

**Ratings:**  
**Moody's: Aa2**  
**S&P: AA**  
(See "RATINGS" herein)

**NEW ISSUE - Book-Entry Only**

*This Official Statement has been prepared by the Local Government Commission of North Carolina and the City of New Bern, North Carolina (the "City") to provide information in connection with the sale and issuance of the bonds offered hereby (collectively, the "Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed investment decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Capitalized terms used on this cover page have the meanings given in this Official Statement.*

**City of New Bern, North Carolina**  
**\$13,000,000**  
**General Obligation Public Improvement Bonds**  
**Series 2026**

**Dated: Date of delivery**

**Due: As shown on inside cover page**

*Tax Treatment*

In the opinion of Bond Counsel, which is based on existing law and assumes continuing compliance by the City with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation and will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds held by certain corporations will be included in the computation of "adjusted financial statement income" for purposes of the federal alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, under existing law, interest on the Bonds will be exempt from all State of North Carolina income taxes. See "TAX TREATMENT" herein.

*Redemption*

The Bonds will be subject to optional redemption at the times and price set forth herein.

*Security*

The Bonds will constitute general obligations of the City, secured by a pledge of the faith and credit and taxing power of the City.

*Interest Payment Dates*

February 1 and August 1, beginning February 1, 2027.

*Denominations*

\$5,000 or any whole multiple thereof.

*Expected Closing/Settlement*

September 16, 2026.

*Bond Counsel*

Womble Bond Dickinson (US) LLP, Raleigh, North Carolina.

*Municipal Advisor*

Davenport & Company LLC, Charlotte, North Carolina.

*Bond Registrar and Paying Agent*

Truist Bank, Wilson, North Carolina.

***The date of this Official Statement is August 25, 2026***

## MATURITY SCHEDULE

### City of New Bern, North Carolina

#### **\$13,000,000 General Obligation Public Improvement Bonds, Series 2026**

| <u>Due<br/>August 1</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield<sup>1</sup></u> | <u>CUSIP<sup>+</sup></u> |
|-------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|
| 2027                    | \$ 650,000                  | 5.00%                    | 2.50%                    | 642356 EH8               |
| 2028                    | 650,000                     | 5.00                     | 2.54                     | 642356 EJ4               |
| 2029                    | 650,000                     | 5.00                     | 2.64                     | 642356 EK1               |
| 2030                    | 650,000                     | 5.00                     | 2.76                     | 642356 EL9               |
| 2031                    | 650,000                     | 5.00                     | 2.86                     | 642356 EM7               |
| 2032                    | 650,000                     | 5.00                     | 2.97                     | 642356 EN5               |
| 2033                    | 650,000                     | 5.00                     | 3.08                     | 642356 EP0               |
| 2034                    | 650,000                     | 5.00                     | 3.21                     | 642356 EQ8               |
| 2035                    | 650,000                     | 5.00                     | 3.31                     | 642356 ER6               |
| 2036                    | 650,000                     | 5.00                     | 3.41                     | 642356 ES4               |
| 2037                    | 650,000                     | 5.00                     | 3.53 <sup>2</sup>        | 642356 ET2               |
| 2038                    | 650,000                     | 5.00                     | 3.64 <sup>2</sup>        | 642356 EU9               |
| 2039                    | 650,000                     | 4.00                     | 3.90 <sup>2</sup>        | 642356 EV7               |
| 2040                    | 650,000                     | 4.00                     | 4.00                     | 642356 EW5               |

**\$1,950,000 4.125% Term Bonds due August 1, 2043 – Yield 4.20%<sup>1</sup> - CUSIP 642356 EZ8**

**\$1,950,000 4.375% Term Bonds due August 1, 2046 – Yield 4.375%<sup>1</sup> - CUSIP 642356 FC8**

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<sup>1</sup> Information obtained from the underwriter of the Bonds.

<sup>2</sup> Yield to August 1, 2036 call date at par.

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## **CITY OF NEW BERN, NORTH CAROLINA**

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### **Board of Aldermen**

Jeffrey T. Odham ..... Mayor

Robert V. Aster ..... Mayor Pro-Tempore

Barbara J. Best

Sharon C. Bryant

James “Trey” Ferguson, III

Dana E. Outlaw

Elainia S. White

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### **City Staff**

Foster Hughes ..... City Manager

Marvin Williams ..... Assistant City Manager

Kimberly Ostrom ..... Director of Finance

Helen Stephens ..... Assistant Director of Finance

Brenda E. Blanco ..... City Clerk

Michael Scott Davis ..... City Attorney

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### **MUNICIPAL ADVISOR**

Davenport & Company LLC  
Charlotte, North Carolina

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### **BOND COUNSEL**

Womble Bond Dickinson (US) LLP  
Raleigh, North Carolina

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### **BOND REGISTRAR AND PAYING AGENT**

Truist Bank  
Wilson, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
LOCAL GOVERNMENT COMMISSION

**INTRODUCTION**

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the public invitation for bids for the purchase of \$13,000,000 General Obligation Public Improvement Bonds, Series 2026 (the "Bonds") of the City of New Bern, North Carolina (the "City").

The information furnished herein includes a brief description of the City and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The City has assisted the Local Government Commission (the "Commission") in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date thereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). In accordance with the requirements of Rule 15c2-12, the City has agreed in resolution adopted by the Board of Aldermen of the City authorizing the sale and issuance of the Bonds to certain continuing disclosure obligations. See "CONTINUING DISCLOSURE" herein.

**THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

The Commission, a division of the Department of State Treasurer of the State of North Carolina (the "State"), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A hereto contains additional information concerning the Commission and its functions.

## THE BONDS

### Description

The Bonds will be dated their date of delivery and will bear interest from their date, payable on each February 1 and August 1, beginning February 1, 2027, at the interest rates set forth on the inside cover page of this Official Statement. The Bonds will mature on August 1, subject to prior redemption as described below with respect to the Bonds, in the years and principal amounts set forth on the inside cover page of this Official Statement. Payment of interest will be made by the Bond Registrar on each interest payment date to the registered owner of the Bonds (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bonds) at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, Jersey City, New Jersey (“DTC”). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and or integral multiples thereof in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of DTC and the book-entry only system for the Bonds. Truist Bank, Wilson, North Carolina will serve as the registrar and paying agent for the Bonds (the “Bond Registrar”).

### Redemption Provisions

The Bonds maturing on or prior to August 1, 2036 will not be subject to redemption prior to their maturity. The Bonds maturing on August 1, 2037 and thereafter will be subject to redemption, at the option of the City, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than August 1, 2036, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the dated fixed for redemption.

The Bonds maturing on August 1, 2043 (the “2043 Term Bonds”), are subject to mandatory sinking fund redemption prior to maturity in part at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the date set for redemption, without premium, on August 1 in the years and amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2041        | \$650,000     |
| 2042        | 650,000       |
| 2043*       | 650,000       |

The Bonds maturing on August 1, 2046 (the “2046 Term Bonds”), are subject to mandatory sinking fund redemption prior to maturity in part at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the date set for redemption, without premium, on August 1 in the years and amounts as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2044        | \$650,000     |
| 2045        | 650,000       |
| 2046*       | 650,000       |

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\* Maturity

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the City or the Bond Registrar may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of the Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC and its participants shall determine which of the Bonds within such maturity are to be redeemed by lot. If less than all of the Bonds stated to mature on different dates shall be called for redemption, the particular Bonds or portions thereof of each maturity to be redeemed shall be called in such manner as the City or the Bond Registrar may determine.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any Bonds to be optionally redeemed, whether such redemption be in whole or in part, the City shall cause a notice of such redemption to be filed with the Bond Registrar. Not more than sixty (60) nor less than thirty (30) days before the redemption date of any Bonds to be redeemed, whether at the option of the City or pursuant to a mandatory sinking fund redemption requirement, the Bond Registrar shall cause notice of such redemption to be mailed, postage prepaid, to the registered owner of each Bond to be redeemed in whole or in part to his address appearing upon the registration books of the City, provided that such notice to Cede & Co. shall be given by certified or registered mail or otherwise as prescribed by DTC. Failure to mail such notice or any defect therein shall not affect the validity of the redemption as regards registered owners to whom such notice was properly given.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the City on or prior to the redemption date of moneys sufficient to pay the redemption price of and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the redemption price of and interest on such Bonds are not received by the City on or prior to the redemption date, the redemption shall not be made and the City shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

On the date fixed for redemption, notice having been given as hereinabove described, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue, and such Bonds or portions thereof shall cease to be entitled to any benefits or security under the resolution providing for their issuance or to be deemed outstanding, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to such redemption date. If a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate shall be delivered for the unredeemed portion of the principal amount of such Bond.

### **Authorizations and Purposes**

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, bond orders adopted by the Board of Aldermen of the City on June 10, 2025, which bond orders were approved by

the vote of a majority of qualified voters of the City who voted thereon at referenda duly called and held on October 7, 2025, and a resolution adopted by said Board on August 11, 2026.

The Bonds are being issued for the purpose of providing funds, together with any other available funds, to pay the costs of constructing, reconstructing, widening and improving streets and sidewalks; acquiring, constructing, improving and expanding new and existing park, greenway, and recreational facilities; and acquiring, constructing, and equipping various improvements to the City's natural and structural stormwater and drainage system.

## **Security**

The Bonds are general obligations of the City. The City is authorized and required by law to levy on all real and tangible personal property taxable by the City such as ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

## **THE CITY**

### **General Description**

The City of New Bern was founded in 1710 and is North Carolina's second oldest City and the State's first capital. The City is nestled at the confluence of the Neuse and Trent Rivers and is located 110 miles east of Raleigh, the State Capital, and 35 miles west of the Atlantic Ocean. The City is easily accessible by US 70, US 17, NC 55, and NC43, providing connectivity to the Crystal Coast and inland metro areas such as Raleigh and Greenville. New Bern is the largest municipality in Craven County and serves as the County seat. The City has authority over 37.27 square miles, including its corporate limits of 30.41 square miles and its extraterritorial jurisdiction areas of 6.86 square miles.

The City provides its citizens with police and fire protection; the construction and maintenance of streets and sidewalks; recreation and cultural opportunities; as well as electric, water, sewer, and solid waste services.

The City is empowered by State statute to levy an annual ad valorem property tax on the appraised value of all taxable real and tangible personal property located within the City's corporate limits. The City has traditionally limited extensions of its corporate limits to voluntary annexations requested by property owners. By conducting an ongoing planning and programming process, the City strives to keep pace with the growth and development of the community. This is accomplished through implementing sound and orderly expansions of its corporate limits.

The City continues to experience steady residential, commercial, industrial, and healthcare growth. According to the U.S. Census Bureau's 2024 population estimates, the City's population increased from 29,524 in 2010 to 34,218 in 2024, a gain of 4,694 residents (15.9%), including an increase of 2,927 residents (9.3%) since 2020. Continued residential development, commercial and industrial investment, transportation improvements along the Future Interstate 42/U.S. Highway 70 corridor, and the ongoing expansion of CarolinaEast Health System have strengthened the City's economy, expanded its tax base, and reinforced New Bern's role as a governmental, commercial, and healthcare center of eastern North Carolina. Construction activity has remained strong, with annual permitted construction values exceeding \$100 million in four of the past five years. Through May 2026, the City issued permits representing approximately \$101 million in construction value, reflecting continued investment in residential subdivisions, commercial development, healthcare facilities, utility infrastructure, and mixed-use projects. Concurrently with this growth, the City's taxable assessed valuation has increased to approximately \$5.47 billion, providing continued expansion of the City's tax base and supporting its long-term financial stability.

New Bern offers an exceptional quality of life characterized by its historic downtown, waterfront setting, vibrant arts and cultural amenities, recreational opportunities, and proximity to North Carolina's Crystal Coast. The City serves as the economic center of Craven County, with major employment anchors including CarolinaEast Health System, BSH Home Appliances Corporation, Moen Incorporated, the City of New Bern, Craven County Schools, and nearby Marine Corps Air Station Cherry Point. New Bern benefits from excellent transportation access, including Future Interstate 42/U.S. 70, U.S. Highways 17 and 70, rail service, and the Coastal Carolina Regional Airport.

### Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the City to be as follows:

| <u>1990</u> | <u>2000</u> | <u>2010</u> | <u>2020</u> |
|-------------|-------------|-------------|-------------|
| 17,363      | 23,128      | 29,524      | 31,291      |

The North Carolina Office of State Budget and Management has estimated the population of the City to be as follows (latest data available):

| <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|-------------|-------------|-------------|-------------|-------------|
| 31,443      | 33,016      | 33,704      | 34,665      | 35,226      |

The City currently has a population of approximately 36,301 as estimated by the City's Planning Department.

Per capita income data for the County, the State and the United States are presented in the following table (separate data for the City are not available):

| <u>Year</u> | <u>County</u> | <u>State</u> | <u>United States</u> |
|-------------|---------------|--------------|----------------------|
| 2019        | \$46,135      | \$48,374     | \$55,567             |
| 2020        | 50,021        | 51,758       | 59,123               |
| 2021        | 54,078        | 57,008       | 64,460               |
| 2022        | 54,757        | 58,953       | 66,244               |
| 2023        | 58,120        | 61,839       | 69,810               |

<sup>1</sup> Separate figures for the City are not available.

Source: United States Department of Commerce, Bureau of Economic Analysis (latest available).

### Commerce and Industry

The City serves as the governmental, healthcare, commercial, cultural, and tourism center of Craven County and much of eastern North Carolina. Strategically located at the confluence of the Neuse and Trent Rivers along Future Interstate 42/U.S. Highway 70, the City benefits from access to major highway, rail, port, and air transportation networks, including the Port of Morehead City and Coastal Carolina Regional Airport. Combined with its historic downtown, waterfront location, and proximity to Marine Corps Air Station Cherry Point, these assets support a diverse regional economy anchored by healthcare, manufacturing, government, military, tourism, retail trade, professional services, and small business development.

The City serves as the primary employment center within Craven County. Major employers in the area include CarolinaEast Health System, BSH Home Appliances Corporation, Moen

Incorporated, Craven County Schools, Craven County Government, and the City of New Bern. In addition, Marine Corps Air Station Cherry Point, located approximately 20 miles from the City, is one of the largest military aviation installations in the United States and provides significant direct and indirect economic benefits throughout the region through military personnel, civilian employment, defense contractors, and related industries.

Healthcare represents one of the largest sectors of the local economy. CarolinaEast Health System serves a multi-county service area and functions as a major regional healthcare provider, supporting employment growth and attracting related medical offices, and professional and support services throughout the City.

Manufacturing remains an important component of the local economy. The City and surrounding County are home to a diverse mix of advanced manufacturing, building products, appliance manufacturing, aerospace, marine, and defense-related industries. Economic development efforts are coordinated through Craven 100 Alliance, which actively supports business retention, expansion, workforce development, and industrial recruitment activities throughout Craven County.

Tourism continues to be a significant contributor to the City's economy. New Bern's historic downtown district, waterfront amenities, cultural attractions, recreational opportunities, and year-round special events attract visitors from throughout North Carolina and the eastern United States. According to Visit New Bern and the Craven County Tourism Development Authority, the area's primary visitor markets include North Carolina, Virginia, Florida, Pennsylvania, New York, and other Mid-Atlantic and Southeastern states. Popular attractions include Tryon Palace, the North Carolina History Center, downtown shopping and dining districts, walking tours, boating and kayaking activities, arts and cultural venues, and numerous community festivals and events. Tourism supports local hotels, restaurants, retailers, entertainment venues, and service businesses throughout the City.

The City's tourism sector continues to benefit from investments in destination marketing, event recruitment, and visitor amenities. Regional events, heritage tourism initiatives, waterfront improvements, outdoor recreation assets, and America 250 commemorative activities are expected to further enhance visitation and economic activity. Recent tourism reports indicate continued visitor interest from both drive-market and overnight travelers, supporting occupancy levels and room tax collections that contribute to local economic development initiatives.

Commercial development activity remains concentrated along the City's major transportation corridors and within the downtown business district. Continued investment in residential development, retail services, healthcare facilities, hospitality accommodations, and mixed-use projects has expanded the City's commercial tax base while supporting population growth and increased consumer activity. Recent investments include expansions by major employers such as BSH Home Appliances and Chatsworth Products, new healthcare facilities operated by CarolinaEast Health System and Goshen Medical Center, additional hospitality and retail development, and ongoing commercial growth along the Future Interstate 42/U.S. 70 corridor. The City also benefits from continued investment at Coastal Carolina Regional Airport and economic development initiatives coordinated through Craven County and the Craven 100 Alliance. The City's strategic location, diversified employment base, military presence, regional healthcare assets, tourism industry, transportation infrastructure, and quality-of-life amenities position New Bern for continued economic growth and long-term stability.

The following table lists by name, product or service and approximate number of employees, the major employers in the Craven County as of June 30, 2025:

| <u>Company or Institution</u>   | <u>Product or Service</u> | <u>Approximate Number<br/>of Employees</u> |
|---------------------------------|---------------------------|--------------------------------------------|
| Department of Defense           | Government                | 5,976                                      |
| CarolinaEast Health System      | Healthcare                | 3,270                                      |
| Craven County Schools           | Education                 | 1,585                                      |
| BSH Home Appliances Corporation | Manufacturing             | 1,498                                      |
| State of North Carolina         | Government                | 820                                        |
| Moen Incorporated               | Manufacturing             | 732                                        |
| Craven County                   | Government                | 696                                        |
| Walmart                         | Retail                    | 658                                        |
| City of New Bern                | Government                | 533                                        |
| Craven Community College        | Education                 | 521                                        |

Source: Craven County Economic Development, NC Department of Commerce LEAD County Profile.

Total taxable sales in the County for the five fiscal years ended June 30, 2021 through 2025 and a portion of fiscal year 2026 are shown in the following table:

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Total<br/>Taxable Sales</u> | <u>Increase (Decrease)<br/>Over Previous Year</u> |
|--------------------------------------|--------------------------------|---------------------------------------------------|
| 2021                                 | \$1,459,681,770                | 16.0%                                             |
| 2022                                 | 1,614,422,511                  | 10.6                                              |
| 2023                                 | 1,730,001,099                  | 7.2                                               |
| 2024                                 | 1,774,769,075                  | 2.6                                               |
| 2025                                 | 1,803,627,038                  | 1.6                                               |
| 2026 (11 months) <sup>1</sup>        | 1,717,562,619                  | --                                                |

<sup>1</sup> Taxable sales for the comparable eleven-month period ending May 31, 2025, amounted to \$1,650,336,016.

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Separate data for the City are not available.

Construction activity in the City for the past five calendar years and for six months of 2026 is indicated by the following table, which shows the number and value of building permits issued by the City:

| <u>Calendar<br/>Year</u> | <u>Commercial/Industrial</u> |              | <u>Residential</u> |              | <u>Total Value</u> |
|--------------------------|------------------------------|--------------|--------------------|--------------|--------------------|
|                          | <u>Number</u>                | <u>Value</u> | <u>Number</u>      | <u>Value</u> |                    |
| 2021                     | 33                           | \$37,549,149 | 411                | \$71,854,564 | \$109,403,710      |
| 2022                     | 47                           | 55,905,058   | 362                | 63,290,604   | 119,195,662        |
| 2023                     | 48                           | 53,949,218   | 246                | 45,593,206   | 99,542,424         |
| 2024                     | 33                           | 47,922,431   | 340                | 60,985,782   | 108,908,213        |
| 2025                     | 18                           | 26,990,517   | 428                | 79,008,908   | 105,999,425        |
| 2026<br>(6 months)       | 38                           | 38,609,507   | 303                | 62,348,416   | 100,957,923        |

Source: City Development Services Department.

## Employment

The North Carolina Department of Commerce, Division of Labor and Economic Analysis has estimated the percentage of unemployment in the City to be as follows:

| <u>Year</u> | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <u>July</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> |
|-------------|------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|
| 2021        | 6.0%       | 5.6%       | 5.0%       | 5.2%       | 5.1%       | 5.7%       | 4.9%        | 4.5%       | 4.0%       | 4.1%       | 4.0%       | 3.1%       |
| 2022        | 3.8        | 3.6        | 3.1        | 3.0        | 3.3        | 3.7        | 3.5         | 3.7        | 3.3        | 3.8        | 3.7        | 3.2        |
| 2023        | 3.9        | 3.9        | 3.6        | 3.1        | 3.5        | 3.7        | 3.7         | 3.6        | 3.0        | 3.3        | 3.2        | 3.1        |
| 2024        | 3.5        | 3.5        | 3.3        | 3.1        | 3.2        | 3.7        | 3.8         | 3.8        | 3.1        | 3.2        | 3.6        | 3.2        |
| 2025        | 3.6        | 3.9        | 3.6        | 3.3        | 3.6        | 3.8        | 3.8         | 3.9        | 3.4        | N/A*       | 3.7        | 3.2        |
| 2026        | 4.0        | 3.9        | 3.5        | 3.3        | 3.4        | 3.3        | N/A         | N/A        |            |            |            |            |

\* Due to the government shutdown October 2025 unemployment was not calculated.

Source: North Carolina Department of Commerce, Labor and Economic Analysis Division.

The City's unemployment rate averaged 3.6% for 2025, as compared to 3.9% for the County, 3.8% for the State and 4.3% for the United States.

## Government and Major Services

### GOVERNMENT STRUCTURE

The City operates under the Council-Manager form of government. The governing body consists of a Mayor elected at-large and six Aldermen elected from wards. The Mayor and Aldermen serve four-year terms and are elected in non-partisan elections held in odd-numbered years. The Board of Aldermen establishes policy, adopts ordinances, approves the annual budget, and appoints the City Manager and Director of Finance. The City Manager serves as the chief administrative officer and is responsible for the day-to-day administration of City operations, implementation of Board policies, preparation of the annual budget, and oversight of municipal departments. The Director of Finance is responsible for the administration of the City's financial affairs, including accounting, treasury management, debt administration, budgeting, financial reporting, investments, purchasing, and internal financial controls.

### EDUCATION

The City of New Bern is served by Craven County Schools, which provides comprehensive K-12 educational services throughout the County. New Bern High School is one of the largest public high schools in eastern North Carolina and offers college preparatory, career, and technical education programs. Craven Community College, located in New Bern, serves as a significant workforce development and higher education resource, offering associate degree programs, technical certifications, customized industry training, and university transfer opportunities. Through partnerships with local employers, healthcare providers, manufacturers, and military installations, the College plays an important role in supporting the workforce needs of the region. Together, these educational institutions contribute to the City's skilled workforce, economic competitiveness, and overall quality of life.

The City has no financial responsibility for any part of the consolidated school system. The school system budget is approved and funded by the Board of Commissioners for the County with revenues derived from the County, the State and the Federal government.

The following table reflects ADM\* in the County schools and the number of schools and classrooms for a five-year period beginning with the 2021-22 school year:

| <u>School Year</u> | <u>Elementary (K-5)</u> |             | <u>Middle (6-8)</u> |             | <u>Secondary (9-12)</u> |             |
|--------------------|-------------------------|-------------|---------------------|-------------|-------------------------|-------------|
|                    | <u>Schools</u>          | <u>ADM*</u> | <u>Schools</u>      | <u>ADM*</u> | <u>Schools</u>          | <u>ADM*</u> |
| 2021-22            | 15                      | 5,491       | 6                   | 2,927       | 6                       | 3,941       |
| 2022-23            | 15                      | 5,690       | 6                   | 2,857       | 6                       | 4,024       |
| 2023-24            | 15                      | 5,502       | 6                   | 2,817       | 6                       | 3,974       |
| 2024-25            | 15                      | 5,303       | 6                   | 2,574       | 6                       | 3,684       |
| 2025-26            | 15                      | 5,235       | 6                   | 2,562       | 6                       | 3,847       |

\*ADM – Average Daily Membership (using 40<sup>th</sup> day enrollment for fiscal years 2022-2026), is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The memberships are used as a basis for teacher allotments and for distribution of State funds.

Source: North Carolina Department of Public Instruction Information Center.

## TRANSPORTATION

Coastal Carolina Regional Airport is located 3 miles from downtown New Bern and supports commercial, corporate, and military training flights. The airport has identified approximately \$81 million for infrastructure improvements in its long-term development plan. The airport recently completed a major terminal expansion that increased terminal capacity by approximately 20%, adding a new boarding gate, passenger boarding bridges, expanded TSA screening facilities, and other passenger improvements, while expanded airline service and new nonstop destinations continue to strengthen the region's connectivity and economic competitiveness. The airport generates approximately \$346 million in annual economic output, supports over 2,100 jobs, and generates more than \$20 million in state and local tax revenue. In 2024 the airport passenger traffic increased 41% overall. The Airport is operated by an independent airport authority.

The City of New Bern continues to benefit from significant transportation investments, including the ongoing conversion of U.S. Highway 70 to Future Interstate 42 and construction of the final phase of the N.C. 43 Connector. The U.S. 70/Future Interstate 42 improvements enhance regional connectivity between New Bern, the Research Triangle region, Marine Corps Air Station Cherry Point, the North Carolina Global TransPark, and the Port of Morehead City, improving the movement of goods, services, and workforce throughout eastern North Carolina. The N.C. 43 Connector will provide a direct link between U.S. 17, N.C. 43, and U.S. 70/Future Interstate 42, improve access to commercial and industrial areas, provide a more efficient truck route, reduce congestion on local roadways, and support future economic development opportunities within the City and Craven County. Collectively, these projects strengthen New Bern's transportation infrastructure, enhance economic competitiveness, and support continued residential, commercial, and industrial growth.

The City maintains approximately 190 miles of streets and rights-of-way, providing connectivity throughout its corporate limits. The 2024 Pavement Condition Rating Report assists the City staff with prioritizing street improvement projects. Improvements to the local street system are funded annually with Powell Bill funding and revenue from motor vehicle fees. A portion of the proceeds of the Bonds will be used to fund a large percentage of the street improvements identified in the report.

The City also continues to make significant investments in pedestrian infrastructure and enhance walkability through downtown streetscape improvements, riverwalk expansion, construction of the ADA-accessible Broad Street Fishing Pier, and reconstruction of downtown intersection crosswalks. Projects are funded with the Municipal Service District (MSD) tax revenues and available

grant funds. These projects have enhanced connectivity between downtown destinations, waterfront amenities, parks, and neighborhoods while supporting tourism, recreation, and economic development.

The City benefits from freight rail service that provides connections to the Morehead City Port, major North Carolina markets, and the national rail network. Rail infrastructure supports industrial and commercial activity, enhances freight mobility, and strengthens the City's attractiveness for manufacturing, distribution, aerospace, and defense-related industries. The North Carolina Department of Transportation's (NCDOT) September 2024 *Southeastern North Carolina Passenger Rail Feasibility Study* identifies an Eastern Route connecting Raleigh, Goldsboro, New Bern, and Wilmington as a potential future passenger rail corridor. Although no funding or construction schedule has been established, the study reflects ongoing State-level planning efforts to improve regional transportation connectivity across eastern North Carolina.

## MEDICAL AND HEALTH RELATED FACILITIES

The City of New Bern serves as a regional healthcare center for eastern North Carolina. CarolinaEast Health System, headquartered in New Bern, operates CarolinaEast Medical Center, a full-service acute care hospital with approximately 350 licensed beds and a broad range of inpatient, outpatient, surgical, emergency, cardiovascular, cancer, orthopedic, and specialty medical services. The healthcare system includes numerous physician practices, outpatient clinics, urgent care facilities, and specialty treatment centers throughout the region. Additional healthcare providers in the City include Goshen Medical Center, Coastal Carolina Health Care, Coastal Children's Clinic, and a variety of private medical, dental, rehabilitation, and behavioral health practices. The City's healthcare sector is a significant source of employment and economic activity and serves residents throughout Craven County and surrounding communities. CarolinaEast Health System has continued to invest in expanded healthcare facilities and services, including new medical office developments and outpatient facilities within the City.

## PARKS, RECREATION AND CULTURAL RESOURCES

The City of New Bern maintains a comprehensive park, recreation, and cultural amenities system that serves residents throughout the City and surrounding region. The City's Parks and Recreation Department maintains approximately 27 parks and special-use facilities, including neighborhood parks, athletic complexes, waterfront parks, nature preserves, recreation centers, trails, and public gathering spaces. Major facilities include the newly completed Stanley A. White Recreation Center, West New Bern Recreation Center, Lawson Creek Park, Union Point Park, Martin Marietta Park, Seth West Parrott Park, Pierce Park, Glenburnie Park, and other community parks located throughout the City.

Residents have access to a wide variety of recreational amenities, including swimming and splash pad facilities, baseball and softball fields, basketball courts, tennis and pickleball courts, playgrounds, picnic shelters, a disc golf course, fitness facilities, walking trails, nature areas, boating and fishing access, and waterfront recreation opportunities. The City also maintains public boat ramps, marinas, fishing piers, kayak and paddleboard access points, and the New Bern Riverwalk, a 3.1-mile paved waterfront trail connecting parks, historic downtown destinations, and recreational amenities along the Neuse and Trent Rivers. Recent investments include completion of the Broad Street Fishing Pier and Riverwalk enhancements, which have expanded public access to the waterfront.

