This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 14, 2026

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.
Sale Date	August 25, 2026.
Sale of Bonds	Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is August __, 2026

***Preliminary; subject to change.**

MATURITY SCHEDULE*

City of New Bern, North Carolina

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

Due August 1	Principal Amount	Interest Rate	Yield[1]	CUSIP[+]
2027	$ 650,000			
2028	650,000			
2029	650,000			
2030	650,000			
2031	650,000			
2032	650,000			
2033	650,000			
2034	650,000			
2035	650,000			
2036	650,000			
2037	650,000			
2038	650,000			
2039	650,000			
2040	650,000			
2041	650,000			
2042	650,000			
2043	650,000			
2044	650,000			
2045	650,000			
2046	650,000			

* Preliminary; subject to change.

[1] Information obtained from the underwriters of the Bonds.

[+] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the City and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

CITY OF NEW BERN, NORTH CAROLINA

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

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

MUNICIPAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Womble Bond Dickinson (US) LLP
Raleigh, North Carolina

BOND REGISTRAR AND PAYING AGENT

Truist Bank
Wilson, North Carolina

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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"), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds to the Commission. 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.

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 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:

1990	2000	2010	2020
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):

2020	2021	2022	2023	2024
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):

Year	County	State	United States
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

[1] 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:

Company or Institution	Product or Service	Approximate Number of Employees
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:

Fiscal Year Ended June 30	Total Taxable Sales	Increase (Decrease) Over Previous Year
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)[1]	1,717,562,619	--

[1] 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:

Calendar	Commercial/Industrial		Residential		
Year	Number	Value	Number	Value	Total Value
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 (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:

Year	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
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 polices, 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:

	Elementary (K-5)		Middle (6-8)		Secondary (9-12)	
School Year	Schools	ADM*	Schools	ADM*	Schools	ADM*
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^{th} 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

As of June 30	Total GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation	Population[1]	Total GO Debt Per Capita
2025	$ --	$5,208,954,829	--	35,226[1]	$ --
After Bonds Now Offered are Issued	$13,000,000*	$5,335,461,346[2]	0.24%*	35,226[1]	$ 369*

* Preliminary; subject to change.

[1] 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.

[2] Unaudited.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

Purpose	Date Approved	Balance Authorized and Unissued	Bonds Now Offered[1]	Balance[1]
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	6,000,000	3,000,000	3,000,000
Totals		$24,000,000	$13,000,000	$11,000,000

[1] Preliminary; subject to change.

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

Unit	2024 Population	Assessed Valuation	Tax Rate Per $100	GO Debt and Unissued	Total GO Debt	Total GO Debt Per Capita
Craven County	106,836[1]	$14,581,321,344	$0.4448	$ --	$ --	$ --

[1] 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:

Fiscal Year Ending June 30	Principal	Interest	Total
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	702,000.00	15,795.00	717,795.00
Totals	$26,366,132.83	$5,035,433.22	$31,401,566.05

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,			
	2023	2024	2025	2026[3]
Assessed Valuation:				
Assessment Ratio[1,2]	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	47,542,256	50,730,294	57,284,577	64,715,254
Total Assessed Valuation	$3,573,993,746	$4,938,818,281	$5,208,954,829	$5,335,461,346
Rate per $100	0.4822	0.3800	0.3900	0.3900
Levy	$17,233,798	$18,767,509	$20,314,924	$20,808,299

[1] Real and Personal Property values are net of exclusions, exemptions, and deferments.

[2] Craven County reassessed all real estate property on January 1, 2023 for fiscal year 2024.

[3] 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

Fiscal Year Ended June 30	Collections in Subsequent Years	Current Year's Levy Collected Excluding Motor Vehicles	Percentage of Current Year's Levy Collected	Motor Vehicle Collections
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

Name of Taxpayer	Nature of Property	Assessed Value[1]	Percentage of Total Assessed Value
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	20,380,400	0.38
Total Assessed Valuation of Top Ten Taxpayers		$401,520,643	7.53%

[1] 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

____________________________, as senior managing underwriter of the Bonds, has advised the Commission that the initial public offering prices of the Bonds maturing on August 1, _____________________ (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

___________________________, as senior managing underwriter of the Bonds, has advised the Commission that the initial public offering prices of the Bonds maturing on August 1, _________________ (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.

