

City of New Bern

North Carolina



Comprehensive Annual Financial Report

For Year Ending June 30, 2013

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

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Introductory Section

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

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City of New Bern



ALDERMEN
SABRINA BENGEL
VICTOR J. TAYLOR
DENNIS K. BUCHER
JOHNNIE RAY KINSEY
BERNARD W. WHITE
DANA E. OUTLAW

LEE WILSON BETTIS, JR.
MAYOR
MICHAEL R. EPPERSON
CITY MANAGER
VERONICA E. MATTOCKS
CITY CLERK
KEITH M. FIASCHETTI
DIRECTOR OF FINANCE

Three Centuries of North Carolina Heritage

Founded 1710

Phone: 252-636-4000 www.newbern-nc.org

P.O. Box 1129

New Bern, NC 28563-1129

October 31, 2013

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, 2013, 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 opinions 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.

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

Striving for Excellence

States, 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 9.7 percent unemployment rate compared to a statewide rate of 9.5 percent. The 2012 census population for the City was reported as 30,316.

The City is a council-manager form of government with a Board of Alderman and Mayor. The Board is composed of six members, elected by ward and a mayor, elected at-large. Each serves for four year coincident terms. The City Manager, Director of Finance, City Attorney, Tax Collector 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, responsible for carrying out Board of Aldermen policy through the administration of the various departments and their staff.

New Bern's economy, while not immune to the recent recession, has not experienced the significant impact of the economic downturn as many other areas in the state and country. One area in New Bern which has shown a decline is the value of new construction and renovation with the overall value declining 25.6 percent from \$41.8 million in fiscal year 2012 to \$31.1 million in fiscal year 2013. Also, unemployment is too high, there is uncertainty about federal and state actions and long-term pension and health benefit obligations continue to constrain the City's fiscal outlook. However, recovering local economies are experiencing slowly improving housing markets and increased consumer spending which are strengthening economic outlooks.

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. CarolinaEast Health System recently announced a 38,000 square foot expansion project, which will be the largest expansion and renovation in the medical provider's 50-year history, at a cost of \$64 million. 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 No. 1 faucet brand in North America. Moen recently celebrated 30 years in New Bern and currently employs over 600 regular employees and 250 temporary associates to assist during times of peak demand. BSH Appliances, a German based manufacturer, is the world's third-largest home appliance manufacture 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. With about \$150 million already invested in the New Bern facility, BSH reopened the dishwasher production line in April 2013, marking the culmination of the \$50 million upgrade investment project.

Notable economic growth and development in New Bern include the opening of a Roses retail store, and the addition of New Bern to the Amtrak bus route as part of their expanded passenger service. The opening of Roses in July 2012 is New Bern's largest retail store to open since 1995. The 58,000 square-foot store, offering value-priced merchandise, will employ approximately 50 people. Amtrak has added New Bern to the bus service connecting Eastern North Carolina with nationwide rail service. The new service connecting New Bern with the City of Wilson makes for convenient travel to and from New Bern. Craven Thirty, a 586-acre commercial and residential project, is securing retailers for a site in western New Bern.

In addition, the City has received authorization to become an entitlement community under the State's CDBG program. The program allocates approximately \$273 thousand per year to the City for community and economic development initiatives. Over the coming months, City staff will be creating the program's 5-year plan in order to finalize funding.

MAJOR INITIATIVES

FOR THE YEAR

Fiscal year 2012-2013 included the planning and implementation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

2009 CDBG Community Revitalization Grant

The project area was Third Avenue between Broad and Elm Streets. It included acquisition of the properties on the west side of Third Avenue, relocation of the residents and demolition of the structures. Three (3) properties on the east side were acquired and one was rehabilitated. The project also included water and sewer improvements and widening and relocating the street to more directly connect with First Street. As an Innovative Recreation Activity, gardens will be established on the west side of Third Avenue. The project was funded with \$1,000,000 of grant funds, a \$100,000 contribution through Neuse River Community Development Corporation, \$50,000 in Powell Bill funds, and a \$15,000 City match as a contingency for the Innovative Recreation Activity.

2011 CDBG Infrastructure Hook-up Grant

This \$75,000 grant is being used to connect 12 households to public sewer and was funded by the Department of Commerce. Conditions have been released. To date, \$12,440 has been expended, leaving a balance of \$62,560.

2012 CDBG NC Catalyst Grant

The grant is funded with \$500,000 of CDBG funds, a \$105,000 local match, and \$20,000 from the NC Housing Finance Agency's Single Family Rehabilitation program (administered by Coastal Community Action). The grant will rehabilitate or clear and reconstruct six (6) homes (selected prior to submission of the application). Additionally, two (2) green infrastructure facilities are being developed to reduce periodic flooding and stormwater run-off – one on K Street, near the community garden, and one on Third Avenue.

2012 Urgent Repair Program

The City was awarded a \$75,000 grant from the North Carolina Housing Finance Agency to perform eligible repairs on qualifying owner-occupied homes. There is no City match. The goals of the program are to alleviate housing conditions which pose an imminent threat to the life or safety of very low-income homeowners with special needs; and to provide accessibility modifications and other repairs necessary to prevent displacement of very low-income homeowners with special needs, such as the elderly and persons with disabilities. We are targeting 17 homes for repairs. All work must be completed by February 14, 2014. Repairs on one (1) house have been completed. Repair specifications for three (3) additional homes are being prepared for bid.

2011 Main Street Solutions Fund

The City was awarded a \$100,000 grant to assist two (2) downtown businesses to expand. The required match has been met by the businesses. There is no local match required from the City. RKC Associates Limited Partnership renovated 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 created three (3) full-time jobs with this expansion.

Facade Program

In an ongoing effort the City continues to provide an economic incentive for owners and tenants of commercial property within the Five Point Commercial Corridor and other distressed areas of the City. The Façade program encourages improvement in the appearance, restoration, or renovation of structures through a public and private partnership between the owner and/or tenant and the City. The goal is to improve the appearance of these areas through enhancements that in turn improve the overall appearance of the community.

Lewis Farm Road Substation

This project is the construction of a new substation along Highway 70 East on Lewis Farm Road. The estimated cost of the project is \$2,200,000. At the present time, the peak loading on the existing substations and substation transformers does not allow for load to be shifted from one station to another due to capacity limitations. The addition of this third substation will add capacity to alleviate this condition. Also, the substation will accommodate the load growth from new developments in this area and other areas of the City. The station is 99% complete and will be finalized in fiscal year 2013-2014.

AMI/DSM Smart Grid Pilot Project

This Pilot Project is comprised of the installation of the necessary communications system, hardware, software, and related equipment to enable customers of the City to actively monitor and control their electric and water consumption. The estimated cost of the pilot project is \$950,000 which includes installation of Smart Grid technology. This includes an Advance Metering Infrastructure system (AMI), capable of two-way communications with the City of New Bern. This system will provide an opportunity for customers to participate in "pay as you go" rates, to better control their consumption and manage

payments schedules more effectively. The electric meters will also have the capacity to detect outages and relay this information to the Utility Control Division operators for enhanced outage management. The largest driver behind implementing this technology will be the ability to reduce system demand through Load Management more effectively. This ability will directly affect the power supply costs for the City as the system is expanded. The servers, software and data collection points for the pilot areas have been completed. The installation of 1600 electric meters, 500 water meters and 300 load management switches is underway. This pilot project is expected to be complete by fiscal year 2013-2014.

Neuse Boulevard Water Main Replacement – Phase II

This \$2,931,520 project involved the replacement of approximately 14,000 linear feet of existing 14” AC water main along Neuse Boulevard. This project tied-in with the phase-I work and completed a project that began in 2009.

Safe Routes to School (SRTS) - Elizabeth Avenue

The Elizabeth Avenue SRTS Sidewalks Improvements Project was implemented to improve pedestrian access to H.J. McDonald Middle School. Enhanced access was provided by installing new sidewalks from the school extending into the surrounding residential communities. These improvements were implemented as part of an NC Department of Transportation & Federal Highway Administration SRTS grant. The City was awarded a grant for \$99,900 of total \$113,021 project costs.

Jack Smith Creek Wetlands Improvements

This \$2,720,000 project began in 2006 as a collaborative effort between the City, NC Clean Water Management Trust Fund, NC Ecosystem Enhancement Program, and NC State University to provide drainage and water quality improvements to the Jack Smith Creek drainage basin. The project involved the construction of a 29-acre enhanced wetlands site, which is one of the largest of this type in the state. The wetlands site captures and treats the stormwater runoff from a watershed that is approximately 1,000 acres. The project was completed and put into operation in April of 2013.

Highway 17 South Sewer Improvements Project

This \$329,596 project was implemented to provide relief to an existing sanitary sewer lift station which is near capacity due to the increased development along the Hwy. 17 corridor in recent years. The project involved the construction of a new sanitary sewer lift station on the north side of Hwy. 17 to intercept the flow generated by the development on the north side of the highway.

Union Station Train Depot Roof Rehabilitation

This \$470,000 project involves the replacement and rehabilitation of the roof structure of the Historic New Bern Train Depot in collaboration with North Carolina Railroad, and Norfolk Southern, and funded entirely with grants awarded by North Carolina Department of Transportation and the Federal Highway Administration. The project was completed in August 2013.

South Front Street Streetscape Improvements

This \$500,000 project consists of streetscape improvements made to enhance the sidewalks with pavers, benches, new lighting, and waste receptacles on the 200-400 blocks of South Front Street. The Municipal Service District (MSD), a special tax district in the downtown area of New Bern, provided \$50,000 from its fund balance with the remainder financed; payments to be funded with MSD tax revenues. The project is expected to be completed by November 2013.

IN THE FUTURE

Safe Routes to School (SRTS) - Elizabeth Avenue Phase-II

The Elizabeth Avenue SRTS Sidewalks Improvements – Phase II Project, with an estimated cost of \$113,720, is a continuation of the Phase-I project which is being implemented to further improve pedestrian access to H.J. McDonald Middle School. Enhanced access will be provided by installing new sidewalks from the school extending into additional surrounding residential communities on the west side of Racetrack Road.

Change Street Rehabilitation Project

This estimated \$284,200 project will involve the complete replacement of the water, sewer, storm drainage and street infrastructure located along Change Street.

FY 2014 Miscellaneous Water System Improvements Project

This estimated \$200,000 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.

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.

2013 Public Beach and Coastal Waterfront Access Grant

This \$230,000 project would construct a boardwalk from the Tryon Palace area, along the Trent River/Taylor Creek at the rear of the Public Housing Authority property to connect with the walkway in Morgan Park. The City received invitation from the NC Department of Environmental & Natural Resources to submit a final application which has been submitted.

Main Street Solutions Fund

Craven Arts Council continues renovations to the Bank of the Arts. An application was submitted and approved for Round 3 of this grant on behalf of Craven Arts Council in the amount of \$25,000.

Community Gardens

An agreement has been reached with the North Carolina Land Trust and the City, to provide veterans with disabilities a community garden at Henderson Park. The approximately one-acre site will have raised garden beds and a storage area for equipment and materials. The garden will also benefit the immediate neighborhoods adjacent to the park. Construction is scheduled to begin in the winter of 2013.

Downtown Wayfinding Signage System

The City has entered into an agreement with NC Department of Transportation, who has awarded \$100,000 of funding towards the implementation of a downtown wayfinding system that will improve signage for vehicular and pedestrian traffic. These signs will be installed in the downtown area to provide both vehicular and pedestrian traffic directional signage to important destinations downtown including important tourist destinations such as Tryon Palace, the Craven County Convention Center, and the NC History Museum to name a few. Additional funds were also awarded for the completion of this project from the Tourism Development Authority (TDA) in the amount of \$35,000.

OTHER INFORMATION

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 Snyder, 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, 2012, which was the first 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.

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.

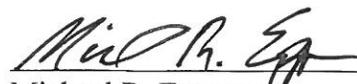
Independent Audit. The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State single Audit Implementation Act require annual independent audits of the City's compliance 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. The independent auditor's reports on the compliance matters are included in the compliance 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



Michael R. Epperson
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, 2012

Executive Director/CEO

CITY OF NEW BERN, NORTH CAROLINA

LIST OF PRINCIPAL OFFICERS

June 30, 2013

BOARD OF ALDERMEN

LEE WILSON BETTIS, JR.
Mayor

SABRINA BENGEL
Mayor Pro Tem

SABRINA BENGEL

VICTOR J. TAYLOR

DENNIS K. BUCHER

JOHNNIE RAY KINSEY

BERNARD W. WHITE

DANA E. OUTLAW

CITY ADMINISTRATION

MIKE EPPERSON
City Manager

KEITH M. FIASCHETTI
Director of Finance

VERONICA MATTOCKS
City Clerk

BARBARA BEST
Interim Tax Collector

JONATHAN RYNNE
Director of Utilities

THURMAN HARDISON
Director of Parks & Recreation

ROBERT ASTER
Fire Chief

JEFFREY RUGGIERI
Director of Development Services

MARK STEPHENS
Director of Public Works

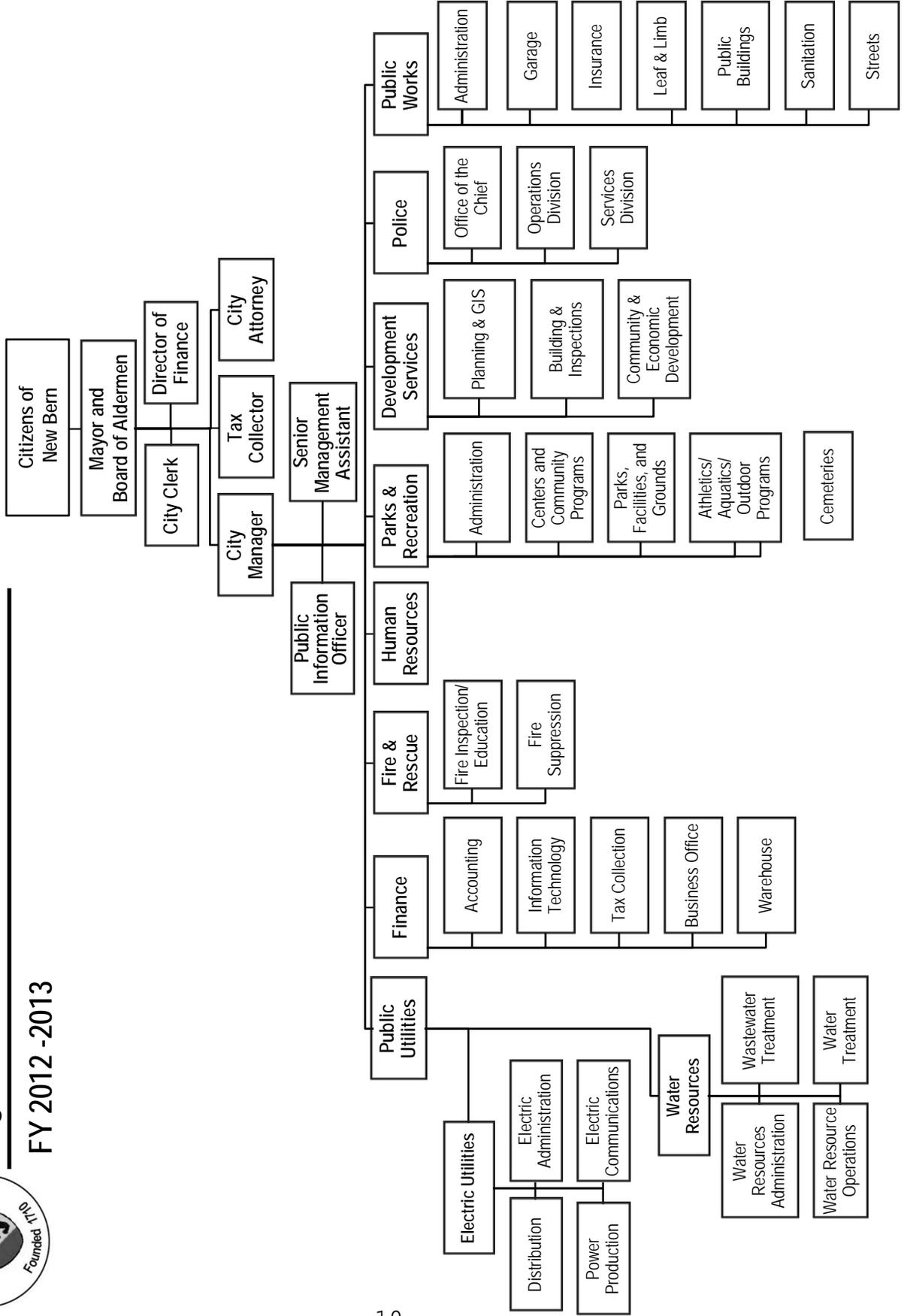
SONYA HAYES
Director of Human Resources

TOUSSAINT SUMMERS
Chief of Police



City of New Bern Organizational Chart

FY 2012 -2013



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, 2013, 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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in 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 15 through 28 and 83 through 84 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 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 31, 2013 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 31, 2013

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Management's Discussion and Analysis

As management of the City of New Bern "the City", we offer readers of the City of New Bern's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. 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 2013 as evidenced by an increase in the total net assets of \$ 10.9 million. This was from governmental activities, which increased \$5.2 million, and business-type activities which increased \$ 5.7 million.
- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 156.0 million (*net position*). Of this amount, \$ 30.2 million (unrestricted net position) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 12.8 million - an increase of \$ 1.5 million in comparison with the prior year. Approximately 55.1% of the total fund balance, or \$ 7.0 million, is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, fund balance available for appropriation (statutory formula) for the general fund was \$ 7.4 million or 25.2% of the total general fund expenditures and transfers out for the fiscal year. In 2012, available fund balance in the general fund was \$ 7.0 million or 25% of total expenditures. The informal fund balance goal is 25%.
- As part of a revised enterprise fund capital financing strategy for large projects, the City is moving from asset-backed/installment financing to a revenue bond based system. In this regard the City issued a \$ 17.2 million series 2013, revenue bond and revenue refunding bond consisting of \$ 1.3 million of new money and \$ 15.9 million revenue refunding of various outstanding installment purchase agreements. This refunding transaction resulted in removing a significant amount of liens off the combined enterprise system and a net economic gain of \$ 1.5 million in interest savings.
- In 2013, the City completed an indirect cost analysis study which included the re-identification and allocation of shared service costs provided to the enterprise funds. The results of the cost analysis was implemented in late 2013 and resulted in a decrease in interfund reimbursements to the general fund of approximately \$ 2.7 million. As a short-term solution, the difference was made up by increasing the transfers from water and sewer funds to 1.5% of the gross capital assets of each of these funds.

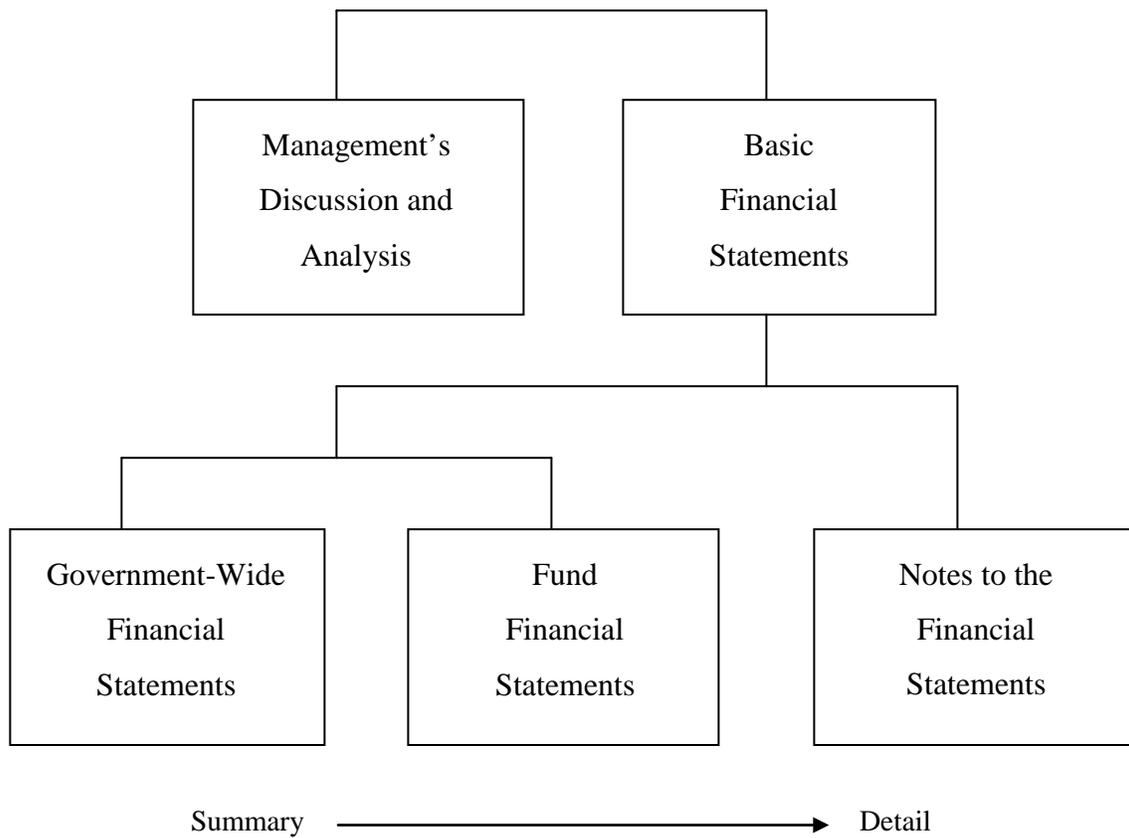
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-

wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the readers understanding of the financial condition of the City. The following diagram illustrates how the required components relate to one another.

Required Components of Annual Financial Report

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 gauge the City's financial condition.

The government-wide statements are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as public safety, streets, environmental protection, parks and recreation, and general administration. Property taxes, other taxes, and 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 41-81 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 83 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 governments 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 \$ 156.0 million (*net position*) for the most recent fiscal year. A summary of the City's net position at June 30, 2013 and 2012 is presented below:

City of New Bern's Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 19,259,977	\$ 15,389,077	\$ 34,593,320	\$ 33,059,608	\$ 53,853,297	\$ 48,448,685
Capital assets	48,833,020	49,124,897	146,692,693	145,109,383	195,525,713	194,234,280
Total assets	68,092,997	64,513,974	181,286,013	178,168,991	249,379,010	242,682,965
Liabilities:						
Long-term and current portion of liabilities	16,867,777	18,465,447	59,728,888	62,553,659	76,596,665	81,019,106
Other liabilities	4,878,794	4,952,068	11,837,938	11,625,647	16,716,732	16,577,715
Deferred inflows of resources	39,566	-	-	-	39,566	-
Total liabilities and deferred inflows of resources	21,786,137	23,417,515	71,566,826	74,179,306	93,352,963	97,596,821
Net Position:						
Investment in capital assets	36,383,138	34,826,041	83,796,943	80,159,948	120,180,081	114,985,989
Restricted:						
Stabilization by State						
Statute	4,811,153	3,645,182	-	-	4,811,153	3,645,182
Public Safety	641,127	503,546	-	-	641,127	503,546
Public Works	62,343	68,542	-	-	62,343	68,542
Economic Development	56,994	35,944	-	-	56,994	35,944
Culture & Recreation	39,974	64,312	-	-	39,974	64,312
Unrestricted	4,312,131	1,952,892	25,922,244	23,829,737	30,234,375	25,782,629
Total net position	\$ 46,306,860	\$ 41,096,459	\$109,719,187	\$ 103,989,685	\$ 156,026,047	\$ 145,086,144

The City's net position increased by \$ 10.9 million for the fiscal year ended June 30, 2013. However, the largest portion \$ 120.2 million (77%) 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 \$ 30.2 million (19.4%) as of June 30, 2013. In 2012, the amount of net position invested in capital assets net of related debt was \$ 115.0 million, and unrestricted net position was \$ 25.8 million.