The Stanley A. White Recreation Center, which opened in January 2025, represents one of the City's largest recreational investments in recent years. The approximately 35,000-square-foot facility includes a double gymnasium, elevated indoor walking track, fitness and weight rooms, multipurpose classrooms, meeting and event spaces, health and wellness facilities, a game room, kitchen, and

community gathering areas. The center hosts youth and adult athletics, fitness and wellness programs, after-school activities, summer camps, arts and enrichment classes, senior programs, cooking classes, and community events, while also serving as an emergency shelter during disasters.

The City's recreation system supports numerous organized activities and programs, including youth baseball, softball, basketball, soccer, volleyball, pickleball, aquatics programs, fitness classes, wellness programs, after-school programs, and summer camps. Community facilities provide meeting rooms, event spaces, and conference facilities for civic organizations, educational programs, and community gatherings.

New Bern's cultural resources further enhance the quality of life for residents and visitors. The historic downtown district serves as a regional destination for festivals, outdoor dining, arts and entertainment, waterfront events, and community celebrations. Annual events include MumFest, one of North Carolina's largest award-winning festivals, summer concert series, holiday celebrations, farmers markets, cultural performances, and numerous riverfront events that attract visitors from across eastern North Carolina. The City's museums, historic sites, galleries, theaters, and waterfront parks contribute to a vibrant cultural environment and support a growing tourism economy.

To address increasing demand resulting from population growth and expanded recreational participation, voters approved an \$8 million Parks and Recreation General Obligation Bond referendum in 2025 from which a portion of the Bonds will be issued. Planned projects include improvements to existing parks and recreational facilities, expansion and modernization of aquatic amenities, enhancements to athletic fields and courts, trail and waterfront access improvements, park infrastructure upgrades, and development of additional community gathering spaces. Proposed projects also include expansion of swimming pool facilities and construction of an outdoor amphitheater designed to support concerts, festivals, cultural programming, and community events. These investments are intended to preserve and enhance the City's recreational assets while meeting the long-term needs of current and future residents.

## PUBLIC SERVICE ENTERPRISES

The City provides water, sewer, electric, and solid waste services to its customers in the City and surrounding areas.

### *Water System*

The City of New Bern owns and operates a municipal water utility system that provides potable water service to residential, commercial, industrial, and governmental customers within the City and surrounding areas. The City's water supply is obtained from groundwater wells completed in the Castle Hayne and Black Creek aquifers. Water is treated at the City's water treatment facility and distributed through an extensive network of wells, storage tanks, pumping stations, transmission and distribution mains, and related infrastructure. The City's water system consistently met or exceeded all applicable state and federal drinking water standards. Through its Water Resources Department, the City continues to invest in water treatment, distribution system improvements, regulatory compliance initiatives, capacity planning, and long-term infrastructure replacement programs designed to support future growth and system reliability. The utility operates as an enterprise fund and is supported primarily through user fees. The City's ongoing capital improvement program includes investments in water treatment facilities, well rehabilitation, storage capacity, transmission and distribution infrastructure, resiliency improvements, and compliance with evolving federal and state drinking water regulations. These investments support continued residential, commercial, industrial, and institutional growth while maintaining system reliability and water quality.

### *Sewer System*

The City owns and operates a regional wastewater collection and treatment system consisting of gravity sewer lines, force mains, pump stations, and two wastewater treatment facilities. The City's primary wastewater treatment plant has a permitted treatment capacity of 6.5 million gallons per day and utilizes advanced biological nutrient removal technology to meet state and federal environmental standards. The City has made significant investments in wastewater infrastructure, including treatment plant upgrades, collection system improvements, resiliency projects, and flood mitigation initiatives. Recent improvements include installation of a sanitary sewer force main river crossing to improve system redundancy, upgrades to the City's SCADA monitoring system, rehabilitation of wastewater infrastructure located within flood-prone areas, relocation of critical facilities outside flood hazard areas, and installation of emergency backup power systems. These investments support regulatory compliance, system reliability, environmental stewardship, and the continued growth of the City and surrounding service area.

### *Electric System*

The City owns and operates a municipally owned electric utility serving more than 21,000 residential and commercial customers. The City is a member of ElectriCities of North Carolina and the North Carolina Eastern Municipal Power Agency (NCEMPA), which provide power supply, technical support, and utility-related services. The City has made substantial investments in electric system reliability and resiliency, including advanced metering infrastructure, capacity improvements, underground electric facilities, and grid modernization initiatives. To accommodate continued growth and increasing electric demand, the City anticipates investing approximately \$100 million in electric infrastructure improvements over the next decade, including substation upgrades, distribution system enhancements, resiliency projects, and capacity expansion efforts. These investments are intended to maintain reliable service and support the long-term needs of the community.

### *Solid Waste Services*

The City provides residential and commercial solid waste services through a combination of contracted and municipal operations. Garbage collection for residential and commercial customers is provided by GFL Environmental under contract with the City. Recycling services are provided by the County. In addition, the City operates in-house bulk waste collection and leaf and limb collection programs for residential customers. Together, these services support public health, environmental stewardship, and the high quality of life enjoyed by City residents.

## **Debt Information**

### **LEGAL DEBT LIMIT**

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, including those being offered hereby, the City has the statutory capacity to incur additional net debt in the approximate amount of \$391,827,283 as of June 30, 2025. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

### **OUTSTANDING GENERAL OBLIGATION DEBT**

The City of New Bern had no general obligation bonds outstanding during the past five years.

## GENERAL OBLIGATION DEBT RATIOS

| <u>As of<br/>June 30</u>                 | <u>Total<br/>GO Debt</u> | <u>Assessed<br/>Valuation</u> | <u>Total<br/>GO Debt to<br/>Assessed<br/>Valuation</u> | <u>Population</u> <sup>1</sup> | <u>Total<br/>GO Debt<br/>Per Capita</u> |
|------------------------------------------|--------------------------|-------------------------------|--------------------------------------------------------|--------------------------------|-----------------------------------------|
| 2025                                     | \$ --                    | \$5,208,954,829               | --                                                     | 35,226 <sup>1</sup>            | \$ --                                   |
| After Bonds<br>Now Offered<br>are Issued | \$13,000,000             | \$5,335,461,346 <sup>2</sup>  | 0.24%                                                  | 35,226 <sup>1</sup>            | \$ 369                                  |

<sup>1</sup> Estimate of the North Carolina Office of State Budget and Management. For the fiscal years ended June 30, 2025, the 2024 estimate is being used.

<sup>2</sup> Unaudited.

## GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

| <u>Purpose</u>        | <u>Date<br/>Approved</u> | <u>Balance<br/>Authorized<br/>and Unissued</u> | <u>Bonds<br/>Now Offered</u> | <u>Balance</u>      |
|-----------------------|--------------------------|------------------------------------------------|------------------------------|---------------------|
| Streets and Sidewalks | 12/2/2025                | \$10,000,000                                   | \$ 5,000,000                 | \$ 5,000,000        |
| Parks & Recreation    | 12/2/2025                | 8,000,000                                      | 5,000,000                    | 3,000,000           |
| Stormwater            | 12/2/2025                | <u>6,000,000</u>                               | <u>3,000,000</u>             | <u>3,000,000</u>    |
| Totals                |                          | <u>\$24,000,000</u>                            | <u>\$13,000,000</u>          | <u>\$11,000,000</u> |

## GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2025

| <u>Unit</u>      | <u>2024<br/>Population</u> | <u>Assessed<br/>Valuation</u> | <u>Tax Rate<br/>Per \$100</u> | <u>GO Debt<br/>and Unissued</u> | <u>Total<br/>GO Debt</u> | <u>Total GO<br/>Debt Per Capita</u> |
|------------------|----------------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------|-------------------------------------|
| Craven<br>County | 106,836 <sup>1</sup>       | \$14,581,321,344              | \$0.4448                      | \$ --                           | \$ --                    | \$ --                               |

<sup>1</sup> Estimate of United States Department of Commerce, Bureau of the Census.

## OTHER LONG-TERM COMMITMENTS

The City has entered into various installment financing agreements for land, buildings, vehicles, and equipment payable through the fiscal year ending June 30, 2039. The total for Government Activities is \$26,366,133 with the last payment ending fiscal year 2039. The total for Business Activities is \$4,976,351 with the last payment ending fiscal year 2032. The following table sets forth the future payments under those agreements:

| <u>Fiscal Year<br/>Ending June 30</u> | <u>Principal</u>       | <u>Interest</u>       | <u>Total</u>           |
|---------------------------------------|------------------------|-----------------------|------------------------|
| 2026                                  | \$2,700,951.27         | \$766,951.76          | \$3,467,903.03         |
| 2027                                  | 3,625,781.93           | 868,695.67            | 4,494,477.60           |
| 2028                                  | 3,694,565.85           | 733,633.35            | 4,428,199.20           |
| 2029                                  | 3,456,539.24           | 597,796.15            | 4,054,335.39           |
| 2030                                  | 2,599,264.92           | 476,682.35            | 3,075,947.27           |
| 2031                                  | 2,289,688.03           | 381,889.24            | 2,671,577.27           |
| 2032                                  | 1,278,009.47           | 297,895.75            | 1,575,905.22           |
| 2033                                  | 1,084,980.48           | 252,966.04            | 1,337,946.52           |
| 2034                                  | 1,087,513.87           | 211,406.64            | 1,298,920.51           |
| 2035                                  | 1,090,099.46           | 169,795.06            | 1,259,894.52           |
| 2036                                  | 1,092,738.31           | 128,130.21            | 1,220,868.52           |
| 2037                                  | 962,000.00             | 86,411.00             | 1,048,411.00           |
| 2038                                  | 702,000.00             | 47,385.00             | 749,385.00             |
| 2039                                  | <u>702,000.00</u>      | <u>15,795.00</u>      | <u>717,795.00</u>      |
| Totals                                | <u>\$26,366,132.83</u> | <u>\$5,035,433.22</u> | <u>\$31,401,566.05</u> |

NOTE: Totals may not foot due to rounding.

The City also has a note payable with the State for water and sewer distribution expansion and improvement projects, which are secured solely by water and sewer revenues. As of June 30, 2025 the debt service requirements through the final maturity in the fiscal year ending June 30, 2030 total \$8,972,548, and the debt service requirements for the fiscal year ended June 30, 2026 totaled \$1,870,629.

Additionally, the City has issued utility revenue bonds to finance improvements to its water, sewer, and electric improvements, which are secured solely by utility system revenues. Debt service requirements through the final maturity in the fiscal year ending June 30, 2039 total \$8,546,574, and debt service requirements for the fiscal year ended June 30, 2026 totaled \$1,186,196. The 2014 utility revenue bonds matured in December 2025, the 2016 revenue bonds matured May 2026, and the 2023 revenue bonds mature in 2039. Debt service payments for the May 2016 sewer improvements total approximately \$566,500 annually through 2039.

For additional information relating to the City's long-term commitments, see Note 8 of the Financial Statements.

## DEBT OUTLOOK

The City expects to issue a total of \$24 million in voter approved General Obligation Bonds over the next five to seven years, with the Bonds being the first issuance.

## Tax Information

### GENERAL INFORMATION

|                                 | Fiscal Year Ended June 30, |                        |                        |                         |
|---------------------------------|----------------------------|------------------------|------------------------|-------------------------|
|                                 | <u>2023</u>                | <u>2024</u>            | <u>2025</u>            | <u>2026<sup>3</sup></u> |
| <b>Assessed Valuation:</b>      |                            |                        |                        |                         |
| Assessment Ratio <sup>1,2</sup> | 100%                       | 100%                   | 100%                   |                         |
| Real Property                   | \$2,850,194,782            | \$4,150,119,073        | \$4,280,142,003        | \$4,376,805,730         |
| Personal Property               | 676,256,708                | 737,968,914            | 871,528,249            | 893,940,362             |
| Public Service Companies        | <u>47,542,256</u>          | <u>50,730,294</u>      | <u>57,284,577</u>      | <u>64,715,254</u>       |
| Total Assessed Valuation        | <u>\$3,573,993,746</u>     | <u>\$4,938,818,281</u> | <u>\$5,208,954,829</u> | <u>\$5,335,461,346</u>  |
| Rate per \$100                  | 0.4822                     | 0.3800                 | 0.3900                 | 0.3900                  |
| Levy                            | \$17,233,798               | \$18,767,509           | \$20,314,924           | \$20,808,299            |

<sup>1</sup> Real and Personal Property values are net of exclusions, exemptions, and deferments.

<sup>2</sup> Craven County reassessed all real estate property on January 1, 2023 for fiscal year 2024.

<sup>3</sup> 2026 are unaudited preliminary numbers; the final settlement report has not been issued by the County.

NOTE: The total assessed valuation for fiscal year 2026-27 is estimated at \$5,470,000,000 with a tax rate of \$0.42 per \$100. The tax rate increased by \$0.03, of which \$0.0275 consists of debt service for upcoming general obligation bonds.

Source: Municipal Certification (Form TR-2)

### TAX COLLECTIONS

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Collections in<br/>Subsequent Years</u> | <u>Current Year's<br/>Levy Collected<br/>Excluding Motor Vehicles</u> | <u>Percentage of<br/>Current Year's<br/>Levy Collected</u> | <u>Motor Vehicle<br/>Collections</u> |
|--------------------------------------|--------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------|
| 2022                                 | \$85,875                                   | \$14,891,377                                                          | 99.07%                                                     | \$1,595,794                          |
| 2023                                 | 87,156                                     | 15,331,735                                                            | 99.21                                                      | 1,843,849                            |
| 2024                                 | 65,779                                     | 17,041,715                                                            | 99.38                                                      | 1,795,475                            |
| 2025                                 | 55,699                                     | 18,162,019                                                            | 99.37                                                      | 1,965,810                            |
| 2026                                 | --                                         | 18,520,715                                                            | 99.43                                                      | 2,034,087                            |

## TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2025-26

| <u>Name of Taxpayer</u>                       | <u>Nature of Property</u> | <u>Assessed Value<sup>1</sup></u> | <u>Percentage of Total Assessed Value</u> |
|-----------------------------------------------|---------------------------|-----------------------------------|-------------------------------------------|
| BSH Home Appliances Corp                      | Household Appliances      | \$164,499,852                     | 3.08%                                     |
| New Bern Apartments LLC                       | Residential Rental        | 34,565,087                        | 0.65                                      |
| West New Bern Owner LLC                       | Residential Rental        | 30,356,060                        | 0.57                                      |
| White River Marine Group LLC                  | Boat Manufacturing        | 28,296,814                        | 0.53                                      |
| Proximity New Bern LLC                        | Residential Rental        | 27,759,958                        | 0.52                                      |
| Wal-Mart Real Estate Business Trust           | Retail Sales              | 25,656,539                        | 0.48                                      |
| SREIT Woodland Crossing Apartment             | Residential Rental        | 25,298,408                        | 0.47                                      |
| Hudson Carolina Colours Development           | Residential Rental        | 23,761,775                        | 0.45                                      |
| NB1 LLC                                       | Shopping Center           | 20,945,750                        | 0.39                                      |
| SNH/LTA SE McCarthy New Bern                  | Assisted Living           | <u>20,380,400</u>                 | <u>0.38</u>                               |
| Total Assessed Valuation of Top Ten Taxpayers |                           | <u>\$401,520,643</u>              | <u>7.53%</u>                              |

<sup>1</sup> Unaudited.

Source: Information provided by the County and was updated 7/8/2026.

## 2025-26 Budget Commentary

The City of New Bern adopts an annual balanced budget in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The Fiscal Year 2025-2026 budget totals \$166.3 million, including a General Fund budget of \$52.9 million and Enterprise Fund budgets totaling \$101.6 million. The budget reflects the City's continued commitment to fiscal responsibility while maintaining high-quality municipal services, investing in critical infrastructure, supporting employee recruitment and retention, and addressing the needs of a growing community.

The FY 2025-2026 budget was developed around the City's five strategic priorities: Excellence in Government; Safe and Welcoming Community; Planning and Infrastructure for Balanced Growth; Economic Development; and Community Engagement. Budgeted initiatives include transportation and utility infrastructure improvements, public safety equipment and technology, park and recreation enhancements, economic development partnerships, downtown revitalization projects, and continued investments in employee development and customer service.

The City maintained its ad valorem tax rate at \$0.3900 per \$100 of assessed valuation while benefiting from approximately 7% growth in the City's taxable assessed valuation, increasing the tax base to approximately \$5.3 billion. Sales tax revenues are projected to continue growing, while enterprise funds remain self-supporting through user fees and continue to fund utility rehabilitation, system modernization, and infrastructure improvements. The budget also provides funding for capital projects, including street, sidewalk, electric, water, sewer, and stormwater improvements, while positioning the City to accommodate continued residential and commercial growth.

The City continues to demonstrate prudent financial management through conservative budgeting, long-range capital planning, and disciplined debt management. During FY 2025-2026, total outstanding debt is projected to decline by approximately 4% as existing obligations continue to be retired. The City also actively pursues grant funding to leverage local resources, administering 29

federal, state, and local grants totaling approximately \$21 million while seeking additional funding for infrastructure, public safety, drainage, and resiliency projects.

The June 30, 2026 Monthly Financial Report shows the City's financial performance remaining generally consistent with or favorable to the amended budget. General Fund expenditures and encumbrances totaled approximately 91.9% of the revised budget, while the reported year-end deficit primarily reflects revenue-recognition timing and the planned use of restricted and assigned fund balance for prior-year purchase orders and ongoing projects.

The City's enterprise funds reported positive preliminary operating results for FY2026, with the Electric Fund demonstrating particularly strong performance as revenues benefited from recent rate adjustments. The City's estimated available General Fund balance remains strong at approximately 43.8% of budgeted operating expenditures; however, all FY2026 amounts remain subject to year-end adjustments and completion of the annual audit.

During the fiscal year, the Board of Aldermen periodically adopts budget amendments to recognize additional revenues, appropriate grants and donations, authorize approved capital projects, and address unforeseen operational needs as they arise. Following the completion of the annual audit and the close of the prior fiscal year (Nov-Jan), the Board approves a comprehensive budget amendment that is primarily administrative in nature. This amendment rolls forward outstanding purchase orders for goods and services ordered but not received by year-end, appropriates Municipal Service District (MSD) project balances, and re-establishes funding for non-federal ARP-enabled projects. These appropriations are supported by restricted and assigned fund balance established for their intended purposes and do not represent new discretionary spending. Subsequent budget amendments throughout the year are generally limited to routine adjustments needed to align the budget with operational needs, grant awards, project timing, and year-end revenue and expenditure estimates.

## **2026-27 Budget Outlook**

The Fiscal Year 2026-2027 budget reflects the City's continued commitment to maintaining a strong financial position while addressing the needs of a growing community. The City adopted a balanced budget of approximately \$181.8 million, representing a 9.3% increase over the prior fiscal year, driven primarily by investments in personnel, capital improvements, utility infrastructure, and replacement of aging facilities and equipment. The budget continues to align financial resources with the Board of Aldermen's strategic priorities, including excellence in government, public safety, infrastructure, economic development, community engagement, customer service, and transparency.

The FY 2026-2027 budget includes continued investments in streets, sidewalks, water, sewer, electric, and stormwater infrastructure to support residential and commercial growth and maintain reliable public services. The City also established a separate Debt Service Fund beginning in FY 2026-2027, consistent with recommendations of the North Carolina Local Government Commission and the Government Finance Officers Association, enhancing transparency and long-term financial planning by separately accounting for debt-related revenues and expenditures.

To finance voter-approved General Obligation Bonds for parks and recreation, streets and sidewalks, and stormwater improvements, the City increased its ad valorem tax rate from \$0.3900 to \$0.4200 per \$100 of assessed valuation. At the same time, the City's tax base is projected to continue growing, with taxable assessed valuation estimated at approximately \$5.47 billion, an increase of approximately 3% over the prior year. Sales tax revenues are also projected to increase by approximately 5%, reflecting continued economic activity and population growth.

The City continues to maintain conservative financial policies, with enterprise funds remaining self-supporting through user fees and charges. Planned utility investments include electric, water, and sewer rehabilitation projects, system capacity improvements, and replacement of aging infrastructure to enhance reliability and support future development. In addition, the City continues to actively pursue external funding opportunities, administering approximately \$15 million in grant-funded projects while seeking an additional \$46 million in grants for transportation, parks and recreation, public housing revitalization, and public safety initiatives.

The City's debt profile continues to strengthen as existing obligations are retired. Total outstanding debt is projected to decrease by 15.5% during FY 2026-2027, despite the issuance of voter-approved general obligation bonds, reflecting the City's disciplined approach to debt management and long-term financial sustainability. Management expects continued population growth, economic development, and infrastructure investment to support future revenue growth while maintaining the City's strong financial position.

### **Pension Plans**

The following information on the City's pension plans is presented on the calendar year basis, whereas the information in the footnotes to the audited financial statements included in Appendix D hereto is presented on the fiscal year basis.

The City participates in the North Carolina Local Governmental Employees' Retirement System (the "System"). The System is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers for the fiscal year ended June 30, 2026 was 14.35% of eligible payroll for general employees and 16.10% of eligible payroll for law enforcement officers. For the fiscal year ending June 30, 2027, the contribution rate is 15.10% of eligible payroll for general employees and 17.10% of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the System.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the System are determined on an actuarial basis.

For information concerning the City's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina, see the Notes to the City's audited financial statements included in Appendix D hereto.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Annual Comprehensive Financial Report ("ACFR") for the State. Please refer to the State's ACFR for additional information.

### **Other Post-Employment Benefits**

The City provides post-employment healthcare benefits through a single-employer defined benefit Healthcare Benefits Plan ("HCB Plan") in accordance with a resolution adopted by the Board of Aldermen. Under the HCB Plan, the City pays 100% of the cost of post-retirement healthcare coverage for eligible "maximum retirees," while eligible "other retirees" may participate in the City's health insurance plan by paying the full cost of coverage. Maximum retiree eligibility is based on specified combinations of years of service with the City and, in certain cases, qualifying military service or governing board service. Eligible retirees who qualify for Medicare are transitioned to a Medicare Supplement plan upon Medicare eligibility.

The Board of Aldermen establishes and may amend the provisions of the HCB Plan. The plan is not administered through an irrevocable trust meeting the requirements of GASB Statement No. 75, and no separate trust financial statements are issued. However, the City has established an internal service fund to help finance future other post-employment benefit obligations and, when funding is available through the Employee Benefits Fund, contributes approximately \$100,000 annually to the reserve as part of its long-term financial planning strategy. During the most recent fiscal year, the City paid \$641,737 in retiree healthcare benefits.

### **Contingent Liabilities**

The City has no litigation pending which, in the opinion of the City Attorney, would materially and adversely affect the City's ability to meet its financial obligations. Furthermore, the City Attorney knows of no other contingent liabilities which would materially and adversely affect the City's ability to meet its financial obligations.

### **Cybersecurity**

The City, like other large public and private entities, faces multiple cybersecurity threats including, but not limited to hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems. These threats could result in adverse consequences to the City, including but not limited to, operational disruption and misappropriation of assets or information. The City has implemented multiple operational safeguards and cybersecurity procedures. However, no assurance can be given that such measures will protect against, or mitigate the impact of, the financial or operational damage that could result from a cybersecurity attack.

## CONTINUING DISCLOSURE

In the resolution adopted by the Board of Aldermen authorizing the issuance of the Bonds, the City has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board (the “MSRB”):

(a) by not later than seven months from the end of each fiscal year of the City, beginning with the fiscal year ended June 30, 2026, audited financial statements of the City for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or if such audited financial statements of the City are not available by seven months from the end of such fiscal year, unaudited financial statements of the City for such fiscal year to be replaced subsequently by audited financial statements of the City to be delivered within fifteen (15) days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the City, beginning with the fiscal year ended June 30, 2026, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the headings “THE CITY - Debt Information and - Tax Information” (excluding any information on overlapping units) in this Official Statement and (ii) the combined budget of the City for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;

(c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (7) modification to the rights of the beneficial owners of the Bonds, if material;
- (8) bond calls, other than pursuant to mandatory sinking fund redemption, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a trustee or a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation (as defined below) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect beneficial owners of the Bonds, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City, any of which reflect financial difficulties; and

(d) in a timely manner, notice of a failure of the City to provide the required annual financial information described in (a) or (b) above on or before the date specified.

All information provided to the MSRB as described above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The City may meet the continuing disclosure filing requirements described above by complying with any other procedure that may be authorized or required by the United States Securities and Exchange Commission.

“Financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

At present, Section 159-34 of the General Statutes of North Carolina requires the City’s financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The resolution adopted by the City authorizing the issuance of the Bonds provides that if the City fails to comply with the undertaking described above, any beneficial owner of the Bonds may take action to protect and enforce the rights of all beneficial owners of the Bonds with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolution, the City reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the City, provided that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the City (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds of each series pursuant to the terms of such resolution, as it may be amended from time to time, at the time of such amendment.

In the event that the City makes such a modification, any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds of each series.

The City has not been subject to a continuing disclosure undertaking in the last five years.

### **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is included in Appendix E hereto.

### **TAX TREATMENT**

#### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the City with certain covenants to comply with the requirements of the Code, regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation and will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds held by certain corporations will be included in the computation of “adjusted financial statement income” for purposes of the federal alternative minimum tax imposed on such corporations. Furthermore, in the opinion of Bond Counsel, under existing law, interest on the Bonds will be exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which Bond Counsel renders no opinion, as a result of the ownership or transfer of the Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

## **Original Issue Discount**

Oppenheimer & Co., Inc., as underwriter of the Bonds, has advised the Commission that the initial public offering prices of the Bonds maturing on August 1, 2043 (collectively, the “Discount Bonds”), are less than the amounts payable at maturity.\* An amount not less than the difference between the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) of the Discount Bonds and the amounts payable at maturity constitutes original issue discount. Under existing federal income tax law and regulations, the original issue discount on a Discount Bond is interest not includable in the gross income of an owner who purchases such Discount Bond in the original offering at the initial public offering price thereof and holds it to maturity, and such owner will not realize taxable gain upon payment of such Discount Bond at maturity. Owners who purchase Discount Bonds at a price other than the initial offering price or who do not purchase Discount Bonds in the initial public offering should consult their tax advisors with respect to the consequences of the ownership of such Discount Bonds. An owner who purchases a Discount Bond in the initial offering at the initial offering price and holds such Discount Bond to maturity is deemed under existing federal tax laws and regulations to accrue original issue discount on a constant yield basis under Section 1288 of the Code from the date of original issue. An owner’s adjusted basis in a Discount Bond is increased by accrued original issue discount for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond. Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt interest received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners and prospective purchasers of Discount Bonds should consult their own tax advisors regarding the calculation of accrued original issue discount for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the ownership or disposition of Discount Bonds.

## **Original Issue Premium**

Oppenheimer & Co., Inc., as underwriter of the Bonds, has advised the Commission that the initial public offering prices of the Bonds maturing on August 1, 2027 to 2039, inclusive (collectively, the “Premium Bonds”), are greater than the amounts payable at maturity.\* The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium. In general, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period and subtract such bond premium from the owner’s basis in such Premium Bond. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost.

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\* Information provided by the underwriter of the Bonds.

Owners and prospective purchasers of Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences in connection with the ownership and disposition of Premium Bonds.

### **Other Tax Consequences**

Ownership or transfer of, or the accrual or receipt of interest on, the Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Owners and prospective purchasers of the Bonds should consult their tax advisors as to any such possible tax consequences. Except to the extent covered in its legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, or certain litigation or judicial decisions, if upheld, will not contain provisions or produce results which could, directly or indirectly, reduce the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds.

Interest paid on tax-exempt obligations, such as the Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Service.

### **RATINGS**

Moody’s Ratings and S&P Global Ratings have given the Bonds ratings of Aa2 and AA, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in this Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

## **MUNICIPAL ADVISOR**

Davenport & Company LLC, Charlotte, North Carolina, has acted as municipal advisor to the City in connection with the sale and issuance of the Bonds.

## **UNDERWRITING**

The underwriter of the Bonds is Oppenheimer & Co., Inc.<sup>1</sup> Such underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, such underwriter anticipates total underwriter's discount of \$27,072.50.<sup>1</sup> The public offering prices or yields of the Bonds may be changed from time to time by such underwriter.

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<sup>1</sup> Information provided by the underwriter of the Bonds.

## **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

Reference herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

This Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Board of Aldermen of the City.

## THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the “Commission”) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. All general obligation issues are customarily sold based on formal sealed bids submitted at the Commission’s offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems, and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his or her approval before the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors to assist the unit in working out a refinancing plan, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable, and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such a plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary of the Commission deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue regarding a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed with following such plan.

