

# City of New Bern

North Carolina



## Comprehensive Annual Financial Report

For Year Ending June 30, 2012

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

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# **Introductory Section**

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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

## Three Centuries of North Carolina Heritage

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

November 30, 2012

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, 2012, 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 unqualified opinion are included in the financial section. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the data enclosed is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position and, where applicable, the cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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State, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and the auditor's reports on the internal control over financial reporting and compliance with applicable laws, regulations, and contract and grants agreements, is included in a separate reporting package.

## **ECONOMIC CONDITION AND OUTLOOK**

New Bern, settled in 1710 at the confluence of the Trent and Neuse Rivers, is located 110 miles east of Raleigh, the State Capitol, and 35 miles west of the Atlantic Ocean. New Bern is the largest municipality in Craven County and serves as the County seat. Rich in history, it is the site of North Carolina's Colonial Capital and its first State Capitol. New Bern is also the Birthplace of Pepsi Cola, a drink first created by Caleb Bradham, a local pharmacist, in 1898. Downtown New Bern offers museums, shops, galleries, restaurants, historic sites, waterfront hotels, bed and breakfast accommodations, marinas, convention center, parks, historic homes and churches. Tryon Palace Historic Sites & Gardens, the first permanent seat of colonial government in North Carolina, offers visitors an opportunity to experience over 300 years of American history and acres of period inspired gardens. The City is centrally located to several growing communities including Jacksonville, Morehead City, Greenville, and Kinston, all less than an hour away. The City is easily accessible by US 70, US 17, and NC 43. The community currently has 9.9 percent unemployment rate compared to a statewide rate of 9.6 percent. The 2010 census population for the city was reported as 29,524.

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 as many other areas in the state and country. One area which has shown a decline is the value of new construction and renovation with the overall value declining from \$ 50.7 million and 450 permits issued in fiscal year 2011 to \$41.8 million with 334 permits issued in fiscal year 2012. (This is an 18 percent decrease compared to fiscal year 2011).

However, the City is poised for further economic growth as historic sites continue to attract tourist and new businesses enter the city limits. 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.

In addition, a large mixed-use development of Weyerhaeuser Real Estate Development Co.'s 586-acre commercial and residential project called Craven 30 is being built in western New Bern. When it is built, it will offer retail space, medical park, office space, multi-family apartments, a hotel, a media complex and studios providing a life style environment that will benefit all of our community. Groundbreaking on this significant addition to New Bern was on May 2, 2012 and was attended by the Governor. The addition of Craven 30 will not only add to the economy of New Bern but it will bring a large number of jobs as well. With such a development in sight, the outlook for the local economy includes economic growth and additional employment 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 184,000 patients a year. Employing over 2,100 people, CarolinaEast Health System continues to grow. They recently added an outpatient, pediatric occupational therapy program to its wide range of services available. 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 one of the nation's top producers of faucets and shower heads. If you have a Moen faucet, it came from New Bern. Moen currently employs over 600 regular employees and 250 temporary associates to assist during times of peak demand. Moen is making a \$6 million capital investment in the plant to improve productivity and better serve the changing needs of their customers. BSH Appliances is a German based manufacturer specializing in cooking, washing/drying, refrigeration/freezing, and other consumer products. New Bern is host to one of only three U.S based factories. With about \$ 120 million already invested in the New Bern facility, BSH officials announced a new dishwasher manufacturing line which is expected to bring about 100 additional jobs beginning in 2013.

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## MAJOR INITIATIVES

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### **FOR THE YEAR**

Fiscal year 2011-2012 included the planning and implantation phases of several initiatives as well as the continuation or completion of projects begun during the previous fiscal year.

### **North Carolina Catalyst Program**

This grant program is offered through the NC Department of Commerce, Division of Investment and Assistance. The purpose of the program is to allow a community the opportunity to tailor a community development block grant (CDBG) program to meet the community development needs specific to their locality, primarily for their low- and moderate-income residents. It may include housing, public facility, and/or non-housing activities. The maximum grant amount is \$500,000. Leveraging of additional funds is encouraged. We are currently working to develop an application for this program.

### **Federal Emergency Management Association/Environmental Protection Agency Technical Assistance for Resilience Planning**

The City was selected to participate in the joint FEMA/EPA Community Resilience Planning in Coastal North Carolina program. This project will provide technical assistance to help use the best available data to determine how climate change might impact local land use and infrastructure investments, and to develop strategies that reduce vulnerability to known hazards, build long-term community resilience, and provide economic, environmental, and social benefits.

### **2011 CDBG Small Business and Entrepreneurial Grant Program**

The City submitted an application for this grant. The primary purpose of the program is to provide funding to local governments to jumpstart growth of existing small businesses, thus creating new jobs or retaining existing ones. This assistance must lead to the creation or retention of jobs primarily benefiting low- and moderate-income persons. The maximum grant amount is \$250,000. Several local businesses have expressed interest in applying for assistance through this grant.

### **2011 Main Street Solutions Fund**

The City received a \$100,000 grant from the NC Department of Commerce to assist two (2) downtown businesses who are ready to expand. The City collaborated with Swiss Bear Downtown Development Corporation, Craven Arts Council, and RKC Associates. The project will provide funding to assist Craven Arts Council with renovating the sales area of the Bank of the Arts. RKC Associates will renovate the old Pak-A-Sak building on East Front Street to provide space for Branch's of New Bern to create an outlet center to complement their existing business.

### **City of New Bern Façade Program**

This program was recently created by the City 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 to encourage 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 building's appearance through enhancements that in turn improve the overall appearance of the community.

### **Lewis Farm Road Substation**

This project consists of the construction of a new electric substation along Highway 70 East on Lewis Farm Road. The estimated cost of the project is \$2.2 Million. 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 25 MVA power transformers for the station were delivered in April of 2011. The land purchase for the substation is finalized, the design and engineering of the station has been completed, and the majority of the materials needed to construct the station have been bid and purchased. The grading, transformer foundation, and fencing were completed by the end of fiscal year 2010-2011. Progress Energy has started the installation of a new 115 kV transmission line to the station site. This line was ready for service in June 2012. The majority of the equipment was delivered and installed in fiscal year 2012. This project has been financed through a 20 year loan due to the longevity of the substation equipment. The loan payment is for an amount of \$40,476 per quarter.

### **AMI/DSM Smart Grid Pilot Project**

This Pilot Project is comprised of the installation of the necessary communications system, hardware, software, and a conservative quantity of electric and water meters as well as load management devices to enable customers of the Public Utilities Department to actively monitor and control their electric and water consumption. The estimated cost of the project is \$450,000. The scope of this project involves the specification, bid, procurement, and installation of Smart Grid technology. This includes an Advance Metering Infrastructure system (AMI), capable of two-way communications with the City of New Bern electric and water meters for a small portion of the service territory, and load management devices, capable of two-way communications, for more effective load shedding. As a pilot project, the minimum amount of equipment and software will be purchased in order to install this system on one section of the City's service territory. This pilot will allow the Department to implement the use of the technology without a large initial capital investment. It would be the first step to the cost-effective implementation of this technology for all of the City's customers. Providing an opportunity for residential electric customers to participate in "pay as you go" rates, this system will allow customers to better control their consumption of electricity and manage payments schedules more effectively. It will be capable of providing real-time consumption data to customers. 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 specification of the equipment and software for the AMI/DSM system is being completed by a consulting engineer. The Request for Proposal will be sent out and evaluated around December 2012/January 2013. This project is expected to be complete by fiscal year 2013-2014.

#### **North West Interceptor Sewer Rehabilitation**

This project involved the rehabilitation of approximately 3,100 linear feet of existing 30" & 36" sewer main located along Glenburnie Drive. The interior of the existing concrete pipe had become severely deteriorated from prolonged exposure to hydrogen sulfide gas. The existing outfall line was rehabilitated with the use of a Cured in Place Pipe (CIPP) product. The engineering design and construction administration services were performed by City of New Bern staff and the CIPP product was installed by Insituform Technologies, Inc. at a cost of \$449,781.

#### **Township No. 7 Water Improvements Project.**

This was a comprehensive project aimed at improving water system pressures and fire flows to the extreme eastern portions of the City's water distribution system. The major components of the project were the construction of a new 500,000 gallon elevated water storage tank and (3) new water booster pump stations. Rivers and Associates, Inc. performed all of the engineering design and construction administration services and all of the associated construction work was completed by A.C. Schultes of the Carolinas. The total project cost was \$ 3.0 million.

#### **River Drive Sewer Improvements**

This project involved the replacing portions of sanitary and storm sewer systems located along River Drive. These existing systems were severely deteriorated and were beginning to undermine the pavement structure causing reoccurring sinkhole in River Drive. The existing clay pipes were replaced with ductile iron and PVC materials and the existing brick manholes were replaced with precast concrete structures. The engineering design and construction administration services were performed by City of New Bern staff and all construction work was completed by James L. Cayton Utilities, Inc. at a cost of \$98,055.

#### **Misc. Water System Improvements Project**

This project involved the replacing aging portions of the City water distribution system at various locations throughout the City. These at most of these locations existing 2" galvanized water mains were replaced with 6" ductile iron and PVC piping. These changes to the water distribution system improved system pressures and firefighting capabilities. The engineering design and construction administration services were performed by City of New Bern staff and all construction work was completed by W.O. White Construction, Inc. at a cost of \$190,135.

#### **Highway 17 South Sewer Improvements Project**

This project is being 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 proposed project will involve 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. Capacity and cost analysis were conducted for this project and construction of a new lift station at this location proved to be the best option. The engineering design and construction administration services were performed by City of New Bern staff and all construction work was completed by W.O. White Construction, Inc. at a cost of \$199,199. The total project cost including the new pump station components is \$329,596.

### **Stanley White Recreation Center Renovation and Expansion**

The City of New Bern was able to complete a major renovation and expansion project, at one of its long-standing recreation facilities, located at 901 Chapman Street. The City applied for, and was awarded a Parks and Recreation Trust Fund (PARTF) grant in the amount of \$500,000; the City provided an additional \$660,460, which exceeded the 50/50 matching requirements. The plans for the facility included an exterior facelift to the front entrance and hallway, new floors, ceilings, restrooms, meeting rooms, and fitness area, new lighting in the gymnasium, and the addition of new locker facilities and indoor storage. The center was closed from August 2010 to June 2011 during the renovation project.

### **Frisbee Golf Course (additions & renovations) at Glenburnie Park**

The Frisbee golf course additions and renovations are near completion. The 18-hole course has concrete pads at each hole, with distance and basket signage. Three baskets are scheduled for replacement. The informational sign is scheduled for replacement in the fall of 2012, through the efforts and donations of the 100 plus participants who frequent the course.

### **Picnic Pavilion at Lawson Creek Park**

A second picnic pavilion was requested for Lawson Creek Park. This will allow for additional family gatherings throughout the year, as picnics and family gatherings continue to be popular recreation outlets. Funds were made available in 2011-12. Construction is expected to begin in the summer of 2012.

### **Docks and Piers at Various Parks**

Due to Hurricane Irene which struck New Bern in August 2011, the City experienced damage to many of its piers and docks. Through the FEMA reimbursement program, the City will be able to replace these facilities at Lawson Creek Park, Glenburnie Park, and Union Point Park, with total funds available of approximately \$360,000. Work began in the early summer of 2012.

### **2011-12 Street Resurfacing Project**

Project involves the resurfacing of city streets, including all or portions of multiple roads throughout the City of New Bern. Most notably was the complete reconstruction of Hancock Street between South Front Street and Broad Street. The total appropriated funds for 2011-12 were \$350,000, all of which was spent towards resurfacing projects. Work was completed in June 2012.

### **Sunnyside Sidewalk Improvements**

The City appropriated \$100,000 of funds in the Street Division budget towards sidewalk improvements in the Sunnyside neighborhood. Approximately 4,000 linear feet of sidewalks were installed in an area where no sidewalks existed. The sidewalks were connected to Pierce Park on Neuse Ave on one end and extend throughout the neighborhood and reconnect to existing sidewalks on Watson Avenue providing the area pedestrians with connectivity to downtown along National Avenue. All funds were spent and the project was completed in June 2012.

### **Union Station Train Depot Roof Rehabilitation**

This project involves the replacement and rehabilitation of the roof structure of the Historic New Bern Train Depot. The license and lease agreements were completed between the City, North Carolina Railroad, and Norfolk Southern to allow the City to utilize this structure for future use. The license and lease agreement will be in place for 34 years. Additionally, the City entered into an agreement with NCDOT and FHWA to fund the roof rehabilitation. The estimated cost of the project is \$500,000, all of which was funded by FHWA and NCDOT. No City match was required. This project should commence sometime in the fall of 2012 in the FY12-13 budget year.

### **Emergency Telephone System/911 Communications Move to Police Department Headquarters**

The emergency communications/911 function was moved from its Windhill Court location to the main Police Headquarters building at 601 George Street. Moving the emergency telephone system maximizes the use of the Headquarters building, allowing for a more target hardened communication center as well as the consolidation of administrative duties. In addition to the relocation, the City replaced the E911 Phone System, which was old technology, with state of the art Cassidian Patriot 911 Next Generation Phone System. These projects were mainly funded with existing Emergency Telephone System fund balance.

### **IN THE FUTURE**

#### **Neuse Boulevard Water Main Replacement – Phase II**

This project will involve the replacement of approximately 14,000 linear feet of existing 14" AC water main along Neuse Boulevard. These projects will tie-in with the phase-I work and complete a project that began in 2009. The engineering design and construction administration services for this project will be performed by City of New Bern staff. The project is scheduled to be under contract by the start of the second quarter for FY12-13 and is expected to take 270 days to complete. The estimated cost of the project is \$ 3.4 Million.

#### **Water Treatment Facility Improvements/Emergency Operations Center (EOC)**

This project will involve upgrades to the water treatment plant facility; these enhancements would allow for a sophisticated training facility and provide a new location for the City's EOC. In addition, the redundant fiber connection and associated components will improve the reliability of the plants supervisory control and data acquisition system (SCADA). SCADA is a critical component of the City's ability to continue to provide safe drinking water during an emergency event. The estimated cost of this project is \$ 255,000.

#### **North West Interceptor Sewer Rehabilitation – Phase II**

This project will be a continuation of the rehabilitation work last year by extending the lining another 3,000 feet along the outfall. The engineering design and construction administration services for this project will be performed by City of New Bern staff. The project is scheduled to be under contract by the start of the second quarter for FY12-13 and is expected to take 45 days to complete. The engineer's estimate for the project is \$450,000.

#### **Misc. Water System Improvements Project**

This project will involve replacing aging portions of the City water distribution system at various locations throughout the City. These at most of these locations existing 2" galvanized water mains will be replaced with 6" ductile iron and PVC piping. These changes to the water distribution system will improve system pressures and firefighting capabilities. The engineering design and construction administration services for this project will be performed by City of New Bern staff. The project is scheduled to be under contract by the end of the third quarter for FY12-13 and is expected to take 60 days to complete. The engineer's estimate for the project is \$400,000.

### **Community Development**

The Community Development section will continue to seek funding to expand economic and community development activities within the City of New Bern, especially for the area identified in the Gateway Renaissance Plan and other distressed areas, and the historic downtown. We will also continue to seek funding for the remediation and redevelopment of the Brownfields areas in the City.

### **Trent Road Substation Transformer Bank A Replacement**

As identified in our five year Capital Projects plan the 50 MVA transformer bank at the Trent Rd. Substation will require replacement. This transformer bank was built in 1960 and through recent testing there have been indications that the units are reaching the end of their useful life. During periods of peak demand the electric system requires the capacity provided by this transformer bank and cannot provide service to its customers if the unit were to fail. A new substation transformer installation to replace this unit is estimated at a cost of \$1.0 Million. The replacement cost of this unit is expected to be financed as its useful life exceeds 30 years.

### **West New Bern Recreation Center Renovation and Expansion Project...Feasibility Study**

Much like the recently renovation and expanded Stanley White Recreation Center, West New Bern Recreation Center is in need of modifications. Using Stanley White as a "footprint", similar steps will be taken in order have similar results...complete, cost-effective project, from start to finish. A feasibility study will be commissioned to a professional architectural/design firm, which will include a thorough inventory of existing space. Total project costs are estimated at \$1.8 Million. This project will be delayed or reduced depending on the awarding of a successful grant application with the state (Parks and Recreation Trust Fund), and matching, or better, funding by the City. Awards would be announced in the spring and fall of the year the grant is submitted.

### **Pleasant Hill Park Phase II**

This project involves next phase completion of an existing park...additional parking, a multi-purpose ball field, and consideration for a multi-purpose community. The existing park was developed by securing grant funds (PARTF) and matching City funds. Total project costs are estimated at \$500,000. This project will be delayed or reduced depending on the awarding of a successful grant application or capitalized through the City budget approval process.

### **George Street Park Additions**

This project involves turning the old tennis courts into a basketball arena, which will free up existing space for small picnic pavilions. Additionally, a traditional playground included on existing park property. Total project costs are estimated at \$200,000. This project will be delayed or reduced depending on the awarding of a successful grant application or capitalized through the City budget approval process.

### **Radio System Replacement Project**

The City will concentrate on replacing its radio system with new P-25 digital public safety and utilities radio network system. This \$ 4.4 Million project will replace an aging 15 year old radio system compatible with FCC re-banding mandates for the municipality and the North Carolina Voice Interoperability Plan for Emergency Responders (or VIPER) system.

### **Fire Department**

The fire department intends to replace two staff vehicles, and to continue purchasing replacement turnout gear, SCBA, and fire hose. New software is also being purchased to help track fire inspections, training, and equipment maintenance.

### **Two New Fire Stations**

New Bern Fire-Rescue is a Class 3 fire department that currently operates from three separate strategically located stations in the municipal limits of the City of New Bern. Fire department staff is currently working to develop plans to build two new fire stations. In order to maintain its current Class 3 Fire Rating, New Bern-Fire Rescue will need to build a new station on the south side of New Bern, as well as a new station somewhere near Highway 43 on the west side of town. Additionally, plans are being made to remodel an existing fire station located east of New Bern, which will be enlarged to accommodate a truck company.

### **Stormwater Maintenance Division**

The Board of Aldermen approved setting up a stormwater utility for FY12-13. With the creation of a stormwater utility, a new division was created in the Public Works Department to focus attention to ongoing maintenance and improvement projects. The division will be charged with maintaining and upgrading the existing infrastructure including catch basins, ditches, pipe networks, and other related appurtenances that are pertinent to the discharge of stormwater from the City. Additionally, improvement projects will be evaluated and prioritized for future upgrades to provide relief in distressed areas throughout the City. The division was appropriated \$744,379 for staffing five (5) full-time employees and any operating and capital expenses necessary to carry out the objectives of the division.

### **2012-13 Street Resurfacing Project**

Project involves the resurfacing of city streets, including all or portions of multiple roadways throughout the City of New Bern. A complete system-wide pavement analysis will be performed during FY12-13 in the fall and winter months with resurfacing slated to commence in the spring of 2013. The total appropriated funds for 2012-13 is \$500,000. Work is to be completed by June 2013.

### **Downtown Wayfinding Signage System**

The City has entered into an agreement with NCDOT, 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. It is estimated that this will cover the fabrication and construction of the signage. The City will provide in-kind labor for installation of the signage system as its contribution.

### **South Front Street Streetscape Improvements**

The Municipal Service District (MSD), a special tax district in the downtown area of New Bern wishes to move forward with another phase of the downtown streetscape improvements. The focus of this project will be to enhance the sidewalks with pavers, benches, new lighting, and waste receptacles on the 200-400 blocks of South Front Street, much like Craven Street and Middle Street in downtown. This project is estimated to cost approximately \$500,000 and will commence construction in FY12-13.

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## OTHER INFORMATION

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**Acknowledgments.** This report reflects the first year the City of New Bern has prepared a comprehensive annual financial report (CAFR). This was made possible by the efficient and dedicated services of the entire City of New Bern Accounting Department: Rupal Patel, Lori Mullican, Davonna Short, Deidre Wrought, Ginger Heath, Jeanette Serrano, Diane Moore, Jennifer Rawls, Anita Saunders, and Kim Snyder. Each member of the accounting department 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) awards a Certificate of Achievement for Excellence in Financial Reporting. This will be the first year the City of New Bern will be submitting its CAFR for the award for its fiscal year ending June 30, 2012. 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.

We believe this current report will conform to the Certificate of Achievement program requirements, and the City will be submitting it to the GFOA to determine its eligibility for a certificate.

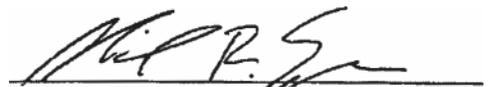
**Independent Audit.** The City is required by the North Carolina General Statutes to have an annual independent audit of its financial statements. In addition, the Federal Single Audit Act Amendments of 1996 and the State single Audit Implementation Act require annual independent audits of the City's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

**CITY OF NEW BERN, NORTH CAROLINA**

LIST OF PRINCIPAL OFFICERS

June 30, 2012

**BOARD OF ALDERMEN**

LEE WILSON BETTIS, JR.

Mayor

VICTOR J. TAYLOR

Mayor Pro Tem

SABRINA BENGEL

JOHNNIE RAY KINSEY

VICTOR J. TAYLOR

BERNARD W. WHITE

DENNIS K. BUCHER

DANA E. OUTLAW

**CITY ADMINISTRATION**

MIKE EPPERSON

City Manager

KEITH M. FIASCHETTI

Director of Finance

VERONICA MATTOCKS

City Clerk

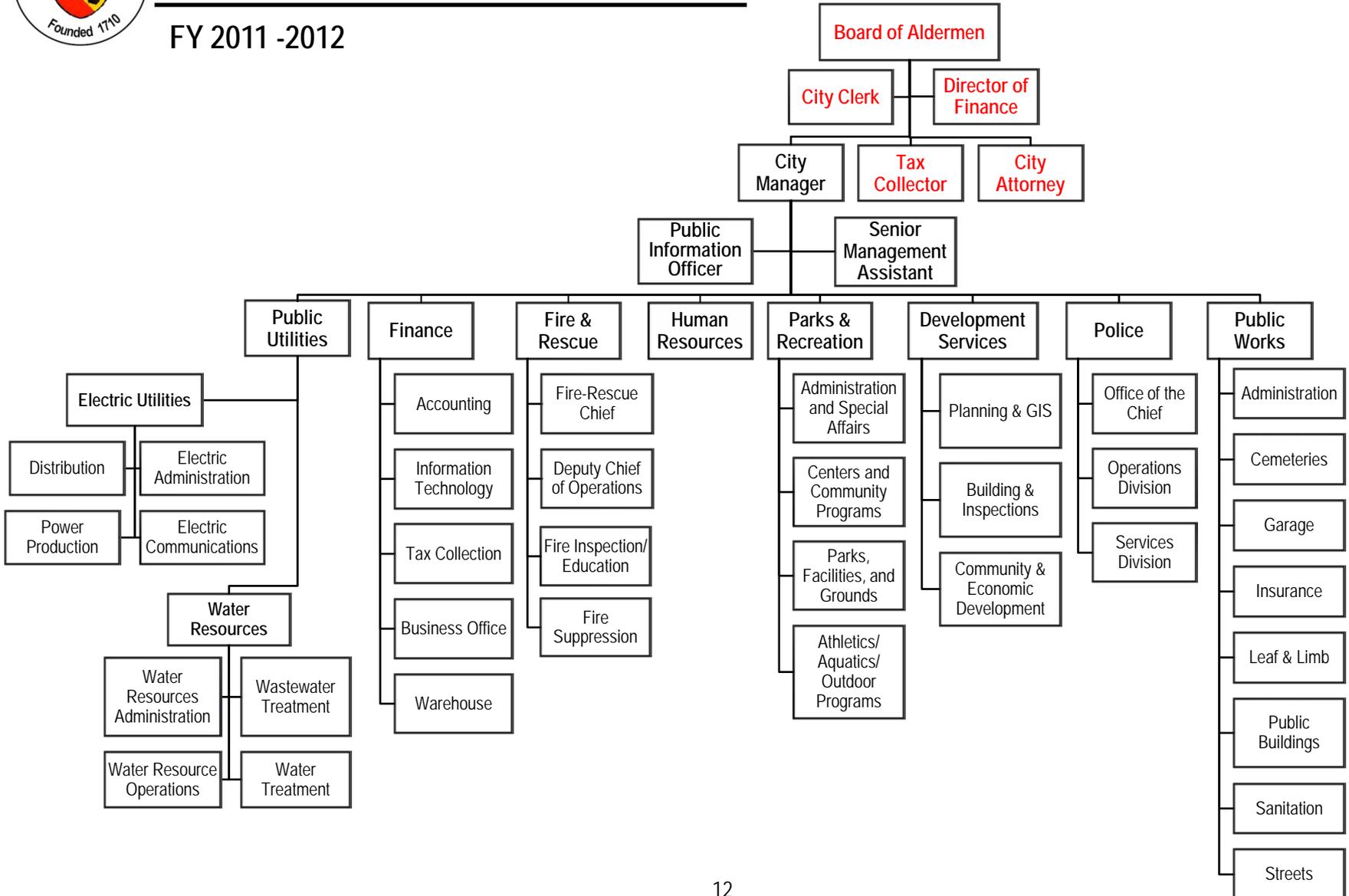
BARBARA BEST

Interim Tax Collector



City of New Bern  
Organizational Chart

FY 2011 -2012



## **Financial Section**

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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

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, as of and for the year ended June 30, 2012, which collectively comprise City of New Bern's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012 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* and should be considered in assessing the results of our audit.

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 27 and 75 through 76 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 appropriated 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 of 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 an assurance.

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 (in the compliance section) 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 of City of New Bern, North Carolina. 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of New Bern. 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 express no opinion on it.

*McGladrey LLP*

Morehead City, North Carolina  
November 21, 2012

## Management's Discussion and Analysis (Unaudited)

As management of the City of New Bern, we offer readers of the City of New Bern's (the "City") financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. 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.

