838,513)	(191,295)	-	(2,029,808)
Furniture and fixtures	(38,708)	(1,733)	-	(40,441)
Distribution systems	(6,784,468)	(742,020)	-	(7,526,488)
Vehicles	(1,194,895)	(62,330)	-	(1,257,225)
Total accumulated depreciation	(23,922,627)	(1,958,934)	-	(25,881,561)
Total capital assets being depreciated, net	56,959,300			55,763,844
Sewer Fund capital assets, net	\$ 69,348,811			\$ 68,153,355

Depreciation of \$1,958,934 was charged to the Sewer Fund.

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Capital asset activity for the Stormwater fund for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Storm Water fund activities:				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,007,263	-	(1,007,263)	-
Total capital assets not being depreciated	1,007,263	-	(1,007,263)	-
Capital assets being depreciated:				
Lines	-	2,021,834	-	2,021,834
Vehicles	-	36,144	-	36,144
Total capital assets being depreciated	-	2,057,978	-	2,057,978
Less accumulated depreciation for:				
Lines	-	(44,204)	-	(44,204)
Vehicles	-	(4,217)	-	(4,217)
Total accumulated depreciation	-	(48,421)	-	(48,421)
Total capital assets being depreciated, net	-			2,009,557
Storm Water Fund capital assets	\$ 1,007,263			\$ 2,009,557

Depreciation of \$48,421 was charged to the Stormwater Fund.

Note 5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities and other liabilities disaggregated information for the year ended June 30, 2014 is as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 551,033	\$ 4,730,902	\$ 5,281,935
Accrued liabilities	1,140,871	421,230	1,562,101
Performance and bid deposits held	56,844	-	56,844
Health claims incurred, but not reported (IBNR)	658,425	-	658,425
Total	\$ 2,407,173	\$ 5,152,132	\$ 7,559,305

Note 6. Pension Plans

A. Local Governmental Employees' Retirement System

Plan description: The City of New Bern 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

Notes to Financial Statements

Note 6. Pension Plans (Continued)

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, 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 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the City of New Bern are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2013, and 2014 were \$1,439,690, \$1,391,770, and \$1,461,848 respectively. The contributions made by the City equaled the required contributions for each year.

B. Law Enforcement Officers' Special Separation Allowance

Plan description: The City of New Bern 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 sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits and terminated	9
Active plan members	75
Total	<u><u>84</u></u>

A separate report is not issued for the plan.

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 become due.

Funding Policy: 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.

Notes to Financial Statements

Note 6. Pension Plans (Continued)

The annual required contribution (ARC) for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at December 31, 2013, was 17 years.

Annual pension cost and net pension obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 180,076
Interest on net pension obligation	104,520
Adjustment to annual required contribution	<u>(170,309)</u>
Annual pension cost	114,287
Employer contributions made for fiscal year ending June 30, 2014	<u>100,608</u>
Increase in net pension obligation	13,679
Net pension obligation:	
Beginning of year, July 1	<u>2,090,390</u>
End of year, June 30	<u><u>\$ 2,104,069</u></u>

Three-Year Trend Information

Historical trend information for the Law Enforcement Officers' annual pension costs is presented below for the past three years.

For Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	150,017	61.64%	2,037,230
2013	149,314	64.40%	2,090,390
2014	114,287	88.03%	2,104,069

Funded status and funding progress: As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability ("UAAL") was \$1,705,430. The covered payroll (annual payroll of active employees covered by the plan) was \$3,933,124, and the ratio of the UAAL to the covered payroll was 43.36 percent.

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 value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to Financial Statements

Note 6. Pension Plans (Continued)

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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$355,363, which consisted of \$207,012 from the City and \$148,351 from the law enforcement officers.

D. Supplemental Retirement Income Plan for Non-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. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments 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, 2014 were \$1,197,857, which consisted of \$821,771 from the City and \$376,086 from the non-law enforcement employees.

E. Firefighter's and Rescue Squad Workers' Pension Fund

Plan description: The State of North Carolina contributes, on behalf of the City of New Bern, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)-981-5454.

Funding Policy: Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Notes to Financial Statements

Note 7. Other Employment Benefits

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

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

The City has no liability beyond the payment of the 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, 2014, the City made contributions to the State for death benefits of \$22,568. The City's required contribution 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.

Note 8. Other Postemployment 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 Governmental Employees' Retirement System (NC LGERS) 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:

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

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

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

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

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

Currently, 55 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014 the City made payments for post-retirement health benefit premiums of \$103,230 and total insurance claims of \$605,484. A separate report was not issued for the plan.

Membership of the Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers	Fire Fighter Officers
Retirees and dependents receiving benefits	55	N/A	N/A
Terminated plan members entitled to, but not receiving benefits	-	-	-
Active plan members	314	73	57
Total	<u>369</u>	<u>73</u>	<u>57</u>

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

The current ARC rate is 7.60% of annual covered payroll. For the current year, the City contributed \$708,714 or 3.63% 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 2.58% and 1.05% of covered payroll, respectively. For the fiscal year ended June 30, 2014, the total retiree contributions for health insurance were \$103,230.

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

Summary of Significant Accounting Policies: Postemployment 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 OPEB obligation: The City's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the "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 current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 1,481,201
Interest on net OPEB obligation	194,035
Adjustments to annual required contribution	<u>(185,362)</u>
Annual OPEB cost (expense)	1,489,874
Contributions made	<u>(708,714)</u>
Increase in net OPEB obligation	781,160
Net OPEB Obligation:	
Net OPEB obligation, beginning of year	<u>4,850,864</u>
Net OPEB obligation, end of year	<u><u>\$ 5,632,024</u></u>

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2012, 2013 and 2014, were as follows:

Year Ended June 30,	Percentage of Annual		
	Annual Pension OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,361,862	36.10%	\$ 4,031,822
2013	1,392,044	41.16%	4,850,864
2014	1,489,872	47.57%	5,632,022

Funded status and funding progress: As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$17,801,370, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,801,370. The covered payroll (annual payroll of active employees covered by the plan) was \$19,485,653, and the ratio of the UAAL to the covered payroll was 91.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost 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 value of plan assets is increasing or decreasing over time relative to 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 of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 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 8.5 to 5 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, 2012, was 30 years.

Notes to Financial Statements

Note 9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To mitigate the financial impact of any losses, the City has established a program to manage its financial risks through a self-funded arrangement in combination with purchased insurance. The City's Internal Service Fund was established to account for an employee self-insurance health benefit and worker's compensation 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 claims administrator.

The City is self-insured for workers' compensation claims up to \$600,000 for law enforcement, fire, and electric, and \$500,000 for all other employees. The City also has an Occupational Accident Buffer Layer Insurance Policy with an attachment point of \$400,000 and a coverage limit of \$200,000 for law enforcement, fire and electric. For all other employees, the attachment is \$400,000 and the coverage limit is \$100,000. The City has reinsurance 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 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 Employee Benefit Insurance Internal Service Fund, a total of \$4,369,639 in claims and changes in estimates were incurred for benefits during the year ended June 30, 2014. Changes in the fund's claims liability amounts in the years ended June 30, 2014 and 2013, 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
2013	\$ 830,144	\$ 3,759,876	\$ 3,962,086	\$ 627,934
2014	627,934	4,369,639	4,339,148	658,425

Notes to Financial Statements

Note 10. Long-Term Obligations

Changes in long-term debt: The following is a summary of changes in the long-term obligations of the City for the year ended June 30, 2014.

	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014	Current Portion
Governmental Activities:						
Installment notes payable	\$ 12,449,882	\$ 1,740,891	\$ (1,461,189)	\$ -	\$ 12,729,584	\$ 1,725,496
Net pension and OPEB obligation	5,184,730	662,214	-	-	5,846,944	-
*Compensated absences	1,352,998	1,208,784	(872,130)	-	1,689,652	906,588
Total	\$ 18,987,610	\$ 3,611,889	\$ (2,333,319)	\$ -	\$ 20,266,180	\$ 2,632,084
Business-Type Activities:						
Water Fund:						
Notes payable	\$ 28,565,631	\$ -	\$ (1,680,331)	\$ -	\$ 26,885,300	\$ 1,680,331
Installment notes payable	577,362	-	(81,525)	-	495,837	70,173
Revenue bonds payable	3,796,666	-	(354,412)	-	3,442,254	359,134
Other postemployment benefits	490,193	17,516	-	-	507,709	-
*Compensated absences	124,379	119,433	(110,168)	-	133,644	89,575
Total	33,554,231	136,949	(2,226,436)	-	31,464,744	2,199,213
Sewer Fund:						
Notes payable	13,281,914	-	(1,305,176)	-	11,976,738	1,337,767
Installment notes payable	2,457,092	647,900	(382,500)	-	2,722,492	514,283
Revenue bonds payable	8,262,017	-	(771,245)	-	7,490,772	781,519
Other postemployment benefits	357,432	20,398	-	-	377,830	-
*Compensated absences	91,880	96,548	(92,702)	-	95,726	72,411
Total	24,450,335	764,846	(2,551,623)	-	22,663,558	2,705,980
Electric Fund:						
Installment notes payable	262,527	309,680	(130,245)	-	441,962	135,603
Revenue bonds payable	5,121,317	-	(478,066)	-	4,643,251	484,435
Other postemployment benefits	857,837	86,737	-	-	944,574	-
*Compensated absences	327,765	271,532	(253,071)	-	346,226	203,649
Total	6,569,446	667,949	(861,382)	-	6,376,013	823,687
Stormwater Fund:						
Installment notes payable	571,224	35,300	(57,122)	-	549,402	64,182
Other postemployment benefits	51,062	7,974	-	-	59,036	-
*Compensated absences	12,836	11,795	(9,414)	-	15,217	8,400
Total	635,122	55,069	(66,536)	-	623,655	72,582
Total business-type activities	\$ 65,209,134	\$ 1,624,813	\$ (5,705,977)	\$ -	\$ 61,127,970	\$ 5,801,462

The General Fund is used to liquidate the liability for compensated absences in the governmental activities. The Electric, Water, Sewer, and Stormwater Funds are used to liquidate the liability for compensated absences for business-type activities. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned. The City's legal debt margin as of June 30, 2014 was \$235,077,017.

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Installment Purchases

The City finances various property acquisitions under installment purchase agreements. Under these agreements, the assets acquired collateralize the debt. The financing contracts require principal payments with interest rates ranging from 1.39% to 5.50%.

The installment purchase contracts payable at June 30, 2014, are comprised of the following individual contracts:

Serviced by the General Fund:

	<u>Principal Balance</u> <u>June 30, 2014</u>
\$710,228 installment agreement with BB&T issued in September 2003 - for Dunn Building in installments of \$20,023 through 2015 with interest at 4.02%.	\$ 19,824
\$624,000 installment agreement with BB&T issued in September 2003 - for E-911 building in installments of \$26,000 through 2015 with interest at 4.05%.	52,000
\$553,988 installment agreement with BB&T issued in September 2003 - for restroom facility and fire station in installments of \$10,073 through 2017 with interest at 4.11%.	120,870
\$1,330,360 installment agreement with Bank of America issued in May 2005 - for streetscape improvements, 200 and 300 Block Craven Street, various construction projects, and fire classroom in installments of \$44,345 through 2020 with interest of 3.72%.	532,150
\$1,320,679 installment agreement with Bank of America issued in June 2006 - for streets div complex and Lawson Creek Park in installments of \$44,023 through 2021 with interest at 4.12%.	616,317
\$564,594 installment agreement with SunTrust Bank issued in November 2006 - for a fire truck in installments of \$16,927 through 2017 with interest at 3.67%.	161,032
\$395,000 installment agreement with First Citizens Bank issued in April 2007 - for improvements to Lawson Creek and Henderson Park in installments of \$19,750 through 2017 with interest at 3.40%.	118,500
\$208,967 installment agreement with PNC Bank issued in December 2007 - for various vehicles and equipment in installments of \$16,727 through 2015 with interest at 3.04%.	32,707
\$5,063,453 installment agreement with BB&T issued in May 2008 - for Aquatic Center and swimming pool project, downtown streetscape improvements, and Elizabeth Avenue Fire Station improvements in installments of \$84,001 through 2023 with interest at 2.92%	3,024,052

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by the General Fund: (continued)

\$2,368,452 installment agreement with USDA issued in June 2009 - for Kale Road property in installments of \$136,329 through 2045 with interest at 4.625%.	2,221,174
\$660,460 installment agreement with BB&T issued in March 2010 - for Stanley White Recreation Center renovations in installments of \$33,023 through 2020 with interest at 3.73%.	396,276
\$199,817 installment agreement with SunTrust Bank issued in June 2011 - for various vehicles and equipment in installments of \$10,955 through 2016 with interest at 1.645%.	75,436
\$567,076 installment agreement with Bank of America issued in June 2012 - for various vehicles and equipment in installments of \$56,708 through 2017 with interest at 1.49%.	340,246
\$3,485,500 installment agreement with BB&T issued in June 2012 - for radio network in installments of \$193,539 through 2022 with interest at 2.04%.	2,843,817
\$465,315 installment agreement with BB&T issued in May 2013 - for South Front Street Streetscape improvements in installments of \$15,510 through 2028 with interest at 2.54%.	434,292
\$1,740,891 installment agreement with BB&T issued February 2014 - for various vehicles in installments of \$174,089 through 2019 with interest at 1.39%.	<u>1,740,891</u>
Total	<u><u>\$ 12,729,584</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2014, including \$3,066,068 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,725,496	\$ 358,920	\$ 2,084,416
2016	1,621,385	315,341	1,936,726
2017	1,565,743	274,335	1,840,078
2018	1,347,906	236,654	1,584,560
2019	1,356,891	202,152	1,559,043
2020-2024	3,181,476	615,268	3,796,744
2025-2029	413,252	399,568	812,820
2030-2034	362,565	319,080	681,645
2035-2039	454,592	227,053	681,645
2040-2044	569,978	111,667	681,645
2044-2045	130,300	6,030	136,330
Total	<u><u>\$ 12,729,584</u></u>	<u><u>\$ 3,066,068</u></u>	<u><u>\$ 15,795,652</u></u>

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Water Fund:

	Principal Balance June 30, 2014
\$305,500 installment agreement with Bank of America issued in May 2005 - for Carolina Colors Subdivision water line extensions in variable installments through 2020 with interest at 3.72%.	\$ 143,015
\$90,143 installment agreement with PNC Bank issued in December 2007 - for various vehicles and equipment in installments of \$7,216 through 2015 with interest at 3.04%.	14,109
\$527,720 installment agreement with BB&T issued in May 2008 - for New Street water improvements and Stillwater Harbor water project in variable installments through 2023 with interest at 2.92%.	<u>338,713</u>
Total	<u><u>\$ 495,837</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2014, including \$64,629 interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 70,173	\$ 14,768	\$ 84,941
2016	57,633	12,637	70,270
2017	59,277	10,766	70,043
2018	60,966	8,860	69,826
2019	62,713	6,908	69,621
2020-2024	<u>185,075</u>	<u>10,690</u>	<u>195,765</u>
Total	<u><u>\$ 495,837</u></u>	<u><u>\$ 64,629</u></u>	<u><u>\$ 560,466</u></u>

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Sewer Fund:

	<u>Principal Balance June 30, 2014</u>
\$265,000 installment agreement with US Bank issued March 2002 - for Township 7 Sanitary Sewer in variable installments through 2016 with interest at 5.50%.	\$ 25,000
\$280,179 installment agreement with BB&T issued September 2003 - for N. 2nd Ave. and N. Glenburnie sewer lines in installments of \$5,094 through 2017 with interest at 4.11%.	61,130
\$2,228,620 installment agreement with BB&T issued in May 2005 - for Carolina Colors subdivision sewer line extension in variable installments through 2020 with interest at 3.72%.	1,043,252
\$517,886 installment agreement with First Citizens Bank issued in June 2007 - for Evans Mill sewer line and facilities in installments of \$30,973 through 2017 with interest at 3.4%.	175,264
\$368,257 installment agreement with PNC Bank issued December 2007 - for various vehicles and equipment in installments of \$29,478 through 2015 with interest at 3.04%.	57,638
\$1,107,757 installment agreement with BB&T issued in May 2008 - for street improvements and WWTP maintenance building in variable installments through 2023 with interest at 2.92%.	712,308
\$647,900 installment agreement with BB&T issued February 2014 - for various vehicles in installments of \$64,790 through 2019 with interest at 1.39%.	<u>647,900</u>
Total	<u>\$ 2,722,492</u>

The future minimum payments of the installment purchases payable as of June 30, 2014, including \$266,233 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 514,283	\$ 74,883	\$ 589,166
2016	451,146	59,969	511,115
2017	456,151	46,779	502,930
2018	383,586	34,505	418,091
2019	392,093	24,012	416,105
2020-2024	<u>525,233</u>	<u>26,085</u>	<u>551,318</u>
Total	<u>\$ 2,722,492</u>	<u>\$ 266,233</u>	<u>\$ 2,988,725</u>

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Stormwater Fund:

	Principal Balance June 30, 2014
\$833,470 installment agreement with BB&T issued in May 2008 - for Aquatic Center and swimming pool project, downtown streetscape improvements, and Elizabeth Avenue Fire Station improvements in installments of \$14,281 through 2023 with interest at 2.92%	514,102
\$35,300 installment agreement with BB&T issued February 2014 - for various vehicles in installments of \$3,530 through 2019 with interest at 1.39%.	35,300
Total	\$ 549,402

The future minimum payments of the installment purchases payable as of June 30, 2014, including \$70,774 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 64,182	\$ 14,852	\$ 79,034
2016	64,182	13,086	77,268
2017	64,182	11,320	75,502
2018	64,182	9,554	73,736
2019	64,182	7,784	71,966
2020-2024	228,492	14,178	242,670
Total	\$ 549,402	\$ 70,774	\$ 620,176

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Electric Fund:

	<u>Principal Balance June 30, 2014</u>
\$247,948 installment agreement with PNC issued in December 2007 - for various vehicles in installments of \$19,847 through 2015 with interest at 3.04%.	38,807
\$66,500 installment agreement with BB&T issued in May 2008 - for Downtown improvements in installments of \$1,108 through 2023 with interest at 2.92%.	39,900
\$141,912 installment agreement with SunTrust Bank issued in June 2011 - for Altec aerial lift in installments of \$7,780 through 2016 with interest at 1.645%.	53,575
\$309,680 installment agreement with BB&T issued February 2014 - for various vehicles in installments of \$30,968 through 2019 with interest at 1.39%.	<u>309,680</u>
Total	<u><u>\$ 441,962</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2014, including \$18,962 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 135,603	\$ 6,787	\$ 142,390
2016	89,519	4,406	93,925
2017	66,369	3,225	69,594
2018	66,369	2,235	68,604
2019	66,369	1,209	67,578
2020-2024	<u>17,733</u>	<u>1,100</u>	<u>18,833</u>
Total	<u><u>\$ 441,962</u></u>	<u><u>\$ 18,962</u></u>	<u><u>\$ 460,924</u></u>

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Notes Payable:

Serviced by the Water Fund:

	Principal Balance June 30, 2014
\$33,606,624 note payable with NCDENR issued in July 2010 - for Water Trust Revolving Loan in installments of \$1,680,331 through 2030 with interest at 2.265%.	\$ 26,885,300

The future minimum payments of the note payable as of June 30, 2014, including \$5,176,093 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,680,331	\$ 608,952	\$ 2,289,283
2016	1,680,331	570,892	2,251,223
2017	1,680,331	532,833	2,213,164
2018	1,680,331	494,774	2,175,105
2019	1,680,331	456,714	2,137,045
2020-2024	8,401,656	1,712,678	10,114,334
2025-2029	8,401,656	761,190	9,162,846
2030-2034	1,680,333	38,060	1,718,393
Total	\$ 26,885,300	\$ 5,176,093	\$ 32,061,393

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Notes Payable (Continued):

Serviced by the Sewer Fund:

	<u>Principal Balance June 30, 2014</u>
\$3,534,043 note payable with NCDENR issued in March 2002 - for Sanitary Sewer in variable installments through 2018 with interest at 2.91%.	\$ 992,661
\$20,110,036 note payable with NCDENR issued in February 2003- for Wastewater Treatment Plant upgrade in variable installments through 2023 with interest at 2.57%.	10,308,351
\$1,351,452 note payable with NCDENR issued in March 2003 - for Wastewater Treatment Diffuser Project in installments of \$67,573 through 2024 with interest at 2.66%.	<u>675,726</u>
	<u><u>\$ 11,976,738</u></u>

The future minimum payments of the note payable as of June 30, 2014, including \$1,705,109 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,337,767	\$ 311,785	\$ 1,649,552
2016	1,371,219	276,536	1,647,755
2017	1,405,554	240,404	1,645,958
2018	1,440,796	203,365	1,644,161
2019	1,210,490	165,395	1,375,885
2020-2024	5,210,912	344,026	5,554,938
	<u>\$ 11,976,738</u>	<u>\$ 1,541,511</u>	<u>\$ 13,518,249</u>
Total			

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Revenue Bonds Payable

The City has pledged future water, sewer, and electric customer revenues, net of specified operating expenses to repay \$17,180,000 in revenue bonds. The bonds are payable solely from water, sewer, and electric customer net revenues.