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE  
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF  
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL  
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

**Constitutional Provisions**

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,

it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

### **The Local Government Bond Act**

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

#### Short-Term Obligations

*Bond Anticipation Notes* - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

*Tax Anticipation Notes* - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

*Revenue Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

*Grant Anticipation Notes* - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

## **The Local Government Budget and Fiscal Control Act**

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

*Budget* - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

*Fiscal Control* – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

## **Major General Fund Revenue Sources**

*Ad Valorem Tax* - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

*Tax Base* - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
  - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
  - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
  - (c) Certain pollution abatement and resource recovery equipment.
  - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
  - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
  - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

*Appraisal Standard* - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

*Frequency of Appraisal* - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

*Tax Day* - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

*Tax Levy* - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

*Tax Collection* - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

### **Local Government Sales and Use Taxes**

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

### **Alcoholic Beverage Control Store Profits**

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

### **Intragovernmental Shared Revenues**

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

### **State and Local Fiscal Relations**

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

*Public Schools and Community Colleges* - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the

public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

*Court System* - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

*Correctional System* - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

*Highway System* - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

## **APPENDIX C**

### **Management Discussion and Analysis**

The following is Management's Discussion and Analysis of the financial activities of the City, lifted from the Annual Comprehensive Financial Report for the City of New Bern for the fiscal year ended June 30, 2025. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the City's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the City have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

## Management's Discussion and Analysis

As management of the City of New Bern, we offer readers of the City of New Bern's (the "City") financial statements this narrative overview and analysis of the financial activities of the City of New Bern for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

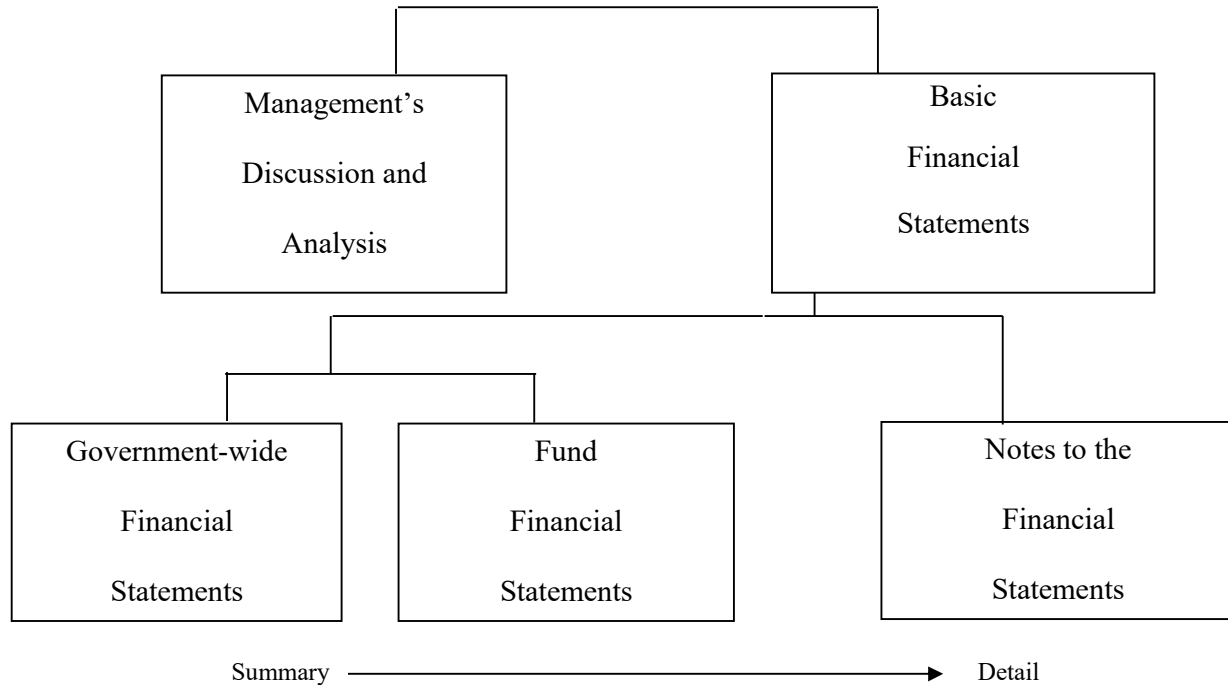
- The assets and deferred outflows of resources of the City of New Bern exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$227,483,907 (net position).
- Total City's total net position increased by \$13,279,266. Governmental activities and Business-type activities net position increased by \$6,298,456 and \$6,980,810, respectively. The City also implemented GASB 101 "Compensated Absences" which resulted in a prior period restatement that decreased net position in Governmental activities by \$7,117,148 and Business-type activities by \$2,089,804.
- As of the close of the current fiscal year, the City of New Bern's governmental funds reported combined ending fund balances of \$39,937,972, a decrease of \$1,431,382 in comparison with the prior year. Approximately \$15 million (37.68 percent) is unavailable (includes only nonspendable, restricted by state statute, restricted for Streets); Approximately 42.08 percent is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$17,905,109 or 42.31 percent of total General Fund expenditures for the fiscal year; compared to \$20,105,829, or 48.1 percent the prior fiscal year.
- The City of New Bern's total debt (excluding compensated absences, net pension liability, total pension liability, and total OPEB liability) decreased by \$1,467,166 (3.27 percent) during the current fiscal year.
- The City is in compliance with all bond covenants.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of New Bern'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 (see Figure 1). 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 reader's understanding of the financial condition of the City of New Bern. As an overview, the following chart outlines the required components of the annual financial report.

**Required Components of Annual Financial Report**

**Figure 1**



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements 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. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

Government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. Governmental activities include most of the City's basic services such as public safety, streets, parks and recreation, and general administration. Property, sales and other taxes, operating transfer, and state and federal grant funds finance most of these activities. The City charges fees to customers to cover the costs of services provided. These include the water, sewer, electric and solid waste offered by the City of New Bern.

The government-wide financial statements are on Exhibits 1 (Statement of Net Position) and 2 (Statement of Activities) of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of New Bern, 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 City of New Bern can be divided into two categories: governmental funds and proprietary funds.

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

An annual budget is adopted for the City of New Bern 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 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 prior 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 legal budget document. This statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. A reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement to account for the difference between the budgetary basis of accounting and the modified accrual basis.

**Proprietary Funds** – The City has two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity and for its electric and solid waste operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for one activity - its self-insured health benefit plan. Because this operation provides benefits to all City employees, 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 included in this report after Exhibit 9 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of New Bern's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Exhibit A-1 of this report.

**Interdependence with Other Entities:** The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

**City of New Bern's Net Position**  
**Figure 2**

|                                                     | <b>Governmental<br/>Activities</b> |               | <b>Business-Type<br/>Activities</b> |                | <b>Total</b>   |               |
|-----------------------------------------------------|------------------------------------|---------------|-------------------------------------|----------------|----------------|---------------|
|                                                     | <b>2025</b>                        | <b>2024</b>   | <b>2025</b>                         | <b>2024</b>    | <b>2025</b>    | <b>2024</b>   |
| Current assets                                      | \$ 47,575,234                      | \$ 49,320,597 | \$ 57,920,363                       | \$ 54,182,184  | \$ 105,495,597 | \$103,502,781 |
| Noncurrent assets                                   | 140,717                            | 158,855       | 1,185,316                           | 278,749        | 1,326,033      | 437,604       |
| Capital assets                                      | 90,662,755                         | 83,470,490    | 154,950,857                         | 152,634,508    | 245,613,612    | 236,104,998   |
| Total assets                                        | 138,378,706                        | 132,949,942   | 214,056,536                         | 207,095,441    | 352,435,242    | 340,045,383   |
| Deferred outflows of resources                      | 16,032,477                         | 16,964,188    | 4,286,761                           | 3,794,874      | 20,319,238     | 20,759,062    |
| Total assets and deferred outflows of resources     | 154,411,183                        | 149,914,130   | 218,343,297                         | 210,890,315    | 372,754,480    | 360,804,445   |
| Current and other liabilities                       | 10,138,333                         | 8,082,212     | 12,907,412                          | 11,716,197     | 23,045,746     | 19,798,409    |
| Non-current liabilities                             | 84,170,942                         | 79,077,068    | 25,915,221                          | 25,441,620     | 110,086,162    | 104,518,688   |
| Total liabilities                                   | 94,309,275                         | 87,159,280    | 38,822,633                          | 37,157,817     | 133,131,908    | 124,317,097   |
| Deferred inflows of resources                       | 10,767,423                         | 12,601,673    | 1,371,242                           | 474,082        | 12,138,665     | 13,075,755    |
| Total liabilities and deferred inflows of resources | 105,076,698                        | 99,760,953    | 40,193,875                          | 37,631,899     | 145,270,573    | 137,392,852   |
| Net position:                                       |                                    |               |                                     |                |                |               |
| Net investment in capital                           | 69,083,775                         | 65,964,640    | 135,955,775                         | 132,238,433    | 205,039,550    | 198,203,073   |
| Restricted                                          | 19,372,786                         | 15,671,798    | -                                   | -              | 19,372,786     | 15,671,798    |
| Unrestricted                                        | (39,122,076)                       | (31,483,261)  | 42,193,647                          | 41,019,983     | 3,071,571      | 9,536,722     |
| Total net position                                  | \$ 49,334,485                      | \$ 50,153,177 | \$ 178,149,422                      | \$ 173,258,416 | \$ 227,483,907 | \$223,411,593 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$227,483,907 as of June 30, 2025. The City's net position increased by \$13,279,267 for the fiscal year ended June 30, 2025. The City also adopted GASB 101 during the current year which resulted in a decrease in net position of \$9,206,952. The largest portion of net position \$205,039,550 (90.13%) 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 of New Bern uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net position \$19,372,786 (8.52%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$3,071,571 (1.35%) is unrestricted.

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

- Continued strong collection of sales taxes and maintaining a property tax collection of 99.43% in the City-Wide tax districts.
- Additions to capital assets and an increase in investment earnings.
- Receiving reimbursements from FEMA related funding.

**City of New Bern's Changes in Net Position**

**Figure 3**

|                                         | <b>Governmental<br/>Activities</b> |               | <b>Business-type<br/>Activities</b> |                | <b>Total</b>   |                |
|-----------------------------------------|------------------------------------|---------------|-------------------------------------|----------------|----------------|----------------|
|                                         | <b>2025</b>                        | <b>2024</b>   | <b>2025</b>                         | <b>2024</b>    | <b>2025</b>    | <b>2024</b>    |
| <b>Revenues</b>                         |                                    |               |                                     |                |                |                |
| Program revenues:                       |                                    |               |                                     |                |                |                |
| Charges for services                    | \$ 2,783,452                       | \$ 2,644,817  | \$ 94,835,745                       | \$ 84,096,351  | \$ 97,619,197  | \$ 86,741,168  |
| Operating grants and contributions      | 4,279,352                          | 3,336,665     | -                                   | -              | 4,279,352      | 3,336,665      |
| Capital grants and contributions        | 4,021,510                          | 6,000,265     | 2,570,329                           | 1,358,972      | 6,591,839      | 7,359,237      |
| General revenues:                       |                                    |               |                                     |                |                |                |
| Property taxes                          | 20,921,420                         | 19,357,838    | -                                   | -              | 20,921,420     | 19,357,838     |
| Leases revenue                          | -                                  | -             | 198,016                             | 228,266        | 198,016        | 228,266        |
| Other taxes and licenses                | 15,782,722                         | 15,630,015    | -                                   | -              | 15,782,722     | 15,630,015     |
| Unrestricted investment earnings        | 1,679,189                          | 2,436,754     | 1,495,756                           | 1,696,661      | 3,174,945      | 4,133,415      |
| Miscellaneous                           | 663,812                            | 294,901       | 1,393,172                           | 920,113        | 2,056,984      | 1,215,014      |
| Gain/Loss on disposal of capital assets | 532,646                            | 214,022       | 18,428                              | (180,160)      | 551,074        | 33,862         |
| Total revenues                          | 50,664,103                         | 49,915,277    | 100,511,446                         | 88,120,203     | 151,175,549    | 138,035,480    |
| <b>Expenses</b>                         |                                    |               |                                     |                |                |                |
| General government                      | 3,568,582                          | 5,471,497     | -                                   | -              | 3,568,582      | 5,471,497      |
| Public safety                           | 26,010,145                         | 25,868,308    | -                                   | -              | 26,010,145     | 25,868,308     |
| Public Works                            | 9,634,841                          | 8,318,563     | -                                   | -              | 9,634,841      | 8,318,563      |
| Cultural and recreation                 | 3,220,953                          | 5,123,649     | -                                   | -              | 3,220,953      | 5,123,649      |
| Economic Development                    | 3,791,703                          | 3,461,965     | -                                   | -              | 3,791,703      | 3,461,965      |
| Interest on long-term debt and fees     | 918,004                            | 602,308       | -                                   | -              | 918,004        | 602,308        |
| Electric                                | -                                  | -             | 61,259,593                          | 54,921,475     | 61,259,593     | 54,921,475     |
| Water                                   | -                                  | -             | 12,032,287                          | 10,920,495     | 12,032,287     | 10,920,495     |
| Sewer                                   | -                                  | -             | 12,885,171                          | 13,220,762     | 12,885,171     | 13,220,762     |
| Solid Waste                             | -                                  | -             | 4,575,004                           | 4,176,253      | 4,575,004      | 4,176,253      |
| Total expenses                          | 47,144,228                         | 48,846,290    | 90,752,055                          | 83,238,985     | 137,896,283    | 132,085,275    |
| Change in net position before transfers | 3,519,875                          | 1,068,987     | 9,759,391                           | 4,881,218      | 13,279,266     | 5,950,205      |
| Transfers                               | 2,778,581                          | 2,454,188     | (2,778,581)                         | (2,454,188)    | -              | -              |
| Increase (Decrease) in Net Position     | 6,298,456                          | 3,523,175     | 6,980,810                           | 2,427,030      | 13,279,266     | 5,950,205      |
| <b>Net Position</b>                     |                                    |               |                                     |                |                |                |
| Beginning of year, restated             | 43,036,029                         | 46,630,002    | 171,168,612                         | 170,831,386    | 214,204,641    | 217,461,388    |
| End of year - June 30                   | \$ 49,334,485                      | \$ 50,153,177 | \$ 178,149,422                      | \$ 173,258,416 | \$ 227,483,907 | \$ 223,411,593 |

**Governmental activities.** Governmental activities increased the City's net position by \$6,298,456. Key elements of this increase are as follows:

- Continued growth in property and sales tax revenues in the amount of \$1.5 million
- Reimbursement from FEMA of \$1.6 million for funding of repairs from hurricane damage
- A reduction in overall general fund expenditures

**Business-type activities:** Business-type activities increased the City's net position by \$6,980,810. Key elements of this increase are as follows:

- Increased revenues due to increases in rates for services
- A reduction in overall business-type activities expenditures.

### **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 of New Bern'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 of New Bern'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 \$17,905,109 while total fund balance reached \$37,050,931. The City of New Bern has determined that the City should maintain an available fund balance in excess of 25% of General Fund Expenditures in case of unforeseen needs or opportunities and to meet cash flow needs of the City. The City currently has an available fund balance of 52.01% of total General Fund expenditures, while total fund balance represents 87.56% of that same amount.

At June 30, 2025, the governmental funds of the City of New Bern reported a combined fund balance of \$39,937,972 a 3.46% decrease from last year.

**General Fund Budgetary Highlights:** During the fiscal year, the City 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. Total amendments were made during the year to increase the General Fund budget by \$338,869.

**Proprietary Funds.** The City of New Bern's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position at the end of the year amounted to \$16,111,214 in the Electric Fund, \$14,348,668 in the Water Fund, \$9,286,128 in the Sewer Fund, and \$2,229,470 in the Solid Waste Fund.

The Electric, Water and Sewer experienced growth in net position of \$4,781,890, \$990,670 and \$1,712,987, respectively. The Solid Waste Fund had a loss of \$14,285. A primary driver for the increases in net position of proprietary funds are requirements for revenues to exceed operational expenses sufficient enough to meet debt service requirements.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of New Bern's capital assets for its governmental and business-type activities as of June 30, 2025 totals \$245,613,612 (net of accumulated depreciation and amortization). These assets include buildings, land, improvements, equipment, vehicles, infrastructure, plants and distributions systems, and construction in progress.

Major capital asset transactions during the year include:

- Purchase of multiple police vehicles
- Completion and start of multiple Construction projects

**City of New Bern's Capital Assets**  
**(Net of depreciation)**  
**Figure 4**

|                           | <b>Governmental<br/>Activities</b> |                       | <b>Business-type<br/>Activities</b> |                       | <b>Total</b>          |                       |
|---------------------------|------------------------------------|-----------------------|-------------------------------------|-----------------------|-----------------------|-----------------------|
|                           | <b>2025</b>                        | <b>2024</b>           | <b>2025</b>                         | <b>2024</b>           | <b>2025</b>           | <b>2024</b>           |
| Land                      | \$ 23,752,074                      | \$ 23,357,057         | \$ 14,671,240                       | \$ 14,671,240         | \$ 38,423,314         | \$ 38,028,297         |
| Construction in progress  | 6,478,598                          | 13,846,941            | 7,793,926                           | 8,542,166             | 14,272,524            | 22,389,107            |
| Building and systems      | 39,842,258                         | 23,821,353            | 221,651,408                         | 217,126,830           | 261,493,666           | 240,948,183           |
| Land improvements         | -                                  | -                     | 492,151                             | 460,231               | 492,151               | 460,231               |
| Equipment, furniture, and | 14,915,191                         | 13,363,907            | 30,646,221                          | 29,396,010            | 45,561,412            | 42,759,917            |
| Infrastructure            | 39,978,510                         | 40,116,194            | 7,267,145                           | 5,234,148             | 47,245,655            | 45,350,342            |
| Vehicles and Motorized    | 15,195,435                         | 14,210,559            | 11,049,520                          | 8,868,308             | 26,244,955            | 23,078,867            |
| Right to Use Assets       | 1,648,350                          | 1,267,319             | 1,256,571                           | 942,152               | 2,904,921             | 2,209,471             |
| Total                     | 141,810,416                        | 129,983,330           | 294,828,182                         | 285,241,085           | 436,638,598           | 415,224,415           |
| Accumulated depreciation  | 49,718,745                         | 45,851,122            | 138,037,347                         | 131,500,863           | 187,756,092           | 177,351,985           |
| Capital assets, net       | <u>\$ 191,529,161</u>              | <u>\$ 175,834,452</u> | <u>\$ 432,865,529</u>               | <u>\$ 416,741,948</u> | <u>\$ 624,394,690</u> | <u>\$ 592,576,400</u> |

Additional information regarding the City of New Bern's capital assets can be found in Note 5, starting on page 38.

**Long-term Debt.** As of June 30, 2025, the City of New Bern had total debt outstanding of \$42,272,265 as noted in the following table.

**City of New Bern's Capital Assets**  
**Installment Purchases, Revenue Bonds, and General Obligation Bonds**  
**Figure 5**

|                              | <b>Governmental<br/>Activities</b> |                      | <b>Business-type<br/>Activities</b> |                      | <b>Total</b>          |                       |
|------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------|-----------------------|
|                              | <b>2025</b>                        | <b>2024</b>          | <b>2025</b>                         | <b>2024</b>          | <b>2025</b>           | <b>2024</b>           |
| Direct Placement Installment |                                    |                      |                                     |                      |                       |                       |
| Purchases                    | \$ 21,646,133                      | \$ 22,472,526        | \$ 4,696,351                        | \$ 4,434,558         | \$ 26,342,484         | \$ 26,907,084         |
| Direct Borrowing Notes       |                                    |                      |                                     |                      |                       |                       |
| Payable                      | -                                  | -                    | 8,401,656                           | 10,081,987           | 8,401,656             | 10,081,987            |
| Revenue Bonds                | -                                  | -                    | 6,464,350                           | 7,456,174            | 6,464,350             | 7,456,174             |
| Lease Liabilities            | 211,022                            | 277,283              | 73,791                              | 111,914              | 284,813               | 389,197               |
| Subscription Liabilities     | 565,807                            | 529,772              | 213,155                             | 256,557              | 778,962               | 786,329               |
| Liabilities                  | 59,670,714                         | 57,082,933           | 7,942,116                           | 6,108,281            | 67,612,830            | 63,191,214            |
| Compensated Absences         | 8,004,290                          | 9,094,526            | 2,074,955                           | 2,952,209            | 10,079,245            | 12,046,735            |
| Total                        | <u>\$ 90,097,966</u>               | <u>\$ 89,457,040</u> | <u>\$ 29,866,374</u>                | <u>\$ 31,401,680</u> | <u>\$ 119,964,340</u> | <u>\$ 120,858,720</u> |

The City of New Bern's total debt decreased by \$894,380 during the past fiscal year, due to new debt issuance offset by payments.

The state of North Carolina limits 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 of New Bern is approximately \$391,827,283.

Additional information regarding the City of New Bern's long-term debt can be found in Note 6, starting on page 43.

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

The following key economic indicators impact the City:

### **Population, Employment, Income, and Housing Statistics**

Since the 2020 Census, the City has had a steady increase in population and is expecting it to continue with the growth and development within the City and surrounding areas. However, in May 2025 the City challenged the U.S. Census Bureau's population estimates for 2021-2023 and the successful appeal proved stronger growth than previously reported. As of July 2024, the population for the City of New Bern was recorded at 34,218 and is growing at an average rate of 3% annually. The median household income is \$56,893. The poverty rate for the City is 16.28%. The unemployment rate in December 2024 was approximately 3.2%, well below the long term average of 5.7%, and under the statewide rate of 3.6 %. The housing market continues to show steady growth in the City of New Bern with a balanced mix of homeowners and renters. The median price for a home averages \$355,000, remaining consistent with the previous year.

### **Residential and Commercial Development**

New Bern is experiencing continued commercial and residential growth. Construction remained strong, with eight new commercial permits and sixty-seven permits approved for commercial renovations or changes to occupancy. Residential activity was also robust, with 323 new residential permits and 230 permits for renovations or accessory structures. Additionally, residential growth continued citywide, with nine new phases in existing subdivisions, one multi-family project, and two new subdivisions. These projects are expected to create 1,107 new single-family lots and 141 multifamily units. The estimated construction value for all permits in 2024 exceeded \$115 million, marking another year of significant investment. This sustained level of residential development supports growth in the City's tax base and reflects continued confidence by developers and homebuyers in New Bern's long-term prospects.

The White River Marine Group's \$34 Million investment to relocate MAKO and Ranger Saltwater production to New Bern is ongoing with initial steps and major acquisitions completed. This move positions the New Bern facility as the new headquarters and establishes the city as a future world capital for offshore angling and boating. Industrial development efforts continue to focus on expanding operations and launching next-generation boats, with approximately 500 jobs expected over time. The expansion of BSH Home Appliances began in 2025 and will continue through 2026 and 2027, increasing production capacity at its New Bern facility, representing an \$11 million investment and creating 200 new jobs. Steady growth of small-to-mid-size commercial and retail businesses continues, with highlighted by the recent openings of Kohl's, Grant's Menswear, Ashley Furniture, Skechers, and more than ten small businesses, including restaurants, eateries and health and wellness centers. The Tryon Riverfront Inn by Hilton and The Harvey, a luxury boutique hotel, completed renovations and reopened; the Holiday Inn Express and Suites is scheduled to open in December 2025. Several new restaurants, a boutique hotel featuring a restaurant, bar, and coffee shop, and a new entertainment venue are planned for early 2026. Construction of major transportation projects - including the James City Project, the Havelock Bypass, and the NC 43 Connector - is creating economic development opportunities through improved connectivity, new jobs, redevelopment, and expanded housing and retail prospects. Thales Academy will be expanding with a new campus in the West New Bern development. Community and economic development efforts remain a priority, with continued grant administration, redevelopment initiatives, and transportation projects.

### **Tourism and Recreation**

The City thrives on tourism and has more than 164 sites listed in the National Register of Historic Places. Breeze Airways partnered with Coastal Carolina Regional Airport, the Craven 100 Alliance, and the Craven County Tourism Development Authority to provide nonstop flights to and from New Bern, boosting the local visitor economy by making travel more accessible. The Craven County Tourism Development Authority reported a surge in summer tourism, with a 47% increase in visitors between May and August 2024. Visitors to Craven County spent \$184 million in 2024, a 3% increase from 2023. This visitor spending generated enough tax revenue that Craven County residents effectively saved about \$12.3 million in state and local taxes. Downtown New Bern, rich in history, is filled with art galleries, antique stores, museums, quaint restaurants and cafes. Activities and celebrations are abundant year-round with festivals and events. New Bern has 27 parks where residents and visitors enjoy a wide range of activities and community events, including concerts, festivals, drive-in theatres, fishing, kayaking, trails, and wildlife observation.

## Financial Highlights

The impact of the City's growth from the prior year is reflected in the General Fund ad valorem tax revenue, which increased by 6.56% or \$1.27 million. The ad valorem tax rate increased by \$0.01 per \$100 of valuation, generating an additional \$494,500 in revenue. The Municipal Service District tax rate remains unchanged at \$.1122 per \$100 of valuation. Sales taxes revenues remained steady, increasing by 2% and adding \$208,000. Investment earnings decreased by \$751,000 due to declining interest rates. The Enterprise Funds recognized revenue increases in customer service fees as a result of the City's overall growth. In addition, electric utilities implemented a 6% rate increase effective July 1, 2024, followed by an additional 6% rate increase on December 1, 2024, along with a power cost adjustment of up to 1.5%. Solid Waste revenues reflect a decrease of \$493,000 in charges for services due to a one-time adjustment.

The Enterprise Funds reimburse the General Fund for shared services provided for various administrative and overhead functions. These costs are calculated using the cost-allocation percentages identified in the City's Cost Allocation Plan. As salaries, benefits (including insurance and retirement), and contractual costs increase, the cost of shared services charged to the Enterprise Funds also rises. Shared-service reimbursements to the General Fund from the Enterprise Funds increased 13% (\$478,375), totaling \$4,181,258. The Enterprise Funds Payment In Lieu of Taxes (PILOT) decreased by 16% (\$202,700) from the prior year, with payments totaling \$1,074,724. The City is authorized by state statute to transfer from the Electric Fund an amount that reflects a rate of return on the investment in the electric system. This rate of return is calculated at 5% of electric system revenues, which increased by 7% (\$182,000), totaling \$2,778,581. The General fund recognizes \$8 million from these transfers and reimbursements.

The FY25 personnel expenses accounted for 68% of total General Fund and 19% of total expenses for the Enterprise Funds. The Board authorized a 2% Cost of Living Adjustment (COLA) and approved four new part-time Parks and Recreation positions, resulting in an estimated increase of \$1,024,304 to the General Fund budget and \$298,765 to the overall budgets for the Enterprise Funds. Additionally, the Classification Pay Plan was updated to reflect increased pay rates.

When comparing the FY25 and FY24 original budgets, the Water, Sewer and Solid Waste Funds remained relatively flat, while the Electric Fund increased by 6%. However, the revised budgets reflected additional increases due to rollover of purchase orders, transfers to project funds (including a \$2 million transfer from the Water Fund for the NCDOT project), and electric purchased power costs exceeding \$5 million.

The City continues to invest in its infrastructure, with FY25 including the planning, continuation, and completion of several projects within the governmental and enterprise capital funds. Several degraded roadways were repaired, accompanied by water, sewer, and stormwater infrastructure improvements totaling approximately \$4 million. The North Carolina Department of Transportation (NCDOT) project is ongoing, involving the relocation of City-owned water, sewer, electric, and fiber structures that conflict with NCDOT roadway improvements. The Stanley White Recreation Center is now open and nearing full project completion, and several additional Parks and Recreation improvements are continuing.

In April 2025, the City financed various vehicles and equipment through a \$2,450,000 installment purchase agreement with Banc of America Public Capital Corp at an interest rate of 3.6606%. This agreement is scheduled to mature in 2030. As of year-end, the City's outstanding principal on traditional debt—including installment purchase agreements, notes, and bonds—totaled \$41,208,489. This balance includes \$21,646,133 for the General Fund, \$8,965,237 for the Water Fund, \$6,053,951 for the Sewer Fund, \$4,317,349 for the Electric Fund, and \$225,819 for the Solid Waste Fund. Several debt issuances will be fully repaid in FY 2026, including the 2020 vehicles and equipment installment purchase agreement for the General Fund, the 2016 AMI Final Phase revenue bond for the Water and Electric Funds, and the 2016 Electric Fund installment purchase agreement used to refinance Kale Road. The City also reports outstanding non-traditional debt related to right-to-use assets, including leases and subscription-based IT arrangements. Outstanding balances are \$776,829 for the General Fund, \$52,358 for the Water Fund, \$140,351 for the Sewer Fund, \$89,561 for the Electric Fund, and \$4,676 for the Solid Waste Fund. During the year, the City added a copier lease for Parks and Recreation totaling \$5,537 over a 54-month term. Overall, the City did not experience significant changes in its right-to-use asset agreements. Total outstanding debt for Governmental Activities is \$22,422,962, and for Business-Type Activities is \$19,849,303. The City is also seeking authorization to issue \$24 million in general obligation bonds to support improvements in parks and recreation, stormwater management, and streets and sidewalks.