Governmental activities increased the City's net position by \$ 5.2 million, or 12.7%, to \$ 46.3 million. However \$ 42 million of the net position either are restricted as to the purposes for which can be used for or are invested in capital assets (e.g. land, buildings, machinery and equipment, buildings, roads, etc.). The remaining balance of \$ 4.3 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 \$ 5.7 million, or 5.5%, to \$109.7 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, 2013 and 2012:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,469,434	\$ 5,142,652	\$ 84,998,995	\$ 83,586,514	\$ 90,468,429	\$ 88,729,166
Operating grants and contributions	3,629,498	2,377,021	1,075,601	2,073,068	4,705,099	4,450,089
Capital grants and contributions	323,776	1,231,195	-	-	323,776	1,231,195
General revenues:						
Property taxes	13,251,107	13,315,629	-	-	13,251,107	13,315,629
Other taxes	8,621,740	8,442,016	-	-	8,621,740	8,442,016
Unrestricted investment earnings	18,930	16,472	11,506	13,941	30,436	30,413
Total revenues	31,314,485	30,524,985	86,086,102	85,673,523	117,400,587	116,198,508
Expenses:						
General government	2,980,543	2,737,701	-	-	2,980,543	2,737,701
Public safety	15,660,542	15,127,179	-	-	15,660,542	15,127,179
Public works	2,998,765	5,223,903	-	-	2,998,765	5,223,903
Environmental protection	1,663,347	2,053,938	-	-	1,663,347	2,053,938
Economic development	2,378,028	1,731,687	-	-	2,378,028	1,731,687
Culture and recreation	2,497,152	2,549,680	-	-	2,497,152	2,549,680
Interest on long-term debt & Fees	365,826	509,077	-	-	365,826	509,077
Water	-	-	8,677,687	9,195,478	8,677,687	9,195,478
Sewer	-	-	10,830,003	10,442,463	10,830,003	10,442,463
Electric	-	-	57,737,100	60,325,099	57,737,100	60,325,099
Stormwater	-	-	671,691	74,153	671,691	74,153
Total expenses	28,544,203	29,933,165	77,916,481	80,037,193	106,460,684	109,970,358
Increase in net position before transfers	2,770,282	591,820	8,169,621	5,636,330	10,939,903	6,228,150
Transfers	2,440,119	1,885,062	(2,440,119)	(1,885,062)	-	-
Increase in net position	5,210,401	2,476,882	5,729,502	3,751,268	10,939,903	6,228,150
Net position, July 1	41,096,459	38,619,577	103,989,685	100,238,417	145,086,144	138,857,994
Net position, June 30	\$ 46,306,860	\$ 41,096,459	\$ 109,719,187	\$ 103,989,685	\$ 156,026,047	\$ 145,086,144

Governmental Activities. Governmental activities, after transfers, increased the City's net position by \$ 5.2 million, accounting for 47.6% of the total growth in the net position. Key elements of this increase are as follows:

- \$ 3.4 million in grant revenue in the public safety, public works and economic and physical development areas were mainly used to construct or rehabilitate capital assets.
- Increases of tax revenue \$ 0.5 million and restricted and unrestricted intergovernmental revenue \$ 0.5 million.
- \$ 0.6 million of reimbursements from Federal government and State government assistance related to storm damage from Hurricane Irene, which struck New Bern in August 2011.
- \$ 2.9 million reduction in expenditures primarily due to \$ 1.3 million in employee-related costs; and the balance due to reduced spending.

Business-Type Activities. Business-type activities, after transfers, increased the City's net position by \$5.7 million, accounting for 52.4% of the total growth in the government's net position. Key elements of this increase are as follows:

- \$ 1.1 million in grant revenue in the electric, water and sewer areas and reimbursements from the Federal government or State government assistance related to storm damage from Hurricane Irene, which struck New Bern in August 2011.
- \$ 4.0 million in cost reductions primarily due to \$ 2.7 million in reduced interfund charges from the general fund following the implementation of the indirect cost analysis study referred to earlier in this report and \$ 1.1 million in lower water and sewer system maintenance and repair 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 \$ 7.4 million; total fund balance reached \$ 11.9 million. Total fund balance in the general fund increased \$ 1.5 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

25.3% of general fund expenditures, while total fund balance represents 40.3% of the same amount.

At June 30, 2013, the governmental funds of the City of New Bern reported a combined fund balance of \$ 12.8 million, which is an increase of \$ 1.5 million or 13.2% from last year. Included in this change in fund balance are an increase 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 \$ 1.2 million, the key to this was as follows: \$ 0.5 million increase in tax revenues due to continued diligence in the collection of property taxes by improved tax collection rate of 98.3% versus 97.9% in the prior year. Note: The City collection rate compares favorably to the statewide average of 95.5%; \$ 0.3 million increase in unrestricted intergovernmental mainly attributed to increased sales tax revenue.
- Total expenditures were \$ 2.9 million under budget primarily due to \$ 1.3 million in reduced employee-related costs, mainly due to position vacancies; and the balance of \$ 1.6 million due to reduced or deferred spending (open purchase order commitments at year end were \$1.2 million).

Major budget amendments adopted in the current fiscal year were due to the implementation of an indirect cost allocation plan. The plan provides a more reasonable estimate of the costs to be allocated to the Utility funds for administrative shared services provided by general fund organizations. The impact on the updated plan for fiscal year 2012-13 resulted in a decrease in interfund reimbursements to the general fund of approximately \$ 2.7 million. This difference was made up by establishing a transfer from the water and sewer funds of one and one half percent (1.5%) of the gross capital assets of the water and sewer systems plus an appropriation of \$0.4 million of the general fund balance.

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 \$14.1 million in the electric fund, \$ 8.2 million in the water fund and \$ 3.6 million in the sewer fund. The stormwater fund unrestricted net position was a negative \$ 0.002 million.

The electric and sewer funds experienced growth in net position of \$ 2.8 million and \$ 0.7 million respectively. The primary reason for the increase in net position for the electric fund was a decrease in shared services charges from the general fund of \$ 1.7 million as a result of implementing the new indirect cost allocation plan as referred to earlier in this report. Also, weather conditions, which have a profound impact on electric fund revenues and a mild economic recovery, were the keys in the \$ 1.4 million increase in revenues. The water and stormwater funds unrestricted net position declined \$ 1.8 million and \$ 0.002 million, respectively. The primary reason for the water fund's reduction in unrestricted net position was due to a transfer of \$ 3.4 million to fund a capital project for water main replacements. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities section above.

The significant budget amendments made in the current fiscal year involved the implementation of the new indirect cost allocation plan referred to earlier in this report. This resulted in a \$ 2.7 million decrease in the shared service budget cost allocation to the electric, water and sewer funds of \$ 1.7 million, \$ 0.5 million and \$ 0.5 million, respectively. There was an increase in the budgeted transfers from the water and sewer funds of \$ 0.9 million and \$ 1.4 million, respectively, representing 1.5% of the gross capital assets of the water and sewer funds. Also, there was a major budget amendment in the water fund to appropriate \$ 3.4 million as a transfer to the Water system, water main replacement capital project fund; this project was funded entirely from the water fund's fund balance.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the City had \$ 195.5 million (net of accumulated depreciation) in capital assets consisting primarily of land, buildings and systems, equipment, vehicles, infrastructure and construction in process. This amount represents a net increase of \$ 1.3 million, or 0.66% over 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 \$ 0.3 million.
- Construction in progress for the replacement of the radio system totaling \$ 0.4 million.
- Construction in progress for Phase II of the Neuse Boulevard water improvements consisting of replacement of the deteriorating water lines totaling \$ 3.1 million.
- Construction in progress for the Water Treatment Facility improvements consisting of upgrades to technology to allow for training and to serve as an Emergency Operations Center totaling \$ 0.2 million.

- Construction in progress for the South Front Street Streetscape improvements consisting of construction and installation of streetscape infrastructure improvements totaling \$ 0.3 million.
- Completion of the Highway 17 South sewer improvements consisting of the construction of a sanitary sewer lift station, \$0.3 million, asset placed in service.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 14,394,043	\$ 14,070,380	\$ 13,886,430	\$ 13,886,430	\$ 28,280,473	\$ 27,956,810
Buildings and systems	13,660,292	14,133,381	120,295,487	123,354,940	133,955,779	137,488,321
Equipment, furniture, and fixtures	2,395,057	2,433,631	4,632,630	4,805,841	7,027,687	7,239,472
Infrastructure	11,103,068	11,708,568	-	-	11,103,068	11,708,568
Vehicles and motorized equipment	924,862	735,802	1,265,734	1,084,837	2,190,596	1,820,639
Construction in progress	6,355,698	6,043,137	6,612,412	1,977,333	12,968,110	8,020,470
Total	\$ 48,833,020	\$ 49,124,899	\$ 146,692,693	\$ 145,109,381	\$ 195,525,713	\$ 194,234,280

Additional information on the City’s capital assets can be found in the Note 4 of the Basic Financial Statements.

Long-Term Debt

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$ -	\$ -	\$ 17,180,000	\$ -	\$ 17,180,000	\$ -
Installment purchases	12,449,882	14,610,371	3,868,205	21,270,822	16,318,087	35,881,193
Notes payable	-	-	41,847,545	44,801,300	41,847,545	44,801,300
Total:	\$ 12,449,882	\$ 14,610,371	\$ 62,895,750	\$ 66,072,122	\$ 75,345,632	\$ 80,682,493

The City's long-term liabilities decreased by \$ 6.6 million (6.6%) during the fiscal year, primarily due to \$ 7.1 million in principal payments made against existing debt which was partially offset by \$ 1.7 million in new debt to finance improvement projects in the municipal service district, electric and sewer systems. In addition, as mentioned earlier, as part of its revised long-term major capital financing strategy, the City is moving away from asset backed/installment financing to a revenue bond based system for large capital projects. In this regard, the City refunded \$ 15.8 million of various installment purchase agreements and converted them to one single registered series 2013, revenue refunding bond. This refunding resulted in an economic gain of \$ 1.5 million in interest savings while removing most of the liens on the combined enterprise system.

The City's overall weighted average 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, and 2013 were 3%, 2.75% and 2.36%, respectively. This low WACC signifies a very low cost of capital which has generated a substantial net economic savings of \$ 2.5 million over the last two fiscal years.

This and the City's continued improvement in its financial health, as discussed earlier, are primary factors 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, 2013 is approximately \$ 243.1 million.

Additional information regarding the City's long-term debt can be found in Note 10 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators impact the City:

- The City issued 605 building permits during 2013 which is lower compared to 652 permits issued in the prior year. Total value of all permits was \$ 37 million, which was a decrease from a \$ 48 million level in the prior year.
- Retail sales during 2013 were \$ 859.0 million compared to \$ 887.3 million in 2012, a 3.2% decrease.
- The June 2013 unemployment rate for Craven County was 9.7% compared to 9.5% for the State and 7.8% for the nation. This compares to June 2012 rates of 10.5% for Craven County, 9.7% for the State and 8.3% for the nation.

Economic Factors and Next Year's Budgets and Rates

Governmental Activities:

The most significant factors negatively impacting the 2014 budget are the national, state and local economic indicators pointing to continued slow growth. In addition, the State announced a major tax overhaul plan (House Bill 998) which was signed into law by Governor Pat McCrory in July 2013. Although it is more protective of municipal revenues, there is still some uncertainty regarding how acts of the North Carolina General Assembly could ultimately affect the City's future budgets.

General fund revenues are estimated to increase 3.9%. Property taxes are expected to increase the budgeted revenue by 2%. Refuse solid waste collection fee increases are expected to increase the budgeted revenues 28.8%. The City will use these increases in revenues to finance programs currently in place.

As mentioned earlier, the City implemented an indirect cost allocation plan in fiscal year 2012-13 that reduced the amount of money collected through interfund reimbursements in the Utility funds. The fiscal year 2013-14 budget reflects a decrease of approximately \$ 2.3 million in interfund reimbursements as a result of using the new cost allocation plan instead of using the original methodology. As a short-term solution to this shortfall, the City has implemented transfers of 1.5% of the gross capital asset value of the water and sewer funds.

The general fund initial budget for 2013-2014 increased 5.4% from \$ 35.0 million (2013 adopted budget) to \$ 36.9 million. The increase is largely attributed to increases in employee compensation and capital spending.

Business-Type Activities:

In order to increase working capital levels and capital reserves in our enterprise funds, the City is gradually building toward the necessary reserve levels consistent with the Board's adopted strategic goals and objectives. This will allow us to better meet short- and long-term commitments. The City is continually reviewing the organizational structure to ensure the capacity to accomplish these goals.

The 2014 budget does not include any rate increase in the electric, water, sewer, and stormwater funds and at this time the City is not aware of any increases in our electric wholesale power costs through the end of fiscal year 2014. Despite increases in employee compensation in the enterprise funds, electric costs will decrease \$ 0.4 million or 0.6% due to lower operating and maintenance costs; water costs will decrease \$ 3.3 million or 28% due to reduced capital spending plus the absence of large transfers planned to fund capital projects; sewer costs will decrease \$ 0.3 million or 2.2% mainly due to reduced operating and maintenance costs and

decreased capital spending plans and stormwater costs will decrease \$0.03 million or 4.5% due to reduced maintenance costs.

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, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 14,382,621	\$ 21,100,099	\$ 35,482,720
Taxes receivable, net	473,379	-	473,379
Accounts receivable, net	827,868	10,049,917	10,877,785
Due from other governments	3,133,674	-	3,133,674
Internal balances	(337,262)	337,262	-
Inventories	140,908	1,861,392	2,002,300
Prepaid items	8,000	-	8,000
Cash and investments, restricted	630,789	1,244,650	1,875,439
Total current assets	19,259,977	34,593,320	53,853,297
Land, improvements and construction in progress	20,749,741	20,498,842	41,248,583
Other capital assets, net of depreciation	28,083,279	126,193,851	154,277,130
Total noncurrent assets	48,833,020	146,692,693	195,525,713
Total assets	68,092,997	181,286,013	249,379,010
Liabilities			
Accounts payable and accrued liabilities	2,710,330	4,871,135	7,581,465
Customer deposits	-	1,271,743	1,271,743
Accrued interest payable	48,641	214,814	263,455
Current portion of compensated absences	658,513	239,624	898,137
Current portion of long-term liabilities	1,461,310	5,240,622	6,701,932
Total current liabilities	4,878,794	11,837,938	16,716,732
Long-Term Liabilities:			
Noncurrent portion of long-term liabilities	16,867,777	59,728,888	76,596,665
Total liabilities	21,746,571	71,566,826	93,313,397
Deferred Inflows of Resources			
Prepaid taxes	39,566	-	39,566
Total inflows of resources	39,566	-	39,566
Net Position			
Investment in capital assets	36,383,138	83,796,943	120,180,081
Restricted for:			
Stabilization by State Statute	4,811,153	-	4,811,153
Public safety	641,127	-	641,127
Public works	62,343	-	62,343
Economic development	56,994	-	56,994
Culture and recreation	39,974	-	39,974
Unrestricted	4,312,131	25,922,244	30,234,375
Total net position	\$ 46,306,860	\$ 109,719,187	\$ 156,026,047

See Notes to the Financial Statements.

City of New Bern, North Carolina

Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,980,543	\$ 1,554,015	\$ -	\$ -
Public safety	15,660,542	519,536	1,526,387	-
Public Works	2,998,765	987	812,542	-
Environmental protection	1,663,347	2,280,468	-	-
Cultural and recreational	2,497,152	152,022	-	-
Economic and physical development	2,378,028	962,406	1,290,569	323,776
Interest and fees	365,826	-	-	-
Total governmental activities	28,544,203	5,469,434	3,629,498	323,776
Business-type activities:				
Electric	57,737,100	61,909,426	539,058	-
Water	8,677,687	10,431,265	177,669	-
Sewer	10,830,003	11,945,804	358,422	-
Stormwater	671,691	712,500	452	-
Total business-type activities	77,916,481	84,998,995	1,075,601	-
Total primary government	\$ 106,460,684	\$ 90,468,429	\$ 4,705,099	\$ 323,776

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
\$	(1,426,528)	\$ -	\$ (1,426,528)
	(13,614,619)	-	(13,614,619)
	(2,185,236)	-	(2,185,236)
	617,121	-	617,121
	(2,345,130)	-	(2,345,130)
	198,723	-	198,723
	(365,826)	-	(365,826)
	<u>(19,121,495)</u>	<u>-</u>	<u>(19,121,495)</u>
	-	4,711,384	4,711,384
	-	1,931,247	1,931,247
	-	1,474,223	1,474,223
	-	41,261	41,261
	-	8,158,115	8,158,115
	<u>(19,121,495)</u>	<u>8,158,115</u>	<u>(10,963,380)</u>
	13,251,107	-	13,251,107
	6,039,107	-	6,039,107
	1,406,786	-	1,406,786
	860,496	-	860,496
	315,351	-	315,351
	18,930	11,506	30,436
	<u>21,891,777</u>	<u>11,506</u>	<u>21,903,283</u>
	2,440,119	(2,440,119)	-
	<u>24,331,896</u>	<u>(2,428,613)</u>	<u>21,903,283</u>
	5,210,401	5,729,502	10,939,903
	41,096,459	103,989,685	145,086,144
\$	<u>46,306,860</u>	<u>\$ 109,719,187</u>	<u>\$ 156,026,047</u>

Balance Sheet - Governmental Funds
June 30, 2013

	General	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 10,423,579	\$ 405,952	\$ 10,829,531
Taxes receivable, net	473,379	-	473,379
Accounts receivable, net	635,983	191,885	827,868
Due from other governments	2,581,112	552,562	3,133,674
Inventories	140,908	-	140,908
Restricted cash and investments	186,078	444,711	630,789
Total assets	\$ 14,441,039	\$ 1,595,110	\$ 16,036,149
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,767,227	\$ 301,608	\$ 2,068,835
Due to other funds	-	337,262	337,262
Total liabilities	1,767,227	638,870	2,406,097
Deferred Inflows of Resources			
Property taxes receivable	422,049	-	422,049
Prepaid taxes and licenses	39,566	-	39,566
Liens and other receivables	359,623	9,106	368,729
Total deferred inflows of resources	821,238	9,106	830,344
Fund Balances			
Nonspendable			
Inventory	140,908	-	140,908
Spendable			
Restricted			
Stabilization by State Statute	4,075,812	735,341	4,811,153
Public safety	130,255	220,884	351,139
Public works	33,494	28,849	62,343
Economic development	-	56,994	56,994
Restricted for culture and recreation	22,329	17,645	39,974
Committed for public safety	-	289,988	289,988
Assigned			
Assigned for subsequent years expenditures	-	-	-
Unassigned	7,449,776	(402,567)	7,047,209
Total fund balances	11,852,574	947,134	12,799,708
Total liabilities, deferred inflows of resources and fund balances	\$ 14,441,039	\$ 1,595,110	\$ 16,036,149

See Notes to the Financial Statements.

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position - Governmental Activities
June 30, 2013**

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

Total fund balances for governmental funds	\$ 12,799,708
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds	48,833,020
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year end. These receivables are a component of net position in the statement of net position	790,778
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	2,919,595
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.	(19,036,241)
Net position of governmental activities	<u>\$ 46,306,860</u>

See Notes to the Financial Statements.

Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 13,297,524	\$ -	\$ 13,297,524
Other taxes	264,417	-	264,417
Unrestricted intergovernmental	8,636,944	-	8,636,944
Restricted intergovernmental	1,055,217	2,936,585	3,991,802
Licenses, permits and fees	584,906	-	584,906
Sales and services	4,154,506	-	4,154,506
Investment earnings	17,664	253	17,917
Other revenues	222,761	17,360	240,121
Total revenues	28,233,939	2,954,198	31,188,137
Expenditures:			
Current:			
General government	4,490,858	-	4,490,858
Public safety	14,232,597	1,310,592	15,543,189
Public works	4,436,086	-	4,436,086
Environmental protection	1,792,211	-	1,792,211
Cultural and recreational	2,322,941	633,492	2,956,433
Economic and physical development	1,604,767	1,617,300	3,222,067
Interfund reimbursements	(2,891,799)	-	(2,891,799)
Capital outlay	1,052,794	-	1,052,794
Debt service:			
Principal retirement	1,997,458	-	1,997,458
Interest and fees	380,588	-	380,588
Total expenditures	29,418,501	3,561,384	32,979,885
Deficiency of revenues under expenditures	(1,184,562)	(607,186)	(1,791,748)
Other financing sources (uses):			
Debt issued	-	465,315	465,315
Transfers from other funds	2,873,361	107,376	2,980,737
Transfers to other funds	(161,701)	-	(161,701)
Total other financing sources	2,711,660	572,691	3,284,351
Net change in fund balances	1,527,098	(34,495)	1,492,603
Fund balance:			
Beginning	10,325,476	981,629	11,307,105
Ending	\$ 11,852,574	\$ 947,134	\$ 12,799,708

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, 2013**

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

Net change in fund balances - total governmental funds	\$ 1,492,603
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.	2,605,543
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,663,198)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets.	(226,961)
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.	(537,022)
There are differences in the revenues in the statement of activities and revenues in the funds for:	
Property tax	(46,418)
Sales and services and other revenues	60,302
Accrued interest on debt	14,762
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. The change in accrued interest expense is also included.	(465,315)
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.	1,997,458
Transfer of capital asset to stormwater fund	(1,007,263)
Transfer of debt to stormwater fund	628,346
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.	2,357,564
Change in net position of governmental activities	<u>\$ 5,210,401</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, 2013

	General Fund			
	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 12,846,550	\$ 12,846,550	\$ 13,297,524	\$ 450,974
Other taxes	260,000	260,000	264,417	4,417
Unrestricted intergovernmental	8,315,918	8,315,918	8,636,944	321,026
Restricted intergovernmental	838,500	838,500	1,055,217	216,717
Licenses, permits and fees	621,380	621,380	584,906	(36,474)
Sales and services	4,114,635	4,003,185	4,154,506	151,321
Investment earnings	15,930	15,900	17,664	1,764
Other revenues	139,250	139,250	222,761	83,511
Total revenues	27,152,163	27,040,683	28,233,939	1,193,256
Expenditures:				
Current:				
General government	2,757,796	4,826,961	4,490,858	336,103
Public safety	15,113,690	14,997,492	14,232,597	764,895
Public works	4,874,880	5,377,596	4,436,086	941,510
Environmental protection	1,900,000	1,900,000	1,792,211	107,789
Economic development	1,627,416	1,747,307	1,604,767	142,540
Cultural and recreational	2,558,317	2,534,257	2,322,941	211,316
Interfund reimbursements	(2,891,799)	(2,891,799)	(2,891,799)	-
Capital outlay	964,130	1,529,193	1,052,794	476,399
Debt service:				
Principal retirement	1,837,263	1,891,293	1,997,458	(106,165)
Interest and other charges	428,868	431,161	380,588	50,573
Total expenditures	29,170,561	32,343,461	29,418,501	2,924,960
Revenues over (under) expenditures	(2,018,398)	(5,302,778)	(1,184,562)	4,118,216
Other financing sources (uses):				
Transfers from other funds	1,532,611	4,066,633	2,873,361	(1,193,272)
Transfers to other funds	(224,574)	(361,900)	(161,701)	200,199
Appropriated fund balance	-	867,684	-	(867,684)
Contingency	(167,769)	(147,769)	-	147,769
Debt issued	878,130	878,130	-	(878,130)
Total other financing sources (uses)	2,018,398	5,302,778	2,711,660	(2,591,118)
Net change in fund balance	\$ -	\$ -	1,527,098	\$ 1,527,098
Fund balance, beginning of year			10,325,476	
Fund balance, end of year			\$ 11,852,574	

See Notes to the Financial Statements.