Serviced by Water Fund:

	Principal Balance June 30, 2014
\$3,796,666 revenue bonds with STI Institutional & Government, Inc. issued in June 2013 -for water projects and refund of installment notes in annual installments through 2023 with interest at 1.56%.	\$ 3,442,254

The future minimum payments of the revenue bonds payable as of June 30, 2014, including \$260,685 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 359,134	\$ 52,304	\$ 411,438
2016	364,758	46,680	411,438
2017	370,470	40,967	411,437
2018	376,272	35,165	411,437
2019	382,165	29,273	411,438
2020-2024	1,589,455	56,296	1,645,751
Total	\$ 3,442,254	\$ 260,685	\$ 3,702,939

Serviced by Sewer Fund:

	Principal Balance June 30, 2014
\$8,262,017 revenue bonds with STI Institutional & Government, Inc. issued in June 2013- for Sewer projects and to refund installment notes in annual installments through 2023 with interest at 1.56%.	\$ 7,490,772

The future minimum payments of the revenue bonds payable as of June 30, 2014, including \$567,282 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 781,519	\$ 113,820	\$ 895,339
2016	793,759	101,581	895,340
2017	806,189	89,150	895,339
2018	818,815	76,524	895,339
2019	831,638	63,701	895,339
2020-2024	3,458,852	122,506	3,581,358
Total	\$ 7,490,772	\$ 567,282	\$ 8,058,054

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Revenue Bonds Payable (Continued)

Serviced by Electric Fund:

	<u>Principal Balance June 30, 2014</u>
\$5,121,317 revenue bonds with STI Institutional & Government, Inc. issued in June 2013- for Electric projects and to refund installment notes in annual installments through 2023 with interest at 1.56%.	<u>\$ 4,643,251</u>

The future minimum payments of the revenue bonds payable as of June 30, 2014, including \$351,637 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 484,435	\$ 70,553	\$ 554,988
2016	492,021	62,966	554,987
2017	499,727	55,261	554,988
2018	507,553	47,434	554,987
2019	515,502	39,486	554,988
2020-2024	<u>2,144,013</u>	<u>75,937</u>	<u>2,219,950</u>
Total	<u>\$ 4,643,251</u>	<u>\$ 351,637</u>	<u>\$ 4,994,888</u>

The City is in compliance with the covenants as to rates, fees, rentals and charges in Section 704 of the Bond Order, authorizing the issuance of Water, Sewer and Electric Revenue Bonds, Series 2013. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 120% of the Long-Term Debt Service Requirement. This covenant is applicable for fiscal year ended June 30, 2014 and for each fiscal year thereafter.

Debt Covenants:

The City is in compliance with the covenants as to rates, fees, rentals and charges in Section 704 and Section 711 of the Bond Order, authorizing the issuance of the Electric, Water and Sewer Revenue Bonds, Series 2013, secured solely by the pledge of net revenue of the City's combined enterprise funds (Electric, Water and Sewer). Pursuant to Section 704(a) of the Bond and related agreements, the City has made certain covenants that provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 120% (1.20) for parity indebtedness and 100% (1.0) for parity and subordinated indebtedness. In addition, pursuant to Section 711 of the Bond agreement, the principal amount of installment debt (liens) cannot exceed 15% of invested in capital, net of related debt. The debt service coverage requirements for the year ended June 30, 2014, are as follows:

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Debt Covenants (Continued):

Revenues	
User charges	\$ 85,856,579
Interest earned on investments	4,989
Total revenue	<u>85,861,568</u>
Expenses*	<u>71,311,079</u>
Available Income for Debt Service	14,550,489
15% of Unrestricted Net Position	<u>4,609,716</u>
Income Available for Debt Service Plus 15% of Unrestricted Net Position	19,160,205
Debt Service, principal and interest paid (Revenue bond only)	<u>1,861,764</u>
Debt Service Coverage for Parity Debt	<u><u>10.29</u></u>
*Excluding depreciation expense of \$5,424,830	
Income Available for Debt Service	\$ 14,550,489
Debt Service, principal and interest paid Parity and subordinated only)	<u>5,840,458</u>
Debt Service Coverage for Parity and Subordinated Debt	<u><u>2.49</u></u>
Total Principal Outstanding	<u>\$ 3,660,291</u>
Invested in Capital Assets net of related debt	<u>85,558,909</u>
Lien Covenant	<u><u>4.30</u></u>

Notes to Financial Statements

Note 11. Interfund Transfers

Interfund balances as of June 30, 2014 consisted of the following:

	Due From	Due To	Purpose
Cops Hiring Program Special Revenue Fund	\$ 37,696		Temporary cash deficit
Grants Special Revenue Fund	1,473		Temporary cash deficit
FEMA Hurricane Irene Special Revenue Fund	14,525		Temporary cash deficit
MPO Plan Special Revenue Fund	16,056		Temporary cash deficit
2013 Justice Assistance Grant Program Special Revenue Fund	12,270		Temporary cash deficit
Water Fund		82,020	
General fund	621,200		Unspent debt proceeds
Electric fund		495,919	Unspent debt proceeds
Sewer fund		125,281	Unspent debt proceeds
Radio System Equipment Capital Project Fund	174,668		Temporary cash deficit
General Fund	-	174,668	Temporary cash deficit
	<u>\$ 877,888</u>	<u>\$ 877,888</u>	

Interfund transfers for the year ended June 30, 2014 consisted of the following:

	From	To	Purpose
Electric Fund	\$ 1,816,912	\$ -	Budgeted contribution
General Fund		1,816,912	
Electric Fund	149,970		Debt payment
General Fund		149,970	
General Fund	188,205		Local contribution
CDBG Catalyst Grant Fund		105,000	
Grants Special Revenue Fund		41,049	
MPO Grant Fund		22,886	
Wayfinding Project Grant		19,270	
Water Treatment Facility Improvement Fund	40,129		Local contribution
General Fund		8,427	
Water Fund		14,848	
Sewer Fund		8,427	
Electric Fund		8,427	
2007 PARTF Grant	17,647		Residual Equity Transfer
General Fund		17,647	
2007 CWMTF Grant	78,857		Residual Equity Transfer
Stormwater Fund		78,857	
South Front Streetscape Project	12,121		Residual Equity Transfer
Municipal Service District		12,121	
total	<u>\$ 2,303,841</u>	<u>\$ 2,303,841</u>	

:

Notes to Financial Statements

Note 11. Interfund Transfers (Continued)

The City's enterprise funds reimburse the General Fund for administrative expenses and pay rent for the use 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, 2014:

Reimbursing Fund	Administration	Rent
Electric	\$ 1,612,039	\$ 407,864
Water	879,960	236,607
Sewer	818,270	218,160
Total	\$ 3,310,269	\$ 862,631

Note 12. Operating Lease Obligations

The City leases public safety vehicles and various pieces of office equipment under non-cancelable operating leases extending through June 2015. Minimum quarterly payments range from \$107 to \$31,875.

Lease payments charged to governmental activities expense for the year ended June 30, 2014 under operating leases was \$71,872

Governmental activities future minimum lease payments are as follows:

Year Ending June 30	Governmental Activities
2015	\$ 34,760

Notes to Financial Statements

Note 13. Deferred Inflows of Resources

Deferred inflows of resources at June 30, 2014 is composed of the following:

	Unavailable Revenues	Unearned Revenues
	<u> </u>	<u> </u>
General Fund:		
Prepaid taxes and licenses	\$ -	\$ 16,658
Taxes receivable, net	291,906	-
Liens receivable	366,683	-
Street assessment receivable	3,511	-
Motor vehicle fees receivable	27,063	-
Total	<u>\$ 689,163</u>	<u>\$ 16,658</u>
 Special Revenue Fund:		
Loans receivable	<u>\$ 9,106</u>	

Note 14. Joint Ventures, Jointly Governed Organization, and Related Organizations

Joint Venture

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 governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2014. The City contributed \$75,000 to the Library during the year ended June 30, 2014.

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 \$10,607 to the Council during the year ended June 30, 2014.

North Carolina Eastern Municipal Power Agency

The North Carolina Eastern Municipal Power Agency ("NCEMPA") is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipalities owning electric distribution systems, through the organization of NCEMPA, to finance, construct, own, operate, and maintain electric generation and transmission facilities. NCEMPA is a joint agency formed by 32 municipal entities, including the City, which has ownership interests in two coal-fired and three nuclear-fueled generation plants. NCEMPA has entered into power

Notes to Financial Statements

Note 14. Joint Ventures, Jointly Governed Organization, and Related Organizations (Continued)

sales agreements with each of its members for supplying the total electric power requirements of the members in excess of power allotments from the Southeastern Power Administration (SEPA). NCEMPA is obligated to provide all electric power required by each member at the respective delivery points. Each member is obligated to pay its share of the operating and debt service costs of the project. The City is obligated to pay its share of the indebtedness regardless of the ability of NCEMPA to provide electricity or to meet the City's need for the electricity. This contract constitutes an obligation of the Electric Enterprise Fund to make debt service payments from operating revenues. Each municipality may appoint one commissioner to serve on NCEMPA's board. The Board elects its own officers and is responsible for the selection of management to run the daily operations of NCEMPA. NCEMPA 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 NCEMPA relates to the power sales agreement for power purchases. Complete financial statements for NCEMPA can be obtained from the administrative offices at P.O. Box 29513, Raleigh, North Carolina 27626-0513. The City's purchases of power from NCEMPA for the year ended June 30, 2014 were \$47,455,824.

Related Organization

The Board of Aldermen of the 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.

Note 15. Claims and Judgments

The City is a defendant in various litigation incidental to carrying out its functions. In the opinion of the City's chief legal counsel, these claims should not result in judgments which, in the aggregate, would have a material adverse effect on the City's financial statements. In the event of an unfavorable outcome, the City could be liable up to its general liability insurance deductible.

Note 16. Commitments and Contingencies

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances in the Governmental funds types at June 30, 2014 are as follows:

General Fund	\$1,045,902
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The City had commitments, as shown below, for construction contracts outstanding at June 30, 2014. The projects are accounted for in the General Fund, Capital Projects Funds, and Enterprise Capital Projects Funds and are mainly funded by debt proceeds.

Notes to Financial Statements

Note 16. Commitments and Contingencies (Continued)

The City had commitments, as shown below, for construction contracts outstanding at June 30, 2014. The projects are accounted for in the General Fund, Capital Projects Funds, and Enterprise Capital Projects Funds and are mainly funded by debt proceeds.

Project	Balance of contract remaining
Urgent Repair grant projects	\$ 71,820
Kale Road project	357,322
Water Treatment Plant shop	137,866
Street paving project	100,500
Craven Community College project	65,187
Old Airport Road shelters	99,700
AMI/DSM System and Meters	129,891
Total	\$ 962,286

Federal and State Assisted Programs

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 potential refund of grant monies.

Duke Energy Progress purchase of North Carolina Eastern Municipal Power Agency:

Duke Energy Progress and the North Carolina Eastern Municipal Power Agency (NCEMPA) board of directors have approved an agreement for Duke Energy Progress to purchase the Power Agency's ownership in certain generating assets. City of New Bern purchases power from NCEMPA. Once the purchase is finalized, New Bern's customers will be purchasing power directly from Duke Energy Process with the possibility of lower rates.

Alfred Cunningham Bridge

As of June 30, 2014, all construction projects related to the bridge have been completed. Pursuant to the March 21, 2006 agreement between the NC Department of Transportation (NCDOT) and the City, the NCDOT may transfer ownership to the City. The transfer has not taken place as of the date of this report.

Notes to Financial Statements

Note 17. Pronouncements Issued But Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2014 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, affect implementation of the following statements may have on the financial statements of the City,

GASB Statement Number 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" will be effective for the City beginning with its year ending June 30, 2015.

GASB Statement Number 69 – "Government Combinations and Disposals of Government Operations" will be effective for the City beginning with its year ending June 30, 2015.

GASB Statement Number 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 should be applied simultaneously with the provisions of Statement No. 68 which will be effective for the City beginning with its year ending June 30, 2015.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

Law Enforcement Officers' Special Separation Allowance:

Schedule of Funding Progress

Schedule of Employer Contributions

Notes to the Required Schedules

Other Postemployment Benefits:

Schedule of Funding Progress

Schedule of Employer Contributions

Notes to the Required Schedules

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Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 For the Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ -	\$ 1,525,825	\$ 1,525,825	0.00%	\$ 3,949,520	38.63%
12/31/2012	-	1,601,680	1,601,680	0.00%	3,780,160	42.37%
12/31/2013	-	1,705,430	1,705,430	0.00%	3,933,124	43.36%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2012	\$ 174,231	\$ 92,466	53.07%
2013	174,231	96,154	55.19%
2014	180,076	100,608	55.87%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.

Additional information as of the latest valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

Other Post-Employment Benefits
 Required Supplementary Information
 For the Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/2012	-	17,801,370	17,801,370	0.00%	19,485,653	91.4%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions (ARC)	Percentage of ARC Contributed
2014	1,481,201	47.85%
2013	1,384,837	41.37%
2012	1,361,862	36.10%
2011	1,663,310	14.20%
2010	1,603,190	9.30%
2009	1,603,190	8.75%

Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.
 Additional information as of the latest valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate*	8.5% - 5.00%
Year of ultimate trend rate	2018
*Includes inflation at	3%

Other Supplementary Information

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Government Fund Financial Statements

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General Fund

The General Fund accounts for the revenues and expenditures in operating the general government functions of a nonproprietary nature. This fund receives ad valorem tax revenues, state shared revenues, licenses, permits and fees. The major operating activities include general government, police, fire, public works, parks and recreation as well as other governmental service functions.