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 underwriters of the Bonds are ____________________________________.[1] Such underwriters have jointly and severally 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 underwriters anticipate total underwriters' discount of $_________.[1] The public offering prices or yields of the Bonds may be changed from time to time by such underwriters.

[1] Information provided by the underwriters 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.

APPENDIX A

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.

APPENDIX B

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.

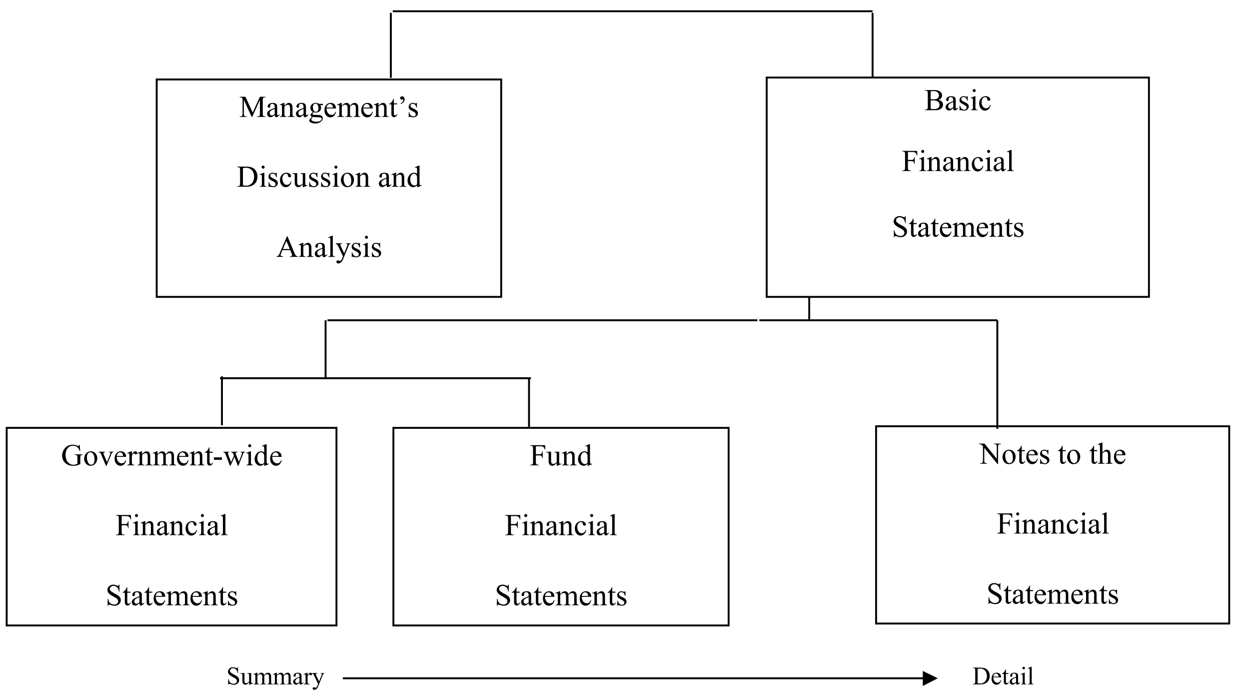
- The City of New Bern's total debt (excluding compensated absences, net pension liability, total pension liability, and total OPEB liability) decreased by $1,467,166 (3.27 percent) during the current fiscal year.

- 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

	Governmental Activities		Business-Type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
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

	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
Revenues						
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
Expenses						
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
Net Position						
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

	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
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	$ 191,529,161	$ 175,834,452	$ 432,865,529	$ 416,741,948	$ 624,394,690	$592,576,400

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

	Governmental Activities		Business-type Activities		Total	
	2025	**2024**	**2025**	**2024**	**2025**	**2024**
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	$ 90,097,966	$ 89,457,040	$ 29,866,374	$ 31,401,680	$ 119,964,340	$120,858,720

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 or send an email to 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.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
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
Total assets	138,378,706	214,056,536	352,435,242
DEFERRED OUTFLOWS OF RESOURCES			
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
LIABILITIES			
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
Total liabilities	94,309,275	38,822,633	133,131,908
DEFERRED INFLOWS OF RESOURCES			
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
NET POSITION			
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
Total net position	$ 49,334,485	$ 178,149,422	$ 227,483,907

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:							
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.