Statement of Fund Net Position
 Proprietary Funds
 June 30, 2013

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
Assets						
Current Assets						
Cash and cash equivalents	\$ 10,974,086	\$ 7,273,192	\$ 2,847,377	\$ 5,444	\$ 21,100,099	\$ 3,553,090
Accounts receivable, net	7,354,417	1,189,336	1,440,738	65,426	10,049,917	-
Due from other funds	-	337,262	-	-	337,262	-
Inventories	1,679,936	111,457	69,999	-	1,861,392	-
Prepaid item	-	-	-	-	-	8,000
Cash and cash equivalents, restricted	990,656	150,043	103,951	-	1,244,650	-
Total current assets	20,999,095	9,061,290	4,462,065	70,870	34,593,320	3,561,090
Noncurrent Assets						
Land and construction in progress	2,913,950	4,188,118	12,389,511	1,007,263	20,498,842	-
Other capital assets, net	24,212,846	45,021,705	56,959,300	-	126,193,851	-
Total noncurrent assets	27,126,796	49,209,823	69,348,811	1,007,263	146,692,693	-
Total assets	48,125,891	58,271,113	73,810,876	1,078,133	181,286,013	3,561,090
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	4,441,338	109,767	313,763	6,267	4,871,135	641,495
Customer deposits	1,271,743	-	-	-	1,271,743	-
Accrued interest payable	12,212	116,616	83,206	2,780	214,814	-
Current portion of compensated absences	83,925	83,925	63,374	8,400	239,624	-
Current portion of long-term debt	608,311	2,116,268	2,458,921	57,122	5,240,622	-
Total current liabilities	6,417,529	2,426,576	2,919,264	74,569	11,837,938	641,495
Noncurrent Liabilities						
Noncurrent portion of compensated absences	243,840	40,454	28,506	4,436	317,236	-
Noncurrent portion of OPEB	857,837	490,193	357,432	51,062	1,756,524	-
Noncurrent portion of long-term debt	4,775,533	30,823,391	21,542,102	514,102	57,655,128	-
Total noncurrent liabilities	5,877,210	31,354,038	21,928,040	569,600	59,728,888	-
Total liabilities	12,294,739	33,780,614	24,847,304	644,169	71,566,826	641,495
Net Position						
Net investment in capital assets	21,742,952	16,270,164	45,347,788	436,039	83,796,943	-
Unrestricted net position	14,088,200	8,220,335	3,615,784	(2,075)	25,922,244	2,919,595
Total net position	\$ 35,831,152	\$ 24,490,499	\$ 48,963,572	\$ 433,964	\$ 109,719,187	\$ 2,919,595

See Notes to the Financial Statements.

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
Operating revenues:						
Charges for services	\$ 61,909,426	\$ 10,431,265	\$ 11,311,750	\$ 712,500	\$ 84,364,941	\$ -
Other operating revenues	-	-	634,054	-	634,054	-
Employee and retiree contributions	-	-	-	-	-	646,162
Employer and other contributions	-	-	-	-	-	6,548,174
Total operating revenues	61,909,426	10,431,265	11,945,804	712,500	84,998,995	7,194,336
Operating expenses:						
Administrative and general	5,463,048	2,338,450	2,144,331	-	9,945,829	-
Operations and maintenance	2,383,433	4,052,250	5,350,204	651,188	12,437,075	-
Purchased power	47,644,177	-	-	-	47,644,177	-
Depreciation and amortization	1,976,078	1,422,222	1,943,271	-	5,341,571	-
Claims and payments to third party administrators.	-	-	-	-	-	4,837,785
Total operating expenses	57,466,736	7,812,922	9,437,806	651,188	75,368,652	4,837,785
Operating income	4,442,690	2,618,343	2,507,998	61,312	9,630,343	2,356,551
Nonoperating revenues (expenses):						
Investment earnings	5,019	4,891	1,574	22	11,506	1,013
Restricted intergovernmental revenues	248,251	15,060	32,213	-	295,524	-
Other revenue	290,807	162,609	326,209	452	780,077	-
Loss on disposal of capital asset	-	-	(567,172)	-	(567,172)	-
Debt issuance costs	(14,761)	(12,847)	(30,311)	-	(57,919)	-
Interest expense	(255,603)	(851,918)	(794,714)	(20,503)	(1,922,738)	-
Total nonoperating revenue	273,713	(682,205)	(1,032,201)	(20,029)	(1,460,722)	1,013
Income before transfers and contributions	4,716,403	1,936,138	1,475,797	41,283	8,169,621	2,357,564
Transfers in (out)						
Transfers from other funds	35,159	326,229	-	1,007,263	1,368,651	-
Transfers to other funds	(1,977,686)	(391,959)	(810,779)	(628,346)	(3,808,770)	-
Total transfers in (out)	(1,942,527)	(65,730)	(810,779)	378,917	(2,440,119)	-
Change in net position	2,773,876	1,870,408	665,018	420,200	5,729,502	2,357,564
Net position:						
Beginning of year, July 1st	33,057,276	22,620,091	48,298,554	13,764	103,989,685	562,031
End of year, June 30th	\$ 35,831,152	\$ 24,490,499	\$ 48,963,572	\$ 433,964	\$ 109,719,187	\$ 2,919,595

See Notes to the Financial Statements.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	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	\$ 61,626,645	\$ 10,412,599	\$ 11,222,294	\$ 676,074	\$ 83,937,612	\$ 7,194,336
Other operating receipts	-	-	634,054	-	634,054	-
Cash paid to vendors	(50,024,895)	(3,456,130)	(5,436,952)	(337,672)	(59,255,649)	(5,037,988)
Cash paid to employees	(5,243,687)	(2,662,860)	(2,142,753)	(243,500)	(10,292,800)	
Net cash provided by operating activities	6,358,063	4,293,609	4,276,643	94,902	15,023,217	2,156,348
Cash Flows From Noncapital Financing Activities						
Transfer from (to) other funds	(1,977,686)	(368,141)	(792,138)	(15,087)	(3,153,052)	-
Restricted governmental operating grants	248,251	15,060	32,213	-	295,524	-
Net cash used in noncapital financing activities	(1,729,435)	(353,081)	(759,925)	(15,087)	(2,857,528)	-
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(2,201,120)	(3,806,616)	(480,602)	-	(6,488,338)	-
Non-operating income	290,807	162,609	326,209	452	780,077	-
Bond proceeds	5,121,317	3,796,666	8,262,017	-	17,180,000	-
Principal repayments of long-term debt	(4,575,104)	(5,803,609)	(10,548,883)	(57,122)	(20,984,718)	-
Interest and other debt related expenses	(279,060)	(877,622)	(866,781)	(17,723)	(2,041,186)	-
Net cash used in capital and related financing activities	(1,643,160)	(6,528,572)	(3,308,040)	(74,393)	(11,554,165)	-
Cash Flows From Investing Activities						
Interest received on investments	5,019	4,891	1,574	22	11,506	1,013
Net cash provided by investing activities	5,019	4,891	1,574	22	11,506	1,013
Net increase (decrease) in cash and cash equivalents	2,990,487	(2,583,153)	210,252	5,444	623,030	2,157,361
Cash and cash equivalents						
Beginning	8,974,255	10,006,388	2,741,076	-	21,721,719	1,395,729
Ending	\$ 11,964,742	\$ 7,423,235	\$ 2,951,328	\$ 5,444	22,344,749	\$ 3,553,090

See Notes to the Financial Statements.

(Continued)

Statement of Cash Flows (Continued)
 Proprietary Funds
 For the Year Ended June 30, 2012

	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	\$ 4,442,690	\$ 2,618,343	\$ 2,507,998	\$ 61,312	\$ 9,630,343	\$ 2,356,551
Adjustments to reconcile operating income to to net cash provided by operating activities:						
Depreciation	1,976,078	1,422,222	1,943,271	-	5,341,571	-
Net change in assets and liabilities:						
Accounts receivable	(292,995)	(18,666)	(89,453)	(36,426)	(437,540)	-
Inventories	(141,958)	4,353	1,728	-	(135,877)	-
Prepaid item	-	-	-	-	-	(8,000)
Accounts payable and accrued expenses	157,151	29,759	(41,804)	6,118	151,224	(192,203)
Customer deposits	10,216	-	-	-	10,216	-
Compensated absences	14,401	10,472	(5,052)	12,836	32,657	-
Other postemployment benefits accrual	192,480	227,126	(40,045)	51,062	430,623	-
Net cash provided by operating activities	\$ 6,358,063	\$ 4,293,609	\$ 4,276,643	\$ 94,902	\$ 15,023,217	\$ 2,156,348
Noncash Capital and Related Financing Activities						
Long-term debt transferred by governmental activities	\$ -	\$ -	\$ -	\$ 628,346	\$ 628,346	\$ -
Capital assets transferred from governmental activities	\$ -	\$ -	\$ -	\$ 1,007,263	\$ 1,007,263	\$ -

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

Summary of significant accounting policies: The City of New Bern, North Carolina ("City") is located in the coastal plains area of the State and has a population of 31,316. 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 and sewer utilities within the incorporated area and some surrounding areas. Electricity is purchased from North Carolina Eastern Municipal Power Agency.

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 two separate electric capital project funds for accounting purposes: the Electric Substation Capital Project Fund and the AMI/DSM 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 five separate water capital project funds for accounting purposes: the Water Capital Reserve Fund, Township 7 Water Improvements Capital Project Fund, the Neuse Boulevard Water 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 Highway 17 South Sewer Improvements Capital Project Fund. 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 twelve special revenue funds: Community Development, 2007 Stormwater CWMTF, Emergency Telephone System, Police, Brownfields Assessment and Cleanup, Five Points Area Planning Grant, COPS Hiring Program, 2007 Part F Recreation Grant Project, Grants, Public Private Partnership, FEMA- Hurricane Irene, Union Station Train Depot, add CDBG Talent Enhancement Grant.

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, 2013, 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. The government-wide proprietary financial statements are reported using 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 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 January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Craven County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of New Bern. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Craven County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

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 operating 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 dispersion 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: For the fund financial statements, ad valorem taxes receivable are not accrued as revenue, except for collections received in the first 90 days after year-end, because they are not considered to be both "measurable and available". The amount of the receivable is reduced by an allowance for doubtful accounts equal to the percent of the original levy which has normally been written off based upon past experience. An amount equal to the net receivable less amounts collected in the first 60 days after year end is shown as deferred revenue.

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, 2012. 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 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.

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 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 financial 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 financial 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 meets the criterion for this category are prepaid taxes and licenses, liens, loans receivable, and street assessments.

Notes to Financial Statements

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

Long-term obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Principal payments are reported as debt service expenditures. For business-type activities, the debt service requirements are being financed by the revenues of these funds. 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.

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.

Notes to Financial Statements

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

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 revenues.

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.

Restricted for culture and recreation - portion of fund balance that is restricted by revenue source for the unspent grant funds associated with the PARTF grant.

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

Notes to Financial Statements

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

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.

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, 2013, the City's deposits had a carrying amount of \$2,909,062 and a bank balance of \$3,233,469. Of the bank balance, \$1,181,824 was covered by federal depository insurance and the remainder of \$2,051,645 was covered by collateral held under the pooling method. The City's cash on hand at June 30, 2013 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, 2013, 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	\$ 10,015,706	\$ 10,015,706	\$ -	\$ -	\$ -
Cash Portfolio	24,424,341	24,424,341	-	-	-
Total investments	\$ 34,440,047	\$ 34,440,047	\$ -	\$ -	\$ -

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

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, 2013. 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.

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	\$ 355,128
Taxes receivable- Municipal service district	1,619
Accounts receivable-General Fund	3,100
Interest receivable - General Fund	21,454
Lien receivable Green Park Terrace -General Fund	130,000
Accounts receivable - Special Revenue Fund	<u>1,675</u>
Total governmental activities	<u><u>\$ 512,976</u></u>

Business-type Activities:

Accounts receivable - Electric Fund	\$ 113,100
Accounts receivable - Water Fund	67,975
Accounts receivable - Stormwater Fund	27,400
Accounts receivable - Sewer Fund	<u>105,305</u>
Total business-type activities	<u><u>\$ 313,780</u></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, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,070,380	\$ 323,663	\$ -	\$ 14,394,043
Construction in progress	6,043,137	1,353,039	(1,040,478)	6,355,698
Total capital assets not being depreciated	20,113,517	1,676,702	(1,040,478)	20,749,741
Capital assets being depreciated:				
Buildings and improvements	18,761,704	-	-	18,761,704
Equipment	6,723,469	410,927	(606,386)	6,528,010
Furniture and fixtures	4,061,408	188,727	(446,224)	3,803,911
Transformers	70,275	-	-	70,275
Infrastructure	16,620,088	-	-	16,620,088
Vehicles	7,656,895	362,402	(1,087,649)	6,931,648
Total capital assets being depreciated	53,893,839	962,056	(2,140,259)	52,715,636
Less accumulated depreciation for:				
Buildings and improvements	(4,628,323)	(473,089)	-	(5,101,412)
Equipment	(5,004,192)	(302,081)	567,243	(4,739,030)
Furniture and fixtures	(3,396,247)	(106,375)	258,406	(3,244,216)
Transformers	(21,082)	(2,811)	-	(23,893)
Infrastructure	(4,911,520)	(605,500)	-	(5,517,020)
Vehicles	(6,921,093)	(173,342)	1,087,649	(6,006,786)
Total accumulated depreciation	(24,882,457)	(1,663,198)	1,913,298	(24,632,358)
Total capital assets being depreciated, net	29,011,382			28,083,279
Governmental activities capital assets, net	\$ 49,124,899			\$ 48,833,019

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

General government	\$ 231,881
Public safety	434,732
Cultural and recreational	364,268
Public works	549,089
Environmental protection	83,228
Total	\$ 1,663,198

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, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Electric fund activities:				
Capital assets not being depreciated:				
Land	\$ 644,440	\$ -	\$ -	\$ 644,440
Construction in progress	1,959,675	309,835	-	2,269,510
Total capital assets not being depreciated	2,604,115	309,835	-	2,913,950
Capital assets being depreciated:				
Buildings	971,323	-	-	971,323
Equipment	5,700,221	131,630	(28,873)	5,802,978
Furniture and fixtures	44,004	-	(8,500)	35,504
Transformers	3,821,718	21,452	-	3,843,170
Distribution systems	43,504,776	1,475,453	-	44,980,229
Vehicles	2,567,317	297,909	(119,382)	2,745,844
Total capital assets being depreciated	56,609,359	1,926,444	(156,755)	58,379,048
Less accumulated depreciation for:				
Buildings	(466,170)	(31,150)	-	(497,320)
Equipment	(3,763,579)	(240,285)	28,873	(3,974,991)
Furniture and fixtures	(44,004)	-	8,500	(35,504)
Transformers	(3,086,098)	(56,724)	-	(3,142,822)
Distribution systems	(23,230,844)	(1,430,914)	-	(24,661,758)
Vehicles	(1,756,184)	(217,005)	119,382	(1,853,807)
Total accumulated depreciation	(32,346,879)	(1,976,078)	156,755	(34,166,202)
Total capital assets being depreciated, net	24,262,480			24,212,846
Electric fund capital assets, net	\$ 26,866,595			\$ 27,126,796

Depreciation of \$1,976,078 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, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Water fund activities:				
Capital assets not being depreciated:				
Land	\$ 852,479	\$ -	\$ -	\$ 852,479
Construction in progress	-	3,335,639	-	3,335,639
Total capital assets not being depreciated	852,479	3,335,639	-	4,188,118
Capital assets being depreciated:				
Buildings	33,749,057	-	-	33,749,057
Equipment	1,917,680	170,723	(213,692)	1,874,711
Furniture and fixtures	7,731	-	-	7,731
Distribution systems	19,531,759	144,451	-	19,676,210
Vehicles	580,797	155,803	(36,059)	700,541
Total capital assets being depreciated	55,787,024	470,977	(249,751)	56,008,250
Less accumulated depreciation for:				
Buildings	(1,108,497)	(843,726)	-	(1,952,223)
Equipment	(1,302,253)	(81,895)	178,541	(1,205,607)
Furniture and fixtures	(5,881)	(1,850)	-	(7,731)
Distribution systems	(6,843,479)	(458,940)	-	(7,302,419)
Vehicles	(518,813)	(35,811)	36,059	(518,565)
Total accumulated depreciation	(9,778,923)	(1,422,222)	214,600	(10,986,545)
Total capital assets being depreciated, net	46,008,101			45,021,705
Water Fund capital assets, net	\$ 46,860,580			\$ 49,209,823

Depreciation of \$1,422,222 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, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Sewer fund activities:				
Capital assets not being depreciated:				
Land	\$ 12,389,511	\$ -	\$ -	\$ 12,389,511
Construction in progress	17,658	328,620	(346,278)	-
Total capital assets not being depreciated	12,407,169	328,620	(346,278)	12,389,511
Capital assets being depreciated:				
Buildings	39,898,144	346,278	(975,682)	39,268,740
Equipment	3,370,770	107,070	(214,248)	3,263,592
Furniture and fixtures	48,820	-	-	48,820
Distribution systems	36,914,159	-	-	36,914,159
Vehicles	1,385,131	44,912	(43,427)	1,386,616
Total capital assets being depreciated	81,617,024	498,260	(1,233,357)	80,881,927
Less accumulated depreciation for:				
Buildings	(13,517,325)	(957,228)	408,510	(14,066,043)
Equipment	(1,866,313)	(182,894)	210,694	(1,838,513)
Furniture and fixtures	(36,975)	(1,733)	-	(38,708)
Distribution systems	(6,047,963)	(736,505)	-	(6,784,468)
Vehicles	(1,173,411)	(64,911)	43,427	(1,194,895)
Total accumulated depreciation	(22,641,987)	(1,943,271)	662,631	(23,922,627)
Total capital assets being depreciated, net	58,975,037			56,959,300
Sewer Fund capital assets, net	\$ 71,382,206			\$ 69,348,811

Depreciation of \$1,943,271 was charged to the Sewer Fund.

Capital asset activity for the Stormwater fund for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
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
Storm Water Fund capital assets	\$ -			\$ 1,007,263

Notes to Financial Statements

Note 5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities and other liabilities disaggregated information for the year ended June 30, 2013 is as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 788,441	\$ 4,449,735	\$ 5,238,176
Accrued liabilities	1,163,329	421,400	1,584,729
Performance and bid deposits held	131,166	-	131,166
Health claims incurred, but not reported (IBNR)	627,394	-	627,394
Total	\$ 2,710,330	\$ 4,871,135	\$ 7,581,465

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 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 6.74% and 6.77%, 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, 2011, 2012, and 2013 were \$1,272,465, \$1,439,690 and \$1,391,770, respectively. The contributions made by the City equaled the required contributions for each year.

Notes to Financial Statements

Note 6. Pension Plans (Continued)

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, 2012, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits and terminated	9
Active plan members	73
Total	<u><u>82</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.

The annual required contribution (ARC) for the current year was determined as part of the December 31, 2012 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, 2012, was 18 years.

Notes to Financial Statements

Note 6. Pension Plans (Continued)

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	\$ 174,231
Interest on net pension obligation	101,862
Adjustment to annual required contribution	<u>(126,779)</u>
Annual pension cost	149,314
Employer contributions made for fiscal year ending June 30, 2013	<u>96,154</u>
Increase in net pension obligation	53,160
Net pension obligation:	
Beginning of year, July 1	<u>2,037,230</u>
End of year, June 30	<u><u>\$ 2,090,390</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
2011	\$ 150,823	56.32%	\$ 1,979,679
2012	150,017	61.64%	2,037,230
2013	149,314	64.40%	2,090,390

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 and the unfunded actuarial accrued liability ("UAAL") was \$1,601,680. The covered payroll (annual payroll of active employees covered by the plan) was \$3,780,160, and the ratio of the UAAL to the covered payroll was 42.37 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, 2013 were \$347,667, which consisted of \$201,399 from the City and \$146,268 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, 2013 were \$1,174,710, which consisted of \$795,704 from the City and \$379,006 from the non-law enforcement employees.

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

Notes to Financial Statements

Note 7. Other Employment Benefits (Continued)

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. The contributions to the plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these amounts to be immaterial.

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.

Currently, 55 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013 the City made payments for post-retirement health benefit premiums of \$93,491 and total insurance claims of \$493,510. A separate report was not issued for the plan.

Notes to Financial Statements

Note 8. Other Postemployment Benefits (Continued)

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 \$573,002 or 2.94% of annual covered payroll. The City is self-insured for healthcare coverage and purchases catastrophic loss coverage through private insurers. The City's required contributions, under a City resolution, for employees not engaged in law enforcement, and for law enforcement officers represented 6.69% and 6.69% of covered payroll, respectively. For the fiscal year ended June 30, 2013, the total retiree contributions for health insurance were \$478,510.