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General Fund

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year operations	\$ 12,747,000	\$ 13,176,147	\$ 429,147	\$ 12,802,398
Prior year	135,000	314,016	179,016	219,467
Municipal service district	178,150	200,090	21,940	207,209
Interest and penalties	48,000	114,370	66,370	68,450
Total ad valorem taxes	13,108,150	13,804,623	696,473	13,297,524
Other taxes and licenses:				
Privilege licenses	260,000	278,850	18,850	264,417
Total other taxes and licenses	260,000	278,850	18,850	264,417
Unrestricted intergovernmental:				
Local options sales tax	5,141,000	5,516,792	375,792	5,420,789
Video programming tax	285,000	264,839	(20,161)	284,902
Telecommunications sales tax	370,000	325,757	(44,243)	333,416
Payment in lieu of taxes - enterprise funds	869,517	863,337	(6,180)	860,496
Utilities franchise tax	1,410,000	1,464,128	54,128	1,406,786
Piped natural gas tax	95,000	109,367	14,367	97,829
Public Education Television	32,000	31,747	(253)	31,409
Beer and wine tax	125,000	130,910	5,910	121,411
Fire protection reimbursement	14,204	14,016	(188)	14,204
ABC distributions	60,000	(53,019)	(113,019)	65,702
Total unrestricted intergovernmental	8,401,721	8,667,874	266,153	8,636,944
Restricted intergovernmental:				
Powell Bill allocation	862,500	871,986	9,486	812,543
FEMA Public Assistance grant	-	-	-	242,674
Total restricted intergovernmental	862,500	871,986	9,486	1,055,217
Licenses, permits and fees:				
Building permits and inspection fees	411,893	431,573	19,680	436,458
Auto and taxi fees	135,000	195,994	60,994	146,078
Beer and wine licenses	2,100	2,170	70	2,370
Total licenses, permits and fees	548,993	629,737	80,744	584,906

(Continued)

General Fund

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Sales and services:				
Public works fees	\$ 130,000	\$ 108,169	(21,831)	\$ 132,593
Refuse collection fees	2,745,000	2,817,704	72,704	2,232,340
Planning and inspections revenue	120,975	120,378	(597)	129,087
Public safety fees	15,400	14,566	(834)	11,984
Cultural and recreation fees	121,107	135,639	14,532	144,262
Rent income	293,141	303,855	10,714	289,236
Rent income - enterprise funds	862,631	862,631	-	862,634
Other sales and services	249,109	334,756	85,647	352,370
Total sales and services	4,537,363	4,697,698	160,335	4,154,506
Investment earnings	14,500	11,265	(3,235)	17,664
Other revenues:				
Proceeds from capital asset sales	-	-	-	44,116
Proceeds from insurance	35,000	29,424	(5,576)	35,006
Cemetery	80,000	89,370	9,370	115,820
Other revenues	21,000	55,971	34,971	27,819
Total other revenues	136,000	174,765	38,765	222,761
Total revenues	27,869,227	29,136,798	1,267,571	28,233,939
Expenditures				
General government:				
Governing body				
Salaries and employee benefits	218,298	218,004	294	214,706
Special appropriations	460,059	440,728	19,331	579,568
Operating expenditures	112,053	93,325	18,728	70,557
	790,410	752,057	38,353	864,831
Administration:				
Salaries and employee benefits	429,563	312,061	117,502	415,171
Operating expenditures	165,033	84,578	80,455	134,145
	594,596	396,639	197,957	549,316

(Continued)

General Fund

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

For the Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Public Education Television (PEG):				
Salaries and employee benefits	\$ 4,789	\$ 1,811	\$ 2,978	\$ 2,240
Operating expenditures	64,950	26,487	38,463	20,699
	<u>69,739</u>	<u>28,298</u>	<u>41,441</u>	<u>22,939</u>
Finance:				
Salaries and employee benefits	1,683,205	1,519,574	163,631	1,601,718
Operating expenditures	1,211,013	968,262	242,751	805,285
	<u>2,894,218</u>	<u>2,487,836</u>	<u>406,382</u>	<u>2,407,003</u>
Legal:				
Contracted services	333,986	319,972	14,014	216,427
Human resources				
Salaries and employee benefits	498,186	449,855	48,331	362,731
Operating expenditures	75,860	68,791	7,069	67,611
	<u>574,046</u>	<u>518,646</u>	<u>55,400</u>	<u>430,342</u>
Total general government	<u>5,256,995</u>	<u>4,503,448</u>	<u>753,547</u>	<u>4,490,858</u>
Public safety:				
Police:				
Salaries and employee benefits	7,632,285	7,564,062	68,223	7,469,618
Operating expenditures	1,725,745	1,585,396	140,349	1,432,062
	<u>9,358,030</u>	<u>9,149,458</u>	<u>208,572</u>	<u>8,901,680</u>
Fire:				
Salaries and employee benefits	5,033,613	5,023,530	10,083	4,858,352
Operating expenditures	538,021	506,762	31,259	472,565
	<u>5,571,634</u>	<u>5,530,292</u>	<u>41,342</u>	<u>5,330,917</u>
Total public safety	<u>14,929,664</u>	<u>14,679,750</u>	<u>249,914</u>	<u>14,232,597</u>

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Public works:				
Streets:				
Salaries and employee benefits	\$ 1,339,891	\$ 1,263,431	\$ 76,460	\$ 1,177,453
Operating expenditures	2,553,595	1,205,126	1,348,469	1,016,479
	<u>3,893,486</u>	<u>2,468,557</u>	<u>1,424,929</u>	<u>2,193,932</u>
Public buildings:				
Salaries and employee benefits	414,509	375,144	39,365	351,258
Operating expenditures	627,928	497,040	130,888	447,224
	<u>1,042,437</u>	<u>872,184</u>	<u>170,253</u>	<u>798,482</u>
Administration:				
Salaries and employee benefits	513,586	486,651	26,935	496,052
Operating expenditures	566,557	512,741	53,816	346,563
	<u>1,080,143</u>	<u>999,392</u>	<u>80,751</u>	<u>842,615</u>
Leaf and limb:				
Salaries and employee benefits	419,371	416,434	2,937	408,412
Operating expenditures	248,050	190,985	57,065	192,645
	<u>667,421</u>	<u>607,419</u>	<u>60,002</u>	<u>601,057</u>
Total public works	<u>6,683,487</u>	<u>4,947,552</u>	<u>1,735,935</u>	<u>4,436,086</u>

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Environmental protection:				
Sanitation:				
Operating expenditures	\$ 2,050,000	\$ 1,772,657	\$ 277,343	\$ 1,792,211
	<u>2,050,000</u>	<u>1,772,657</u>	<u>277,343</u>	<u>1,792,211</u>
Cultural and recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,759,532	1,677,350	82,182	1,701,146
Operating expenditures	893,387	760,910	132,477	621,795
	<u>2,652,919</u>	<u>2,438,260</u>	<u>214,659</u>	<u>2,322,941</u>
Economic and physical development:				
Planning				
Salaries and employee benefits	1,468,262	1,227,879	240,383	1,378,685
Operating expenditures	331,287	227,523	103,764	209,622
	<u>1,799,549</u>	<u>1,455,402</u>	<u>344,147</u>	<u>1,588,307</u>
Municipal service district				
Operating expenditures	17,000	16,386	614	16,460
	<u>17,000</u>	<u>16,386</u>	<u>614</u>	<u>16,460</u>
Total economic and physical development	<u>1,816,549</u>	<u>1,471,788</u>	<u>344,761</u>	<u>1,604,767</u>
Reimbursements from Enterprise Funds	<u>(3,310,269)</u>	<u>(3,310,269)</u>	-	<u>(2,891,799)</u>
Capital outlay	<u>2,844,914</u>	<u>1,857,062</u>	<u>987,852</u>	<u>1,052,794</u>
Debt Service				
Principal retirement	1,456,784	1,461,189	(4,405)	1,997,458
Interest and other charges	371,290	349,093	22,197	380,588
	<u>1,828,074</u>	<u>1,810,282</u>	<u>17,792</u>	<u>2,378,046</u>
Total expenditures	<u>34,752,333</u>	<u>30,170,530</u>	<u>4,581,803</u>	<u>29,418,501</u>

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenue over (under) expenditures	\$ (6,883,106)	\$ (1,033,732)	\$ 5,849,374	\$ (1,184,562)
Other financing sources (uses):				
Transfers in	4,160,703	2,005,077	(2,155,626)	2,873,361
Transfers out	(188,205)	(188,205)	-	(161,701)
Appropriated fund balance	405,978	-	(405,978)	-
Contingency	(73,179)	-	73,179	-
Debt issued	2,577,809	1,740,891	(836,918)	-
Total other financing uses	<u>6,883,106</u>	<u>3,557,763</u>	<u>(3,325,343)</u>	<u>2,711,660</u>
Net change in fund balance	<u>\$ -</u>	<u>2,524,031</u>	<u>\$ 2,524,031</u>	<u>1,527,098</u>
Fund balance, beginning		<u>11,852,574</u>		<u>10,325,476</u>
Fund balance, ending		<u>\$ 14,376,605</u>		<u>\$ 11,852,574</u>

Non-Major Governmental Funds

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Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	Special Revenue Funds	Capital Project Funds	Total
Assets			
Assets			
Cash and cash equivalents	\$ 505,304	\$ -	\$ 505,304
Accounts receivable, net	36,764	-	36,764
Due from other governments	276,568	-	276,568
Due from other funds	-	181,101	181,101
Total assets	\$ 818,636	\$ 181,101	\$ 999,737
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 72,442	\$ -	\$ 72,442
Due to other funds	82,020	355,769	437,789
Total liabilities	154,462	355,769	510,231
Deferred Inflows of Resources			
CDBG receivables	9,106	-	9,106
Total deferred inflows of resources	9,106	-	9,106
Fund balances:			
Spendable			
Restricted			
Stabilization by State Statute	304,226	-	304,226
Restricted for public safety	280,416	-	280,416
Restricted for public works	18,470	-	18,470
Restricted for economic development	156,460	-	156,460
Restricted for culture and recreation	-	-	-
Committed	-	181,101	181,101
Unassigned	(104,504)	(355,769)	(460,273)
Total fund balances	655,068	(174,668)	480,400
Total liabilities, deferred inflows of resources, and fund balances	\$ 818,636	\$ 181,101	\$ 999,737

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended June 30, 2014

	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Restricted intergovernmental	\$ 1,030,660	\$ -	\$ 1,030,660
Investment earnings	66	22	88
Other revenues	11,728	-	11,728
Total revenues	1,042,454	22	1,042,476
Expenditures:			
Current:			
Cultural and recreational	22,117	-	22,117
Public safety	689,580	226,906	916,486
Economic and physical development	372,298	277,889	650,187
Total expenditures	1,083,995	504,795	1,588,790
Deficiency of revenues under expenditures	(41,541)	(504,773)	(546,314)
Other financing sources (uses):			
Transfers in	188,205	-	188,205
Transfers out	(96,504)	(12,121)	(108,625)
Total other financing sources (uses)	91,701	(12,121)	79,580
Net change in fund balances	50,160	(516,894)	(466,734)
Fund balances:			
Fund balances, beginning of year	604,908	342,226	947,134
Fund balances, end of year, June 30th	\$ 655,068	\$ (174,668)	\$ 480,400

Non-Major Special Revenue Funds

Community Development Fund

The Community Development and Home Program Fund is established to account for United States Department of Housing and Urban Development (HUD) block grant and home program grant proceeds allocated to the City for community development programs.

Stormwater 2007 Clean Water Management Trust Fund

The Stormwater 2007 CWMTF is used to account for funds provided by the Clean Water Trust Fund Grant for stormwater projects.

Emergency Telephone System Fund

The Emergency Telephone System Fund is used to account for funds for the new radio system equipment.

Police Special Revenue Fund

The Police Special Revenue Fund is used to account for funds utilized for the investigation and mitigation of drug crime in the City.

COPS Hiring Grant Special Revenue Fund

The COPS Hiring Grant Fund accounts for the revenues and expenditures of the COPS Hiring Grant.

2007 PARTF Recreation Grant Fund

The 2007 PARTF Recreation Grant Fund accounts for the revenues and expenditures of the PARTF Recreation Grant.

Grants Special Revenue Fund

The Grants Fund accounts for the receipt and disbursement of Federal and State grants, excluding those for which it may be deemed necessary for a separate fund be established due to the size or nature of the grant.

Public-Private Partnership Special Revenue Fund

The Public-Private Partnership Fund is used to account for revenues and expenditures of special projects that may arise in keeping with the City's strategic goals and objectives.

FEMA Hurricane Irene Special Revenue Fund

The FEMA Hurricane Irene Special Revenue Fund is used to account for the revenues and expenditures associated with Hurricane Irene.

Non-Major Special Revenue Funds (Continued)

Union Station Train Depot Special Revenue Fund

The Union Station Train Depot Special Revenue Fund is used to account for the revenues and expenditures associated with the federal transportation grant.

CDBG Talent Enhancement Grant Special Revenue Fund

The CDBG Talent Enhancement Grant Special Revenue Fund is used to account for the revenues and expenditures associated with the CDBG Talent Enhancement Grant.

2012 CDBG NC Catalyst Special Revenue Fund

The 2012 CDBG NC Catalyst Special Revenue Fund is used to account for the revenues and expenditures associated with the 2012 CDBG Catalyst Grant.

2013 Urgent Repair Special Revenue Fund

The 2013 Urgent Repair Special Revenue Fund is used to account for the revenues and expenditures associated with the 2013 Urgent Repair Grant.

Municipal Planning Organization (MPO) Special Revenue Fund

The MPO Special Revenue Fund is used to account for the revenues and expenditures associated with the MPO Grant.

2013 Justice Assistance Special Revenue Fund

The 2013 Justice Assistance Special Revenue Fund is used to account for the revenues and expenditures associated with the 2013 Justice Assistance Grant.

Wayfinding Sign Grant Program Special Revenue Fund

The Wayfinding Sign Grant Program Special Revenue Fund is used to account for the revenues and expenditures associated with the Wayfinding Sign Grant Program.

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City of New Bern, North Carolina

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2014

	Community Development Fund	Emergency Telephone System Fund	Police Special Revenue Fund	COPS Hiring Program Special Revenue Fund	Grants Special Revenue Fund	Public-Private Partnership Special Revenue Fund
Assets						
Assets:						
Cash and cash equivalents	\$ 26,618	\$ 125,465	\$ 163,495	\$ -	\$ -	\$ 4,211
Accounts receivable, net	9,106	19,584	662	-	-	-
Due from other governments	-	-	-	43,262	172,693	-
Total assets	\$ 35,724	\$ 145,049	\$ 164,157	\$ 43,262	\$ 172,693	\$ 4,211
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 8,485	\$ 59	\$ 5,566	\$ 14,253	\$ 4,559
Due to other funds	-	-	-	37,696	1,473	-
Total liabilities	-	8,485	59	43,262	15,726	4,559
Deferred Inflows of Resources						
CDBG receivables	9,106	-	-	-	-	-
Total deferred Inflows of resources	9,106	-	-	-	-	-
Fund balances:						
Spendable						
Restricted						
Stabilization by State Statute	-	19,584	662	43,262	172,693	-
Restricted for public safety	-	116,980	163,436	-	-	-
Restricted for public works	-	-	-	-	-	-
Restricted for economic development	26,618	-	-	-	-	-
Unassigned	-	-	-	(43,262)	(15,726)	(348)
Total fund balance	26,618	136,564	164,098	-	156,967	(348)
Total liabilities, deferred inflows of resources, and fund balances	\$ 35,724	\$ 145,049	\$ 164,157	\$ 43,262	\$ 172,693	\$ 4,211

FEMA Hurricane Irene Special Revenue Fund	2012 CDBG NC Catalyst Special Revenue Fund	2013 Urgent Repair Special Revenue Fund	MPO Plan Special Revenue Fund	2013 Justice Assistance Special Revenue Fund	Wayfinding Sign Grant Program Special Revenue Fund	Total
\$ -	\$ 93,988	\$ 37,503	\$ -	\$ -	\$ 54,024	\$ 505,304
-	-	-	7,412	-	-	36,764
14,525	9,208	-	24,358	12,522	-	276,568
<u>\$ 14,525</u>	<u>\$ 103,196</u>	<u>\$ 37,503</u>	<u>\$ 31,770</u>	<u>\$ 12,522</u>	<u>\$ 54,024</u>	<u>\$ 818,636</u>
\$ -	\$ 1,649	\$ -	\$ 2,065	\$ 252	\$ 35,554	\$ 72,442
14,525	-	-	16,056	12,270	-	82,020
<u>14,525</u>	<u>1,649</u>	<u>-</u>	<u>18,121</u>	<u>12,522</u>	<u>35,554</u>	<u>154,462</u>
-	-	-	-	-	-	9,106
-	-	-	-	-	-	<u>9,106</u>
14,525	9,208	-	31,770	12,522	-	304,226
-	-	-	-	-	-	280,416
-	-	-	-	-	18,470	18,470
-	92,339	37,503	-	-	-	156,460
(14,525)	-	-	(18,121)	(12,522)	-	(104,504)
<u>-</u>	<u>101,547</u>	<u>37,503</u>	<u>13,649</u>	<u>-</u>	<u>18,470</u>	<u>655,068</u>
<u>\$ 14,525</u>	<u>\$ 103,196</u>	<u>\$ 37,503</u>	<u>\$ 31,770</u>	<u>\$ 12,522</u>	<u>\$ 54,024</u>	<u>\$ 818,636</u>

City of New Bern, North Carolina

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Year Ended June 30, 2014

	Community Development Fund	2007 Stormwater CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue Fund	COPS Hiring Program Special Revenue Fund	2007 Part F Recreation Grant Program
Revenues:						
Restricted Intergovernmental	\$ -	\$ -	\$ 235,011	\$ 66,414	\$ 243,424	\$ -
Investment earnings	6	8	26	21	-	2
Miscellaneous	-	-	-	-	-	-
Program income	-	-	-	-	-	-
Total revenues	6	8	235,037	66,435	243,424	2
Expenditures:						
Current:						
Cultural and recreational	-	-	-	-	-	-
Public safety	-	-	293,782	9,987	243,424	-
Economic and physical development	7,512	-	-	-	-	-
Total expenditures	7,512	-	293,782	9,987	243,424	-
Excess (deficiency) of revenues over (under) expenditures	(7,506)	8	(58,745)	56,448	-	2
Other financing sources:						
Transfers from other funds	-	-	-	-	-	-
Transfers out to other funds	-	(78,857)	-	-	-	(17,647)
Total other financing sources (uses)	-	(78,857)	-	-	-	(17,647)
Net change in fund balances	(7,506)	(78,849)	(58,745)	56,448	-	(17,645)
Fund balances:						
Fund balances, beginning of year	34,124	78,849	195,309	107,650	-	17,645
Fund balances, end of year	\$ 26,618	\$ -	\$ 136,564	\$ 164,098	\$ -	\$ -

Grants Revenue Fund	Special Partnership Revenue Fund	Public-Private Union Station Train Depot Special Revenue Fund	CDBG Talent Enhancement Special Revenue Fund	2012 CDBG NC Catalyst Special Revenue Fund	2013 Urgent Repair Special Revenue Fund	MPO Plan Special Revenue Fund	2013 Justice Assistance Special Revenue Fund	Wayfinding Sign Grant Program Special Revenue Fund	Total
\$ 228,844	\$ -	\$ 68,424	\$ 20,304	\$ 9,208	\$ 37,500	\$ 74,009	\$ 12,522	\$ 35,000	\$ 1,030,660
3	-	-	-	-	-	-	-	-	66
-	-	11,723	-	-	-	-	-	-	11,723
-	-	-	-	1	3	-	-	1	5
<u>228,847</u>	<u>-</u>	<u>80,147</u>	<u>20,304</u>	<u>9,209</u>	<u>37,503</u>	<u>74,009</u>	<u>12,522</u>	<u>35,001</u>	<u>1,042,454</u>
22,117	-	-	-	-	-	-	-	-	22,117
129,865	-	-	-	-	-	-	12,522	-	689,580
109,408	23,218	80,147	20,304	12,662	-	83,246	-	35,801	372,298
<u>261,390</u>	<u>23,218</u>	<u>80,147</u>	<u>20,304</u>	<u>12,662</u>	<u>-</u>	<u>83,246</u>	<u>12,522</u>	<u>35,801</u>	<u>1,083,995</u>
(32,543)	(23,218)	-	-	(3,453)	37,503	(9,237)	-	(800)	(41,541)
41,049	-	-	-	105,000	-	22,886	-	19,270	188,205
-	-	-	-	-	-	-	-	-	(96,504)
<u>41,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,000</u>	<u>-</u>	<u>22,886</u>	<u>-</u>	<u>19,270</u>	<u>91,701</u>
8,506	(23,218)	-	-	101,547	37,503	13,649	-	18,470	50,160
148,461	22,870	-	-	-	-	-	-	-	604,908
<u>\$ 156,967</u>	<u>\$ (348)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,547</u>	<u>\$ 37,503</u>	<u>\$ 13,649</u>	<u>\$ -</u>	<u>\$ 18,470</u>	<u>\$ 655,068</u>