## **Budget Highlights for the Fiscal Year Ending June 30, 2026**

**Governmental Activities:** Management supports initiatives to enhance the City's resilience to future storms, advance development within the Choice Neighborhood Initiative area, and improve overall quality-of-life issues with an emphasis on public safety, street and sidewalk enhancements, stormwater improvements, and parks and recreation upgrades.

The FY26 Adopted General Fund Budget reflects an overall increase of 7.64% from the FY25 Adopted Budget. Salaries and benefits account for approximately 67% of General Fund expenditures. The FY26 budget incorporates increased salary and benefit costs associated with a 4% COLA, higher insurance premiums, and increased employer retirement contributions. It also includes nine additional positions in Technology, Finance, and Public Works. Two part-time positions in Parks and Recreation were combined into one full-time position, bringing the total number of funded positions to 511 for FY26. The General Fund appropriated \$825,314 from fund balance.

The FY26 tax rate remains at \$0.3900 per \$100 of valuation. The tax base of \$5,325,000,000 increased by 7.7%, reflecting the City's continued growth and generating approximately \$1.5 million in additional ad valorem tax revenue. The Municipal Service District (MSD) tax rate remains at \$0.1122 per \$100, with anticipated tax revenues of \$224,000.

Capital expenditures total \$2.3 million and include replacement of vehicles and equipment for public safety, development services, and public works; fleet and garage equipment; golf carts, mowers, and tractor equipment; athletic scoreboards; roadway improvements; two roof replacements at the Volt Center; replacement of 13 HVAC units; safety and technology equipment; and street, sidewalk, and curb enhancements.

The City continues to proactively seek grant funding opportunities to support major upcoming projects. Currently, the City has 30 active grants, totaling more than \$19.8 million awarded from federal, state, and local sources.

The City received \$6,704,351 in American Rescue Plan (ARP) funding and qualified for the revenue-replacement standard allocation, which allows for greater flexibility and eliminates many of the administrative constraints of ARP regulations. The Board of Aldermen allocated \$1,117,392 to each of the six wards to support ward-specific initiatives, appropriating a total of \$6,704,351 from the General Fund fund balance for ARP-Enabled Projects. Each ward allocated funds for various projects, including stormwater and drainage improvements, sidewalks, roadway improvements, safety equipment, Police Department K-9, electronic speed limit signs, Union Point Park infrastructure improvements, cemetery shelter and Questers headstone training, the McCotter House project, an affordable housing project, park improvements, a donation toward a fishing pier project, and public safety equipment and storage building enhancements. Expenditures for prior years (FY23–FY24) totaled \$3,081,567, and FY25 expenditures totaled \$853,733, for a cumulative total of \$3,935,300. The remaining balance of \$2,769,051 reflects assigned fund balance for ARP-Enabled Projects in FY26. These projects are not directly funded with federal ARP dollars; rather, they are supported by General Fund dollars made available through the reimbursement of ARP funds.

**Business-Type Activities:** The City of New Bern operates four self-supporting enterprise service funds that provide water, sewer, electric, and solid waste services to customers within the City and surrounding areas. These enterprise funds continue to support community development and invest in system improvements to accommodate the City's growth and enhance resiliency.

The Water Fund provides service to over 19,500 customers and services 349 miles of pipeline. Over the past year, the customer base has grown 1.0 to 2.0 percent. The FY26 Water Fund budget increased by 6 percent, totaling \$13,521,533. Salaries and benefits make up 32 percent of the total budget, which includes a 4 percent COLA, increased insurance premiums, and higher employer retirement contributions. No additional positions were added. Capital improvements total \$525,000 and consist of vehicle replacements and various water system improvements and rehabilitation projects. Charges for shared services from the General Fund and Electric Fund total \$2.7 million. Fund balance in the amount of \$31,533 was appropriated. No rate increases were included in the FY26 budget.

The Sewer Fund provides service to approximately 21,100 customers and services 451 miles of pipeline, 4,302 manholes, 111 major lift stations, 3,800 STEP pump stations, and 5 air-vac sewer stations. Over the past year, the customer base has grown 1.5 to 2 percent. The FY26 Sewer Fund budget increased by 6.5 percent, totaling \$14,303,376. Salaries and benefits account for 26 percent of the total budget, which includes a 4 percent COLA, increased insurance premiums, and higher employer retirement contributions. No additional positions were added. Capital improvements total \$1,253,000 and include vehicle and equipment replacements and various sewer system enhancements. Charges for shared services from the General, Water, and Electric Funds total \$3.3 million. Fund balance of \$27,747 was appropriated. No increase to rates was included.

The Electric Fund provides service to approximately 25,309 electric customers, consisting of 21,477 residential, 3,838 commercial and industrial. The system includes 2,175 miles of overhead and underground conductor, 15,864 poles, 7,296 transformers, 118 miles of fiber optic cable, and 7,857 street/area lights. The electric system covers approximately 92 square miles and continues to experience both load growth and territorial growth. The Fund provides service to five jurisdictions: the City of New Bern, the City of Havelock, Craven County, Jones County, and the Village of Trent Woods. The FY26 Electric Fund budget increased by 6 percent, totaling \$68,731,485. FY26 revenues reflect the incremental 12 percent rate increases implemented in FY25 and an additional 3 percent rate increase with a PCA adjustment for FY26. The budget includes \$955,250 in capital expenses for infrastructure and system improvements. Salaries and benefits make up 14 percent of the total budget, including the 4 percent COLA and increased insurance and employer retirement contributions. No additional positions were added. Purchased power, which is governed by a full-requirements power sale agreement, represents approximately 60 percent of the total operating expense and is influenced by inflation, commodity pricing, weather, and political trends. Charges for shared services from the General Fund total \$1,865,621. The Electric Fund is expected to add \$2.6 million to fund balance.

The Solid Waste Fund consists of approximately 14,000 residential and commercial cart services and roughly 700 commercial dumpsters. The FY26 Solid Waste Fund budget increased by 8 percent, totaling \$5,089,157. FY26 revenues reflect a minor rate increase for residential and commercial refuse cart and dumpster services. Salaries and benefits account for 17 percent of the total budget, which includes a 4 percent COLA, increased insurance premiums, increased employer retirement contributions, and one additional position, totaling \$843,918. The budget includes increased contractual costs of \$138,000 with GFL. Capital expenses include the purchase of a bulk waste route truck totaling \$250,000. Charges for shared services from the General Fund and Electric Fund total \$437,080. Fund balance of \$5,557 was appropriated.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of New Bern, P.O. Box 1129, New Bern, NC 28563-1129. One can also call (252) 639-2720, visit our website [www.newbernnc.gov](http://www.newbernnc.gov) or send an email to [accountants@newbernnc.gov](mailto:accountants@newbernnc.gov) for more information.

## APPENDIX D

### Financial Information

#### Financial Statements

The financial statements of the City have been audited by certified public accountants for the fiscal year ended June 30, 2025. A copy of these financial statements containing the report of the independent certified public accountants is available by contacting the office of Kimberly A. Ostrum, Director of Finance, at City of New Bern, 300 Pollock Street, New Bern, North Carolina 28563 or on the City's website at [https://www.newbernnc.gov/departments/administration/finance/annual\\_budget\\_and\\_reports.php](https://www.newbernnc.gov/departments/administration/finance/annual_budget_and_reports.php).

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The City believes that the annual financial report for the year ended June 30, 2026, will continue to meet the requirements under the Certificate of Achievement Program.

The City financial statements present the government-wide financial statements, which are shown on pages D-4 through D-5 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as major funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other government or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the City's ability to manage and estimate its resources. See pages D-7 through D-11 for the presentation of the City's budgetary statements.

The following financial statements are the basic financial statements of the City of New Bern and the notes thereto, lifted from the Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2025.

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## BASIC FINANCIAL STATEMENTS

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## GOVERNMENT - WIDE FINANCIAL STATEMENTS

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**City of New Bern, North Carolina**  
**Statement of Net Position**  
**June 30, 2025**

|                                                        | <b>Primary Government</b> |                       |                       |
|--------------------------------------------------------|---------------------------|-----------------------|-----------------------|
|                                                        | <b>Governmental</b>       | <b>Business-type</b>  |                       |
|                                                        | <b>Activities</b>         | <b>Activities</b>     | <b>Total</b>          |
| <b>ASSETS</b>                                          |                           |                       |                       |
| Current assets:                                        |                           |                       |                       |
| Cash and cash equivalents                              | \$ 32,145,459             | \$ 32,109,084         | \$ 64,254,543         |
| Receivables, net of allowance for uncollectibles       | 5,295,030                 | 12,938,712            | 18,233,742            |
| Taxes receivables, net of allowance for uncollectibles | 189,203                   | -                     | 189,203               |
| Leases Receivable                                      | 18,138                    | 160,411               | 178,549               |
| Due from other governments                             | 5,679,324                 | -                     | 5,679,324             |
| Internal Balances                                      | (218,167)                 | 218,167               | -                     |
| Inventories                                            | 248,768                   | 8,700,201             | 8,948,969             |
| Prepaid Items                                          | 946,908                   | -                     | 946,908               |
| Restricted Cash and Cash Equivalents                   | 3,270,571                 | 3,793,788             | 7,064,359             |
| Total current assets                                   | 47,575,234                | 57,920,363            | 105,495,597           |
| Non-Current assets:                                    |                           |                       |                       |
| Leases Receivable                                      | 140,717                   | 1,185,316             | 1,326,033             |
| Capital Assets:                                        |                           |                       |                       |
| Non-depreciable                                        | 30,230,672                | 22,465,166            | 52,695,838            |
| Other capital assets, net of depreciation              | 59,498,191                | 132,149,109           | 191,647,300           |
| Right to use assets, net of amortization               | 933,892                   | 336,582               | 1,270,474             |
| Total capital assets                                   | 90,662,755                | 154,950,857           | 245,613,612           |
| Total non-current assets                               | 90,803,472                | 156,136,173           | 246,939,645           |
| <b>Total assets</b>                                    | <b>138,378,706</b>        | <b>214,056,536</b>    | <b>352,435,242</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                           |                       |                       |
| Pension related deferrals                              | 9,097,536                 | 4,286,761             | 13,384,297            |
| OPEB related deferrals                                 | 6,934,941                 | -                     | 6,934,941             |
| Total Deferred Outflows of Resources                   | 16,032,477                | 4,286,761             | 20,319,238            |
| <b>LIABILITIES</b>                                     |                           |                       |                       |
| Current liabilities:                                   |                           |                       |                       |
| Accounts payable                                       | 2,891,749                 | 5,546,235             | 8,437,984             |
| Accrued liabilities                                    | 255,560                   | 470,457               | 726,017               |
| Customer deposits                                      | -                         | 2,939,567             | 2,939,567             |
| Claims and judgements payable                          | 1,064,000                 | -                     | 1,064,000             |
| Long term liabilities, due within one year             | 5,927,024                 | 3,951,153             | 9,878,178             |
| Total current liabilities                              | 10,138,333                | 12,907,412            | 23,045,746            |
| Long-term liabilities:                                 |                           |                       |                       |
| Long term liabilities, due beyond one year             | 84,170,942                | 25,915,221            | 110,086,162           |
| Total long-term liabilities                            | 84,170,942                | 25,915,221            | 110,086,162           |
| <b>Total liabilities</b>                               | <b>94,309,275</b>         | <b>38,822,633</b>     | <b>133,131,908</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                           |                       |                       |
| Pension deferrals                                      | 607,983                   | 38,646                | 646,629               |
| Lease deferrals                                        | 150,958                   | 1,332,596             | 1,483,554             |
| OPEB related deferrals                                 | 10,008,482                | -                     | 10,008,482            |
| Total Deferred Inflows of Resources                    | 10,767,423                | 1,371,242             | 12,138,665            |
| <b>NET POSITION</b>                                    |                           |                       |                       |
| Net investment in capital assets                       | 69,083,775                | 135,955,775           | 205,039,550           |
| Restricted for:                                        |                           |                       |                       |
| Stabilization by State Statute                         | 13,854,364                | -                     | 13,854,364            |
| Public Safety                                          | 781,363                   | -                     | 781,363               |
| Economic Development                                   | 4,233,277                 | -                     | 4,233,277             |
| Public Works                                           | 503,782                   | -                     | 503,782               |
| Unrestricted                                           | (39,122,076)              | 42,193,647            | 3,071,571             |
| <b>Total net position</b>                              | <b>\$ 49,334,485</b>      | <b>\$ 178,149,422</b> | <b>\$ 227,483,907</b> |

The notes to the financial statement are an integral part of this statement.

**City of New Bern, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2025**

| Functions/Programs                   | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                |
|--------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------|
|                                      | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                |
|                                      |                  |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total          |
| <b>Primary government:</b>           |                  |                      |                                    |                                  |                                                   |                          |                |
| Governmental Activities:             |                  |                      |                                    |                                  |                                                   |                          |                |
| General government                   | \$ 3,568,582     | \$ 1,015,615         | \$ 131,128                         | \$ -                             | \$ (2,421,839)                                    | \$ -                     | \$ (2,421,839) |
| Public safety                        | 26,010,145       | 139,775              | 392,407                            | -                                | (25,477,963)                                      | -                        | (25,477,963)   |
| Public Works                         | 9,634,841        | 75,446               | 2,550,739                          | 3,123,608                        | (3,885,048)                                       | -                        | (3,885,048)    |
| Cultural and Recreational            | 3,220,953        | 352,297              | 90,358                             | 897,902                          | (1,880,396)                                       | -                        | (1,880,396)    |
| Economic and physical development    | 3,791,703        | 1,200,319            | 1,114,719                          | -                                | (1,476,665)                                       | -                        | (1,476,665)    |
| Interest on long-term debt           | 918,004          | -                    | -                                  | -                                | (918,004)                                         | -                        | (918,004)      |
| Total governmental activities        | 47,144,228       | 2,783,452            | 4,279,352                          | 4,021,510                        | (36,059,914)                                      | -                        | (36,059,914)   |
| Business-type activities:            |                  |                      |                                    |                                  |                                                   |                          |                |
| Electric                             | 61,259,593       | 65,038,315           | -                                  | 2,570,329                        | -                                                 | 6,349,051                | 6,349,051      |
| Water                                | 12,032,287       | 11,865,111           | -                                  | -                                | -                                                 | (167,176)                | (167,176)      |
| Sewer                                | 12,885,171       | 13,516,746           | -                                  | -                                | -                                                 | 631,575                  | 631,575        |
| Solid Waste                          | 4,575,004        | 4,415,573            | -                                  | -                                | -                                                 | (159,431)                | (159,431)      |
| Total business-type activities       | 90,752,055       | 94,835,745           | -                                  | 2,570,329                        | -                                                 | 6,654,019                | 6,654,019      |
| Total primary government             | \$ 137,896,283   | \$ 97,619,197        | \$ 4,279,352                       | \$ 6,591,839                     | (36,059,914)                                      | 6,654,019                | (29,405,895)   |
| General revenues:                    |                  |                      |                                    |                                  |                                                   |                          |                |
| Taxes:                               |                  |                      |                                    |                                  |                                                   |                          |                |
| Ad valorem taxes                     |                  |                      |                                    |                                  | 20,921,420                                        | -                        | 20,921,420     |
| Sales and use taxes                  |                  |                      |                                    |                                  | 11,650,085                                        | -                        | 11,650,085     |
| Utilities franchise tax              |                  |                      |                                    |                                  | 182,861                                           | -                        | 182,861        |
| Payments in lieu of taxes            |                  |                      |                                    |                                  | 1,074,724                                         | -                        | 1,074,724      |
| Other taxes                          |                  |                      |                                    |                                  | 2,875,052                                         | -                        | 2,875,052      |
| Investment earnings                  |                  |                      |                                    |                                  | 1,679,189                                         | 1,495,756                | 3,174,945      |
| Lease revenue                        |                  |                      |                                    |                                  | -                                                 | 198,016                  | 198,016        |
| Miscellaneous                        |                  |                      |                                    |                                  | 663,812                                           | 1,393,172                | 2,056,984      |
| Gain on disposal of capital assets   |                  |                      |                                    |                                  | 532,646                                           | 18,428                   | 551,074        |
| Transfers                            |                  |                      |                                    |                                  | 2,778,581                                         | (2,778,581)              | -              |
| Total general revenues and transfers |                  |                      |                                    |                                  | 42,358,370                                        | 326,791                  | 42,685,161     |
| Change in net position               |                  |                      |                                    |                                  | 6,298,456                                         | 6,980,810                | 13,279,266     |
| Net position beginning, as restated  |                  |                      |                                    |                                  | 43,036,029                                        | 171,168,612              | 214,204,641    |
| Net position, ending                 |                  |                      |                                    |                                  | \$ 49,334,485                                     | \$ 178,149,422           | \$ 227,483,907 |

The notes to the financial statements are an integral part of this statement.

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## FUND FINANCIAL STATEMENTS

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**City of New Bern, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

|                                                                       | <b>Major Funds</b>   |                                    | <b>Non-major</b>              |                               |
|-----------------------------------------------------------------------|----------------------|------------------------------------|-------------------------------|-------------------------------|
|                                                                       |                      | <b>FEMA</b>                        |                               | <b>Total</b>                  |
|                                                                       | <b>General Fund</b>  | <b>Hurricane<br/>Florence Fund</b> | <b>Governmental<br/>Funds</b> | <b>Governmental<br/>Funds</b> |
| <b>ASSETS</b>                                                         |                      |                                    |                               |                               |
| Cash and cash equivalents                                             | \$ 23,974,768        | \$ -                               | \$ 3,482,079                  | \$ 27,456,847                 |
| Taxes receivable, net                                                 | 167,691              | -                                  | -                             | 167,691                       |
| Accounts Receivables, net                                             | 4,767,031            | 125,703                            | 395,059                       | 5,287,793                     |
| Leases Receivable                                                     | 158,855              | -                                  | -                             | 158,855                       |
| Due from other governments                                            | 1,059,617            | 2,563,131                          | 2,056,576                     | 5,679,324                     |
| Due from other funds                                                  | 4,832,654            | -                                  | -                             | 4,832,654                     |
| Restricted cash and cash equivalents                                  | 3,270,571            | -                                  | -                             | 3,270,571                     |
| Inventory                                                             | 248,768              | -                                  | -                             | 248,768                       |
| Prepaid items                                                         | 938,908              | -                                  | -                             | 938,908                       |
| Total assets                                                          | <u>\$ 39,418,863</u> | <u>\$ 2,688,834</u>                | <u>\$ 5,933,714</u>           | <u>\$ 48,041,411</u>          |
| <b>LIABILITIES</b>                                                    |                      |                                    |                               |                               |
| Accounts payable and accrued liabilities                              | \$ 1,750,266         | \$ 123,663                         | \$ 779,190                    | \$ 2,653,119                  |
| Due to other funds                                                    | -                    | 3,620,396                          | 1,212,258                     | 4,832,654                     |
| Total liabilities                                                     | <u>1,750,266</u>     | <u>3,744,059</u>                   | <u>1,991,448</u>              | <u>7,485,773</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                      |                                    |                               |                               |
| Property taxes receivable                                             | 167,691              | -                                  | -                             | 167,691                       |
| Liens and other receivables                                           | 299,017              | -                                  | -                             | 299,017                       |
| Leases receivable                                                     | 150,958              | -                                  | -                             | 150,958                       |
| Total deferred inflows of resources                                   | <u>617,666</u>       | <u>-</u>                           | <u>-</u>                      | <u>617,666</u>                |
| <b>FUND BALANCES</b>                                                  |                      |                                    |                               |                               |
| Nonspendable:                                                         |                      |                                    |                               |                               |
| Inventories                                                           | 248,768              | -                                  | -                             | 248,768                       |
| Prepaid items                                                         | 938,908              | -                                  | -                             | 938,908                       |
| Leases                                                                | 7,897                | -                                  | -                             | 7,897                         |
| Restricted:                                                           |                      |                                    |                               |                               |
| Stabilization by State Statute                                        | 13,854,364           | -                                  | -                             | 13,854,364                    |
| Public safety                                                         | -                    | -                                  | 781,363                       | 781,363                       |
| Economic & physical developments                                      | 3,270,571            | -                                  | 962,706                       | 4,233,277                     |
| Public Works                                                          | -                    | -                                  | 503,782                       | 503,782                       |
| Assigned:                                                             |                      |                                    |                               |                               |
| Subsequent year's expenditures                                        | 825,314              | -                                  | -                             | 825,314                       |
| Capital Projects                                                      | -                    | -                                  | 1,738,651                     | 1,738,651                     |
| Unassigned                                                            | 17,905,109           | (1,055,225)                        | (44,236)                      | 16,805,648                    |
| Total fund balances                                                   | <u>37,050,931</u>    | <u>(1,055,225)</u>                 | <u>3,942,266</u>              | <u>39,937,972</u>             |
| Total liabilities, deferred inflows of<br>resources and fund balances | <u>\$ 39,418,863</u> | <u>\$ 2,688,834</u>                | <u>\$ 5,933,714</u>           | <u>48,041,411</u>             |

\*\*Fund was presented as nonmajor in the prior year.

(Continued)

**City of New Bern, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2025**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

|                                                                                                                                                                   |                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                                           | 89,728,863                  |
| Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds (net of accumulated amortization).    | 933,892                     |
| Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.                       | 466,708                     |
| Benefit payments and pension administration costs for LEOSSA                                                                                                      | 73,817                      |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities                                    | 641,737                     |
| Deferred outflows of resources are not reported in the funds                                                                                                      |                             |
| Pension                                                                                                                                                           | 8,221,532                   |
| LEOSSA                                                                                                                                                            | 802,187                     |
| OPEB                                                                                                                                                              | 6,293,204                   |
| Deferred inflows of resources are not recorded on the fund statements                                                                                             |                             |
| Pension                                                                                                                                                           | (74,118)                    |
| LEOSSA                                                                                                                                                            | (533,865)                   |
| OPEB                                                                                                                                                              | (10,008,482)                |
| Accrued interest receivable less that amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements. | 21,512                      |
| Internal service funds are used by the City to charge costs to other funds. The assets and liabilities are included in the governmental activities.               | 3,183,053                   |
| Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.        |                             |
| Installment Purchase Agreements                                                                                                                                   | (21,646,133)                |
| Lease liabilities                                                                                                                                                 | (211,022)                   |
| SBITA liabilities                                                                                                                                                 | (565,807)                   |
| Compensated Absences                                                                                                                                              | (8,004,290)                 |
| Net pension liability (LGERS)                                                                                                                                     | (15,232,096)                |
| Total pension liability (LEOSSA)                                                                                                                                  | (4,058,747)                 |
| Total OPEB liability                                                                                                                                              | (40,379,871)                |
| Accrued interest payable                                                                                                                                          | (255,560)                   |
| Net position of governmental activities                                                                                                                           | <u><u>\$ 49,334,486</u></u> |

**City of New Bern, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2025**

|                                                      | <b>Major Funds</b>   |                                           | <b>Non-major</b>              |                                         |
|------------------------------------------------------|----------------------|-------------------------------------------|-------------------------------|-----------------------------------------|
|                                                      | <b>General Fund</b>  | <b>Hurricane<br/>Florence Fund<br/>**</b> | <b>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
| <b>REVENUES</b>                                      |                      |                                           |                               |                                         |
| Ad valorem taxes                                     | \$ 20,634,733        | \$ -                                      | \$ 240,811                    | \$ 20,875,544                           |
| Unrestricted intergovernmental                       | 15,894,408           | -                                         | -                             | 15,894,408                              |
| Restricted intergovernmental                         | 1,240,220            | 1,621,965                                 | 5,415,513                     | 8,277,698                               |
| Licenses, permits and fees                           | 1,282,140            | -                                         | -                             | 1,282,140                               |
| Sales and services                                   | 579,049              | -                                         | -                             | 579,049                                 |
| Investment earnings                                  | 1,470,268            | -                                         | 34,718                        | 1,504,986                               |
| Miscellaneous                                        | 536,812              | -                                         | 127,000                       | 663,812                                 |
| Total revenues                                       | <u>41,637,630</u>    | <u>1,621,965</u>                          | <u>5,818,042</u>              | <u>49,077,637</u>                       |
| <b>EXPENDITURES</b>                                  |                      |                                           |                               |                                         |
| Current:                                             |                      |                                           |                               |                                         |
| General government                                   | 3,291,545            | 6,337                                     | 28,957                        | 3,326,839                               |
| Public safety                                        | 23,927,146           | -                                         | 382,990                       | 24,310,136                              |
| Public Works                                         | 8,196,337            | 1,790,638                                 | 3,265,139                     | 13,252,114                              |
| Cultural and recreation                              | 3,960,960            | 47,549                                    | 3,877,685                     | 7,886,194                               |
| Economic and Physical Development                    | 2,667,803            | -                                         | 935,409                       | 3,603,212                               |
| Debt service:                                        |                      |                                           |                               |                                         |
| Principal                                            | 2,361,808            | -                                         | -                             | 2,361,808                               |
| Interest and other charges                           | 1,064,116            | -                                         | -                             | 1,064,116                               |
| Total expenditures                                   | <u>45,469,715</u>    | <u>1,844,524</u>                          | <u>8,490,180</u>              | <u>55,804,419</u>                       |
| Excess (deficiency) of revenues<br>over expenditures | <u>(3,832,085)</u>   | <u>(222,559)</u>                          | <u>(2,672,138)</u>            | <u>(6,726,782)</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                                           |                               |                                         |
| Proceeds from sale of capital assets                 | 50,240               | -                                         | 507,100                       | 557,340                                 |
| Transfers (to) other funds                           | (46,767)             | -                                         | (144,264)                     | (191,031)                               |
| Transfers from other funds                           | 2,867,450            | -                                         | 102,162                       | 2,969,612                               |
| Installment purchase obligations issued              | 1,535,415            | -                                         | -                             | 1,535,415                               |
| Lease & SBITA liabilities issued                     | 424,064              | -                                         | -                             | 424,064                                 |
| Total other financing sources<br>(uses)              | <u>4,830,402</u>     | <u>-</u>                                  | <u>464,998</u>                | <u>5,295,400</u>                        |
| Net Change in fund balance                           | 998,317              | (222,559)                                 | (2,207,140)                   | (1,431,382)                             |
| Fund balances, beginning                             | <u>36,052,614</u>    | <u>(832,666)</u>                          | <u>6,149,406</u>              | <u>41,369,354</u>                       |
| Fund balances, ending                                | <u>\$ 37,050,931</u> | <u>\$ (1,055,225)</u>                     | <u>\$ 3,942,266</u>           | <u>\$ 39,937,972</u>                    |

\*\*Fund was presented as nonmajor in the prior year.