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	\$ 1,384,837
Interest on net OPEB obligation	161,273
Adjustments to annual required contribution	<u>(154,066)</u>
Annual OPEB cost (expense)	1,392,044
Contributions made	<u>(573,002)</u>
Increase in net OPEB obligation	819,042
Net OPEB Obligation:	
Net OPEB obligation, beginning of year	<u>4,031,822</u>
Net OPEB obligation, end of year	<u><u>\$ 4,850,864</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, 2011, 2012 and 2013 were as follows:

Year Ended June 30,	Percentage of Annual		
	Annual Pension OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,060,088	14.20%	\$ 4,535,765
2012	1,361,862	36.10%	4,031,822
2013	1,392,044	41.16%	4,850,864

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 \$3,759,876 in claims and changes in estimates were incurred for benefits during the year ended June 30, 2013. Changes in the fund's claims liability amounts in the years ended June 30, 2013 and 2012, 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
2012	\$ 816,000	\$ 5,578,006	\$ 5,563,862	\$ 830,144
2013	830,144	3,759,876	3,962,086	627,934

City of New Bern, North Carolina

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, 2013.

	Balance				Balance		Current
	July 1, 2012	Additions	Retirements	Transfers	June 30, 2013	Portion	
Governmental Activities:							
Installment notes payable	\$ 14,610,371	\$ 465,315	\$ (1,997,458)	\$ (628,346)	\$ 12,449,882	\$ 1,461,310	
Net pension and OPEB obligation	4,743,154	441,576	-	-	5,184,730	-	
*Compensated absences	1,257,542	878,017	(782,571)	-	1,352,988	658,513	
Total	\$ 20,611,067	\$ 1,784,908	\$ (2,780,029)	\$ (628,346)	\$ 18,987,600	\$ 2,119,823	
Business-Type Activities:							
Water Fund:							
Notes payable	\$ 30,245,962	\$ -	\$ (1,680,331)	\$ -	\$ 28,565,631	\$ 1,680,331	
Installment notes payable	4,700,640	-	(4,123,278)	-	577,362	81,525	
Revenue bonds payable	-	3,796,666	-	-	3,796,666	354,412	
Other postemployment benefits	263,067	227,126	-	-	490,193	-	
*Compensated absences	113,907	111,900	(101,428)	-	124,379	83,925	
Total	35,323,576	4,135,692	(5,905,037)	-	33,554,231	2,200,193	
Sewer Fund:							
Notes payable	14,555,338	-	(1,273,424)	-	13,281,914	1,305,176	
Installment notes payable	11,732,551	-	(9,275,459)	-	2,457,092	382,500	
Revenue bonds payable	-	8,262,017	-	-	8,262,017	771,245	
Other postemployment benefits	397,476	-	(40,044)	-	357,432	-	
*Compensated absences	96,932	84,499	(89,551)	-	91,880	63,374	
Total	26,782,297	8,346,516	(10,678,478)	-	24,450,335	2,522,295	
Electric Fund:							
Installment notes payable	4,837,631	-	(4,575,104)	-	262,527	130,245	
Revenue bonds payable	-	5,121,317	-	-	5,121,317	478,066	
Other postemployment benefits	665,355	192,482	-	-	857,837	-	
*Compensated absences	313,364	111,900	(97,499)	-	327,765	83,925	
Total	5,816,350	5,425,699	(4,672,603)	-	6,569,446	692,236	
Stormwater Fund:							
Installment notes payable	-	-	(57,122)	628,346	571,224	57,122	
Other postemployment benefits	-	51,062	-	-	51,062	-	
*Compensated absences	-	21,199	(8,363)	-	12,836	8,400	
Total	-	72,261	(65,485)	628,346	635,122	65,522	
Total business-type activities	\$ 67,922,223	\$ 17,980,168	\$ (21,321,603)	\$ 628,346	\$ 65,209,134	\$ 5,480,246	

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, 2013 was \$243,106,892.

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Refinancing

In June 2013, the City issued \$17,180,000 of revenue bonds to refinance \$15,843,459 of various installment purchase agreements plus new debt of \$950,000 and \$328,620 are for the AMI/DSM and Hwy 17 South Sewer Improvement capital project funds, respectively. Additionally, issuance costs of \$57,921 have been expensed in the current year in accordance with GASB 65. There were no gains or losses or issuance premiums or discounts associated with the refinancing of the various purchase agreements.

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 1.49% to 4.625%.

The installment purchase contracts payable at June 30, 2013, are comprised of the following individual contracts:

Serviced by the General Fund:

	<u>Principal Balance June 30, 2013</u>
\$710,228 installment agreement with BB&T Leasing issued in September 2003 - for Dunn Building in installments of \$20,023 through 2015 with interest at 4.02%.	\$ 97,168
\$624,000 installment agreement with BB&T Leasing issued in September 2003 - for E-911 building in installments of \$26,000 through 2015 with interest at 4.05%.	104,000
\$553,988 installment agreement with BB&T Leasing issued in September 2003 - for restroom facility and fire station in installments of \$10,073 through 2017 with interest at 4.11%.	161,160
\$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%.	620,840
\$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%.	704,362
\$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%.	221,438
\$94,256 installment agreement with First Citizens Bank issued in December 2006 - for a 2006 Honda Element, 2006 GMC Tandem Dump Truck, and a 2007 Dodge Durango in installments of \$7,584 through 2014 with interest at 3.10%.	14,823

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by the General Fund: (continued)

\$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%.	158,000
\$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%.	64,441
\$5,596,923 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 \$98,282 through 2023 with interest at 2.92%	3,360,058
\$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%.	2,253,227
\$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%.	462,322
\$89,978 installment agreement with First Citizens Bank issued in June 2010 - for a tub grinder in installments of \$6,008 through 2014 with interest at 3.10%.	23,574
\$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%.	117,579
\$567,076 installment agreement with Bank of America issued in June 2012 - for various vehicles and equipment in installments of \$56,708 through 2016 with interest at 1.49%.	453,661
\$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%.	3,167,914
\$465,315 installment agreement with BB&T issued in June 2013 - for South Front Street Streetscape improvements in installments of \$15,510 through 2028 with interest at 2.54%.	465,315
Total	\$ 12,449,882

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by General Fund (Continued):

The future minimum payments of the installment purchases payable as of June 30, 2013, including \$3,393,975 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,461,310	\$ 379,879	\$ 1,841,189
2015	1,377,408	337,604	1,715,012
2016	1,273,264	298,898	1,572,162
2017	1,217,588	262,765	1,480,353
2018	999,716	229,959	1,229,675
2019-2023	4,108,497	731,792	4,840,289
2024-2028	431,483	416,101	847,584
2029-2033	346,529	335,116	681,645
2034-2038	434,485	247,160	681,645
2039-2043	544,767	136,878	681,645
2044-2045	254,835	17,823	272,658
Total	\$ 12,449,882	\$ 3,393,975	\$ 15,843,857

City of New Bern, North Carolina

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Water Fund:

	<u>Principal Balance June 30, 2013</u>
\$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%.	\$ 163,887
\$84,563 installment agreement with First Citizens Bank issued in December 2006 - for various vehicles and equipment in installments of \$6,804 through 2014 with interest at 3.10%.	13,298
\$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%.	27,798
\$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>372,379</u>
Total	<u><u>\$ 577,362</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2013, including \$81,903 interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 81,525	\$ 17,274	\$ 98,799
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
2019-2023	<u>247,788</u>	<u>17,598</u>	<u>265,386</u>
Total	<u><u>\$ 577,362</u></u>	<u><u>\$ 81,903</u></u>	<u><u>\$ 659,265</u></u>

City of New Bern, North Carolina

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Sewer Fund:

	<u>Principal Balance June 30, 2013</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%.	\$ 45,000
\$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%.	81,507
\$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%.	1,195,520
\$55,714 installment agreement with First Citizens Bank issued in December 2006 - for various vehicles in installments of \$4,483 through 2014 with interest at 3.10%.	8,762
\$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%.	229,856
\$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%.	113,563
\$1,107,757 installment agreement with BB&T issued in May 2008 - for New Street WWTP maintenance building in variable installments through 2023 with interest at 2.92%.	<u>782,884</u>
Total	<u><u>\$ 2,457,092</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2013, including \$321,406 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 382,500	\$ 79,863	\$ 462,363
2015	384,703	66,328	451,031
2016	321,566	53,215	374,781
2017	326,571	41,825	368,396
2018	254,006	31,353	285,359
2019-2023	<u>787,746</u>	<u>48,822</u>	<u>836,568</u>
Total	<u><u>\$ 2,457,092</u></u>	<u><u>\$ 321,406</u></u>	<u><u>\$ 2,778,498</u></u>

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Stormwater Fund:

	Principal Balance June 30, 2013
\$799,714 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 \$57,122 through 2023 with interest at 2.92%	\$ 571,224
Total	\$ 571,224

The future minimum payments of the installment purchases payable as of June 30, 2013, including \$85,482 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 57,122	\$ 16,054	\$ 73,176
2015	57,122	14,386	71,508
2016	57,122	12,718	69,840
2017	57,122	11,050	68,172
2018	57,122	9,382	66,504
2019-2023	285,614	21,892	307,506
Total	\$ 571,224	\$ 85,482	\$ 656,706

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Serviced by Electric Fund:

	<u>Principal Balance June 30, 2013</u>
\$370,258 installment agreement with First Citizens Bank issued in December 2006 - for various equipment in installments of \$29,792 through 2014 with interest at 3.10%.	\$ 58,227
\$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%.	76,462
\$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%.	44,333
\$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%.	<u>83,505</u>
Total	<u><u>\$ 262,527</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2013, including \$12,994 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 130,245	\$ 5,833	\$ 136,078
2015	73,667	2,698	76,365
2016	27,583	1,178	28,761
2017	4,433	858	5,291
2018	4,433	728	5,161
2019-2023	<u>22,166</u>	<u>1,699</u>	<u>23,865</u>
Total	<u><u>\$ 262,527</u></u>	<u><u>\$ 12,994</u></u>	<u><u>\$ 275,521</u></u>

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Notes Payable:

Serviced by the Water Fund:

	Principal Balance June 30, 2013
\$33,606,624 note payable with NCDENR issued in July 2010 - for Water Trust Revolving Loan in variable installments through 2030 with interest at 2.265%.	\$ 28,565,631

The future minimum payments of the note payable as of June 30, 2013, including \$5,823,104 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,680,331	\$ 647,012	\$ 2,327,343
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
2019-2023	8,401,656	1,902,975	10,304,631
2024-2028	8,401,656	951,488	9,353,144
2029-2030	3,360,664	114,178	3,474,842
Total	\$ 28,565,631	\$ 5,823,104	\$ 34,388,735

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Notes Payable (Continued):

Serviced by the Sewer Fund:

	Principal Balance June 30, 2013
\$3,534,043 note payable with NCDENR issued in March 2002 - for Sanitary Sewer in variable installments through 2018 with interest at 2.91%.	\$ 1,223,534
\$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%.	11,315,081
\$1,351,452 note payable with NCDENR issued in March 2003 - for Wastewater Treatment Diffuser Project in variable installments through 2024 with interest at 2.66%.	743,299
	<u>\$ 13,281,914</u>

The future minimum payments of the note payable as of June 30, 2013, including \$1,887,685 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,305,176	\$ 346,174	\$ 1,651,350
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
2019-2023	6,353,827	507,624	6,861,451
2024-2028	67,575	1,797	69,372
Total	<u>\$ 13,281,914</u>	<u>\$ 1,887,685</u>	<u>\$ 15,169,599</u>

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, 2013
\$3,796,666 revenue bonds with BB&T issued in June 2013 -for Water projects and refund of installment notes in annual installments through 2023 with interest at 1.56%.	\$ 3,796,666

The future minimum payments of the revenue bonds payable as of June 30, 2013, including \$317,709 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 354,412	\$ 57,025	\$ 411,437
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
2019-2023	1,971,620	85,568	2,057,188
Total	\$ 3,796,666	\$ 317,709	\$ 4,114,375

Serviced by Sewer Fund:

	Principal Balance June 30, 2013
\$8,262,017 revenue bonds with BB&T issued in June 2013- for Sewer projects and to refund installment notes in annual installments through 2023 with interest at 1.56%.	\$ 8,262,017

The future minimum payments of the revenue bonds payable as of June 30, 2013, including \$691,376 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 771,245	\$ 124,094	\$ 895,339
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
2019-2023	4,290,490	186,207	4,476,697
Total	\$ 8,262,017	\$ 691,376	\$ 8,953,393

Notes to Financial Statements

Note 10. Long-Term Obligations (Continued)

Revenue Bonds Payable (Continued)

Serviced by Electric Fund:

	Principal Balance June 30, 2013
\$5,121,317 revenue bonds with BB&T issued in June 2013- for Electric projects and to refund installment notes in annual installments through 2023 with interest at 1.56%.	<u>\$ 5,121,317</u>

The future minimum payments of the revenue bonds payable as of June 30, 2013, including \$428,558 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 478,066	\$ 76,921	\$ 554,987
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
2019-2023	2,659,515	115,423	2,774,938
Total	<u>\$ 5,121,317</u>	<u>\$ 428,558</u>	<u>\$ 5,549,875</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 will be applicable for fiscal year ending June 30, 2014 and for each fiscal year thereafter.

Note 11. Interfund Transfers

Interfund balances as of June 30, 2013 consisted of the following:

	Due From	Due To	Purpose
2007 Stormwater CWMTF			
Special Revenue Fund	\$ 39,103		Temporary cash deficit
Cops Hiring Program Special Revenue Fund	53,157		Temporary cash deficit
Grants Special Revenue Fund	46,286		Temporary cash deficit
FEMA Hurricane Irene Special Revenue Fund	14,525		Temporary cash deficit
Union Station Train Depot Special Revenue Fund	150,250		Temporary cash deficit
Radio System Equipment Capital Project Water Fund	33,941		Temporary cash deficit
		337,262	
	<u>\$ 337,262</u>	<u>\$ 337,262</u>	

Notes to Financial Statements

Note 11. Interfund Transfers (Continued)

Interfund transfers for the year ended June 30, 2013 consisted of the following:

	From	To	Purpose
Electric Fund	\$ 1,776,404	\$ -	Budgeted contribution
General Fund		1,776,404	
Electric Fund	146,957		Debt payment
General Fund		146,957	
Water Fund	357,100		Budgeted contribution
General Fund		357,100	
Sewer Fund	592,900		Budgeted contribution
General Fund		592,900	
General Fund	111,701		
CDBG Community Revitalization Grant Fund		15,000	Local contribution
Grants Special Revenue Fund		25,819	Local contribution
Emergency Telephone System Fund		16,557	General Funds portion of costs
Water Treatment Facility Improvement Fund		54,325	General Funds portion of project
General Fund	628,346		Transfer of debt (GASB 34)
Storm Water Fund		628,346	
Electric Fund		35,159	Transfer of capital asset
Water Fund		3,254	Transfer of capital asset
Storm Water Fund		1,007,263	Transfer of capital asset
General Fund	1,007,263		
Water Fund	35,159		
Sewer Fund	3,254		
Sewer Capital Reserve Fund	250,000		Budgeted contribution
Sewer Fund		250,000	
General Fund		50,000	Budgeted contribution
South Front St Streetscape Project	50,000		
Electric Fund	54,325		
Sewer Fund	214,325		
Water Fund	2,888,449		
Water Fund		160,000	2nd Installment Loan Repayment
Water Treatment Facility Improvement Fund		54,325	Electric Funds portion of project
Water Treatment Facility Improvement Fund		54,325	Sewer Funds portion of project
Water Treatment Facility Improvement Fund		92,025	Water Funds portion of project
Neuse Blvd. Phase II Project Fund		2,796,424	Water Funds portion of project
total	\$ 8,116,183	\$ 8,116,183	

Notes to Financial Statements

Note 11. Interfund Transfers (Continued)

The City's enterprise funds reimburse the General Fund for administrative expenses and rent of public buildings. The reimbursements are based on actual expenditures in the General Fund and management's estimate of the portion of the expenses attributable to each enterprise fund. Reimbursements were as follows for the year ended June 30, 2013:

Reimbursing Fund	Administration	Rent
Electric	\$ 1,370,151	\$ 445,011
Water	732,446	273,760
Sewer	677,753	255,313
total	<u>\$ 2,780,350</u>	<u>\$ 974,084</u>

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, 2013 under operating leases was \$71,872

Governmental activities future minimum lease payments are as follows:

Year Ending June 30	Governmental Activities
2014	\$ 38,467
2015	26,310
	<u>\$ 64,777</u>

Note 13. Deferred Inflows of Resources

Deferred inflows of resources at June 30, 2013 is composed of the following:

	Unavailable Revenues	Unearned Revenues
General Fund:		
Prepaid taxes and licenses	\$ -	\$ 39,566
Taxes receivable, net	422,049	-
Liens receivable	318,391	-
Street assessment receivable	3,511	-
Motor vehicle fees receivable	37,721	-
Total	<u>\$ 781,672</u>	<u>\$ 39,566</u>
Special Revenue Fund:		
Loans receivable	<u>\$ 9,106</u>	

Notes to Financial Statements

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, 2013. The City contributed \$75,000 to the Library during the year ended June 30, 2013.

Jointly Governed Organization

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 \$10,461 to the Council during the year ended June 30, 2013.

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 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, 2013 were \$46,671,285.

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.

Notes to Financial Statements

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, 2013 are as follows:

General Fund	\$1,167,010
Non Major Funds	\$ 645,255

The City had commitments, as shown below, for construction contracts outstanding at June 30, 2013. The projects are accounted for in the General Fund, Capital Projects Funds, and Enterprise Capital Projects Funds and are mainly funded by debt proceeds.

<u>Project</u>	<u>Balance of contract remaining</u>
Union Station Train Depot	\$ 106,935
South Front Street	209,514
Radio project	328,057
Street paving project	533,750
NESHAP compliance exhaust systems	323,754
AMI/DSM System and Meters	559,675
Total	\$ 2,061,685

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.

Notes to Financial Statements

Note 17. Change in Accounting Principles

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and Statement 65, "Items Previously Reported as Assets and Liabilities", in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, bond issuance costs from the refunding of debt have been expensed in the current year.

Note 18. Pronouncements Issued But Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2013 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 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62" will be effective for the City beginning with its year ending June 30, 2014.

GASB Statement Number 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" will be effective for the City beginning with its year ending June 30, 2014.

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 70 – "Accounting and Financial Reporting for Nonexchange Financial Guarantees" will be effective for the City beginning with its year ending June 30, 2014.

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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, 2013**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial Accrued 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%

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%

The first year that an actuarial study was done was for the year ending June 30, 2012.

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 closed
Remaining amortization period	18 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, 2013

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
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, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year operations	\$ 12,515,000	\$ 12,802,398	\$ 287,398	\$ 12,651,755
Prior year	121,000	219,467	98,467	364,589
Municipal service district	166,050	207,209	41,159	261,867
Interest and penalties	44,500	68,450	23,950	86,638
Total ad valorem taxes	12,846,550	13,297,524	450,974	13,364,849
Other taxes and licenses:				
Privilege licenses	260,000	264,417	4,417	262,984
Total other taxes and licenses	260,000	264,417	4,417	262,984
Unrestricted intergovernmental:				
Local options sales tax	5,058,600	5,420,789	362,189	5,331,248
Video programming tax	285,000	284,902	(98)	314,594
Telecommunications sales tax	380,000	333,416	(46,584)	364,465
Payment in lieu of taxes - enterprise funds	869,411	860,496	(8,915)	464,842
Utilities franchise tax	1,400,000	1,406,786	6,786	1,408,725
Piped natural gas tax	100,000	97,829	(2,171)	85,213
Public Education Television	32,520	31,409	(1,111)	
Beer and wine tax	125,000	121,411	(3,589)	128,396
Fire protection reimbursement	10,887	14,204	3,317	14,636
ABC distributions	54,500	65,702	11,202	66,913
Total unrestricted intergovernmental	8,315,918	8,636,944	321,026	8,179,032
Restricted intergovernmental:				
Powell Bill allocation	838,500	812,543	(25,957)	834,142
FEMA Public Assistance grant	-	242,674	242,674	1,320,993
Total restricted intergovernmental	838,500	1,055,217	216,717	2,155,135
Licenses, permits and fees:				
Building permits and inspection fees	484,280	436,458	(47,822)	449,071
Auto and taxi fees	135,000	146,078	11,078	150,312
Beer and wine licenses	2,100	2,370	270	2,370
Total licenses, permits and fees	621,380	584,906	(36,474)	601,753

(Continued)

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
Sales and services:				
Public works fees	\$ 130,000	\$ 132,593	2,593	\$ 137,803
Refuse collection fees	2,136,000	2,232,340	96,340	2,149,340
Planning and inspections revenue	137,715	129,087	(8,628)	130,333
Public safety fees	15,400	11,984	(3,416)	14,089
Cultural and recreation fees	125,107	144,262	19,155	167,033
Rent income	291,326	289,236	(2,090)	285,268
Rent income - enterprise funds	862,634	862,634	-	1,032,567
Other sales and services	305,003	352,370	47,367	297,849
Total sales and services	4,003,185	4,154,506	151,321	4,214,282
Investment earnings	15,900	17,664	1,764	15,893
Other revenues:				
Proceeds from capital asset sales	1,000	44,116	43,116	4,783
Proceeds from insurance	35,000	35,006	6	211,920
Cemetery	80,000	115,820	35,820	97,190
Cable franchise fee	-	-	-	10,885
Other revenues	23,250	27,819	4,569	18,375
Total other revenues	139,250	222,761	83,511	343,153
Total revenues	27,040,683	28,233,939	1,193,256	29,137,081
Expenditures				
General government:				
Governing body				
Salaries and employee benefits	216,244	214,706	1,538	206,568
Special appropriations	581,933	579,568	2,365	559,183
Operating expenditures	92,832	70,557	22,275	64,785
	891,009	864,831	26,178	830,536
Administration:				
Salaries and employee benefits	415,648	415,171	477	386,059
Operating expenditures	163,488	134,145	29,343	158,910
Hurricane Irene expenditures	-	-	-	622
	579,136	549,316	29,820	545,591

(Continued)