Community Development Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Revenues:				
Restricted Intergovernmental:				
Program income	\$ 1,200	\$ -	(1,200)	\$ 1,500
Other revenues:				
Investment earnings		6	6	15
Total revenues	<u>1,200</u>	<u>6</u>	<u>(1,194)</u>	<u>1,515</u>
Expenditures:				
Economic and physical development				
Operating expenditures	10,000	7,512	2,488	3,335
Total expenditures	<u>10,000</u>	<u>7,512</u>	<u>2,488</u>	<u>3,335</u>
Revenues under expenditures	<u>(8,800)</u>	<u>(7,506)</u>	<u>1,294</u>	<u>(1,820)</u>
Other financing sources:				
Appropriated fund balance	8,800	-	(8,800)	-
Total other financing sources	<u>8,800</u>	<u>-</u>	<u>(8,800)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(7,506)</u>	<u>\$ (7,506)</u>	<u>(1,820)</u>
Fund Balance:				
Beginning of year - July 1		34,124		35,944
End of year - June 30		<u>\$ 26,618</u>		<u>\$ 34,124</u>

2007 Stormwater CWMTF Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Clean Water Management Trust Grant	\$ 758,500	\$ 758,500	\$ -	\$ 758,500
Other revenues:				
Investment earnings	502	494	8	502
Total revenues	<u>759,002</u>	<u>758,994</u>	<u>8</u>	<u>759,002</u>
Expenditures:				
Economic and physical development				
Land and right of way	506,360	506,352	-	506,352
Drainage improvements	1,007,255	1,007,263	-	1,007,263
Total expenditures	<u>1,513,615</u>	<u>1,513,615</u>	<u>-</u>	<u>1,513,615</u>
Revenues over (under) expenditures	<u>(754,613)</u>	<u>(754,621)</u>	<u>8</u>	<u>(754,613)</u>
Other financing sources (uses):				
Debt issued	833,470	833,470	-	833,470
Transfers out	(78,857)	-	(78,857)	(78,857)
Total other financing sources	<u>754,613</u>	<u>833,470</u>	<u>(78,857)</u>	<u>754,613</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 78,849</u>	<u>(78,849)</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>78,849</u>	
End of year - June 30			<u>\$ -</u>	

Emergency Telephone System Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Revenues:				
Other taxes and licenses:				
Wireless 911 funds	\$ 235,011	\$ 235,011	\$ -	\$ 404,960
Other revenues:				
Miscellaneous	-	-	-	4,036
Investment earnings	100	26	(74)	47
Total revenues	235,111	235,037	(74)	409,043
Expenditures:				
Public safety:				
Salaries and employee benefits	118,507	117,463	1,044	116,294
Operating expenditures	216,611	176,319	40,292	159,200
Capital outlay	55,167	-	55,167	168,862
Total expenditures	390,285	293,782	96,503	444,356
Revenues over (under) expenditures	(155,174)	(58,745)	96,429	(35,313)
Other financing sources:				
Appropriated fund balance	155,174	-	(155,174)	-
Transfers in			-	16,557
Total other financing sources	155,174	-	(155,174)	16,557
Net change in fund balance	\$ -	(58,745)	\$ (58,745)	(18,756)
Fund Balance:				
Beginning of year - July 1		195,309		214,065
End of year - June 30		<u>\$ 136,564</u>		<u>\$ 195,309</u>

Police Special Revenue Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Restricted intergovernmental				
Police grants	\$ 16,405	\$ 66,414	\$ 50,009	\$ 61,948
Other revenues:				
Investment earnings	10	21	11	34
Total revenues	16,415	66,435	50,020	61,982
Expenditures:				
Public safety:				
Operating expenditures	20,820	9,987	10,833	13,363
Capital outlay		-	-	16,035
Total expenditures	20,820	9,987	10,833	29,398
Revenues over (under) expenditures	(4,405)	56,448	60,853	32,584
Other financing sources: :				
Appropriated fund balance	4,405	-	(4,405)	-
Total other financing sources	4,405	-	(4,405)	-
Net change in fund balance	\$ -	56,448	\$ 56,448	32,584
Fund Balance:				
Beginning of year - July 1		107,650		75,066
End of year - June 30		<u>\$ 164,098</u>		<u>\$ 107,650</u>

COPS Hiring Program
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
COPS hiring grant	\$ 781,025	\$ 433,479	\$ 243,424	\$ 676,903
Total revenues	781,025	433,479	243,424	676,903
Expenditures:				
Public Safety:				
Operating expenditures	781,025	433,479	243,424	676,903
Total expenditures	781,025	433,479	243,424	676,903
 Revenues over expenditures	 \$ -	 \$ -	 \$ -	 \$ -

2007 Part F Recreation Grant Project
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
2007 Part F recreation grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Other revenues:				
Investment earnings	872	869	2	871
Total revenues	<u>500,872</u>	<u>500,869</u>	<u>2</u>	<u>500,871</u>
Expenditures:				
Public Safety:				
Fire department	1,143,685	1,143,684	-	1,143,684
Total expenditures	<u>1,143,685</u>	<u>1,143,684</u>	<u>-</u>	<u>1,143,684</u>
Revenues over (under) expenditures	<u>(642,813)</u>	<u>(642,815)</u>	<u>2</u>	<u>(642,813)</u>
Other financing sources:				
Debt issued	660,460	660,460	-	660,460
Transfers out	(17,647)	-	(17,647)	(17,647)
Total other financing sources	<u>642,813</u>	<u>660,460</u>	<u>(17,647)</u>	<u>642,813</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 17,645</u>	<u>(17,645)</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			17,645	
End of year - June 30			<u>\$ -</u>	

Grants Special Revenue Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Restricted Intergovernmental:				
Police grants	\$ 122,725	\$ 116,534	\$ (6,191)	\$ 194,493
Fire grants	15,910	2,790	(13,120)	84,825
Culture and recreation grants	148,110	-	(148,110)	7,760
NC Community Transformation	29,000	28,380	(620)	-
Urgent repair grant	37,500	-	(37,500)	69,387
2011 Main Street Solutions grant	50,000	50,000	-	174,900
CDBG Infrastructure Hook-up	60,631	24,140	(36,491)	14,369
BCBS of NC Foundation Grant	5,000	5,000	-	-
Economic development	274,000	2,000	(272,000)	-
Investment earnings	-	3	3	19
Total revenues	742,876	228,847	(514,029)	545,753
Expenditures:				
Public safety	156,431	129,865	26,566	276,256
Culture and recreation	244,326	-	244,326	4,607
NC Community Transformation	29,000	22,117	6,883	-
BCBS of NC Foundation Grant	5,000	-	5,000	-
Physical and economic development:				
Safe Routes to Schools	-	-	-	116,304
Urgent repair	69,323	31,837	37,486	75,085
2011 Main Street Solutions	50,000	50,000	-	75,000
CDBG Infrastructure Hook-up	60,631	25,571	35,060	14,369
Economic development	295,000	2,000	293,000	-
Total expenditures	909,711	261,390	648,321	561,621
Revenues under expenditures	(166,835)	(32,543)	(134,292)	(15,868)
Other financing sources:				
Fund balance appropriated	44,044	-	(44,044)	-
Transfers in	122,791	41,049	(81,742)	25,819
Total other financing sources	166,835	41,049	(125,786)	25,819
Net change in fund balance	\$ -	8,506	\$ 8,506	9,951
Fund Balance:				
Beginning of year - July 1		148,461		138,510
End of year - June 30		<u>\$ 156,967</u>		<u>\$ 148,461</u>

Public-Private Partnership
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Revenues:				
Restricted Intergovernmental:				
Grants and private contributions	\$ 19,000	\$ -	\$ (19,000)	\$ 14,758
Total revenues	19,000	-	(19,000)	14,758
Expenditures:				
Economic and physical development				
Operations	69,000	23,218	45,782	13,231
Total expenditures	69,000	23,218	45,782	13,231
Revenues over (under) expenditures	(50,000)	(23,218)	26,782	1,527
Other financing sources:				
Transfers in	50,000	-	(50,000)	-
Total other financing sources	50,000	-	(50,000)	-
Net change in fund balance	\$ -	(23,218)	\$ (23,218)	1,527
Fund Balance:				
Beginning of year - July 1		22,870		21,343
End of year - June 30		<u>\$ (348)</u>		<u>\$ 22,870</u>

FEMA Hurricane Irene
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Federal Public Assistance Disaster grant	\$ 142,149	\$ 110,226	\$ -	\$ 110,226
State Public Assistance Disaster grant	47,383	36,742	-	36,742
Miscellaneous	78,112	78,112	-	78,112
Total revenues	267,644	225,080	-	225,080
Expenditures:				
Public safety	267,644	225,080	-	225,080
Total expenditures	267,644	225,080	-	225,080
 Revenues over expenditures	 \$ -	 \$ -	 \$ -	 \$ -

Union Station Train Depot
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Federal Highway Construction Grant	\$ 500,000	\$ 391,981	\$ 68,424	\$ 460,405
Miscellaneous	11,824	11,824	11,723	23,547
Total revenues	511,824	403,805	80,147	483,952
Expenditures:				
Economic and physical development	511,824	403,805	80,147	483,952
Total expenditures	511,824	403,805	80,147	483,952
 Revenues over expenditures	 \$ -	 \$ -	 \$ -	 \$ -

CDBG Talent Enhancement Grant
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2014

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
CDBG Talent Enhancement grant	\$ 50,000	\$ 20,304	\$ (29,696)
Total revenues	50,000	20,304	(29,696)
Expenditures:			
Economic and physical development	50,000	20,304	29,696
Total expenditures	50,000	20,304	29,696
 Revenues over expenditures	 \$ -	 \$ -	 \$ -

2012 CDBG NC Catalyst Grant
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2014

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
2012 CDBG NC Catalyst Grant	\$ 500,000	\$ 9,208	\$ (490,792)
Coastal Community Action	20,000	-	(20,000)
Investment earnings	-	1	1
Total revenues	520,000	9,209	(510,791)
Expenditures:			
Economic and physical development	625,000	12,662	612,338
Total expenditures	625,000	12,662	612,338
Other financing sources:			
Transfers in	105,000	105,000	-
Total other financing sources	105,000	105,000	-
Revenues over expenditures	\$ -	\$ 101,547	\$ 101,547

2013 Urgent Repair Grant
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2014

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
2013 Urgent Repair Grant	\$ 75,000	\$ 37,500	\$ (37,500)
Investment earnings	-	3	3
Total revenues	75,000	37,503	(37,497)
Expenditures:			
Economic and physical development	75,000	-	75,000
Total expenditures	75,000	-	75,000
 Revenues over expenditures	 \$ -	 \$ 37,503	 \$ 37,503

Municipal Planning Grant (MPO)
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2014

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
MPO Plan Grant	\$ 183,364	\$ 74,009	\$ (109,355)
Total revenues	183,364	74,009	(109,355)
Expenditures:			
Economic and physical development	206,250	83,246	123,004
Total expenditures	206,250	83,246	123,004
Other financing sources:			
Transfers in	22,886	22,886	-
Total other financing sources	22,886	22,886	-
Revenues over expenditures	\$ -	\$ 13,649	\$ 13,649

2013 Justice Assistance Grant
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2014

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
2013 Justice Assistance Grant	\$ 12,637	\$ 12,522	\$ (115)
Total revenues	12,637	12,522	(115)
Expenditures:			
Public Safety	12,637	12,522	115
Total expenditures	12,637	12,522	115
 Revenues over expenditures	 \$ -	 \$ -	 \$ -

Wayfinding Sign Grant Program
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2014

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
NC Department of Transportation	\$ 100,000	\$ -	\$ (100,000)
Tourism Development Authority	35,000	35,000	-
Investment earnings	-	1	1
Total revenues	135,000	35,001	(99,999)
Expenditures:			
Economic and physical development	154,270	35,801	118,469
Total expenditures	154,270	35,801	118,469
Other financing sources:			
Transfers in	19,270	19,270	-
Total other financing sources	19,270	19,270	-
Revenues over expenditures	\$ -	\$ 18,470	\$ 18,470

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Non-Major Capital Project Funds

CDBG Community Revitalization Capital Project Fund

The Community Development and Home Program Fund is established to account for United States Department of Housing and Urban Development (HUD) block grant and home program grant proceeds allocated to the City for community development programs.

Radio System Equipment Capital Project Fund

The Radio System Equipment Capital Project Fund is used to account for revenues and expenditures for the Radio System Equipment Project.

South Front Street Capital Project Fund

The South Front Street Capital Project Fund is used to account for revenues and expenditures for the South Front Street project.

Nonmajor Capital Project Funds
 Combining Balance Sheet
 June 30, 2014

	Radio System Equipment Capital Project
Assets	
Assets	
Due from other funds	\$ 181,101
Total assets	<u>\$ 181,101</u>
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Due to other funds	355,769
Total liabilities	<u>355,769</u>
 Fund balances:	
Spendable	
Restricted	
Stabilization by State Statute	-
Committed	181,101
Unassigned	(355,769)
Total fund balances	<u>(174,668)</u>
Total liabilities and fund balances	<u>\$ 181,101</u>

**Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended June 30, 2014**

	CDBG Community Revitalization Capital Project	Radio System Equipment Capital Project	South Front Street Capital Project	Total
Revenues:				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	6	-	16	22
Total revenues	6	-	16	22
Expenditures:				
Economic physical development	59,686	-	218,203	277,889
Public safety	-	226,906	-	226,906
Total expenditures	59,686	226,906	218,203	504,795
Revenues over (under) expenditures	(59,680)	(226,906)	(218,187)	(504,773)
Other financing sources (uses):				
Transfers out	-	-	(12,121)	(12,121)
Total other financing uses	-	-	(12,121)	(12,121)
Net change in fund balances	(59,680)	(226,906)	(230,308)	(516,894)
Fund balances:				
Fund balances, beginning of year	59,680	52,238	230,308	342,226
Fund balances, end of year, June 30th	\$ -	\$ (174,668)	\$ -	\$ (174,668)

CDBG Community Revitalization Capital Project
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
CDBG grant	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Powell Bill grant	50,000	50,000	-	50,000
NRCDC grant	100,000	100,000	-	100,000
Investment earnings	7	1	6	7
Total revenues	1,150,007	1,150,001	6	1,150,007
Expenditures:				
Economic and physical development				
Operating expenditures-CDBG federal	975,107	31,761	59,686	91,447
Capital outlay-CDBG federal	89,900	973,560	-	973,560
Operating expenditures-NRCDC	100,000	100,000	-	100,000
Total expenditures	1,165,007	1,105,321	59,686	1,165,007
Revenues over (under) expenditures	(15,000)	44,680	(59,680)	(15,000)
Other financing sources:				
Transfers in	15,000	15,000	-	15,000
Total other financing sources	15,000	15,000	-	15,000
Net change in fund balance	\$ -	\$ 59,680	(59,680)	\$ -
Fund balances:				
Beginning of year - July 1			59,680	
End of year - June 30			\$ -	

Radio System Equipment Capital Project
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Other revenues:				
Investment earnings	\$ -	\$ 16	\$ -	\$ 16
Miscellaneous revenues	495,537	280,566	-	280,566
Total revenues	495,537	280,582	-	280,582
Expenditures:				
General government				
Radio system equipment	4,342,697	4,015,124	226,906	4,242,030
Total expenditures	4,342,697	4,015,124	226,906	4,242,030
Revenues over (under) expenditures	(3,847,160)	(3,734,542)	(226,906)	(3,961,448)
Other financing sources (uses):				
Debt issued	3,485,500	3,485,500	-	3,485,500
Transfers in	301,280	301,280	-	301,280
Total other financing sources	3,786,780	3,786,780	-	3,786,780
Net change in fund balance	\$ (60,380)	\$ 52,238	(226,906)	\$ (174,668)
Fund balances:				
Beginning of year - July 1			52,238	
End of year - June 30			<u>\$ (174,668)</u>	

South Front Street Project
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Other revenues:				
Investment earnings	\$ 46	\$ 30	\$ 16	\$ 46
Total revenues	46	30	16	46
Expenditures:				
General government				
Sidewalk and curb improvements	503,240	285,037	218,203	503,240
Total expenditures	503,240	285,037	218,203	503,240
Revenues over (under) expenditures	(503,194)	(285,007)	(218,187)	(503,194)
Other financing sources (uses):				
Debt issued	465,315	465,315	-	465,315
Transfers in	50,000	50,000	-	50,000
Transfers out	(12,121)		(12,121)	(12,121)
Total other financing sources	503,194	515,315	(12,121)	503,194
Net change in fund balance	\$ -	\$ 230,308	(230,308)	\$ -
Fund balances:				
Beginning of year - July 1			230,308	
End of year - June 30			\$ -	

Proprietary Fund Financial Statements

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ENTERPRISE FUNDS

Enterprise Funds are established to account for enterprise operations that are financed and operated in a manner similar to private business. The intent is that the cost of providing goods and services to the general public will be recovered primarily through user charges.

Major Funds

Electric Fund

The Electric Fund is established to account for the enterprise operation of providing power to the residents of the City.

Water Fund

The Water Fund is established to account for the enterprise operation of providing water to the residents of the City.

Sewer Fund

The Sewer Fund is established to account for the enterprise operation of providing sewer services to the residents of the City.

Stormwater Fund

The Stormwater Fund is established to account for the enterprise operation of managing stormwater runoff and maintaining stormwater drainage ditches.