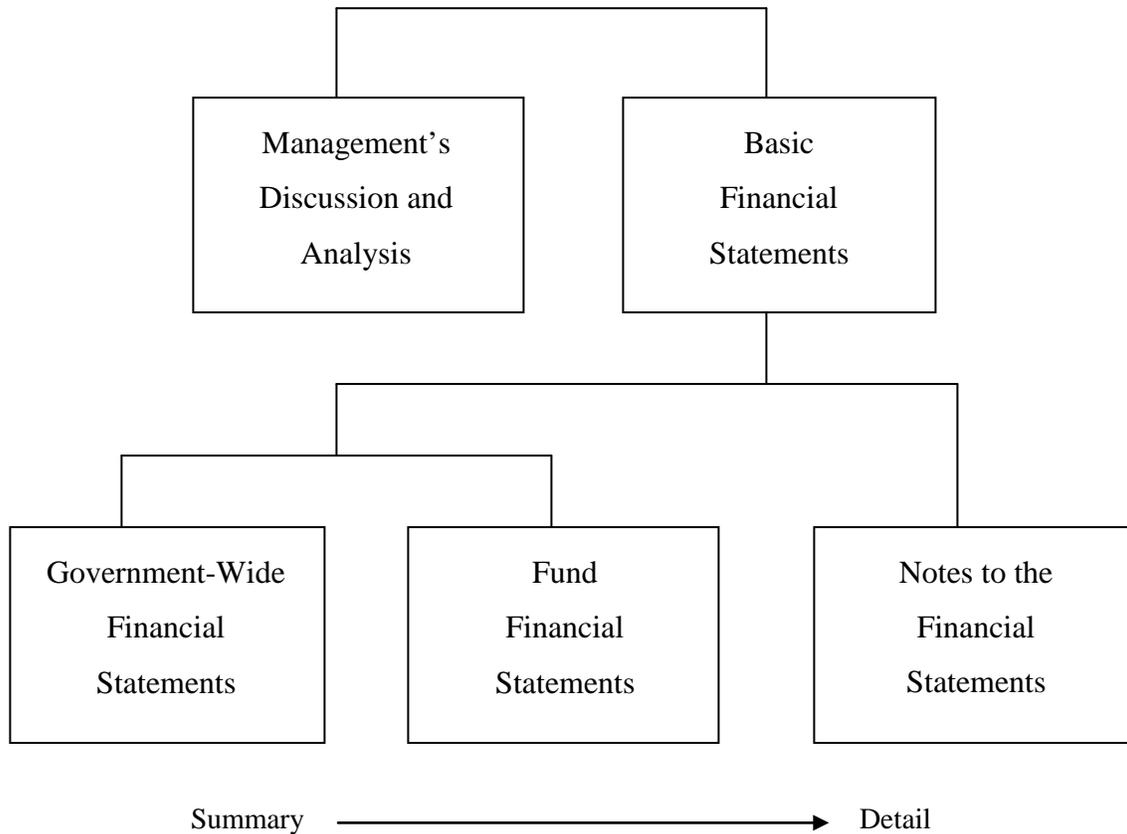
### Financial Highlights

- The overall financial position of the City increased in 2012 as evidenced by an increase in total net assets of \$ 6.2 million. This was from governmental activities which increased \$ 2.5 million and business-type activities increased \$ 3.7 million.
- In August 2011 the City suffered significant storm damage from Hurricane Irene. However, the financial position of the City was not materially impacted. Storm costs incurred by the City were about \$ 3.3 million. The City received reimbursements for its loss from commercial insurance, Federal government, and State government totaling \$ 3.1 million. Remaining recovery funds will be received following the Federal Emergency Management Agency (FEMA) project close-out process.
- The assets of the City of New Bern exceeded its liabilities at the close of the fiscal year by \$145.1 million (*net assets*). Of this amount, \$ 25.8 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City of New Bern's governmental funds reported combined ending fund balances of \$ 11.3 million an increase of \$ 2.9 million in comparison with the prior year. Approximately 58 percent of the total fund balance, or \$6.5 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 \$ 7.0 million or 25 percent of the total General Fund expenditures and transfers out for the fiscal year. In 2011, available fund balance in the General Fund was \$ 4.6 million or 17.8 percent of total expenditures. The informal fund balance goal is 25 percent.
- On January 22, 2009 The City of New Bern received an A rating from Standard & Poor's Corporation.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report



### Basic Financial Statements

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

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

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

## **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into two categories:

- **Governmental activities** – Most of the City's basic services are included here, such as public safety, streets, 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, and electric services are included here.

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

## **Fund Financial Statements**

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

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

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 33-74 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. For the City the assets exceeded liabilities by \$ 145.1 million for the most recent fiscal year. A summary of the City's net assets at June 30, 2012 and 2011 is presented below:

## City of New Bern Net Assets

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 15,389,077	\$ 11,587,908	\$ 33,059,608	\$ 32,063,885	\$ 48,448,685	\$ 43,651,793
Capital assets	49,124,897	46,746,279	145,109,383	147,541,401	194,234,280	194,287,680
Total assets	64,513,974	58,334,187	178,168,991	179,605,286	242,682,965	237,939,473
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	18,465,447	15,435,466	62,553,659	67,308,481	81,019,106	82,743,947
Other liabilities	4,952,068	4,279,144	11,625,647	12,058,388	16,577,715	16,337,532
Total liabilities	23,417,515	19,714,610	74,179,306	79,366,869	97,596,821	99,081,479
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	34,826,041	34,018,646	80,159,948	78,578,999	114,985,989	112,597,645
Restricted:						
Stabilization by State						
Statute	3,645,182	3,840,612			3,645,182	3,840,612
Public Safety	503,546				503,546	
Public Works	68,542				68,542	
Economic Development	35,944				35,944	
Culture & Recreation	64,312				64,312	
Unrestricted	1,952,892	760,319	23,829,737	21,659,418	25,782,629	22,419,737
Total net assets	\$ 41,096,459	\$ 38,619,577	\$ 103,989,685	\$ 100,238,417	\$ 145,086,144	\$ 138,857,994

The City's net assets increased by \$ 6.2 million for the fiscal year ended June 30, 2012. However, the largest portion \$ 115.0 million (79.3%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, equipment, infrastructure, and distribution systems), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. Unrestricted net assets were \$ 25.8 million (17.8%) as of June 30, 2012. In 2011, the amount of net assets invested in capital assets net of related debt was \$ 112.6 million, and unrestricted net assets was \$ 22.4 million.

Net assets of the governmental activities increased \$ 2.5 million, or 6.4%, to \$ 41.1 million. However \$ 39.1 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery and equipment, buildings, roads, etc.). The remaining balance of \$ 2.0 million is unrestricted. The unrestricted net assets are available primarily to support operations and to provide for payment of long-term debt.

The net assets of the business-type activities increased by \$ 3.7 million, or 3.7%, to \$104.0 million. These net assets will be used to help finance the operations and/or expansion of the electric, water, sewer, and stormwater management systems.

**Changes in Net Assets:** The following table presents the City's changes in net assets for the fiscal years ended June 30, 2012 and 2011:

## City of New Bern Changes in Net Assets

	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,142,652	\$ 5,757,880	\$ 83,586,514	\$ 89,345,709	\$ 88,729,166	\$ 95,103,589
Operating grants and contributions	2,377,021	335,319	2,073,068	-	4,450,089	335,319
Capital grants and contributions	1,231,195	2,514,740	-	689,685	1,231,195	3,204,425
General revenues:						
Property taxes	13,315,629	12,919,994	-	-	13,315,629	12,919,994
Other taxes	8,442,016	8,070,894	-	-	8,442,016	8,070,894
Unrestricted investment earnings	16,472	16,880	13,941	17,566	30,413	34,446
Total revenues	30,524,985	29,615,707	85,673,523	90,052,960	116,198,508	119,668,667
<b>Expenses:</b>						
General government	2,737,701	1,959,814	-	-	2,737,701	1,959,814
Public safety	15,127,179	15,232,805	-	-	15,127,179	15,232,805
Public works	5,223,903	3,970,149	-	-	5,223,903	3,970,149
Environmental protection	2,053,938	2,054,485	-	-	2,053,938	2,054,485
Economic development	1,731,687	1,405,498	-	-	1,731,687	1,405,498
Culture and recreation	2,549,680	2,280,243	-	-	2,549,680	2,280,243
Interest on long-term debt	509,077	518,902	-	-	509,077	518,902
Water	-	-	9,195,478	6,699,559	9,195,478	6,699,559
Sewer	-	-	10,442,463	10,233,465	10,442,463	10,233,465
Electric	-	-	60,325,099	61,298,449	60,325,099	61,298,449
Stormwater	-	-	74,153	-	74,153	-
Total expenses	29,933,165	27,421,896	80,037,193	78,231,473	109,970,358	105,653,369
Increase in net assets before transfers	591,820	2,193,811	5,636,330	11,821,487	6,228,150	14,015,298
Transfers	1,885,062	1,954,758	(1,885,062)	(1,954,758)	-	-
Increase in net assets	2,476,882	4,148,569	3,751,268	9,866,729	6,228,150	14,015,298
Net assets, July 1	38,619,577	34,471,008	100,238,417	90,371,688	138,857,994	124,842,696
Net assets, June 30	\$ 41,096,459	\$ 38,619,577	\$ 103,989,685	\$ 100,238,417	\$ 145,086,144	\$ 138,857,994

**Governmental Activities.** Governmental activities, after transfers, increased the City's net assets by \$ 2.5 million, accounting for 39.8% of the total growth in the net assets. Key elements of this increase are as follows:

- Increase in government's revenues of \$ 0.9 million primarily due to the following:
  - Increases generated by: property taxes \$ 0.4 million and other taxes \$ 0.4 million.
  - Increase of \$ 2.0 million operating grants and contributions primarily due to about \$ 1.5 million in reimbursements from commercial insurance, Federal government and State government assistance related to storm damage from Hurricane Irene. This was partially offset by a \$ 1.3 million decrease in capital grants and contributions.
- Increase of expenses of \$ 2.5 million primarily due to about \$ 1.4 million of expenditures related to cleaning up from Hurricane Irene and the recording of the net adjustment of approximately
- \$ 0.6 million for the Law Enforcement Separation Allowance net pension obligation (to bring the liability up to date) which was partially offset by the Other Post-Employment Benefits (OPEB) liability being overstated in prior years.

**Business-Type Activities.** Business-type activities, after transfers, increased the City's net assets by \$3.7 million, accounting for 60.2 percent of the total growth in the net assets. Key elements of this increase are as follows:

- Charges for services decreased \$ 5.8 million or 6.5% over the prior year. This decrease was primarily attributable to a \$ 5.3 million decrease in electric fund operating revenues. Weather has a profound impact on electric revenues; the mild winter and cooler spring is the major factor causing electric revenue shortfalls versus the prior year. The revenue decrease in electric was offset by \$ 2.7 million decrease in purchased power costs over the prior year.
- Increase of \$ 2.1 million operating grants and contributions was primarily due to \$ 1.5 million of reimbursements from Federal government and State government assistance related to storm damage from Hurricane Irene.
- Other expense increases was primarily attributable to \$ 1.7 million in expenditures related to Hurricane Irene storm clean-up activities, a one-time charge of about \$ 0.5 million to the Water Fund from the North Carolina Department of Transportation and general reorganization of the Water Fund.

### **Financial Analysis of the City's Funds**

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

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

useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of New Bern. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 6.8 million while total fund balance was \$ 10.3 million. Total fund balance in the General Fund increased \$ 2.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.2 percent of total General Fund expenditures, while total fund balance represents 36.8 percent of the same amount.

At June 30, 2012, the governmental funds of the City of New Bern reported a combined fund balance of \$ 11.3 million, which is an increase of \$ 2.9 million or 34.1 percent increase from last year. Included in this change in fund balance is the increase in the General Fund of \$ 2.8 million and \$ .1 million combined increases in Non-Major Governmental 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.

The only significant budget amendment made in the current fiscal year was due to increased appropriations required to pay for storm clean-up efforts following Hurricane Irene. As noted earlier in this report, the City's General Fund received \$ 1.3 million of recovery funds from Federal and State Emergency Management assistance plus another \$ 0.2 million in commercial insurance as reimbursement for losses.

Revenues were less than the budgeted amounts in just one category, sales and services \$ .02 million mainly attributable to the conversion of budgetary Interfund allocations to actual expenditures. This variance was substantially offset with revenues over budget from: Ad valorem taxes \$ 0.4 million, unrestricted intergovernmental \$ 0.6 million and other revenues of \$0.1 million.

### **Proprietary Funds.**

Proprietary funds provide the same type of information found in the business-type activities of the government-wide statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$ 10.7 million in the Electric Fund, \$ 10.0 million in the Water Fund, \$ 3.1 million in the Sewer Fund and \$ 0.01 million in the Stormwater Fund. The water, sewer and stormwater funds experienced growth in net assets of \$ 2.1 million, \$ 1.8 million, \$ 0.8 million and \$ 0.01 million respectively. Note that the Stormwater Fund is a new fund this year. 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 only significant budget amendment made in the current fiscal year was due to increased appropriations required to pay for storm clean-up efforts following Hurricane Irene. As noted earlier in this report, the City's proprietary funds received about \$ 1.5 million from Federal government and State government Emergency Management assistance.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2012, the City had \$ 194.2 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 decrease of \$ 0.5 million, or 0.03 percent under last year.

Major capital asset transactions during the year include the following:

- Construction in progress for the purchase of Advanced Metering Infrastructure/Demand Side Management System totaling \$ 0.05 million.
- Construction in progress for the Lewis Farm Road substation totaling \$ 1.0 million, consisting of construction of a new electric substation.
- Construction in progress for the purchase of computer-aided dispatch and records management software system for public safety totaling \$ 0.05 million.
- Construction in progress for the replacement of the radio system totaling \$ 3.6 million.
- Construction in progress for the Highway 17 South sewer improvements totaling \$0.02 million for the construction of a sanitary sewer lift station.
- Completion of the renovations to the Stanley White Recreation Center, \$ 1.1 million, asset placed in service.
- Completion of the water improvements in Township 7 consisting of booster stations, elevated water tank and water mains, \$ 3.3 million, asset placed in service.
- Completion of the Neuse Boulevard water improvements consisting of replacement of the deteriorating water lines, \$ 0.8 million, asset placed in service.
- Completion of the Northwest interceptor rehab project consisting of repairs to the gravity sewer outfall line located on Glenburnie Road, \$ 0.4 million, asset placed in service.
- Completion of the sewer improvements in Township 7 consisting of force main upgrade, equalization basin and sewer pump station, \$ 5.4 million, asset placed in service.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 14,070,380	\$ 14,047,630	\$ 13,886,432	\$ 13,865,640	\$ 27,956,812	\$ 27,913,270
Buildings and systems	14,133,381	13,462,786	123,354,940	116,611,433	137,488,321	130,074,219
Equipment, furniture, and fixtures	2,433,630	2,701,500	4,805,841	5,029,703	7,239,471	7,731,203
Infrastructure	11,708,568	12,204,126			11,708,568	12,204,126
Vehicles and motorized equipment	735,801	920,105	1,084,837	1,319,991	1,820,638	2,240,096
Construction in progress	6,043,137	3,410,132	1,977,333	10,714,634	8,020,470	14,124,766
Total	\$ 49,124,897	\$ 46,746,279	\$ 145,109,383	\$ 147,541,401	\$ 194,234,280	\$ 194,287,680

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

**Long-Term Debt**

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Installment purchases	\$ 14,610,371	\$ 12,731,877	\$ 21,270,822	\$ 23,617,057	\$ 35,881,193	\$ 36,348,934
Notes payable	-	-	44,801,300	47,724,116	44,801,300	47,724,116
Total:	\$ 14,610,371	\$ 12,731,877	\$ 66,072,122	\$ 71,341,173	\$ 80,682,493	\$ 84,073,050

The City's long-term liabilities decreased by \$ 3.4 million (4.0%) during the fiscal year, primarily due to \$ 7.4 million in principal payments made against existing debt which was partially offset by \$ 4.1 million in new debt to finance Digital P25 Public Safety and Utility Radio Network and for various vehicles and equipment.

As indicated in the financial highlights section of this document, the City's sound financial condition is evidenced by an A rating from Standard and Poor's Corporation which was received on January 22, 2009. This 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 percent of the total assessed value of taxable property located within

that government's boundaries. The legal debt margin for the City at June 30, 2012 is approximately \$ 237 million.

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

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators impact the City:

- Building permits issued during 2012 was 652, which is higher compared to 573 permits issued in the prior year. Total value of all permits increased to \$ 48.0 million, which was an increase from \$ 39 million level in the prior year.
- Retail sales during 2012 were \$ 887.3 Million compared to \$ 816.0 Million in 2011, an 8.7% increase.
- The June 2012 unemployment rate for Craven County was 10.5 percent compared to 9.7 percent for the State and 8.3 percent for the nation. This compares to June 2011 rates of 10.9 for Craven County, 10.6 for the State and 8.9 percent for the nation.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

#### **Governmental Activities:**

The most significant factors negatively impacting the 2013 budget is the escalating costs of doing business and the overall weaknesses and uncertainties in the national, State and local economies.

General Fund revenues are estimated to increase slightly while operating costs to maintain the same service levels have increased. Health care continues to be a challenge as costs associated with this benefit continue to escalate. Therefore the City began implementing additional cost-cutting measures including reducing staff another 2 positions for a total of 304 positions. This represents a 17% reduction in general fund positions from just two years ago when there were 368 general fund positions. In addition, to help offset a significant increase in claims costs the City made additional modifications to the current health plan design.

Having made these changes allows the city to budget for the implementation of a new market based pay system (*employee compensation study*) to help ensure that salaries are competitive with those in relevant labor markets.

The General Fund initial budget for 2012-2013 increased 4.2% from \$ 33.6 million (2012 adopted budget) to \$ 35.0 million. The increase is attributable to the rising costs of health insurance and implementation of a new employee pay system.

**Business-Type Activities:**

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

In 2013 the City implemented the new Stormwater Fund utility to support objectives of new stormwater maintenance and repair programs. As part of establishing a Stormwater Utility, the City implemented a new Stormwater fee effective July 1, 2012. The monthly fee for all single-family residential properties will be \$ 2.10 for each property. For all multi-family residential properties the monthly fee is \$ 1.58 for each unit. For non-residential properties the amount of the monthly fee will vary based on the amount of impervious surface on the property.

The 2013 budget does not include any rate increase in the Electric, Water, and Wastewater Funds and at this time the City is not aware of any increases in our wholesale power costs through the end of fiscal year 2013.

**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 or call (252) 639-2711.

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# Basic Financial Statements

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**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 10,947,186	\$ 20,599,032	\$ 31,546,218
Taxes receivable, net	514,349	-	514,349
Accounts receivable, net	580,727	9,612,374	10,193,101
Due from other governments	2,894,099	-	2,894,099
Inventories	141,201	1,725,515	1,866,716
Cash and investments, restricted	311,515	1,122,687	1,434,202
<b>Total current assets</b>	<b>15,389,077</b>	<b>33,059,608</b>	<b>48,448,685</b>
Land, improvements and construction in progress	20,113,517	15,863,765	35,977,282
Other capital assets, net of depreciation	29,011,380	129,245,618	158,256,998
<b>Total noncurrent assets</b>	<b>49,124,897</b>	<b>145,109,383</b>	<b>194,234,280</b>
<b>Total assets</b>	<b>64,513,974</b>	<b>178,168,991</b>	<b>242,682,965</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,703,575	4,720,211	7,423,786
Customer deposits	-	1,261,529	1,261,529
Accrued interest payable	63,400	275,343	338,743
Unearned revenue	39,473	-	39,473
Current portion of compensated absences	91,040	103,351	194,391
Current portion of long-term debt	2,054,580	5,265,213	7,319,793
<b>Total current liabilities</b>	<b>4,952,068</b>	<b>11,625,647</b>	<b>16,577,715</b>
Long-Term Liabilities:			
Noncurrent portion of long-term debt	18,465,447	62,553,659	81,019,106
<b>Total liabilities</b>	<b>23,417,515</b>	<b>74,179,306</b>	<b>97,596,821</b>
<b>Net Assets</b>			
Investments in capital assets, net of related debt	34,826,041	80,159,948	114,985,989
Restricted			
Stabilization by State Statute	3,645,182	-	3,645,182
Public safety	503,546	-	503,546
Public works	68,542	-	68,542
Economic development	35,944	-	35,944
Culture and recreation	64,312	-	64,312
Unrestricted	1,952,892	23,829,737	25,782,629
<b>Total net assets</b>	<b>\$ 41,096,459</b>	<b>\$ 103,989,685</b>	<b>\$ 145,086,144</b>

See Notes to the Financial Statements.

City of New Bern, North Carolina

Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,737,701	\$ 1,945,596	\$ -	\$ -
Public safety	15,127,179	185,272	601,199	397,053
Public Works	5,223,903	130,132	1,320,993	834,142
Environmental protection	2,053,938	2,149,340	161,299	-
Cultural and recreational	2,549,680	167,033	-	-
Economic and physical development	1,731,687	565,279	293,530	-
Interest and fees	509,077	-	-	-
<b>Total governmental activities</b>	<b>29,933,165</b>	<b>5,142,652</b>	<b>2,377,021</b>	<b>1,231,195</b>
Business-type activities:				
Electric	60,325,099	60,516,535	1,417,005	-
Water	9,195,478	10,890,900	273,795	-
Sewer	10,442,463	12,091,162	382,268	-
Stormwater	74,153	87,917	-	-
<b>Total business-type activities</b>	<b>80,037,193</b>	<b>83,586,514</b>	<b>2,073,068</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 109,970,358</b>	<b>\$ 88,729,166</b>	<b>\$ 4,450,089</b>	<b>\$ 1,231,195</b>

General revenues:

- Ad valorem taxes
- Sales and use taxes
- Utilities franchise tax
- Other taxes & licenses
- Investment earnings
- Subtotal general revenues

Transfers

**Total general revenues and transfers**

- Change in net assets
- Net assets, beginning of year:
- Net assets, ending

See Notes to the Financial Statements.

Exhibit B

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (792,105)	\$ -	\$ (792,105)
(13,943,655)	-	(13,943,655)
(2,938,636)	-	(2,938,636)
256,701	-	256,701
(2,382,647)	-	(2,382,647)
(872,878)	-	(872,878)
(509,077)	-	(509,077)
<u>(21,182,297)</u>	<u>-</u>	<u>(21,182,297)</u>
-	1,608,441	1,608,441
-	1,969,217	1,969,217
-	2,030,967	2,030,967
-	13,764	13,764
-	5,622,389	5,622,389
<u>(21,182,297)</u>	<u>5,622,389</u>	<u>(15,559,908)</u>
13,315,629	-	13,315,629
5,331,248	-	5,331,248
1,408,725	-	1,408,725
1,702,043	-	1,702,043
16,472	13,941	30,413
<u>21,774,117</u>	<u>13,941</u>	<u>21,788,058</u>
1,885,062	(1,885,062)	-
<u>23,659,179</u>	<u>(1,871,121)</u>	<u>21,788,058</u>
2,476,882	3,751,268	6,228,150
38,619,577	100,238,417	138,857,994
<u>\$ 41,096,459</u>	<u>\$ 103,989,685</u>	<u>\$ 145,086,144</u>

**Balance Sheet - Governmental Funds**  
**June 30, 2012**

	General	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 8,904,995	\$ 646,462	\$ 9,551,457
Taxes receivable, net	514,349	-	514,349
Accounts receivable, net	520,983	59,744	580,727
Due from other funds	-	86,646	86,646
Due from other governments	2,653,810	240,289	2,894,099
Inventories	141,201	-	141,201
Restricted cash and investments	225,231	86,284	311,515
<b>Total assets</b>	<b>\$ 12,960,569</b>	<b>\$ 1,119,425</b>	<b>\$ 14,079,994</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,829,248	\$ 40,629	\$ 1,869,877
Due to other funds	-	86,646	86,646
Unearned revenue	39,473	-	39,473
Deferred revenue	766,372	10,521	776,893
<b>Total liabilities</b>	<b>2,635,093</b>	<b>137,796</b>	<b>2,772,889</b>
<b>Fund Balances</b>			
Nonspendable			
Inventory	141,201	-	141,201
Spendable			
Restricted			
Stabilization by State Statute	3,172,657	472,525	3,645,182
Restricted for public safety	159,107	344,439	503,546
Restricted for public works	39,777	28,765	68,542
Restricted for economic development	-	35,944	35,944
Restricted for culture and recreation	26,347	38,965	65,312
Committed for public safety	-	322,202	322,202
Assigned			
Assigned for subsequent years expenditures	-	-	-
Unassigned	6,786,387	(261,211)	6,525,176
<b>Total fund balance</b>	<b>10,325,476</b>	<b>981,629</b>	<b>11,307,105</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,960,569</b>	<b>\$ 1,119,425</b>	<b>\$ 14,079,994</b>

See Notes to the Financial Statements.