General Fund

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

For the Year Ended June 30, 2013

With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Public Education Television (PEG):				
Salaries and employee benefits	\$ 4,776	\$ 2,240	\$ 2,536	\$ -
Operating expenditures	39,650	20,699	18,951	-
	<u>44,426</u>	<u>22,939</u>	<u>21,487</u>	<u>-</u>
Finance:				
Salaries and employee benefits	1,768,373	1,601,718	166,655	1,524,989
Operating expenditures	844,885	805,285	39,600	869,335
Hurricane Irene expenditures	-	-	-	27,670
	<u>2,613,258</u>	<u>2,407,003</u>	<u>206,255</u>	<u>2,421,994</u>
Legal:				
Contracted services	218,364	216,427	1,937	193,650
Human resources				
Salaries and employee benefits	402,515	362,731	39,784	388,057
Operating expenditures	78,253	67,611	10,642	59,064
Hurricane Irene expenditures	-	-	-	273
	<u>480,768</u>	<u>430,342</u>	<u>50,426</u>	<u>447,394</u>
Total general government	<u>4,826,961</u>	<u>4,490,858</u>	<u>336,103</u>	<u>4,439,165</u>
Public safety:				
Police:				
Salaries and employee benefits	8,068,246	7,469,618	598,628	7,341,185
Operating expenditures	1,452,371	1,432,062	20,309	1,366,073
Hurricane Irene expenditures	-	-	-	118,073
	<u>9,520,617</u>	<u>8,901,680</u>	<u>618,937</u>	<u>8,825,331</u>
Fire:				
Salaries and employee benefits	4,940,518	4,858,352	82,166	4,685,047
Operating expenditures	536,357	472,565	63,792	500,993
Hurricane Irene expenditures	-	-	-	50,144
	<u>5,476,875</u>	<u>5,330,917</u>	<u>145,958</u>	<u>5,236,184</u>
Total public safety	<u>14,997,492</u>	<u>14,232,597</u>	<u>764,895</u>	<u>14,061,515</u>

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Public works:				
Streets:				
Salaries and employee benefits	\$ 1,326,707	\$ 1,177,453	\$ 149,254	\$ 1,241,524
Operating expenditures	1,663,033	1,016,479	646,554	1,301,127
Hurricane Irene expenditures	-	-	-	685,800
	<u>2,989,740</u>	<u>2,193,932</u>	<u>795,808</u>	<u>3,228,451</u>
Public buildings:				
Salaries and employee benefits	370,864	351,258	19,606	313,979
Operating expenditures	486,903	447,224	39,679	387,214
Hurricane Irene expenditures	-	-	-	332,955
	<u>857,767</u>	<u>798,482</u>	<u>59,285</u>	<u>1,034,148</u>
Administration:				
Salaries and employee benefits	509,630	496,052	13,578	480,605
Operating expenditures	369,499	346,563	22,936	324,548
Hurricane Irene expenditures	-	-	-	12,684
	<u>879,129</u>	<u>842,615</u>	<u>36,514</u>	<u>817,837</u>
Cemeteries:				
Salaries and employee benefits	-	-	-	76,086
Operating expenditures	-	-	-	94,642
Hurricane Irene expenditures	-	-	-	43,900
	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,628</u>
Leaf and limb:				
Salaries and employee benefits	415,607	408,412	7,195	423,139
Operating expenditures	235,353	192,645	42,708	219,041
Hurricane Irene expenditures	-	-	-	58,849
	<u>650,960</u>	<u>601,057</u>	<u>49,903</u>	<u>701,029</u>
Total public works	<u>5,377,596</u>	<u>4,436,086</u>	<u>941,510</u>	<u>5,996,093</u>

(Continued)

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Environmental protection:				
Sanitation:				
Operating expenditures	\$ 1,900,000	\$ 1,792,211	\$ 107,789	\$ 1,952,131
	<u>1,900,000</u>	<u>1,792,211</u>	<u>107,789</u>	<u>1,952,131</u>
Cultural and recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,899,291	1,701,146	198,145	1,613,335
Operating expenditures	634,966	621,795	13,171	473,622
Hurricane Irene expenditures	-	-	-	46,421
	<u>2,534,257</u>	<u>2,322,941</u>	<u>211,316</u>	<u>2,133,378</u>
Economic and physical development:				
Planning				
Salaries and employee benefits	1,404,444	1,378,685	25,759	1,253,752
Operating expenditures	323,774	209,622	114,152	147,411
Hurricane Irene expenditures	-	-	-	2,343
	<u>1,728,218</u>	<u>1,588,307</u>	<u>139,911</u>	<u>1,403,506</u>
Municipal service district				
Operating expenditures	19,089	16,460	2,629	16,561
	<u>19,089</u>	<u>16,460</u>	<u>2,629</u>	<u>16,561</u>
Total economic and physical development	<u>1,747,307</u>	<u>1,604,767</u>	<u>142,540</u>	<u>1,420,067</u>
Reimbursements from Enterprise Funds	(2,891,799)	(2,891,799)	-	(5,168,446)
Capital outlay	1,529,193	1,052,794	476,399	538,108
Debt Service				
Principal retirement	1,891,293	1,997,458	(106,165)	2,153,397
Interest and other charges	431,161	380,588	50,573	445,677
	<u>2,322,454</u>	<u>2,378,046</u>	<u>(55,592)</u>	<u>2,599,074</u>
Total expenditures	<u>32,343,461</u>	<u>29,418,501</u>	<u>2,924,960</u>	<u>27,971,085</u>

(Continued)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		2012	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenue over (under) expenditures	\$ (5,302,778)	\$ (1,184,562)	\$ 4,118,216	\$ 1,165,996
Other financing sources (uses):				
Transfers in	4,066,633	2,873,361	(1,193,272)	1,713,067
Transfers out	(361,900)	(161,701)	200,199	(664,812)
Appropriated fund balance	867,684	-	(867,684)	-
Contingency	(147,769)	-	147,769	-
Debt issued	878,130	-	(878,130)	567,076
Total other financing uses	5,302,778	2,711,660	(2,591,118)	1,615,331
Net change in fund balance	<u>\$ -</u>	<u>1,527,098</u>	<u>\$ 1,527,098</u>	<u>2,781,327</u>
Fund balance, beginning		<u>10,325,476</u>		<u>7,544,149</u>
Fund balance, ending		<u>\$ 11,852,574</u>		<u>\$ 10,325,476</u>

Non-Major Governmental Funds

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Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2013

	Special Revenue Funds	Capital Project Funds	Total
Assets			
Assets			
Cash and cash equivalents	\$ 288,934	\$ 117,018	\$ 405,952
Accounts receivable, net	105,706	86,179	191,885
Due from other governments	552,562	-	552,562
Restricted cash and investments	85,597	359,114	444,711
Total assets	\$ 1,032,799	\$ 562,311	\$ 1,595,110
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 115,464	\$ 186,144	\$ 301,608
Due to other funds	303,321	33,941	337,262
Total liabilities	418,785	220,085	638,870
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	649,162	86,179	735,341
Restricted for public safety	220,884	-	220,884
Restricted for public works	28,849	-	28,849
Restricted for economic development	56,994	-	56,994
Restricted for culture and recreation	17,645	-	17,645
Committed	-	289,988	289,988
Unassigned	(368,626)	(33,941)	(402,567)
Total fund balances	604,908	342,226	947,134
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,032,799	\$ 562,311	\$ 1,595,110

**Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended June 30, 2013**

	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Restricted intergovernmental	\$ 1,847,503	\$ 1,089,082	\$ 2,936,585
Investment earnings	222	31	253
Other revenues	17,360	-	17,360
Total revenues	1,865,085	1,089,113	2,954,198
Expenditures:			
Current:			
Cultural and recreational	633,492	-	633,492
Public safety	947,806	362,786	1,310,592
Economic and physical development	380,682	1,236,618	1,617,300
Total expenditures	1,961,980	1,599,404	3,561,384
Deficiency of revenues under expenditures	(96,895)	(510,291)	(607,186)
Other financing sources (uses):			
Debt issued	-	465,315	465,315
Transfers in	42,376	65,000	107,376
Total other financing sources (uses)	42,376	530,315	572,691
Net change in fund balances	(54,519)	20,024	(34,495)
Fund balances:			
Fund balances, beginning of year	659,427	322,202	981,629
Fund balances, end of year, June 30th	\$ 604,908	\$ 342,226	\$ 947,134

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.

Brownfields Assessment and Cleanup Fund

The Brownfields Assessment and Cleanup Fund is used to account for revenues and expenditures of the Brownfields Assessment and Cleanup grants.

Five Points Area Planning Grant Fund

The Five Points Area Planning Grant Fund is used to account for the revenues and expenditures of the Five Points Area project.

COPS Hiring Grant 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 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.

Non-Major Special Revenue Funds (Continued)

Public-Private Partnership 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.

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.

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City of New Bern, North Carolina

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2013

	Community Development Fund	2007 Stormwater CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue Fund	COPS Hiring Program Special Revenue Fund
Assets					
Assets:					
Cash and cash equivalents	\$ 34,124	\$ -	\$ 135,876	\$ 96,064	\$ -
Accounts receivable, net	9,106	-	67,493	14,582	-
Due from other governments	-	50,000	-	-	56,508
Restricted cash and investments	-	67,952	-	-	-
Total assets	\$ 43,230	\$ 117,952	\$ 203,369	\$ 110,646	\$ 56,508
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 8,060	\$ 2,996	\$ 3,351
Due to other funds	-	39,103	-	-	53,157
Total liabilities	-	39,103	8,060	2,996	56,508
Deferred Inflows of Resources					
CDBG receivables	9,106	-	-	-	-
Total deferred Inflows of resources	9,106	-	-	-	-
Fund balances:					
Spendable					
Restricted					
Stabilization by State Statute	-	50,000	67,493	14,582	56,508
Restricted for public safety	-	-	127,816	93,068	-
Restricted for public works	-	28,849	-	-	-
Restricted for economic development	34,124	-	-	-	-
Restricted for culture and recreation	-	-	-	-	-
Unassigned	-	-	-	-	(56,508)
Total fund balance	34,124	78,849	195,309	107,650	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 43,230	\$ 117,952	\$ 203,369	\$ 110,646	\$ 56,508

Schedule D-1

2007 Part F Recreation Grant Program	Grants Special Revenue Fund	Public-Private Partnership Special Revenue Fund	FEMA Hurricane Irene Special Revenue Fund	Union Station Train Depot Special Revenue Fund	Total
\$ -	\$ -	\$ 22,870	\$ -	\$ -	\$ 288,934
-	-	-	14,525	-	105,706
-	194,747	-	-	251,307	552,562
17,645	-	-	-	-	85,597
<u>\$ 17,645</u>	<u>\$ 194,747</u>	<u>\$ 22,870</u>	<u>\$ 14,525</u>	<u>\$ 251,307</u>	<u>\$ 1,032,799</u>
\$ -	\$ -	\$ -	\$ -	\$ 101,057	\$ 115,464
-	46,286	-	14,525	150,250	303,321
-	46,286	-	14,525	251,307	418,785
-	-	-	-	-	9,106
-	-	-	-	-	9,106
-	194,747	-	14,525	251,307	649,162
-	-	-	-	-	220,884
-	-	-	-	-	28,849
-	-	22,870	-	-	56,994
17,645	-	-	-	-	17,645
-	(46,286)	-	(14,525)	(251,307)	(368,626)
<u>17,645</u>	<u>148,461</u>	<u>22,870</u>	<u>-</u>	<u>-</u>	<u>604,908</u>
<u>\$ 17,645</u>	<u>\$ 194,747</u>	<u>\$ 22,870</u>	<u>\$ 14,525</u>	<u>\$ 251,307</u>	<u>\$ 1,032,799</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, 2013

	Community Development Fund	2007 Stormwater CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue Fund	Brownfields Assessment and Cleanup Fund	Five Points Area Planning Grant Special Revenue Fund
Revenues:						
Restricted Intergovernmental	\$ -	\$ -	\$ 404,960	\$ 61,948	\$ 48,128	\$ 35,230
Investment earnings	15	84	47	34	-	-
Miscellaneous	-	-	4,036	-	-	-
Program income	1,500	-	-	-	-	-
Total revenues	1,515	84	409,043	61,982	48,128	35,230
Expenditures:						
Current:						
Cultural and recreational	-	-	-	-	-	-
Public safety	-	-	444,356	29,398	-	-
Economic and physical development	3,335	-	-	-	48,128	35,230
Total expenditures	3,335	-	444,356	29,398	48,128	35,230
Excess (deficiency) of revenues over (under) expenditures	(1,820)	84	(35,313)	32,584	-	-
Other financing sources:						
Transfers from other funds	-	-	16,557	-	-	-
Total other financing sources	-	-	16,557	-	-	-
Net change in fund balances	(1,820)	84	(18,756)	32,584	-	-
Fund balances:						
Fund balances, beginning of year	35,944	78,765	214,065	75,066	-	-
Fund balances, end of year	\$ 34,124	\$ 78,849	\$ 195,309	\$ 107,650	\$ -	\$ -

Schedule D-2

COPS Hiring Program Special Revenue Fund	2007 Part F Recreation Grant Program	Grants Special Revenue Fund	Public-Private Partnership Special Revenue Fund	FEMA Hurricane Irene Special Revenue Fund	Union Station Train Depot Special Revenue Fund	Total
\$ 197,796	\$ -	\$ 545,734	\$ 14,758	\$ 146,968	\$ 391,981	\$ 1,847,503
-	23	19	-	-	-	222
-	-	-	-	-	11,824	15,860
-	-	-	-	-	-	1,500
<u>197,796</u>	<u>23</u>	<u>545,753</u>	<u>14,758</u>	<u>146,968</u>	<u>403,805</u>	<u>1,865,085</u>
-	-	4,607	-	225,080	403,805	633,492
197,796	-	276,256	-	-	-	947,806
-	-	280,758	13,231	-	-	380,682
<u>197,796</u>	<u>-</u>	<u>561,621</u>	<u>13,231</u>	<u>225,080</u>	<u>403,805</u>	<u>1,961,980</u>
-	23	(15,868)	1,527	(78,112)	-	(96,895)
-	-	25,819	-	-	-	42,376
-	-	25,819	-	-	-	42,376
-	23	9,951	1,527	(78,112)	-	(54,519)
-	17,622	138,510	21,343	78,112	-	659,427
<u>\$ -</u>	<u>\$ 17,645</u>	<u>\$ 148,461</u>	<u>\$ 22,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 604,908</u>

Community Development Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Revenues:				
Restricted Intergovernmental:				
Program income	\$ 1,200	\$ 1,500	300	\$ 3,000
Other revenues:				
Investment earnings	-	15	15	16
Total revenues	<u>1,200</u>	<u>1,515</u>	<u>315</u>	<u>3,016</u>
Expenditures:				
Economic and physical development				
Operating expenditures	<u>10,000</u>	<u>3,335</u>	<u>6,665</u>	-
Total expenditures	<u>10,000</u>	<u>3,335</u>	<u>6,665</u>	-
Revenues under expenditures	<u>(8,800)</u>	<u>(1,820)</u>	<u>6,980</u>	<u>3,016</u>
Other financing sources:				
Appropriated fund balance	<u>8,800</u>	-	<u>(8,800)</u>	-
Total other financing sources	<u>8,800</u>	-	<u>(8,800)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>(1,820)</u>	<u>\$ (1,820)</u>	<u>3,016</u>
Fund Balance:				
Beginning of year - July 1		<u>35,944</u>		<u>32,928</u>
End of year - June 30		<u>\$ 34,124</u>		<u>\$ 35,944</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, 2013

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Clean Water Management Trust Grant	\$ 1,000,000	\$ 758,500	\$ -	\$ 758,500
Other revenues:				
Investment earnings	-	410	84	494
Total revenues	1,000,000	758,910	84	758,994
Expenditures:				
Economic and physical development				
Land and right of way	506,360	506,352	-	506,352
Drainage improvements	1,493,640	1,007,263	-	1,007,263
Total expenditures	2,000,000	1,513,615	-	1,513,615
Revenues over (under) expenditures	(1,000,000)	(754,705)	84	(754,621)
Other financing sources (uses):				
Debt issued	833,470	833,470	-	833,470
Transfers in	166,530	-	-	-
Total other financing sources	1,000,000	833,470	-	833,470
Net change in fund balance	\$ -	\$ 78,765	84	\$ 78,849
Fund Balance:				
Beginning of year - July 1			78,765	
End of year - June 30			<u>78,849</u>	

Emergency Telephone System Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Revenues:				
Other taxes and licenses:				
Wireless 911 funds	\$ 404,960	\$ 404,960	\$ -	\$ 269,837
Other revenues:				
Miscellaneous	-	4,036	4,036	-
Investment earnings	100	47	(53)	107
Total revenues	405,060	409,043	3,983	269,944
Expenditures:				
Public safety:				
Salaries and employee benefits	119,944	116,294	3,650	111,324
Operating expenditures	192,149	159,200	32,949	214,612
Capital outlay	176,681	168,862	7,819	-
Total expenditures	488,774	444,356	44,418	325,936
Revenues over (under) expenditures	(83,714)	(35,313)	48,401	(55,992)
Other financing sources:				
Appropriated fund balance	67,117	-	(67,117)	-
Transfers in	16,597	16,557	(40)	-
Total other financing sources	83,714	16,557	(67,157)	-
Net change in fund balance	\$ -	(18,756)	\$ (18,756)	(55,992)
Fund Balance:				
Beginning of year - July 1		<u>214,065</u>		<u>270,057</u>
End of year - June 30		<u>\$ 195,309</u>		<u>\$ 214,065</u>

Police Special Revenue Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Revenues:				
Restricted intergovernmental				
Police grants	\$ 15,000	\$ 61,948	\$ 46,948	\$ 62,946
Other revenues:				
Investment earnings	10	34	24	26
Total revenues	15,010	61,982	46,972	62,972
Expenditures:				
Public safety:				
Operating expenditures	35,626	13,363	22,263	13,684
Capital outlay	16,130	16,035	95	-
Total expenditures	51,756	29,398	22,358	13,684
Revenues over (under) expenditures	(36,746)	32,584	69,330	49,288
Other financing sources: :				
Appropriated fund balance	36,746	-	(36,746)	-
Total other financing sources	36,746	-	(36,746)	-
Net change in fund balance	\$ -	32,584	\$ 32,584	49,288
Fund Balance:				
Beginning of year - July 1		75,066		25,778
End of year - June 30		\$ 107,650		\$ 75,066

**Brownfields Assessment and Cleanup
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2013**

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Brownfields assessment and cleanup grant	\$ 361,096	\$ 312,967	\$ 48,128	\$ 361,095
Total revenues	361,096	312,967	48,128	361,095
Expenditures:				
Environmental protection:				
Operating expenditures	361,096	312,967	48,128	361,095
Total expenditures	361,096	312,967	48,128	361,095
 Revenues over expenditures	 \$ -	 \$ -	 \$ -	 \$ -

Five Points Area Planning Grant
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Five points area planning grant	\$ 175,000	\$ 135,831	\$ 35,230	\$ 171,061
Total revenues	175,000	135,831	35,230	171,061
Expenditures:				
Economic and physical development				
Operating expenditures	175,000	135,831	35,230	171,061
Total expenditures	175,000	135,831	35,230	171,061
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -

COPS Hiring Program
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2013

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
COPS hiring grant	\$ 781,025	\$ 235,683	\$ 197,796	\$ 433,479
Total revenues	781,025	235,683	197,796	433,479
Expenditures:				
Public Safety:				
Operating expenditures	781,025	235,683	197,796	433,479
Total expenditures	781,025	235,683	197,796	433,479
 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, 2013

	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	500	846	23	869
Total revenues	<u>500,500</u>	<u>500,846</u>	<u>23</u>	<u>500,869</u>
Expenditures:				
Public Safety:				
Fire department	1,160,960	1,143,684	-	1,143,684
Total expenditures	<u>1,160,960</u>	<u>1,143,684</u>	<u>-</u>	<u>1,143,684</u>
Revenues over (under) expenditures	<u>(660,460)</u>	<u>(642,838)</u>	<u>23</u>	<u>(642,815)</u>
Other financing sources:				
Debt issued	660,460	660,460	-	660,460
Total other financing sources	<u>660,460</u>	<u>660,460</u>	<u>-</u>	<u>660,460</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 17,622</u>	<u>23</u>	<u>\$ 17,645</u>
Fund Balance:				
Beginning of year - July 1			17,622	
End of year - June 30			<u>\$ 17,645</u>	

Grants Special Revenue Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Revenues:				
Restricted Intergovernmental:				
Police grants	\$ 308,781	\$ 194,493	\$ (114,288)	\$ 239,840
Fire grants	101,235	84,825	(16,410)	10,000
Recreation grants	145,161	7,760	(137,401)	10,409
Urgent repair grant	112,500	69,387	(43,113)	61,254
2011 Main Street Solutions grant	100,000	174,900	74,900	15,750
CDBG grant	75,000	14,369	(60,631)	59,800
Investment earnings	-	19	19	18
Total revenues	842,677	545,753	(296,924)	397,071
Expenditures:				
Public safety	319,278	276,256	43,022	250,193
Culture and recreation	279,085	4,607	274,478	11,022
Physical and economic development:				
CAMA Neuse waterfront access	-	-	-	9,000
Safe Routes to Schools	116,304	116,304	-	-
Urgent repair	150,000	75,085	74,915	64,492
2011 Main Street Solutions	100,000	75,000	25,000	-
CDGB	75,000	14,369	60,631	59,711
Total expenditures	1,039,667	561,621	478,046	394,418
Revenues over (under) expenditures	(196,990)	(15,868)	(181,122)	2,653
Other financing sources:				
Fund balance appropriated	9,747	-	(9,747)	-
Transfers in	187,243	25,819	(161,424)	71,438
Total other financing sources	196,990	25,819	(171,171)	71,438
Net change in fund balance	\$ -	9,951	\$ 9,951	74,091
Fund Balance:				
Beginning of year - July 1		<u>138,510</u>		<u>64,419</u>
End of year - June 30		<u>\$ 148,461</u>		<u>\$ 138,510</u>

Public-Private Partnership
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
Revenues:				
Restricted Intergovernmental:				
Grants and private contributions	\$ 14,758	\$ 14,758	\$ -	\$ 4,149
Total revenues	14,758	14,758	-	4,149
Expenditures:				
Economic and physical development				
Operations	33,907	13,231	20,676	3,306
Total expenditures	33,907	13,231	20,676	3,306
Revenues over (under) expenditures	(19,149)	1,527	20,676	843
Other financing sources:				
Appropriated fund balance	4,149	-	(4,149)	
Transfers in	15,000	-	(15,000)	15,000
Total other financing sources	19,149	-	(19,149)	15,000
Net change in fund balance	\$ -	1,527	\$ 1,527	15,843
Fund Balance:				
Beginning of year - July 1		21,343		5,500
End of year - June 30		\$ 22,870		\$ 21,343

FEMA Hurricane Irene
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2013

	Project		Actual	
	Authorization	Prior	Current	Total
		Years	Year	
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	78,112	146,968	225,080
Expenditures:				
Public safety	267,644	-	225,080	225,080
Total expenditures	267,644	-	225,080	225,080
Revenues over (under) expenditures	\$ -	\$ 78,112	\$ (78,112)	\$ -

Union Station Train Depot
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2013

	Final Budget	Current Actual	Variance Positive (Negative)
Revenues:			
Restricted Intergovernmental:			
Federal Highway Construction Grant	\$ 500,000	\$ 391,981	\$ (108,019)
Miscellaneous	11,824	11,824	-
Total revenues	511,824	403,805	(108,019)
Expenditures:			
Cultural and recreation	511,824	403,805	108,019
Total expenditures	511,824	403,805	108,019
 Revenues over expenditures	 \$ -	 \$ -	 \$ -

CDBG Talent Enhancement Grant
 Schedule of Revenues and Expenditures -
 Budget and Actual
 For the Year Ended June 30, 2013

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

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.