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Electric Operating Fund - Major Enterprise Fund
Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 63,097,570	\$ 63,763,783	\$ 666,213	\$ 61,909,426
Total operating revenues	63,097,570	63,763,783	666,213	61,909,426
Nonoperating revenues:				
Interest on investments	2,000	2,375	375	4,162
FEMA grant revenue	-	161,217	161,217	248,251
Miscellaneous	6,000	10,328	4,328	290,807
Total nonoperating revenues	8,000	173,920	165,920	543,220
Total revenues	63,105,570	63,937,703	832,133	62,452,646
Expenditures:				
Administration	3,822,584	3,576,318	246,266	4,255,905
Production	48,970,108	48,695,744	274,364	47,644,177
Distribution	3,491,150	3,132,084	359,066	2,841,195
Reimbursed expenditures - General Fund	2,019,903	2,019,903	-	1,407,301
Reimbursed expenditures - interfund	(715,848)	(715,848)	-	(809,694)
Capital outlay	1,559,098	982,774	576,324	1,433,524
Debt Service	912,079	720,209	191,870	683,562
Total expenditures	60,059,074	58,411,184	1,647,890	57,455,970
Excess of revenues over expenditures	3,046,496	5,526,519	2,480,023	4,996,676
Other financing sources (uses):				
Bonds issued	-	-	-	4,171,317
Installment purchase proceeds	316,478	309,680	(6,798)	-
Prepayment penalty	-	-	-	(73,848)
Bond issuance costs	-	-	-	(14,761)
Debt refunding	-	-	-	(4,081,993)
Transfers in-residual equity	8,427	8,427	-	-
Transfers out	(3,268,842)	(1,966,882)	1,301,960	(1,977,686)
Transfer out: General Fund Payment in lieu of Taxes	(248,311)	(234,119)	14,192	(242,775)
Fund balance appropriated	156,580	-	(156,580)	-
Contingency	(10,828)	-	10,828	-
Total other financing sources (uses)	(3,046,496)	(1,882,894)	1,163,602	(2,219,746)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 3,643,625	\$ 3,643,625	\$ 2,776,930

(Continued)

Electric Operating Fund - Major Enterprise Fund (Continued)
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -
 Year Ended June 30, 2014
 With Comparative Actual Amounts for Year Ended June 30, 2013

	2014	2013
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 3,643,625	\$ 2,776,930
Capital project interest revenue	146	857
Capitalized work orders	-	1,475,453
Capital assets purchased	982,774	1,433,524
Repairs in capital outlay	(162,586)	(1,017,691)
Depreciation	(1,988,542)	(1,976,078)
Proceeds from the issuance of debt	(309,680)	(4,171,317)
Debt refunding	-	4,081,993
Principal payment on debt	608,311	493,111
Transfer in of capital asset	-	35,159
Change in accrued interest	1,288	8,696
Bad debt expense	(404,197)	(159,880)
Change in accrued compensated absences	(18,461)	(14,401)
Changes in OPEB liability	(86,737)	(192,480)
	<u>\$ 2,265,941</u>	<u>\$ 2,773,876</u>
Change in net position	<u>\$ 2,265,941</u>	<u>\$ 2,773,876</u>

Electric Substation Capital Project Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 3,186	\$ 59	\$ 3,245
Total revenues	-	3,186	59	3,245
Expenditures:				
Substation capital outlay	2,190,000	1,909,211	5,147	1,914,358
Revenues under expenditures	(2,190,000)	(1,906,025)	(5,088)	(1,911,113)
Other financing sources and (uses):				
Debt issued	2,190,000	2,190,000	-	2,190,000
Total other financing sources and (uses):	2,190,000	2,190,000	-	2,190,000
Revenues and other financing sources over (under) expenditures	\$ -	\$ 283,975	\$ (5,088)	\$ 278,887

AMI/DSM System
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ -	\$ 87	\$ 87
Total revenues	-	-	87	87
Expenditures:				
Electric system project	950,000	331,156	433,625	764,781
Revenues under expenditures	(950,000)	(331,156)	(433,538)	(764,694)
Other financing sources:				
Bonds issued	950,000	950,000	-	950,000
Total other financing sources:	950,000	950,000	-	950,000
Revenues and other financing sources over (under) expenditures	\$ -	\$ 618,844	\$ (433,538)	\$ 185,306

Electric Rate Stabilization Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2014

	Final Budget	Current Year	Variance Positive (Negative)
<hr/>			
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
<hr/>			
Expenditures:			
Electric rate project	1,451,930	-	1,451,930
<hr/>			
Other financing sources:			
Transfer from electric fund	1,451,930	-	(1,451,930)
<hr/>			
Revenues and other financing sources over expenditures	\$ -	\$ -	\$ -
<hr/> <hr/>			

Kale Road Project Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2014

	Final Budget	Current Year	Variance Positive (Negative)
<hr/>			
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
<hr/>			
Expenditures:			
Kale Road project	1,636,000	169,393	1,466,607
<hr/>			
Other financing sources:			
Debt issued	1,636,000	-	(1,636,000)
<hr/>			
Revenues and other financing sources over (under) expenditures	\$ -	\$ 169,393	\$ (169,393)
<hr/> <hr/>			

Water Operating Fund - Major Enterprise Fund
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
 Year Ended June 30, 2014
 With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 10,670,400	\$ 10,423,585	\$ (246,815)	\$ 10,431,265
Total operating revenues	10,670,400	10,423,585	(246,815)	10,431,265
Nonoperating revenues:				
Interest on investments	3,500	1,460	(2,040)	3,672
FEMA grant revenue	-	-	-	15,060
Miscellaneous	2,500	13,234	10,734	3,446
Total nonoperating revenues	6,000	14,694	8,694	22,178
Total revenues	10,676,400	10,438,279	(238,121)	10,453,443
Expenditures:				
Administration	2,217,561	2,213,323	4,238	1,581,591
System maintenance and extensions	2,577,797	2,255,830	321,967	2,314,475
Reimbursed expenditures - interfund	(146,175)	(146,175)	-	(291,596)
Treatment	2,117,844	1,816,681	301,163	1,737,098
Hurricane Irene expenditures	-	-	-	677
Capital outlay	979,633	416,702	562,931	470,977
Debt Service	2,838,579	2,837,579	1,000	2,885,269
Total expenditures	10,585,239	9,393,940	1,191,299	8,698,491
Excess of revenues over expenditures	91,161	1,044,339	953,178	1,754,952
Other financing sources (uses):				
Bond proceeds	-	-	-	3,796,666
Installment purchase proceeds	242,700	-	(242,700)	(3,744,956)
Bond issuance costs	-	-	-	(12,847)
Debt prepayment penalty	-	-	-	(38,159)
Transfers in	114,396	114,396	-	160,000
Transfers in-residual equity	164,848	382,577	217,729	-
Transfers out	(887,209)	-	887,209	(3,245,249)
Transfer out: General Fund Payment in lieu of Taxes	(246,806)	(246,805)	1	769,596
Appropriated fund balance	520,910	-	(520,910)	-
Total other financing sources (uses)	(91,161)	250,168	341,329	(2,314,949)
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ 1,294,507	\$ 1,294,507	\$ (559,997)

(Continued)

Water Operating Fund - Major Enterprise Fund (Continued)
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -
 Year Ended June 30, 2014
 With Comparative Actual Amounts for Year Ended June 30, 2013

	2014	2013
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over (under) expenditures	\$ 1,294,507	\$ (559,997)
Capital project investment revenue	185	1,219
Capital project fee revenue	232,455	159,163
Capital assets purchased	416,702	470,977
Depreciation	(1,477,354)	(1,422,222)
Contributed capital assets	152,400	-
Intra-fund transfers (in) out	(407,858)	2,888,449
Transfers in from other funds	-	162,975
Transfer of capital assets in	-	3,254
Transfer of capital assets out	-	(35,159)
Bad debt expense	(61,618)	(41,262)
Principal payment on debt	2,116,268	2,058,653
Payment of refunded debt	-	3,744,956
Bond issuance	-	(3,796,666)
Change in accrued interest payable	7,882	12,857
Change in accrued compensated absences	(9,265)	(10,472)
Changes in OPEB liability	(17,516)	(227,125)
	<u>\$ 2,246,788</u>	<u>\$ 3,409,600</u>
Change in net position	<u><u>\$ 2,246,788</u></u>	<u><u>\$ 3,409,600</u></u>

Water Capital Reserve Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Capital recovery fee	\$ 237,600	\$ 232,455	\$ (5,145)	\$ 159,163
Investment earnings	300	169	(131)	363
Total revenues	237,900	232,624	(5,276)	159,526
Expenditures:				
Capital outlay	237,900	-	237,900	-
Total expenditures	237,900	-	237,900	-
 Revenues over expenditures	 \$ -	 \$ 232,624	 \$ 232,624	 \$ 159,526

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, 2014

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 6,069	\$ 6,053	\$ 16	\$ 6,069
Total revenues	6,069	6,053	16	6,069
Expenditures:				
Water improvement project	3,250,219	3,250,219	-	3,250,219
Revenues under expenditures	(3,244,150)	(3,244,166)	16	(3,244,150)
Other financing sources (uses):				
Installment debt issued	3,394,150	3,394,150	-	3,394,150
Transfer out	(150,000)	-	(150,000)	(150,000)
Total other financing sources	3,244,150	3,394,150	(150,000)	3,244,150
Revenues and other financing sources over (under) expenditures	\$ -	\$ 149,984	\$ (149,984)	\$ -

Neuse Blvd Phase II
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 60	\$ 59	\$ -	\$ 59
Total revenues	60	59	-	59
Expenditures:				
Water main phase II	3,135,550	3,120,768	14,781	3,135,549
Total expenditures	3,135,550	3,120,768	14,781	3,135,549
Revenues under expenditures	(3,135,490)	(3,120,709)	(14,781)	3,135,490
Other financing sources (uses):				
Installment debt issued	556,795	556,795	-	556,795
Transfer in	2,796,424	2,796,424	-	2,796,424
Transfer out	(217,729)	-	(217,729)	(217,729)
Total other financing sources:	3,135,490	3,353,219	(217,729)	3,135,490
Revenues and other financing sources over (under) expenditures	\$ -	\$ 232,510	\$ (232,510)	\$ -

Water Treatment Facility Improvements
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 From Inception and For the Year Ended June 30, 2014

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Water treatment facility improvements	214,871	214,871	-	214,871
Total expenditures	214,871	214,871	-	214,871
Revenues over (under) expenditures	(214,871)	(214,871)	-	(214,871)
Other financing sources (uses):				
Transfer in	255,000	255,000	-	255,000
Transfer out	(40,129)	-	(40,129)	(40,129)
Total other financing sources	214,871	255,000	(40,129)	214,871
Revenues and other financing sources over (under) expenditures	\$ -	\$ 40,129	\$ (40,129)	\$ -

Sewer Operating Fund - Major Enterprise Fund
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
 Year Ended June 30, 2014
 With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 11,228,800	\$ 11,084,424	\$ (144,376)	\$ 11,311,750
Availability fees	599,988	584,787	(15,201)	634,054
Total operating revenues	11,828,788	11,669,211	(159,577)	11,945,804
Nonoperating revenues:				
Interest on investments	1,000	706	(294)	1,117
FEMA grant revenue	-	-	-	32,213
Miscellaneous	3,000	3,150	150	9,499
Total nonoperating revenues	4,000	3,856	(144)	42,829
Total revenues	11,832,788	11,673,067	(159,721)	11,988,633
Expenditures:				
Administration	1,698,904	1,698,904	-	1,458,490
System maintenance and extensions	2,866,569	2,324,882	541,687	2,530,252
Treatment	2,783,857	2,753,610	30,247	2,819,952
Capital outlay	695,552	530,449	165,103	152,202
Debt Service	3,052,653	3,010,288	42,365	3,480,846
Total expenditures	11,097,535	10,318,133	779,402	10,441,742
Excess of revenues over expenditures	735,253	1,354,934	619,681	1,546,891
Other financing sources (uses):				
Debt proceeds	675,450	647,900	(27,550)	7,933,397
Bond refunding	-	-	-	(7,835,434)
Bond issuance costs	-	-	-	(30,311)
Debt prepayment penalty	-	-	-	(69,073)
Transfers in-residual equity	104,337	104,337	-	250,000
Transfers out	(1,850,233)	(432,765)	1,417,468	(807,225)
Transfer out: General Fund Payment in lieu of Taxes	(387,441)	(382,413)	5,028	714,902
Appropriated fund balance	722,634	-	(722,634)	-
Total other financing sources (uses)	(735,253)	(62,941)	672,312	156,256
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 1,291,993	\$ 1,291,993	\$ 1,703,147

(Continued)

Sewer Operating Fund - Major Enterprise Fund (Continued)
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
 Year Ended June 30, 2014
 With Comparative Actual Amounts for Year Ended June 30, 2013

	2014	2013
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 1,291,993	\$ 1,703,147
Capital project revenues	419,594	316,710
Capital project interest earnings	117	457
Capital assets purchased	530,449	152,202
Depreciation	(1,958,934)	(1,943,271)
Contributed capital assets	233,027	-
Bad debt expense	(48,702)	(16,036)
Principal payment on debt	2,458,921	2,713,449
Payment of refunded debt	-	7,835,434
Bond issuance	(647,900)	(7,933,397)
Loss on disposal of capital asset	-	(567,172)
Transfer of capital asset	-	(3,554)
Transfer (to) from capital project fund	222,459	(250,000)
Change in miscellaneous liability	10,840	-
Change in accrued interest payable	4,774	41,756
Change in accrued compensated absences	(3,846)	5,052
Changes in OPEB liability	(20,398)	40,045
	<u>\$ 2,492,394</u>	<u>\$ 2,094,822</u>
Change in net position	\$ 2,492,394	\$ 2,094,822

Sewer Capital Reserve Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Capital recovery fee	\$ 475,800	\$ 419,594	\$ (56,206)	\$ 316,710
Investment earnings	250	107	(143)	320
Total revenues	476,050	419,701	(56,349)	317,030
Expenditures:				
Capital outlay	226,050	-	226,050	-
Total expenditures	226,050	-	226,050	-
Other financing uses:				
Transfer out	(250,000)	-	250,000	(250,000)
Total other financing uses	(250,000)	-	250,000	(250,000)
Net change in fund balances	\$ -	419,701	\$ 419,701	67,030
Fund balances:				
Beginning of year - July 1		398,655		331,625
End of year - June 30		<u>\$ 818,356</u>		<u>\$ 398,655</u>

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, 2014

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 5,132	\$ 5,122	\$ 10	\$ 5,132
Total revenues	5,132	5,122	10	5,132
Expenditures:				
Sewer improvement project	5,406,982	5,406,982	-	5,406,982
Revenues over (under) expenditures	(5,401,850)	(5,401,860)	10	(5,401,850)
Other financing sources (uses):				
Installment debt issued	5,497,760	5,497,760	-	5,497,760
Transfer out	(95,910)	-	(95,910)	(95,910)
Total other financing sources	5,401,850	5,497,760	(95,910)	5,401,850
Revenues and other financing sources over (under) expenditures	\$ -	\$ 95,900	\$ (95,900)	\$ -

Sewer Debt Service Reserve
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2014

	Final Budget'	Current Year	Variance Positive (Negative)
Revenues:	\$ -	\$ -	\$ -
Expenditures:			
Debt Service	(318,370)	-	318,370
Other financing sources (uses):			
Transfer from sewer fund	318,370	318,369	(1)
Revenues and other financing sources over expenditures	\$ -	\$ 318,369	\$ 318,369

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Stormwater Operating Fund
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
 Year Ended June 30, 2014
 With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 690,000	\$ 675,590	\$ (14,410)	\$ 712,500
Total operating revenues	690,000	675,590	(14,410)	712,500
Nonoperating revenues:				
Interest on investments	-	210	210	22
Miscellaneous	-	-	-	452
Total nonoperating revenues	-	210	210	474
Total revenues	690,000	675,800	(14,200)	712,974
Expenditures:				
Stormwater system maintenance	605,833	549,716	56,117	559,891
Capital outlay	36,200	36,144	56	-
Debt service	73,176	73,176	-	74,845
Total expenditures	715,209	659,036	56,173	634,736
Excess of revenues over expenditures	(25,209)	16,764	41,973	78,238
Other financing sources (uses):				
Proceeds of installment purchase	40,000	35,300	(4,700)	-
Transfer in-residual equity	78,857	78,857	-	-
Contingency	(93,648)	-	93,648	-
Total other financing sources (uses)	25,209	114,157	88,948	-
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 130,921	\$ 130,921	\$ 78,238
Reconciliation to Full Accrual Basis				
From Modified Accrual Basis:		\$ 130,921		\$ 78,238
Transfer in of capital assets		-		1,007,263
Transfer in of debt		-		(628,346)
Capital assets purchased		36,144		-
Depreciation		(48,422)		-
Capital contributions		1,014,571		-
Principal payment on debt		57,122		57,122
Proceeds of installment purchase		(35,300)		-
Change in accrued interest payable		74		(2,780)
Bad debt expense		(8,599)		(27,399)
Change in accrued compensated absences		(2,381)		(12,836)
Changes in OPEB liability		(7,974)		(51,062)
Change in net position		\$ 1,136,156		\$ 420,200

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INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Employee Benefit Insurance Fund

The Employee Benefit Insurance Fund is established to account for the self-insured financing of the City's employee benefits insurance program.