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets - Governmental Activities  
June 30, 2012**

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Total fund balances for governmental funds	\$	11,307,105
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		49,124,897
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 assets in the statement of net assets.		776,893
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 assets		562,031
Long-term liabilities, including compensated absences, unfunded other postemployment benefits and unfunded pension obligations and accrued interest are not due and payable in the current period and therefore, are not reported in the funds.		(20,674,467)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b>41,096,459</b>

See Notes to the Financial Statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 13,364,849	\$ -	\$ 13,364,849
Other taxes	262,984	-	262,984
Unrestricted intergovernmental	8,179,032	-	8,179,032
Restricted intergovernmental	2,155,135	1,371,969	3,527,104
Licenses, permits and fees	601,753	-	601,753
Sales and services	4,214,282	-	4,214,282
Investment earnings	15,893	290	16,183
Other revenues	343,153	81,112	424,265
<b>Total revenues</b>	<b>29,137,081</b>	<b>1,453,371</b>	<b>30,590,452</b>
Expenditures:			
Current:			
General government	962,957	-	962,957
Public safety	13,714,142	4,595,130	18,309,272
Public works	4,801,869	-	4,801,869
Environmental protection	1,952,131	-	1,952,131
Cultural and recreational	2,112,378	11,022	2,123,400
Economic and physical development	1,290,426	581,841	1,872,267
Capital outlay	538,108	-	538,108
Debt service:			
Principal retirement	2,153,397	-	2,153,397
Interest and fees	445,677	-	445,677
<b>Total expenditures</b>	<b>27,971,085</b>	<b>5,187,993</b>	<b>33,159,078</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,165,996</b>	<b>(3,734,622)</b>	<b>(2,568,626)</b>
Other financing sources (uses):			
Debt issued	567,076	3,485,500	4,052,576
Transfers from other funds	1,713,067	343,812	2,056,879
Transfers to other funds	(664,812)	-	(664,812)
<b>Total other financing sources</b>	<b>1,615,331</b>	<b>3,829,312</b>	<b>5,444,643</b>
<b>Net change in fund balances</b>	<b>2,781,327</b>	<b>94,690</b>	<b>2,876,017</b>
Fund balance:			
Beginning	7,544,149	886,939	8,431,088
Ending	\$ 10,325,476	\$ 981,629	\$ 11,307,105

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, 2012**

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Net change in fund balances - total governmental funds	<b>2,876,017</b>
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.	<b>4,321,267</b>
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	<b>(1,808,663)</b>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, retirements, and donations) is to decrease net assets.	<b>(133,992)</b>
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.	<b>(1,133,552)</b>
There are differences in the revenues in the statement of activities and revenues in the funds for:	
Property tax	<b>(49,220)</b>
Sales and services and other revenues	<b>(21,880)</b>
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.	<b>(4,115,976)</b>
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.	<b>2,153,397</b>
Transfer of debt	<b>20,685</b>
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.	<b>368,799</b>
Change in net assets of governmental activities	<b>\$ 2,476,882</b>

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, 2012**

	General Fund			
	Budget		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 12,363,502	\$ 12,940,891	\$ 13,364,849	\$ 423,958
Other taxes	4,679,457	246,100	262,984	16,884
Unrestricted intergovernmental	2,338,900	7,561,044	8,179,032	617,988
Restricted intergovernmental	785,000	1,905,300	2,155,135	249,835
Licenses, permits and fees	362,000	516,990	601,753	84,763
Sales and services	9,671,651	4,303,866	4,214,282	(89,584)
Investment earnings	8,000	8,000	15,893	7,893
Other revenues	433,136	209,000	343,153	134,153
<b>Total revenues</b>	<b>30,641,646</b>	<b>27,691,191</b>	<b>29,137,081</b>	<b>1,445,890</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,184,338	1,172,018	962,957	209,061
Public safety	15,632,037	13,906,011	13,714,142	191,869
Public works	6,242,228	5,133,162	4,801,869	331,293
Environmental protection	1,912,662	1,910,000	1,952,131	(42,131)
Economic development	1,567,599	1,458,186	1,290,426	167,760
Cultural and recreational	2,997,080	2,230,806	2,112,378	118,428
Capital outlay	-	1,077,590	538,108	539,482
<b>Debt service:</b>				
Principal retirement	2,152,901	2,152,036	2,153,397	(1,361)
Interest and other charges	448,927	476,027	445,677	30,350
<b>Total expenditures</b>	<b>33,137,772</b>	<b>29,515,836</b>	<b>27,971,085</b>	<b>1,544,751</b>
<b>Revenues over (under) expenditures</b>	<b>(2,496,126)</b>	<b>(1,824,645)</b>	<b>1,165,996</b>	<b>2,990,641</b>
<b>Other financing sources (uses):</b>				
Transfers from other funds	2,117,200	1,674,000	1,713,067	39,067
Transfers to other funds	(343,812)	(664,812)	(664,812)	-
Contingency	(72,118)	-	-	-
Debt issued	794,856	815,457	567,076	(248,381)
<b>Total other financing sources (uses)</b>	<b>2,496,126</b>	<b>1,824,645</b>	<b>1,615,331</b>	<b>(209,314)</b>
<b>Revenues and other sources over (under) expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,781,327</b>	<b>\$ 2,781,327</b>
Fund balance, beginning of year			7,544,149	
Fund balance, end of year			<b>\$ 10,325,476</b>	

See Notes to the Financial Statements.

**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund		
<b>Assets</b>						
Current Assets						
Cash and cash equivalents	\$ 8,659,092	\$ 9,298,755	\$ 2,641,185	\$ -	\$ 20,599,032	\$ 1,395,729
Accounts receivable, net	7,061,422	1,170,670	1,351,282	29,000	9,612,374	-
Due from other funds	-	-	15,087	-	15,087	-
Inventories	1,537,978	115,810	71,727	-	1,725,515	-
Cash and cash equivalents, restricted	315,163	707,633	99,891	-	1,122,687	-
<b>Total current assets</b>	<b>17,573,655</b>	<b>11,292,868</b>	<b>4,179,172</b>	<b>29,000</b>	<b>33,074,695</b>	<b>1,395,729</b>
Noncurrent Assets						
Land and construction in progress	2,604,115	852,479	12,407,171	-	15,863,765	-
Other capital assets, net	24,262,480	46,008,101	58,975,037	-	129,245,618	-
<b>Total noncurrent assets</b>	<b>26,866,595</b>	<b>46,860,580</b>	<b>71,382,208</b>	<b>-</b>	<b>145,109,383</b>	<b>-</b>
<b>Total assets</b>	<b>44,440,250</b>	<b>58,153,448</b>	<b>75,561,380</b>	<b>29,000</b>	<b>178,184,078</b>	<b>1,395,729</b>
<b>Liabilities and Net Assets</b>						
Current Liabilities						
Accounts payable and accrued liabilities	4,284,187	80,308	355,567	149	4,720,211	833,698
Customer deposits	1,261,529	-	-	-	1,261,529	-
Accrued interest payable	20,908	129,473	124,962	-	275,343	-
Due to other funds	-	-	-	15,087	15,087	-
Current portion of compensated absences	33,514	60,303	9,534	-	103,351	-
Current maturities of long-term debt	493,111	2,058,653	2,713,449	-	5,265,213	-
<b>Total current liabilities</b>	<b>6,093,249</b>	<b>2,328,737</b>	<b>3,203,512</b>	<b>15,236</b>	<b>11,640,734</b>	<b>833,698</b>
Noncurrent Liabilities						
Compensated absences payable	279,850	53,604	87,398	-	420,852	-
Noncurrent portion of OPEB	665,355	263,067	397,476	-	1,325,898	-
Noncurrent portion of long-term debt	4,344,520	32,887,949	23,574,440	-	60,806,909	-
<b>Total noncurrent liabilities</b>	<b>5,289,725</b>	<b>33,204,620</b>	<b>24,059,314</b>	<b>-</b>	<b>62,553,659</b>	<b>-</b>
<b>Total liabilities</b>	<b>11,382,974</b>	<b>35,533,357</b>	<b>27,262,826</b>	<b>15,236</b>	<b>74,194,393</b>	<b>833,698</b>
<b>Net Assets</b>						
Investment in capital assets, net of related	22,344,127	12,621,611	45,194,210	-	80,159,948	-
Unrestricted net assets	10,713,149	9,998,480	3,104,344	13,764	23,829,737	562,031
<b>Total net assets</b>	<b>\$ 33,057,276</b>	<b>\$ 22,620,091</b>	<b>\$ 48,298,554</b>	<b>\$ 13,764</b>	<b>\$ 103,989,685</b>	<b>\$ 562,031</b>

See Notes to the Financial Statements.

City of New Bern, North Carolina

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Major Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
Operating revenues:			
Charges for services	\$ 60,516,535	\$ 10,890,900	\$ 11,453,439
Other operating revenues	-	-	637,723
Employee and retiree contributions	-	-	-
Employer and other contributions	-	-	-
<b>Total operating revenues</b>	<b>60,516,535</b>	<b>10,890,900</b>	<b>12,091,162</b>
Operating expenses:			
Administrative and general	6,998,206	2,465,897	2,169,442
Operations and maintenance	3,775,007	4,353,590	5,480,289
Purchased power	47,382,382	-	-
Depreciation and amortization	1,958,056	1,349,464	1,905,610
Claims and payments to third party administrators	-	-	-
<b>Total operating expenses</b>	<b>60,113,651</b>	<b>8,168,951</b>	<b>9,555,341</b>
<b>Operating income</b>	<b>402,884</b>	<b>2,721,949</b>	<b>2,535,821</b>
Nonoperating revenues (expenses):			
Investment earnings	6,448	5,827	1,666
Restricted intergovernmental revenues	1,264,971	59,867	184,121
Other revenue	152,035	213,928	198,147
Interest expense	(211,449)	(1,026,527)	(887,122)
<b>Total nonoperating revenue (expenses)</b>	<b>1,212,005</b>	<b>(746,905)</b>	<b>(503,188)</b>
<b>Income before transfers and contributions</b>	<b>1,614,889</b>	<b>1,975,044</b>	<b>2,032,633</b>
Transfers in (out)			
Transfers from other funds	-	187,690	-
Transfers to other funds	(1,801,367)	(67,185)	(204,200)
<b>Total transfers in (out)</b>	<b>(1,801,367)</b>	<b>120,505</b>	<b>(204,200)</b>
<b>Change in net assets</b>	<b>(186,478)</b>	<b>2,095,549</b>	<b>1,828,433</b>
Net assets:			
Beginning of year, July 1st	33,243,754	20,524,542	46,470,121
End of year, June 30th	<b>\$ 33,057,276</b>	<b>\$ 22,620,091</b>	<b>\$ 48,298,554</b>

See Notes to the Financial Statements.

Exhibit H

Stormwater Fund	Total Enterprise Funds	Internal Service Funds
\$ 87,917	\$ 82,948,791	\$ -
-	637,723	-
-	-	669,587
-	-	5,946,148
<u>87,917</u>	<u>83,586,514</u>	<u>6,615,735</u>
-	11,633,545	-
74,153	13,683,039	-
-	47,382,382	-
-	5,213,130	-
-	-	6,747,231
<u>74,153</u>	<u>77,912,096</u>	<u>6,747,231</u>
<u>13,764</u>	<u>5,674,418</u>	<u>(131,496)</u>
-	13,941	289
-	1,508,959	-
-	564,110	-
-	(2,125,098)	-
<u>-</u>	<u>(38,088)</u>	<u>289</u>
<u>13,764</u>	<u>5,636,330</u>	<u>(131,207)</u>
-	187,690	500,000
-	(2,072,752)	-
<u>-</u>	<u>(1,885,062)</u>	<u>500,000</u>
<u>13,764</u>	<u>3,751,268</u>	<u>368,793</u>
-	100,238,417	193,238
<u>\$ 13,764</u>	<u>\$ 103,989,685</u>	<u>\$ 562,031</u>

City of New Bern, North Carolina

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Major Enterprise Funds		
	Electric Fund	Water Fund	Sewer Fund
Cash Flows From Operating Activities			
Cash received from customers	\$ 61,128,772	\$ 10,994,891	\$ 11,490,582
Other operating receipts	-	-	637,723
Cash paid to vendors	(52,969,075)	(4,271,077)	(5,268,324)
Cash paid to employees	(5,167,150)	(2,418,926)	(2,330,376)
<b>Net cash provided by (used in) operating activities</b>	<b>2,992,547</b>	<b>4,304,888</b>	<b>4,529,605</b>
Cash Flows From Noncapital Financing Activities			
Transfer from (to) other funds	(1,801,367)	800,325	(204,200)
Restricted governmental operating grants	1,264,971	59,867	184,121
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(536,396)</b>	<b>860,192</b>	<b>(20,079)</b>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,254,469)	(526,965)	(178,011)
Non-operating income	152,035	213,928	198,147
Principal repayments of long-term debt	(516,173)	(2,053,692)	(2,719,876)
Interest and other debt related expenses	(198,093)	(901,288)	(880,179)
<b>Net cash used in capital and related financing activities</b>	<b>(2,816,700)</b>	<b>(3,268,017)</b>	<b>(3,579,919)</b>
Cash Flows From Investing Activities			
Interest received on investments	6,448	5,827	1,666
<b>Net cash provided by investing activities</b>	<b>6,448</b>	<b>5,827</b>	<b>1,666</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(354,101)</b>	<b>1,902,890</b>	<b>931,273</b>
Cash and cash equivalents			
Beginning	9,328,356	8,103,498	1,809,803
Ending	<b>\$ 8,974,255</b>	<b>\$ 10,006,388</b>	<b>\$ 2,741,076</b>

See Notes to the Financial Statements.

Exhibit I

Stormwater Fund	Total Enterprise Funds	Internal Service Funds
\$ 58,917	\$ 83,673,162	\$ 6,615,735
-	637,723	-
(74,004)	(62,582,480)	(6,729,533)
-	(9,916,452)	
(15,087)	11,811,953	(113,798)
15,087	(1,190,155)	500,000
-	1,508,959	-
15,087	318,804	500,000
-	(2,959,445)	-
-	564,110	-
-	(5,289,741)	-
-	(1,979,560)	-
-	(9,664,636)	-
-	13,941	289
-	13,941	289
-	2,480,062	386,491
-	19,241,657	1,009,238
\$ -	\$ 21,721,719	\$ 1,395,729

(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 (Loss) to Net						
Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ 402,884	\$ 2,721,949	\$ 2,535,821	\$ 13,764	\$ 5,674,418	\$ (131,496)
Adjustments to reconcile operating income (loss) to to net cash provided by (used in)						
operating activities:						
Depreciation	1,958,056	1,349,464	1,905,610	-	5,213,130	-
Loss on disposal of asset	607	-	-	-	607	-
Net change in assets and liabilities:						
Accounts receivable	586,412	103,990	37,143	(29,000)	698,545	-
Inventories	58,204	16,127	(452)	-	73,879	-
Accounts payable and accrued expenses	(271,676)	(25,448)	(63,203)	149	(360,178)	17,698
Customer deposits	25,825	-	-	-	25,825	-
Compensated absences	25,150	59,046	(7,829)	-	76,367	-
Other postemployment benefits accrual	207,085	79,760	122,515	-	409,360	-
<b>Net cash provided by (used in) operating activities</b>	<b>2,992,547</b>	<b>4,304,888</b>	<b>4,529,605</b>	<b>(15,087)</b>	<b>11,811,953</b>	<b>(113,798)</b>
Noncash Capital and Related Financing Activities						
Long-term debt transferred by governmental activities	\$ -	\$ 20,685	\$ -	\$ -	\$ 20,685	\$ -
Capital assets transferred from governmental activities	\$ -	\$ 27,690	\$ -	\$ -	\$ 27,690	\$ -

See Notes to the Financial Statements.

# Notes to Financial Statements

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Notes to Financial Statements

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**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 29,524. 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 assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund financial statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental, 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

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**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 Broad Street Electric 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 three separate water capital project funds for accounting purposes: the Water Capital Reserve Fund, Township 7 Water Improvements Capital Project Fund and the Neuse Boulevard Water 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 Regional Lift Station Sewer 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 this year to be consistent with future years.

Additionally, the City reports the following non-major 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, Safer Fire Grant, Brownsfield Assessment and Cleanup, Five Points Area Planning Grant, COPS Hiring Program, 2007 Part F Recreation Grant Project, Grants, Public Private Partnership, and FEMA- Hurricane Irene.

Notes to Financial Statements

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**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, 2012, the City has the following two capital project funds that were open during the fiscal year, covering various construction projects: CDBG Community Revitalization and Radio System Equipment.

**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.

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.

Notes to Financial Statements

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

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.

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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. 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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

Notes to Financial Statements

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**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, 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.

Notes to Financial Statements

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**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 sixty days after year end is shown as deferred revenue.

In accordance with State law (GS 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due September 1" (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2011. Uncollected taxes receivable are written off at the end of ten years in accordance with North Carolina General Statutes.

Notes to Financial Statements

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

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: 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.

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

Notes to Financial Statements

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**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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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.

Notes to Financial Statements

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

Deferred revenue: In the fund financial statements, ad valorem taxes receivable not collected within 60 days of fiscal year-end are not accrued as revenue because they are not considered to be both “measurable and available”. Ad valorem taxes receivable that are measurable but not available are recorded as deferred revenue in the fund financial statements. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as unearned revenue in the government-wide financial statements and the fund financial statements. Certain receivables are also recorded as deferred revenue in the fund financial statements because they are not considered to be available at year-end. The City also records customer receivables for lot cleaning and demolition liens as deferred revenue and prepaid licenses as unearned revenue. These items have not been accrued as revenues either, because they are not considered to be “available” or because they have been collected in advance of the licensing period. Restricted grants that are received before qualifying expenditures are made are also recorded as unearned revenue.

Net assets/fund balances:

Net Assets: Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either 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.

Compensating balance: portion of fund balance that is not an available resource as it is contractually required to remain intact as part of an agreement for banking services in lieu of fees.

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.

Notes to Financial Statements

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

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.

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

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

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

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

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

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

The City has a revenue spending guidelines for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds and City funds. For the purposes of the fund balance classifications, the expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balances. The finance officer may deviate from this order if it is in the best interest of the City. The City has not adopted a formal fund balance policy.

Notes to Financial Statements

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**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, 2012, the City's deposits had a carrying amount of \$6,292,352 and a bank balance of \$7,164,801. Of the bank balance, \$970,982 was covered by federal depository insurance and the remainder of \$6,193,819 was covered by collateral held under the pooling method. The City's cash on hand at June 30, 2012 consisted of various petty cash funds totaling \$8,700.

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

**Investments**

At June 30, 2012, 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,					
Cash Portfolio	\$ 26,679,368	\$ 26,679,368	\$ -	\$ -	\$ -
<b>Total investments</b>	<b>\$ 26,679,368</b>	<b>\$ 26,679,368</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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 State 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 NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2012.

Notes to Financial Statements

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Note 3. Allowance for Doubtful Accounts

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

Taxes receivable- General fund	\$ 320,709
Taxes receivable- Municipal service district	9,623
Accounts receivable-General Fund	1,800
Interest receivable - General Fund	20,153
Lien receivable Green Park Terrace -General Fund	130,000
Accounts receivable - Special Revenue Fund	<u>1,675</u>
Total governmental activities:	<u><u>\$ 483,960</u></u>
Business-type Activities:	
Accounts receivable - Electric Fund	\$ 87,600
Accounts receivable - Water Fund	59,400
Accounts receivable - Sewer Fund	<u>112,200</u>
Total business-type activities	<u><u>\$ 259,200</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, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,047,630	\$ 22,750	\$ -	\$ 14,070,380
Construction in progress	3,410,132	3,776,689	(1,143,684)	6,043,137
<b>Total capital asset not being depreciated</b>	<b>17,457,762</b>	<b>3,799,439</b>	<b>(1,143,684)</b>	<b>20,113,517</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	17,618,020	1,143,684	-	18,761,704
Equipment	6,740,185	25,162	(41,879)	6,723,468
Furniture and fixtures	3,860,483	368,784	(167,859)	4,061,408
Transformers	70,275	-	-	70,275
Infrastructure	16,521,732	98,356	-	16,620,088
Vehicles	7,749,631	29,526	(122,262)	7,656,895
<b>Total capital assets being depreciated</b>	<b>52,560,326</b>	<b>1,665,512</b>	<b>(332,000)</b>	<b>53,893,838</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(4,155,234)	(473,089)	-	(4,628,323)
Equipment	(4,653,677)	(378,009)	27,494	(5,004,192)
Furniture and fixtures	(3,297,495)	(157,409)	58,657	(3,396,247)
Transformers	(18,271)	(2,811)	-	(21,082)
Infrastructure	(4,317,606)	(593,914)	-	(4,911,520)
Vehicles	(6,829,526)	(203,431)	111,863	(6,921,094)
<b>Total accumulated depreciation</b>	<b>(23,271,809)</b>	<b>(1,808,663)</b>	<b>198,014</b>	<b>(24,882,458)</b>
<b>Total capital assets being depreciated, net</b>	<b>29,288,517</b>			<b>29,011,380</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 46,746,279</b>			<b>\$ 49,124,897</b>

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

General government	<b>\$ 279,730</b>
Public safety	<b>475,480</b>
Cultural and recreational	<b>414,716</b>
Public works	<b>550,080</b>
Environmental protection	<b>88,657</b>
<b>Total</b>	<b>\$ 1,808,663</b>

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, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Electric fund activities:				
Capital assets not being depreciated:				
Land	\$ 628,743	\$ 15,697	\$ -	\$ 644,440
Construction in progress	920,222	1,069,310	(29,857)	1,959,675
<b>Total capital asset not being depreciated</b>	<b>1,548,965</b>	<b>1,085,007</b>	<b>(29,857)</b>	<b>2,604,115</b>
Capital assets being depreciated:				
Buildings	971,323	-	-	971,323
Equipment	5,686,061	14,160	-	5,700,221
Furniture and fixtures	44,004	-	-	44,004
Transformers	3,779,490	42,228	-	3,821,718
Distribution systems	42,456,259	1,048,517	-	43,504,776
Vehicles	2,616,132	78,032	(126,847)	2,567,317
<b>Total capital assets being depreciated</b>	<b>55,553,269</b>	<b>1,182,937</b>	<b>(126,847)</b>	<b>56,609,359</b>
Less accumulated depreciation for:				
Buildings	(435,020)	(31,150)	-	(466,170)
Equipment	(3,516,931)	(246,648)	-	(3,763,579)
Furniture and fixtures	(44,004)	-	-	(44,004)
Transformers	(3,028,134)	(57,964)	-	(3,086,098)
Distribution systems	(21,813,916)	(1,416,928)	-	(23,230,844)
Vehicles	(1,677,058)	(205,366)	126,240	(1,756,184)
<b>Total accumulated depreciation</b>	<b>(30,515,063)</b>	<b>(1,958,056)</b>	<b>126,240</b>	<b>(32,346,879)</b>
<b>Total capital assets being depreciated, net</b>	<b>25,038,206</b>			<b>24,262,480</b>
<b>Electric fund capital assets, net</b>	<b>\$ 26,587,171</b>			<b>\$ 26,866,595</b>

Depreciation of \$1,958,056 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, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<b>Water fund activities:</b>				
Capital assets not being depreciated:				
Land	\$ 852,479	\$ -	\$ -	\$ 852,479
Construction in progress	4,007,986	38,974	(4,046,960)	-
<b>Total capital asset not being depreciated</b>	<b>4,860,465</b>	<b>38,974</b>	<b>(4,046,960)</b>	<b>852,479</b>
Capital assets being depreciated:				
Buildings	33,749,057	-	-	33,749,057
Equipment	1,810,242	107,438	-	1,917,680
Furniture and fixtures	-	7,731	-	7,731
Distribution systems	15,283,720	4,248,039	-	19,531,759
Vehicles	570,398	10,399	-	580,797
<b>Total capital assets being depreciated</b>	<b>51,413,417</b>	<b>4,373,607</b>	<b>-</b>	<b>55,787,024</b>
Less accumulated depreciation for:				
Buildings	(264,770)	(843,727)	-	(1,108,497)
Equipment	(1,225,825)	(76,428)	-	(1,302,253)
Furniture and fixtures	-	(5,881)	-	(5,881)
Distribution systems	(6,461,864)	(381,615)	-	(6,843,479)
Vehicles	(477,000)	(41,813)	-	(518,813)
<b>Total accumulated depreciation</b>	<b>(8,429,459)</b>	<b>(1,349,464)</b>	<b>-</b>	<b>(9,778,923)</b>
<b>Total capital assets being depreciated, net</b>	<b>42,983,958</b>			<b>46,008,101</b>
<b>Water Fund capital assets, net</b>	<b>\$ 47,844,423</b>			<b>\$ 46,860,580</b>

Depreciation of \$1,349,464 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, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Sewer fund activities:				
Capital assets not being depreciated:				
Land	\$ 12,384,418	\$ 5,095	\$ -	\$ 12,389,513
Construction in progress	5,786,426	20,958	(5,789,726)	17,658
<b>Total capital asset not being depreciated</b>	<b>18,170,844</b>	<b>26,053</b>	<b>(5,789,726)</b>	<b>12,407,171</b>
Capital assets being depreciated:				
Buildings	39,898,144	-	-	39,898,144
Equipment	3,201,846	168,924	-	3,370,770
Furniture and fixtures	48,820	-	-	48,820
Distribution systems	31,141,399	5,772,760	-	36,914,159
Vehicles	1,385,131	-	-	1,385,131
<b>Total capital assets being depreciated</b>	<b>75,675,340</b>	<b>5,941,684</b>	<b>-</b>	<b>81,617,024</b>
Less accumulated depreciation for:				
Buildings	(12,540,034)	(977,291)	-	(13,517,325)
Equipment	(1,692,124)	(174,189)	-	(1,866,313)
Furniture and fixtures	(33,742)	(3,233)	-	(36,975)
Distribution systems	(5,372,875)	(675,088)	-	(6,047,963)
Vehicles	(1,097,602)	(75,809)	-	(1,173,411)
<b>Total accumulated depreciation</b>	<b>(20,736,377)</b>	<b>(1,905,610)</b>	<b>-</b>	<b>(22,641,987)</b>
<b>Total capital assets being depreciated, net</b>	<b>54,938,963</b>			<b>58,975,037</b>
<b>Sewer Fund capital assets, net</b>	<b>\$ 73,109,807</b>			<b>\$ 71,382,208</b>

Depreciation of \$1,905,610 was charged to the Water Fund.

Notes to Financial Statements

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**Note 5. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities and other liabilities disaggregated information for the year ended June 30, 2012 is as follows:

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 599,974	\$ 4,323,794	\$ 4,923,768
Accrued liabilities	1,248,047	396,417	1,644,464
Performance and bid deposits held	25,410	-	25,410
Health claims incurred, but not reported (IBNR)	830,144	-	830,144
Total	\$ 2,703,575	\$ 4,720,211	\$ 7,423,786

**Note 6. Pension Plans**

**A. Local Government 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 6.97% and 7.05%, 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, 2010, 2011, and 2012 were \$1,008,336, \$1,272,465 and \$1,256,039, respectively. The contributions made by the City equaled the required contributions for each year.

Notes to Financial Statements

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**Note 6. Pension Plans (Continued)**

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

Retirees currently receiving benefits and terminated	9
Active plan members	81
<b>Total</b>	<u><u>90</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 for the current year was determined as part of the December 31, 2011 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. Item (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 open basis. The remaining amortization period at December 31, 2011, was 19 years.