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Nonmajor Capital Project Funds
 Combining Balance Sheet
 June 30, 2013

	CDBG Community Revitalization Capital Project	Radio System Equipment Capital Project	South Front Street Capital Project	Total
Assets				
Assets				
Cash and cash equivalents	\$ 63,682	\$ -	\$ 53,336	\$ 117,018
Accounts receivable	-	86,179	-	86,179
Restricted cash and investments	-	-	359,114	359,114
Total assets	\$ 63,682	\$ 86,179	\$ 412,450	\$ 562,311
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,002	\$ -	\$ 182,142	\$ 186,144
Due to other funds	-	33,941	-	33,941
Total liabilities	4,002	33,941	182,142	220,085
Fund balances:				
Spendable				
Restricted				
Stabilization by State Statute	-	86,179	-	86,179
Committed	59,680	-	230,308	289,988
Unassigned	-	(33,941)	-	(33,941)
Total fund balances	59,680	52,238	230,308	342,226
Total liabilities and fund balances	\$ 63,682	\$ 86,179	\$ 412,450	\$ 562,311

Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended June 30, 2013

	CDBG Community Revitalization Capital Project	Radio System Equipment Capital Project	South Front Street Capital Project	Total
Revenues:				
Restricted intergovernmental	\$ 996,260	\$ 92,822	\$ -	\$ 1,089,082
Investment earnings	1	-	30	31
Total revenues	996,261	92,822	30	1,089,113
Expenditures:				
Economic physical development	951,581	-	285,037	1,236,618
Public safety	-	362,786	-	362,786
Total expenditures	951,581	362,786	285,037	1,599,404
Revenues over (under) expenditures	44,680	(269,964)	(285,007)	(510,291)
Other financing sources:				
Debt issued	-	-	465,315	465,315
Transfers in	15,000	-	50,000	65,000
Total other financing sources	15,000	-	515,315	530,315
Net change in fund balances	59,680	(269,964)	230,308	20,024
Fund balances:				
Fund balances, beginning of year	-	322,202	-	322,202
Fund balances, end of year, June 30th	\$ 59,680	\$ 52,238	\$ 230,308	\$ 342,226

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, 2013

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
CDBG grant	\$ 1,000,000	\$ 53,740	\$ 946,260	\$ 1,000,000
Powell Bill grant	50,000	-	50,000	50,000
NRDCDC grant	100,000	100,000	-	100,000
Investment earnings	-	-	1	1
Total revenues	1,150,000	153,740	996,261	1,150,001
Expenditures:				
Economic and physical development				
Operating expenditures-CDBG federal	975,100	38,737	(6,976)	31,761
Capital outlay-CDBG federal	89,900	15,003	958,557	973,560
Operating expenditures-NRDCDC	100,000	100,000	-	100,000
Total expenditures	1,165,000	153,740	951,581	1,105,321
Revenues over (under) expenditures	(15,000)	-	44,680	44,680
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			-	
End of year - June 30			<u>\$ 59,680</u>	

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, 2013

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Other revenues:				
Investment earnings	\$ -	\$ 16	-	\$ 16
Miscellaneous revenues	495,537	187,744	92,822	280,566
Total revenues	495,537	187,760	92,822	280,582
Expenditures:				
General government				
Radio system equipment	4,342,697	3,652,338	362,786	4,015,124
Total expenditures	4,342,697	3,652,338	362,786	4,015,124
Revenues over (under) expenditures	(3,847,160)	(3,464,578)	(269,964)	(3,734,542)
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)	\$ 322,202	(269,964)	\$ 52,238
Fund balances:				
Beginning of year - July 1			322,202	
End of year - June 30			<u>\$ 52,238</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, 2013

	Project Authorization	Actual	
		Current Year	Total
Revenues:			
Other revenues:			
Investment earnings	\$ -	\$ 30	\$ 30
Total revenues	<u>-</u>	<u>30</u>	<u>30</u>
Expenditures:			
General government			
Sidewalk and curb improvements	515,315	285,037	285,037
Total expenditures	<u>515,315</u>	<u>285,037</u>	<u>285,037</u>
Revenues over (under) expenditures	<u>(515,315)</u>	<u>(285,007)</u>	<u>(285,007)</u>
Other financing sources (uses):			
Debt issued	465,315	465,315	465,315
Transfers in	50,000	50,000	50,000
Total other financing sources	<u>515,315</u>	<u>515,315</u>	<u>515,315</u>
Net change in fund balance	<u>\$ -</u>	<u>230,308</u>	<u>\$ 230,308</u>
Fund balances:			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 230,308</u>	

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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, 2013
 With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 62,581,694	\$ 61,909,426	\$ (672,268)	\$ 60,516,535
Total operating revenues	62,581,694	61,909,426	(672,268)	60,516,535
Nonoperating revenues:				
Interest on investments	2,000	4,162	2,162	4,119
FEMA grant revenue	1,000	248,251	247,251	1,264,971
Miscellaneous	80,900	290,807	209,907	152,035
Total nonoperating revenues	83,900	543,220	459,320	1,421,125
Total revenues	62,665,594	62,452,646	(212,948)	61,937,660
Expenditures:				
Administration	4,758,808	4,498,680	260,128	4,155,608
Production	48,621,895	47,644,177	977,718	47,382,382
Distribution	2,976,624	2,841,195	135,429	2,463,512
Reimbursed expenditures - General Fund	1,407,301	1,407,301	-	3,159,900
Reimbursed expenditures - interfund	(809,694)	(809,694)	-	(717,375)
Hurricane Irene expenditures	-	-	-	1,549,082
Capital outlay	1,759,043	1,433,524	325,519	935,526
Debt Service	880,992	683,562	197,430	714,267
Total expenditures	59,594,969	57,698,745	1,896,224	59,642,902
Excess of revenues over expenditures	3,070,625	4,753,901	1,683,276	2,294,758
Other financing sources (uses):				
Bonds issued	270,990	4,171,317	3,900,327	-
Prepayment penalty	-	(73,848)	(73,848)	-
Bond issuance costs	-	(14,761)	(14,761)	-
Debt refunding	-	(4,081,993)	(4,081,993)	-
Transfers out	(3,517,672)	(1,977,686)	1,539,986	(1,801,367)
Fund balance appropriated	202,864	-	(202,864)	-
Contingency	(26,807)	-	26,807	-
Total other financing sources (uses)	(3,070,625)	(1,976,971)	1,093,654	(1,801,367)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 2,776,930	\$ 2,776,930	\$ 493,391

(Continued)

Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -
Electric Operating Fund - Major Enterprise Fund (Continued)
Year Ended June 30, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013	2012
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 2,776,930	\$ 493,391
Capital project interest revenue	857	2,329
Capitalized work orders	1,475,453	1,053,460
Capital assets purchased	1,433,524	120,260
Repairs in capital outlay	(1,017,691)	-
Depreciation	(1,976,078)	(1,958,056)
Proceeds from the issuance of debt	(4,171,317)	-
Debt refunding	4,081,993	-
Principal payment on debt	493,111	516,173
Loss on disposal of capital assets	-	(607)
Transfer in of capital asset	35,159	-
Change in accrued interest	8,696	(13,355)
Bad debt expense	(159,880)	(165,509)
Change in accrued compensated absences	(14,401)	(25,150)
Changes in OPEB liability	(192,480)	(207,085)
	<u>\$ 2,773,876</u>	<u>\$ (184,149)</u>
Change in net position	<u><u>\$ 2,773,876</u></u>	<u><u>\$ (184,149)</u></u>

Electric Substation Capital Project Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual
 From Inception and For the Year Ended June 30, 2013

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 2,329	\$ 857	\$ 3,186
Total revenues	-	2,329	857	3,186
Expenditures:				
Substation capital outlay	2,190,000	1,881,748	30,649	1,912,397
Revenues under expenditures	(2,190,000)	(1,879,419)	(29,792)	(1,909,211)
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	\$ -	\$ 310,581	\$ (29,792)	\$ 280,789

AMI/DSM System
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 From Inception and For the Year Ended June 30, 2013

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Electric system project	950,000	48,783	282,373	331,156
Revenues under expenditures	(950,000)	(48,783)	(282,373)	(331,156)
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	\$ -	\$ (48,783)	\$ 667,627	\$ 618,844

Water Operating Fund - Major Enterprise Fund
Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
Year Ended June 30, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 10,786,465	\$ 10,431,265	\$ (355,200)	\$ 10,890,900
Total operating revenues	10,786,465	10,431,265	(355,200)	10,890,900
Nonoperating revenues:				
Interest on investments	3,500	3,672	172	4,439
FEMA grant revenue	1,000	15,060	14,060	59,867
Miscellaneous	2,500	3,446	946	100,683
Total nonoperating revenues	7,000	22,178	15,178	164,989
Total revenues	10,793,465	10,453,443	(340,022)	11,055,889
Expenditures:				
Administration	1,619,741	1,581,591	38,150	2,557,079
System maintenance and extensions	2,749,201	2,314,475	434,726	2,512,651
Reimbursed expenditures - General Fund	769,596	769,596	-	-
Reimbursed expenditures - interfund	(291,596)	(291,596)	-	(277,237)
Treatment	2,084,895	1,737,098	347,797	1,784,252
Hurricane Irene expenditures	-	677	(677)	68,857
Capital outlay	849,000	470,977	378,023	298,957
Debt Service	2,904,594	2,885,269	19,325	2,954,980
Total expenditures	10,685,431	9,468,087	1,217,344	9,899,539
Excess of revenues over expenditures	108,034	985,356	877,322	1,156,350
Other financing sources (uses):				
Bond proceeds	51,007	3,796,666	3,745,659	-
Bond refunding	-	(3,744,956)	(3,744,956)	-
Bond issuance costs	-	(12,847)	(12,847)	-
Debt prepayment penalty	-	(38,159)	(38,159)	-
Transfers in	160,000	160,000	-	160,000
Transfers out	(3,738,043)	(3,245,249)	492,794	(46,500)
Contingency	(1)	-	1	-
Appropriated fund balance	3,419,003	-	(3,419,003)	-
Total other financing sources (uses)	(108,034)	(3,084,545)	(2,976,511)	113,500
Revenues and other financing sources over (under) expenditures and other financing sources	\$ -	\$ (2,099,189)	\$ (2,099,189)	\$ 1,269,850

(Continued)

Water Operating Fund - Major Enterprise Fund (Continued)
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -
 Year Ended June 30, 2013
 With Comparative Actual Amounts for Year Ended June 30, 2012

	2013	2012
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over (under) expenditures	\$ (2,099,189)	\$ 1,269,850
Capital project investment revenue	1,219	1,388
Capital project fee revenue	159,163	113,245
Capitalized work orders	-	201,079
Capital assets purchased	470,977	97,878
Depreciation	(1,422,222)	(1,349,464)
Intra-fund transfers out	2,888,449	-
Transfers in from other funds	162,975	-
Transfer of capital assets in	3,254	27,690
Transfer of capital assets out	(35,159)	(20,685)
Bad debt expense	(41,262)	(35,079)
Principal payment on debt	2,058,653	2,053,692
Payment of refunded debt	3,744,956	-
Bond issuance	(3,796,666)	-
Change in accrued interest payable	12,857	(125,239)
Change in accrued compensated absences	(10,472)	(59,046)
Changes in OPEB liability	(227,125)	(79,760)
	<u>\$ 1,870,408</u>	<u>\$ 2,095,549</u>
Change in net position	<u>\$ 1,870,408</u>	<u>\$ 2,095,549</u>

Water Capital Reserve Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Connection fees	\$ -	\$ -	\$ -	\$ 10,670
Capital recovery fee	178,200	159,163	(19,037)	102,575
Investment earnings	-	363	363	297
Total revenues	178,200	159,526	(18,674)	113,542
Expenditures:				
Capital outlay	178,200	-	178,200	-
Total expenditures	178,200	-	178,200	-
Revenues over expenditures	\$ -	\$ 159,526	\$ 159,526	\$ 113,542

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, 2013

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 5,835	\$ 218	\$ 6,053
Total revenues	-	5,835	218	6,053
Expenditures:				
Water improvement project	3,500,000	3,250,219	-	3,250,219
Revenues under expenditures	(3,500,000)	(3,244,384)	218	(3,244,166)
Other financing sources:				
Installment debt issued	3,500,000	3,394,150	-	3,394,150
Total other financing sources	3,500,000	3,394,150	-	3,394,150
Revenues and other financing sources over expenditures	\$ -	\$ 149,766	\$ 218	\$ 149,984

Neuse Boulevard Water Capital Project Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 From Inception and For the Year Ended June 30, 2013

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ 3,537	\$ 2,958	\$ 579	\$ 3,537
Total revenues	3,537	2,958	579	3,537
Expenditures:				
Water improvement project	796,742	796,741	-	796,741
Revenues under expenditures	(793,205)	(793,783)	579	(793,204)
Other financing sources:				
Installment debt issued	793,205	1,350,000	(556,796)	793,204
Total other financing sources	793,205	1,350,000	(556,796)	793,204
Revenues and other financing sources over expenditures	\$ -	\$ 556,217	\$ 556,217	\$ -

Neuse Blvd Phase II
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2013

	Project Authorization	Current Year	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 59	\$ 59
Total revenues	-	59	59
Expenditures:			
Water main phase II	3,056,529	3,120,768	(64,239)
Total expenditures	3,056,529	3,120,768	(64,239)
Revenues under expenditures	(3,056,529)	(3,120,709)	(64,180)
Other financing sources (uses):			
Installment debt issued	553,258	556,795	3,537
Contingency	(293,153)	-	293,153
Transfer in	2,796,424	2,796,424	-
Total other financing sources:	3,056,529	3,353,219	296,690
Revenues and other financing sources over expenditures	\$ -	\$ 232,510	\$ 232,510

Water Treatment Facility Improvements
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2013

	Project Authorization	Current Year	Variance Positive (Negative)
Revenues:			
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:			
Water treatment facility improvements	<u>239,504</u>	<u>214,871</u>	<u>24,633</u>
Total expenditures	<u>239,504</u>	<u>214,871</u>	<u>24,633</u>
Revenues over (under) expenditures	<u>(239,504)</u>	<u>(214,871)</u>	<u>24,633</u>
Other financing sources (uses):			
Contingency	<u>(15,496)</u>	<u>-</u>	<u>15,496</u>
Transfer in	<u>255,000</u>	<u>255,000</u>	<u>-</u>
Total other financing sources	<u>239,504</u>	<u>255,000</u>	<u>15,496</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 40,129</u>	<u>\$ 40,129</u>

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Sewer Operating Fund - Major Enterprise Fund
Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
Year Ended June 30, 2013
With Comparative Actual Amounts for Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 11,519,590	\$ 11,311,750	\$ (207,840)	\$ 11,453,439
Availability fees	618,856	634,054	15,198	637,723
Total operating revenues	12,138,446	11,945,804	(192,642)	12,091,162
Nonoperating revenues:				
Interest on investments	1,000	1,117	117	1,424
FEMA grant revenue	20,000	32,213	12,213	144,121
NC Rural Economic Development Center grant	-	-	-	40,000
Miscellaneous	1,500	9,499	7,999	11,709
Total nonoperating revenues	22,500	42,829	20,329	197,254
Total revenues	12,160,946	11,988,633	(172,313)	12,288,416
Expenditures:				
Administration	1,458,764	1,458,490	274	1,417,535
System maintenance and extensions	3,065,555	2,530,252	535,303	3,006,662
Reimbursed expenditures - General Fund	714,902	714,902	-	606,193
Treatment	2,894,120	2,819,952	74,168	2,398,217
Hurricane Irene expenditures	-	-	-	75,410
Capital outlay	312,900	152,202	160,698	174,711
Debt Service	3,519,505	3,480,846	38,659	3,600,055
Total expenditures	11,965,746	11,156,644	809,102	11,278,783
Excess of revenues over expenditures	195,200	831,989	636,789	1,009,633
Other financing sources (uses):				
Bond proceeds	278,386	7,933,397	7,655,011	-
Bond refunding	-	(7,835,434)	(7,835,434)	-
Bond issuance costs	-	(30,311)	(30,311)	-
Debt prepayment penalty	-	(69,073)	(69,073)	-
Transfers in	250,000	250,000	-	-
Transfers out	(1,624,688)	(807,225)	817,463	(204,200)
Appropriated fund balance	941,566	-	(941,566)	-
Contingency	(40,464)	-	40,464	-
Total other financing sources (uses)	(195,200)	(558,646)	(363,446)	(204,200)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 273,343	\$ 273,343	\$ 805,433

(Continued)

Sewer Operating Fund - Major Enterprise Fund (Continued)
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
 Year Ended June 30, 2013
 With Comparative Actual Amounts for Year Ended June 30, 2012

	2013	2012
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 273,343	\$ 805,433
Capital project revenues	316,710	186,438
Capital project interest earnings	457	242
Capitalized work orders	-	17,658
Capital outlay	152,202	157,053
Depreciation	(1,943,271)	(1,905,610)
Bad debt expense	(16,036)	(31,028)
Principal payment on debt	2,713,449	-
Payment of refunded debt	7,835,434	-
Bond issuance	(7,933,397)	-
Loss on disposal of capital asset	(567,172)	-
Transfer of capital asset	(3,554)	-
Transfer from capital project fund	(250,000)	-
Change in accrued interest payable	41,756	(6,943)
Change in accrued compensated absences	5,052	7,829
Changes in OPEB liability	40,045	(122,515)
	<u>665,018</u>	<u>(891,443)</u>
Change in net position	<u>\$ 665,018</u>	<u>\$ (891,443)</u>

Sewer Capital Reserve Fund
 Schedule of Revenues and Expenditures, and Changes
 In Fund Balance Budget and Actual
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Revenues:				
Connection fees	\$ -	\$ -	\$ -	\$ 4,942
Capital recovery fee	326,100	316,710	(9,390)	181,496
Investment earnings	-	320	320	119
Total revenues	326,100	317,030	(9,070)	186,557
Expenditures:				
Capital outlay	76,100	-	76,100	-
Total expenditures	76,100	-	76,100	-
Other financing uses:				
Transfer to Sewer fund	(250,000)	(250,000)	-	5,497,760
Total other financing uses	(250,000)	(250,000)	-	5,497,760
Net change in fund balances	\$ -	67,030	\$ 67,030	186,557
Fund balances:				
Beginning of year - July 1		331,625		145,068
End of year - June 30		<u>\$ 398,655</u>		<u>\$ 331,625</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, 2013

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Investment earnings	\$ -	\$ 4,985	\$ 137	\$ 5,122
Total revenues	-	4,985	137	5,122
Expenditures:				
Sewer improvement project	5,497,760	5,406,982	-	5,406,982
Revenues over (under) expenditures	(5,497,760)	(5,401,997)	137	(5,401,860)
Other financing sources:				
Installment debt issued	5,497,760	5,497,760	-	5,497,760
Total other financing sources	5,497,760	5,497,760	-	5,497,760
Revenues and other financing sources over expenditures	\$ -	\$ 95,763	\$ 137	\$ 95,900

Highway 17 South Sewer Improvements Capital Project Fund
 Schedule of Revenues and Expenditures -
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2013

	Project Authorization	Current Year	Variance Positive (Negative)
Revenues:			
Total revenues	\$ -	\$ -	\$ -
Expenditures:			
Sewer improvement project	328,621	328,620	1
Other financing sources:			
Bonds issued	328,621	328,620	(1)
Total other financing sources	328,621	328,620	(1)
Revenues and other financing sources over expenditures	\$ -	\$ -	\$ -

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Stormwater Operating Fund
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)
 Year Ended June 30, 2013
 With Comparative Actual Amounts for the Year Ended June 30, 2012

	2013		Variance Positive (Negative)	2012
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 764,316	\$ 712,500	\$ (51,816)	\$ 87,917
Total operating revenues	764,316	712,500	(51,816)	87,917
Nonoperating revenues:				
Interest on investments	-	22	22	-
Miscellaneous	-	452	452	-
Total nonoperating revenues	-	474	474	-
Total revenues	764,316	712,974	(51,342)	87,917
Expenditures:				
Stormwater system maintenance	667,166	559,891	107,275	74,153
Debt service	77,213	74,845	2,368	-
Total expenditures	744,379	634,736	109,643	74,153
Excess of revenues over expenditures	19,937	78,238	58,301	13,764
Other financing sources (uses):				
Contingency	(19,937)	-	19,937	-
Total other financing sources (uses)	(19,937)	-	19,937	-
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 78,238	\$ 78,238	\$ 13,764
Reconciliation to Full Accrual Basis				
From Modified Accrual Basis:		\$ 78,238		\$ 13,764
Transfer in of capital assets		1,007,263		-
Transfer in of debt		(628,346)		-
Principal payment on debt		57,122		-
Change in accrued interest payable		(2,780)		-
Bad debt expense		(27,399)		-
Change in accrued compensated absences		(12,836)		-
Changes in OPEB liability		(51,062)		-
Change in net position		\$ 420,200		\$ 13,764

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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, 2013
 With Comparative Actual Amounts for Year Ended June 30, 2012

	2013			2012
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Employee and retiree contributions	\$ 466,578	\$ 646,162	\$ 179,584	\$ 669,587
Employer and other contributions	6,534,772	6,548,174	13,402	5,946,148
Investment earnings	150	1,013	863	289
Total revenue	7,001,500	7,195,349	193,849	6,616,024
Expenditures:				
Employee insurance plan benefits	7,001,500	5,040,535	1,960,965	6,733,081
Total expenditures	7,001,500	5,040,535	1,960,965	6,733,081
Revenue over (under) expenditures	-	2,154,814	2,154,814	(117,057)
Other financing sources:				
Transfers in	-	-	-	500,000
Revenues and other financing sources over over expenditures	\$ -	2,154,814	\$ 2,154,814	382,943
Reconciliation from budgetary basis to full accrual basis:				
Increase in IBNR		202,750		(14,144)
Change in net position		\$ 2,357,564		\$ 368,799

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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, 2013

Fiscal Year	Balance July 1, 2012	Additions	Collections and Credits	Balance June 30, 2013
2012 - 2013	\$ -	\$ 13,113,654	\$ 12,801,046	\$ 312,608
2011 - 2012	339,910	-	203,288	136,622
2010 - 2011	128,277	-	54,517	73,760
2009 - 2010	65,671	-	9,460	56,211
2008 - 2009	61,962	-	5,288	56,674
2007 - 2008	50,085	-	3,615	46,470
2006 - 2007	31,437	-	2,713	28,724
2005 - 2006	25,637	-	2,089	23,548
2004 - 2005	23,320	-	1,433	21,887
2003 - 2004	21,263	-	834	20,429
2002 - 2003	23,482	-	23,482	-
	\$ 771,044	\$ 13,113,654	\$ 13,107,765	776,933
Plus: Municipal Service District taxes receivable, all years, net of allowance				244
Plus: motor vehicle taxes collected but not received from the County				51,330
Less allowance for uncollectible accounts, General Fund				(355,128)
Ad valorem taxes receivable net				\$ 473,379
Reconcilement with revenues:				
Ad valorem taxes				\$ 13,297,524
Reconciling Items:				
Amount written off per statute				23,454
Less interest collected				(67,153)
Releases, ad valorem				62,445
Less Municipal Service District taxes, penalty, & interest collected all years				(208,505)
Total Collections and Credits				\$ 13,107,765