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Employee Benefit Insurance Internal Service Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2014
 With Comparative Actual Amounts for Year Ended June 30, 2013

	2014			2013
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Employee and retiree contributions	\$ 466,578	\$ 635,629	\$ 169,051	\$ 646,162
Employer and other contributions	6,008,761	6,103,475	94,714	6,548,174
Investment earnings	150	857	707	1,013
Total revenue	6,475,489	6,739,961	264,472	7,195,349
Expenditures:				
Employee insurance plan benefits	6,910,000	5,587,627	1,322,373	5,040,535
Total expenditures	6,910,000	5,587,627	1,322,373	5,040,535
Revenue over (under) expenditures	(434,511)	1,152,334	1,586,845	2,154,814
Other financing sources:				
Appropriated fund balance	434,511	-	(434,511)	-
Revenues and other financing sources over over expenditures	\$ -	1,152,334	\$ 1,152,334	2,154,814
Reconciliation from budgetary basis to full accrual basis:				
Change in IBNR		31,031		202,750
Change in net position		\$ 1,121,303		\$ 2,357,564

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ADDITIONAL FINANCIAL DATA

This section contains the following:

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Year Levy

Schedule of Ad Valorem Taxes Receivable
 Required Supplementary Information
 June 30, 2014

Fiscal Year	Balance July 1, 2013	Additions	Collections and Credits	Balance June 30, 2014
2013-2014	\$ -	\$ 12,713,363	\$ 12,533,754	\$ 179,609
2012 - 2013	312,608	-	215,514	97,094
2011 - 2012	136,622	-	75,361	61,261
2010 - 2011	73,760	-	22,224	51,536
2009 - 2010	56,211	-	10,369	45,842
2008 - 2009	56,674	-	9,987	46,687
2007 - 2008	46,470	-	5,197	41,273
2006 - 2007	28,724	-	5,043	23,681
2005 - 2006	23,548	-	2,659	20,889
2004 - 2005	21,887	-	3,171	18,716
2003 - 2004	20,429	-	20,429	-
	\$ 776,933	\$ 12,713,363	\$ 12,903,708	586,588
Plus: Municipal Service District taxes receivable, all years, net of allowance				924
Plus: Taxes collected but not received from the County				65,340
Less allowance for uncollectible accounts, General Fund				(295,607)
Ad valorem taxes receivable net				\$ 357,245
Reconciliation with revenues:				
Ad valorem taxes				\$ 13,804,623
Reconciling Items:				
Amount written off per statute				20,014
Less interest collected				(114,370)
Tax & tag				(626,562)
Releases, ad valorem				19,990
Less Municipal Service District taxes, penalty, & interest collected all years				(199,987)
Total Collections and Credits				\$ 12,903,708

Analysis of Current Year Levy
 City-Wide Levy
 For the Year Ended June 30, 2014

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current years rate	\$ 3,025,808,318	\$ 0.41	\$ 12,405,876	\$ 11,858,263	\$ 547,613
Penalties	-		2,131	2,131	-
Total	<u>3,025,808,318</u>		<u>12,408,007</u>	<u>11,860,394</u>	<u>547,613</u>
Discoveries:					
Current year taxes	87,720,723	0.41	360,398	360,398	-
Penalties	-		9,594	9,594	-
Total	<u>87,720,723</u>		<u>369,992</u>	<u>369,992</u>	<u>-</u>
Abatements	<u>(15,946,533)</u>		<u>(64,636)</u>	<u>(14,580)</u>	<u>(50,056)</u>
Total property valuation	<u>\$ 3,097,582,508</u>				
Net levy			12,713,363	12,215,806	497,557
Uncollected taxes as of June 30, 2014			<u>179,609</u>	<u>143,524</u>	<u>36,085</u>
Current years taxes collected			<u>\$ 12,533,754</u>	<u>\$ 12,072,282</u>	<u>\$ 461,472</u>
Current levy collection percentage			<u>98.59%</u>	<u>98.83%</u>	<u>92.75%</u>
Prior year collection percentage			<u>97.62%</u>	<u>98.25%</u>	<u>88.81%</u>

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Statistical Section

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Statistical Section

This section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the City's overall financial health.

CONTENTS PAGES

FINANCIAL TRENDS INFORMATION

These schedules contain trend information intended to help the reader understand how the City's financial position has changed over time.

REVENUE CAPACITY INFORMATION

These schedules contain information intended to help the reader assess the City's most significant revenue sources, tax collections, and utilities revenue base.

DEBT CAPACITY INFORMATION

These schedules present information intended to assist users in understanding and assessing the City's current levels of outstanding debt and the ability to issue additional debt.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules provide demographic and economic indicators intended to help the reader understand the socio-economic environment within which the City's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of New Bern, North Carolina

Net Position By Component
 Last Ten Fiscal Years
(Accrual Basis of Accounting)
 (Unaudited)

	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$ 23,394,465	\$ 25,064,130	\$ 27,941,069	\$ 31,404,726
Restricted	-	-	-	-
Unrestricted	7,669,103	7,225,434	6,149,098	5,203,061
Total governmental activities net position	\$ 31,063,568	\$ 32,289,564	\$ 34,090,167	\$ 36,607,787
Business-type activities:				
Invested in capital assets, net of related debt	\$ 53,069,482	\$ 59,491,097	\$ 66,649,066	\$ 72,480,430
Unrestricted	5,926,748	4,957,739	5,543,157	2,920,879
Total business-type activities net position	\$ 58,996,230	\$ 64,448,836	\$ 72,192,223	\$ 75,401,309
Primary government:				
Invested in capital assets, net of related debt	\$ 76,463,947	\$ 84,555,227	\$ 94,590,135	\$ 103,885,156
Restricted	-	-	-	-
Unrestricted	13,595,851	12,183,173	11,692,255	8,123,940
Total primary government net position	\$ 90,059,798	\$ 96,738,400	\$ 106,282,390	\$ 112,009,096

Fiscal Year		2009	2010	2011	2012	2013	2014				
\$	32,315,686	\$	31,419,739	\$	34,018,646	\$	34,826,041	\$	36,383,138	\$	36,694,879
	-		-		3,840,612		4,317,526		5,611,591		6,851,966
	4,219,981		3,051,269		760,319		1,952,892		4,312,131		5,165,362
\$	36,535,667	\$	34,471,008	\$	38,619,577	\$	41,096,459	\$	46,306,860	\$	48,712,207
\$	73,993,249	\$	76,160,558	\$	78,578,999	\$	80,159,948	\$	83,796,943	\$	87,019,064
	7,218,811		14,211,130		21,659,418		23,829,737		25,922,244		30,841,402
\$	81,212,060	\$	90,371,688	\$	100,238,417	\$	103,989,685	\$	109,719,187	\$	117,860,466
\$	106,308,935	\$	107,580,297	\$	112,597,645	\$	114,985,989	\$	120,180,081	\$	123,713,943
	-		-		3,840,612		4,317,526		5,611,591		6,851,966
	11,438,792		17,262,399		22,419,737		25,782,629		30,234,375		36,006,764
\$	117,747,727	\$	124,842,696	\$	138,857,994	\$	145,086,144	\$	156,026,047	\$	166,572,673

City of New Bern, North Carolina

Changes In Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2005	2006	2007	2008
Expenses:				
Governmental activities:				
General government	\$ 1,933,097	\$ 1,031,066	\$ 2,611,090	\$ 1,740,209
Public safety	11,744,785	12,204,473	12,850,444	14,256,696
Public Works	3,243,228	3,584,042	1,764,001	4,155,602
Environmental protection	1,741,625	1,820,183	1,553,143	1,857,096
Culture and recreation	2,148,995	2,376,169	1,930,009	2,447,858
Economic and physical development	1,371,386	1,230,911	1,793,777	1,573,632
Interest on long-term debt	297,312	354,053	504,338	352,293
Total governmental activities expenses	22,480,428	22,600,897	23,006,802	26,383,386
Business-type activities:				
Electric	43,499,726	47,888,167	49,951,891	51,942,501
Water	3,737,359	4,037,711	4,580,662	6,003,170
Sewer	7,225,014	8,724,347	9,605,872	9,919,852
Stormwater	-	-	-	-
Total business-type activities expenses	54,462,099	60,650,225	64,138,425	67,865,523
Total primary government expenses	76,942,527	83,251,122	87,145,227	94,248,909
Program revenue:				
Governmental activities:				
Charges for services:				
General government	3,055,483	2,281,002	2,216,435	3,646,342
Public safety	157,227	442,835	68,505	74,246
Public Works	81,205	986,196	1,173,852	162,910
Environmental protection	1,394,365	1,242,068	1,367,977	1,418,840
Culture and recreation	68,767	56,098	74,426	93,681
Economic and physical development	-	4,053	-	-
Operating grants and contributions:				
General government	-	-	-	236,608
Public safety	886,729	281,036	551,151	891,411
Transportation	-	-	-	-
Public Works	-	-	-	-
Environmental protection	-	-	-	-
Culture and recreation	153,152	-	-	5,762
Economic and physical development	608,406	607,712	596,071	356,331
Capital grants and contributions:				
General government	330,098	11,695	-	-
Public Safety	-	-	-	432,429
Public Works	816,108	-	-	910,462
Environmental protection	-	777,808	784,016	-
Culture and recreation	-	-	-	12,732
Economic and physical development	-	-	-	33,841
Total governmental activities program revenue	7,551,540	6,690,503	6,832,433	8,275,595

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	1,607,896	\$	1,715,925	\$	1,959,814	\$	2,737,701	\$	2,980,543	\$	3,175,305
	16,013,462		17,093,862		15,232,805		15,127,179		15,660,542		15,369,029
	4,473,588		4,376,173		3,970,149		5,223,903		2,998,765		4,295,470
	1,913,120		2,033,675		2,054,485		2,053,938		1,663,347		1,825,829
	2,589,437		2,708,074		2,280,243		2,549,680		2,497,152		2,503,892
	1,762,996		1,791,932		1,405,498		1,731,687		2,378,028		2,077,157
	536,679		563,132		518,903		509,077		365,826		342,703
	28,897,178		30,282,773		27,421,897		29,933,165		28,544,203		29,589,385
	57,412,727		60,061,164		61,298,449		60,325,099		57,737,100		59,713,453
	5,688,144		6,331,408		6,699,559		9,195,478		8,677,687		8,665,646
	10,052,081		10,677,006		10,233,465		10,442,463		10,830,003		9,727,442
	-		-		-		74,153		671,691		633,072
	73,152,952		77,069,578		78,231,473		80,037,193		77,916,481		78,739,613
	102,050,130		107,352,351		105,653,370		109,970,358		106,460,684		108,328,998
	2,734,955		2,919,172		3,158,508		1,945,596		1,554,015		1,591,361
	464,430		414,458		355,296		185,272		519,536		337,912
	198,964		179,765		247,586		130,132		987		11,000
	1,502,513		1,550,860		1,861,267		2,149,340		2,280,468		2,817,704
	98,533		133,105		133,623		167,033		152,022		227,068
	6,000		3,300		1,600		565,279		962,406		550,112
	-		-		-		-		-		174,765
	349,007		479,895		125,120		601,199		1,526,387		676,810
	-		-		-		-		-		-
	9,048		-		-		1,320,993		812,542		871,986
	563		63,892		145,054		161,299		-		-
	107,531		7,875		12,383		-		-		-
	32,120		120,605		52,762		293,530		1,290,569		110,661
	-		-		-		-		-		-
	105,509		89,130		542,146		397,053		-		-
	824,445		738,519		754,012		834,142		323,776		-
	-		-		-		-		-		-
	-		27,186		460,082		-		-		-
	-		-		758,500		-		-		68,424
	6,433,618		6,727,762		8,607,939		8,750,868		9,422,708		7,437,803

(Continued)

City of New Bern, North Carolina

Changes In Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2005	2006	2007	2008
Business-type activities:				
Charges for services:				
Electric	\$ 43,462,330	\$ 48,908,431	\$ 51,077,708	\$ 53,551,679
Water	4,368,428	4,640,399	5,377,310	6,095,579
Sewer	9,762,576	10,012,321	10,864,324	11,945,455
Stormwater	-	-	-	-
Capital grants and contributions:				
Electric	35,205	120,618	34,858	-
Water	183,540	73,848	755,828	-
Sewer	3,038,859	3,108,072	4,211,536	598,245
Operating grants and contributions:				
Electric				
Water				
Sewer				
Total business-type activities program revenues	60,850,938	66,863,689	72,321,564	72,190,958
Total primary government program revenues	68,402,478	73,554,192	79,153,997	80,466,553
Net (expense) revenue:				
Governmental activities	(14,928,888)	(15,910,394)	(16,174,369)	(18,107,791)
Business-type activities	6,388,839	6,213,464	8,183,139	4,325,435
Total primary government net expense	(8,540,049)	(9,696,930)	(7,991,230)	(13,782,356)

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	61,694,281	\$	64,846,861	\$	65,916,870	\$	60,516,535	\$	61,909,426	\$	63,763,783
	6,877,360		9,768,948		11,130,551		10,890,900		10,431,265		10,423,585
	11,406,773		12,383,344		12,298,288		12,091,162		11,945,804		11,669,211
	-		-		-		87,917		712,500		675,590
	-		-		44,523		-		-		152,400
	360,626		342,085		341,531		-		-		233,027
	841,156		449,829		303,631		-		-		1,014,571
							1,417,005		539,058		171,545
							273,795		177,669		245,689
							382,268		358,422		422,744
									452		-
	81,180,196		87,791,067		90,035,394		85,659,582		86,074,596		88,772,145
	87,613,814		94,518,829		98,643,333		94,410,450		95,497,304		96,209,948
	(22,463,560)		(23,555,011)		(18,813,958)		(21,182,297)		(19,121,495)		(22,151,582)
	8,027,244		10,721,489		11,803,921		5,622,389		8,158,115		10,032,532
	(14,436,316)		(12,833,522)		(7,010,037)		(15,559,908)		(10,963,380)		(12,119,050)

City of New Bern, North Carolina

Changes In Net Position (Continued)
 Last Ten Fiscal Years
(Accrual Basis of Accounting)
 (Unaudited)

	2005	2006	2007	2008
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Ad valorem taxes	\$ 8,906,208	\$ 9,397,697	\$ 10,004,106	\$ 11,394,396
Sales taxes	4,385,247	4,722,848	4,886,739	5,050,076
Utility franchise tax	-	-	-	-
Payment in Lieu of Taxes	-	-	-	-
Other taxes	1,557,118	1,957,366	2,206,366	2,762,008
Grants & contributions not restricted to specific programs	-	-	268,561	-
Investment earnings	124,196	210,979	-	220,341
Interdepartmental Charges	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	1,389,912	847,500	609,202	1,198,590
Total governmental activities	16,362,681	17,136,390	17,974,974	20,625,411
Business-type activities:				
Grants & contributions not restricted to specific programs	-	-	-	-
Investment earnings	87,516	86,642	169,450	82,241
Miscellaneous	-	-	-	-
Transfers	(1,389,912)	(847,500)	(609,202)	(1,198,590)
Total business-type activities	(1,302,396)	(760,858)	(439,752)	(1,116,349)
Total primary government	15,060,285	16,375,532	17,535,222	19,509,062
Changes in net position:				
Governmental activities	1,433,793	1,225,996	1,800,605	2,517,620
Business-type activities	5,086,443	5,452,606	7,743,387	3,209,086
Total primary government	\$ 6,520,236	\$ 6,678,602	\$ 9,543,992	\$ 5,726,706

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	11,976,146	\$	12,043,657	\$	12,919,994	\$	13,315,629	\$	13,251,107	\$	13,701,543
	4,992,972		4,707,615		4,892,122		5,331,248		6,039,107		6,231,042
	1,455,896		1,482,365		1,520,306		1,408,725		1,406,786		1,573,495
	-		-		-		-		860,496		863,337
	1,672,945		1,663,842		1,658,465		1,702,043		315,351		278,850
	-		-		-		-		-		-
	56,074		12,916		16,880		16,472		18,930		12,210
	-		-		-		-		-		-
	-		-		-		-		-		-
	2,237,407		1,579,957		1,954,758		1,885,062		2,440,119		1,896,452
	22,391,440		21,490,352		22,962,525		23,659,179		24,331,896		24,556,929
	-		-		-		-		-		-
	20,914		18,096		17,566		13,941		11,506		5,199
	-		-		-		-		-		-
	(2,237,407)		(1,579,957)		(1,954,758)		(1,885,062)		(2,440,119)		(1,896,452)
	(2,216,493)		(1,561,861)		(1,937,192)		(1,871,121)		(2,428,613)		(1,891,253)
	20,174,947		19,928,491		21,025,333		21,788,058		21,903,283		22,665,676
	(72,120)		(2,064,659)		4,148,567		2,476,882		5,210,401		2,405,347
	5,810,751		9,159,628		9,866,729		3,751,268		5,729,502		8,141,279
\$	5,738,631	\$	7,094,969	\$	14,015,296	\$	6,228,150	\$	10,939,903	\$	10,546,626

City of New Bern, North Carolina

Program Revenues by Function/Program

Net of Expense

Last Ten Fiscal Years*

(Accrual Basis of Accounting)

(Unaudited)

Function / Program	2005	2006	2007	2008
Governmental activities:				
General government	\$ 1,452,484	\$ 1,261,631	\$ (394,655)	\$ 2,142,741
Public safety	(10,700,829)	(11,480,602)	(12,230,788)	(12,858,610)
Transportation	-	-	-	-
Public Works	(2,345,915)	(2,597,846)	(590,149)	(3,082,230)
Environmental protection	(347,260)	199,693	598,850	(438,256)
Culture and recreation	(1,927,076)	(2,320,071)	(1,855,583)	(2,335,683)
Economic and physical development	(762,980)	(619,146)	(1,197,706)	(1,183,460)
Interest on long-term debt	(297,312)	(354,053)	(504,338)	(352,293)
Total governmental activities	(14,928,888)	(15,910,394)	(16,174,369)	(18,107,791)
Business-type activities:				
Electric	(2,191)	1,140,882	1,160,675	1,609,178
Water	814,609	676,536	1,552,476	92,409
Sewer	5,576,421	4,396,046	5,469,988	2,623,848
Stormwater	-	-	-	-
Total business-type activities	6,388,839	6,213,464	8,183,139	4,325,435
Total government	\$ (8,540,049)	\$ (9,696,930)	\$ (7,991,230)	\$ (13,782,356)

Source: City records.