Notes to Financial Statements

**Note 6. Pension Plans (Continued)**

During the year, the City determined that their other postemployment benefit (OPEB) and Law Enforcement Officers' Separation Allowance (LESSA) liability at June 30, 2011 were incorrectly stated. The OPEB was overstated at June 30, 2011 by \$1,472,595 in the City's Governmental Activities and understated by \$98,640 in the City's Business Activities. In addition, it was determined that the LESSA liability at June 30, 2011 was understated by \$1,979,679 in the Governmental Activities. These variances for the Governmental Activities resulted in a net difference of \$507,084 in additional expenses that were deemed to be immaterial to the financial statements of the prior year and have been reflected in the City's current year statement of activities as part of general expenses. The differences in the Business Activities were also determined to be immaterial and were reflected as current year expenses on the statement of activities.

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	98,984
Adjustment to annual required contribution	<u>(123,198)</u>
<b>Annual pension cost</b>	<b>150,017</b>
Employer contributions made for fiscal year ending June 30, 2012	<u>92,466</u>
<b>Increase (decrease) in net pension obligation</b>	<b>57,551</b>
Net pension obligation:	
Beginning of year, July 1	-
Adjusted during current year	<u>1,979,679</u>
End of year, June 30	<u><u>\$ 2,037,230</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)	APC Contributed	Net Pension Obligation
2010	\$ 192,806	45.59%	\$ 1,913,803
2011	150,823	56.32%	1,979,679
2012	150,017	61.64%	2,037,230

Funded status and funding progress: As of December 31, 2011, 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 \$1,525,825. The covered payroll (annual payroll of active employees covered by the plan) was \$3,949,590, and the ratio of the UAAL to the covered payroll was 38.63 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

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**Note 6. Pension Plans (Continued)**

**B. 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, 2012 were \$355,663 which consisted of \$208,657 from the City and \$147,006 from the law enforcement officers.

**B. 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, 2012 were \$1,208,543 which consisted of \$835,745 from the City and \$372,378 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 or 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

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**Note 7. Other Employment Benefits (Continued)**

employee's death, but the benefit may not exceed \$20,000. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan.

The City has no liability beyond the payment of the monthly contributions. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2012, the City made contributions to the State for death benefits of \$22,568. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .06% and .14% of covered payroll, respectively. The contributions to the plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Note 8. Other Postemployment Benefits**

Plan description: In addition to providing pension benefits, the City has elected to provide healthcare benefits to employees who retire under the provisions of the North Carolina Local Governmental Employees' Retirement System (NC LGERS) under a single-employer defined benefit plan. Healthcare benefits include healthcare, prescription drug coverage, vision insurance, and dental insurance. Vision coverage is provided to retirees under age 65. Dental coverage is only available to "maximum retirees." Retirees may receive benefits under one of the following provisions:

<b>"Maximum Retirees"</b>	<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%
<b>"Other Retirees:</b>	
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 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, 52 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2012, the City made payments for post-retirement health benefit premiums of \$87,837 and total insurance claims of \$404,012. The City is self-insured for healthcare coverage and purchases catastrophic loss coverage through private insurers. A separate report was not issued for the plan.

Notes to Financial Statements

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**Note 8. Other Postemployment Benefits (Continued)**

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

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

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

The current ARC rate is 6.69% of annual covered payroll. For the current year, the City contributed \$491,849 or 2.45% 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, 2012 the total retiree contributions for health insurance were \$404,012. The City's obligation to contribute to the Plan is established and may be amended by the Board of Aldermen.

Notes to Financial Statements

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**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 due.

Annual OPEB cost and net obligation: The City's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

As discussed in note 6 on page 75, the OPEB liability was overstated as of June 30, 2011 and as such the amount of the overstatements, which was \$1,373,955, was recorded as a current year adjustment in the table below.

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	\$ 1,344,502
Interest on net OPEB obligation	126,473
Adjustments to annual required contribution	<u>(109,113)</u>
Annual OPEB cost (expense)	1,361,862
Contributions made	<u>(491,850)</u>
Increase in net OPEB obligation	870,012
<b>Net OPEB Obligation:</b>	
Net OPEB obligation, beginning of year	<u>4,535,765</u>
Adjustments to beginning net OPEB obligation	<u>(1,373,955)</u>
Net OPEB obligation, end of year	<u><u>\$ 4,031,822</u></u>

Notes to Financial Statements

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**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, 2010, 2011 and 2012 respectively were as follows:

Year Ended June 30,	Annual Pension OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 1,603,190	4.70%	\$ 3,626,474
2011	1,060,088	14.20%	4,535,765
2012	1,361,862	36.10%	4,031,822

Funded status and funding progress: As of December 31, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$15,666,249, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,666,249. The covered payroll (annual payroll of active employees covered by the plan) was \$20,111,064, and the ratio of the UAAL to the covered payroll was 77.9 percent.

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

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.5 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, 2010, was 30 years.

Notes to Financial Statements

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**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 workers 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 not actuarial study has been performed. The City carries aggregate stop/loss insurance coverage of 125% of annual expected paid claims and individual stop/loss coverage of \$100,000 with an additional \$100,000 aggregating specific, through the plan administrator.

The City is self-insured for workers' compensation claims up to \$400,000 for law enforcement, fire, and electric, and \$350,000 for all other employees. The City has 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 of \$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 \$6,747,231 in claims and changes in estimates were incurred for benefits during the year ended June 30, 2012. Changes in the fund's claims liability amounts in the years ended June 30, 2012 and 2011 were as follows:

Year Ended June 30	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Liability at End of Fiscal Year
2011	\$ 915,000	\$ 5,979,694	\$ 6,078,694	\$ 816,000
2012	816,000	6,747,231	6,733,087	830,144

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, 2012:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance <u>June 30, 2012</u>	Current <u>Portion</u>
<b>Governmental Activities:</b>						
Installment notes payable	\$ 12,731,877	\$ 4,052,576	\$ (2,153,397)	\$ (20,685)	\$ 14,610,371	\$ 2,054,580
Net pension and OPEB obligation	3,619,225	1,123,929	-	-	4,743,154	-
*Compensated absences	<u>1,247,919</u>	<u>91,040</u>	<u>(81,417)</u>	<u>-</u>	<u>1,257,542</u>	<u>91,040</u>
Total	<u>17,599,021</u>	<u>5,267,545</u>	<u>(2,234,814)</u>	<u>(20,685)</u>	<u>20,611,067</u>	<u>2,145,620</u>
<b>Business-Type Activities:</b>						
<b>Water Fund:</b>						
Notes payable	\$ 31,926,293	\$ -	\$ (1,680,331)	\$ -	\$ 30,245,962	\$ 1,680,331
Installment notes payable	5,053,316	-	(373,361)	20,685	4,700,640	378,322
Other postemployment benefits	183,308	79,759	-	-	263,067	-
*Compensated absences	<u>54,861</u>	<u>60,303</u>	<u>(1,257)</u>	<u>-</u>	<u>113,907</u>	<u>60,303</u>
Total	<u>37,217,778</u>	<u>140,062</u>	<u>(2,054,949)</u>	<u>20,685</u>	<u>35,323,576</u>	<u>2,118,956</u>
<b>Sewer Fund:</b>						
Notes payable	15,797,825	-	(1,242,487)	-	14,555,338	1,273,423
Installment notes payable	13,209,940	-	(1,477,389)	-	11,732,551	1,440,026
Other postemployment benefits	274,961	122,515	-	-	397,476	-
*Compensated absences	<u>104,761</u>	<u>9,534</u>	<u>(17,363)</u>	<u>-</u>	<u>96,932</u>	<u>9,534</u>
Total	<u>29,387,487</u>	<u>132,049</u>	<u>(2,737,239)</u>	<u>-</u>	<u>26,782,297</u>	<u>2,722,983</u>
<b>Electric Fund:</b>						
Installment notes payable	5,353,804	-	(516,173)	-	4,837,631	493,111
Other postemployment benefits	458,271	207,084	-	-	665,355	-
*Compensated absences	<u>288,214</u>	<u>33,514</u>	<u>(8,364)</u>	<u>-</u>	<u>313,364</u>	<u>33,514</u>
Total	<u>6,100,289</u>	<u>240,598</u>	<u>(524,537)</u>	<u>-</u>	<u>5,816,350</u>	<u>526,625</u>
Total business-type activities	<u>\$ 72,705,554</u>	<u>\$ 512,709</u>	<u>\$ (5,316,725)</u>	<u>\$ 20,685</u>	<u>\$ 67,922,223</u>	<u>\$ 5,368,564</u>

\*The General Fund is used to liquidate the liability for compensated absences in the governmental activities. The Electric, Water and Sewer 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, 2012 was \$237,381,307.

Notes to Financial Statements

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**Note 10. Long-Term Obligations (Continued)**

**Installment Purchases**

The City finances various property acquisitions under installment purchase agreements. Under these agreements, the assets acquired collateralize the debt. The financing contracts require principal payments with interest rates ranging from 1.49% to 4.625%.

The installment purchase contracts payable at June 30, 2012, are comprised of the following individual contracts:

**Serviced by the General Fund:**

	<u>Principal Balance June 30, 2012</u>
\$5,562,048 installment agreement issued in August 2003 - for fire station, police building, parking facilities, street improvements, and parking in installments of \$339,009 through 2013 with interest of 3.35%.	\$ 333,439
\$710,228 installment agreement issued in September 2003 - for Dunn Building in installments of \$20,023 through 2015 with interest at 4.02%.	171,479
\$624,000 installment agreement issued in September 2003 - for E-911 building in installments of \$26,000 through 2015 with interest at 4.05%.	156,000
\$553,988 installment agreement issued in September 2003 - for restroom facility and fire station in installments of \$10,073 through 2017 with interest at 4.11%.	201,450
\$1,330,360 installment agreement 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%.	709,530
\$478,390 installment agreement issued in June 2006 - for various vehicles and equipment in installments of \$34,171 through 2013 with interest at 3.83%.	68,341
\$1,320,679 installment agreement issued in June 2006 - for streets div complex and Lawson Creek Park in installments of \$44,023 through 2021 with interest at 4.12%.	792,407
\$564,594 installment agreement issued in November 2006 - for a fire truck in installments of \$16,627 through 2017 with interest at 3.67%.	279,677
\$94,256 installment agreement 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%.	29,196

Notes to Financial Statements

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**Note 10. Long-Term Obligations (Continued)**

**Serviced by the General Fund: (continued)**

\$395,000 installment agreement issued in April 2007 - for improvements to Lawson Creek and Henderson Park in installments of \$19,750 through 2017 with interest at 3.40%.	197,500
\$208,967 installment agreement issued in December 2007 - for various vehicles and equipment in installments of \$16,727 through 2015 with interest at 3.04%.	95,233
\$1,567,857 installment agreement issued in December 2007- for various vehicles and equipment in installments of \$187,593 through 2013 with interest at 2.91%.	181,435
\$5,596,923 installment agreement 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%	4,324,410
\$2,368,452 installment agreement issued in June 2009 - for Kale Road property in installments of \$136,329 through 2045 with interest at 4.625%.	2,283,864
\$660,460 installment agreement issued in March 2010 - for Stanley White Recreation Center renovations in installments of \$33,023 through 2020 with interest at 3.73%.	528,368
\$89,978 installment agreement issued in June 2010 - for a tub grinder in installments of \$6,008 through 2014 with interest at 3.10%.	46,431
\$199,817 installment agreement issued in June 2011 - for various vehicles and equipment in installments of \$10,955 through 2016 with interest at 1.645%.	159,035
\$567,076 installment agreement issued in June 2012 - for various vehicles and equipment in installments of \$56,708 through 2016 with interest at 1.49%.	567,076
\$4,052,576 installment agreement issued in June 2012 - for radio network in installments of \$193,539 through 2022 with interest at 2.04%.	3,485,500
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<b>Total</b>	<b>\$ 14,610,371</b>
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Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

**Serviced by General Fund (Continued):**

The future minimum payments of the installment purchases payable as of June 30, 2012, including \$3,825,941 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 2,054,580	\$ 438,080	\$ 2,492,660
2014	1,487,411	384,311	1,871,722
2015	1,403,509	341,156	1,744,665
2016	1,299,365	301,569	1,600,934
2017	1,243,689	264,556	1,508,245
2018-2022	4,823,462	858,681	5,682,143
2023-2027	657,281	424,666	1,081,947
2028-2032	331,201	350,444	681,645
2033-2037	415,267	266,378	681,645
2038-2042	520,671	160,974	681,645
2043-2045	373,935	35,126	409,061
<b>Total</b>	<b>\$ 14,610,371</b>	<b>\$ 3,825,941</b>	<b>\$ 18,436,312</b>

City of New Bern, North Carolina

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

**Serviced by Water Fund:**

	<u>Principal Balance</u> <u>June 30, 2012</u>
\$305,500 installment agreement issued in May 2005 - for Carolina Colors Subdivision water line extensions in variable installments through 2020 with interest at 3.72%.	\$ 183,994
\$84,563 installment agreement issued in December 2006 - for various vehicles and equipment in installments of \$6,804 through 2014 with interest at 3.10%.	26,194
\$90,143 installment agreement issued in December 2007 - for various vehicles and equipment in installments of \$7,216 through 2015 with interest at 3.04%.	41,081
\$127,564 installment agreement issued in December 2007 - for various vehicles and equipment in installments of \$14,117 through 2013 with interest at 2.91%.	17,382
\$527,720 installment agreement issued in May 2008 - for New Street water improvements and Stillwater Harbor water project in variable installments through 2023 with interest at 2.92%	405,331
\$4,780,520 installment agreement issued in June 2009 - for Township water improvements in installments of \$100,721 through 2024 with interest at 3.09%	<u>4,026,658</u>
<b>Total</b>	<u>\$ 4,700,640</u>

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

Serviced by Water Fund (Continued):

The future minimum payments of the installment purchases payable as of June 30, 2012, including \$909,905 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 378,322	\$ 141,254	\$ 519,576
2014	372,033	129,648	501,681
2015	369,763	118,061	487,824
2016	366,587	106,565	473,152
2017	377,889	95,036	472,925
2018-2022	2,016,487	291,285	2,307,772
2023-2027	819,559	28,056	847,615
Total	<u>\$ 4,700,640</u>	<u>\$ 909,905</u>	<u>\$ 5,610,545</u>

City of New Bern, North Carolina

Notes to Financial Statements

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**Note 10. Long-Term Obligations (Continued)**

**Serviced by Sewer Fund:**

	<u>Principal Balance June 30, 2012</u>
\$600,000 installment agreement issued November 1992 - for Pembroke Sanitary Sewer in variable installments through 2013 with interest at 6%.	\$ 30,000
\$265,000 installment agreement issued March 2002 - for Township 7 Sanitary Sewer in variable installments through 2016 with interest at 5.50%.	65,000
\$280,179 installment agreement issued September 2003 - for N. 2nd Ave. and N. Glenburnie sewer lines in installments of \$5,094 through 2017 with interest at 4.11%.	101,883
\$7,690,819 installment agreement issued April 2003 - for Trent Woods Sewer project in installments of \$128,180 through 2018 with interest at 3.68%.	3,076,328
\$2,228,620 installment agreement issued in May 2005 - for Carolina Colors subdivision sewer line extension in variable installments through 2020 with interest at 3.72%.	1,342,203
\$243,390 installment agreement issued in June 2006 - for Vactor vacuum jet rodder in variable installments through 2013 with interest at 3.83%.	38,855
\$1,667,855 installment agreement issued in June 2006 - Brices Crossing equipment in installments of \$70,414 through 2021 with interest at 2.65%.	1,121,073
\$55,714 installment agreement issued in December 2006 - for various vehicles in installments of \$4,483 through 2014 with interest at 3.10%.	17,258
\$517,886 installment agreement issued in June 2007 - for Evans Mill sewer line and facilities in installments of \$30,973 through 2017 with interest at 3.4%.	282,637
\$368,257 installment agreement issued December 2007 - for various vehicles and equipment in installments of \$29,478 through 2015 with interest at 3.04%.	167,825
\$450,967 installment agreement issued in December 2007 for various vehicles and equipment in installments of \$55,104 through 2013 with interest at 2.91%.	54,314
\$1,107,757 installment agreement issued in May 2008 - for New Street WWTP maintenance building in variable installments through 2023 with interest at 2.92%.	851,926
\$5,441,315 installment agreement issued June 2009 - for Township sewer improvements in installments of \$114,643 through 2024 with interest at 3.09%.	<u>4,583,249</u>
<b>Total</b>	<u><u>\$ 11,732,551</u></u>

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

Serviced by Sewer Fund (Continued):

The future minimum payments of the installment purchases payable as of June 30, 2012, including \$1,838,037 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,440,026	\$ 369,909	\$ 1,809,935
2014	1,340,724	321,025	1,661,749
2015	1,356,326	275,221	1,631,547
2016	1,306,995	229,435	1,536,430
2017	1,326,222	184,955	1,511,177
2018-2022	3,989,573	424,828	4,414,401
2023-2027	972,685	32,664	1,005,349
Total	<u>\$ 11,732,551</u>	<u>\$ 1,838,037</u>	<u>\$ 13,570,588</u>

City of New Bern, North Carolina

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

Serviced by Electric Fund:

	<u>Principal Balance June 30, 2012</u>
\$473,658 installment agreement issued in June 2006 - for various vehicles and equipment in installments of \$38,898 through 2013 with interest at 3.83%.	\$ 75,614
\$1,427,145 installment agreement issued in June 2006 - for Carolina Colors subdivision electric line extension in installments of \$60,251 through 2021 with interest at 2.65%.	959,277
\$370,258 installment agreement issued in December 2006 - for various equipment in installments of \$29,792 through 2014 with interest at 3.10%.	114,690
\$247,948 installment agreement issued in December 2007 - for various vehicles in installments of \$19,847 through 2015 with interest at 3.04%.	112,997
\$268,627 installment agreement issued in December 2007 - for various equipment and vehicles in installments of \$32,141 through 2013 with interest at 2.91%.	31,680
\$66,500 installment agreement issued in May 2008 - for Downtown improvements in installments of \$1,108 through 2023 with interest at 2.92%.	48,768
\$1,500,000 installment agreement issued in June 2009 - for Broad Street improvements in installments of \$31,603 through 2024 with interest at 3.09%.	1,263,459
\$2,190,000 installment agreement issued in June 2011 - for Lewis Farm substation in installments of \$40,476 through 2031 with interest at 4.165%.	2,118,198
\$141,912 installment agreement issued in June 2011 - for Altec aerial lift in installments of \$7,780 through 2016 with interest at 1.645%.	<u>112,948</u>
<b>Total</b>	<u><u>\$ 4,837,631</u></u>

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

Serviced by Electric Fund (Continued):

The future minimum payments of the installment purchases payable as of June 30, 2012, including \$1,361,701 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 493,111	\$ 161,854	\$ 654,965
2014	397,669	147,229	544,898
2015	349,862	135,323	485,185
2016	312,847	124,733	437,580
2017	299,077	115,035	414,112
2018-2022	1,526,371	421,743	1,948,114
2023-2027	864,985	201,877	1,066,862
2028-2032	593,709	53,907	647,616
Total	<u>\$ 4,837,631</u>	<u>\$ 1,361,701</u>	<u>\$ 6,199,332</u>

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

**Notes Payable:**

Serviced by the Water Fund:

	<u>Principal Balance</u> <u>June 30, 2012</u>
\$33,606,624 installment agreement issued in July 2010 - for Water Trust Revolving Loan in variable installments through 2030 with interest at 2.265%.	<u>\$ 30,245,962</u>

The future minimum payments of the installment purchases payable as of June 30, 2012, including \$6,508,176 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,680,331	\$ 685,071	\$ 2,365,402
2014	1,680,331	647,012	2,327,343
2015	1,680,331	608,952	2,289,283
2016	1,680,331	570,893	2,251,224
2017	1,680,331	532,833	2,213,164
2018-2022	8,401,656	2,093,273	10,494,929
2023-2027	8,401,656	1,141,785	9,543,441
2028-2032	5,040,995	228,357	5,269,352
Total	\$ 30,245,962	\$ 6,508,176	\$ 36,754,138

Notes to Financial Statements

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Note 10. Long-Term Obligations (Continued)

**Notes Payable (Continued):**

Serviced by Sewer Fund:

	<u>Principal Balance June 30, 2012</u>
\$3,534,043 installment agreement issued in March 2002 - for Sanitary Sewer in variable installments through 2018 with interest at 2.91%.	\$ 1,447,879
\$20,110,036 installment agreement issued in February 2003- for Wastewater Treatment Plant upgrade in variable installments through 2023 with interest at 2.57%.	12,296,588
\$1,351,452 installment agreement issued in March 2003 - for Wastewater Treatment Diffuser Project in variable installments through 2024 with interest at 2.66%.	<u>810,871</u>
	<u>\$ 14,555,338</u>

The future minimum payments of the installment purchases payable as of June 30, 2012, including \$2,267,410 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,273,423	\$ 379,725	\$ 1,653,148
2014	1,305,176	346,174	1,651,350
2015	1,337,768	311,785	1,649,553
2016	1,371,219	276,536	1,647,755
2017	1,405,554	240,404	1,645,958
2018-2022	6,462,034	674,883	7,136,917
2023-2027	<u>1,400,164</u>	<u>37,903</u>	<u>1,438,067</u>
Total	<u>\$ 14,555,338</u>	<u>\$ 2,267,410</u>	<u>\$ 16,822,748</u>

Notes to Financial Statements

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**Note 11. Interfund Transfers**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

	<u>From</u>	<u>To</u>	<u>Purpose</u>
Electric Fund	\$ 1,713,067	\$ -	Budgeted contribution
General Fund		1,713,067	
General Fund	664,812		
SAFER Fire Grant Special Revenue Fund		257,374	Local contribution
Grants Special Revenue Fund		71,438	Local contribution
Public Private Partnership Special Revenue Fund		15,000	Local contribution
Employees' Benefit Fund		321,000	General Funds portion of Benefits
General Fund	20,685		Transfer of debt
Water Fund		20,685	
General Fund		27,690	Transfer of capital asset
Water Fund	27,690		
Water Fund	46,500		
Employees' Benefit Fund		46,500	Water Funds portion of Benefits
Electric Fund	88,300		
Sewer Fund	204,200		
Water Fund		160,000	1st Installment Loan Repayment
Employees' Benefit Fund		132,500	Electric and Sewer Funds portion of Benefits
<b>total</b>	<b>\$ 2,765,254</b>	<b>\$ 2,765,254</b>	

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, 2012:

Electric	\$ 2,809,584	\$ 598,914
Water	1,050,744	221,546
Sewer	1,050,744	212,108
<b>total</b>	<b>\$ 4,911,072</b>	<b>\$ 1,032,568</b>

Notes to Financial Statements

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**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 2014. Minimum quarterly payments range from \$90 to \$30,864.

Lease payments charged to governmental activities expenditures and expense for the year ended June 30, 2012 under operating leases was \$108,520.

Governmental activities future minimum lease payments for the 2 years and in the aggregate are as follows:

<u>Year Ending 30-Jun</u>	<u>Governmental Activities</u>
2013	\$ 65,780
2014	10,625
	<u>\$ 76,405</u>

**Note 13. Deferred and Unearned Revenues**

The balance in deferred and unearned revenues at June 30, 2012 is composed of the following elements:

	<u>Deferred Revenues</u>	<u>Unearned Revenues</u>
<b>General Fund:</b>		
Prepaid taxes and licenses	\$ -	\$ 39,473
Taxes receivable, net	468,466	-
Liens receivable	257,661	-
Street assessment receivables	3,511	-
Motor vehicle fees receivable	36,734	-
<b>Total</b>	<u>766,372</u>	<u>39,473</u>
<b>Special Revenue Fund:</b>		
Loans receivable	<u>\$ 10,521</u>	

Notes to Financial Statements

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

The City participates in a joint venture with Craven County to operate the New Bern/Craven County Library. The City appoints five members of the ten-member board. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2012. The City contributed \$75,000 to the Library during the year ended June 30, 2012.

**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 \$10,422 to the Council during the year ended June 30, 2012.

**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, 2012 were \$45,884,771.

**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

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**Note 15. Claims and Judgments**

The City is a defendant in various litigation incidentals 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, 2012 are as follows:

General Fund	\$249,887
Non Major Funds	183,013

The City had commitments, as show below, for construction contracts outstanding at June 30, 2012. 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>contract remaining</u>
Hwy 17 improvements	\$ 199,199
Hurricane Irene piers and docks repair	248,526
Radio project	707,588
Electric substation	64,350
<b>Total</b>	<b>\$ 1,219,663</b>

**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

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**Note 17. Pronouncements Issued But Not Yet Effective**

The GASB has issued several pronouncements prior to June 30, 2012 that have effective dates that may impact future financial presentations.

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

GASB Statement Number 60, "Service Concession Arrangements" will be effective for the City beginning with its year ending June 30, 2013.

GASB Statement Number 61, "The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and 34" " will be effective for the City beginning with its year ending June 30, 2013.

GASB Statement Number 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" will be effective for the City beginning with its year ending June 30, 2013.

GASB Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" will be effective for the City beginning with its year ending June 30, 2013.

GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities" will be effective for the City beginning with its year ending June 30, 2014.

GASB Statement Number 66, "Technical Corrections – 2012 – An Amendment of GASB Statement 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.