**City of New Bern, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2025**

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

|                                                                                                                                                                                                                                                                                                                                                                                |                  |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------|
| Net changes in fund balances - total governmental funds                                                                                                                                                                                                                                                                                                                        |                  | \$ (1,431,382)      |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.                                                                      |                  |                     |
| Capital outlay expenditures which were capitalized                                                                                                                                                                                                                                                                                                                             | 11,610,408       |                     |
| Depreciation expense for governmental assets                                                                                                                                                                                                                                                                                                                                   | (4,390,881)      |                     |
| Gain/(Loss) on disposal of capital assets                                                                                                                                                                                                                                                                                                                                      | <u>(24,694)</u>  | 7,194,833           |
| Right to Use Assets                                                                                                                                                                                                                                                                                                                                                            | 425,847          |                     |
| Amortization expense                                                                                                                                                                                                                                                                                                                                                           | <u>(428,415)</u> | (2,568)             |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities                                                                                                                                                                                                                                                                   |                  | 3,062,487           |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities                                                                                                                                                                                                                                                 |                  | 641,737             |
| Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position                                                                                                                                                                                                                                               |                  | 73,817              |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.                                                                                                                                                                                                                                             |                  |                     |
| Change in unavailable revenue for tax revenues                                                                                                                                                                                                                                                                                                                                 |                  | 40,285              |
| Change in accrued interest taxes receivable at year end                                                                                                                                                                                                                                                                                                                        |                  | 5,591               |
| Change in unavailable revenue for liens and other receivables                                                                                                                                                                                                                                                                                                                  |                  | (3,942)             |
| Change in miscellaneous notes receivable                                                                                                                                                                                                                                                                                                                                       |                  | (58,000)            |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. |                  |                     |
| Loan proceeds                                                                                                                                                                                                                                                                                                                                                                  | (1,535,415)      |                     |
| Lease & Subscription Liabilities issued                                                                                                                                                                                                                                                                                                                                        | (424,064)        |                     |
| Principal payments on debt                                                                                                                                                                                                                                                                                                                                                     | 2,361,808        |                     |
| Principal payments on leases and subscriptions                                                                                                                                                                                                                                                                                                                                 | <u>454,290</u>   | 856,619             |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)                                                                                                                                                                                                                                                        |                  | 146,112             |
| Internal service funds are used by management to charge the costs of the City's insurance plan to individual funds. The net expense of the internal service fund is reported within governmental activities                                                                                                                                                                    |                  | 160,249             |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.                                                                                                                                                                                            |                  |                     |
| Compensated absences                                                                                                                                                                                                                                                                                                                                                           |                  | 1,090,236           |
| Pension expense                                                                                                                                                                                                                                                                                                                                                                |                  | (4,619,573)         |
| OPEB expense                                                                                                                                                                                                                                                                                                                                                                   |                  | <u>(858,044)</u>    |
| Total changes in net position of governmental activities                                                                                                                                                                                                                                                                                                                       |                  | <u>\$ 6,298,457</u> |

**City of New Bern, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Annual Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2025**

|                                                                        | Budget        |               | Actual Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|------------------------------------------------------------------------|---------------|---------------|----------------|-----------------------------------------------------------|
|                                                                        | Original      | Final         |                |                                                           |
| Revenues:                                                              |               |               |                |                                                           |
| Ad valorem taxes                                                       | \$ 19,808,700 | \$ 20,338,700 | \$ 20,634,733  | \$ 296,033                                                |
| Unrestricted intergovernmental                                         | 15,929,301    | 15,619,301    | 15,894,408     | 275,107                                                   |
| Restricted intergovernmental                                           | 1,120,000     | 1,210,000     | 1,240,220      | 30,220                                                    |
| Licenses, permits and fees                                             | 938,000       | 1,158,000     | 1,282,140      | 124,140                                                   |
| Sales and services                                                     | 501,313       | 481,313       | 579,049        | 97,736                                                    |
| Investment earnings                                                    | 1,462,000     | 1,272,000     | 1,470,268      | 198,268                                                   |
| Miscellaneous                                                          | 492,351       | 467,350       | 536,812        | 69,462                                                    |
| Total revenues                                                         | 40,251,665    | 40,546,664    | 41,637,630     | 1,090,966                                                 |
| Expenditures:                                                          |               |               |                |                                                           |
| Current:                                                               |               |               |                |                                                           |
| General government                                                     | 2,634,942     | 6,446,249     | 3,291,545      | 3,154,704                                                 |
| Public safety                                                          | 23,070,609    | 24,983,669    | 23,927,146     | 1,056,523                                                 |
| Public Works                                                           | 8,975,261     | 9,273,140     | 8,196,337      | 1,076,803                                                 |
| Cultural and recreation                                                | 4,076,234     | 4,062,984     | 3,960,960      | 102,024                                                   |
| Economic and physical development                                      | 2,644,149     | 2,936,341     | 2,667,803      | 268,538                                                   |
| Debt service:                                                          |               |               |                |                                                           |
| Principal retirement                                                   | 2,611,808     | 2,361,808     | 2,361,808      | -                                                         |
| Interest and other charges                                             | 1,134,576     | 1,064,576     | 1,064,116      | 460                                                       |
| Total expenditures                                                     | 45,147,579    | 51,128,767    | 45,469,715     | 5,659,052                                                 |
| Revenues over (under) expenditures                                     | (4,895,914)   | (10,582,103)  | (3,832,085)    | 6,750,018                                                 |
| Other financing sources (uses):                                        |               |               |                |                                                           |
| Proceeds from sale of capital assets                                   | 220,000       | 45,000        | 50,240         | 5,240                                                     |
| Installment purchase obligations issued                                | 1,403,509     | 1,533,509     | 1,535,415      | 1,906                                                     |
| Lease liabilities issued                                               | -             | -             | 424,064        | 424,064                                                   |
| Transfers (to) other funds                                             | (331,570)     | (372,770)     | (46,767)       | 326,003                                                   |
| Transfer from other funds                                              | 2,721,300     | 2,810,170     | 2,867,450      | 57,280                                                    |
| Total other financing sources (uses)                                   | 4,013,239     | 4,015,909     | 4,830,402      | 814,493                                                   |
| Revenues and other sources over (under)<br>expenditures and other uses | (882,675)     | (6,566,194)   | 998,317        | 7,564,511                                                 |
| Appropriated fund balance                                              | 882,675       | 6,566,194     | -              | (6,566,194)                                               |
| Net change in fund balances                                            | \$ -          | \$ -          | 998,317        | \$ 998,317                                                |
| Fund balances, beginning                                               |               |               | 36,052,614     |                                                           |
| Fund balances, ending                                                  |               |               | \$ 37,050,931  |                                                           |

**City of New Bern, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2025**

|                                           | <b>Major Funds</b>   |                   |                   | <b>Non-Major Funds</b>  |                    |                              |
|-------------------------------------------|----------------------|-------------------|-------------------|-------------------------|--------------------|------------------------------|
|                                           | <b>Electric Fund</b> | <b>Water Fund</b> | <b>Sewer Fund</b> | <b>Solid Waste Fund</b> | <b>Total</b>       | <b>Internal Service Fund</b> |
| <b>ASSETS</b>                             |                      |                   |                   |                         |                    |                              |
| Current assets:                           |                      |                   |                   |                         |                    |                              |
| Cash and investments                      | \$ 6,133,351         | 14,790,609        | \$ 9,001,859      | \$ 2,183,265            | \$ 32,109,084      | \$ 4,688,612                 |
| Accounts receivable, net of allowances    | 9,327,478            | 1,442,517         | 1,586,862         | 581,855                 | 12,938,712         | 7,237                        |
| Leases receivable                         | -                    | 160,411           | -                 | -                       | 160,411            | -                            |
| Prepaid items                             | -                    | -                 | -                 | -                       | -                  | 8,000                        |
| Inventories                               | 8,573,036            | 18,677            | 108,488           | -                       | 8,700,201          | -                            |
| Restricted cash and cash equivalents      | 3,793,788            | -                 | -                 | -                       | 3,793,788          | -                            |
| Total current assets                      | <u>27,827,653</u>    | <u>16,412,214</u> | <u>10,697,209</u> | <u>2,765,120</u>        | <u>57,702,196</u>  | <u>4,703,849</u>             |
| Non-current assets:                       |                      |                   |                   |                         |                    |                              |
| Leases receivable                         | 93                   | 1,185,223         | -                 | -                       | 1,185,316          | -                            |
| Capital assets:                           |                      |                   |                   |                         |                    |                              |
| Land and other non-depreciable assets     | 2,313,228            | 1,896,119         | 18,255,819        | -                       | 22,465,166         | -                            |
| Other capital assets, net of depreciation | 39,636,935           | 43,863,645        | 47,756,857        | 891,672                 | 132,149,109        | -                            |
| Right to use asset                        | 113,361              | 57,606            | 159,651           | 5,964                   | 336,582            | -                            |
| Capital assets (net)                      | <u>42,063,524</u>    | <u>45,817,370</u> | <u>66,172,327</u> | <u>897,636</u>          | <u>154,950,857</u> | <u>-</u>                     |
| Total assets                              | <u>69,891,270</u>    | <u>63,414,807</u> | <u>76,869,536</u> | <u>3,662,756</u>        | <u>213,838,369</u> | <u>4,703,849</u>             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                      |                   |                   |                         |                    |                              |
| Deferred outflows related to pensions     | 2,275,338            | 991,083           | 858,079           | 162,261                 | 4,286,761          | -                            |
| Total Deferred Outflows of Resources      | <u>2,275,338</u>     | <u>991,083</u>    | <u>858,079</u>    | <u>162,261</u>          | <u>4,286,761</u>   | <u>-</u>                     |
| <b>LIABILITIES</b>                        |                      |                   |                   |                         |                    |                              |
| Current liabilities:                      |                      |                   |                   |                         |                    |                              |
| Accounts payable                          | 4,919,576            | 179,700           | 188,113           | 258,847                 | 5,546,236          | 238,629                      |
| Accrued liabilities                       | 269,975              | -                 | -                 | -                       | 269,975            | -                            |
| Accrued interest payable                  | 58,542               | 41,476            | 94,286            | 6,178                   | 200,482            | -                            |
| Customer deposits                         | 2,939,567            | -                 | -                 | -                       | 2,939,567          | -                            |
| Claims payable                            | -                    | -                 | -                 | -                       | -                  | 1,064,000                    |
| Installment notes payable, current        | 650,027              | 79,892            | 47,144            | 52,978                  | 830,041            | -                            |
| Notes payable, current                    | -                    | 1,680,331         | -                 | -                       | 1,680,331          | -                            |
| Bonds payable, current                    | 388,303              | 223,047           | 309,000           | -                       | 920,350            | -                            |
| Lease payable, current                    | 16,119               | 10,777            | 1,446             | -                       | 28,342             | -                            |
| SBITA payable, current                    | 26,368               | 11,937            | 67,902            | 2,495                   | 108,702            | -                            |
| Compensated absences payable, current     | 167,545              | 122,151           | 72,963            | 20,728                  | 383,387            | -                            |
| Total current liabilities                 | <u>9,436,022</u>     | <u>2,349,311</u>  | <u>780,854</u>    | <u>341,226</u>          | <u>12,907,413</u>  | <u>1,302,629</u>             |

The notes to the financial statements are an integral part of this statement.

**City of New Bern, North Carolina**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2025**

|                                                                                                 | <u>Major Funds</u>   |                      |                      | <u>Non-Major Funds</u>  |                       |                              |
|-------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|-------------------------|-----------------------|------------------------------|
|                                                                                                 | <u>Electric Fund</u> | <u>Water Fund</u>    | <u>Sewer Fund</u>    | <u>Solid Waste Fund</u> | <u>Total</u>          | <u>Internal Service Fund</u> |
| Noncurrent liabilities:                                                                         |                      |                      |                      |                         |                       |                              |
| Other non-current liabilities:                                                                  |                      |                      |                      |                         |                       |                              |
| Installment notes payable                                                                       | 3,279,019            | 260,643              | 153,807              | 172,841                 | 3,866,310             | -                            |
| Notes payable                                                                                   | -                    | 6,721,325            | -                    | -                       | 6,721,325             | -                            |
| Bonds payable                                                                                   | -                    | -                    | 5,544,000            | -                       | 5,544,000             | -                            |
| Lease payable                                                                                   | 24,012               | 17,997               | 3,440                | -                       | 45,449                | -                            |
| SBITA payable                                                                                   | 23,062               | 11,647               | 67,563               | 2,181                   | 104,453               | -                            |
| Compensated absences payable                                                                    | 546,305              | 718,898              | 316,291              | 110,073                 | 1,691,567             | -                            |
| Net pension liability                                                                           | 4,215,536            | 1,836,187            | 1,589,771            | 300,622                 | 7,942,116             | -                            |
| Total non-current liabilities                                                                   | 8,087,934            | 9,566,697            | 7,674,872            | 585,717                 | 25,915,220            | -                            |
| Total liabilities                                                                               | 17,523,956           | 11,916,008           | 8,455,726            | 926,943                 | 38,822,633            | 1,302,629                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                                            |                      |                      |                      |                         |                       |                              |
| Pension deferrals                                                                               | 20,512               | 8,935                | 7,736                | 1,463                   | 38,646                | -                            |
| Lease deferrals                                                                                 | 91                   | 1,332,505            | -                    | -                       | 1,332,596             | -                            |
| Total Deferred Inflows of Resources                                                             | 20,603               | 1,341,440            | 7,736                | 1,463                   | 1,371,242             | -                            |
| <b>NET POSITION</b>                                                                             |                      |                      |                      |                         |                       |                              |
| Net Investment in capital assets                                                                | 38,510,835           | 36,799,774           | 59,978,025           | 667,141                 | 135,955,775           | -                            |
| Unrestricted                                                                                    | 16,111,214           | 14,348,668           | 9,286,128            | 2,229,470               | 41,975,480            | 3,401,220                    |
| Total net position                                                                              | <u>\$ 54,622,049</u> | <u>\$ 51,148,442</u> | <u>\$ 69,264,153</u> | <u>\$ 2,896,611</u>     | 177,931,255           | <u>\$ 3,401,220</u>          |
| Adjustment to reflect the consolidation of internal service fund activities to enterprise funds |                      |                      |                      |                         | 218,167               |                              |
| Net position of business-type activities                                                        |                      |                      |                      |                         | <u>\$ 178,149,422</u> |                              |

**City of New Bern, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2025**

|                                                                                                 | <b>Major Funds</b>   |                      |                      | <b>Nonmajor Funds</b>   |                     |                              |
|-------------------------------------------------------------------------------------------------|----------------------|----------------------|----------------------|-------------------------|---------------------|------------------------------|
|                                                                                                 | <b>Electric Fund</b> | <b>Water Fund</b>    | <b>Sewer Fund</b>    | <b>Solid Waste Fund</b> | <b>Total</b>        | <b>Internal Service Fund</b> |
| <b>OPERATING REVENUES</b>                                                                       |                      |                      |                      |                         |                     |                              |
| Charges for services                                                                            | \$ 65,163,562        | \$ 11,831,963        | \$ 13,437,484        | \$ 4,423,781            | \$ 94,856,790       | \$ -                         |
| Other operating revenues                                                                        | 670,627              | 511,438              | 935,876              | 6,520                   | 2,124,461           | 895,683                      |
| Employee and retiree contributions                                                              | -                    | -                    | -                    | -                       | -                   | 617,252                      |
| Employer and other contributions                                                                | -                    | -                    | -                    | -                       | -                   | 8,210,557                    |
| Total operating revenues                                                                        | <u>65,834,189</u>    | <u>12,343,401</u>    | <u>14,373,360</u>    | <u>4,430,301</u>        | <u>96,981,251</u>   | <u>9,723,492</u>             |
| <b>OPERATING EXPENSES</b>                                                                       |                      |                      |                      |                         |                     |                              |
| Administrative and general                                                                      | 5,171,965            | 3,149,551            | 2,574,302            | 315,861                 | 11,211,679          | -                            |
| Operations and maintenance                                                                      | 8,183,622            | 6,948,447            | 7,730,018            | 4,073,705               | 26,935,793          | -                            |
| Production                                                                                      | 44,644,144           | -                    | -                    | -                       | 44,644,144          | -                            |
| Depreciation and amortization                                                                   | 3,019,887            | 1,822,702            | 2,470,944            | 156,456                 | 7,469,989           | -                            |
| Claims and payments to third party administrators                                               | -                    | -                    | -                    | -                       | -                   | 10,227,898                   |
| Total operating expenses                                                                        | <u>61,019,618</u>    | <u>11,920,700</u>    | <u>12,775,264</u>    | <u>4,546,022</u>        | <u>90,261,604</u>   | <u>10,227,898</u>            |
| Operating income (loss)                                                                         | <u>4,814,571</u>     | <u>422,701</u>       | <u>1,598,096</u>     | <u>(115,721)</u>        | <u>6,719,647</u>    | <u>(504,406)</u>             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                                         |                      |                      |                      |                         |                     |                              |
| Investment earnings                                                                             | 453,768              | 581,516              | 356,072              | 104,400                 | 1,495,756           | 174,203                      |
| Leases revenue                                                                                  | -                    | 198,016              | -                    | -                       | 198,016             | -                            |
| Gain/(loss) on disposal of capital assets                                                       | 3,157                | 3,776                | -                    | 11,495                  | 18,428              | -                            |
| Bad debt recovery (expense)                                                                     | (125,246)            | 33,148               | 79,262               | (8,208)                 | (21,044)            | -                            |
| Interest and other charges                                                                      | (156,108)            | (248,487)            | (320,443)            | (6,251)                 | (731,289)           | -                            |
| Total nonoperating revenues (expenses)                                                          | <u>175,571</u>       | <u>567,969</u>       | <u>114,891</u>       | <u>101,436</u>          | <u>959,867</u>      | <u>174,203</u>               |
| Income (loss) before contributions and transfers                                                | <u>4,990,142</u>     | <u>990,670</u>       | <u>1,712,987</u>     | <u>(14,285)</u>         | <u>7,679,514</u>    | <u>(330,203)</u>             |
| Capital contributions                                                                           | 2,570,329            | -                    | -                    | -                       | 2,570,329           | -                            |
| Transfer in (out)                                                                               | <u>(2,778,581)</u>   | <u>-</u>             | <u>-</u>             | <u>-</u>                | <u>(2,778,581)</u>  | <u>-</u>                     |
| Total income (loss) after contributions and transfers                                           | <u>4,781,890</u>     | <u>990,670</u>       | <u>1,712,987</u>     | <u>(14,285)</u>         | <u>7,471,262</u>    | <u>(330,203)</u>             |
| Change in net position                                                                          | <u>4,781,890</u>     | <u>990,670</u>       | <u>1,712,987</u>     | <u>(14,285)</u>         | <u>7,471,262</u>    | <u>(330,203)</u>             |
| Beginning net position, restated (see Note 15)                                                  | <u>49,840,159</u>    | <u>50,157,772</u>    | <u>67,551,166</u>    | <u>2,910,896</u>        |                     | <u>3,731,423</u>             |
| Total net position, ending                                                                      | <u>\$ 54,622,049</u> | <u>\$ 51,148,442</u> | <u>\$ 69,264,153</u> | <u>\$ 2,896,611</u>     |                     | <u>\$ 3,401,220</u>          |
| Adjustment to reflect the consolidation of internal service fund activities to enterprise funds |                      |                      |                      |                         | <u>(490,452)</u>    |                              |
| Change in Net position of Business-Type Activities                                              |                      |                      |                      |                         | <u>\$ 6,980,810</u> |                              |

**City of New Bern, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2025**

|                                                                      | <u>Major Funds</u>   |                      |                     | <u>Non-Major Funds</u> |                      | <u>Internal Service Fund</u> |
|----------------------------------------------------------------------|----------------------|----------------------|---------------------|------------------------|----------------------|------------------------------|
|                                                                      | <u>Electric Fund</u> | <u>Water Fund</u>    | <u>Sewer Fund</u>   | <u>Solid Waste</u>     | <u>Total</u>         | <u>Fund</u>                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                      |                      |                     |                        |                      |                              |
| Payments from customers and users                                    | \$ 63,554,498        | \$ 11,787,401        | \$ 13,678,891       | \$ 4,337,395           | \$ 93,358,185        | \$ 9,224,799                 |
| Payments to suppliers                                                | (49,730,803)         | (5,951,587)          | (6,684,852)         | (3,633,891)            | (66,001,133)         | (32,230)                     |
| Payments to employees                                                | (9,091,912)          | (3,291,691)          | (4,266,590)         | (596,939)              | (17,247,132)         | (9,870,189)                  |
| Other revenues                                                       | 670,627              | 511,438              | 935,876             | 6,520                  | 2,124,461            | 895,683                      |
| Net cash provided (used) by operating activities                     | <u>5,402,410</u>     | <u>3,055,561</u>     | <u>3,663,325</u>    | <u>113,085</u>         | <u>12,234,381</u>    | <u>218,063</u>               |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                      |                      |                     |                        |                      |                              |
| Transfers (to) from other funds                                      | (2,778,581)          | -                    | -                   | -                      | (2,778,581)          | -                            |
| Net cash provided (used) by noncapital financing activities          | <u>(2,778,581)</u>   | <u>-</u>             | <u>-</u>            | <u>-</u>               | <u>(2,778,581)</u>   | <u>-</u>                     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                      |                      |                     |                        |                      |                              |
| Acquisition and construction of capital assets                       | (5,481,544)          | (2,640,465)          | (1,581,841)         | (86,961)               | (9,790,811)          | -                            |
| Capital contributions                                                | 1,963,003            | -                    | -                   | -                      | 1,963,003            | -                            |
| Proceeds from debt                                                   | 914,575              | -                    | -                   | -                      | 914,575              | -                            |
| Proceeds from subscription based IT arrangement                      | 76,997               | 36,089               | 207,479             | 7,284                  | 327,849              | -                            |
| Principal paid on long term debt                                     | (1,315,226)          | (2,063,989)          | (301,714)           | (53,689)               | (3,734,618)          | -                            |
| Lease revenue                                                        | -                    | 198,016              | -                   | -                      | 198,016              | -                            |
| Proceeds from sale of assets                                         | 6,442                | 10,924               | -                   | 12,740                 | 30,106               | -                            |
| Interest paid on bonds and installment purchases                     | (144,584)            | (256,668)            | (399,917)           | (8,497)                | (809,666)            | -                            |
| Net cash provided (used) by capital and related financing activities | <u>(3,980,337)</u>   | <u>(4,716,093)</u>   | <u>(2,075,993)</u>  | <u>(129,123)</u>       | <u>(10,901,546)</u>  | <u>-</u>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                      |                      |                     |                        |                      |                              |
| Interest and dividends                                               | 453,768              | 581,516              | 356,072             | 104,400                | 1,495,756            | 174,203                      |
| Net cash provided (used) by investing activities                     | <u>453,768</u>       | <u>581,516</u>       | <u>356,072</u>      | <u>104,400</u>         | <u>1,495,756</u>     | <u>174,203</u>               |
| Net increase (decrease) in cash and investments                      | (902,740)            | (1,079,016)          | 1,943,404           | 88,362                 | 50,010               | 392,266                      |
| Balances, beginning                                                  | 10,829,879           | 15,869,625           | 7,058,455           | 2,094,903              | 35,852,862           | 4,296,346                    |
| Balances, ending                                                     | <u>\$ 9,927,139</u>  | <u>\$ 14,790,609</u> | <u>\$ 9,001,859</u> | <u>\$ 2,183,265</u>    | <u>\$ 35,902,872</u> | <u>\$ 4,688,612</u>          |

(continued)

**City of New Bern, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2025**

|                                                                                        | <u>Major Funds</u>   |                     |                     | <u>Non-Major Funds</u> |                      | <u>Internal Service Fund</u> |
|----------------------------------------------------------------------------------------|----------------------|---------------------|---------------------|------------------------|----------------------|------------------------------|
|                                                                                        | <u>Electric Fund</u> | <u>Water Fund</u>   | <u>Sewer Fund</u>   | <u>Solid Waste</u>     | <u>Total</u>         |                              |
| Reconciliation of operating income to net cash provided by operating activities        |                      |                     |                     |                        |                      |                              |
| Operating income                                                                       | \$ 4,814,571         | \$ 422,701          | \$ 1,598,096        | \$ (115,721)           | \$ 6,719,647         | \$ (504,406)                 |
| Adjustments to reconcile operating income to net cash provided by operating activities |                      |                     |                     |                        |                      |                              |
| Depreciation and Amortization                                                          | 3,019,887            | 1,822,702           | 2,470,944           | 156,456                | 7,469,989            | -                            |
| Changes in assets and liabilities:                                                     |                      |                     |                     |                        |                      |                              |
| (Increase) decrease in accounts receivable                                             | (1,745,908)          | (44,562)            | 241,407             | (86,386)               | (1,635,449)          | 396,990                      |
| (Increase) decrease in due from other governments                                      | -                    | -                   | -                   | -                      | -                    | -                            |
| (Increase) decrease in inventory                                                       | (1,923,240)          | 2,726               | (30,070)            | -                      | (1,950,584)          | -                            |
| (Increase) decrease in prepaid expenses                                                | -                    | -                   | -                   | -                      | -                    | -                            |
| (Increase) in deferred outflows of resources - pensions                                | (465,497)            | (82,724)            | 87,698              | (31,364)               | (491,887)            | -                            |
| Increase (decrease) in net pension liability                                           | 1,302,391            | 374,080             | 67,436              | 89,928                 | 1,833,835            | -                            |
| Increase (decrease) in deferred inflows of resources - pension                         | (4,628)              | (3,683)             | (5,401)             | (355)                  | (14,067)             | -                            |
| Increase (decrease) in accounts payable and accrued liabilities                        | 1,014,288            | 68,085              | 44,911              | 26,336                 | 1,153,620            | 325,479                      |
| Increase (decrease) in accrued payroll and payroll liabilities                         | (74,033)             | -                   | (36,280)            | -                      | (110,313)            | -                            |
| Increase (decrease) in customer deposits                                               | 136,844              | -                   | -                   | -                      | 136,844              | -                            |
| Increase (decrease) in compensated absences                                            | (672,265)            | 496,236             | (775,416)           | 74,191                 | (877,254)            | -                            |
| Total adjustments                                                                      | 587,839              | 2,632,860           | 2,065,229           | 228,806                | 5,514,734            | 722,469                      |
| Net cash provided by operating activities                                              | <u>\$ 5,402,410</u>  | <u>\$ 3,055,561</u> | <u>\$ 3,663,325</u> | <u>\$ 113,085</u>      | <u>\$ 12,234,381</u> | <u>\$ 218,063</u>            |

**City of New Bern, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of New Bern, North Carolina (the "City") have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

**A. Reporting Entity**

Founded in 1710 and chartered under the laws of the State of North Carolina, the City of New Bern, North Carolina is governed by an elected mayor and a six-member board of aldermen. The government provides such services as police and fire protection, cultural and recreational activities, public works, water, sewer, and electric services. The City is managed by a City Manager who is hired directly by the Board. The City does not report any component units.

**B. Basis of Presentation**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provide for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which uses a 60 day period. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be available resources except as noted above to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes and related items, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **FEMA Hurricane Florence Fund** is used to account for all FEMA reimbursable expenditures resulting from recovery efforts following Hurricane Florence in September 2018.

The City reports the following major enterprise funds:

The **Electric Fund** accounts for the operation, maintenance and development of the City's electric system and services.

The **Water Fund** accounts for the operation, maintenance and development of the City's water system and services.

The **Sewer Fund** accounts for the operation, maintenance and development of the City's sewer system and services.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **Capital Projects Funds** accounts for financial resources to be used for the acquisition and construction of major capital projects.

The **Solid Waste Fund** accounts for the City's solid waste collection services.

The **Internal Service Fund** accounts for the City's partially self-insured health benefits plan and workers compensation program which charges the other funds of the City for the insurance claims.

In accounting and reporting for its proprietary operations, the governmental applies all GASB pronouncements.

### C. Measurement Focus and Basis of Accounting (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *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's enterprise funds are include the cost of these goods and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### D. Budgets

The City's budgets are adopted as required by the North Carolina General Statutes. Annual appropriated budgets are adopted for all funds, with the exception of capital projects funds and grant-related special revenue funds, for which project length budgets are adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as another financing source for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2025, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules. All annual budget appropriations lapse at the end of each year.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. As of June 30, 2025 the General Fund is reporting \$3,494,079 of open encumbrances.

### E. Deposits & Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

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, as well as the North Carolina Capital Management Trust (NCCMT) and NCCLASS accounts. The City's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The North Carolina Cooperative Liquid Assets Securities System ("North Carolina CLASS") is an investment pool authorized by North Carolina General Statutes §159-30(c)(10) and was established by an Interlocal Agreement dated March 1, 2023, as amended, by the local governments pursuant to §160A-460 through §160A-464. The investments within North Carolina CLASS are limited to those qualifying for investment under §159-30(c). North Carolina CLASS has been rated AAAM by S&P. Because the North Carolina CLASS investment Portfolio has a weighted average maturity of less than 90 days, the City classifies its holdings in the North Carolina CLASS as cash equivalents for financial statement purposes.

#### F. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

#### G. Restricted cash and cash equivalents

Customer deposits held by the City are restricted to the service for which the deposits are collected. Additionally, the cash of the Municipal Service District (MSD) are restricted for improvements within the special district. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Unspent debt proceeds are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued.

|                                   |                     |
|-----------------------------------|---------------------|
| Governmental Activities           |                     |
| General Fund                      |                     |
| Municipal Service District        | \$ 2,351,793        |
| Unspent Debt Proceeds             | 918,778             |
| Total General Fund                | <u>3,270,571</u>    |
| Total Governmental Activities     | <u>\$ 3,270,571</u> |
| Business-Type Activities          |                     |
| Electric Fund - Customer Deposits | \$ 2,939,567        |
| Electric - Unspent Debt Proceeds  | 854,221             |
| Total Electric Fund               | <u>3,793,788</u>    |
| Total Business-Type Activities    | <u>\$ 3,793,788</u> |

#### H. Receivables

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2024. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

An estimate amount has been recorded for utility services provided but not billed as of the end of the fiscal year, and is included in accounts receivable, net of uncollected amounts.

#### I. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

#### J. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

#### K. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

#### L. Inventories

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased.

#### M. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items in both government-wide and fund financial statements. A significant portion (\$861,661) of prepaid expenses relates to a fire truck that the City has paid for but not received yet.

#### N. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial estimated useful life in excess of two years and individual cost capitalization thresholds as follows: land of more than \$1; infrastructure of more than \$100,000; building and land improvements of greater than \$25,000; and equipment of more than \$10,000 (effective February 2025; previously \$5,000).

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

Capital assets are depreciated using the straight-line method over the following useful lives to cost of the assets:

|                                 |             |
|---------------------------------|-------------|
| 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  |

#### O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future period(s) and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net asset that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), leases, pension deferrals, and OPEB deferrals.