Analysis of Current Year Levy
 City-Wide Levy
 For the Year Ended June 30, 2013

	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	\$ 3,154,398,122	\$ 0.41	\$ 12,933,032	\$ 11,975,458	\$ 957,574
Penalties	-		3,484	3,484	-
Total	<u>3,154,398,122</u>		<u>12,936,516</u>	<u>11,978,942</u>	<u>957,574</u>
Discoveries:					
Current year taxes	64,989,181	0.41	266,456	266,456	-
Penalties	-		11,275	11,275	-
Total	<u>64,989,181</u>		<u>277,731</u>	<u>277,731</u>	<u>-</u>
Abatements	<u>(24,927,622)</u>		<u>(100,593)</u>	<u>(28,153)</u>	<u>(72,440)</u>
Total property valuation	<u>\$ 3,194,459,681</u>				
Net levy			13,113,654	12,228,520	885,134
Uncollected taxes as of June 30, 2013			<u>312,608</u>	<u>213,526</u>	<u>99,082</u>
Current years taxes collected			<u>\$ 12,801,046</u>	<u>\$ 12,014,994</u>	<u>\$ 786,052</u>
Current levy collection percentage			<u>97.62%</u>	<u>98.25%</u>	<u>88.81%</u>
Prior year collection percentage			<u>97.39%</u>	<u>97.91%</u>	<u>90.14%</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 Greenville Utilities Commission's 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)

	2004	2005	2006	2007
Governmental activities:				
Investment in capital assets	\$ 22,820,545	\$ 23,394,465	\$ 25,064,130	\$ 27,941,069
Restricted	330,615	-	-	-
Unrestricted	6,478,616	7,669,103	7,225,434	6,149,098
Total governmental activities net position	\$ 29,629,776	\$ 31,063,568	\$ 32,289,564	\$ 34,090,167
Business-type activities:				
Investment in capital assets	\$ 46,067,163	\$ 53,069,482	\$ 59,491,097	\$ 66,649,066
Unrestricted	7,842,623	5,926,748	4,957,739	5,543,157
Total business-type activities net position	\$ 53,909,786	\$ 58,996,230	\$ 64,448,836	\$ 72,192,223
Primary government:				
Investment in capital assets	\$ 68,887,708	\$ 76,463,947	\$ 84,555,227	\$ 94,590,135
Restricted	330,615	-	-	-
Unrestricted	14,321,239	13,595,851	12,183,173	11,692,255
Total primary government net position	\$ 83,539,562	\$ 90,059,798	\$ 96,738,400	\$ 106,282,390

2008		2009		2010		2011		2012		2013	
\$	31,404,726	\$	32,315,686	\$	31,419,739	\$	34,018,646	\$	34,826,041	\$	36,383,138
	-		-		-		3,840,612		4,317,526		5,611,591
	5,203,061		4,219,981		3,051,269		760,319		1,952,892		4,312,131
\$	36,607,787	\$	36,535,667	\$	34,471,008	\$	38,619,577	\$	41,096,459	\$	46,306,860
\$	72,480,430	\$	73,993,249	\$	76,160,558	\$	78,578,999	\$	80,159,948	\$	83,796,943
	2,920,879		7,218,811		14,211,130		21,659,418		23,829,737		25,922,244
\$	75,401,309	\$	81,212,060	\$	90,371,688	\$	100,238,417	\$	103,989,685	\$	109,719,187
\$	103,885,156	\$	106,308,935	\$	107,580,297	\$	112,597,645	\$	114,985,989	\$	120,180,081
	-		-		-		3,840,612		4,317,526		5,611,591
	8,123,940		11,438,792		17,262,399		22,419,737		25,782,629		30,234,375
\$	112,009,096	\$	117,747,727	\$	124,842,696	\$	138,857,994	\$	145,086,144	\$	156,026,047

City of New Bern, North Carolina

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

	2004	2005	2006	2007
Expenses:				
Governmental activities:				
General government	\$ 8,162,179	\$ 1,933,097	\$ 1,031,066	\$ 2,611,090
Public safety	11,570,838	11,744,785	12,204,473	12,850,444
Transportation	2,299,501	-	-	-
Public Works	3,418,888	3,243,228	3,584,042	1,764,001
Environmental protection	1,674,300	1,741,625	1,820,183	1,553,143
Culture and recreation	2,015,123	2,148,995	2,376,169	1,930,009
Economic and physical development	660,019	1,371,386	1,230,911	1,793,777
Interest on long-term debt	245,959	297,312	354,053	504,338
Total governmental activities expenses	30,046,807	22,480,428	22,600,897	23,006,802
Business-type activities:				
Electric	43,148,634	43,499,726	47,888,167	49,951,891
Water	3,243,740	3,737,359	4,037,711	4,580,662
Sewer	7,128,242	7,225,014	8,724,347	9,605,872
Stormwater	-	-	-	-
Total business-type activities expenses	53,520,616	54,462,099	60,650,225	64,138,425
Total primary government expenses	83,567,423	76,942,527	83,251,122	87,145,227
Program revenue:				
Governmental activities:				
Charges for services:				
General government	4,681,762	3,055,483	2,281,002	2,216,435
Public safety	151,937	157,227	442,835	68,505
Public Works	325,066	81,205	986,196	1,173,852
Environmental protection	1,261,206	1,394,365	1,242,068	1,367,977
Culture and recreation	44,095	68,767	56,098	74,426
Economic and physical development	9,309	-	4,053	-
Operating grants and contributions:				
General government	27,387	-	-	-
Public safety	619,106	886,729	281,036	551,151
Transportation	694,190	-	-	-
Public Works	393,879	-	-	-
Environmental protection	-	-	-	-
Culture and recreation	161,851	153,152	-	-
Economic and physical development	680,204	608,406	607,712	596,071
Capital grants and contributions:				
General government	-	330,098	11,695	-
Public Safety	-	-	-	-
Public Works	-	816,108	-	-
Environmental protection	-	-	777,808	784,016
Culture and recreation	-	-	-	-
Economic and physical development	-	-	-	-
Total governmental activities program revenue	9,049,992	7,551,540	6,690,503	6,832,433

2008	2009	2010	2011	2012	2013
\$ 1,740,209	\$ 1,607,896	\$ 1,715,925	\$ 1,959,814	\$ 2,737,701	\$ 2,980,543
14,256,696	16,013,462	17,093,862	15,232,805	15,127,179	15,660,542
-	-	-	-	-	-
4,155,602	4,473,588	4,376,173	3,970,149	5,223,903	2,998,765
1,857,096	1,913,120	2,033,675	2,054,485	2,053,938	1,663,347
2,447,858	2,589,437	2,708,074	2,280,243	2,549,680	2,497,152
1,573,632	1,762,996	1,791,932	1,405,498	1,731,687	2,378,028
352,293	536,679	563,132	518,903	509,077	365,826
26,383,386	28,897,178	30,282,773	27,421,897	29,933,165	28,544,203
51,942,501	57,412,727	60,061,164	61,298,449	60,325,099	57,737,100
6,003,170	5,688,144	6,331,408	6,699,559	9,195,478	8,677,687
9,919,852	10,052,081	10,677,006	10,233,465	10,442,463	10,830,003
-	-	-	-	74,153	671,691
67,865,523	73,152,952	77,069,578	78,231,473	80,037,193	77,916,481
94,248,909	102,050,130	107,352,351	105,653,370	109,970,358	106,460,684
3,646,342	2,734,955	2,919,172	3,158,508	1,945,596	1,554,015
74,246	464,430	414,458	355,296	185,272	519,536
162,910	198,964	179,765	247,586	130,132	987
1,418,840	1,502,513	1,550,860	1,861,267	2,149,340	2,280,468
93,681	98,533	133,105	133,623	167,033	152,022
-	6,000	3,300	1,600	565,279	962,406
236,608	-	-	-	-	-
891,411	349,007	479,895	125,120	601,199	1,526,387
-	-	-	-	-	-
-	9,048	-	-	1,320,993	812,542
-	563	63,892	145,054	161,299	-
5,762	107,531	7,875	12,383	-	-
356,331	32,120	120,605	52,762	293,530	1,290,569
-	-	-	-	-	-
432,429	105,509	89,130	542,146	397,053	-
910,462	824,445	738,519	754,012	834,142	323,776
-	-	-	-	-	-
12,732	-	27,186	460,082	-	-
33,841	-	-	758,500	-	-
8,275,595	6,433,618	6,727,762	8,607,939	8,750,868	9,422,708

(Continued)

City of New Bern, North Carolina

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

	2004	2005	2006	2007
Business-type activities:				
Charges for services:				
Electric	\$ 44,805,720	\$ 43,462,330	\$ 48,908,431	\$ 51,077,708
Water	3,837,758	4,368,428	4,640,399	5,377,310
Sewer	8,174,528	9,762,576	10,012,321	10,864,324
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
Operating grants and contributions:				
Electric				
Water				
Sewer				
Total business-type activities program revenues	56,818,006	60,850,938	66,863,689	72,321,564
Total primary government program revenues	65,867,998	68,402,478	73,554,192	79,153,997
Net (expense) revenue:				
Governmental activities	(20,996,815)	(14,928,888)	(15,910,394)	(16,174,369)
Business-type activities	3,297,390	6,388,839	6,213,464	8,183,139
Total primary government net expense	(17,699,425)	(8,540,049)	(9,696,930)	(7,991,230)

	2008	2009	2010	2011	2012	2013
\$	53,551,679	\$ 61,694,281	\$ 64,846,861	\$ 65,916,870	\$ 60,516,535	\$ 61,909,426
	6,095,579	6,877,360	9,768,948	11,130,551	10,890,900	10,431,265
	11,945,455	11,406,773	12,383,344	12,298,288	12,091,162	11,945,804
	-	-	-	-	87,917	712,500
	-	-	-	44,523	-	-
	-	360,626	342,085	341,531	-	-
	598,245	841,156	449,829	303,631	-	-
					1,417,005	539,058
					273,795	177,669
					382,268	358,422
						452
	72,190,958	81,180,196	87,791,067	90,035,394	85,659,582	86,074,596
	80,466,553	87,613,814	94,518,829	98,643,333	94,410,450	95,497,304
	(18,107,791)	(22,463,560)	(23,555,011)	(18,813,958)	(21,182,297)	(19,121,495)
	4,325,435	8,027,244	10,721,489	11,803,921	5,622,389	8,158,115
	(13,782,356)	(14,436,316)	(12,833,522)	(7,010,037)	(15,559,908)	(10,963,380)

(Continued)

City of New Bern, North Carolina

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

	2004	2005	2006	2007
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Ad valorem taxes	\$ 8,311,105	\$ 8,906,208	\$ 9,397,697	\$ 10,004,106
Sales taxes	-	4,385,247	4,722,848	4,886,739
Utility franchise tax	-	-	-	-
Payment in Lieu of Taxes	-	-	-	-
Other taxes	405,317	1,557,118	1,957,366	2,206,366
Grants & contributions not restricted to specific programs	5,873,285	-	-	268,561
Investment earnings	36,128	124,196	210,979	-
Interdepartmental Charges	5,491,413	-	-	-
Miscellaneous	954,340	-	-	-
Transfers	1,277,289	1,389,912	847,500	609,202
Total governmental activities	22,348,877	16,362,681	17,136,390	17,974,974
Business-type activities:				
Grants & contributions not restricted to specific programs	1,072,120	-	-	-
Investment earnings	13,608	87,516	86,642	169,450
Miscellaneous	298,392	-	-	-
Transfers	(1,277,289)	(1,389,912)	(847,500)	(609,202)
Total business-type activities	106,831	(1,302,396)	(760,858)	(439,752)
Total primary government	22,455,708	15,060,285	16,375,532	17,535,222
Changes in net assets:				
Governmental activities	1,352,062	1,433,793	1,225,996	1,800,605
Business-type activities	3,404,221	5,086,443	5,452,606	7,743,387
Total primary government	\$ 4,756,283	\$ 6,520,236	\$ 6,678,602	\$ 9,543,992

	2008	2009	2010	2011	2012	2013
\$	11,394,396	\$ 11,976,146	\$ 12,043,657	\$ 12,919,994	\$ 13,315,629	\$ 13,251,107
	5,050,076	4,992,972	4,707,615	4,892,122	5,331,248	6,039,107
	-	1,455,896	1,482,365	1,520,306	1,408,725	1,406,786
	-	-	-	-	-	860,496
	2,762,008	1,672,945	1,663,842	1,658,465	1,702,043	315,351
	-	-	-	-	-	-
	220,341	56,074	12,916	16,880	16,472	18,930
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,198,590	2,237,407	1,579,957	1,954,758	1,885,062	2,440,119
	20,625,411	22,391,440	21,490,352	22,962,525	23,659,179	24,331,896
	-	-	-	-	-	-
	82,241	20,914	18,096	17,566	13,941	11,506
	-	-	-	-	-	-
	(1,198,590)	(2,237,407)	(1,579,957)	(1,954,758)	(1,885,062)	(2,440,119)
	(1,116,349)	(2,216,493)	(1,561,861)	(1,937,192)	(1,871,121)	(2,428,613)
	19,509,062	20,174,947	19,928,491	21,025,333	21,788,058	21,903,283
	2,517,620	(72,120)	(2,064,659)	4,148,567	2,476,882	5,210,401
	3,209,086	5,810,751	9,159,628	9,866,729	3,751,268	5,729,502
\$	5,726,706	\$ 5,738,631	\$ 7,094,969	\$ 14,015,296	\$ 6,228,150	\$ 10,939,903

City of New Bern, North Carolina

Program Revenues by Function/Program
 Last Ten Fiscal Years
(Accrual Basis of Accounting)
 (Unaudited)

Function / Program	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
General government	\$ (3,453,030)	\$ 1,452,484	\$ 1,261,631	\$ (394,655)
Public safety	(10,799,795)	(10,700,829)	(11,480,602)	(12,230,788)
Transportation	(1,605,311)	-	-	-
Public Works	(2,699,943)	(2,345,915)	(2,597,846)	(590,149)
Environmental protection	(413,094)	(347,260)	199,693	598,850
Culture and recreation	(1,809,177)	(1,927,076)	(2,320,071)	(1,855,583)
Economic and physical development	29,494	(762,980)	(619,146)	(1,197,706)
Interest on long-term debt	(245,959)	(297,312)	(354,053)	(504,338)
Total governmental activities	(20,996,815)	(14,928,888)	(15,910,394)	(16,174,369)
Business-type activities:				
Electric	1,657,086	(2,191)	1,140,882	1,160,675
Water	594,018	814,609	676,536	1,552,476
Sewer	1,046,286	5,576,421	4,396,046	5,469,988
Stormwater	-	-	-	-
Total business-type activities	3,297,390	6,388,839	6,213,464	8,183,139
Total government	\$ (17,699,425)	\$ (8,540,049)	\$ (9,696,930)	\$ (7,991,230)

Source: City records.

	2008	2009	2010	2011	2012	2013
\$	2,142,741	\$ 1,127,059	\$ 1,203,247	\$ 1,198,694	\$ (792,105)	\$ (1,426,528)
	(12,858,610)	(15,094,516)	(16,110,379)	(14,210,243)	(13,943,655)	(13,614,619)
	-	-	-	-	-	-
	(3,082,230)	(3,441,131)	(3,457,889)	(2,968,551)	(2,938,636)	(2,185,236)
	(438,256)	(410,044)	(418,923)	(48,164)	256,701	617,121
	(2,335,683)	(2,383,373)	(2,539,908)	(1,674,155)	(2,382,647)	(2,345,130)
	(1,183,460)	(1,724,876)	(1,668,027)	(592,636)	(872,878)	198,723
	(352,293)	(536,679)	(563,132)	(518,903)	(509,077)	(365,826)
	(18,107,791)	(22,463,560)	(23,555,011)	(18,813,957)	(21,182,297)	(19,121,495)
	1,609,178	4,281,554	4,785,697	4,662,944	1,608,441	4,711,384
	92,409	1,549,842	3,779,625	4,772,523	1,969,217	1,931,247
	2,623,848	2,195,848	2,156,167	2,368,454	2,030,967	1,474,223
	-	-	-	-	13,764	41,261
	4,325,435	8,027,244	10,721,489	11,803,921	5,622,389	8,158,115
\$	(13,782,356)	\$ (14,436,316)	\$ (12,833,522)	\$ (7,010,036)	\$ (15,559,908)	\$ (10,963,380)

City of New Bern, North Carolina

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

	2004	2005	2006	2007
General Fund:				
Reserved	\$ 2,632,611	\$ 3,473,872	\$ 2,707,995	\$ 2,829,693
Unreserved:	3,316,105	3,595,689	4,286,951	3,402,295
Non Spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 5,948,716	\$ 7,069,561	\$ 6,994,946	\$ 6,231,988
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	599,984	505,134	373,245	388,722
Major Capital projects funds	-	-	-	-
Capital projects funds	(87,750)	(273,246)	-	(68,360)
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	\$ 512,234	\$ 231,888	\$ 373,245	\$ 320,362

		Fiscal Year							
		2008	2009	2010	2011	2012	2013		
\$	6,189,102	\$	3,227,265	\$	3,201,334	\$	-	\$	-
	253,896		2,701,696		2,035,562		-		-
	-		-		-		168,263		141,201
	-		-		-		2,771,830		3,397,888
	-		-		-		-		-
	-		-		-		4,604,056		6,786,387
\$	6,442,998	\$	5,928,961	\$	5,236,896	\$	7,544,149	\$	10,325,476
\$	-	\$	266,831	\$	87,798	\$	-	\$	-
	133,373		(84,129)		1,270,581		-		-
	-		-		-		-		-
	3,966,334		327,441		-		-		-
	-		-		-		-		-
	-		-		-		-		735,341
	-		-		-		394,325		326,614
	-		-		-		391,977		322,202
	-		-		-		(2,348)		(4,412)
	-		-		-		1,288,530		733,213
	-		-		-		5,500		-
	-		-		-		(799,068)		(73,786)
\$	4,099,707	\$	510,143	\$	1,358,379	\$	1,278,916	\$	1,303,831
									\$
									947,134

City of New Bern, North Carolina

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

	2004	2005	2006	2007
Revenues:				
Taxes	\$ 8,334,243	\$ 8,892,071	\$ 9,411,957	\$ 9,997,047
Other taxes	242,869	245,142	258,431	276,852
Intergovernmental	8,280,860	8,375,870	8,681,444	9,005,926
Permits and fees	386,269	494,970	606,136	744,445
Charges for services	1,361,440	3,217,561	3,055,465	3,192,832
Interdepartmental charges	5,491,413	-	-	-
Other	988,723	644,624	676,235	640,628
Total revenues	25,085,817	21,870,238	22,689,668	23,857,730
Expenditures:				
General government	2,835,728	1,090,868	982,572	496,371
Public safety	10,783,268	10,589,548	11,362,991	13,033,632
Transportation	1,948,549	-	-	-
Public works	3,430,932	2,970,191	3,086,885	3,350,136
Environmental protection	1,571,976	1,639,030	1,698,419	1,738,901
Culture and recreation	2,038,334	2,034,224	2,147,898	2,102,302
Economic and physical development	706,192	1,531,666	1,230,911	1,793,777
Miscellaneous	438,149	-	-	-
Interfund reimbursements	-	-	-	-
Capital outlay	1,869,383	3,325,210	2,163,453	1,767,427
Debt service:				
Principal	2,186,024	1,914,921	2,242,325	1,978,519
Interest	256,523	323,200	354,053	504,339
Total expenditures	28,065,058	25,418,858	25,269,507	26,765,404
Excess of revenues (under) expenditures	(2,979,241)	(3,548,620)	(2,579,839)	(2,907,674)
Other financing sources (uses):				
Transfers in	1,286,136	1,389,912	799,847	662,989
Transfers out	(8,847)	-	(47,653)	(53,787)
Issuance of long-term debt	1,939,748	2,999,208	1,799,069	1,482,631
Total other financing sources	3,217,037	4,389,120	2,551,263	2,091,833
Net changes in fund balance	\$ 237,796	\$ 840,500	\$ (28,576)	\$ (815,841)
Debt service as a percentage of noncapital expenditures	8.8%	10.2%	11.7%	10.9%

	2008	2009	2010	2011	2012	2013
\$	11,355,453	\$ 11,916,033	\$ 11,935,701	\$ 12,882,798	\$ 13,364,849	\$ 13,297,524
	286,108	282,833	268,819	255,333	262,984	264,417
	10,175,984	9,258,155	9,112,105	10,477,875	11,706,136	12,628,746
	519,042	537,054	557,945	573,392	601,753	584,906
	3,260,934	4,021,657	3,930,456	4,308,027	4,214,282	4,154,506
	-	-	-	-	-	17,917
	451,825	249,061	217,419	393,056	440,448	240,121
	26,049,346	26,264,793	26,022,445	28,890,481	30,590,452	31,188,137
	735,151	594,586	553,996	703,279	962,957	4,490,858
	14,389,262	14,640,876	15,115,471	14,838,939	18,309,272	15,543,189
	-	-	-	-	-	-
	3,665,542	3,763,739	3,394,160	3,491,813	4,801,869	4,436,086
	1,789,423	1,856,632	1,959,738	1,997,630	1,952,131	1,792,211
	2,262,132	2,304,822	2,309,096	3,150,315	2,123,400	2,956,433
	2,463,087	1,669,949	1,647,002	2,249,191	1,872,267	3,222,067
	-	-	-	-	-	-
	-	-	-	-	-	(2,891,799)
	3,726,453	6,243,472	457,895	130,547	538,108	1,052,794
	2,001,293	2,434,480	2,196,177	2,128,628	2,153,397	1,997,458
	352,562	536,681	563,134	518,901	445,677	380,588
	31,384,905	34,045,237	28,196,669	29,209,243	33,159,078	32,979,885
	(5,335,559)	(7,780,444)	(2,174,224)	(318,762)	(2,568,626)	(1,791,748)
	1,605,312	1,308,391	1,907,075	2,447,741	2,056,879	2,980,737
	(406,722)	-	(327,118)	(492,983)	(664,812)	(161,701)
	8,127,324	2,368,452	750,438	199,817	4,052,576	465,315
	9,325,914	3,676,843	2,330,395	2,154,575	5,444,643	3,284,351
\$	3,990,355	\$ (4,103,601)	\$ 156,171	\$ 1,835,813	\$ 2,876,017	\$ 1,492,603