## Required Supplemental Financial Data

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**Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
For the Year Ended June 30, 2012**

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%

Schedule of Employer Contributions

Year Ending June 30,	Annual Required Contributions (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2012	\$ 174,231	\$ 92,466	53.07%

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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.50% - 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, 2012

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)
12/31/2010	-	15,666,249	15,666,249	0.00%	20,111,064	77.9%
12/31/2008	\$ -	\$ 17,665,523	\$ 17,665,523	0.00%	\$ 20,448,378	86.4%

Schedule of Employer Contributions

Year Ending June 30,	Annual Required Contributions (ARC)	Percentage of ARC Contributed
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	12/31/2010
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	10.50% - 5.00%
Year of ultimate trend rate	2018

## 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, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		2011	
	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year operations	\$ 12,438,084	\$ 12,651,755	\$ 213,671	\$ 12,651,709
Prior year	284,874	364,589	79,715	-
Municipal service district	163,633	261,867	98,234	166,256
Interest and penalties	54,300	86,638	32,338	64,833
<b>Total ad valorem taxes</b>	<b>12,940,891</b>	<b>13,364,849</b>	<b>423,958</b>	<b>12,882,798</b>
Other taxes and licenses:				
Privilege licenses	246,100	262,984	16,884	255,333
<b>Total other taxes</b>	<b>246,100</b>	<b>262,984</b>	<b>16,884</b>	<b>255,333</b>
Unrestricted intergovernmental:				
Local options sales tax	4,731,457	5,331,248	599,791	4,892,122
Video programming tax	285,000	314,594	29,594	295,721
Telecommunications sales tax	335,000	364,465	29,465	372,707
Payment in lieu of taxes - enterprise funds	443,200	464,842	21,642	447,538
Utilities franchise tax	1,500,000	1,408,725	(91,275)	1,520,306
Piped natural gas tax	90,000	85,213	(4,787)	100,080
Beer and wine tax	111,500	128,396	16,896	117,294
Fire protection reimbursement	10,887	14,636	3,749	10,887
ABC distributions	54,000	66,913	12,913	58,905
<b>Total unrestricted intergovernmental</b>	<b>7,561,044</b>	<b>8,179,032</b>	<b>617,988</b>	<b>7,815,560</b>
Restricted intergovernmental:				
Powell Bill allocation	785,000	834,142	49,142	754,012
FEMA Public Assistance grant	1,120,300	1,320,993	200,693	42,456
Other state grants	-	-	-	14,152
<b>Total restricted intergovernmental</b>	<b>1,905,300</b>	<b>2,155,135</b>	<b>249,835</b>	<b>810,620</b>
Permits and fees:				
Building permits and inspection fees	401,090	449,071	47,981	436,729
Auto and taxi fees	113,800	150,312	36,512	134,378
Beer and wine licenses	2,100	2,370	270	2,285
<b>Total licenses, permits and fees</b>	<b>516,990</b>	<b>601,753</b>	<b>84,763</b>	<b>573,392</b>

(Continued)

## General Fund

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

For the Year Ended June 30, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
Sales and services:				
Public works fees	\$ 103,000	\$ 137,803	34,803	\$ 246,264
Refuse collection fees	2,112,600	2,149,340	36,740	1,756,764
Planning and inspections revenue	106,250	130,333	24,083	123,025
Public safety fees	13,100	14,089	989	21,672
Cultural and recreation fees	108,500	167,033	58,533	133,612
Rent income	271,926	285,268	13,342	272,620
Rent income - enterprise funds	1,345,900	1,032,567	(313,333)	1,027,409
Other sales and services	242,590	297,849	55,259	402,058
<b>Total sales and services</b>	<b>4,303,866</b>	<b>4,214,282</b>	<b>(89,584)</b>	<b>3,983,424</b>
Investment earnings	8,000	15,893	7,893	15,211
Other revenues:				
Proceeds from capital asset sales	15,500	4,783	(10,717)	21,099
Proceeds from insurance	61,500	211,920	150,420	-
Cemetery	100,000	97,190	(2,810)	103,320
Cable franchise fee	5,000	10,885	5,885	29,435
Other revenues	27,000	18,375	(8,625)	33,458
<b>Total other revenues</b>	<b>209,000</b>	<b>343,153</b>	<b>134,153</b>	<b>187,312</b>
<b>Total revenues</b>	<b>27,691,191</b>	<b>29,137,081</b>	<b>1,445,890</b>	<b>26,523,650</b>
Expenditures				
General government:				
Governing body				
Salaries and employee benefits	199,068	206,568	(7,500)	178,278
Special appropriations	570,669	559,183	11,486	273,923
Operating expenditures	80,833	64,785	16,048	84,538
Interfund reimbursement	(553,773)	(553,773)	-	(236,532)
	<b>296,797</b>	<b>276,763</b>	<b>20,034</b>	<b>300,207</b>
Administration:				
Salaries and employee benefits	400,961	386,059	14,902	275,932
Operating expenditures	146,486	158,910	(12,424)	63,725
Hurricane Irene expenditures	-	622	(622)	-
Interfund reimbursement	(400,472)	(400,472)	-	(305,690)
	<b>146,975</b>	<b>145,119</b>	<b>1,856</b>	<b>33,967</b>

(Continued)

## General Fund

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

For the Year Ended June 30, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
Finance:				
Salaries and employee benefits	\$ 1,655,512	\$ 1,524,989	\$ 130,523	\$ 1,606,932
Operating expenditures	926,568	869,335	57,233	646,493
Hurricane Irene expenditures	1,000	27,670	(26,670)	-
Interfund reimbursement	(1,954,952)	(1,954,952)	-	(1,959,510)
	<u>628,128</u>	<u>467,042</u>	<u>161,086</u>	<u>293,915</u>
Legal:				
Contracted services	193,680	193,650	30	193,680
Interfund reimbursement	(164,603)	(164,603)	-	(164,628)
	<u>29,077</u>	<u>29,047</u>	<u>30</u>	<u>29,052</u>
Human resources				
Salaries and employee benefits	398,634	388,057	10,577	414,271
Operating expenditures	74,815	59,064	15,751	46,563
Hurricane Irene expenditures	-	273	(273)	-
Interfund reimbursement	(402,408)	(402,408)	-	(414,696)
	<u>71,041</u>	<u>44,986</u>	<u>26,055</u>	<u>46,138</u>
<b>Total general government</b>	<u>1,172,018</u>	<u>962,957</u>	<u>209,061</u>	<u>703,279</u>
Public safety:				
Police:				
Salaries and employee benefits	7,496,408	7,341,185	155,223	7,817,402
Operating expenditures	1,516,577	1,366,073	150,504	1,338,850
Hurricane Irene expenditures	-	118,073	(118,073)	-
Interfund reimbursement	(90,000)	(90,000)	-	(90,000)
	<u>8,922,985</u>	<u>8,735,331</u>	<u>187,654</u>	<u>9,066,252</u>
Fire:				
Salaries and employee benefits	4,735,825	4,685,047	50,778	4,362,165
Operating expenditures	504,574	500,993	3,581	499,644
Hurricane Irene expenditures	-	50,144	(50,144)	-
Interfund reimbursement	(257,373)	(257,373)	-	(502,490)
	<u>4,983,026</u>	<u>4,978,811</u>	<u>4,215</u>	<u>4,359,319</u>
<b>Total public safety</b>	<u>13,906,011</u>	<u>13,714,142</u>	<u>191,869</u>	<u>13,425,571</u>

General Fund

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

For the Year Ended June 30, 2012

With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
Public works:				
Streets:				
Salaries and employee benefits	\$ 1,320,566	\$ 1,241,524	\$ 79,042	\$ 1,224,021
Operating expenditures	1,536,487	1,301,127	235,360	1,132,871
Hurricane Irene expenditures	645,000	685,800	(40,800)	-
	<u>3,502,053</u>	<u>3,228,451</u>	<u>273,602</u>	<u>2,356,892</u>
Public buildings:				
Salaries and employee benefits	324,207	313,979	10,228	311,475
Operating expenditures	407,391	387,214	20,177	296,585
Hurricane Irene expenditures	345,000	332,955	12,045	-
Interfund reimbursement	(497,150)	(497,150)	-	(425,463)
	<u>579,448</u>	<u>536,998</u>	<u>42,450</u>	<u>182,597</u>
Administration:				
Salaries and employee benefits	488,488	480,605	7,883	404,510
Operating expenditures	334,882	324,548	10,334	382,266
Hurricane Irene expenditures	-	12,684	(12,684)	-
Interfund reimbursement	(697,074)	(697,074)	-	(652,520)
	<u>126,296</u>	<u>120,763</u>	<u>5,533</u>	<u>134,256</u>
Engineering:				
Salaries and employee benefits	-	-	-	510,215
Operating expenditures	-	-	-	40,642
Interfund reimbursement	-	-	-	(550,854)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Cemeteries:				
Salaries and employee benefits	77,163	76,086	1,077	68,434
Operating expenditures	98,450	94,642	3,808	97,532
Hurricane Irene expenditures	45,800	43,900	1,900	-
	<u>221,413</u>	<u>214,628</u>	<u>6,785</u>	<u>165,966</u>
Leaf and limb:				
Salaries and employee benefits	436,809	423,139	13,670	450,233
Operating expenditures	267,143	219,041	48,102	201,866
Hurricane Irene expenditures	-	58,849	(58,849)	-
	<u>703,952</u>	<u>701,029</u>	<u>2,923</u>	<u>652,099</u>
<b>Total public works</b>	<u>5,133,162</u>	<u>4,801,869</u>	<u>331,293</u>	<u>3,491,813</u>

(Continued)

**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2012**  
**With Comparative Actual Amounts for Year Ended June 30, 2011**

	2012		Variance	2011
	Final Budget	Actual	Positive (Negative)	Actual
Environmental protection:				
Sanitation:				
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ -
Operating expenditures	1,910,000	1,952,131	(42,131)	1,909,184
	<u>1,910,000</u>	<u>1,952,131</u>	<u>(42,131)</u>	<u>1,909,184</u>
Culture and recreation:				
Parks and Recreation:				
Salaries and employee benefits	1,735,492	1,613,335	122,157	1,600,650
Operating expenditures	516,314	473,622	42,692	490,613
Hurricane Irene expenditures	-	46,421	(46,421)	-
Interfund reimbursement	(21,000)	(21,000)	-	-
	<u>2,230,806</u>	<u>2,112,378</u>	<u>118,428</u>	<u>2,091,263</u>
Economic and physical development:				
Planning				
Salaries and employee benefits	1,356,931	1,253,752	103,179	1,318,745
Operating expenditures	207,571	147,411	60,160	91,114
Hurricane Irene expenditures	-	2,343	(2,343)	-
Interfund reimbursement	(129,641)	(129,641)	-	(117,811)
	<u>1,434,861</u>	<u>1,273,865</u>	<u>160,996</u>	<u>1,292,048</u>
Municipal service district				
Salaries and employee benefits	-	-	-	40,832
Operating expenditures	23,325	16,561	6,764	1,860
	<u>23,325</u>	<u>16,561</u>	<u>6,764</u>	<u>42,692</u>
<b>Total economic and physical development</b>	<b>1,458,186</b>	<b>1,290,426</b>	<b>167,760</b>	<b>1,334,740</b>
Capital outlay	1,077,590	538,108	539,482	35,848
Debt Service				
Principal retirement	2,152,036	2,153,397	(1,361)	2,128,628
Interest and other charges	476,027	445,677	30,350	518,901
	<u>2,628,063</u>	<u>2,599,074</u>	<u>28,989</u>	<u>2,647,529</u>
<b>Total expenditures</b>	<b>29,515,836</b>	<b>27,971,085</b>	<b>1,544,751</b>	<b>25,639,227</b>

(Continued)

General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
Revenue over expenditures	\$ (1,824,645)	\$ 1,165,996	\$ 2,990,641	\$ 884,423
Other financing sources (uses):				
Transfers in	1,674,000	1,713,067	39,067	1,684,737
Transfers out:	(664,812)	(664,812)	-	(461,724)
Contingency	-	-	-	-
Debt issued	815,457	567,076	(248,381)	199,817
Total other financing uses	1,824,645	1,615,331	(209,314)	1,422,830
Revenue and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>2,781,327</u>	<u>\$ 2,781,327</u>	2,307,253
Fund balance, beginning		<u>7,544,149</u>		<u>5,236,896</u>
Fund balance, ending		<u>\$ 10,325,476</u>		<u>\$ 7,544,149</u>

## Non-Major Governmental Funds

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Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2012

	Special Revenue Funds	Capital Project Funds	Total
<b>Assets</b>			
Assets			
Cash and cash equivalents	\$ 327,022	\$ 319,440	\$ 646,462
Accounts receivable, net	59,744	-	59,744
Due from other governments	235,877	4,412	240,289
Due from other funds	83,884	2,762	86,646
Restricted cash and investments	86,284	-	86,284
<b>Total assets</b>	<b>\$ 792,811</b>	<b>\$ 326,614</b>	<b>\$ 1,119,425</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 38,979	\$ 1,650	\$ 40,629
Due to other funds	83,884	2,762	86,646
Deferred revenue	10,521	-	10,521
<b>Total liabilities</b>	<b>133,384</b>	<b>4,412</b>	<b>137,796</b>
Fund balances:			
Spendable			
Restricted			
Stabilization by State Statute	285,100	4,412	289,512
Restricted for public safety	344,439	-	344,439
Restricted for public works	28,765	-	28,765
Restricted for economic development	35,944	-	35,944
Restricted for culture and recreation	38,965	-	38,965
Committed	-	322,202	322,202
Unassigned	(73,786)	(4,412)	(78,198)
<b>Total fund balances</b>	<b>659,427</b>	<b>322,202</b>	<b>981,629</b>
<b>Total liabilities and fund balances</b>	<b>\$ 792,811</b>	<b>\$ 326,614</b>	<b>\$ 1,119,425</b>

Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Year Ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Total
<b>Revenues:</b>			
Restricted intergovernmental	\$ 1,218,229	\$ 153,740	\$ 1,371,969
Investment earnings	274	16	290
Other revenues	81,112	-	81,112
<b>Total revenues</b>	<b>1,299,615</b>	<b>153,756</b>	<b>1,453,371</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Cultural and recreational	11,022	-	11,022
Public safety	1,037,491	3,557,639	4,595,130
Economic and physical development	430,449	151,392	581,841
<b>Total expenditures</b>	<b>1,478,962</b>	<b>3,709,031</b>	<b>5,187,993</b>
<b>Deficiency of revenues under expenditures</b>	<b>(179,347)</b>	<b>(3,555,275)</b>	<b>(3,734,622)</b>
<b>Other financing sources (uses):</b>			
Debt issued	-	3,485,500	3,485,500
Transfers in	343,812	-	343,812
<b>Total other financing sources (uses)</b>	<b>343,812</b>	<b>3,485,500</b>	<b>3,829,312</b>
<b>Net change in fund balances</b>	<b>164,465</b>	<b>(69,775)</b>	<b>94,690</b>
<b>Fund balances:</b>			
Fund balances, beginning of year	494,962	391,977	886,939
Fund balances, end of year, June 30th	<b>\$ 659,427</b>	<b>\$ 322,202</b>	<b>\$ 981,629</b>

# 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.

## **SAFR Fire Grant Fund**

The SAFR Fire Grant Fund is used to account for the revenues and expenditures of the SAFR Fire Grant.

## **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.

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City of New Bern, North Carolina

Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2012

	Community Development Fund	2007 Stormwater CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue Fund	Brownsfields Assessment and Cleanup Fund
<b>Assets</b>					
Assets:					
Cash and cash equivalents	\$ 35,944	\$ -	\$ 116,875	\$ 74,748	\$ -
Accounts receivable, net	10,521	-	22,486	318	-
Due from other funds	-	-	83,884	-	-
Due from other governments	-	50,000	-	-	15,241
Restricted cash and investments	-	67,868	-	-	-
<b>Total assets</b>	<b>\$ 46,465</b>	<b>\$ 117,868</b>	<b>\$ 223,245</b>	<b>\$ 75,066</b>	<b>\$ 15,241</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 9,180	-	\$ 14,992
Due to other funds	-	39,103	-	-	249
Deferred revenue	10,521	-	-	-	-
<b>Total liabilities</b>	<b>10,521</b>	<b>39,103</b>	<b>9,180</b>	<b>-</b>	<b>15,241</b>
Fund balances:					
Spendable					
Restricted					
Stabilization by State Statute	-	50,000	22,486	318	15,241
Restricted for public safety	-	-	191,579	74,748	-
Restricted for public works	-	28,765	-	-	-
Restricted for economic development	35,944	-	-	-	-
Restricted for culture and recreation	-	-	-	-	-
Unassigned	-	-	-	-	(15,241)
<b>Total fund balance</b>	<b>35,944</b>	<b>78,765</b>	<b>214,065</b>	<b>75,066</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 46,465</b>	<b>\$ 117,868</b>	<b>\$ 223,245</b>	<b>\$ 75,066</b>	<b>\$ 15,241</b>

Schedule D-1

Five Points Area Planning Grant Special Revenue Fund	COPS Hiring Program Special Revenue Fund	2007 Part F Recreation Grant Program	Grants Special Revenue Fund	Public-Private Special Revenue Fund	FEMA Hurricane Irene Special Revenue Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 21,343	\$ 78,112	\$ 327,022
-	24,707	-	1,712	-	-	59,744
-	-	-	-	-	-	83,884
11,321	-	-	159,315	-	-	235,877
-	-	18,416	-	-	-	86,284
<u>\$ 11,321</u>	<u>\$ 24,707</u>	<u>\$ 18,416</u>	<u>\$ 161,027</u>	<u>\$ 21,343</u>	<u>\$ 78,112</u>	<u>\$ 792,811</u>
\$ 9,473	\$ 3,221	\$ -	\$ 2,113	\$ -	\$ -	\$ 38,979
1,848	21,486	794	20,404	-	-	83,884
-	-	-	-	-	-	10,521
<u>11,321</u>	<u>24,707</u>	<u>794</u>	<u>22,517</u>	<u>-</u>	<u>-</u>	<u>133,384</u>
11,321	24,707	-	161,027	-	-	285,100
-	-	-	-	-	78,112	344,439
-	-	-	-	-	-	28,765
-	-	-	-	-	-	35,944
-	-	17,622	-	21,343	-	38,965
(11,321)	(24,707)	-	(22,517)	-	-	(73,786)
<u>-</u>	<u>-</u>	<u>17,622</u>	<u>138,510</u>	<u>21,343</u>	<u>78,112</u>	<u>659,427</u>
<u>\$ 11,321</u>	<u>\$ 24,707</u>	<u>\$ 18,416</u>	<u>\$ 161,027</u>	<u>\$ 21,343</u>	<u>\$ 78,112</u>	<u>\$ 792,811</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, 2012

	Community Development Fund	2007 Stormwater CWMTF Fund	Emergency Telephone System Fund	Police Special Revenue Fund	Safer Fire Grant Fund	Brownsfields Assessment and Cleanup Fund
Revenues:						
Restricted Intergovernmental	\$ -	\$ -	\$ 269,837	\$ 62,946	\$ -	\$ 161,299
Investment earnings	16	85	107	26	-	-
Miscellaneous	-	-	-	-	-	-
Program income	3,000	-	-	-	-	-
<b>Total revenues</b>	<b>3,016</b>	<b>85</b>	<b>269,944</b>	<b>62,972</b>	<b>-</b>	<b>161,299</b>
Expenditures:						
Current:						
Cultural and recreational	-	-	-	-	-	-
Public safety	-	-	325,936	13,684	257,374	-
Economic and physical development	-	-	-	-	-	161,299
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>325,936</b>	<b>13,684</b>	<b>257,374</b>	<b>161,299</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,016</b>	<b>85</b>	<b>(55,992)</b>	<b>49,288</b>	<b>(257,374)</b>	<b>-</b>
Other financing sources:						
Transfers from other funds	-	-	-	-	257,374	-
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,374</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>3,016</b>	<b>85</b>	<b>(55,992)</b>	<b>49,288</b>	<b>-</b>	<b>-</b>
Fund balances:						
Fund balances, beginning of year	32,928	78,680	270,057	25,778	-	-
<b>Fund balances, end of year</b>	<b>\$ 35,944</b>	<b>\$ 78,765</b>	<b>\$ 214,065</b>	<b>\$ 75,066</b>	<b>\$ -</b>	<b>\$ -</b>

Schedule D-2

Five Points Area Planning Grant Special Revenue Fund	COPS Hiring Program Special Revenue Fund	2007 Part F Recreation Grant Program	Grants Special Revenue Fund	Public-Private Special Revenue Fund	FEMA Hurricane Irene Special Revenue Fund	Total
\$ 132,641	\$ 190,304	\$ -	\$ 397,053	\$ 4,149	\$ -	\$ 1,218,229
-	-	22	18	-	-	274
-	-	-	-	-	78,112	78,112
-	-	-	-	-	-	3,000
<u>132,641</u>	<u>190,304</u>	<u>22</u>	<u>397,071</u>	<u>4,149</u>	<u>78,112</u>	<u>1,299,615</u>
-	-	-	11,022	-	-	11,022
-	190,304	-	250,193	-	-	1,037,491
132,641	-	-	133,203	3,306	-	430,449
<u>132,641</u>	<u>190,304</u>	<u>-</u>	<u>394,418</u>	<u>3,306</u>	<u>-</u>	<u>1,478,962</u>
-	-	22	2,653	843	78,112	(179,347)
-	-	-	71,438	15,000	-	343,812
-	-	-	71,438	15,000	-	343,812
-	-	22	74,091	15,843	78,112	164,465
-	-	17,600	64,419	5,500	-	494,962
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,622</u>	<u>\$ 138,510</u>	<u>\$ 21,343</u>	<u>\$ 78,112</u>	<u>\$ 659,427</u>

Community Development Fund  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Restricted Intergovernmental:				
Program income	\$ 1,200	\$ 3,000	1,800	\$ 1,600
Other revenues:				
Investment earnings	-	16	16	28
<b>Total revenues</b>	<u>1,200</u>	<u>3,016</u>	<u>1,816</u>	<u>1,628</u>
<b>Expenditures:</b>				
Economic and physical development				
Operating expenditures	10,000	-	10,000	-
<b>Total expenditures</b>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
<b>Revenues under expenditures</b>	<u>(8,800)</u>	<u>3,016</u>	<u>11,816</u>	<u>1,628</u>
<b>Other financing sources:</b>				
Appropriated fund balance	8,800	-	(8,800)	
<b>Total other financing sources</b>	<u>8,800</u>	<u>-</u>	<u>(8,800)</u>	
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>3,016</u>	<u>\$ 3,016</u>	<u>1,628</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>32,928</u>		<u>31,300</u>
End of year - June 30		<u>\$ 35,944</u>		<u>\$ 32,928</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, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Restricted Intergovernmental:				
Clean Water Management Trust Grant	\$ 1,000,000	\$ 758,500	\$ -	\$ 758,500
Other revenues:				
Investment earnings	-	325	85	410
<b>Total revenues</b>	<u>1,000,000</u>	<u>758,825</u>	<u>85</u>	<u>758,910</u>
<b>Expenditures:</b>				
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
<b>Total expenditures</b>	<u>2,000,000</u>	<u>1,513,615</u>	<u>-</u>	<u>1,513,615</u>
<b>Revenues under expenditures</b>	<u>(1,000,000)</u>	<u>(754,790)</u>	<u>85</u>	<u>(754,705)</u>
<b>Other financing sources (uses):</b>				
Debt issued	833,470	833,470	-	833,470
Transfers in	166,530	-	-	-
<b>Total other financing uses</b>	<u>1,000,000</u>	<u>833,470</u>	<u>-</u>	<u>833,470</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 78,680</u>	<u>85</u>	<u>\$ 78,765</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>78,680</u>	
End of year - June 30			<u>\$ 78,765</u>	

Emergency Telephone System Fund  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Other taxes and licenses:				
Wireless 911 funds	\$ 269,837	\$ 269,837	\$ -	\$ 324,603
Other revenues:				
Investment earnings	200	107	(93)	421
<b>Total revenues</b>	<b>270,037</b>	<b>269,944</b>	<b>(93)</b>	<b>325,024</b>
<b>Expenditures:</b>				
Public safety:				
Salaries and employee benefits	112,403	111,324	1,079	107,022
Operating expenditures	405,211	214,612	190,599	171,284
Capital outlay	-	-	-	246,899
<b>Total expenditures</b>	<b>517,614</b>	<b>325,936</b>	<b>191,678</b>	<b>525,205</b>
<b>Revenues under expenditures</b>	<b>(247,577)</b>	<b>(55,992)</b>	<b>191,585</b>	<b>(200,181)</b>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	247,577	-	(247,577)	-
Transfers out	-	-	-	(31,259)
<b>Total other financing uses</b>	<b>247,577</b>	<b>-</b>	<b>(247,577)</b>	<b>(31,259)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(55,992)</b>	<b>\$ (55,992)</b>	<b>(231,440)</b>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>270,057</u>		<u>501,497</u>
End of year - June 30		<u>\$ 214,065</u>		<u>\$ 270,057</u>

Police Special Revenue Fund  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental				
Police grants	\$ 15,000	\$ 62,946	\$ 47,946	\$ 23,899
Other revenues:				
Investment earnings	-	26	26	17
<b>Total revenues</b>	<u>15,000</u>	<u>62,972</u>	<u>47,972</u>	<u>23,916</u>
<b>Expenditures:</b>				
Public safety:				
Operating expenditures	19,730	13,684	6,046	20,300
<b>Total expenditures</b>	<u>19,730</u>	<u>13,684</u>	<u>6,046</u>	<u>20,300</u>
<b>Revenues under expenditures</b>	<u>(4,730)</u>	<u>49,288</u>	<u>54,018</u>	<u>3,616</u>
Other financing sources (uses):				
Appropriated fund balance	4,730	-	(4,730)	-
Transfers out	-	-	-	-
<b>Total other financing uses</b>	<u>4,730</u>	<u>-</u>	<u>(4,730)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>49,288</u>	<u>\$ 49,288</u>	<u>3,616</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>25,778</u>		<u>22,162</u>
End of year - June 30		<u>\$ 75,066</u>		<u>\$ 25,778</u>

Safer Fire Grant Fund  
 Schedule of Revenues and Expenditures -  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
US Homeland Security Safer Grant	\$ 1,117,375	\$ 1,117,375	\$ -	\$ 1,117,375
<b>Total revenues</b>	<b>1,117,375</b>	<b>1,117,375</b>	<b>-</b>	<b>1,117,375</b>
Expenditures:				
Public Safety				
Fire department	2,340,007	2,082,633	257,374	2,340,007
<b>Total expenditures</b>	<b>2,340,007</b>	<b>2,082,633</b>	<b>257,374</b>	<b>2,340,007</b>
Revenues under expenditures	(1,222,632)	(965,258)	(257,374)	(1,222,632)
Other financing sources:				
Transfers in	1,222,632	965,258	257,374	1,222,632
<b>Total other financing sources</b>	<b>1,222,632</b>	<b>965,258</b>	<b>257,374</b>	<b>1,222,632</b>
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -

Brownsfield Assessment and Cleanup  
 Schedule of Revenues and Expenditures -  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
Brownsfield assessment and cleanup grant	\$ 400,000	\$ 151,668	\$ 161,299	\$ 312,967
<b>Total revenues</b>	<b>400,000</b>	<b>151,668</b>	<b>161,299</b>	<b>312,967</b>
Expenditures:				
Environmental protection:				
Operating expenditures	400,000	151,668	161,299	312,967
<b>Total expenditures</b>	<b>400,000</b>	<b>151,668</b>	<b>161,299</b>	<b>312,967</b>
Revenues under expenditures	\$ -	\$ -	\$ -	\$ -