#### P. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

#### Q. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City's sick leave policy provides for unlimited accumulation of earned sick leave. Unused sick leave at retirement may be applied toward credited service for retirement benefit calculations, while unused sick leave for employees who separate prior to retirement is forfeited. In accordance with GASB Statement No. 101, Compensated Absences, the City recognizes a liability for accumulated sick leave to the extent it is more likely than not that the leave will be used for time off or otherwise settled. The City uses a five-year lookback period of historical leave activity to estimate expected future usage patterns, including employee leave-taking behavior, forfeiture rates, and the proportion of accumulated balances expected to be used during employees' remaining service periods.

The liability for sick leave is measured at current pay rates plus applicable salary-related benefits. The City assumes a last-in, first-out (LIFO) method for determining the order in which accumulated sick leave is used. As required, the portion of the compensated absences liability expected to be liquidated within the next fiscal year is reported as a current liability in the government-wide financial statements. In the governmental fund financial statements, a liability is recognized only for amounts that have matured, such as those due to employee resignations or retirements.

#### R. Net Position / Fund Balances

##### Net Position

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

## Fund Balance

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 balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

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

*Prepays* - portion of fund balance that is not an available resource because it represents expenses which have already been paid, which are not spendable resources.

*Leases* - portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

*Restricted* - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget*. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Public Safety - portion of fund balance restricted by revenue source of public safety related activities such as federal forfeiture and controlled substance funds.

Restricted for Economic and Physical Development - portion of fund balance restricted by lender for use in economic and physical development activities.

Restricted for Public Works - portion of fund balance restricted by grantor for use in public works activities.

*Assigned* - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City's Board of Aldermen, through officially adopted budget ordinances, has expressly delegated limited authority to the City Manager and Finance Officer to assign funds.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within departments.

Assigned for capital projects - portion of fund balance that is assigned for specific projects within the City.

## Fund Balance (Continued)

*Unassigned* - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds, only the general fund can reports a positive unassigned fund balance. Other governmental funds may report negative unassigned fund balance.

The City of New Bern has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

### S. Defined Benefit Cost-Sharing Plans

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### T. Management Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts, depreciation lives, and compensated absences.

### U. New Accounting Pronouncements

The City adopted the following new accounting pronouncements in the current fiscal year:

GASB 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB 102, *Certain Risk Disclosures*, to better provide users with disclosures containing timely information regarding certain concentrations or constrains and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### A. Significant Violations of Finance-Related Legal and Contractual Provisions

#### 1. Noncompliance with Bond Covenants

None.

### B. Deficit Fund Balance. The following funds are reporting deficit fund balances as of June 30, 2025:

| Fund                    | Deficit        |
|-------------------------|----------------|
| FEMA Hurricane Florence | \$ (1,055,225) |

The negative fund balance is for a FEMA related project. Although the funds have been allocated, the programs operate on a reimbursement method which requires the City to request reimbursement after the cost has been incurred and, in some cases, significant portions of the cost cannot be reimbursed until after the projects have been completed.

Because the deficit balance is associated with a multi-year fund that the City is waiting on reimbursements for, it is not reported as a finding.

### C. Expenditures in Excess of Appropriations

None.

### NOTE 3: DEPOSITS AND INVESTMENTS

All 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 agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City these deposits are considered to be held by the City's agent in the City's 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 amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no 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 verify that deposits are properly secured.

At June 30, 2025, the City's deposits had a carrying amount of \$1,642,481 and a bank balance of \$4,537,033. Of the bank balance, \$250,000 was covered under federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City's petty cash fund totaled \$6,800.

At June 30, 2025, the City's investment balances were as follows:

| Investment by Type                                    | Valuation             | Book Value at<br>06/30/2025 | Maturity          | Rating |
|-------------------------------------------------------|-----------------------|-----------------------------|-------------------|--------|
|                                                       | Measurement<br>Method |                             |                   |        |
| NC Capital Management Trust - Government<br>Portfolio | Fair Value Level 1    | \$19,831,347                | Less than 90 days | AAAm   |
| North Carolina CLASS                                  | Fair Value Level      | \$49,838,274                | Less than 90 days | AAAm   |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1: debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

**Interest Rate Risk:** The City does not have a formal investment policy that specifically limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2024, the City's deposits are insured or collateralized as required by state law.

*Concentration of Credit Risk.* The City places no limit on the amount that the City may invest in any one issuer.

**NOTE 4: RECEIVABLES – ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The receivables shown in Exhibit 1 at June 30, 2025, were as follows:

|                          | Accounts             | Taxes             | Leases              | Due from other Governments | Total                |
|--------------------------|----------------------|-------------------|---------------------|----------------------------|----------------------|
| Governmental Activities: |                      |                   |                     |                            |                      |
| General                  | \$ 4,767,031         | \$ 411,462        | \$ 158,855          | \$ 1,059,617               | \$ 6,396,965         |
| FEMA Hurricane Florence  | 125,703              | -                 | -                   | 2,563,131                  | 2,688,834            |
| Other Governmental       | 395,059              | -                 | -                   | 2,056,576                  | 2,451,635            |
| Internal Service Fund    | 7,237                | -                 | -                   | -                          | 7,237                |
| Total receivables        | 5,295,030            | 411,462           | 158,855             | 5,679,324                  | 11,544,671           |
| Allowance                | -                    | (222,259)         | -                   | -                          | (222,259)            |
| Net receivables          | <u>\$ 5,295,030</u>  | <u>\$ 189,203</u> | <u>\$ 158,855</u>   | <u>\$ 5,679,324</u>        | <u>\$ 11,322,412</u> |
| Business-type Activities |                      |                   |                     |                            |                      |
| Electric                 | \$ 9,429,582         | \$ -              | \$ 93               | \$ -                       | \$ 9,429,675         |
| Water                    | 1,463,286            | -                 | 1,345,634           | -                          | 2,808,920            |
| Sewer                    | 1,603,444            | -                 | -                   | -                          | 1,603,444            |
| Solid Waste              | 589,470              | -                 | -                   | -                          | 589,470              |
| Total receivables        | 13,085,782           | -                 | 1,345,727           | -                          | 14,431,509           |
| Allowance                | (147,070)            | -                 | -                   | -                          | (147,070)            |
| Net receivables          | <u>\$ 12,938,712</u> | <u>\$ -</u>       | <u>\$ 1,345,727</u> | <u>\$ -</u>                | <u>\$ 14,284,439</u> |

Due from other governments consisted of the following:

|                        |                     |
|------------------------|---------------------|
| State & Federal Grants | \$ 4,619,707        |
| Privilege Licenses     | 230                 |
| Sales tax              | 1,059,387           |
|                        | <u>\$ 5,679,324</u> |

**Lease Receivable**

On 02/01/2023, the City entered into a 60 month lease as Lessor for the use of US Cellular Extension. An initial lease receivable was recorded in the amount of \$158,379. As of 06/30/2025, the value of the lease receivable is \$82,595. The lessee is required to make monthly fixed payments of \$2,694. The lease has an interest rate of 0.8330%. The value of the deferred inflow of resources as of 06/30/2025 was \$81,829, and the City recognized lease revenue of \$31,676 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On 07/01/2021, the City entered into a 100 month lease as Lessor for the use of Alltel Communications. An initial lease receivable was recorded in the amount of \$366,339. As of 06/30/2025, the value of the lease receivable is \$196,061. The lessee is required to make monthly fixed payments of \$3,786. The lease has an interest rate of 1.0400%. The value of the deferred inflow of resources as of 06/30/2025 was \$191,197, and the City recognized lease revenue of \$43,786 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, the City entered into a 40 month lease as Lessor for the use of Suncom Wireless. An initial lease receivable was recorded in the amount of \$132,852. As of 06/30/2025, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$3,102. The lease has an interest rate of 0.5270%. The value of the deferred inflow of resources as of 06/30/2025 was \$0, and the City recognized lease revenue of \$13,880 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

### **Lease Receivable (Continued)**

On 07/01/2021, the City entered into a 167 month lease as Lessor for the use of ATT and New Cingular Wireless PCS, LLC. An initial lease receivable was recorded in the amount of \$212,493. As of 06/30/2025, the value of the lease receivable is \$648,892. The lessee is required to make monthly fixed payments of \$4,759. The lease has an interest rate of 2.3320%. The value of the deferred inflow of resources as of 06/30/2025 was \$648,719, and the City recognized lease revenue of \$55,220 during the fiscal year. The lessee has 2 extension option(s), each for 60 months. the City had a termination period of 12 months as of the lease commencement.

On 07/01/2021, the City entered into a 159 month lease as Lessor for the use of New Cingular Wireless PCS, LLC. An initial lease receivable was recorded in the amount of \$119,177. As of 06/30/2025, the value of the lease receivable is \$418,086. The lessee is required to make monthly fixed payments of \$3,231. The lease has an interest rate of 2.3320%. The value of the deferred inflow of resources as of 06/30/2025 was \$410,760, and the City recognized lease revenue of \$42,494 during the fiscal year. The lessee has 2 extension option(s), each for 60 months. The lessee had a termination period of 2 months as of the lease commencement. the City had a termination period of 12 months as of the lease commencement.

On 11/23/2021, the City entered into a 144 month lease as Lessor for the use of MetroNet Pole Attachment . An initial lease receivable was recorded in the amount of \$130. As of 06/30/2025, the value of the lease receivable is \$93. The lessee is required to make monthly fixed payments of \$1. The lease has an interest rate of 1.7822%. The value of the deferred inflow of resources as of 06/30/2025 was \$91, and the City recognized lease revenue of \$11 during the fiscal year.

On 02/01/2024, the City entered into a 108 month lease as Lessor for the use of New Bern Baseball Kafer Park. An initial lease receivable was recorded in the amount of \$179,158. As of 06/30/2025, the value of the lease receivable is \$158,855. The lessee is required to make annual fixed payments of \$22,222. The lease has an interest rate of 2.5710%. The value of the deferred inflow of resources as of 06/30/2025 was \$150,957, and the City recognized lease revenue of \$19,906 during the fiscal year.

| Fiscal Year | Principal and Interest Expected to Maturity |                   |                          |                   |
|-------------|---------------------------------------------|-------------------|--------------------------|-------------------|
|             | Governmental Activities                     |                   | Business-Type Activities |                   |
|             | Principal                                   |                   | Principal                |                   |
|             | Payments                                    | Interest Payments | Payments                 | Interest Payments |
| 2026        | \$ 18,138                                   | \$ 4,084          | \$ 160,411               | \$ 26,381         |
| 2027        | 18,604                                      | 3,618             | 166,484                  | 23,619            |
| 2028        | 19,083                                      | 3,140             | 159,260                  | 20,743            |
| 2029        | 19,573                                      | 2,649             | 146,688                  | 17,927            |
| 2030        | 20,077                                      | 2,146             | 126,594                  | 15,091            |
| 2031-2035   | 63,380                                      | 3,287             | 586,290                  | 33,810            |
|             | <u>\$ 158,855</u>                           | <u>\$ 18,924</u>  | <u>\$ 1,345,727</u>      | <u>\$ 137,571</u> |

### **Note Receivable**

In January 2019, the City refinanced outstanding debt with Green Park Terrace, LLC. Under the new agreement Green Park Terrace will pay the City \$1,000 a month, beginning July 1, 2019 and continuing through June 1, 2029. Interest will only accrue if a payment is past due, at 12% per annum. The first payment was received before June 30, 2019. This note was paid off in advance during the current year.

## NOTE 5: CAPITAL ASSETS

### Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2025 was as follows:

|                                                  | <u>Beginning</u><br><u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending</u><br><u>Balances</u> |
|--------------------------------------------------|-------------------------------------|------------------|------------------|------------------|----------------------------------|
| <b>Governmental activities:</b>                  |                                     |                  |                  |                  |                                  |
| <b>Capital assets not being depreciated:</b>     |                                     |                  |                  |                  |                                  |
| Land                                             | \$ 23,357,057                       | \$ 522,429       | \$ (7,000)       | \$ (120,412)     | \$ 23,752,074                    |
| Construction in Progress                         | 13,846,941                          | 8,135,053        | (15,503,396)     | -                | 6,478,598                        |
| Total capital assets not being depreciated       | 37,203,998                          | 8,657,482        | (15,510,396)     | (120,412)        | 30,230,672                       |
| <b>Capital assets being depreciated:</b>         |                                     |                  |                  |                  |                                  |
| Buildings and improvements                       | 23,821,353                          | 15,762,809       | -                | 258,096          | 39,842,258                       |
| Equipment                                        | 10,314,200                          | 1,258,440        | (57,500)         | -                | 11,515,140                       |
| Furniture and fixtures                           | 3,049,707                           | 350,344          | -                | -                | 3,400,051                        |
| Transformers                                     | 70,275                              | -                | -                | -                | 70,275                           |
| Infrastructure                                   | 40,045,919                          | -                | -                | (137,684)        | 39,908,235                       |
| Vehicles                                         | 14,210,559                          | 1,084,729        | (166,893)        | 67,040           | 15,195,435                       |
| Total capital assets being depreciated           | 91,512,013                          | 18,456,322       | (224,393)        | 187,452          | 109,931,394                      |
| <b>Less accumulated depreciation for:</b>        |                                     |                  |                  |                  |                                  |
| Buildings and improvements                       | 8,941,150                           | 854,779          | -                | 9,031            | 9,804,960                        |
| Equipment                                        | 6,399,319                           | 920,830          | (12,125)         | -                | 7,308,024                        |
| Furniture and fixtures                           | 2,398,694                           | 120,080          | -                | -                | 2,518,774                        |
| Transformers                                     | 54,815                              | 2,811            | -                | -                | 57,626                           |
| Infrastructure                                   | 18,903,033                          | 1,338,453        | -                | (9,031)          | 20,232,455                       |
| Vehicles                                         | 9,484,970                           | 1,153,928        | (194,574)        | 67,040           | 10,511,364                       |
| Total accumulated depreciation                   | 46,181,981                          | 4,390,881        | (206,699)        | 67,040           | 50,433,203                       |
| Total capital assets being depreciated, net      | 45,330,032                          | 14,065,441       | (17,694)         | 120,412          | 59,498,191                       |
| <b>Capital assets being amortized:</b>           |                                     |                  |                  |                  |                                  |
| <b>Right to use assets:</b>                      |                                     |                  |                  |                  |                                  |
| Leased infrastructure                            | 141,723                             | -                | -                | -                | 141,723                          |
| Leased equipment                                 | 151,683                             | 18,121           | -                | -                | 169,804                          |
| Leased land                                      | 154,832                             | -                | -                | -                | 154,832                          |
| IT subscriptions                                 | 819,081                             | 407,726          | (44,816)         | -                | 1,181,991                        |
| Total right to use assets                        | 1,267,319                           | 425,847          | (44,816)         | -                | 1,648,350                        |
| <b>Less accumulated amortization for:</b>        |                                     |                  |                  |                  |                                  |
| Leased infrastructure                            | 83,778                              | 27,926           | -                | -                | 111,704                          |
| Leased equipment                                 | 28,743                              | 34,968           | -                | -                | 63,711                           |
| Leased land                                      | 66,357                              | 22,119           | -                | -                | 88,476                           |
| IT subscriptions                                 | 151,981                             | 343,402          | (44,816)         | -                | 450,567                          |
| Total accumulated amortization                   | 330,859                             | 428,415          | (44,816)         | -                | 714,458                          |
| Right to use assets, net                         | 936,460                             | (2,568)          | -                | -                | 933,892                          |
| <b>Governmental activity capital assets, net</b> |                                     |                  |                  |                  |                                  |
|                                                  | \$ 83,470,490                       | \$ 22,720,355    | \$ (15,528,090)  | \$ -             | \$ 90,662,755                    |

# **NOTE 5: CAPITAL ASSETS (CONTINUED)**

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

|                                   |                     |
|-----------------------------------|---------------------|
| General government                | \$ 450,175          |
| Public safety                     | 2,069,940           |
| Public works                      | 1,561,404           |
| Economic and Physical Development | 179,091             |
| Cultural and recreational         | 558,686             |
|                                   | <u>\$ 4,819,296</u> |

|                                              | <u>Beginning</u><br><u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending</u><br><u>Balances</u> |
|----------------------------------------------|-------------------------------------|------------------|------------------|------------------|----------------------------------|
| <b>Business-type activities:</b>             |                                     |                  |                  |                  |                                  |
| <b>Electric Fund</b>                         |                                     |                  |                  |                  |                                  |
| <b>Capital assets not being depreciated:</b> |                                     |                  |                  |                  |                                  |
| Land                                         | \$ 1,513,005                        | \$ -             | \$ -             | \$ -             | \$ 1,513,005                     |
| Construction in Progress                     | 1,239,678                           | 1,496,472        | (1,935,927)      | -                | 800,223                          |
| Total capital assets not being depreciated   | 2,752,683                           | 1,496,472        | (1,935,927)      | -                | 2,313,228                        |
| <b>Capital assets being depreciated:</b>     |                                     |                  |                  |                  |                                  |
| Buildings                                    | 8,347,018                           | 369,583          | -                | -                | 8,716,601                        |
| Land improvements                            | 245,905                             | -                | -                | -                | 245,905                          |
| Equipment                                    | 10,041,240                          | 923,459          | -                | -                | 10,964,699                       |
| Furniture and fixtures                       | 7,399,562                           | -                | -                | -                | 7,399,562                        |
| Transformers                                 | 5,119,643                           | 2,032,997        | -                | -                | 7,152,640                        |
| Distribution systems                         | 57,947,811                          | 868,392          | -                | -                | 58,816,203                       |
| Vehicles                                     | 4,124,630                           | 1,656,772        | (61,744)         | (100,500)        | 5,619,158                        |
| Total capital assets being depreciated       | 93,225,809                          | 5,851,203        | (61,744)         | (100,500)        | 98,914,768                       |
| <b>Less accumulated depreciation for:</b>    |                                     |                  |                  |                  |                                  |
| Buildings                                    | 1,938,372                           | 208,008          | -                | -                | 2,146,380                        |
| Land improvements                            | 144,613                             | 9,131            | -                | -                | 153,744                          |
| Equipment                                    | 7,382,553                           | 507,955          | -                | -                | 7,890,508                        |
| Furniture and fixtures                       | 289,796                             | 37,724           | -                | -                | 327,520                          |
| Transformers                                 | 3,714,684                           | 98,282           | -                | -                | 3,812,966                        |
| Distribution systems                         | 40,195,301                          | 1,474,609        | -                | -                | 41,669,910                       |
| Vehicles                                     | 3,045,349                           | 393,700          | (61,744)         | (100,500)        | 3,276,805                        |
| Total accumulated depreciation               | 56,710,668                          | 2,729,409        | (61,744)         | (100,500)        | 59,277,833                       |
| Total capital assets being depreciated, net  | 36,515,141                          | 3,121,794        | -                | -                | 39,636,935                       |
| <b>Capital assets being amortized:</b>       |                                     |                  |                  |                  |                                  |
| <b>Right to use assets</b>                   |                                     |                  |                  |                  |                                  |
| Leased infrastructure                        | 27,609                              | -                | -                | -                | 27,609                           |
| Leased equipment                             | 33,412                              | -                | 3,817            | -                | 29,595                           |
| Leased land                                  | 30,162                              | -                | -                | -                | 30,162                           |
| IT subscription, restated                    | 769,538                             | 76,997           | -                | -                | 846,535                          |
| Total right to use assets                    | 860,721                             | 76,997           | 3,817            | -                | 933,901                          |
| <b>Less accumulated amortization for:</b>    |                                     |                  |                  |                  |                                  |
| Leased infrastructure                        | 16,320                              | 5,440            | -                | -                | 21,760                           |
| Leased equipment                             | 4,659                               | 5,919            | 532              | -                | 10,046                           |
| Leased land                                  | 12,927                              | 4,309            | -                | -                | 17,236                           |
| IT subscription, restated                    | 496,688                             | 274,810          | -                | -                | 771,498                          |
| Total accumulated amortization               | 530,594                             | 290,478          | 532              | -                | 820,540                          |
| Right to use assets, net                     | 330,127                             | (213,481)        | 3,285            | -                | 113,361                          |
| Electric fund capital assets, net            | \$ 39,597,951                       | \$ 4,404,785     | \$ (1,932,642)   | \$ -             | \$ 42,063,524                    |

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

|                                              | <u>Beginning</u><br><u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending</u><br><u>Balances</u> |
|----------------------------------------------|-------------------------------------|------------------|------------------|------------------|----------------------------------|
| <b>Water Fund</b>                            |                                     |                  |                  |                  |                                  |
| <b>Capital assets not being depreciated:</b> |                                     |                  |                  |                  |                                  |
| Land                                         | \$ 868,595                          | \$ -             | \$ -             | \$ -             | \$ 868,595                       |
| Construction in progress                     | 1,167,383                           | 2,100,513        | (2,240,372)      | -                | 1,027,524                        |
| Total capital assets not being depreciated   | 2,035,978                           | 2,100,513        | (2,240,372)      | -                | 1,896,119                        |
| <b>Capital assets being depreciated:</b>     |                                     |                  |                  |                  |                                  |
| Buildings                                    | 35,447,598                          | -                | -                | -                | 35,447,598                       |
| Land improvements                            | 99,986                              | 31,920           | -                | -                | 131,906                          |
| Equipment                                    | 6,390,274                           | 97,724           | -                | -                | 6,487,998                        |
| Furniture and fixtures                       | 3,888                               | -                | -                | -                | 3,888                            |
| Distribution systems                         | 27,981,206                          | 2,333,246        | -                | -                | 30,314,452                       |
| Vehicles                                     | 1,286,814                           | 281,345          | (14,125)         | 64,588           | 1,618,622                        |
| Total capital assets being depreciated       | 71,209,766                          | 2,744,235        | (14,125)         | 64,588           | 74,004,464                       |
| <b>Less accumulated depreciation for:</b>    |                                     |                  |                  |                  |                                  |
| Buildings                                    | 11,416,866                          | 886,337          | -                | -                | 12,303,203                       |
| Land improvements                            | 7,221                               | 3,466            | -                | -                | 10,687                           |
| Equipment                                    | 2,650,393                           | 182,624          | -                | -                | 2,833,017                        |
| Furniture and fixtures                       | 3,888                               | -                | -                | -                | 3,888                            |
| Distribution systems                         | 13,174,728                          | 615,099          | -                | -                | 13,789,827                       |
| Vehicles                                     | 1,034,300                           | 115,434          | (14,125)         | 64,588           | 1,200,197                        |
| Total accumulated depreciation               | 28,287,396                          | 1,802,960        | (14,125)         | 64,588           | 30,140,819                       |
| Total capital assets being depreciated, net  | 42,922,370                          | 941,275          | -                | -                | 43,863,645                       |
| <b>Capital assets being amortized:</b>       |                                     |                  |                  |                  |                                  |
| <b>Right to use assets</b>                   |                                     |                  |                  |                  |                                  |
| Leased infrastructure                        | 14,724                              | -                | -                | -                | 14,724                           |
| Leased equipment                             | 35,132                              | -                | 8,306            | -                | 26,826                           |
| Leased land                                  | 16,086                              | -                | -                | -                | 16,086                           |
| IT Subscription                              | 3,247                               | 36,089           | -                | -                | 39,336                           |
| Total right to use assets                    | 69,189                              | 36,089           | 8,306            | -                | 96,972                           |
| <b>Less accumulated amortization for:</b>    |                                     |                  |                  |                  |                                  |
| Leased infrastructure                        | 8,703                               | 2,901            | -                | -                | 11,604                           |
| Leased equipment                             | 4,899                               | 5,365            | 1,158            | -                | 9,106                            |
| Leased land                                  | 6,894                               | 2,298            | -                | -                | 9,192                            |
| IT Subscription                              | 287                                 | 9,177            | -                | -                | 9,464                            |
| Total accumulated amortization               | 20,783                              | 19,741           | 1,158            | -                | 39,366                           |
| Right to use assets, net                     | 48,406                              | 16,348           | 7,148            | -                | 57,606                           |
| Water Fund capital assets, net               | \$ 45,006,754                       | \$ 3,058,136     | \$ (2,233,224)   | \$ -             | \$ 45,817,370                    |

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

|                                              | <u>Beginning</u><br><u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending</u><br><u>Balances</u> |
|----------------------------------------------|-------------------------------------|------------------|------------------|------------------|----------------------------------|
| <b>Sewer Fund</b>                            |                                     |                  |                  |                  |                                  |
| <b>Capital assets not being depreciated:</b> |                                     |                  |                  |                  |                                  |
| Land                                         | \$ 12,289,640                       | \$ -             | \$ -             | \$ -             | \$ 12,289,640                    |
| Construction in progress                     | 6,135,105                           | 143,007          | (311,933)        | -                | 5,966,179                        |
| Total capital assets not being depreciated   | 18,424,745                          | 143,007          | (311,933)        | -                | 18,255,819                       |
| <b>Capital assets being depreciated:</b>     |                                     |                  |                  |                  |                                  |
| Buildings                                    | 42,113,877                          | 168,470          | -                | -                | 42,282,347                       |
| Land improvements                            | 114,340                             | -                | -                | -                | 114,340                          |
| Equipment                                    | 4,827,760                           | 229,028          | -                | -                | 5,056,788                        |
| Furniture and fixtures                       | 76,214                              | -                | -                | -                | 76,214                           |
| Distribution systems                         | 45,289,320                          | 784,887          | -                | -                | 46,074,207                       |
| Vehicles                                     | 2,540,469                           | 360,903          | -                | (64,588)         | 2,836,784                        |
| Total capital assets being depreciated       | 94,961,980                          | 1,543,288        | -                | (64,588)         | 96,440,680                       |
| <b>Less accumulated depreciation for:</b>    |                                     |                  |                  |                  |                                  |
| Buildings                                    | 24,898,201                          | 1,095,451        | -                | -                | 25,993,652                       |
| Land improvements                            | 101,730                             | 5,078            | -                | -                | 106,808                          |
| Equipment                                    | 3,662,613                           | 218,551          | -                | -                | 3,881,164                        |
| Furniture and fixtures                       | 76,214                              | -                | -                | -                | 76,214                           |
| Distribution systems                         | 15,678,726                          | 907,844          | -                | -                | 16,586,570                       |
| Vehicles                                     | 1,916,683                           | 187,320          | -                | (64,588)         | 2,039,415                        |
| Total accumulated depreciation               | 46,334,167                          | 2,414,244        | -                | (64,588)         | 48,683,823                       |
| Total capital assets being depreciated, net  | 48,627,813                          | (870,956)        | -                | -                | 47,756,857                       |
| <b>Capital assets being amortized:</b>       |                                     |                  |                  |                  |                                  |
| <b>Right to use assets</b>                   |                                     |                  |                  |                  |                                  |
| Leased equipment                             | 6,334                               | 986              | -                | -                | 7,320                            |
| IT subscriptions                             | 3,751                               | 206,633          | -                | -                | 210,384                          |
| Total right to use assets                    | 10,085                              | 207,619          | -                | -                | 217,704                          |
| <b>Less accumulated amortization for:</b>    |                                     |                  |                  |                  |                                  |
| Leased equipment                             | 884                                 | 1,601            | -                | -                | 2,485                            |
| IT subscriptions                             | 331                                 | 55,237           | -                | -                | 55,568                           |
| Total accumulated amortization               | 1,215                               | 56,838           | -                | -                | 58,053                           |
| Right to use assets, net                     | 8,870                               | 150,781          | -                | -                | 159,651                          |
| Sewer Fund capital assets, net               | \$ 67,061,428                       | (577,168)        | (311,933)        | -                | \$ 66,172,327                    |

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

|                                              | <u>Beginning</u><br><u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending</u><br><u>Balances</u> |
|----------------------------------------------|-------------------------------------|------------------|------------------|------------------|----------------------------------|
| <b>Solid Waste Fund</b>                      |                                     |                  |                  |                  |                                  |
| <b>Capital assets not being depreciated:</b> |                                     |                  |                  |                  |                                  |
| Construction in progress                     | \$ -                                | \$ -             | \$ -             | \$ -             | \$ -                             |
| Total capital assets not being depreciated   | -                                   | -                | -                | -                | -                                |
| <b>Capital assets being depreciated:</b>     |                                     |                  |                  |                  |                                  |
| Lines                                        | 114,505                             | -                | -                | -                | 114,505                          |
| Equipment                                    | 657,072                             | -                | -                | -                | 657,072                          |
| Vehicles                                     | 916,395                             | 79,677           | (54,576)         | 33,460           | 974,956                          |
| Total capital assets being depreciated       | 1,687,972                           | 79,677           | (54,576)         | 33,460           | 1,746,533                        |
| <b>Less accumulated depreciation for:</b>    |                                     |                  |                  |                  |                                  |
| Lines                                        | 23,232                              | 4,136            | -                | -                | 27,368                           |
| Equipment                                    | 335,713                             | 44,723           | -                | -                | 380,436                          |
| Vehicles                                     | 362,544                             | 105,629          | (54,576)         | 33,460           | 447,057                          |
| Total accumulated depreciation               | 721,489                             | 154,488          | (54,576)         | 33,460           | 854,861                          |
| Total capital assets being depreciated, net  | 966,483                             | (74,811)         | -                | -                | 891,672                          |
| <b>Capital assets being amortized:</b>       |                                     |                  |                  |                  |                                  |
| <b>Right to use assets</b>                   |                                     |                  |                  |                  |                                  |
| Leased equipment                             | 1,447                               | -                | 1,447            | -                | -                                |
| IT subscriptions                             | 710                                 | 7,284            | -                | -                | 7,994                            |
| Total right to use assets                    | 2,157                               | 7,284            | 1,447            | -                | 7,994                            |
| <b>Less accumulated amortization for:</b>    |                                     |                  |                  |                  |                                  |
| Leased equipment                             | 202                                 | -                | 202              | -                | -                                |
| IT subscriptions                             | 63                                  | 1,967            | -                | -                | 2,030                            |
| Total accumulated amortization               | 265                                 | 1,967            | 202              | -                | 2,030                            |
| Right to use assets, net                     | 1,892                               | 5,317            | 1,245            | -                | 5,964                            |
| Solid Waste Fund capital assets, net         | \$ 968,375                          | \$ (69,494)      | \$ 1,245         | \$ -             | \$ 897,636                       |
| Business-type activities capital assets, net | \$ 152,634,508                      |                  |                  |                  | \$ 154,950,857                   |

## **Construction Commitments**

The City has active construction projects at June 30, 2025. Commitments with contractors are as follows:

| <b>Project</b>                     | <b>Project to Date</b> | <b>Remaining<br/>Commitment</b> |
|------------------------------------|------------------------|---------------------------------|
| Jimmies Creek Ditch Project        | \$ 295,900             | \$ 348,400                      |
| Multiple Basins Ditch Project      | 165,988                | 374,532                         |
| Duffyfield Resiliency Improvements | 1,493,193              | 1,367,789                       |
| 212 Kale Road Building             | 79,000                 | 364,500                         |
|                                    | <u>\$ 2,034,081</u>    | <u>\$ 2,455,221</u>             |

## **NOTE 6: LIABILITIES**

### **1. Pension Plan Obligations**

#### **A. Local Governmental Employees' Retirement System**

**Plan Description.** The City of New Bern is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service of within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

#### **A. Local Governmental Employees' Retirement System (Continued)**

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of New Bern employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of New Bern contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.64% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of New Bern were \$4,659,287 for the year ended June 30, 2025.