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	1,127,059	\$	1,203,247	\$	1,198,694	\$	(792,105)	\$	(1,426,528)	\$	(1,409,179)
	(15,094,516)		(16,110,379)		(14,210,243)		(13,943,655)		(13,614,619)		(14,354,307)
	-		-		-		-		-		-
	(3,441,131)		(3,457,889)		(2,968,551)		(2,938,636)		(1,861,460)		(3,412,484)
	(410,044)		(418,923)		(48,164)		256,701		617,121		991,875
	(2,383,373)		(2,539,908)		(1,674,155)		(2,382,647)		(2,345,130)		(2,276,824)
	(1,724,876)		(1,668,027)		(592,636)		(872,878)		(125,053)		(1,347,960)
	(536,679)		(563,132)		(518,903)		(509,077)		(365,826)		(342,703)
	(22,463,560)		(23,555,011)		(18,813,957)		(21,182,297)		(19,121,495)		(22,151,582)
	4,281,554		4,785,697		4,662,944		1,608,441		4,711,384		4,221,875
	1,549,842		3,779,625		4,772,523		1,969,217		1,931,247		2,156,028
	2,195,848		2,156,167		2,368,454		2,030,967		1,474,223		2,597,540
	-		-		-		13,764		41,261		1,057,089
	8,027,244		10,721,489		11,803,921		5,622,389		8,158,115		10,032,532
\$	(14,436,316)	\$	(12,833,522)	\$	(7,010,036)	\$	(15,559,908)	\$	(10,963,380)	\$	(12,119,050)

City of New Bern, North Carolina

Fund Balances, Governmental Funds
 Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
 (Unaudited)

	2005	2006	2007	2008
General Fund:				
Reserved	\$ 3,473,872	\$ 2,707,995	\$ 2,829,693	\$ 6,189,102
Unreserved:	3,595,689	4,286,951	3,402,295	253,896
Non Spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 7,069,561	\$ 6,994,946	\$ 6,231,988	\$ 6,442,998
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	505,134	373,245	388,722	133,373
Major Capital projects funds	-	-	-	-
Capital projects funds	(273,246)	-	(68,360)	3,966,334
Permanent fund	-	-	-	-
Stablization by State Statute	-	-	-	-
Restricted in Capital Project	-	-	-	-
Committed in Capital Project	-	-	-	-
Unassigned in Capital Project	-	-	-	-
Restricted in Special Revenue Fund	-	-	-	-
Assigned in Special Revenue Fund	-	-	-	-
Unassigned in Special Revenue Fund	-	-	-	-
Total all other government funds	\$ 231,888	\$ 373,245	\$ 320,362	\$ 4,099,707

		Fiscal Year					
		2009	2010	2011	2012	2013	2014
\$	3,227,265	\$	3,201,334	\$	-	\$	-
	2,701,696		2,035,562		-		-
	-		-		168,263		140,908
	-		-		2,771,830		3,397,888
	-		-		-		-
	-		-		4,604,056		6,786,387
\$	5,928,961	\$	5,236,896	\$	7,544,149	\$	10,325,476
							7,449,776
							8,316,904
\$	266,831	\$	87,798	\$	-	\$	-
	(84,129)		1,270,581		-		-
	-		-		-		-
	327,441		-		-		-
	-		-		-		-
	-		-		-		735,341
	-		-		394,325		324,372
	-		-		391,977		322,202
	-		-		(2,348)		(4,412)
	-		-		1,288,530		733,213
	-		-		5,500		-
	-		-		(799,068)		(73,786)
\$	510,143	\$	1,358,379	\$	1,278,916	\$	1,303,831
							947,134
							480,400

City of New Bern, North Carolina

Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2005	2006	2007	2008
Revenues:				
Taxes	\$ 8,892,071	\$ 9,411,957	\$ 9,997,047	\$ 11,355,453
Other taxes	245,142	258,431	276,852	286,108
Intergovernmental	8,375,870	8,681,444	9,005,926	10,175,984
Permits and fees	494,970	606,136	744,445	519,042
Charges for services	3,217,561	3,055,465	3,192,832	3,260,934
Interdepartmental charges	-	-	-	-
Other	644,624	676,235	640,628	451,825
Total revenues	21,870,238	22,689,668	23,857,730	26,049,346
Expenditures:				
General government	1,090,868	982,572	496,371	735,151
Public safety	10,589,548	11,362,991	13,033,632	14,389,262
Transportation	-	-	-	-
Public works	2,970,191	3,086,885	3,350,136	3,665,542
Environmental protection	-	-	-	-
Culture and recreation	1,639,030	1,698,419	1,738,901	1,789,423
Economic and physical development	2,034,224	2,147,898	2,102,302	2,262,132
Miscellaneous	1,531,666	1,230,911	1,793,777	2,463,087
Interfund reimbursements	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	3,325,210	2,163,453	1,767,427	3,726,453
Principal				
Interest	1,914,921	2,242,325	1,978,519	2,001,293
Total expenditures	323,200	354,053	504,339	352,562
	25,418,858	25,269,507	26,765,404	31,384,905
Excess of revenues (under) expenditures	(3,548,620)	(2,579,839)	(2,907,674)	(5,335,559)
Other financing sources (uses):				
Transfers in				
Transfers out	1,389,912	799,847	662,989	1,605,312
Issuance of long-term debt	-	(47,653)	(53,787)	(406,722)
Total other financing sources	2,999,208	1,799,069	1,482,631	8,127,324
	4,389,120	2,551,263	2,091,833	9,325,914
Net changes in fund balance	\$ 840,500	\$ (28,576)	\$ (815,841)	\$ 3,990,355
Debt service as a percentage of noncapital expenditures	10.2%	11.7%	10.9%	9.4%

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	11,916,033	\$	11,935,701	\$	12,882,798	\$	13,364,849	\$	13,297,524	\$	13,804,623
	282,833		268,819		255,333		262,984		264,417		278,850
	9,258,155		9,112,105		10,477,875		11,706,136		12,628,746		10,570,520
	537,054		557,945		573,392		601,753		584,906		629,737
	4,021,657		3,930,456		4,308,027		4,214,282		4,154,506		4,697,698
	-		-		-		-		17,917		11,353
	249,061		217,419		393,056		440,448		240,121		186,493
	26,264,793		26,022,445		28,890,481		30,590,452		31,188,137		30,179,274
	594,586		553,996		703,279		962,957		4,490,858		4,503,448
	14,640,876		15,115,471		14,838,939		18,309,272		15,543,189		15,596,236
	-		-		-		-		-		-
	3,763,739		3,394,160		3,491,813		4,801,869		4,436,086		4,947,552
	-		-		-		-		-		-
	1,856,632		1,959,738		1,997,630		1,952,131		1,792,211		1,772,657
	2,304,822		2,309,096		3,150,315		2,123,400		2,956,433		2,460,377
	1,669,949		1,647,002		2,249,191		1,872,267		3,222,067		2,121,975
	-		-		-		-		-		-
	-		-		-		-		(2,891,799)		(3,310,269)
	6,243,472		457,895		130,547		538,108		1,052,794		1,857,062
	2,434,480		2,196,177		2,128,628		2,153,397		1,997,458		1,461,189
	536,681		563,134		518,901		445,677		380,588		349,093
	34,045,237		28,196,669		29,209,243		33,159,078		32,979,885		31,759,320
	(7,780,444)		(2,174,224)		(318,762)		(2,568,626)		(1,791,748)		(1,580,046)
	1,308,391		1,907,075		2,447,741		2,056,879		2,980,737		2,193,282
	-		(327,118)		(492,983)		(664,812)		(161,701)		(296,830)
	2,368,452		750,438		199,817		4,052,576		465,315		1,740,891
	3,676,843		2,330,395		2,154,575		5,444,643		3,284,351		3,637,343
\$	(4,103,601)	\$	156,171	\$	1,835,813	\$	2,876,017	\$	1,492,603	\$	2,057,297

11.2%

10.1%

9.9%

9.0%

7.8%

6.2%

City of New Bern, North Carolina

The Electric System
 Electricity Purchased, Consumed & Unbilled
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	KWH Purchased	Power Cost FY	KWH Residential Usage	KWH Commercial/Industrial Usage
2004-2005	448,948,273	\$32,971,764	215,383,059	211,613,271
2005-2006	462,020,148	\$37,001,560	227,603,547	218,170,922
2006-2007	460,583,341	\$38,870,115	223,987,205	211,669,357
2007-2008	477,754,039	\$39,479,853	226,623,790	218,653,367
2008-2009	477,446,638	\$45,681,067	234,671,967	216,874,513
2009-2010	484,521,876	\$47,105,382	240,353,947	214,345,062
2010-2011	498,840,126	\$48,546,194	250,929,048	221,371,906
2011-2012	458,824,995	\$45,846,007	222,729,647	219,827,592
2012-2013	469,665,593	\$46,711,774	233,508,677	218,582,492
2013-2014	480,049,085	\$47,455,824	240,283,626	217,521,976

Source: City records

KWH Other Usage	KWH Total Usage	KWH Unbilled	KWH Unbilled %	Purchased Electric Rate (.00/KWH)	Daily Average Usage
233,040	427,229,370	21,718,903	5%	\$0.0734	1,229,995
258,000	446,032,469	15,987,679	3%	\$0.0801	1,265,809
344,640	436,001,202	24,582,139	5%	\$0.0844	1,261,872
356,160	445,633,317	32,120,722	7%	\$0.0826	1,308,915
345,600	451,892,080	25,554,558	5%	\$0.0957	1,308,073
322,320	455,021,329	29,500,547	6%	\$0.0972	1,327,457
272,880	472,573,834	26,266,292	5%	\$0.0973	1,366,685
101,760	442,658,999	16,165,996	4%	\$0.0999	1,257,055
14,640	452,105,809	17,559,784	4%	\$0.0995	1,286,755
114,000	457,919,602	22,129,483	5%	\$0.0989	1,315,203

City of New Bern, North Carolina

Electric Rates
Last Ten Fiscal Years

Electric Rates	Cents Per KWH			
	2005	2006	2007	2008
Residential	\$0.0945	\$0.1135	\$0.1119	\$0.1220
Commercial	0.0935	0.1030	0.1021	0.1114
Large Commercial/Industrial	0.0739	0.0829	0.0688	0.0699
Other	0.0901	0.0967	0.0952	0.0964

Source: Cityrecords

Cents Per KWH

2009	2010	2011	2012	2013	2014
\$0.1410	\$0.1442	\$0.1439	\$0.1373	\$0.1307	\$0.1439
0.1278	0.1348	0.1367	0.1334	0.1331	0.1305
0.0920	0.0883	0.0882	0.0837	0.0827	0.0842
0.1221	0.1248	0.1238	0.1358	0.1738	0.1275

City of New Bern, North Carolina

Electric System - Major Users
Current Year and Nine Years Ago

2014					2005				
Rank	Customer	Annual KWH	Annual Revenues	Percentage of Total Electric Sales	Rank	Customer	Annual KWH	Annual Revenues	Percentage of Total Electric Sales
01	Carolina East Medical Cer	18196800	\$1,172,159	1.89%	01	Carolina East Medical Cer	15671200	1,019,297	2.35%
02	Craven Community	7921200	536,289	0.87%	02	Hatteras Yachts	12045600	1,131,648	2.60%
03	Maola	5971200	416,093	0.67%	03	Maola	5908800	539,039	1.24%
04	Hatteras Yachts	5716800	294,528	0.48%	04	Craven Community	5664840	539,152	1.24%
05	City of New Bern STP	5094000	344,265	0.56%	05	Lowe's	4006400	182,179	0.41%
06	Wal-Mart Havelock	4575900	326,909	0.53%	06	Craven Terrace	2910240	256,642	0.52%
07	Craven Terrace	3069360	212,668	0.34%	07	Food Lion	2602400	97,706	0.26%
08	Lowe's	2762800	200,939	0.32%	08	Sheraton	1734190	152,056	0.35%
09	N.C. Dept of Culture	2033700	196,175	0.32%	09	*			
10	Trent Court	1980960	142,275	0.23%	10	*			
		<u>Revenue for All</u>					<u>Revenue for All</u>		
Totals		<u>\$61,889,987</u>	<u>57322720</u>	<u>\$3,842,300</u>	Totals		<u>\$43,457,744</u>	<u>50543670</u>	<u>\$3,917,719</u>

* Information not readily available.

Source: City Records

City of New Bern, North Carolina

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal						Total	Estimated	Assessed	
Year	Real Property		Personal Property		Less	Total Taxable	Direct	Actual	Value as a
Ended	Residential	Commercial	Motor	Other	Tax Exempt	Assessed	Tax	Taxable	Percentage of
June 30	Property	Property	Vehicles		Real Propert	Value	Rate	Value (1)	Actual Value (2)
2005	904,244,412	537,556,818	207,307,599	221,536,480	6,402,517	1,864,242,792	0.47	1,975,670,615	94.36%
2006	948,859,492	564,474,814	221,440,493	235,255,510	6,058,434	1,963,971,875	0.47	2,388,679,001	82.22%
2007	1,009,184,721	600,579,392	240,416,975	248,109,734	6,080,824	2,092,209,998	0.47	3,049,424,279	68.61%
2008	1,076,646,139	641,116,122	244,900,964	261,991,233	5,836,701	2,218,817,757	0.505	3,354,221,855	66.15%
2009	1,146,888,181	682,642,384	233,661,254	274,372,842	6,720,461	2,330,844,200	0.505	3,495,567,187	66.68%
2010	1,175,109,254	698,743,698	215,576,429	263,121,567	8,048,686	2,344,502,262	0.505	2,346,849,111	99.90%
2011 (3)	1,654,793,516	983,704,603	217,961,102	268,536,167	11,783,558	3,113,211,830	0.41	3,075,384,599	101.23%
2012	1,691,989,475	1,004,138,358	227,578,581	221,190,195	14,850,508	3,130,046,101	0.41	2,931,029,217	106.79%
2013	1,699,293,395	1,007,925,555	233,561,473	269,508,198	15,828,940	3,194,459,681	0.41	2,826,455,212	113.02%
2014	1,721,521,337	1,007,745,243	133,550,747	250,894,383	16,129,202	3,097,582,508	0.41	2,737,831,455	113.14%

Source: Craven County Tax Office

Notes:

- (1) Per \$100 of value
- (2) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the State Department of Revenue. The ratio is based on actual property sales within Craven County which took place in the calendar year ending during the fiscal year.
- (3) Property tax is reassessed every eight years by Craven County. The last reassessment was on January 1, 2010 and was the basis for fiscal 2011 taxes.

City of New Bern, North Carolina

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	7,982,783	7,891,509	98.86%	69,387	7,960,896	99.73%
2006	8,384,515	8,321,117	99.24%	39,850	8,360,967	99.72%
2007	8,911,639	8,856,640	99.38%	26,275	8,882,915	99.68%
2008	10,256,118	10,175,877	99.22%	33,771	10,209,648	99.55%
2009	10,882,144	10,731,998	98.62%	93,472	10,825,470	99.48%
2010	11,031,702	10,769,066	97.62%	206,425	10,975,491	99.49%
2011	12,150,856	11,833,088	97.38%	244,008	12,077,096	99.39%
2012	13,034,415	12,694,505	97.39%	203,288	12,897,793	98.95%
2013	13,113,654	12,801,046	97.62%	215,515	13,016,561	99.26%
2014	12,713,363	12,533,754	98.59%	-	125,339,754	98.59%

Source: City property tax records

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City of New Bern, North Carolina

Principal Taxpayers
Current Year and Nine Years Ago

Name of Taxpayer	Nature of Property	2014			Percentage of Total Assessed Value
		Assessed Value	Rank	Assessed Value	
BSH Home Appliances	Household Appliances	\$ 63,026,377	1	2.03%	
Hatteras Yachts, Inc.	Boat Manufacturing	25,759,674	2	0.83%	
New Bern Riverfront	Developer(Condos)	24,890,230	3	0.80%	
Carolina Telephone	Telephone Service	15,761,240	4	0.51%	
New Bern Apartments, LLC	Residential Rental	15,095,880	5	0.49%	
DRA Woodland Crossing LP	Residential Rental	15,029,380	6	0.49%	
ATTA Holdings	Medical Offices	14,497,300	7	0.47%	
Carolina Creek	Developer	14,878,060	8	0.48%	
Wal Mart Real Estate Business Trust	Retail Sales	12,364,570	9	0.40%	
RPG Hospitality LLC	Hotel	9,891,471	10	0.32%	
Total Assessed Valuation of Top Ten Taxpayer		<u>\$ 211,194,182</u>		6.82%	
Balance of Assessed Valuation.		<u>\$ 2,886,388,326</u>		93.18%	
Total Assessed Valuation		<u>\$ 3,097,582,508</u>		100.00%	

Source: City property tax records

2005				
Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
BSH Home Appliances	Household Appliances	\$ 85,286,753	1	4.57%
Hatteras Yachts, Inc	Boat Manufacturing	25,081,682	2	1.35%
Carolina Telephone	Telephone Service	14,374,468	3	0.77%
Amital Spinning Corp.	Yarn/Textile Mfg.	13,643,729	4	0.73%
DDR Xenia & New Bern LLC	Developer	13,536,930	5	0.73%
Twin Rivers Mall	Retail Shopping Center	11,798,198	6	0.63%
Thomas F. & Karen Webb		11,579,176	7	0.62%
Tredegar Film Products	Plastics Mfg.	10,158,366	8	0.54%
Trent Neuse Hotel LLC	Hotel	9,510,029	9	0.51%
Maola Milk & Ice Cream Co.	Dairy Products	<u>8,726,657</u>	10	0.47%
Total Assessed Valuation of Top Ten Taxpayer		<u>\$ 203,695,988</u>		9.07%
Balance of Assessed Valuation.		<u>\$ 1,660,546,804</u>		90.93%
Total Assessed Valuation		<u>\$ 1,864,242,792</u>		100.00%

City of New Bern, North Carolina

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

<u>Fiscal Year Ending June 30</u>	<u>Direct Rate City</u>	<u>Overlapping Rate Craven County</u>
2005	0.4700	0.5600
2006	0.4700	0.6100
2007	0.4700	0.6100
2008	0.5050	0.6100
2009	0.5050	0.6100
2010	0.5050	0.6100
2011	0.4100	0.4728
2012	0.4100	0.4728
2013	0.4100	0.4728
2014	0.4100	0.4675

Notes:

- (1) Source of County tax rates from Craven County Tax Office.
- (2) City of New Bern tax rate excludes Municipal Service District tax rates.
This rate covers a small area and is nominal in amount.
- (3) Real property was revalued on January 1, 2010.

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City of New Bern, North Carolina

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Capitalized Leases	Installment Notes Payable	Capitalized Leases
2004	-	10,355,060	-	13,960,066
2005	-	-	11,439,347	-
2006	-	-	10,996,091	-
2007	-	-	10,500,274	-
2008	-	-	16,626,035	-
2009	-	-	16,106,428	-
2010	-	-	14,660,687	-
2011	-	-	12,731,877	-
2012	-	-	14,610,371	-
2013	-	-	12,449,882	-
2014	-	-	12,729,584	-

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) The City has no outstanding general obligation bonds
- (3) Population can be found on the Demographic and Economic Statistics Table

Business-Type
Activities

Notes Payable	Installment Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government	Total Debt Per Capita	Total Debt as Percentage of Personal Income
24,592,736	-	1,840,000	-	50,747,862	1,976	1962%
23,293,431	16,100,767	1,550,000	-	52,383,545	1,979	1879%
23,856,434	15,524,234	1,270,000	-	51,646,759	1,878	1731%
22,977,831	16,696,784	1,000,000	-	51,174,889	1,818	1636%
27,648,632	16,830,785	740,000	-	61,845,452	2,164	1824%
44,894,829	26,528,141	485,000	-	88,014,398	3,036	2450%
49,785,268	23,739,189	240,000	-	88,425,144	2,983	2466%
47,724,116	23,617,057	-	-	84,073,050	2,812	2291%
44,801,300	21,270,822	-	-	80,682,493	2,699	2103%
41,847,545	3,868,205	-	17,180,000	75,345,632	2,485	1964%
38,862,038	4,209,693	-	15,576,277	71,377,592	2,360	1861%

City of New Bern, North Carolina

Direct and Overlapping Governmental Activities Debt
 For the Year Ended June 30, 2014
 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Craven County Debt	\$ 72,090,079	30.96%	\$ 22,317,793
Subtotal, overlapping debt	\$ 72,090,079		\$ 22,317,793
City Direct Debt	12,729,584	100%	12,729,584
Total direct and overlapping debt	\$ 84,819,663		\$ 35,047,377

Sources:

Notes:

- (1) Includes general obligation bonds for Enterprise Fund and General Long-Term Debt Account Group.
- (2) Determined by ratio of assessed valuation of property subject to taxation in Craven County \$10,005,692,123
- (3) Amount in debt outstanding column multiplied by percentage applicable.