Five Points Area Planning Grant  
 Schedule of Revenues and Expenditures -  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Restricted Intergovernmental:				
Five points area planning grant	\$ 175,000	\$ 3,190	\$ 132,641	\$ 135,831
<b>Total revenues</b>	<b>175,000</b>	<b>3,190</b>	<b>132,641</b>	<b>135,831</b>
<b>Expenditures:</b>				
Economic and physical development				
Operating expenditures	175,000	3,190	132,641	135,831
<b>Total expenditures</b>	<b>175,000</b>	<b>3,190</b>	<b>132,641</b>	<b>135,831</b>
 Revenues under expenditures	 \$ -	 \$ -	 \$ -	 \$ -

COPS Hiring Program  
 Schedule of Revenues and Expenditures -  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Restricted Intergovernmental:				
COPS hiring grant	\$ 781,025	\$ 45,379	\$ 190,304	\$ 235,683
<b>Total revenues</b>	<b>781,025</b>	<b>45,379</b>	<b>190,304</b>	<b>235,683</b>
Expenditures:				
Public Safety:				
Operating expenditures	781,025	45,379	190,304	235,683
<b>Total expenditures</b>	<b>781,025</b>	<b>45,379</b>	<b>190,304</b>	<b>235,683</b>
 Revenues under 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, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Restricted Intergovernmental:				
2007 Part F recreation grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
<b>Other revenues:</b>				
Investment earnings	500	824	22	846
<b>Total revenues</b>	<b>500,500</b>	<b>500,824</b>	<b>22</b>	<b>500,846</b>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Fire department	1,160,960	1,143,684	-	1,143,684
<b>Total expenditures</b>	<b>1,160,960</b>	<b>1,143,684</b>	<b>-</b>	<b>1,143,684</b>
<b>Revenues under expenditures</b>	<b>(660,460)</b>	<b>(642,860)</b>	<b>22</b>	<b>(642,838)</b>
<b>Other financing sources:</b>				
Debt issued	660,460	660,460	-	660,460
<b>Total other financing sources</b>	<b>660,460</b>	<b>660,460</b>	<b>-</b>	<b>660,460</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 17,600</b>	<b>22</b>	<b>\$ 17,622</b>
<b>Fund Balance:</b>				
Beginning of year - July 1			17,600	
End of year - June 30			<u>\$ 17,622</u>	

Grants Special Revenue Fund  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted Intergovernmental:				
Police grants	\$ 920,975	\$ 239,840	\$ (681,135)	\$ 349,091
Fire grants	12,000	10,000	(2,000)	-
Recreation grants	15,100	10,409	(4,691)	-
Planning grants	331,040	15,750	(315,290)	-
Urgent repair grant	150,000	61,254	(88,746)	37,500
CDBG grant	59,800	59,800	-	-
Investment earnings	-	18	18	-
<b>Total revenues</b>	<b>1,488,915</b>	<b>397,071</b>	<b>(1,091,844)</b>	<b>386,591</b>
<b>Expenditures:</b>				
Public safety	956,781	250,193	706,588	319,995
Culture and recreation	15,100	11,022	4,078	6,759
Physical and economic development:				
Cama Neuse waterfront access	162,290	-	162,290	22,300
2010 Historic plan	9,000	9,000	-	-
Urgent repair	157,500	64,492	93,008	4,300
Safe Routes to School	99,900	-	99,900	-
2011 Main Street Solutions	100,000	-	100,000	-
CDGB	59,782	59,711	71	89
<b>Total expenditures</b>	<b>1,560,353</b>	<b>394,418</b>	<b>1,165,935</b>	<b>353,443</b>
<b>Revenues under expenditures</b>	<b>(71,438)</b>	<b>2,653</b>	<b>(74,091)</b>	<b>33,148</b>
<b>Other financing sources:</b>				
Transfers in	71,438	71,438	-	31,271
<b>Total other financing sources</b>	<b>71,438</b>	<b>71,438</b>	<b>-</b>	<b>31,271</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>74,091</b>	<b>\$ (74,091)</b>	<b>64,419</b>
<b>Fund Balance:</b>				
Beginning of year - July 1		64,419		-
End of year - June 30		<u>\$ 138,510</u>		<u>\$ 64,419</u>

Public-Private Partnership  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Restricted Intergovernmental:				
Grants and private contributions	\$ 9,575	\$ 4,149	\$ (5,426)	\$ 12,072
<b>Total revenues</b>	<u>9,575</u>	<u>4,149</u>	<u>(5,426)</u>	<u>12,072</u>
<b>Expenditures:</b>				
Economic and physical development				
Operating expenditures	24,575	3,306	21,269	8,072
<b>Total expenditures</b>	<u>24,575</u>	<u>3,306</u>	<u>21,269</u>	<u>8,072</u>
<b>Revenues over (under) expenditures</b>	<u>(15,000)</u>	<u>843</u>	<u>15,843</u>	<u>4,000</u>
<b>Other financing sources:</b>				
Appropriated fund balance	5,500			
Transfers in	15,000	15,000	-	1,500
<b>Total other financing sources</b>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>1,500</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>15,843</u>	<u>\$ 15,843</u>	<u>5,500</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		5,500		-
End of year - June 30		<u>\$ 21,343</u>		<u>\$ 5,500</u>

FEMA Hurricane Irene  
 Schedule of Revenues and Expenditures -  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Restricted Intergovernmental:				
Federal Public Assistance Disaster grant	\$ 142,149	\$ -	\$ -	\$ -
State Public Assistance Disaster grant	47,383	-	-	-
Miscellaneous	78,112	-	78,112	78,112
<b>Total revenues</b>	<b>267,644</b>	<b>-</b>	<b>78,112</b>	<b>78,112</b>
<b>Expenditures:</b>				
Public safety	267,644	-	-	-
<b>Total expenditures</b>	<b>267,644</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,112</b>	<b>\$ 78,112</b>

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# Non-Major Capital Project Funds

## **CDBG Community Development 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.

Nonmajor Capital Project Funds  
 Combining Balance Sheet  
 June 30, 2012

	CDBG Community Revitalization Capital Project	Radio System Equipment Capital Project	Total
<b>Assets</b>			
Assets			
Cash and cash equivalents	\$ -	\$ 319,440	\$ 319,440
Due from other funds	-	2,762	2,762
Due from other governments	4,412	-	4,412
<b>Total assets</b>	<b>\$ 4,412</b>	<b>\$ 322,202</b>	<b>\$ 326,614</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,650	\$ -	\$ 1,650
Due to other funds	2,762	-	2,762
<b>Total liabilities</b>	<b>4,412</b>	<b>-</b>	<b>4,412</b>
Fund balances:			
Spendable			
Restricted			
Stabilization by State Statute	4,412	-	4,412
Restricted for public safety	-	-	-
Committed	-	322,202	322,202
Unassigned	(4,412)	-	(4,412)
<b>Total fund balances</b>	<b>-</b>	<b>322,202</b>	<b>322,202</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,412</b>	<b>\$ 322,202</b>	<b>\$ 326,614</b>

**Nonmajor Capital Project Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Year Ended June 30, 2012**

	CDBG Community Revitalization Capital Project	Radio System Equipment Capital Project	Total
<b>Revenues:</b>			
Restricted intergovernmental	\$ 153,740	\$ -	\$ 153,740
Investment earnings	-	16	16
<b>Total revenues</b>	<b>153,740</b>	<b>16</b>	<b>153,756</b>
<b>Expenditures:</b>			
Economic physical development	151,392	-	151,392
Public safety	-	3,557,639	3,557,639
<b>Total expenditures</b>	<b>151,392</b>	<b>3,557,639</b>	<b>3,709,031</b>
<b>Revenues over (under) expenditures</b>	<b>2,348</b>	<b>(3,557,623)</b>	<b>(3,555,275)</b>
<b>Other financing sources:</b>			
Debt issued	-	3,485,500	3,485,500
<b>Total other financing sources</b>	<b>-</b>	<b>3,485,500</b>	<b>3,485,500</b>
<b>Net change in fund balances</b>	<b>2,348</b>	<b>(72,123)</b>	<b>(69,775)</b>
<b>Fund balances:</b>			
Fund balances, beginning of year	(2,348)	394,325	391,977
Fund balances, end of year, June 30th	\$ -	\$ 322,202	\$ 322,202

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, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
<b>Revenues:</b>				
Restricted Intergovernmental:				
CDBG grant	\$ 1,000,000	\$ -	\$ 53,740	\$ 53,740
Powell Bill grant	50,000	-	-	-
NRCDC grant	100,000	-	100,000	100,000
<b>Total revenues</b>	<b>1,150,000</b>	<b>-</b>	<b>153,740</b>	<b>153,740</b>
<b>Expenditures:</b>				
Economic and physical development				
Operating expenditures	1,075,100	-	138,737	138,737
Capital outlay	89,900	2,348	12,655	15,003
<b>Total expenditures</b>	<b>1,165,000</b>	<b>2,348</b>	<b>151,392</b>	<b>153,740</b>
<b>Revenues over (under) expenditures</b>	<b>(15,000)</b>	<b>(2,348)</b>	<b>2,348</b>	<b>-</b>
<b>Other financing sources:</b>				
Transfers in	15,000	-	-	-
<b>Total other financing sources</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (2,348)</b>	<b>2,348</b>	<b>\$ -</b>
<b>Fund balances:</b>				
Beginning of year - July 1			(2,348)	
End of year - June 30			\$ -	

Radio System Equipment Capital Project  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Actual Current Year	Total
Revenues:				
Other revenues:				
Investment earnings	\$ -	\$ -	\$ 16	\$ 16
Miscellaneous revenues	495,537	187,744	-	187,744
<b>Total revenues</b>	<b>495,537</b>	<b>187,744</b>	<b>16</b>	<b>187,760</b>
Expenditures:				
General government				
Capital outlay	4,342,697	94,699	3,557,639	3,652,338
<b>Total expenditures</b>	<b>4,342,697</b>	<b>94,699</b>	<b>3,557,639</b>	<b>3,652,338</b>
<b>Revenues over (under) expenditures</b>	<b>(3,847,160)</b>	<b>93,045</b>	<b>(3,557,623)</b>	<b>(3,464,578)</b>
Other financing sources (uses):				
Debt issued	3,545,880	-	3,485,500	3,485,500
Transfers in	301,280	301,280	-	301,280
<b>Total other financing sources</b>	<b>3,847,160</b>	<b>301,280</b>	<b>3,485,500</b>	<b>3,786,780</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 394,325</b>	<b>(72,123)</b>	<b>\$ 322,202</b>
Fund balances:				
Beginning of year - July 1			394,325	
End of year - June 30			<u>322,202</u>	



# 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, 2012  
 With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Rates and charges	\$ 62,847,380	\$ 60,516,535	\$ (2,330,845)	\$ 65,844,692
<b>Total operating revenues</b>	<b>62,847,380</b>	<b>60,516,535</b>	<b>(2,330,845)</b>	<b>65,844,692</b>
Nonoperating revenues:				
Interest on investments	2,000	4,119	2,119	72,178
FEMA grant revenue	1,217,000	1,264,971	47,971	44,523
Miscellaneous	15,000	152,035	137,035	5,900
<b>Total nonoperating revenues</b>	<b>1,234,000</b>	<b>1,421,125</b>	<b>187,125</b>	<b>122,601</b>
<b>Total revenues</b>	<b>64,081,380</b>	<b>61,937,660</b>	<b>(2,143,720)</b>	<b>65,967,293</b>
Expenditures:				
Administration	7,887,762	7,317,837	569,925	6,939,114
Production	48,577,218	47,382,382	1,194,836	49,931,643
Distribution	2,675,570	2,463,512	212,058	2,746,223
Reimbursed expenditures - interfund	(754,760)	(717,375)	(37,385)	(660,777)
Hurricane Irene expenditures	1,314,350	1,549,082	(234,732)	-
Capital outlay	1,397,800	935,526	462,274	1,123,054
Debt Service	968,527	714,267	254,260	621,138
<b>Total expenditures</b>	<b>62,066,467</b>	<b>59,645,231</b>	<b>2,421,236</b>	<b>60,700,395</b>
<b>Excess of revenues     over expenditures</b>	<b>2,014,913</b>	<b>2,292,429</b>	<b>277,516</b>	<b>5,266,898</b>
Other financing sources (uses):				
Installment debt issued	185,000	-	(185,000)	141,912
Transfers out	(1,801,367)	(1,801,367)	-	(1,653,478)
Intra-fund transfers in	-	-	-	8,458
Contingency	(398,546)	-	398,546	-
<b>Total other financing sources (uses)</b>	<b>(2,014,913)</b>	<b>(1,801,367)</b>	<b>213,546</b>	<b>(1,503,108)</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 491,062</b>	<b>\$ 491,062</b>	<b>\$ 3,763,790</b>

(Continued)

Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -  
Electric Operating Fund - Major Enterprise Fund (Continued)  
Year Ended June 30, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011

	2012	2011
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 491,062	\$ 3,763,790
Capital project interest revenue	2,329	21
Capitalized work orders	1,053,460	677,587
Capital assets purchased	120,260	368,845
Depreciation	(1,958,056)	(1,911,731)
Intra-fund transfers	-	(8,458)
Proceeds from the issuance of debt	-	(141,912)
Principal payment on debt	516,173	419,398
Loss on disposal of capital assets	(607)	-
Change in accrued interest	(13,355)	-
Bad debt expense	(165,509)	-
Change in accrued compensated absences	(25,150)	-
Changes in OPEB liability	(207,085)	(152,153)
	<u>                    </u>	<u>                    </u>
<b>Net income</b>	<u><u>\$ (186,478)</u></u>	<u><u>\$ 3,015,387</u></u>

Electric Substation Capital Project Fund  
 Schedule of Revenues and Expenditures -  
 Budget and Actual  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Current Year	Total
Revenues:				
Interest earnings	\$ -	\$ -	\$ 2,329	\$ 2,329
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>2,329</b>	<b>2,329</b>
Expenditures:				
Substation capital outlay	2,190,000	866,164	1,015,584	1,881,748
<b>Deficiency of revenues         over (under) expenditures</b>	<b>(2,190,000)</b>	<b>(866,164)</b>	<b>(1,013,255)</b>	<b>(1,879,419)</b>
Other financing sources:				
Debt issued	2,190,000	2,190,000	-	2,190,000
<b>Total other financing sources</b>	<b>2,190,000</b>	<b>2,190,000</b>	<b>-</b>	<b>2,190,000</b>
<b>Revenues and other financing         sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,323,836</b>	<b>\$ (1,013,255)</b>	<b>\$ 310,581</b>

AMI/DSM System  
 Schedule of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP)  
 From Inception and For the Year Ended June 30, 2012

	Project Authorization	Prior Years	Current Year	Total
<b>Revenues:</b>				
Interest earnings	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Electric system project	450,000	-	48,783	48,783
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(450,000)</b>	<b>-</b>	<b>(48,783)</b>	<b>(48,783)</b>
<b>Other financing sources (uses):</b>				
Installment debt issued	450,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>450,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (48,783)</b>	<b>\$ (48,783)</b>

Water Operating Fund - Major Enterprise Fund  
 Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance	2011
	Budget	Actual	Positive (Negative)	Actual
<b>Revenues:</b>				
Operating revenues:				
Rates and charges	\$ 10,730,481	\$ 10,890,900	\$ 160,419	\$ 11,037,540
<b>Total operating revenues</b>	<b>10,730,481</b>	<b>10,890,900</b>	<b>160,419</b>	<b>11,037,540</b>
Nonoperating revenues:				
Interest on investments	3,500	4,439	939	6,413
Capital contributions	-	-	-	341,531
FEMA grant revenue	12,200	59,867	47,667	-
Miscellaneous	2,000	100,683	98,683	3,640
<b>Total nonoperating revenues</b>	<b>17,700</b>	<b>164,989</b>	<b>147,289</b>	<b>351,584</b>
<b>Total revenues</b>	<b>10,748,181</b>	<b>11,055,889</b>	<b>307,708</b>	<b>11,389,124</b>
<b>Expenditures:</b>				
Administration	2,596,356	2,557,079	39,277	2,142,028
System maintenance and extensions	2,845,990	2,512,651	333,339	1,592,022
Hydrant maintenance	-	-	-	233,965
Reimbursed expenditures - interfund	(270,550)	(277,237)	6,687	-
Treatment	2,014,102	1,784,252	229,850	1,433,687
Hurricane Irene expenditures	68,857	68,857	-	-
Capital outlay	433,000	298,957	134,043	186,763
Debt Service	3,073,770	2,954,980	118,790	3,009,362
<b>Total expenditures</b>	<b>10,761,525</b>	<b>9,899,539</b>	<b>861,986</b>	<b>8,597,827</b>
<b>Excess of revenues over expenditures</b>	<b>(13,344)</b>	<b>1,156,350</b>	<b>1,169,694</b>	<b>2,791,297</b>
<b>Other financing sources (uses):</b>				
Transfers in	160,000	160,000	-	-
Transfers out	(46,500)	(46,500)	-	(735,676)
Contingency	(100,156)	-	(100,156)	-
Intra-fund transfers out	-	-	-	(1,006)
<b>Total other financing sources (uses)</b>	<b>13,344</b>	<b>113,500</b>	<b>(100,156)</b>	<b>(736,682)</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 1,269,850</b>	<b>\$ 1,269,850</b>	<b>\$ 2,054,615</b>

(Continued)

Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -  
 Water Operating Fund - Major Enterprise Fund (Continued)  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for Year Ended June 30, 2011

	2012	2011
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 1,269,850	\$ 2,054,615
Capital project interest revenue	1,388	-
Capital project fee revenue	113,245	92,202
Capitalized work orders	201,079	186,763
Capital assets purchased	97,878	-
Depreciation	(1,349,464)	(466,130)
Intra-fund transfers	-	1,006
Transfer of capital assets	27,690	
Transfer of debt	(20,685)	
Bad debt expense	(35,079)	-
Principal payment on debt	2,053,692	2,238,496
Change in accrued interest payable	(125,239)	-
Change in accrued compensated absences	(59,046)	-
Changes in OPEB liability	(79,760)	(60,861)
	<u>\$ 2,095,549</u>	<u>\$ 4,046,091</u>
<b>Net income</b>	<b>\$ 2,095,549</b>	<b>\$ 4,046,091</b>

Water Capital Reserve Fund  
 Schedule of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP)  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Connection fees	\$ 95,000	\$ 10,670	\$ (84,330)	\$ 89,371
Capital recovery fee	-	102,575	102,575	-
Investment earnings	-	297	297	435
<b>Total revenues</b>	<b>95,000</b>	<b>113,542</b>	<b>18,542</b>	<b>89,806</b>
<b>Expenditures:</b>				
Capital outlay	95,000	-	95,000	-
<b>Total expenditures</b>	<b>95,000</b>	<b>-</b>	<b>95,000</b>	<b>-</b>
<b>Revenues over expenditures</b>	<b>\$ -</b>	<b>\$ 113,542</b>	<b>\$ 113,542</b>	<b>\$ 89,806</b>

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, 2012

	Project Authorization	Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 5,447	\$ 388	\$ 5,835
<b>Total revenues</b>	<b>-</b>	<b>5,447</b>	<b>388</b>	<b>5,835</b>
<b>Expenditures:</b>				
Water improvement project	3,500,000	3,211,248	38,971	3,250,219
<b>Revenues under expenditures</b>	<b>(3,500,000)</b>	<b>(3,205,801)</b>	<b>(38,583)</b>	<b>(3,244,384)</b>
<b>Other financing sources:</b>				
Installment debt issued	3,500,000	3,394,150	-	3,394,150
<b>Total other financing sources</b>	<b>3,500,000</b>	<b>3,394,150</b>	<b>-</b>	<b>3,394,150</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 188,349</b>	<b>\$ (38,583)</b>	<b>\$ 149,766</b>

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, 2012

	Project Authorization	Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 2,255	\$ 703	\$ 2,958
<b>Total revenues</b>	<b>-</b>	<b>2,255</b>	<b>703</b>	<b>2,958</b>
<b>Expenditures:</b>				
Water improvement project	1,350,000	796,741	-	796,741
<b>Revenues under expenditures</b>	<b>(1,350,000)</b>	<b>(794,486)</b>	<b>703</b>	<b>(793,783)</b>
<b>Other financing sources:</b>				
Installment debt issued	1,350,000	1,350,000	-	1,350,000
<b>Total other financing sources</b>	<b>1,350,000</b>	<b>1,350,000</b>	<b>-</b>	<b>1,350,000</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 555,514</b>	<b>\$ 703</b>	<b>\$ 556,217</b>

Sewer Operating Fund - Major Enterprise Fund  
Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP)  
Year Ended June 30, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Rates and charges	\$ 11,277,800	\$ 11,453,439	\$ 175,639	\$ 11,578,140
Availability fees	637,724	637,723	(1)	656,591
<b>Total operating revenues</b>	<b>11,915,524</b>	<b>12,091,162</b>	<b>175,638</b>	<b>12,234,731</b>
Nonoperating revenues:				
Interest on investments	700	1,424	724	1,434
FEMA grant revenue	20,300	144,121	123,821	1,559
NC Rural Economic Development Center grant	-	40,000	40,000	-
Capital contributions	-	-	-	302,072
Miscellaneous	1,500	11,709	10,209	5,487
<b>Total nonoperating revenues</b>	<b>22,500</b>	<b>197,254</b>	<b>174,754</b>	<b>310,552</b>
<b>Total revenues</b>	<b>11,938,024</b>	<b>12,288,416</b>	<b>350,392</b>	<b>12,545,283</b>
<b>Expenditures:</b>				
Administration	2,065,035	2,023,728	41,307	1,851,531
System maintenance and extensions	3,206,491	3,006,662	199,829	3,648,974
Pre-treatment	-	-	-	104,117
Treatment	2,530,119	2,398,217	131,902	2,192,244
Hurricane Irene expenditures	15,410	75,410	(60,000)	-
Capital outlay	1,194,840	174,711	1,020,129	262,664
Debt Service	3,610,281	3,600,055	10,226	3,906,350
<b>Total expenditures</b>	<b>12,622,176</b>	<b>11,278,783</b>	<b>1,343,393</b>	<b>11,965,880</b>
<b>Excess of revenues over expenditures</b>	<b>(684,152)</b>	<b>1,009,633</b>	<b>1,693,785</b>	<b>579,403</b>
<b>Other financing sources (uses):</b>				
Debt proceeds	925,000	-	(925,000)	-
Transfers in	-	-	-	434,396
Transfers out:				
Water fund	(160,000)	(160,000)	-	-
Employee Insurance Benefit fund	(44,200)	(44,200)	-	-
Installment debt issued	-	-	-	-
Contingency	(36,648)	-	36,648	-
<b>Total other financing sources (uses)</b>	<b>684,152</b>	<b>(204,200)</b>	<b>(888,352)</b>	<b>434,396</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>805,433</b>	<b>\$ 805,433</b>	<b>\$ 1,013,799</b>

(Continued)

Schedule of Revenues and Expenditures, Budget and Actual (Non-GAAP) -  
Sewer Operating Fund - Major Enterprise Fund (Continued)  
Year Ended June 30, 2012  
With Comparative Actual Amounts for Year Ended June 30, 2011

	2012	2011
Reconciliation to Full Accrual Basis		
From Modified Accrual Basis:		
Revenues over expenditures	\$ 805,433	\$ 1,013,799
Capital project revenues	186,438	59,037
Capital project interest earnings	242	-
Capitalized work orders	17,658	492,799
Capital outlay	157,053	262,664
Depreciation	(1,905,610)	(1,860,575)
Bad debt expense	(31,028)	-
Principal payment on debt	2,719,876	2,928,819
Change in accrued interest payable	(6,943)	-
Change in accrued compensated absences	7,829	-
Changes in OPEB liability	<u>(122,515)</u>	<u>(91,292)</u>
<b>Net income</b>	<b><u>\$ 1,828,433</u></b>	<b><u>\$ 2,805,251</u></b>

Sewer Capital Reserve Fund  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012		Variance Positive (Negative)	2011
	Final Budget	Actual		Actual
<b>Revenues:</b>				
Connection fees	\$ 50,000	\$ 4,942	\$ (45,058)	\$ 58,070
Capital recovery fee	\$ -	\$ 181,496	181,496	
Investment earnings	-	119	119	98
<b>Total revenues</b>	<b>50,000</b>	<b>186,557</b>	<b>136,557</b>	<b>58,168</b>
<b>Expenditures:</b>				
Capital outlay	50,000	-	50,000	-
<b>Total expenditures</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>186,557</b>	<b>\$ 186,557</b>	<b>\$ 58,168</b>
<b>Fund balances:</b>				
Beginning of year - July 1		145,068		
End of year - June 30		<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, 2012

	Project Authorization	Prior Years	Current Year	Total
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 4,862	\$ 123	\$ 4,985
<b>Total revenues</b>	<b>-</b>	<b>4,862</b>	<b>123</b>	<b>4,985</b>
<b>Expenditures:</b>				
Sewer improvement project	5,451,593	5,403,682	3,300	5,406,982
<b>Revenues under expenditures</b>	<b>(5,451,593)</b>	<b>(5,398,820)</b>	<b>(3,177)</b>	<b>(5,401,997)</b>
<b>Other financing sources:</b>				
Installment debt issued	5,451,593	5,497,760	-	5,497,760
<b>Total other financing sources</b>	<b>5,451,593</b>	<b>5,497,760</b>	<b>-</b>	<b>5,497,760</b>
<b>Revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ 98,940</b>	<b>\$ (3,177)</b>	<b>\$ 95,763</b>

Stormwater Operating Fund  
 Schedule of Revenues and Expenditures, and Changes  
 In Fund Balance Budget and Actual  
 Year Ended June 30, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Rates and charges	\$ 75,000	\$ 87,917	\$ 12,917
<b>Total operating revenues</b>	<u>75,000</u>	<u>87,917</u>	<u>12,917</u>
Expenditures:			
Improvements	75,000	74,153	847
<b>Total expenditures</b>	<u>75,000</u>	<u>74,153</u>	<u>847</u>
<b>Net change in fund balances     over expenditures</b>	<u>\$ -</u>	13,764	<u>\$ 13,764</u>
Fund balances:			
Beginning of year - July 1		-	
End of year - June 30		<u>\$ 13,764</u>	