**Refunds of Contributions** - City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2025, the City reported a liability of \$23,174,211 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the City's proportion was 0.34376% which was an increase of 0.0186% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City recognized pension expense of \$7,096,897. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                               | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                                                            | \$ 4,060,999                                  | \$ 27,305                                    |
| Changes of assumptions                                                                                        | -                                             | -                                            |
| Net difference between projected and actual earnings on pension plan investments                              | 3,150,520                                     | -                                            |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 637,487                                       | 85,459                                       |
| Employer contributions subsequent to the measurement date                                                     | 4,659,287                                     | -                                            |
| Total                                                                                                         | <u>\$ 12,508,293</u>                          | <u>\$ 112,764</u>                            |

\$4,659,287 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June</b> |                     |
|------------------------|---------------------|
| 2026                   | \$ 2,382,508        |
| 2027                   | 4,775,056           |
| 2028                   | 934,913             |
| 2029                   | (356,235)           |
|                        | <u>\$ 7,736,242</u> |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

|                           |                                                                           |
|---------------------------|---------------------------------------------------------------------------|
| Inflation                 | 2.50 percent                                                              |
| Salary increases          | 3.25 to 8.25 percent, which includes a 3.25% inflation and productivity   |
| Investment rate of return | 6.50 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income expectations of forward yields projected and interpolated for multiple tenor and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class as of June 30, 2024 are summarized in the following table:

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of</b> |
|--------------------|--------------------------|----------------------------------------|
| Fixed Income       | 33.0%                    | 2.4%                                   |
| Global Equity      | 38.0%                    | 6.9%                                   |
| Real Estate        | 8.0%                     | 6.0%                                   |
| Alternatives       | 8.0%                     | 8.6%                                   |
| Credit             | 7.0%                     | 5.3%                                   |
| Inflation          | 6.0%                     | 4.3%                                   |
| Total              | 100.0%                   |                                        |

The information above is based on 30 year expectations developed with an investing consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark average for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

**Discount rate.** The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

**Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.** The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

|                                                                 | <b>1% Decrease<br/>(5.50%)</b> | <b>Discount Rate<br/>(6.50%)</b> | <b>1% Increase<br/>(7.50%)</b> |
|-----------------------------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 41,065,380                  | \$ 23,174,211                    | \$ 8,456,264                   |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

**B. Law Enforcement Officers Special Separation Allowance**

**1. 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 .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, 2023, the Separation Allowance's membership consisted of:

|                             |           |
|-----------------------------|-----------|
| Retirees receiving benefits | 8         |
| Active plan members         | 88        |
| Total                       | <u>96</u> |

A separate report was not issued for the plan.

**2. 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |                                                                   |
|------------------|-------------------------------------------------------------------|
| Inflation        | 2.50 percent                                                      |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate    | 4.28 percent                                                      |

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the Pub-2010 amount-weighted tables, with adjustments using generational improvements from Scale MP-2019.

#### 4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The City's expense for benefit payments to current retirees for the fiscal year ended June 30, 2025 was \$130,793.

#### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2025, the City reported a total pension liability of \$4,058,747. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of \$447,356.

|                                                                                               | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                                            | \$ 586,930                                    | \$ 102,020                                   |
| Changes of assumptions                                                                        | 215,257                                       | 431,845                                      |
| City benefit payments and plan administrative expense made subsequent to the measurement date | 73,817                                        | -                                            |
| Total                                                                                         | <u>\$ 876,004</u>                             | <u>\$ 533,865</u>                            |

\$73,817 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30:</b> |            |
|----------------------------|------------|
| 2026                       | \$ 116,984 |
| 2027                       | (129)      |
| 2028                       | (28,219)   |
| 2029                       | 80,878     |
| 2030                       | 72,989     |
| Thereafter                 | 25,819     |

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 4.25 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) and 1-percentage-point higher (5.28 percent) than the current rate.

|                         | 1% Decrease<br>(3.28%) | Discount Rate<br>(4.28%) | 1% Increase<br>(5.28%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 4,414,538           | \$ 4,058,747             | \$ 3,737,523           |

#### **Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance**

|                                               | <b>2025</b>         |
|-----------------------------------------------|---------------------|
| Beginning balance                             | \$ 3,413,679        |
| Service Cost                                  | 194,783             |
| Interest on the total pension liability       | 133,756             |
| Differences                                   | 552,114             |
| Changes of assumptions or other inputs        | (96,017)            |
| Benefit payments                              | (139,568)           |
| Net Change                                    | <u>645,068</u>      |
| Ending balance of the total pension liability | <u>\$ 4,058,747</u> |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study completed by the actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

**Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions**

Following is information related to the proportionate share and pension expense for all pension plans:

|                                                                                                      | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|------------------------------------------------------------------------------------------------------|--------------|---------------|--------------|
| Pension Expense                                                                                      | \$ 7,096,897 | \$ 447,356    | \$ 7,544,253 |
| Pension Liability                                                                                    | 23,174,211   | 4,058,747     | 27,232,958   |
| Proportionate share of the net pension liability                                                     | 0.3438%      | n/a           |              |
| Deferred Outflows of Resources                                                                       |              |               |              |
| Differences between expected and actual experience                                                   | 4,060,999    | 586,930       | 4,647,929    |
| Changes of assumptions                                                                               | -            | 215,257       | 215,257      |
| Net difference between projected and actual earnings on plan investments                             | 3,150,520    | -             | 3,150,520    |
| Changes in proportion and differences between contributions and proportionate share of contributions | 637,487      | -             | 637,487      |
| Benefit payments and administrative costs paid subsequent to the measurement date                    | 4,659,287    | 73,817        | 4,733,104    |
| Deferred Inflows of Resources                                                                        |              |               |              |
| Differences between expected and actual experience                                                   | 27,305       | 102,020       | 129,325      |
| Changes of assumptions                                                                               | -            | 431,845       | 431,845      |
| Changes in proportion and differences between contributions and proportionate share of contributions | 85,459       | -             | 85,459       |

**C. Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, 2025 were \$488,406, which consisted of \$347,640 from the City and \$140,766 from the law enforcement officers.

#### **D. Supplemental Retirement Income Plan for Employees not Engaged in Law Enforcement**

**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 City employees not engaged in law enforcement. 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 is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.** The City's employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2025 were \$1,787,248, which consisted of \$1,276,556 from the City and \$510,393 from the employees.

#### **E. Other Postemployment Benefits**

##### Healthcare Benefits

**Plan Description.** According to a City resolution, the City provides post-retirement healthcare benefits through a single-employer defined benefit Healthcare Benefits Plan (the "HCB Plan"). The City pays 100 percent of the cost for "maximum retirees" of the City, while "other retirees" are eligible to enroll in the City's insurance plan, but must pay full cost. Maximum retirees are defined as meeting one of the following criteria: (1) employee with thirty (30) or more years of service with at least fifteen (15) of those years with the City; (2) employee with twenty-seven (27) or more years of service and three (3) years of prior military service with at least fifteen (15) of those years with the City; or (3) members of the governing board with a total number of sixteen (16) years in office. To qualify as an "other retiree," employees must meet one of the two following: (1) have twenty-five (25) to twenty-nine (29) years of service with at least ten (10) with the City; or (2) twenty (20) or more years of qualified service with at least ten (10) years with the City. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City contributed \$641,737 in benefits. The City's Board of Aldermen established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the plan.

Membership of the Plan consisted of the following at June 30, 2024, the date of the last actuarial valuation:

|                                            | <b>General<br/>Employees:</b> |
|--------------------------------------------|-------------------------------|
| Retirees and dependents receiving benefits | 98                            |
| Active plan members                        | 461                           |
| Total                                      | <u>559</u>                    |

#### **Total OPEB Liability**

The City's total OPEB liability of \$40,379,871 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024.

**Actuarial Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

|                  |              |
|------------------|--------------|
| Inflation        | 2.50 percent |
| Real wage growth | 0.75 percent |
| Wage inflation   | 3.25 percent |

## Actuarial Assumption and Other Inputs (Continued)

|                                           |                                                                 |
|-------------------------------------------|-----------------------------------------------------------------|
| Salary increase, including wage inflation |                                                                 |
| General employees                         | 3.25 - 8.41 percent, including inflation                        |
| Firefighters                              | 3.25 - 8.15 percent, including inflation                        |
| Law Enforcement Officers                  | 3.25 - 7.90 percent, including inflation                        |
| Discount rate                             | 3.93%                                                           |
| Healthcare cost trend rate                |                                                                 |
| Pre-Medicare                              | 7.00% for 2024 decreasing to an ultimate rate of 4.50% by 2034  |
| Medicare                                  | 5.125% for 2024 decreasing to an ultimate rate of 4.50% by 2027 |
| Dental                                    | 3.50%                                                           |

## Changes in the Total OPEB Liability

|                                                    | <u>Total OPEB Liability</u> |
|----------------------------------------------------|-----------------------------|
| <b>Balance at July 1, 2023</b>                     | \$ 38,244,553               |
| <b>Changes for the year</b>                        |                             |
| Service cost                                       | 1,329,265                   |
| Interest                                           | 1,417,956                   |
| Differences between expected and actual experience | 1,813,506                   |
| Changes in assumptions or other inputs             | (960,889)                   |
| Benefit payments                                   | (1,464,520)                 |
| <b>Net changes</b>                                 | <u>2,135,318</u>            |
| <b>Balance at June 30, 2024</b>                    | <u>\$ 40,379,871</u>        |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65% to 3.93%.

The current mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

**Sensitivity of the Total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower and 1-percentage-point higher.

|                      | 1% Decrease<br>(2.93%) | Discount Rate<br>(3.93%) | 1% Increase<br>(4.93%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 47,973,275          | \$ 40,379,871            | \$ 34,425,153          |

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                      | 1% Decrease   | Discount Rate | 1% Increase   |
|----------------------|---------------|---------------|---------------|
| Total OPEB liability | \$ 33,816,244 | \$ 40,379,871 | \$ 48,920,626 |

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the City recognized OPEB expense of \$858,044. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

# **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

|                                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                   | \$ 1,627,703                         | \$ 1,662,302                        |
| Changes of assumptions                                                               | 4,665,501                            | 8,346,180                           |
| Benefit payments and administrative costs made<br>subsequent to the measurement date | 641,737                              | -                                   |
| Total                                                                                | <u>\$ 6,934,941</u>                  | <u>\$ 10,008,482</u>                |

\$641,737 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## **Year ended June 30:**

|            |              |
|------------|--------------|
| 2026       | \$ (751,365) |
| 2027       | (571,319)    |
| 2028       | (517,442)    |
| 2029       | (857,664)    |
| 2030       | (1,138,145)  |
| Thereafter | 120,657      |

## **F. Deferred Outflows and Inflows of Resources**

|                                                                                           | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|-------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                         |                                      |                                     |
| LGERS                                                                                     | \$ 4,060,999                         | \$ 27,305                           |
| LEOSSA                                                                                    | 586,930                              | 102,020                             |
| OPEB                                                                                      | 1,627,703                            | 1,662,302                           |
| Changes of assumptions                                                                    |                                      |                                     |
| LGERS                                                                                     | -                                    | -                                   |
| LEOSSA                                                                                    | 215,257                              | 431,845                             |
| OPEB                                                                                      | 4,665,501                            | 8,346,180                           |
| Difference between projected and actual investment                                        |                                      |                                     |
| LGERS                                                                                     | 3,150,520                            | -                                   |
| Change in proportion and difference between employer                                      |                                      |                                     |
| LGERS                                                                                     | 637,487                              | 85,459                              |
| Contributions to pension plan in current fiscal year                                      |                                      |                                     |
| LGERS                                                                                     | 4,659,287                            | -                                   |
| Benefit payments/administration costs paid subsequent<br>to the measurement date (LEOSSA) | 73,817                               | -                                   |
| Benefit payments/administration costs paid subsequent<br>to the measurement date (OPEB)   | 641,737                              | -                                   |
| Lease receivable (Enterprise)                                                             | -                                    | 1,332,596                           |
| Lease receivable (General)                                                                |                                      | 150,958                             |
| Total Government-wide Statements (Exhibit 1)                                              | <u>\$ 20,319,238</u>                 | <u>\$ 12,138,665</u>                |
| Taxes receivable, net (General)                                                           |                                      | \$ 167,691                          |
| Liens and other receivables (General)                                                     |                                      | 299,017                             |
| Lease receivable (General)                                                                |                                      | 150,958                             |
| Total Governmental Fund Statements (Exhibit 3)                                            |                                      | <u>\$ 617,666</u>                   |

## NOTE 7: 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 purchase insurance.

The City's Internal Service Fund was established to account for an employee self-insurance health benefit program. The purpose of the fund is to pay medical claims of City employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. Funding is provided by employee contributions and charges to the various funds of the City based upon estimated claim and employee participation. Expected claims are determined annually by the reinsurance carrier. The City carries aggregate stop loss insurance coverage of 125% of annual expected paid claims and individual specific deductible coverage of \$115,000 per covered individual and an aggregating specific deductible of \$250,000 through the plan administrator utilizing a reinsurance carrier. 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 utilizing a two month lag on outstanding claims.

The City is self-insured for workers' compensation claims up to \$750,000 for all employees. The City has reinsurance through a commercial company for single occurrence claims up to \$1,000,000. The City also purchased an Occupational Accident Buffer Layer Insurance Policy which covers all employees at \$500,000 (attachment point) with a coverage limit of \$250,000. The City's Internal Service Fund is also used to account for this program.

The City is self-insured for workers' compensation claims up to \$750,000 for all employees. The City has reinsurance through a commercial company for single occurrence claims up to \$1,000,000. The City also purchased an Occupational Accident Buffer Layer Insurance Policy which covers all employees at \$500,000 (attachment point) with a coverage limit of \$250,000. The City's Internal Service Fund is also used to account for this program.

The City carries \$1,000,000 of flood insurance, subject to a \$50,000 deductible, included in its commercial property coverage. The City does not have any property that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$1,000,000. 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 \$8,070,936 in claims and changes in estimates were incurred for benefits during the year ended June 30, 2025. Changes in the fund's claims liability amounts in the years ended June 30, 2025 and 2024, were as follows:

### EMPLOYEE HEALTH INSURANCE CLAIMS PAYABLE

| Fiscal Year | Current Year                             |                                      |              |                                 |
|-------------|------------------------------------------|--------------------------------------|--------------|---------------------------------|
|             | Beginning of<br>Year Claims<br>Liability | Claims and<br>Change in<br>Estimates | Claims Paid  | End of Year<br>Claims Liability |
| 2025        | \$ 891,000                               | \$ 8,070,936                         | \$ 7,947,936 | \$ 1,014,000                    |
| 2024        | 723,970                                  | 8,192,500                            | 8,025,470    | 891,000                         |

### WORKERS COMPENSATION CLAIMS PAYABLE

| Fiscal Year | Current Year                             |                                      |             |                                 |
|-------------|------------------------------------------|--------------------------------------|-------------|---------------------------------|
|             | Beginning of<br>Year Claims<br>Liability | Claims and<br>Change in<br>Estimates | Claims Paid | End of Year<br>Claims Liability |
| 2025        | \$ 50,000                                | \$ 302,713                           | \$ 302,713  | \$ 50,000                       |
| 2024        | 55,031                                   | 275,987                              | 281,018     | 50,000                          |

## NOTE 8: LONG-TERM OBLIGATIONS

### a. Leases

The City has entered into agreements to lease certain equipment, land and infrastructure. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

As of 06/30/2025, the City had 5 active leases. The leases have payments that range from \$330 to \$45,600 and interest rates that range from 0.3081% to 3.4510%. As of 06/30/2025, the total combined value of the lease liability is \$284,813. The combined value of the right to use asset, as of 06/30/2025 of \$618,681 with accumulated amortization of \$345,318 is included in the capital asset schedules in Note 5.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, were as follows:

#### Government Activities:

| <u>Year</u><br><u>Ending</u>                | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
|---------------------------------------------|-------------------|-----------------|-------------------|
| 2026                                        | \$ 86,518         | \$ 4,019        | \$ 90,537         |
| 2027                                        | 57,716            | 2,546           | 60,262            |
| 2028                                        | 57,380            | 1,106           | 58,486            |
| 2029                                        | 9,189             | 67              | 9,256             |
| 2030                                        | 219               | 1               | 220               |
| Present value of the minimum lease payments | <u>\$ 211,022</u> | <u>\$ 7,739</u> | <u>\$ 218,761</u> |

#### Business-Type Activities:

| <u>Year</u><br><u>Ending</u>                | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|---------------------------------------------|------------------|-----------------|------------------|
| 2026                                        | \$ 28,342        | \$ 1,561        | \$ 29,903        |
| 2027                                        | 20,984           | 999             | 21,983           |
| 2028                                        | 21,020           | 433             | 21,453           |
| 2029                                        | 3,445            | 20              | 3,465            |
| 2030                                        | -                | -               | -                |
| Present value of the minimum lease payments | <u>\$ 73,791</u> | <u>\$ 3,013</u> | <u>\$ 76,804</u> |

**b. Subscriptions Payable**

The City entered into agreements for certain Subscription-Based Information Technology Arrangements (SBITAs). The subscriptions qualify as other than short-term SBITAs under GASB 96 and therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

As of 06/30/2025, the City had 25 active subscriptions. The subscriptions have payments that range from \$784 to \$252,000 and interest rates that range from 2.1840% to 3.7120%. As of 06/30/2025, the total combined value of the subscription liability is \$778,962, and the total combined value of the short-term subscription liability is \$457,304. The combined value of the right to use asset, as of 06/30/2025 of \$2,286,243 with accumulated amortization of \$1,289,129 is in the capital asset schedules in Note 5.

The future minimum Subscription-Based Information Technology Arrangement (SBITA) obligations and the net present value of these minimum SBITA payments as of June 30, 2025, were as follows:

**Government Activities:**

| <u>Year</u>                                 | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------------------------------|-------------------|------------------|-------------------|
| 2026                                        | \$ 348,602        | \$ 15,022        | \$ 363,624        |
| 2027                                        | 177,314           | 5,713            | 183,027           |
| 2028                                        | 19,696            | 1,010            | 20,706            |
| 2029                                        | 20,195            | 511              | 20,706            |
| Present value of the minimum SBITA payments | <u>\$ 565,807</u> | <u>\$ 22,256</u> | <u>\$ 588,063</u> |

**Business-Type Activities:**

| <u>Year</u>                                 | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
|---------------------------------------------|-------------------|-----------------|-------------------|
| 2026                                        | \$ 108,702        | \$ 5,145        | \$ 113,847        |
| 2027                                        | 103,324           | 2,514           | 105,838           |
| 2028                                        | 558               | 26              | 584               |
| 2029                                        | 571               | 13              | 584               |
| Present value of the minimum SBITA payments | <u>\$ 213,155</u> | <u>\$ 7,698</u> | <u>\$ 220,853</u> |

**b. Installment Purchases**

As authorized by State law (G.S. 160A-20 and 153A-158.1), the City financed various property and equipment acquisitions by installment purchases. In the event of default the entire outstanding principal and interest balance is immediately payable and the bank may proceed with additional options as legally allowed. Installment purchase contracts at June 30, 2025 were comprised of the following individual agreements:

| <b>Governmental Activities:</b>                                                                                                                                                                                                                                                                                                                                                      | <b>Balance as of<br/>June 30, 2025</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| The City entered into a direct placement note through BB&T for \$465,315 in May 2013 with semi-annual payments of \$15,510 for South Front Street streetscape improvements. The property is pledged as collateral while the debt is outstanding. The note bears an interest rate of 2.54% and matures in 2028.                                                                       | \$ 93,063                              |
| They City entered into a direct placement note issued by SunTrust Bank for \$756,633 in July 2014 with semi-annual payments of \$25,221 for the purchase of a fire truck. The truck is pledged as collateral while the debt is outstanding. The note bears an interest rate of 2.86% and matures in 2029.                                                                            | 226,990                                |
| The City entered into a direct placement note issued by BB&T for \$800,000 in October 2016 with semi-annual payments of \$33,333 (fixed principal) for the improvements to the City's streets. The rights to easements are pledged as collateral while the debt is outstanding. The note bears an interest rate of 2.00% and matures in 2029.                                        | 189,170                                |
| The City entered into a direct placement note issued by PNC Bank for \$2,320,000 in June 2018 with semi-annual payments of \$166,000 (fixed principal) for city-wide drainage improvements. The improvements are pledged as collateral while the debt is outstanding. The note bears an interest rate of 3.34% and matures in 2028.                                                  | 696,000                                |
| The City entered into a direct placement note issued by BB&T for \$2,219,407 in June 2019 with varying semiannual payments for roadway improvements and workforce development center improvements. The property and all moneys on deposit in the project fund are pledged as collateral while the debt is outstanding. The note bears an interest rate of 2.78% and matures in 2029. | 887,763                                |
| The City entered into a direct placement note issued by Truist Bank for \$1,720,621 was issued in November 2020 with annual payments of \$133,432 for the purchase of fire trucks. The vehicles and equipment are pledged as collateral while the debt is outstanding. The note bears an interest rate of 2.060% and matures in 2035.                                                | 1,301,428                              |
| The City entered into a direct placement note issued by Truist Bank for \$1,210,748 was issued in November 2020 with annual payments of \$249,675 for the purchase of various vehicles and equipment. The vehicles and equipment are pledged as collateral while the debt is outstanding. The note bears an interest rate of 1.19% and matures in 2025.                              | 246,739                                |
| The City entered into a direct placement note issued by Truist Bank for \$1,803,895 was issued in April 2021 with annual payments of \$198,933 for the purchase of radio upgrades and park buildings. The equipment and building are pledged as collateral while the debt is outstanding. The note bears an interest rate of 1.75% and matures in 2030.                              | 1,299,954                              |

**Governmental Activities (Continued):**

The City entered into a direct placement note issued by Truist Bank for \$3,900,000 was issued May 2022, with varying annual payments for the completion of the City Hall elevator. The property and all monies on deposit in the project fund are pledged as collateral while the debt is outstanding. The note bears and interest rate of 2.86% and matures in 2037. The funds are drawn down as needed for the project.

3,120,000

The City entered into a direct placement note issued by Fifth Third Bank for \$3,027,888 in September 2023, with varying annual payments for the purchase of various equipment and vehicles. The equipment and vehicles are pledged as collateral while the debt is outstanding. The note bears and interest rate of 4.08% and matures in 2029.

2,483,611

The City entered into a direct placement note issued by Truist Bank for \$10,000,000 was issued September 2023, with varying annual payments for the construction of the Stanley White Recreation Center. The property and all monies on deposit in the project fund are pledged as collateral while the debt is outstanding. The note bears and interest rate of 4.5% and matures in 2038.

9,566,000

The City entered into a direct placement note issued by Banc of America Public Capital Corp for \$1,535,415 was issued April 2025, with varying annual payments for the purchase of equipment. The equipment and all monies on deposit in the project fund are pledged as collateral while the debt is outstanding. The note bears and interest rate of 3.6606% and matures in 2030. At June 30, 2025, \$616,637 has been spent to date.

1,535,415

Total governmental activities

\$ 21,646,133

**Business-Type Activities:**

A direct placement note was issued by BB&T for \$1,863,767 in January 2016 with semi-annual payments of \$93,189 for the refinancing of the Kale Road property note. The property is pledged as collateral while the debt is outstanding. The note bears an interest rate of 2.25% and matures in 2026.

\$ 186,377

A direct placement note was issued by Fifth Third Bank for \$1,832,112 in September 2023 with varying semi-annual payments for the purchase of various vehicles and equipment. The vehicles and equipment are pledged as collateral while the debt is outstanding. The note bears an interest rate of 4.08% and matures in 2029.

1,527,389

A direct placement note was issued by JP Morgan Chase Bank for \$2,200,000 in June 2024 with varying semi-annual payments for the acquisition and renovation of property at Kale Road. The property and all monies on deposit are pledged as collateral while the debt is outstanding. The note bears an interest rate of 4.210% and matures in 2039. As of June 30, 2024 the City has spent \$1,690,529 for the project.

2,068,000

The City entered into a direct placement note issued by Banc of America Public Capital Corp for \$914,585 was issued April 2025, with varying annual payments for the purchase of equipment. The equipment and all monies on deposit in the project fund are pledged as collateral while the debt is outstanding. The note bears and interest rate of 3.6606% and matures in 2030. At June 30, 2025, \$569,835 has been spent to date.

914,585

Total business-type activities

\$ 4,696,351

In the event of default the entire outstanding principal and interest is immediately payable, and the bank may proceed with additional options as legally allowed.

**b. Installment Purchases (Continued)**

Future minimum payments as of June 30, 2025 for the installment purchase contracts are as follows:

| For the<br>Year Ending June 30 | Governmental Activities |                     | Business-Type Activities |                   |
|--------------------------------|-------------------------|---------------------|--------------------------|-------------------|
|                                | Principal               | Interest            | Principal                | Interest          |
| 2026                           | \$ 2,700,951            | \$ 766,952          | \$ 830,041               | \$ 180,518        |
| 2027                           | 2,754,894               | 682,937             | 664,262                  | 157,185           |
| 2028                           | 2,786,112               | 585,443             | 691,594                  | 130,667           |
| 2029                           | 2,513,108               | 484,581             | 721,218                  | 100,287           |
| 2030                           | 1,619,512               | 399,789             | 326,236                  | 74,254            |
| 2031-2035                      | 5,812,818               | 1,274,780           | 746,000                  | 247,759           |
| 2036-2040                      | 3,458,738               | 277,721             | 717,000                  | 77,085            |
| Total                          | <u>\$ 21,646,133</u>    | <u>\$ 4,472,203</u> | <u>\$ 4,696,351</u>      | <u>\$ 967,755</u> |

**c. Notes Payable**

The City has various note payable agreements with the State outstanding for water and sewer distribution expansion and improvement projects. In the event of a default the entire outstanding principal and interest are immediately payable, additional action may be taken as legally allowed. The outstanding balances for the notes as of June 30, 2025 are as follows:

| Business-Type activities:                                                                                                                                                                                                                                                                      | Balance as of<br>June 30, 2025 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| A direct borrowing note issued by North Carolina Department of Environment and Natural Resources for \$33,606,624 was issued in July 2010 with variable semi-annual payments of \$1,680,331 for water treatment plant expansion. The note bears an interest rate of 2.27% and matures in 2030. | \$ 8,401,655                   |
| Total outstanding notes payable:                                                                                                                                                                                                                                                               | <u>\$ 8,401,655</u>            |

The debt service to maturity on the notes payable is as follows:

| Year Ending June 30, | Principal           | Interest          | Total               |
|----------------------|---------------------|-------------------|---------------------|
| 2026                 | \$ 1,680,331        | \$ 190,298        | \$ 1,870,629        |
| 2027                 | 1,680,331           | 152,238           | 1,832,569           |
| 2028                 | 1,680,331           | 114,178           | 1,794,509           |
| 2029                 | 1,680,331           | 76,119            | 1,756,450           |
| 2030                 | 1,680,331           | 38,060            | 1,718,391           |
| Total:               | <u>\$ 8,401,655</u> | <u>\$ 570,893</u> | <u>\$ 8,972,548</u> |

**d. Revenue Bonds**

In December 2014, the City issued \$3,830,000 of Utility Revenue Bonds for acquisition and construction of a warehouse, AMI, and other improvements at Kale Road. Semi-annual payments of \$213,847 are due on December 1 and June 1. The bonds bear an interest rate of 2.15%. The bonds mature in 2025. The City has pledged future water, sewer, and electric revenues, net of specified operating expenses to repay these bonds. This was paid off in the current fiscal year.