9.4%

11.2%

10.1%

9.9%

9.0%

7.8%

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
2003-2004	469,305,897	\$32,665,795	217,491,655	240,598,553
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

Source: City records

KWH Other Usage	KWH Total Usage	KWH Unbilled	KWH Unbilled %	Purchased Electric Rate (.00/KWH)	Daily Average Usage
233,760	458,323,968	10,981,929	2%	\$0.0696	1,285,770
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

City of New Bern, North Carolina

Electric Rates
Last Ten Fiscal Years

Electric Rates	Cents Per KWH			
	2004	2005	2006	2007
Residential	\$0.1042	\$0.0945	\$0.1135	\$0.1119
Commercial	0.0905	0.0935	0.1030	0.1021
Large Commercial/Industrial	0.0709	0.0739	0.0829	0.0688
Other	0.0907	0.0901	0.0967	0.0952

Source: Cityrecords

Cents Per KWH

2008	2009	2010	2011	2012	2013
\$0.1220	\$0.1410	\$0.1442	\$0.1439	\$0.1373	\$0.1307
0.1114	0.1278	0.1348	0.1367	0.1334	0.1331
0.0699	0.0920	0.0883	0.0882	0.0837	0.0827
0.0964	0.1221	0.1248	0.1238	0.1358	0.1738

City of New Bern, North Carolina

Electric System - Major Users
Current Year and Nine Years Ago

2013					2004				
Rank	Customer	Annual KWH	Annual Revenues	Percentage of Total Electric Sales	Rank	Customer	Annual KWH	Annual Revenues	Percentage of Total Electric Sales
1	Regional Medical Center	18643200	\$1,197,381	1.99%	1	Regional Medical Center	15671200	\$1,019,297	2.44%
2	Craven Community	8206800	555,538	0.92%	2	Hatteras Yachts	12045600	1,131,648	2.71%
3	Maola	5928000	401,947	0.67%	3	Maola	5908800	539,039	1.29%
4	Hatteras Yachts	6672000	343,339	0.57%	4	Craven Community	5664840	539,152	1.29%
5	Wal-Mart Havelock	4551600	305,691	0.51%	5	Lowe's	4006400	182,179	0.41%
6	Craven Terrace	3247200	235,961	0.39%	6	Craven Terrace	2910240	256,642	0.52%
7	Lowe's	2634400	183,557	0.31%	7	Food Lion	2602400	97,706	0.26%
8	Sheraton	1421952	147,174	0.24%	8	Sheraton	1734190	152,056	0.36%
9	Food Lion -Glenburnie	1486560	108,667	0.18%	9	*			
10	Food Lion - Hwy 70E	1289480	94,418	0.16%	10	*			
		<u>Revenue for All</u>					<u>Revenue for All</u>		
Totals	\$60,114,718	54081192	\$3,573,674		Totals	\$41,814,507	50543670	\$3,917,719	

* Information not readily available.
Source: City records

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
2004	\$ 7,471,249	\$ 7,389,318	98.90%	\$ 61,502	\$ 7,450,820	99.73%
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%	-	12,801,046	97.62%

Source: City property tax records

City of New Bern, North Carolina

Principal Taxpayers
Current Year and Nine Years Ago

Name of Taxpayer	Nature of Property	2013		
		Assessed Value	Rank	Percentage of Total Assessed Value
BSH Home Appliances	Household Appliances	\$ 76,229,617	1	2.39%
New Bern Riverfront	Developer(Condos)	32,175,197	2	1.01%
Hatteras Yachts, Inc.	Boat Manufacturing	25,344,296	3	0.79%
DDR Xenia & New Bern LLC	Retail Sales	23,280,378	4	0.73%
Carolina Telephone	Telephone Service	17,579,521	5	0.55%
Carolina Creek	Developer	16,051,420	6	0.50%
Trent Neuse Hotel	Hotel	15,748,666	7	0.49%
Thomas F & Karen Webb	Developer	13,899,600	8	0.44%
Piedmont Natural Gas	Natural Gas	11,510,420	9	0.36%
ATTA Holdings	Medical Offices	11,156,908	10	0.35%
Total Assessed Valuation of Top Ten Taxpayer		<u>\$ 242,976,023</u>		7.61%
Balance of Assessed Valuation.		<u>\$ 2,951,483,658</u>		92.39%
Total Assessed Valuation		<u>\$ 3,194,459,681</u>		100.00%

Source: City property tax records

2004

Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
BSH Home Appliances	Household Appliances	\$ 43,910,055	1	2.52%
Hatteras Yachts, Inc	Boat Manufacturing	22,735,254	2	1.31%
Carolina Telephone	Telephone Service	15,400,558	3	0.89%
Amital Spinning Corp.	Yarn/Textile Mfg.	14,471,126	4	0.83%
Weyerhaeuser	Developer	13,538,190	5	0.78%
Twin Rivers Mall	Retail Shopping Center	11,799,593	6	0.68%
Developers Diversified	Retail Sales	11,166,338	7	0.64%
Trent Neuse Hotel LLC	Hotel	10,833,893	8	0.62%
Maola Milk & Ice Cream Co.	Dairy Products	10,079,959	9	0.58%
Tredegar Film Products	Plastics Mfg.	9,390,842	10	0.54%
Total Assessed Valuation of Top Ten Taxpayer		<u>\$ 163,325,808</u>		9.39%
Balance of Assessed Valuation.		<u>\$ 1,576,450,467</u>		90.61%
Total Assessed Valuation		<u>\$ 1,739,776,275</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>
2004	0.4700	0.5600
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

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.

City of New Bern, North Carolina

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

Fiscal Year Ended June 30	Real Property		Personal Property		Less Tax Exempt Real Propert	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (2)
	Residential Property	Commercial Property	Motor Vehicles	Other					
2004	862,552,194	512,497,188	188,702,021	182,590,440	6,565,568	1,739,776,275	0.47	1,785,118,279	97.46%
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%

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

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

Fiscal Year	Governmental Activities		
	General Obligation Bonds	Capitalized Leases	Installment Notes Payable
2003	\$ -	\$ 10,589,886	\$ -
2004	-	10,355,060	-
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

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

Capitalized Leases	Notes Payable	Installment Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government	Total Debt Per Capita	Total Debt as Percentage of Personal Income
\$13,772,566	\$24,455,726	\$ -	\$ 2,000,000	\$ -	\$50,818,178	2,086	2058%
13,960,066	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%

City of New Bern, North Carolina

Direct and Overlapping Governmental Activities Debt
 For the Year Ended June 30, 2013
 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Craven County Debt	\$ 78,213,107	32.80%	\$ 25,656,946
Subtotal, overlapping debt	<u>78,213,107</u>		<u>25,656,946</u>
City Direct Debt	<u>12,449,882</u>	100%	<u>12,449,882</u>
Total direct and overlapping debt	<u>\$ 90,662,989</u>		<u>\$ 38,106,828</u>

Sources: Craven County and City records

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City of New Bern, North Carolina

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

	2004	2005	2006	2007
Debt limit	\$ 139,182,102	\$ 149,139,423	\$ 157,566,000	\$ 167,377,000
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 139,182,102</u>	<u>\$ 149,139,423</u>	<u>\$ 157,566,000</u>	<u>\$ 167,377,000</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%

Notes:

Debt includes Installment proceeds and Notes payable

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Valuation	\$ 3,194,459,681
8%	255,556,774
Less applicable debt	<u>(12,449,882)</u>
Debt margin	<u>\$ 243,106,892</u>

	2008	2009	2010	2011	2012	2013
\$	177,506,221	\$ 186,561,090	\$ 187,560,181	\$ 249,056,946	\$ 251,991,678	\$ 255,556,774
	5,244,681	-	240,000	12,731,877	14,610,371	12,449,882
\$	172,261,540	\$ 186,561,090	\$ 187,320,181	\$ 236,325,069	\$ 237,381,307	\$ 243,106,892
	3.04%	0.00%	0.13%	5.39%	6.15%	5.12%

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)
2004	25,684	(5)	\$ 2,585,988	7,544	6.2%
2005	26,468	(5)	2,787,842	7,640	4.8%
2006	27,508	*	24,141	7,805	3.9%
2007	28,156	*	24,141	7,864	3.6%
2008	28,584	*	24,141	7,413	4.0%
2009	28,992	*	24,141	7,433	7.7%
2010	29,646	*	24,141	7,457	9.6%
2011	29,899	(5)	3,669,572	7,652	9.5%
2012	30,316	(5)	3,836,260	7,633	9.2%
2013	(5)	(5)	(5)	(5)	9.7%

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	2013				2004		
	Employees	Rank	Percentage of Total County Employment		Employees	Rank	Percentage of Total County Employment
Department of Defense (1)	5274	1	13.34%	Department of Defense	Over 1000	1	N/A
CarolinaEast Health Systems	2192	2	5.55%	Craven County Schools	Over 1000	2	N/A
Craven County Schools	1942	3	4.91%	CarolinaEast Health Systems	Over 1000	3	N/A
Moen Incorporated	935	4	2.37%	State of North Carolina	Over 1000	4	N/A
BSH Home Appliances	884	5	2.24%	Moen Incorporated	500-999	5	N/A
State of North Carolina	817	6	2.07%	Hatteras Yachts (Brunswick Corp)	500-999	6	N/A
Craven County	587	7	1.48%	BSH Home Appliances	500-999	7	N/A
Craven Community College	533	8	1.35%	Craven County	500-999	8	N/A
Wal-Mart	481	9	1.22%	Weyerhaeuser Company	500-999	9	N/A
City of New Bern	479	10	1.21%	Wal-Mart	500-999	10	N/A
	<u>14,124</u>		35.73%		<u>-</u>		N/A

Sources: Craven County, Craven County Economic Development Commission, and N.C. Employment Security Commission

Notes: (1) Excludes 9,419 active military personnel based in Craven County. It includes civilian employment at the Naval Aviation Depot, Naval Health Clinic, 2nd MAW, and MCAS Cherry Point.

Total County employment per ESC report 39,530

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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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Governing Board	1	1	1	1	1	1	1	1	1	1
Administration	3	3	3	3	3	3	3	3	4	4
Finance:										
Accounting	11	13	12	12	12	12	12	11	10	10
Warehouse	5	5	5	5	5	5	5	4	4	4
Information Technology	6	6	7	7	7	7	7	7	7	8
Tax Collection	3	3	3	3	3	3	3	3	3	3
Human Resources:	5.6	6	6	6	6	6	6	6	5	5
Police:	109	109	*	116	116	138	141	127.5	114	112
Animal Control	2	2	2	2	2	-	-	-	-	-
Communications	14	14	*	17	19	-	-	-	-	-
Fire:	*	*	*	59	68	69	68	66	66	67
Parks and Recreation:										
Administration	2	2	2	2	3	2	2	2	2	2
West New Bern Recreation Center	3.3	3.3	4.4	4.3	5	5	5	5	5	5
Stanley White Recreation Center	3.8	5.3	4	3.3	4	5	5	4	4	4
Parks	17	17	17	17	17	17	17	14.6	13	14
Aquatics	-	-	-	-	-	1	1	0.4	0.4	0.0
Special Programs	1	1	1	1	1	-	-	-	-	-
Athletics	3	3	3.5	3.5	4	3	3	3	3.6	3.0
Planning & Inspections:										
Planning & Inspections	16	*	*	19	19	19	19	17	17	16
GIS	1	1	1	1	1	1	1	1	1	1
Public Works:										
Administration	4	4	4	4	4	4	4	3.5	3	3
Garage	4	4	4	4	4	4	4	4	4	4
Public Buildings	7	7	6	6	7	7	7	6	5	6
Streets	30	30	*	30	31	31	31	26	25	25
Cemeteries	1	1	1	1	1	1	1	1	1	-
Leaf & Limb	8	*	9	9	9	9	9	9	8	7
Sanitation	1	1	1	1	1	1	1	-	-	-
Engineering	6	6	6	6	10	10	10	9	-	-
Water:										
Water Resources Administration	-	-	-	-	-	-	-	-	7	7
Water Treatment	2	2	3	3	3	3	5	7	12	11
Water Distribution System Maintenance	*	20	21	21	21	21	23	20	25	30
Hydrant Maintenance	-	3	3	3	4	4	4	4	-	-
Sewer:										
Sewer Treatment	14	*	18	17	20	20	20	19	21	21
Sewer Collection System Maintenance	*	*	23	30	32	33	37	27	21	16
PreTreatment	1	1	1	1	1	1	1	2	-	-
Electric:										
Electric Administration	5	*	6	6	7	7	7	7	7	7
Utility Billing	5	5	5	5	5	5	16	5	5	5
Utility Service	15	15	15	15	17	16	15	16	15	15
Distribution O&M	32	*	33	33	33	33	33	30	32	32
Power Supply	3	3	3	4	4	4	4	4	4	4
Communications Control	6	6	6	5	5	5	5	5	5	6
Customer Service	15	15	15	15	16	16	16	16	16	16
Stormwater:										
Stormwater	-	-	-	-	-	-	-	-	-	5
Other:										
Emergency Telephone System (E911)	2	2	2	2	2	2	2	2	2	2
Municipal Service District	-	-	2	2	2	2	2	2	-	-
Total	368	320	258	505	535	536	556	500	478	481

Source: Prior years budget records

Note:

* Information is not readily available

City of New Bern, North Carolina

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

Function/Program	2004	2005	2006	2007
Police:				
Calls for service	**	**	**	**
Conduct DUI/Traffic Check Points	**	**	**	**
Answer 90% of 911 calss 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	901	918	1,186	1,206
Property loss	\$ 1,053,385	\$ 1,539,250	\$ 2,309,425	\$ 2,573,590
Parks and Recreation:				
Recreation program attendance:				
Athletics	**	**	**	74,500
Centers & Parks	**	**	**	268,304
Other Programs	**	**	**	90,825
Planning & Development:				
Total building permits	801	818	766	831
Total value of all permits	\$75,346,538	\$76,654,302	\$80,764,491	\$148,822,321
Public service:				
Garbage collected (ton)	7,060	7,243	7,665	7,659
Recycle collected (ton) ***	1,475	1,522	1,575	1,630

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, 28% was used from the total collected to generate an approximate City value.

	2008	2009	2010	2011	2012	2013
	**	**	44,980	38,397	36,818	48,532
	**	**	**	**	**	70
	**	**	**	**	**	99.6%
	**	**	**	**	**	85.30%
	**	**	**	**	**	97.80%
	**	**	**	**	**	100.00%
	**	**	**	**	**	1.00%
	**	**	**	**	**	1,944
	1,231	1,022	1,034	1,124	1,090	992
\$	2,124,686	\$ 1,549,760	\$ 850,040	\$ 1,658,581	\$ 6,131,061	\$ 1,389,713
	77,000	80,000	95,500	95,750	98,500	98,500
	269,190	269,546	270,551	278,501	285,500	286,000
	90,875	90,900	95,825	90,550	96,775	97,000
	651	553	645	573	652	605
	\$112,408,779	\$48,034,918	\$56,899,190	\$38,992,626	\$47,994,419	\$37,189,233
	7,618	7,562	7,495	7,640	7,719	7,626
	1,628	1,848	1,644	1,791	2,403	1,795

City of New Bern, North Carolina

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

Function/Program	2004	2005	2006	2007
Police:				
Capital Assets	4	4	4	4
Fire & Rescue:				
Fire Stations	3	3	3	3
Parks & Recreation:				
Acreage	270	270	270	270
Parks	17	17	17	17
Frisbee Golf Course	0	0	0	0
Baseball/Softball Diamonds	9	9	9	10
Soccer/Football Fields	2	2	2	2
Basketball Courts	3	3	3	4
Tennis Courts	4	4	4	4
Swimming pools	0	0	0	0
Parks with Playground Equipment	6	7	8	8
Picnic Shelters	6	6	6	7
Community Centers	2	2	3	3
Natural Sites	4	4	4	4
Gymnasium	2	2	2	2
Spray Ground	0	0	0	0
Dog Park	0	0	0	0
Boat Launch/Ramp/Pier	6	6	6	6
Picnic Tables	60	60	60	70
Park Benches	80	80	80	90
Multi-purpose Fields	2	2	2	2
Walking Trails	2	2	3	3
Outdoor Restrooms	7	7	7	8
Public Parking Lots	9	9	9	10
Public Art	3	3	3	3
Horseshoe Courts	0	0	1	1
Outdoor Volleyball Courts	1	1	1	1
Bike Racks	6	6	6	6
Wastewater:				
Sanitary Sewers (miles)	208.3	209.2	209.4	211.2
Storm Sewers (miles)	N/A	N/A	62.3	62.3
Average Daily Flow	4.51	4.32	4.46	4.14
Electric:				
Average Daily Usage (kWh)	1,285,770	1,229,995	1,265,809	1,261,872
Mile of Distribution Lines	440	460	450	470

Source: Various City records

2008	2009	2010	2011	2012	2013
4	4	4	4	4	5
3	3	3	3	3	3
275	275	282	312	312	312
18	18	19	21	21	21
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
0	1	1	1	1	1
8	9	9	9	9	10
8	8	8	8	8	9
3	3	3	3	3	3
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
0	1	1	1	1	1
6	7	7	8	8	8
70	70	75	75	75	87
90	100	108	108	108	126
2	2	2	2	2	2
4	5	6	6	6	6
9	9	9	9	9	9
10	10	11	11	11	11
3	3	3	3	4	4
2	2	3	3	3	3
2	2	2	2	2	2
6	7	7	7	7	7
211.4	211.4	211.4	211.4	211.7	211.7
62.4	62.4	62.4	62.4	62.5	62.5
3.72	3.57	4.01	3.82	3.63	3.63
1,308,915	1,308,073	1,327,457	1,366,685	1,257,055	1,286,755
515	515	515	515	515	518

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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, 2013, 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 31, 2013.

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 31, 2013.

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 31, 2013



**Report on Compliance For
Each Major Federal Program and On
Internal Control Over Compliance in Accordance With
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 Each Major Federal Program

We have audited City of New Bern, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of New Bern's major federal programs for the year ended June 30, 2013. City of New Bern's major federal programs are 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of New Bern's major federal programs 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 for each major federal program. However, our audit does not provide a legal determination on City of New Bern's compliance.

Opinion on Each Major Federal 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 each of its major federal programs for the year ended June 30, 2013.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 federal 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.

Purpose of This Report

The 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Morehead City, North Carolina
October 31, 2013



**Report on Compliance
For Each 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 Its 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, 2013. 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*, 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 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, 2013.

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 each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.

Purpose of this Report

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 31, 2013

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

Federal Awards

Internal control over major federal 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 federal programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of
OMB Circular A-133?

_____ yes X no

(Continued)

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2013

Identification of major federal programs:

CFDA #	Program Name
14.228	2009 CDBG Community Revitalization
20.205	Federal Highway Administration - Historic New Bern Train Depot

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

\$ 300,000

Auditee qualified as low-risk auditee?

X Yes 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)

(Continued)

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2013

Section 2. Financial Statement Findings

None

Section 3. Findings and Questioned Costs for Federal Awards

None

Section 4. Findings and Questioned Costs for State Awards

None

City of New Bern, North Carolina

Corrective Action Plan
For the Fiscal Year Ended June 30, 2013

Section 2. Financial Statement Findings

No corrective action plan is required for the current year.

Section 3. Findings and Questioned Costs for Federal Awards

No corrective action plan is required in the current year.

Section 4. 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, 2013

Finding 12-1 Law Enforcement Officers' Separation Allowance liability study not obtained and not recorded as a liability.

Status: Corrected.

Finding 12-2 Other Post Employment Benefits (OPEB) liability was overstated in prior years.

Status: Corrected.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2013

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					
2009 Justice Assistance First Line Equipment (ARRA)	16.804	2009-SB-B9-2845	\$ 12,316	\$ -	\$ -
2009 Justice Assistance Grant	16.738		8,185	-	-
2011 Justice Assistance Self Initiated Reporting	16.738		11,897	-	-
Total Justice Assistance Cluster			44,157	-	-
Bulletproof Vest Partnership Grant	16.607		11,759		
Passed through Office of Community Oriented Policing Services (COPS)					
2010 COPS Hiring Program	16.710	2010-UMWX-019	197,796	-	-
Total U.S. Department of Justice			253,712	-	-
U.S. Department of Homeland Security					
Operations and Safety Program	97.044	EMW-2012-FO-05836	79,020	-	-
Smoke alarm program	97.044		2,998		
Passed through NC Dept of Crime Control and Public Safety					
Public Assistance Grant	97.036	FEMA-4019-DR-NC	502,981	167,660	-
Total U. S. Department of Homeland Security			584,999	167,660	-
U. S. Department of Agriculture					
Passed through NC Department of Health and Human Services					
Summer Food Services Program	10.559		7,760	-	-
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	14,369	-	-
2009 CDBG Community Revitalization	14.228	09-C-2071 M	946,260	-	5,321
Passed through NC Housing Finance Agency					
2011 Urgent Repair Grant	14.228	URP1118	69,408	-	-
2011 Urgent Repair Grant	14.228	URP1228	5,677	-	-
Total U.S. Department of Housing and Urban Development			1,035,714	-	5,321
U.S. Environmental Protection Agency					
Brownfields Assessment and Cleanup Cooperative-ARRA	66.818	BF-95440709-0	48,128	-	-
Five Points Area-Wide Planning (Brownfields Pilot)	66.814	TR-83491301-0	35,230	-	-
Total U. S. Environmental Protection Agency			83,358	-	-
U.S. Department of Transportation					
Federal Highway Administration					
Passed through NC Department of Transportation					
Historic New Bern Train Depot	20.205	E-4736 M	313,849	78,462	11,494
Safe Routes to School - HJ MacDonald Middle School	20.205	SR-5001BE	99,900	-	16,404
Total U.S. Department of Transportation			413,749	78,462	27,898

(Continued)

Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2013

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures			
			Federal	State	Local	
State Awards:						
N.C. Department of Transportation						
Nonstate System Street Aid Allocation (Powell Bill)			M	\$ -	\$ 812,714	\$ -
Total N.C. Department of Transportation				<u>-</u>	<u>812,714</u>	<u>-</u>
N.C. Department of Commerce Urban Development Division						
Main Street Solutions Grant				-	75,000	-
Totals				<u>\$ 2,367,533</u>	<u>\$ 1,133,836</u>	<u>\$ 33,219</u>

M indicates major program
 See Notes to the Schedule of Expenditures of Federal and State Awards.

City of New Bern, North Carolina

Notes to the Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

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 Clean Water Trust Revolving Loan, Sanitary Sewer State Loan, Wastewater Treatment Plant State Loan, and Wastewater Treatment Diffuser State Loan at June 30, 2013 were \$28,565,631, \$1,223,534, \$11,315,081, and \$743,299, respectively.