## 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, 2012

	2012		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Employee and retiree contributions	\$ 702,000	\$ 669,587	\$ (32,413)
Employer and other contributions	5,164,035	5,946,148	782,113
Investment earnings	300	289	(11)
<b>Total revenue</b>	<b>5,866,335</b>	<b>6,616,024</b>	<b>749,689</b>
<b>Expenditures:</b>			
Employee insurance plan benefits	6,366,335	6,733,081	(366,746)
<b>Total expenditures</b>	<b>6,366,335</b>	<b>6,733,081</b>	<b>(366,746)</b>
<b>Revenue over (under) expenditures</b>	<b>(500,000)</b>	<b>(117,057)</b>	<b>382,943</b>
<b>Other financing sources:</b>			
Transfers in	500,000	500,000	-
<b>Revenues and other financing sources over over expenditures</b>	<b>\$ -</b>	<b>382,943</b>	<b>\$ 382,943</b>
<b>Reconciliation from budgetary basis to full accrual basis:</b>			
Increase in IBNR		(14,144)	
<b>Net Loss - full accrual basis</b>		<b>\$ 368,799</b>	

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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, 2012

Fiscal Year	Balance July 1, 2011	Additions	Collections and Credits	Balance June 30, 2012
2011 - 2012	\$ -	\$ 13,034,415	\$ 12,694,505	\$ 339,910
2011 - 2010	366,510		238,233	128,277
2010 - 2009	185,638	-	119,967	65,671
2009 - 2008	68,942	-	6,980	61,962
2008 - 2007	52,888	-	2,803	50,085
2007 - 2006	34,266	-	2,829	31,437
2006 - 2005	27,746	-	2,109	25,637
2005 - 2004	24,791	-	1,471	23,320
2004 - 2003	21,917	-	654	21,263
2003 - 2002	24,478	-	996	23,482
2002 - 2001	22,433	-	22,433	-
	<u>\$ 829,609</u>	<u>\$ 13,034,415</u>	<u>\$ 13,092,980</u>	<u>771,044</u>
Plus: Municipal Service District taxes receivable, all years, net of allowance				17,862
Plus: motor vehicle taxes collected but not received from the County				45,885
Less allowance for uncollectible accounts, General Fund				<u>(320,442)</u>
Ad valorem taxes receivable net				<u>\$ 514,349</u>
Reconciliation with revenues:				
Ad valorem taxes				\$ 13,364,849
Reconciling Items:				
Amount written off per statute				22,420
Less interest collected				(86,637)
Releases, ad valorem				54,215
Less Municipal Service District taxes, penalty, & interest collected all years				<u>(261,867)</u>
<b>Total Collections and Credits</b>				<u>\$ 13,092,980</u>

Analysis of Current Year Levy  
 City-Wide Levy  
 For the Year Ended June 30, 2012

	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	\$ 3,056,707,575	\$ 0.41	\$ 12,613,886	\$ 11,599,911	\$ 1,013,975
Penalties	-		4,480	4,480	-
<b>Total</b>	<u>3,056,707,575</u>		<u>12,618,366</u>	<u>11,604,391</u>	<u>1,013,975</u>
Discoveries:					
Current year taxes	145,150,896	0.41	595,119	595,119	-
Penalties	-		6,816	6,816	-
<b>Total</b>	<u>145,150,896</u>		<u>601,935</u>	<u>601,935</u>	<u>-</u>
Abatements	<u>(71,812,370)</u>		<u>(185,886)</u>	<u>(42,596)</u>	<u>(143,290)</u>
<b>Total property valuation</b>	<u><u>\$ 3,130,046,101</u></u>				
Net levy			13,034,415	12,163,730	870,685
Uncollected taxes as of June 30, 2012			<u>339,910</u>	<u>254,063</u>	<u>85,847</u>
Current years taxes collected			<u>\$ 12,694,505</u>	<u>\$ 11,909,667</u>	<u>\$ 784,838</u>
Current levy collection percentage			<u>97.39%</u>	<u>97.91%</u>	<u>90.14%</u>
Prior year collection percentage			<u>97.15%</u>	<u>97.65%</u>	<u>90.40%</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 Assets By Component  
 Last Ten Fiscal Years  
*(Accrual Basis of Accounting)*  
 (Unaudited)

	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 17,947,356	\$ 22,820,545	\$ 23,394,465	\$ 25,064,130
Restricted	72,300	330,615	-	-
Unrestricted	5,822,331	6,478,616	7,669,103	7,225,434
<b>Total governmental activities net assets</b>	<b>\$ 23,841,987</b>	<b>\$ 29,629,776</b>	<b>\$ 31,063,568</b>	<b>\$ 32,289,564</b>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 39,139,077	\$ 46,067,163	\$ 53,069,482	\$ 59,491,097
Unrestricted	11,918,279	7,842,623	5,926,748	4,957,739
<b>Total business-type activities net assets</b>	<b>\$ 51,057,356</b>	<b>\$ 53,909,786</b>	<b>\$ 58,996,230</b>	<b>\$ 64,448,836</b>
Primary government:				
Invested in capital assets, net of related debt	\$ 57,086,433	\$ 68,887,708	\$ 76,463,947	\$ 84,555,227
Restricted	72,300	330,615	-	-
Unrestricted	17,740,610	14,321,239	13,595,851	12,183,173
<b>Total primary government net assets</b>	<b>\$ 74,899,343</b>	<b>\$ 83,539,562</b>	<b>\$ 90,059,798</b>	<b>\$ 96,738,400</b>

GASB Statement No. 34 Implemented in Fiscal Year 2003

	2007		2008		2009		2010		2011		2012
\$	27,941,069	\$	31,404,726	\$	32,315,686	\$	31,419,739	\$	34,018,646	\$	34,826,041
	-		-		-		-		3,840,612		4,317,526
	6,149,098		5,203,061		4,219,981		3,051,269		760,319		1,952,892
\$	34,090,167	\$	36,607,787	\$	36,535,667	\$	34,471,008	\$	38,619,577	\$	41,096,459
\$	66,649,066	\$	72,480,430	\$	73,993,249	\$	76,160,558	\$	78,578,999	\$	80,159,948
	5,543,157		2,920,879		7,218,811		14,211,130		21,659,418		23,829,737
\$	72,192,223	\$	75,401,309	\$	81,212,060	\$	90,371,688	\$	100,238,417	\$	103,989,685
\$	94,590,135	\$	103,885,156	\$	106,308,935	\$	107,580,297	\$	112,597,645	\$	114,985,989
	-		-		-		-		3,840,612		4,317,526
	11,692,255		8,123,940		11,438,792		17,262,399		22,419,737		25,782,629
\$	106,282,390	\$	112,009,096	\$	117,747,727	\$	124,842,696	\$	138,857,994	\$	145,086,144

City of New Bern, North Carolina

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

	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 6,368,354	\$ 8,162,179	\$ 1,933,097	\$ 1,031,066
Public safety	11,070,085	11,570,838	11,744,785	12,204,473
Transportation	2,187,244	2,299,501	-	-
Public Works	3,209,143	3,418,888	3,243,228	3,584,042
Environmental protection	1,561,120	1,674,300	1,741,625	1,820,183
Culture and recreation	1,619,798	2,015,123	2,148,995	2,376,169
Economic and physical development	1,714,866	660,019	1,371,386	1,230,911
Interest on long-term debt	534,599	245,959	297,312	354,053
<b>Total governmental activities expenses</b>	<b>28,265,209</b>	<b>30,046,807</b>	<b>22,480,428</b>	<b>22,600,897</b>
Business-type activities:				
Electric	41,837,712	43,148,634	43,499,726	47,888,167
Water	3,042,632	3,243,740	3,737,359	4,037,711
Sewer	5,670,896	7,128,242	7,225,014	8,724,347
Stormwater	-	-	-	-
<b>Total business-type activities expenses</b>	<b>50,551,240</b>	<b>53,520,616</b>	<b>54,462,099</b>	<b>60,650,225</b>
<b>Total primary government expenses</b>	<b>78,816,449</b>	<b>83,567,423</b>	<b>76,942,527</b>	<b>83,251,122</b>
Program revenue:				
Governmental activities:				
Charges for services:				
General government	4,062,564	4,681,762	3,055,483	2,281,002
Public safety	178,322	151,937	157,227	442,835
Public Works	315,778	325,066	81,205	986,196
Environmental protection	1,242,800	1,261,206	1,394,365	1,242,068
Culture and recreation	36,891	44,095	68,767	56,098
Economic and physical development	2,028	9,309	-	4,053
Operating grants and contributions:				
General government	1,420	27,387	-	-
Public safety	602,897	619,106	886,729	281,036
Transportation	748,810	694,190	-	-
Public Works	126,810	393,879	-	-
Environmental protection	-	-	-	-
Culture and recreation	242,404	161,851	153,152	-
Economic and physical development	1,890,502	680,204	608,406	607,712
Capital grants and contributions:				
General government	-	-	330,098	11,695
Public Safety	-	-	-	-
Public Works	-	-	816,108	-
Environmental protection	-	-	-	777,808
Culture and recreation	-	-	-	-
Economic and physical development	-	-	-	-
<b>Total governmental activities program revenue</b>	<b>9,451,226</b>	<b>9,049,992</b>	<b>7,551,540</b>	<b>6,690,503</b>

	2007	2008	2009	2010	2011	2012
\$	2,611,090	\$ 1,740,209	\$ 1,607,896	\$ 1,715,925	\$ 1,959,814	\$ 2,737,701
	12,850,444	14,256,696	16,013,462	17,093,862	15,232,805	15,127,179
	-	-	-	-	-	-
	1,764,001	4,155,602	4,473,588	4,376,173	3,970,149	5,223,903
	1,553,143	1,857,096	1,913,120	2,033,675	2,054,485	2,053,938
	1,930,009	2,447,858	2,589,437	2,708,074	2,280,243	2,549,680
	1,793,777	1,573,632	1,762,996	1,791,932	1,405,498	1,731,687
	504,338	352,293	536,679	563,132	518,903	509,077
	23,006,802	26,383,386	28,897,178	30,282,773	27,421,897	29,933,165
	49,951,891	51,942,501	57,412,727	60,061,164	61,298,449	60,325,099
	4,580,662	6,003,170	5,688,144	6,331,408	6,699,559	9,195,478
	9,605,872	9,919,852	10,052,081	10,677,006	10,233,465	10,442,463
	-	-	-	-	-	74,153
	64,138,425	67,865,523	73,152,952	77,069,578	78,231,473	80,037,193
	87,145,227	94,248,909	102,050,130	107,352,351	105,653,370	109,970,358
	2,216,435	3,646,342	2,734,955	2,919,172	3,158,508	1,945,596
	68,505	74,246	464,430	414,458	355,296	185,272
	1,173,852	162,910	198,964	179,765	247,586	130,132
	1,367,977	1,418,840	1,502,513	1,550,860	1,861,267	2,149,340
	74,426	93,681	98,533	133,105	133,623	167,033
	-	-	6,000	3,300	1,600	565,279
	-	236,608	-	-	-	-
	551,151	891,411	349,007	479,895	125,120	601,199
	-	-	-	-	-	-
	-	-	9,048	-	-	1,320,993
	-	-	563	63,892	145,054	161,299
	-	5,762	107,531	7,875	12,383	-
	596,071	356,331	32,120	120,605	52,762	293,530
	-	-	-	-	-	-
	-	432,429	105,509	89,130	542,146	397,053
	-	910,462	824,445	738,519	754,012	834,142
	784,016	-	-	-	-	-
	-	12,732	-	27,186	460,082	-
	-	33,841	-	-	758,500	-
	6,832,433	8,275,595	6,433,618	6,727,762	8,607,939	8,750,868

City of New Bern, North Carolina

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

	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Electric	\$ 42,913,536	\$ 44,805,720	\$ 43,462,330	\$ 48,908,431
Water	3,118,104	3,837,758	4,368,428	4,640,399
Sewer	5,774,686	8,174,528	9,762,576	10,012,321
Stormwater	-	-	-	-
Capital grants and contributions:				
Electric	-	-	35,205	120,618
Water	-	-	183,540	73,848
Sewer	-	-	3,038,859	3,108,072
Operating grants and contributions:				
Electric				
Water				
Sewer				
<b>Total business-type activities program revenues</b>	<b>51,806,326</b>	<b>56,818,006</b>	<b>60,850,938</b>	<b>66,863,689</b>
<b>Total primary government program revenues</b>	<b>61,257,552</b>	<b>65,867,998</b>	<b>68,402,478</b>	<b>73,554,192</b>
Net (expense) revenue:				
Governmental activities	(18,813,983)	(20,996,815)	(14,928,888)	(15,910,394)
Business-type activities	1,255,086	3,297,390	6,388,839	6,213,464
<b>Total primary government net expense</b>	<b>(17,558,897)</b>	<b>(17,699,425)</b>	<b>(8,540,049)</b>	<b>(9,696,930)</b>

(Continued)

	2007	2008	2009	2010	2011	2012
\$	51,077,708	\$ 53,551,679	\$ 61,694,281	\$ 64,846,861	\$ 65,916,870	\$ 60,516,535
	5,377,310	6,095,579	6,877,360	9,768,948	11,130,551	10,890,900
	10,864,324	11,945,455	11,406,773	12,383,344	12,298,288	12,091,162
	-	-	-	-	-	87,917
	34,858	-	-	-	44,523	-
	755,828	-	360,626	342,085	341,531	-
	4,211,536	598,245	841,156	449,829	303,631	-
						1,417,005
						273,795
						382,268
	72,321,564	72,190,958	81,180,196	87,791,067	90,035,394	85,659,582
	79,153,997	80,466,553	87,613,814	94,518,829	98,643,333	94,410,450
	(16,174,369)	(18,107,791)	(22,463,560)	(23,555,011)	(18,813,958)	(21,182,297)
	8,183,139	4,325,435	8,027,244	10,721,489	11,803,921	5,622,389
	(7,991,230)	(13,782,356)	(14,436,316)	(12,833,522)	(7,010,037)	(15,559,908)

City of New Bern, North Carolina

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

	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Ad valorem taxes	\$ 7,862,971	\$ 8,311,105	\$ 8,906,208	\$ 9,397,697
Sales taxes	-	-	4,385,247	4,722,848
Utility franchise tax	-	-	-	-
Other taxes	404,446	405,317	1,557,118	1,957,366
Grants & contributions not restricted to specific programs	4,767,614	5,873,285	-	-
Investment earnings	52,136	36,128	124,196	210,979
Interdepartmental Charges	5,579,281	5,491,413	-	-
Miscellaneous	638,988	954,340	-	-
Transfers	1,251,193	1,277,289	1,389,912	847,500
<b>Total governmental activities</b>	<b>20,556,629</b>	<b>22,348,877</b>	<b>16,362,681</b>	<b>17,136,390</b>
Business-type activities:				
Grants & contributions not restricted to specific programs	1,239,817	1,072,120	-	-
Investment earnings	34,822	13,608	87,516	86,642
Miscellaneous	723,309	298,392	-	-
Transfers	(1,251,193)	(1,277,289)	(1,389,912)	(847,500)
<b>Total business-type activities</b>	<b>746,755</b>	<b>106,831</b>	<b>(1,302,396)</b>	<b>(760,858)</b>
<b>Total primary government</b>	<b>21,303,384</b>	<b>22,455,708</b>	<b>15,060,285</b>	<b>16,375,532</b>
Changes in net assets:				
Governmental activities	1,742,646	1,352,062	1,433,793	1,225,996
Business-type activities	2,001,841	3,404,221	5,086,443	5,452,606
<b>Total primary government</b>	<b>\$ 3,744,487</b>	<b>\$ 4,756,283</b>	<b>\$ 6,520,236</b>	<b>\$ 6,678,602</b>

	2007	2008	2009	2010	2011	2012
\$	10,004,106	\$ 11,394,396	\$ 11,976,146	\$ 12,043,657	\$ 12,919,994	\$ 13,315,629
	4,886,739	5,050,076	4,992,972	4,707,615	4,892,122	5,331,248
	-	-	1,455,896	1,482,365	1,520,306	1,408,725
	2,206,366	2,762,008	1,672,945	1,663,842	1,658,465	1,702,043
	268,561	-	-	-	-	-
	-	220,341	56,074	12,916	16,880	16,472
	-	-	-	-	-	-
	-	-	-	-	-	-
	609,202	1,198,590	2,237,407	1,579,957	1,954,758	1,885,062
	17,974,974	20,625,411	22,391,440	21,490,352	22,962,525	23,659,179
	-	-	-	-	-	-
	169,450	82,241	20,914	18,096	17,566	13,941
	-	-	-	-	-	-
	(609,202)	(1,198,590)	(2,237,407)	(1,579,957)	(1,954,758)	(1,885,062)
	(439,752)	(1,116,349)	(2,216,493)	(1,561,861)	(1,937,192)	(1,871,121)
	17,535,222	19,509,062	20,174,947	19,928,491	21,025,333	21,788,058
	1,800,605	2,517,620	(72,120)	(2,064,659)	4,148,567	2,476,882
	7,743,387	3,209,086	5,810,751	9,159,628	9,866,729	3,751,268
\$	\$ 9,543,992	\$ 5,726,706	\$ 5,738,631	\$ 7,094,969	\$ 14,015,296	\$ 6,228,150

City of New Bern, North Carolina

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

Function / Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
General government	\$ (2,304,370)	\$ (3,453,030)	\$ 1,452,484	\$ 1,261,631
Public safety	(10,288,866)	(10,799,795)	(10,700,829)	(11,480,602)
Transportation	(1,438,434)	(1,605,311)	-	-
Public Works	(2,766,555)	(2,699,943)	(2,345,915)	(2,597,846)
Environmental protection	(318,320)	(413,094)	(347,260)	199,693
Culture and recreation	(1,340,503)	(1,809,177)	(1,927,076)	(2,320,071)
Economic and physical development	177,664	29,494	(762,980)	(619,146)
Interest on long-term debt	(534,599)	(245,959)	(297,312)	(354,053)
<b>Total governmental activities</b>	<b>(18,813,983)</b>	<b>(20,996,815)</b>	<b>(14,928,888)</b>	<b>(15,910,394)</b>
Business-type activities:				
Electric	1,075,824	1,657,086	(2,191)	1,140,882
Water	75,472	594,018	814,609	676,536
Sewer	103,790	1,046,286	5,576,421	4,396,046
Stormwater	-	-	-	-
<b>Total business-type activities</b>	<b>1,255,086</b>	<b>3,297,390</b>	<b>6,388,839</b>	<b>6,213,464</b>
<b>Total government</b>	<b>\$ (17,558,897)</b>	<b>\$ (17,699,425)</b>	<b>\$ (8,540,049)</b>	<b>\$ (9,696,930)</b>

GASB Statement No. 34 Implemented in fiscal year 2003

Source: City records.

	2007	2008	2009	2010	2011	2012
\$	(394,655)	\$ 2,142,741	\$ 1,127,059	\$ 1,203,247	\$ 1,198,694	\$ (792,105)
	(12,230,788)	(12,858,610)	(15,094,516)	(16,110,379)	(14,210,243)	(13,943,655)
	-	-	-	-	-	-
	(590,149)	(3,082,230)	(3,441,131)	(3,457,889)	(2,968,551)	(2,938,636)
	598,850	(438,256)	(410,044)	(418,923)	(48,164)	256,701
	(1,855,583)	(2,335,683)	(2,383,373)	(2,539,908)	(1,674,155)	(2,382,647)
	(1,197,706)	(1,183,460)	(1,724,876)	(1,668,027)	(592,636)	(872,878)
	(504,338)	(352,293)	(536,679)	(563,132)	(518,903)	(509,077)
	(16,174,369)	(18,107,791)	(22,463,560)	(23,555,011)	(18,813,957)	(21,182,297)
	1,160,675	1,609,178	4,281,554	4,785,697	4,662,944	1,608,441
	1,552,476	92,409	1,549,842	3,779,625	4,772,523	1,969,217
	5,469,988	2,623,848	2,195,848	2,156,167	2,368,454	2,030,967
	-	-	-	-	-	13,764
	8,183,139	4,325,435	8,027,244	10,721,489	11,803,921	5,622,389
\$	(7,991,230)	\$ (13,782,356)	\$ (14,436,316)	\$ (12,833,522)	\$ (7,010,036)	\$ (15,559,908)

City of New Bern, North Carolina

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

	2003	2004	2005	2006
General Fund:				
Reserved	\$ 2,250,112	\$ 2,632,611	\$ 3,473,872	\$ 2,707,995
Unreserved:	2,730,368	3,316,105	3,595,689	4,286,951
Non Spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
<b>Total General Fund</b>	<b>\$ 4,980,480</b>	<b>\$ 5,948,716</b>	<b>\$ 7,069,561</b>	<b>\$ 6,994,946</b>
All Other Governmental Funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	653,013	599,984	505,134	373,245
Major Capital projects funds	-	-	-	-
Capital projects funds	21,015	(87,750)	(273,246)	-
Permanent fund	-	-	-	-
Non Spendable in Permanent Fund	-	-	-	-
Restricted in Capital Project	-	-	-	-
Committed in Capital Project	-	-	-	-
Assigned in Special Revenue Fund	-	-	-	-
Unassigned in Capital Project	-	-	-	-
<b>Total all other government funds</b>	<b>\$ 674,028</b>	<b>\$ 512,234</b>	<b>\$ 231,888</b>	<b>\$ 373,245</b>

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	2,829,693	\$	6,189,102	\$	3,227,265	\$	3,201,334	\$	-	\$	-
	3,402,295		253,896		2,701,696		2,035,562		-		-
	-		-		-		-		168,263		141,201
	-		-		-		-		2,771,830		3,397,888
	-		-		-		-		-		-
	-		-		-		-		4,604,056		6,786,387
\$	6,231,988	\$	6,442,998	\$	5,928,961	\$	5,236,896	\$	7,544,149	\$	10,325,476
<hr/>											
\$	-	\$	-	\$	266,831	\$	87,798	\$	-	\$	-
	388,722		133,373		(84,129)		1,270,581		-		-
	-		-		-		-		-		-
	(68,360)		3,966,334		327,441		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		1,290,878		920,638
	-		-		-		-		391,977		322,202
	-		-		-		-		5,500		-
	-		-		-		-		(801,416)		(261,211)
\$	320,362	\$	4,099,707	\$	510,143	\$	1,358,379	\$	886,939	\$	981,629

City of New Bern, North Carolina

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

	2003	2004	2005	2006
Revenues:	\$ 7,929,332	\$ 8,334,243	\$ 8,892,071	\$ 9,411,957
Taxes	239,243	242,869	245,142	258,431
Other taxes	8,581,940	8,280,860	8,375,870	8,681,444
Intergovernmental	420,671	386,269	494,970	606,136
Permits and fees	1,519,633	1,361,440	3,217,561	3,055,465
Charges for services	5,579,281	5,491,413	-	-
Interdepartmental charges	863,339	988,723	644,624	676,235
Other	25,133,439	25,085,817	21,870,238	22,689,668
<b>Total revenues</b>				
Expenditures:	2,533,987	2,835,728	1,090,868	982,572
General government	10,309,126	10,783,268	10,589,548	11,362,991
Public safety	1,774,543	1,948,549	-	-
Transportation	3,194,936	3,430,932	2,970,191	3,086,885
Public works	28,148	-	-	-
Fire/fireman's museum	1,555,278	1,571,976	1,639,030	1,698,419
Environmental protection	1,720,836	2,038,334	2,034,224	2,147,898
Culture and recreation	1,714,866	706,192	1,531,666	1,230,911
Economic and physical development	298,637	438,149	-	-
Miscellaneous	1,164,828	1,869,383	3,325,210	2,163,453
Capital outlay				
Debt service:	1,899,704	2,186,024	1,914,921	2,242,325
Principal	520,096	256,523	323,200	354,053
Interest	26,714,985	28,065,058	25,418,858	25,269,507
<b>Total expenditures</b>				
<b>Excess of revenues (under) expenditures</b>	(1,581,546)	(2,979,241)	(3,548,620)	(2,579,839)
Other financing sources (uses):	1,288,290	1,286,136	1,389,912	799,847
Transfers in	(37,097)	(8,847)	-	(47,653)
Transfers out	707,463	1,939,748	2,999,208	1,799,069
Issuance of long-term debt	1,958,656	3,217,037	4,389,120	2,551,263
<b>Total other financing sources</b>				
<b>Net changes in fund balance</b>	\$ 377,110	\$ 237,796	\$ 840,500	\$ (28,576)
Debt service as a percentage of noncapital expenditures	9.1%	8.7%	8.8%	10.3%

	2007	2008	2009	2010	2011	2012
\$	9,997,047	\$ 11,355,453	\$ 11,916,033	\$ 11,935,701	\$ 12,882,798	\$ 13,364,849
	276,852	286,108	282,833	268,819	255,333	262,984
	9,005,926	10,175,984	9,258,155	9,112,105	10,477,875	11,706,136
	744,445	519,042	537,054	557,945	573,392	601,753
	3,192,832	3,260,934	4,021,657	3,930,456	4,308,027	4,214,282
	-	-	-	-	-	-
	640,628	451,825	249,061	217,419	393,056	440,448
	23,857,730	26,049,346	26,264,793	26,022,445	28,890,481	30,590,452
	496,371	735,151	594,586	553,996	703,279	962,957
	13,033,632	14,389,262	14,640,876	15,115,471	14,838,939	18,309,272
	-	-	-	-	-	-
	3,350,136	3,665,542	3,763,739	3,394,160	3,491,813	4,801,869
	-	-	-	-	-	-
	1,738,901	1,789,423	1,856,632	1,959,738	1,997,630	1,952,131
	2,102,302	2,262,132	2,304,822	2,309,096	3,150,315	2,123,400
	1,793,777	2,463,087	1,669,949	1,647,002	2,249,191	1,872,267
	-	-	-	-	-	-
	1,767,427	3,726,453	6,243,472	457,895	130,547	538,108
	1,978,519	2,001,293	2,434,480	2,196,177	2,128,628	2,153,397
	504,339	352,562	536,681	563,134	518,901	445,677
	26,765,404	31,384,905	34,045,237	28,196,669	29,209,243	33,159,078
	(2,907,674)	(5,335,559)	(7,780,444)	(2,174,224)	(318,762)	(2,568,626)
	662,989	1,605,312	1,308,391	1,907,075	2,447,741	2,056,879
	(53,787)	(406,722)	-	(327,118)	(492,983)	(664,812)
	1,482,631	8,127,324	2,368,452	750,438	199,817	4,052,576
	2,091,833	9,325,914	3,676,843	2,330,395	2,154,575	5,444,643
\$	(815,841)	\$ 3,990,355	\$ (4,103,601)	\$ 156,171	\$ 1,835,813	\$ 2,876,017