FUND FINANCIAL STATEMENTS

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

	Major Funds		Non-major	
	General Fund	FEMA Hurricane Florence Fund	Governmental Funds	Total Governmental Funds
ASSETS				
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	$ 39,418,863	$ 2,688,834	$ 5,933,714	$ 48,041,411
LIABILITIES				
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	1,750,266	3,744,059	1,991,448	7,485,773
DEFERRED INFLOWS OF RESOURCES				
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	617,666	-	-	617,666
FUND BALANCES				
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	37,050,931	(1,055,225)	3,942,266	39,937,972
Total liabilities, deferred inflows of resources and fund balances	$ 39,418,863	$ 2,688,834	$ 5,933,714	48,041,411

(Continued)

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

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	$ 49,334,486

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

	Major Funds		Non-major	
	General Fund	Hurricane Florence Fund **	Governmental Funds	Total Governmental Funds
REVENUES				
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	41,637,630	1,621,965	5,818,042	49,077,637
EXPENDITURES				
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	45,469,715	1,844,524	8,490,180	55,804,419
Excess (deficiency) of revenues over expenditures	(3,832,085)	(222,559)	(2,672,138)	(6,726,782)
OTHER FINANCING SOURCES (USES)				
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 (uses)	4,830,402	-	464,998	5,295,400
Net Change in fund balance	998,317	(222,559)	(2,207,140)	(1,431,382)
Fund balances, beginning	36,052,614	(832,666)	6,149,406	41,369,354
Fund balances, ending	$ 37,050,931	$ (1,055,225)	$ 3,942,266	$ 39,937,972

**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	(24,694)	7,194,833
Right to Use Assets	425,847	
Amortization expense	(428,415)	(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	454,290	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		(858,044)
Total changes in net position of governmental activities		$ 6,298,457

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			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
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) 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	

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

	Major Funds			Non-Major Funds		
	Electric Fund	**Water Fund**	**Sewer Fund**	**Solid Waste Fund**	**Total**	**Internal Service Fund**
ASSETS						
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	27,827,653	16,412,214	10,697,209	2,765,120	57,702,196	4,703,849
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)	42,063,524	45,817,370	66,172,327	897,636	154,950,857	-
Total assets	69,891,270	63,414,807	76,869,536	3,662,756	213,838,369	4,703,849
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions	2,275,338	991,083	858,079	162,261	4,286,761	-
Total Deferred Outflows of Resources	2,275,338	991,083	858,079	162,261	4,286,761	-
LIABILITIES						
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	9,436,022	2,349,311	780,854	341,226	12,907,413	1,302,629

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

	Major Funds			Non-Major Funds		
	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
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
DEFERRED INFLOWS OF RESOURCES						
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	-
NET POSITION						
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	$ 54,622,049	$ 51,148,442	$ 69,264,153	$ 2,896,611	177,931,255	$ 3,401,220
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					218,167	
Net position of business-type activities					$ 178,149,422	

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

	Major Funds			Nonmajor Funds		
	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
OPERATING REVENUES						
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	65,834,189	12,343,401	14,373,360	4,430,301	96,981,251	9,723,492
OPERATING EXPENSES						
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	61,019,618	11,920,700	12,775,264	4,546,022	90,261,604	10,227,898
Operating income (loss)	4,814,571	422,701	1,598,096	(115,721)	6,719,647	(504,406)
NONOPERATING REVENUES (EXPENSES)						
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)	175,571	567,969	114,891	101,436	959,867	174,203
Income (loss) before contributions and transfers	4,990,142	990,670	1,712,987	(14,285)	7,679,514	(330,203)
Capital contributions	2,570,329	-	-	-	2,570,329	-
Transfer in (out)	(2,778,581)	-	-	-	(2,778,581)	-
Total income (loss) after contributions and transfers	4,781,890	990,670	1,712,987	(14,285)	7,471,262	(330,203)
Change in net position	4,781,890	990,670	1,712,987	(14,285)	7,471,262	(330,203)
Beginning net position, restated (see Note 15)	49,840,159	50,157,772	67,551,166	2,910,896		3,731,423
Total net position, ending	$ 54,622,049	$ 51,148,442	$ 69,264,153	$ 2,896,611		$ 3,401,220
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds					(490,452)	
Change in Net position of Business-Type Activities					$ 6,980,810	