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City of New Bern, North Carolina

**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)
(Unaudited)**

	2005	2006	2007	2008
Debt limit	\$ 149,139,423	\$ 157,566,000	\$ 167,377,000	\$ 177,506,221
Total net debt applicable to limit	-	-	-	5,244,681
Legal debt margin	<u>\$ 149,139,423</u>	<u>\$ 157,566,000</u>	<u>\$ 167,377,000</u>	<u>\$ 172,261,540</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	3.04%

Notes:

Debt includes Installment proceeds and Notes payable

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Valuation	\$ 3,097,582,508
8%	247,806,601
Less applicable debt	<u>(12,729,584)</u>
Debt margin	<u>\$ 235,077,017</u>

	Fiscal Year						
2009	2010	2011	2012	2013	2014		
\$ 186,561,090	\$ 187,560,181	\$ 249,056,946	\$ 251,991,678	\$ 255,556,774	\$ 247,806,601		
-	240,000	12,731,877	14,610,371	12,449,882	12,729,584		
<u>\$ 186,561,090</u>	<u>\$ 187,320,181</u>	<u>\$ 236,325,069</u>	<u>\$ 237,381,307</u>	<u>\$ 243,106,892</u>	<u>\$ 235,077,017</u>		
0.00%	0.13%	5.39%	6.15%	5.12%	5.14%		

City of New Bern, North Carolina

Demographic and Economic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30	Population (1)	Per Capita Personal Income (2)	Personal Income (1)	School Enrollment (3)	Unemployment Rate (4)	
2005	26,468	(5)	2,787,842	7,640	4.8%	
2006	27,508	*	24,141	2,982,972	7,805	3.9%
2007	28,156	*	24,141	3,127,571	7,864	3.6%
2008	28,584	*	24,141	3,390,907	7,413	4.0%
2009	28,992	*	24,141	3,592,542	7,433	7.7%
2010	29,646	*	24,141	3,585,722	7,457	9.6%
2011	29,899		22,762	3,669,572	7,652	9.5%
2012	30,316		22,762	3,836,260	7,633	9.2%
2013	30,242		23,235	4,094,203	8,202	9.9%
2014	(6)	(6)	(6)	(6)	7.1%	

Notes:

- (1) Population and personal income provided US Census Bureau. Personal income information is available at the county level and presented on that basis. (In thousands)
- (2) Provided by American Community Survey
- (3) Provided by NC School Report Cards
- (4) Provided by NC Employment Security Commission
- (5) Information is not presently available
5 Year Average

City of New Bern, North Carolina

Principal Employers
 Current Year and Nine Years Ago
 (Unaudited)

Employer	2014			2005			
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	
Department of Defense (1)	5194	1	13.63%	Department of Defense	Over 1000	1	N/A
CarolinaEast Health Systems	2180	2	5.72%	Craven County Schools	Over 1000	2	N/A
Craven County Schools	1961	3	5.14%	CarolinaEast Health Systems	Over 1000	3	N/A
BSH Home Appliances	950	4	2.49%	Hatteras Yachts (Brunswick Corp)	Over 1000	4	N/A
State of North Carolina	923	5	2.42%	BSH Home Appliances	Over 1000	5	N/A
Wal-Mart	830	6	2.18%	Moen Incorporated	500-999	6	N/A
Moen Incorporated	665	7	1.74%	State of North Carolina	500-999	7	N/A
Craven County	607	8	1.59%	Craven County	500-999	8	N/A
City of New Bern	475	9	1.25%	Craven Community College	500-999	9	N/A
Craven Community College	420	10	1.10%	Wal-Mart	500-999	10	N/A
	<u>14,205</u>		37.27%		<u>-</u>		N/A

Sources: Craven County, N.C. Employment Security Commission

Notes: (1) Excludes 9,326 active military personnel based in Craven County. It includes civilian employment at Fleet Readiness Center, Naval Health Clinic, 2nd MAW, and MCAS Cherry Point.
 Total County employment per ESC R: 38,116

City of New Bern, North Carolina

Full-Time Equivalent City Government Employees By Functions/Programs
Last Ten Fiscal Years
(Unaudited)

Functions/Program	Full-Time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2013	2014
General Government:										
Governing Board										
Administration	1	1	1	1	1	1	1	1	1	1
Finance:	3	3	3	3	3	3	4	4	4	4
Accounting										
Warehouse	12	12	12	12	12	11	10	10	10	10
Information Technology	5	5	5	5	5	4	4	4	4	4
Tax Collection	7	7	7	7	7	7	7	8	8	8
Human Resources:	3	3	3	3	3	3	3	3	3	1
Police:	6	6	6	6	6	6	5	5	5	6
Animal Control	*	116	116	138	141	127.5	114	112	112	112
Communications	2	2	2	-	-	-	-	-	-	-
Fire:	*	17	19	-	-	-	-	-	-	-
Parks and Recreation:	*	59	68	69	68	66	66	67	67	67
Administration										
West New Bern Recreation Center	2	2	3	2	2	2	2	2	2	2
Stanley White Recreation Center	4.4	4.3	5	5	5	5	5	5	5	5
Parks	4	3.3	4	5	5	4	4	4	4	4
Aquatics	17	17	17	17	17	14.6	13	14	14	14
Special Programs	-	-	-	1	1	0.4	0.4	0.0	0.0	0.0
Athletics	1	1	1	-	-	-	-	-	-	-
Planning & Inspections:	3.5	3.5	4	3	3	3	3.6	3.0	3.0	3.0
Planning & Inspections										
GIS	*	19	19	19	19	17	17	16	16	17
Public Works:	1	1	1	1	1	1	1	1	1	-
Administration										
Garage	4	4	4	4	4	3.5	3	3	3	3
Public Buildings	4	4	4	4	4	4	4	4	4	4
Streets	6	6	7	7	7	6	5	6	6	6
Cemeteries	*	30	31	31	31	26	25	25	25	25
Leaf & Limb	1	1	1	1	1	1	1	-	-	-
Sanitation	9	9	9	9	9	9	8	7	7	7
Engineering		1	1	1	1	-	-	-	-	-
Water:	6	6	10	10	10	9	-	-	-	-
Water Resources Administration										
Water Treatment	-	-	-	-	-	-	7	7	7	7
Water Distribution System Maintenance	3	3	3	3	5	7	12	11	11	11
Hydrant Maintenance	21	21	21	21	23	20	25	30	30	30
Sewer:	3	3	4	4	4	4	-	-	-	-
Sewer Treatment										
Sewer Collection System Maintenance	18	17	20	20	20	19	21	21	21	21
PreTreatment	23	30	32	33	37	27	21	16	16	14
Electric:	1	1	1	1	1	2	-	-	-	-
Electric Administration										
Utility Billing	6	6	7	7	7	7	7	7	7	7
Utility Service	5	5	5	5	16	5	5	5	5	5
Distribution O&M	15	15	17	16	15	16	15	15	15	10
Power Supply	33	33	33	33	33	30	32	32	32	36
Communications Control	3	4	4	4	4	4	4	4	4	4
Customer Service	6	5	5	5	5	5	5	6	6	6
Stormwater:	15	15	16	16	16	16	16	16	16	16
Stormwater										
Other:	-	-	-	-	-	-	-	5	5	5
Emergency Telephone System (E911)										
Municipal Service District	2	2	2	2	2	2	2	2	2	2
Total	2	2	2	2	2	2	-	-	-	-
	258	505	535	536	556	500	478	481	481	477

Source: Prior years budget records

Note:

* Information is not readily available

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City of New Bern, North Carolina

Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2005	2006	2007	2008
Police:				
Calls for service	**	**	**	**
Conduct DUI/Traffic Check Points	**	**	**	**
Answer 90% of 911 class in 10 seconds	**	**	**	**
Dispatch Emergency call in 90 seconds	**	**	**	**
Dispatch Non-Emergent call in 90 seconds	**	**	**	**
Maintain 100% state certification for sworn and non-sworn	**	**	**	**
Conduct directed radar enforcement campaigns				
Arrests	**	**	**	**
Fire:				
Total fire runs	918	1,186	1,206	1,231
Value of Endangered Property	**	**	**	**
Property loss	\$ 1,539,250	\$ 2,309,425	\$ 2,573,590	\$ 2,124,686
Fire Inspections	**	**	**	**
Fire Investigations	**	**	**	**
People Educated by Fire Education Programs	**	**	**	**
Child Passenger Safety Seat Inspections	**	**	**	**
Permits Issued	**	**	**	**
Firefighter Training Hours	**	**	**	**
Recreation program attendance:				
Athletics	**	**	74,500	77,000
Centers & Parks	**	**	268,304	269,190
Other Programs	**	**	90,825	90,875
Planning & Development:				
Total building permits	818	766	831	651
Total value of all permits	\$76,654,302	\$80,764,491	\$148,822,321	\$112,408,779
Public service:				
Garbage collected (ton)	7,243	7,665	7,659	7,618
Recycle collected (ton) ***	1,522	1,575	1,630	1,628
Stormwater				
Calls for service	**	**	**	**
Yearly rainfall	**	**	**	**
Stormwater fee	**	**	**	**
Residential ERU's	**	**	**	**
Commercial ERU's	**	**	**	**

Source: Various City records

Note: * Includes Hurricane Irene Loss

** Data not available

*** Numbers are derived from Craven County Recycling tonnages.

Only totals were available, however based on the percentage of households in the city to county, 33.53% was used from the total collected to generate an approximate City value.

	2009	2010	2011	2012	2013	2014
	**	44,980	38,397	36,818	48,532	42,819
	**	**	**	**	70	118
	**	**	**	**	99.6%	99.50%
	**	**	**	**	85.30%	90.00%
	**	**	**	**	97.80%	100.00%
	**	**	**	**	100.00%	98.78%
					1	4
	**	**	**	**	1,944	1,750
	1,022	1,034	1,124	1,090	992	1,115
	**	**	**	**	**	50,260,192
\$	1,549,760	\$ 850,040	\$ 1,658,581	\$ 6,131,061	\$ 1,389,713	\$ 2,811,003
	**	**	**	1,860	1,787	1,519
	**	**	**	43	32	36
	**	**	**	7,033	7,298	8,857
	**	**	**	299	295	268
	**	**	**	140	82	126
	**	**	**			19,176
	80,000	95,500	95,750	98,500	98,500	99,000
	269,546	270,551	278,501	285,500	286,000	286,500
	90,900	95,825	90,550	96,775	97,000	97,225
	553	645	573	652	605	529
	\$48,034,918	\$56,899,190	\$38,992,626	\$47,994,419	\$37,189,233	\$40,634,053
	7,562	7,495	7,640	7,719	7,626	7,854
	1,848	1,644	1,791	2,403	1,795	2,191
	**	**	**	**	450	178
	**	**	**	**	43.99"	37.14"
	**	**	**	**	\$2.10 / ERU	\$2.10 / ERU
	**	**	**	**	**	20,452
	**	**	**	**	**	12,516

City of New Bern, North Carolina

Capital Asset Statistics By Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2005	2006	2007	2008
Police:				
Capital Assets	4	4	4	4
Fire & Rescue:				
Fire Stations	3	3	3	3
Fire Training Academy Building	1	1	1	1
Fire Training Academy Classroom	1	1	1	1
Parks & Recreation:				
Acreage	270	270	270	275
Parks	17	17	17	18
Frisbee Golf Course	0	0	0	1
Baseball/Softball Diamonds	9	9	10	10
Soccer/Football Fields	2	2	2	2
Basketball Courts	3	3	4	4
Tennis Courts	4	4	4	4
Swimming pools	0	0	0	0
Parks with Playground Equipment	7	8	8	8
Picnic Shelters	6	6	7	8
Community Centers	2	3	3	3
Natural Sites	4	4	4	4
Gymnasium	2	2	2	2
Spray Ground	0	0	0	1
Dog Park	0	0	0	0
Boat Launch/Ramp/Pier	6	6	6	6
Picnic Tables	60	60	70	70
Park Benches	80	80	90	90
Multi-purpose Fields	2	2	2	2
Walking Trails	2	3	3	4
Outdoor Restrooms	7	7	8	9
Public Parking Lots	9	9	10	10
Public Art	3	3	3	3
Horseshoe Courts	0	1	1	2
Outdoor Volleyball Courts	1	1	1	2
Bike Racks	6	6	6	6
Wastewater:				
*Sanitary Sewers (miles)	209.2	209.4	211.2	211.4
*Storm Sewers (miles)	N/A	62.3	62.3	62.4
*Average Daily Flow	4.32	4.46	4.14	3.72
Electric:				
Average Daily Usage (kWh)	1,229,995	1,265,809	1,261,872	1,308,915
Mile of Distribution Lines	460	450	470	515

Source: Various City records

* Beginning in FY14 the STEP System and Vacuum System Sewer mains are included

Calendar Year

2009	2010	2011	2012	2013	2014
4	4	4	4	5	5
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
275	282	312	312	312	350
18	19	21	21	21	23
1	1	1	1	1	1
10	10	10	10	10	10
2	2	2	2	2	2
4	4	4	4	4	4
4	4	4	4	4	4
1	1	1	1	1	1
9	9	9	9	10	11
8	8	8	8	9	10
3	3	3	3	3	3
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
7	7	8	8	8	8
70	75	75	75	87	90
100	108	108	108	126	130
2	2	2	2	2	2
5	6	6	6	6	6
9	9	9	9	9	9
10	11	11	11	11	11
3	3	3	4	4	5
2	3	3	3	3	3
2	2	2	2	2	2
7	7	7	7	7	25
211.4	211.4	211.4	211.7	211.7	414.88
62.4	62.4	62.4	62.5	62.5	74.35
3.57	4.01	3.82	3.63	3.63	3.89
1,308,073	1,327,457	1,366,685	1,257,055	1,286,755	1,254,574
515	515	515	515	518	520

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COMPLIANCE SECTION

The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the City. The Single Audit Act Amendments of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization wide basis, rather than on a grant-by-grant basis.

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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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Bern, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of New Bern's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Bern's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of New Bern's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Bern's internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of New Bern in a separate letter dated October 29, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Morehead City, North Carolina
October 29, 2014



**Report on Compliance
For the Major State Program
and on Internal Control Over Compliance in Accordance With
Applicable Sections of OMB Circular A-133 and the State
Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for the Major State Program

We have audited City of New Bern, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of New Bern's major State program for the year ended June 30, 2014. City of New Bern's major State program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of New Bern's major State program based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about City of New Bern's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State Program. However, our audit does not provide a legal determination on City of New Bern's compliance.

Opinion on the Major State Program

In our opinion, City of New Bern complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of New Bern is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of New Bern's internal control over compliance with the types of requirements that could have a direct and material effect on its major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major State program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, 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 City of New Bern'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, noncompliance 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 noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Morehead City, North Carolina
October 29, 2014

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial
statements noted?

_____ yes X no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major State program: Unmodified

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

_____ yes X no

Identification of major State program:

Nonstate System Street Aid Allocation (Powell Bill)

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2014

Section 2. Financial Statement Findings

None

Section 3. Findings and Questioned Costs for State Awards

None

City of New Bern, North Carolina

Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section 2. Financial Statement Findings

No corrective action plan is required for the current year.

Section 3. Findings and Questioned Costs for State Awards

No corrective action plan is required in the current year.

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

There are no prior audit findings (as that term is defined in OMB Circular A-133) that require reporting in this schedule.

City of New Bern, North Carolina

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Federal Awards:					
U. S. Department of Justice					
Bureau of Justice Assistance: Direct Programs					
2013 Justice Assistance Grant, Self Initiated Reporting Passed through Office of Community Oriented Policing Services (COPS)	16.738	2013-DJ-BX-0804	\$ 12,522	\$ -	\$ -
2010 COPS Hiring Program	16.710	2010-UMWX-019	243,424	-	-
Total U.S. Department of Justice			255,946	-	-
U.S. Department of Homeland Security					
Passed through NC Dept of Crime Control and Public Safety Public Assistance Grant					
	97.036	FEMA-4019-DR-NC	2,790	-	-
Total U. S. Department of Homeland Security			2,790	-	-
U.S. Department of Housing and Urban Development					
Passed through NC Depart of Commerce Division of Community Assistance					
2011 Infrastructure Hook up Grant	14.228	11-C-2296	19,982	-	-
Total U.D. Department of Housing and Urban Development			19,982	-	-
U.S. Department of Transportation					
Federal Highway Administration					
Passed through NC Department of Transportation					
Historic New Bern Train Depot	20.205	E-4736	54,739	13,685	11,724
Governor's Highway Safety Program	20.601		14,633	3,658	-
Governor's Highway Safety Program	20.612		78,618	19,655	-
Metropolitan Planning Organization	20.505	39225.1.30	59,207	14,802	9,237
Total U.S. Department of Transportation			207,197	51,800	20,961
State Awards:					
N.C. Department of Transportation					
Nonstate System Street Aid Allocation (Powell Bill)					
		M	-	871,896	-
Total N.C. Department of Transportation			-	871,896	-
N.C. Department of Commerce Urban Development Division					
Main Street Solutions Grant					
			-	50,000	-
2012 Catalyst Program			-	9,208	3,454
Talent Enhancement Capacity Building				20,304	
Total N.C. Department of Commerce Urban Development Division			-	79,512	3,454
Totals			\$ 485,915	\$ 1,003,208	\$ 24,415

M indicates major program

See Notes to the Schedule of Expenditures of Federal and State Awards.

Notes to the Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of City of New Bern, North Carolina 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 1. Outstanding Loans

The City of New Bern has outstanding loan balances from federal and State funding sources that are not required to be presented within the Schedule of Expenditures of Federal and State Awards because there are no continuing requirements beyond repayment of the loan balances in accordance with loan agreement provisions. The outstanding balances of the USDA loan, Clean Water Trust Revolving Loan, Sanitary Sewer State Loan, Wastewater Treatment Plant State Loan, and Wastewater Treatment Diffuser State Loan at June 30, 2014 were \$2,221,174, \$26,885,300, \$992,661, \$10,308,351, and \$675,726, respectively.