9.3%

7.5%

8.7%

9.8%

9.1%

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
2002-2003	457,970,127	\$31,515,607	210,922,111	233,994,920
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

KWH Other Usage	KWH Total Usage	KWH Unbilled	KWH Unbilled %	Purchased Electric Rate (.00/KWH)	Daily Average Usage
213,120	445,130,151	12,839,976	3%	\$0.0688	1,254,713
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
<b>101,760</b>	<b>442,658,999</b>	<b>16,165,996</b>	<b>4%</b>	<b>\$0.0999</b>	<b>1,257,055</b>

City of New Bern, North Carolina

Electric Rates  
Last Ten Fiscal Years

Electric Rates	Cents Per KWH			
	2003	2004	2005	2006
Residential	\$0.1031	\$0.1042	\$0.0945	\$0.1135
Commercial	0.0912	0.0905	0.0935	0.1030
Large Commercial/Industrial	0.0681	0.0709	0.0739	0.0829
Other	0.0902	0.0907	0.0901	0.0967

Cents Per KWH

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2007	2008	2009	2010	2011	2012
\$0.1119	\$0.1220	\$0.1410	\$0.1442	\$0.1439	<b>\$0.1373</b>
0.1021	0.1114	0.1278	0.1348	0.1367	<b>0.1334</b>
0.0688	0.0699	0.0920	0.0883	0.0882	<b>0.0837</b>
0.0952	0.0964	0.1221	0.1248	0.1238	<b>0.1358</b>

City of New Bern, North Carolina

Electric System - Major Users  
Current Year and Nine Years Ago

2012					2003				
Rank	Customer	Annual KWH	Annual Revenues	Percentage of Total Electric Sales	Rank	Customer	Annual KWH	Annual Revenues	Percentage of Total Electric Sales
01	Regional Medical Center	18360000	\$1,278,586	2.18%	01	Tredegear	26092800	\$1,561,658	3.73%
02	Craven Community	7470000	664,380	1.13%	02	Regional Medical Center	16684800	991,611	2.37%
03	Hatteras Yachts	7272090	520,007	0.89%	03	Hatteras Yachts	10492800	792,830	1.90%
04	Maola	5603520	449,219	0.77%	04	Maola	8112000	570,685	1.36%
05	Craven Terrace	3381360	407,681	0.69%	05	Craven Community	5541600	412,902	0.99%
06	Wal-Mart Havelock	4546500	362,634	0.62%	06	Lowe's	3845200	169,825	0.41%
07	Lowe's	2628800	220,071	0.38%	07	Craven Terrace	2451057	215,780	0.52%
08	Food Lion -Glenburnie	1505440	146,653	0.25%	08	Food Lion	1908968	107,884	0.26%
09	Sheraton	1422336	175,665	0.30%	09	HJM McDonald	1792560	195,471	0.47%
10	Food Lion - Hwy 70E	1390120	131,841	0.22%	10	Sheraton	1521408	130,465	0.31%
Totals		<u>Revenue for All</u> <u>\$58,678,240</u> <u>53580166</u> <u>\$4,356,737</u>			Totals		<u>Revenue for All</u> <u>\$41,814,507</u> <u>76921785</u> <u>\$5,018,646</u>		

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
2003	\$ 7,178,128	\$ 7,070,435	98.50%	\$ 84,210	\$ 7,154,645	84.96%
2004	7,471,249	7,389,318	98.90	60,668	7,449,986	99.72
2005	7,982,783	7,891,509	98.86	67,954	7,959,463	99.71
2006	8,384,515	8,321,117	99.24	37,761	8,358,878	99.69
2007	8,911,639	8,856,640	99.38	23,562	8,880,202	99.66
2008	10,256,118	10,175,877	99.22	30,156	10,206,033	99.51
2009	10,882,144	10,731,998	98.62	88,184	10,820,182	99.43
2010	11,031,702	10,769,066	97.62	196,965	10,966,031	99.40
2011	12,150,856	11,833,088	97.38	189,491	12,022,579	98.94
2012	13,034,415	12,694,505	97.39	-	12,694,505	97.39

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	2012			Percentage of Total Assessed Value
		Assessed Value	Rank	Assessed Value	
BSH Home Appliances	Household Appliances	\$ 78,224,563	1		2.48%
New Bern Riverfront	Developer(Condos)	37,840,173	2		1.20%
Hatteras Yachts, Inc.	Boat Manufacturing	24,605,685	3		0.78%
DDR Xenia & New Bern LLC	Retail Sales	19,641,251	4		0.62%
Carolina Telephone	Telephone Service	18,976,741	5		0.60%
Carolina Creek	Developer	14,911,002	6		0.47%
Trent Neuse Hotel	Hotel	14,668,841	7		0.47%
ATTA Holdings	Medical Offices	13,650,200	8		0.43%
Thomas F & Karen Webb	Developer	11,510,422	9		0.37%
Piedmont Natural Gas	Natural Gas	11,196,312	10		0.36%
Total Assessed Valuation of Top Ten Taxpayer		<u>\$ 245,225,190</u>			7.79%
Balance of Assessed Valuation.		<u>\$ 2,904,670,791</u>			92.21%
Total Assessed Valuation		<u>\$ 3,149,895,981</u>			100.00%

2003				
Name of Taxpayer	Nature of Property	Assessed Value	Rank	Percentage of Total Assessed Value
BSH Home Appliances	Household Appliances	\$ 27,397,478	1	1.64%
Hatteras Yachts, Inc	Boat Manufacturing	20,969,440	2	1.25%
Carolina Telephone	Telephone Service	15,887,993	3	0.95%
Amital Spinning Corp.	Yarn/Textile Mfg.	15,121,899	4	0.91%
Weyerhaeuser	Developer	14,399,951	5	0.86%
Twin Rivers Mall	Retail Shopping Center	13,898,280	6	0.83%
Developers Diversified	Retail Sales	13,538,190	7	0.81%
Trent Neuse Hotel LLC	Hotel	12,364,594	8	0.74%
Maola Milk & Ice Cream Co.	Dairy Products	9,353,304	9	0.56%
Tredegar Film Products	Plastics Mfg.	<u>8,638,721</u>	10	0.52%
Total Assessed Valuation of Top Ten Taxpayer		<u>\$ 151,569,850</u>		9.07%
Balance of Assessed Valuation.		<u>\$ 1,519,318,826</u>		90.93%
Total Assessed Valuation		<u>\$ 1,670,888,676</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>
2003	0.4700	0.5800
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

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 Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (4)
	Residential Property	Commercial Property	Motor Vehicles	Other					
2003	\$ 824,955,314	\$ 490,294,466	\$178,789,785	\$182,901,385	\$ 6,052,274	\$ 1,670,888,676	\$ 0.47	\$1,670,888,676	100.00%
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%

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
<b>2012</b>	-	-	<b>14,610,371</b>

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 or revenue 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%
-	<b>44,801,300</b>	<b>21,270,822</b>	-	-	<b>80,682,493</b>	<b>2,699</b>	<b>2103%</b>

City of New Bern, North Carolina

Direct and Overlapping Governmental Activities Debt  
 For the Year Ended June 30, 2012  
 (Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Craven County Debt	\$ 76,382,451	32.77%	\$ 25,028,819
Subtotal, overlapping debt	\$ 76,382,451		\$ 25,028,819
City Direct Debt	-	100%	-
Total direct and overlapping debt	\$ 76,382,451		\$ 25,028,819

Sources:

Notes:

- (1) Includes general obligation bonds for Enterprise Fund and General Long-Term Debt Account Group.
- (2) Determined by ratio of assessed valuation of property subject to taxation in Craven County \$9,612,789,921
- (3) Amount in debt outstanding column multiplied by percentage applicable.

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**City of New Bern, North Carolina**

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

	2003	2004	2005	2006
Debt limit	\$ 133,606,493	\$ 139,182,102	\$ 149,139,423	\$ 157,566,000
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 133,606,493</u>	<u>\$ 139,182,102</u>	<u>\$ 149,139,423</u>	<u>\$ 157,566,000</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	0.00%	0.00%	0.00%	0.00%

Notes:

Debt includes Installment proceeds and Notes payable

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Valuation	\$ 3,149,895,981
8%	251,991,678
Less applicable debt	<u>(14,610,371)</u>
Debt margin	<u>\$ 237,381,307</u>

	2007	2008	2009	2010	2011	2012
\$	167,377,000	\$ 177,506,221	\$ 186,561,090	\$ 187,560,181	\$ 249,056,946	\$ 251,991,678
	-	5,244,681	-	240,000	12,731,877	14,610,371
\$	167,377,000	\$ 172,261,540	\$ 186,561,090	\$ 187,320,181	\$ 236,325,069	\$ 237,381,307
	0.00%	3.04%	0.00%	0.13%	5.39%	6.15%

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)
2003	24,361	(5)	\$ 2,469,183	7,492	6.9%
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	2,982,972	7,805	3.9%
2007	28,156	* 24,141	3,127,571	7,864	3.6%
2008	28,584	* 24,141	3,390,907	7,413	4.0%
2009	28,992	* 24,141	3,592,542	7,433	7.7%
2010	29,646	* 24,141	3,585,722	7,457	9.6%
2011	29,899	(5)	3,669,572	7,652	9.5%
2012	(5)	(5)	3,836,260	(5)	9.2%

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	2012				2003		
	Employees	Rank	Percentage of Total County Employment		Employees	Rank	Percentage of Total County Employment
Department of Defense (1)	5,361	1	13.96%	Department of Defense	Over 1000	1	N/A
CarolinaEast Health Systems	2,035	2	5.30%	Craven County Schools	Over 1000	2	N/A
Craven County Schools	1,912	3	4.98%	CarolinaEast Health Systems	Over 1000	3	N/A
State of North Carolina	993	4	2.59%	State of North Carolina	Over 1000	4	N/A
BSH Home Appliances	750	5	1.95%	Moen Incorporated	500-999	5	N/A
Moen Incorporated (2)	630	6	1.64%	Hatteras Yachts (Brunswick Corp)	500-999	6	N/A
Craven County	597	7	1.55%	BSH Home Appliances	500-999	7	N/A
Hatteras Yachts (Brunswick Corp)	550	8	1.43%	Craven County	500-999	8	N/A
City of New Bern	490	9	1.28%	Weyerhaeuser Company	500-999	9	N/A
Wal-Mart	467	10	1.22%	Wal-Mart	500-999	10	N/A
	<u>13,785</u>		35.89%		<u>-</u>		N/A

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

Notes: (1) Excludes 9,554 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 38,411

(2) Moen Incorporated did not respond to FY 2012 employment inquiry. Report indicates prior year number.

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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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Governing Board	1	1	1	1	1	1	1	1	1	1
Administration	3	3	3	3	3	3	3	3	3	4
Finance:										
Accounting	13	11	13	12	12	12	12	12	11	10
Warehouse	5	5	5	5	5	5	5	5	4	4
Information Technology	6	6	6	7	7	7	7	7	7	7
Tax Collecton	3	3	3	3	3	3	3	3	3	3
Human Resources:	5.5	5.6	6	6	6	6	6	6	6	5
Police:	109	109	109	*	116	116	138	141	127.5	114
Animal Control	2	2	2	2	2	2	-	-	-	-
Communicaitons	14	14	14	*	17	19	-	-	-	-
Fire:	*	*	*	*	59	68	69	68	66	66
Parks and Recreation:										
Administration	2	2	2	2	2	3	2	2	2	2
West New Bern Recreation Center	4.3	3.3	3.3	4.4	4.3	5	5	5	5	5
Stanley White Recreation Center	6.3	3.8	5.3	4	3.3	4	5	5	4	4
Parks	17	17	17	17	17	17	17	17	14.6	13
Aquatics	-	-	-	-	-	-	1	1	0.4	0.4
Special Programs	1	1	1	1	1	1	-	-	-	-
Athletics	-	3	3	3.5	3.5	4	3	3	3	3.6
Planning & Inspections:										
Planning & Inspections	15	16	*	*	19	19	19	19	17	17
GIS	1	1	1	1	1	1	1	1	1	1
Public Works:										
Administration	4	4	4	4	4	4	4	4	3.5	3
Garage	4	4	4	4	4	4	4	4	4	4
Public Buildings	7	7	7	6	6	7	7	7	6	5
Streets	30	30	30	*	30	31	31	31	26	25
Cemeteries	1	1	1	1	1	1	1	1	1	1
Leaf & Limb	8	8	*	9	9	9	9	9	9	8
Sanitation	1	1	1	1	1	1	1	1	-	-
Engineering	6	6	6	6	6	10	10	10	9	-
Water:										
Water Resources Administration	-	-	-	-	-	-	-	-	-	7
Water Treatment	2	2	2	3	3	3	3	5	7	12
Water Distribution System Maintenance	*	*	20	21	21	21	21	23	20	25
Hydrant Maintenance	-	-	3	3	3	4	4	4	4	-
Sewer:										
Sewer Treatment	*	14	*	18	17	20	20	20	19	21
Sewer Collection System Maintenance	*	*	*	23	30	32	33	37	27	21
PreTreatment	1	1	1	1	1	1	1	1	2	-

City of New Bern, North Carolina

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

Function/Program	2003	2004	2005	2006
Police:				
Calls for service	**	**	**	**
Fire:				
Total fire runs	872	901	918	1,186
Property loss	\$ 1,077,340	\$ 1,053,385	\$ 1,539,250	\$ 2,309,425
Parks and Recreation:				
Recreation program attendance:				
Athletics	**	**	**	**
Centers & Parks	**	**	**	**
Other Programs	**	**	**	**
Planning & Development:				
Total building permits	891	801	818	766
Total value of all permits	\$64,554,545	\$75,346,538	\$76,654,302	\$80,764,491
Public service:				
Garbage collected (ton)	6,918	7,060	7,243	7,665
Recycle collected (ton) ***	1,437	1,475	1,522	1,575

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.

	2007	2008	2009	2010	2011	2012
	**	**	**	44,980	38,397	36,818
	1,206	1,231	1,022	1,034	1,124	1,090
\$	2,573,590	\$ 2,124,686	\$ 1,549,760	\$ 850,040	\$ 1,658,581	\$ 6,131,061
	74,500	77,000	80,000	95,500	95,750	98,500
	268,304	269,190	269,546	270,551	278,501	285,500
	90,825	90,875	90,900	95,825	90,550	96,775
	831	651	553	645	573	652
\$148,822,321	\$112,408,779	\$48,034,918	\$56,899,190	\$38,992,626	\$47,994,419	
	7,659	7,618	7,562	7,495	7,640	7,719
	1,630	1,628	1,848	1,644	1,791	2,403

City of New Bern, North Carolina

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

Function/Program	Calendar Year			
	2003	2004	2005	2006
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	9
Soccer/Football Fields	2	2	2	2
Basketball Courts	3	3	3	3
Tennis Courts	4	4	4	4
Swimming pools	0	0	0	0
Parks with Playground Equipment	5	6	7	8
Picnic Shelters	6	6	6	6
Community Centers	2	2	2	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	60
Park Benches	80	80	80	80
Multi-purpose Fields	2	2	2	2
Walking Trails	2	2	2	3
Outdoor Restrooms	7	7	7	7
Public Parking Lots	9	9	9	9
Public Art	3	3	3	3
Horseshoe Courts	0	0	0	1
Outdoor Volleyball Courts	1	1	1	1
Bike Racks	6	6	6	6
Wastewater:				
Sanitary Sewers (miles)	206.2	208.3	209.2	209.4
Storm Sewers (miles)	N/A	N/A	N/A	62.3
Average Daily Flow	4.02	4.51	4.32	4.46
Electric:				
Average Daily Usage (kWh)	1,254,713	1,285,770	1,229,995	1,265,809
Mile of Distribution Lines	440	440	460	450

Source: Various City records

2007	2008	2009	2010	2011	2012
4	4	4	4	4	<b>5</b>
3	3	3	3	3	3
275	275	282	312	312	<b>312</b>
18	18	19	21	21	<b>21</b>
0	1	1	1	1	1
10	10	10	10	10	<b>10</b>
2	2	2	2	2	2
4	4	4	4	4	4
4	4	4	4	4	4
0	0	1	1	1	1
8	8	9	9	9	9
7	8	8	8	8	8
3	3	3	3	3	3
4	4	4	4	4	4
2	2	2	2	2	2
0	1	1	1	1	1
0	0	1	1	1	1
6	6	7	7	8	<b>8</b>
70	70	70	75	75	<b>75</b>
90	90	100	108	108	<b>108</b>
2	2	2	2	2	<b>2</b>
3	4	5	6	6	<b>6</b>
8	9	9	9	9	<b>9</b>
10	10	10	11	11	<b>11</b>
3	3	3	3	3	<b>4</b>
1	2	2	3	3	<b>3</b>
1	2	2	2	2	<b>2</b>
6	6	7	7	7	<b>7</b>
211.2	211.4	211.4	211.4	211.4	<b>211.7</b>
62.3	62.4	62.4	62.4	62.4	<b>62.5</b>
4.14	3.72	3.57	4.01	3.82	<b>3.63</b>
1,261,872	1,308,915	1,308,073	1,327,457	1,366,685	1,257,055
470	515	515	515	515	515

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## COMPLIANCE SECTION

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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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**Independent Auditor's Report  
on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Bern, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise City of New Bern's basic financial statements, and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described as items 12-1 and 12-2 in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City of New Bern's financial statements are free of 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 November 21, 2012.

The City of New Bern's responses to the findings identified in our audit are described in the accompanying schedule of Findings and Questioned Costs. We did not audit the City of New Bern's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management, federal and State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

Morehead City, North Carolina  
November 21, 2012



**Independent Auditor's Report on Compliance  
With Requirements That Could Have a Direct and  
Material Effect on Each Major Federal Program and  
on Internal Control Over Compliance in Accordance With  
OMB Circular A-133 and the State Single Audit Implementation Act**

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

***Compliance***

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 the City of New Bern's major federal program for the year ended June 30, 2012. City of New Bern's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of New Bern's management. Our responsibility is to express an opinion on City of New Bern's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133 and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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. Our audit does not provide a legal determination on City of New Bern's compliance with those requirements.

In our opinion, City of New Bern complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

***Internal Control Over Compliance***

Management of City of New Bern is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of New Bern's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management, federal awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

Morehead City, North Carolina  
November 21, 2012



**Independent Auditor's Report on Compliance  
With Requirements That Could Have a Direct and  
Material Effect on 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**

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

***Compliance***

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 its major State program for the year ended June 30, 2012. 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*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major State program is the responsibility of City of New Bern's management. Our responsibility is to express an opinion on City of New Bern's compliance based on our audit.

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

In our opinion, City of New Bern complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2012.

### ***Internal Control Over Compliance***

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

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 all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, Board of Aldermen, management, State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

Morehead City, North Carolina  
November 21, 2012



City of New Bern, North Carolina

Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2012

Identification of major federal programs:

CFDA #	Program Name
97.36	FEMA Disaster Assistance Grant

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 State program:

Material weakness(es) identified?

       yes X no

Significant deficiency(ies) identified?

       yes X no

Type of auditor's report issued on compliance for major State programs: Unqualified

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

       yes X no

Identification of major State program:

Nonstate System Street Aid Allocation (Powell Bill)

The other major State program for the City is the FEMA Disaster Assistance Grant,  
which is the State match on the federal program. Therefore, this program has been  
included in the list of major federal program above.

(Continued)

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2012

Section 2. Financial Statement Findings

**Finding 12-1 Law Enforcement Officers' Special Separation Allowance (LEOSSA) liability study not obtained and not recorded as a liability. (Significant Deficiency)**

Criteria: GASB Statement No. 27 requires that beginning in 1996, a valuation to determine the actuarial required contribution be prepared at least every two years. The City of New Bern has not been in compliance since they have not had actuarial valuations at regular intervals beginning in 1996. GASB Statement No. 27 requires disclosure of annual pension cost for the fiscal years beginning June 30, 1998

Condition and context: During our audit, we noted that the Law Enforcement Officers' Special Separation Allowance actuarial valuation was prepared for the first time for the year ended June 30, 2012. In prior years, the City had taken the position that the obligation for the LEOSSA was not material to its financial statements.

Effect: The City recorded an adjustment of \$1,979,679 for the net pension obligation beginning July 1, 2011 to bring the liability up to date.

Cause: GASB Statement No. 27 was not adopted by the City in a timely manner.

Recommendation: We recommend that the City of New Bern acquire the necessary actuarial valuations at least every two years and record the annual pension cost annually.

Views of responsible officials: Before the current audit, the City of New Bern identified this as an issue and took corrective measures, which is why we are compliant for the fiscal year ending June 30, 2012. We will continue to have timely actuarial studies done for the Law Enforcement Officers' Separation Allowance prepared in the future.

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

Criteria: GASB Statement No. 45 defines the net OPEB obligation, in general, as the cumulative difference between annual OPEB cost and the annual employer contributions.

Condition and context: During our testing of the net OPEB obligation calculation, we noted that employee contributions were not being subtracted from the annual OPEB cost to arrive at the net OPEB obligation, and this situation existed since the City's adoption of GASB Statement No.45.

Effect: The net OPEB obligation was overstated by \$1,373,955 in prior years because the employee contributions were not subtracted from the annual OPEB cost.

Cause: GASB Statement No. 45 was implemented incorrectly. The net OPEB obligation was not calculated correctly and not reviewed for accuracy.

City of New Bern, North Carolina

Schedule of Findings and Questioned Costs (Continued)  
For the Fiscal Year Ended June 30, 2012

Section 2. Financial Statement Findings (Continued)

Recommendation: We recommend that the City of New Bern calculate and review the net OPEB obligation in accordance with the mechanics of GASB Statement No. 45.

View of responsible officials: The City of New Bern concurs with this finding. To prevent any recurrence, internal procedures have been implemented for Finance to calculate the net OPEB obligation. The calculation will then be reviewed for accuracy by the Finance Director.

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, 2012

Section 2. Financial Statement Findings

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

Contact Name: Keith Fiaschetti, Finance Director

Corrective Action: Finance Director will insure that Law Enforcement Officers' Separation Allowance actuarial valuation will be done in the required timely manner in the future and that the liability will be recorded.

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

Contact Name: Keith Fiaschetti, Finance Director

Corrective Action: Finance Director will review the calculation of the net other postemployment benefit obligation each 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.

City of New Bern, North Carolina

Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2012

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

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2012

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>Federal Awards</b>					
<b>U. S. Department of Justice</b>					
Bureau of Justice Assistance: Direct Programs					
2009 Justice Assistance (Canine)	16.738	2009-DJ-BX-0823	\$ 9,242	\$ -	\$ -
2009 Justice Assistance (ARRA)	16.804	2009-SB-B9-2845	11,233	-	-
Total Justice Assistance Cluster			<u>20,475</u>	-	-
Passed through Office of Community Services (COPS)					
2010 COPS Hiring Program	16.710	2010-UMWS-0197	190,304	-	-
Total Justice Assistance Cluster			<u>190,304</u>	-	-
<b>U.S. Department of Homeland Security</b>					
Passed through NC Dept of Crime Control and Public Safety					
Staffing for Adequate Fire & Emergency Response (SAFR)	97.044	EMW-4019-DR-NC	-	-	257,374
Public Assistance Grant	97.036	FEMA-4019-DR-NC	M 2,092,464	697,488	283,129
Intelligence/Info Sharing Center	97.067	2009-SS-T9-0046	216,136	-	-
NC USAR Task Force 10	97.067	2009-SS-T9-0046-1063	10,000	-	-
Total U. S. Department of Homeland Security			<u>2,318,600</u>	<u>697,488</u>	<u>540,503</u>
<b>U. S. Department of Agriculture</b>					
Passed through NC Department of Health and Human Services					
Summer Food Services Program	10.559	8386	2,809	-	984
<b>U.S. Department of the Interior - National Park Service</b>					
2010 Historic Preservation Grant	15.904		8,700	-	300
<b>U.S. Department of Housing and Urban Development</b>					
Passed through NC Dept of Commerce					
Division of Community Service					
Infrastructure Hook up Grant	14.218	07-D-2093	59,800	-	89
2009 CDBG Community Revitalization	14.218	09-C-2071	49,328	-	100,000
2010 Urgent Repair Grant	14.218	NC-96-X005	56,992	-	7,500
Total U. S. Department of Housing and Urban Development			<u>166,120</u>	-	<u>107,589</u>
<b>U.S. Environmental Protection Agency</b>					
Brownfields Assessment and Cleanup Cooperative	66.818	BR-95440709-0	161,300	-	-
Five Points Area-Wide Planning (Brownfields Pilot)	66.814	TR-83491301-0	132,741	-	-
Total U. S. Environmental Protection Agency			<u>294,041</u>	-	-

(Continued)

Schedule of Expenditures of Federal and State Awards  
 Year Ended June 30, 2012

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
<b>State Awards:</b>					
<b>N.C. Department of Environment &amp; Natural Resources</b>					
Division of Parks and Recreation					
NC Parks and Recreation Trust Fund (PARTF)	N/A		-	4,500	-
<b>N.C. Department of Transportation</b>					
Nonstate System Street Aid Allocation (Powell Bill)	N/A	M	-	834,142	207
Traffic Enforcement Unit	N/A		-	287	96
<b>Total N.C. Department of Transportation</b>			-	<b>834,429</b>	<b>303</b>
<b>NC Rural Economic Development Center</b>					
Township No. 7 Sewer Improvements Project	N/A		-	40,000	8,560
<b>Totals</b>			<b>\$ 3,001,049</b>	<b>\$ 1,576,417</b>	<b>\$ 375,110</b>

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, 2012

**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, 2012 were \$30,245,962, \$1,447,879, \$12,296,588, and \$810,871, respectively.