In May 2016, the City issued \$5,600,000 of Utility Revenue Bonds for water and electric AMI expansion. Semiannual payments of \$310,082 due on December 1 and June 1. The bonds bear an interest rate of 1.97%. The bonds mature in 2026. The City has pledged future water and electric revenues, net of specified operating expenses to repay these bonds.

In September 2023, the City issued \$6,034,000 of Utility Revenue Bonds for sewer expansion and improvements. Varying semiannual payments are due on September 1 and March 1. The bonds bear an interest rate of 4.450%. The bonds mature in 2039. The City has pledged future sewer revenues, net of specified operating expenses to repay these bonds.

|                     |                     |
|---------------------|---------------------|
| Total revenue bonds | <u>\$ 6,464,350</u> |
|---------------------|---------------------|

**d. Revenue Bonds (Continued)**

The debt service to maturity on the revenue bonds is as follows:

| Year      | Principal           | Interest            | Total               |
|-----------|---------------------|---------------------|---------------------|
| 2026      | \$ 920,350          | \$ 265,845          | \$ 1,186,195        |
| 2027      | 323,000             | 243,126             | 566,126             |
| 2028      | 338,000             | 228,574             | 566,574             |
| 2029      | 353,000             | 213,378             | 566,378             |
| 2030      | 369,000             | 197,469             | 566,469             |
| 2031-2035 | 2,107,000           | 723,147             | 2,830,147           |
| 2036-2040 | 2,054,000           | 210,685             | 2,264,685           |
| Total:    | <u>\$ 6,464,350</u> | <u>\$ 2,082,224</u> | <u>\$ 8,546,574</u> |

The City is in compliance with the covenants as to rates, fees, rentals and charges in Section 704 and Section 711 of the Bond Order, authorizing the issuance of the Electric, Water and Sewer Revenue Bonds, Series 2014, Series 2016, and Series 2024 secured solely by the pledge of net revenue of the City's combined enterprise funds (Electric, Water and Sewer). Pursuant to Section 704(a) of the Bond and related agreements, the City has made certain covenants that provide for rates to be set at levels to provide annually to maintain a debt service coverage ratio of 120% (1.20) for parity indebtedness and 100% (1.0) for parity and subordinated indebtedness. In addition, pursuant to Section 711 of the Bond agreement, the principal amount of installment debt (liens) cannot exceed 15% of net investment in capital assets. The debt service coverage requirements for the year ended June 30, 2025, are as follows:

The debt service coverage ratio calculation for the year ended June 30, 2025 is as follows:

|                                                                 | Electric<br>Fund    | Water<br>Fund       | Sewer<br>Fund       |
|-----------------------------------------------------------------|---------------------|---------------------|---------------------|
| Operating revenues                                              | \$ 65,834,189       | 12,343,401          | 14,373,360          |
| Operating expenses                                              | (61,019,618)        | (11,920,700)        | (12,775,264)        |
| Add back:                                                       |                     |                     |                     |
| Investment earnings                                             | 453,768             | 581,516             | 356,072             |
| Lease revenue                                                   | -                   | 198,016             | -                   |
| Depreciation & amortization                                     | 3,019,887           | 1,822,702           | 2,470,944           |
| Income available for debt service                               | <u>\$ 8,288,226</u> | <u>\$ 3,024,935</u> | <u>\$ 4,425,112</u> |
| Debt service principal and interest<br>paid (Revenue bond only) | <u>\$ 546,062</u>   | <u>\$ 285,665</u>   | <u>\$ 569,109</u>   |
| Debt service coverage ratio                                     | 1518%               | 1059%               | 778%                |

The City's debt service coverage ratio is greater than 120% of the debt service requirement for the year ended June 30, 2025.

### e. Changes in Long-Term Liabilities

A summary of changes in long-term obligations follows:

|                                        | Balance<br>July 1, 2024 | Increases           | Decreases           | Balance<br>June 30, 2025 | Current Portion<br>of Balance |
|----------------------------------------|-------------------------|---------------------|---------------------|--------------------------|-------------------------------|
| <b>Governmental activities:</b>        |                         |                     |                     |                          |                               |
| Direct placement installment purchases | \$ 22,472,526           | \$ 1,535,415        | \$ 2,361,808        | \$ 21,646,133            | \$ 2,700,951                  |
| Lease liabilities                      | 277,283                 | 16,338              | 82,599              | 211,022                  | 86,518                        |
| Subscription liability                 | 529,772                 | 407,726             | 371,691             | 565,807                  | 348,602                       |
| Net pension liability (LGERS)          | 15,424,701              | -                   | 192,605             | 15,232,096               | -                             |
| Total pension liability                | 3,413,679               | 645,068             | -                   | 4,058,747                | 139,568                       |
| Total OPEB Liability                   | 38,244,553              | 2,135,318           | -                   | 40,379,871               | 1,464,520                     |
| Compensated absences                   |                         |                     |                     |                          |                               |
| Accrued vacation                       | 1,977,378               | -                   | 64,197              | 1,913,181                | 573,954                       |
| Sick leave**                           | 7,117,148               | -                   | 1,026,039           | 6,091,109                | 612,911                       |
| Total Compensated absences             | 9,094,526               | -                   | 1,090,236           | 8,004,290                | 1,186,865                     |
| Total Governmental activities          | <u>\$ 89,457,040</u>    | <u>\$ 4,739,865</u> | <u>\$ 4,098,939</u> | <u>\$ 90,097,966</u>     | <u>\$ 5,927,024</u>           |
| <br>                                   |                         |                     |                     |                          |                               |
|                                        | Balance<br>July 1, 2024 | Increases           | Decreases           | Balance<br>June 30, 2025 | Current Portion<br>of Balance |
| <b>Business-type activities:</b>       |                         |                     |                     |                          |                               |
| Direct borrowing notes payable         | \$ 10,081,987           | \$ -                | \$ 1,680,331        | \$ 8,401,656             | \$ 1,680,331                  |
| Direct placement installment purchases | 4,434,558               | 914,585             | 652,792             | 4,696,351                | 830,041                       |
| Revenue bonds                          | 7,456,174               | -                   | 991,824             | 6,464,350                | 920,350                       |
| Lease liabilities                      | 111,914                 | 846                 | 38,969              | 73,791                   | 28,342                        |
| Subscription liability                 | 256,557                 | 327,003             | 370,405             | 213,155                  | 108,702                       |
| Net pension liability (LGERS)          | 6,108,281               | 1,833,835           | -                   | 7,942,116                | -                             |
| Compensated absences                   |                         |                     |                     |                          |                               |
| Accrued vacation                       | 862,405                 | -                   | 1,177               | 861,228                  | 258,368                       |
| Sick leave**                           | 2,089,804               | -                   | 876,077             | 1,213,727                | 125,019                       |
| Total Compensated absences             | 2,952,209               | -                   | 877,254             | 2,074,955                | 383,387                       |
| Total Business-type activities         | <u>\$ 31,401,680</u>    | <u>\$ 3,076,269</u> | <u>\$ 4,611,575</u> | <u>\$ 29,866,374</u>     | <u>\$ 3,951,153</u>           |

\*\*Beginning balances of Sick Leave (compensated absences) was restated as a result of the implementation of GASB 101.

For governmental activities, compensated absences are liquidated by the General Fund. The LGERS net pension liability, law enforcement officers' SSA total pension liability, and total OPEB liabilities are liquidated by the General Fund.

At June 30, 2025, the City of New Bern had a legal debt margin of \$391,827,283.

**NOTE 9: INTERFUND BALANCES AND ACTIVITY**

The comparison of interfund balances as of June 30, 2025 is as follows:

**Due To/From Other Funds**

| <b>Receivable Fund</b> | <b>Payable Fund</b>          | <b>Amount</b>       |
|------------------------|------------------------------|---------------------|
| General Fund           | FEMA Hurricane Florence      | \$ 3,620,396        |
| General Fund           | MPO Plan                     | 78,589              |
| General Fund           | Grants Funds - Multi-Year    | 105,596             |
| General Fund           | CDBG Entitlement             | 2,450               |
| General Fund           | Drainage Improvement Project | 1,025,623           |
|                        |                              | <u>\$ 4,832,654</u> |

These funds owe the General Fund for temporary cash shortages in the pooled cash account being covered by the General Fund.

**Transfers to/Transfer From**

Transfers to/from other funds at June 30, 2025, consists of the following:

| <b>Transfer In</b>         | <b>Transfer Out</b> | <b>Amount</b>       |
|----------------------------|---------------------|---------------------|
| General Fund               | Electric Fund       | \$ 2,778,580        |
| General Fund               | Grants Fund         | 88,870              |
|                            |                     | <u>\$ 2,867,450</u> |
| Public Private Partnership | General Fund        | \$ 10,000           |
| MPO Plan Grant Fund        | General Fund        | 35,642              |
| Emergency Telephone System | General Fund        | 1,125               |
|                            |                     | <u>\$ 46,767</u>    |

The General Fund also made a transfer to the Municipal Service District of \$42,000 that is not reflected in the summary above, as these two funds are consolidated for financial statement purposes. The Enterprise funds also make transfers to the project funds to provide resources for the projects that are not included, as those funds are consolidated in the financials.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers are also moved from unrestricted enterprise operations to offset operational costs in the General Fund.

**NOTE 10: NET INVESTMENT IN CAPITAL ASSETS**

|                                  | <b>Governmental</b>  | <b>Business-Type</b>  |
|----------------------------------|----------------------|-----------------------|
| Capital Assets and Right to Use  | \$ 90,662,755        | \$ 154,950,857        |
| less: long-term debt             | (22,422,962)         | (19,849,303)          |
| less: retainage payable          | (74,796)             | -                     |
| add: unexpended debt proceeds    | 918,778              | 854,221               |
| Net Investment in Capital Assets | <u>\$ 69,083,775</u> | <u>\$ 135,955,775</u> |

## NOTE 11: FUND BALANCE

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

|                                   |               |
|-----------------------------------|---------------|
| Total Fund Balance - General Fund | \$ 37,050,931 |
| Less restricted for:              |               |
| Inventories                       | 248,768       |
| Prepays                           | 938,908       |
| Leases                            | 7,897         |
| Stabilization by State statute    | 13,854,364    |
| Economic and Physical Development | 3,270,571     |
| Subsequent year's expenditures    | 825,314       |
| Remaining Fund Balance            | \$ 17,905,109 |

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy; bond proceeds, federal funds, State funds, local non-City funds, and City funds. For purpose of fund balance, classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the City.

The City has adopted a minimum fund balance policy for the General Fund which instructs management to strive to conduct the business of the City in such a manner that available fund balance is at least 25% with the ideal target of 35% of budgeted expenditures. The following calculation shows fund balance available after deducting the required 25%.

|                                                                       |               |
|-----------------------------------------------------------------------|---------------|
| Total Fund Balance - General Fund                                     | \$ 37,050,931 |
| Less:                                                                 |               |
| Nonspendable (Inventory, Prepays, Leases)                             | 1,195,573     |
| Stabilization by State Statute                                        | 13,854,364    |
| Economic & Physical Development                                       | 3,270,571     |
| Fund Balance Policy (25% of CY expenditures, including transfers out) | 11,379,121    |
| Remaining Fund Balance                                                | \$ 7,351,303  |

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

| Encumbrances | General Fund | NonMajor Funds | Water Fund | Electric Fund | Sewer Fund |
|--------------|--------------|----------------|------------|---------------|------------|
|              | \$ 3,494,079 | \$ 101,607     | \$ 262,234 | \$ 928,513    | \$ 497,312 |

## NOTE 12: JOINT VENTURES, JOINTLY GOVERNED ORGANIZATIONS, AND RELATED ORGANIZATIONS

### 1. Jointly Governed Organization

Eastern Carolina Council – The City, in conjunction with nine counties and twenty-eight other municipalities, established the Eastern Carolina Council (the “Council”). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council’s governing board. The City paid membership and administrative fees of \$11,000 to the Council during the fiscal year ended June 30, 2025.

North Carolina Eastern Municipal Power Agency (“NCEMPA”) – NCEMPA is a joint agency formed by 32 municipalities, including the City, and organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina. The NCEMPA 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 investment in this joint venture.

## **2. Joint Ventures**

The City participates in a joint venture with Craven County to operate the New Bern/Craven County Library. The City appoints five members of the ten-member board. The City has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2024. The City contributed \$75,000 to the library during the fiscal year ended June 30, 2025.

## **3. Related Organizations**

New Bern Housing Authority – The Board of the New Bern Housing Authority ("Hosing Authority") is appointed by the Mayor of the City. 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.

Friends of New Bern Firemen's Museum, Inc. – The Board of Directors of the Friends of New Bern Firemen's Museum ("Museum") is appointed by the Board of Aldermen of the City. The City is accountable for the Museum because it appoints the governing board; however, the City is not financially accountable for the Museum.

## **NOTE 13: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

### **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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

## **NOTE 14: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENT**

The City has evaluated events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The City has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

**NOTE 15: PRIOR PERIOD RESTATEMENT****CHANGE IN ACCOUNTING PRINCIPLE**

During the current fiscal year, the City implemented GASB Statement No. 101, Compensated Absences. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effect of the change in accounting principle are summarized below in the "Restatement - GASB 101 implementation" column in the table below.

|                                         | Net Position<br>6/30/24 as<br>previously<br>reported | Restatement -<br>GASB 101<br>Implementation | Net Position<br>6/30/24 as<br>Restated |
|-----------------------------------------|------------------------------------------------------|---------------------------------------------|----------------------------------------|
| Government-wide Statements:             |                                                      |                                             |                                        |
| Governmental Activities                 | \$ 50,153,177                                        | \$ (7,117,148)                              | \$ 43,036,029                          |
| Business-Type Activities                | 172,549,797                                          | (2,089,804)                                 | 170,459,993                            |
| <b>Total Government-wide Statements</b> | <b>222,702,974</b>                                   | <b>(9,206,952)</b>                          | <b>213,496,022</b>                     |
| Enterprise Funds:                       |                                                      |                                             |                                        |
| Electric Fund                           | 50,780,664                                           | (940,505)                                   | 49,840,159                             |
| Water Fund                              | 50,295,901                                           | (138,129)                                   | 50,157,772                             |
| Sewer Fund                              | 68,538,860                                           | (987,694)                                   | 67,551,166                             |
| Solid Waste Fund                        | 2,934,372                                            | (23,476)                                    | 2,910,896                              |
| <b>Total Enterprise Funds</b>           | <b>\$ 172,549,797</b>                                | <b>\$ (2,089,804)</b>                       | <b>\$ 170,459,993</b>                  |

**CHANGE IN FUND TYPE (MAJOR VS NONMAJOR)**

|                                 | Fund Balance<br>6/30/24 as<br>previously<br>reported | Transfer to Major<br>Fund | Transfer to Non-<br>major Funds | Fund Balance<br>6/30/24 as<br>Restated |
|---------------------------------|------------------------------------------------------|---------------------------|---------------------------------|----------------------------------------|
| Governmental Funds              |                                                      |                           |                                 |                                        |
| Non-major Governmental Funds    | \$ 1,582,321                                         | \$ 832,666                | \$ 3,734,419                    | \$ 6,149,406                           |
| Stanley White Recreation Fund   | 3,734,419                                            | -                         | (3,734,419)                     | -                                      |
| FEMA Hurricane Florence Fund    | -                                                    | (832,666)                 | -                               | (832,666)                              |
| <b>Total Governmental Funds</b> | <b>\$ 4,347,690</b>                                  | <b>\$ -</b>               | <b>\$ -</b>                     | <b>\$ 4,347,690</b>                    |

## REQUIRED SUPPLEMENTAL FINANCIAL DATA

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This section contains additional information required by generally accepted accounting principles. Presentation conforms to requirements of the Local Government Commission in North Carolina.

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Schedule of Proportionate Share of the Net Pension Liability (Asset) - Local Government Employee's Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

**City of New Bern**  
**City's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

|                                                                                                        | <b>2025</b>   | <b>2024</b>   | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   |
|--------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| City's proportion of the net liability (asset) (%)                                                     | 0.34376%      | 0.32512%      | 0.32679%      | 0.33460%      | 0.33302%      |
| City's proportion of the net pension liability (asset) (\$)                                            | \$ 23,174,211 | \$ 21,532,980 | \$ 18,435,623 | \$ 5,131,412  | \$ 11,900,223 |
| City's covered payroll                                                                                 | \$ 32,159,861 | \$ 29,110,117 | \$ 24,432,811 | \$ 23,325,826 | \$ 23,075,394 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 72.06%        | 73.97%        | 75.45%        | 22.00%        | 51.57%        |
| Plan fiduciary net position as a percentage of the total pension liability**                           | 83.30%        | 82.49%        | 84.14%        | 95.51%        | 88.61%        |
|                                                                                                        | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
| City's proportion of the net liability (asset) (%)                                                     | 0.35700%      | 0.33250%      | 0.33240%      | 0.34164%      | 0.36713%      |
| City's proportion of the net pension liability (asset) (\$)                                            | \$ 9,749,392  | \$ 7,888,037  | \$ 5,078,151  | \$ 7,250,745  | \$ 1,647,657  |
| City's covered payroll                                                                                 | \$ 23,392,399 | \$ 21,540,082 | \$ 20,816,691 | \$ 20,102,718 | \$ 20,791,805 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 41.68%        | 36.62%        | 24.39%        | 36.07%        | 7.92%         |
| Plan fiduciary net position as a percentage of the total pension liability**                           | 90.86%        | 91.63%        | 94.18%        | 91.47%        | 98.09%        |

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**City of New Bern  
City of New Bern's Contributions  
Required Supplementary Information  
Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

|                                                                      | <b>2025</b>   | <b>2024</b>   | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   |
|----------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 4,659,287  | \$ 4,223,059  | \$ 3,588,365  | \$ 2,819,268  | \$ 2,412,259  |
| Contributions in relation to the contractually required contribution | 4,659,287     | 4,223,059     | 3,588,365     | 2,819,268     | 2,412,259     |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| City's covered payroll                                               | \$ 33,447,818 | \$ 32,159,861 | \$ 29,110,117 | \$ 24,432,811 | \$ 23,325,826 |
| Contributions as a percentage of covered payroll                     | 13.93%        | 13.13%        | 12.33%        | 11.54%        | 10.34%        |
|                                                                      | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   |
| Contractually required contribution                                  | \$ 2,114,442  | \$ 1,864,644  | \$ 1,666,638  | \$ 1,565,018  | \$ 1,419,969  |
| Contributions in relation to the contractually required contribution | 2,114,442     | 1,864,644     | 1,666,638     | 1,565,018     | 1,419,969     |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| City's covered payroll                                               | \$ 23,075,394 | \$ 23,392,399 | \$ 21,540,082 | \$ 20,816,691 | \$ 20,102,718 |
| Contributions as a percentage of covered payroll                     | 9.16%         | 7.97%         | 7.74%         | 7.52%         | 7.06%         |

**City of New Bern, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Nine Fiscal Years**

|                                                                                                      | <u>2025</u>         | <u>2024</u>         | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning balance                                                                                    | \$ 3,413,679        | \$ 3,203,161        | \$ 3,858,372        | \$ 3,630,645        | \$ 2,966,769        |
| Service Cost                                                                                         | 194,783             | 149,814             | 214,269             | 230,462             | 130,539             |
| Interest on the total pension liability                                                              | 133,756             | 133,703             | 84,401              | 67,704              | 92,576              |
| Differences between expected and actual experience in the measurement of the total pension liability | 552,114             | 45,344              | (117,251)           | 282,348             | (252,482)           |
| Changes of assumptions or other inputs                                                               | (96,017)            | 83,684              | (622,220)           | (107,418)           | 947,261             |
| Benefit payments                                                                                     | <u>(139,568)</u>    | <u>(202,027)</u>    | <u>(214,410)</u>    | <u>(245,369)</u>    | <u>(254,018)</u>    |
| Ending balance of the total pension liability                                                        | <u>\$ 4,058,747</u> | <u>\$ 3,413,679</u> | <u>\$ 3,203,161</u> | <u>\$ 3,858,372</u> | <u>\$ 3,630,645</u> |

|                                                                                                      | <u>2020</u>         | <u>2019</u>         | <u>2018</u>         | <u>2017</u>         |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning balance                                                                                    | \$ 2,383,204        | \$ 2,767,704        | \$ 2,632,626        | \$ 2,611,191        |
| Service Cost                                                                                         | 125,573             | 119,819             | 100,996             | 106,628             |
| Interest on the total pension liability                                                              | 82,774              | 84,313              | 98,458              | 91,040              |
| Differences between expected and actual experience in the measurement of the total pension liability | 511,459             | (299,975)           | (52,017)            | -                   |
| Changes of assumptions or other inputs                                                               | 82,172              | (89,532)            | 151,459             | (54,134)            |
| Benefit payments                                                                                     | <u>(218,413)</u>    | <u>(199,125)</u>    | <u>(163,818)</u>    | <u>(122,099)</u>    |
| Ending balance of the total pension liability                                                        | <u>\$ 2,966,769</u> | <u>\$ 2,383,204</u> | <u>\$ 2,767,704</u> | <u>\$ 2,632,626</u> |

**Notes to the Schedule:**

This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**City of New Bern, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Ten Fiscal Years**

|                                                                     | <b>2025</b>  | <b>2024</b>  | <b>2023</b>  | <b>2022</b>  | <b>2021</b>  |
|---------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total pension liability                                             | \$ 4,058,747 | \$ 3,413,679 | \$ 3,203,161 | \$ 3,858,372 | \$ 3,630,645 |
| Covered-employee payroll                                            | 6,479,714    | 5,260,911    | 5,078,569    | 5,269,348    | 4,845,097    |
| Total pension liability as a percentage of covered-employee payroll | 62.64%       | 64.89%       | 63.07%       | 73.22%       | 74.93%       |
|                                                                     | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  |
| Total pension liability                                             | \$ 2,966,769 | \$ 2,383,204 | \$ 2,767,704 | \$ 2,632,626 | \$ 2,611,191 |
| Covered-employee payroll                                            | 5,131,526    | 4,520,892    | 4,423,296    | 4,334,746    | 4,083,468    |
| Total pension liability as a percentage of covered-employee payroll | 57.81%       | 52.72%       | 62.57%       | 60.73%       | 63.95%       |

**Notes to the Schedule:**

The City of New Bern has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**City of New Bern, North Carolina**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

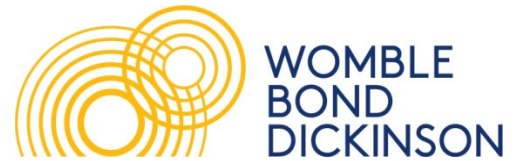
| <b>Total OPEB Liability</b>                                     | <b>2025</b>          | <b>2024</b>          | <b>2023</b>          | <b>2022</b>          |
|-----------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Service cost                                                    | \$ 1,329,265         | \$ 1,334,194         | \$ 2,006,033         | \$ 2,013,197         |
| Interest                                                        | 1,417,956            | 1,346,497            | 1,040,537            | 1,004,632            |
| Differences between expected and actual experience              | 1,813,506            | 42,165               | (1,162,179)          | (37,068)             |
| Changes of assumptions                                          | (960,889)            | (750,144)            | (10,544,612)         | 487,213              |
| Benefit payments                                                | (1,464,520)          | (853,804)            | (758,181)            | (734,377)            |
| <b>Net change in total OPEB liability</b>                       | <b>2,135,318</b>     | <b>1,118,908</b>     | <b>(9,418,402)</b>   | <b>2,733,597</b>     |
| <b>Total OPEB liability - beginning</b>                         | <b>38,244,553</b>    | <b>37,125,645</b>    | <b>46,544,047</b>    | <b>43,810,450</b>    |
| <b>Total OPEB liability - ending</b>                            | <b>\$ 40,379,871</b> | <b>\$ 38,244,553</b> | <b>\$ 37,125,645</b> | <b>\$ 46,544,047</b> |
| <br><b>Covered payroll</b>                                      | <br>\$ 29,011,756    | <br>\$ 24,621,083    | <br>\$ 24,621,083    | <br>\$ 22,348,027    |
| <b>Total OPEB liability as a percentage of covered-employee</b> | <b>139.18%</b>       | <b>155.33%</b>       | <b>150.79%</b>       | <b>208.27%</b>       |
| <br><b>Total OPEB Liability</b>                                 | <br><b>2021</b>      | <br><b>2020</b>      | <br><b>2019</b>      | <br><b>2018</b>      |
| Service cost                                                    | \$ 1,204,822         | \$ 1,068,074         | \$ 1,142,446         | \$ 1,315,824         |
| Interest                                                        | 1,270,516            | 1,215,366            | 1,118,600            | 991,387              |
| Differences between expected and actual experience              | (2,102,869)          | (85,385)             | 45,256               | 260,722              |
| Changes of assumptions                                          | 8,639,338            | 2,300,267            | (1,893,219)          | (3,439,284)          |
| Benefit payments                                                | (588,934)            | (701,503)            | (483,111)            | (802,639)            |
| <b>Net change in total OPEB liability</b>                       | <b>8,422,873</b>     | <b>3,796,819</b>     | <b>(70,028)</b>      | <b>(1,673,990)</b>   |
| <b>Total OPEB liability - beginning</b>                         | <b>35,387,577</b>    | <b>31,590,758</b>    | <b>31,660,786</b>    | <b>33,334,776</b>    |
| <b>Total OPEB liability - ending</b>                            | <b>\$ 43,810,450</b> | <b>\$ 35,387,577</b> | <b>\$ 31,590,758</b> | <b>\$ 31,660,786</b> |
| <br><b>Covered payroll</b>                                      | <br>\$ 22,348,027    | <br>\$ 19,173,918    | <br>\$ 19,173,918    | <br>\$ 18,184,909    |
| <b>Total OPEB liability as a percentage of covered-employee</b> | <b>196.04%</b>       | <b>184.56%</b>       | <b>164.76%</b>       | <b>174.10%</b>       |

**Notes to the Schedule:**

The City of New Bern has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

Changes of assumptions: Changes of assumptions and other inputs reflect the effect of changes in the discount rate of each period. The following are the discount rates used in each period:

| <b>Fiscal year</b> | <b>Rate</b> |
|--------------------|-------------|
| 2025               | 3.93%       |
| 2024               | 3.65%       |
| 2023               | 3.54%       |
| 2022               | 2.16%       |
| 2021               | 2.21%       |
| 2020               | 3.50%       |
| 2019               | 3.89%       |
| 2018               | 3.56%       |



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## APPENDIX E

### [Proposed Form of Legal Opinion for the Series 2026 Bonds]

September \_\_, 2026

Board of Aldermen of the  
City of New Bern, North Carolina

We have examined, as bond counsel to the City of New Bern, North Carolina (the “City”), existing law, certified copies of such legal proceedings and such other proofs as we have deemed necessary to deliver this opinion, relative to \$13,000,000 General Obligation Public Improvement Bonds, Series 2026, dated their date of delivery (the “Bonds”), of the City.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to The Local Government Finance Act, Chapter 159, as amended, of the General Statutes of North Carolina.
2. The Bonds constitute valid and binding general obligations of the City, for the payment of the principal of and interest on which all taxable real and tangible personal property within the City is subject to the levy of ad valorem taxes, without limitation as to rate or amount.
3. Assuming continuing compliance by the City with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, use, expenditure and investment of Bond proceeds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Bonds

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held by certain corporations is included in the computation of “adjusted financial statement income” for purposes of the federal alternative minimum tax imposed on such corporations.

4. Interest on the Bonds is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

## BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants, and Beneficial Owners are based on information furnished by DTC.

DTC will act as a securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premiums, if any, is the City's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

The City cannot and does not give any assurances that DTC, Direct Participants, or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTION AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.