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

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

	Major Funds			Non-Major Funds		
	Electric Fund	**Water Fund**	**Sewer Fund**	**Solid Waste**	**Total**	**Internal Service Fund**
CASH FLOWS FROM OPERATING ACTIVITIES						
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	5,402,410	3,055,561	3,663,325	113,085	12,234,381	218,063
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (to) from other funds	(2,778,581)	-	-	-	(2,778,581)	-
Net cash provided (used) by noncapital financing activities	(2,778,581)	-	-	-	(2,778,581)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
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	(3,980,337)	(4,716,093)	(2,075,993)	(129,123)	(10,901,546)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends	453,768	581,516	356,072	104,400	1,495,756	174,203
Net cash provided (used) by investing activities	453,768	581,516	356,072	104,400	1,495,756	174,203
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	$ 9,927,139	$ 14,790,609	$ 9,001,859	$ 2,183,265	$ 35,902,872	$ 4,688,612

(continued)

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

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

	Major Funds			Non-Major Funds		
	Electric Fund	**Water Fund**	**Sewer Fund**	**Solid Waste**	**Total**	**Internal Service Fund**
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	$ 5,402,410	$ 3,055,561	$ 3,663,325	$ 113,085	$ 12,234,381	$ 218,063

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

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. <u>Measurement Focus and Basis of Accounting (Continued)</u>

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 Statues. 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		3,270,571
Total Governmental Activities	$	3,270,571
Business-Type Activities		
Electric Fund - Customer Deposits	$	2,939,567
Electric - Unspent Debt Proceeds		854,221
Total Electric Fund		3,793,788
Total Business-Type Activities	$	3,793,788

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 <u>not</u> an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.
>
> *Prepaids* - portion of fund balance that is <u>not</u> an available resource because it represents expenses which have already been paid, which are not spendable resources.
>
> *Leases* - portion of fund balance that is <u>not</u> 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 Measurement Method	Book Value at 06/30/2025	Maturity	Rating
NC Capital Management Trust - Government 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	$ 5,295,030	$ 189,203	$ 158,855	$ 5,679,324	$ 11,322,412
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	$ 12,938,712	$ -	$ 1,345,727	$ -	$ 14,284,439

Due from other governments consisted of the following:

State & Federal Grants	$ 4,619,707
Privilege Licenses	230
Sales tax	1,059,387
	$ 5,679,324

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.

Principal and Interest Expected to Maturity

	Governmental Activities		Business-Type Activities	
Fiscal Year	Principal Payments	Interest Payments	Principal 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
	$ 158,855	$ 18,924	$ 1,345,727	$ 137,571

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:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
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
Capital assets being depreciated:					
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
Less accumulated depreciation for:					
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
Capital assets being amortized:					
Right to use assets:					
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
Less accumulated amortization for:					
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
Governmental activity capital assets, net	$ 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
	$	4,819,296

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-type activities:					
Electric Fund					
Capital assets not being depreciated:					
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
Capital assets being depreciated:					
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
Less accumulated depreciation for:					
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
Capital assets being amortized:					
Right to use assets					
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
Less accumulated amortization for:					
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)

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Water Fund					
Capital assets not being depreciated:					
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
Capital assets being depreciated:					
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
Less accumulated depreciation for:					
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
Capital assets being amortized:					
Right to use assets					
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
Less accumulated amortization for:					
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)

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Sewer Fund					
Capital assets not being depreciated:					
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
Capital assets being depreciated:					
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
Less accumulated depreciation for:					
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
Capital assets being amortized:					
Right to use assets					
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
Less accumulated amortization for:					
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)

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Solid Waste Fund					
Capital assets not being depreciated:					
Construction in progress	$ -	$ -	$ -	$ -	$ -
Total capital assets not being depreciated	-	-	-	-	-
Capital assets being depreciated:					
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
Less accumulated depreciation for:					
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
Capital assets being amortized:					
Right to use assets					
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
Less accumulated amortization for:					
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:

Project	Project to Date	Remaining Commitment
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
	$ 2,034,081	$ 2,455,221

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.

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, of 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. <u>Local Governmental Employees' Retirement System (Continued)</u>

Contributions. Contribution provisions are established by General Stature 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	$ 12,508,293	$ 112,764

$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:

Year ended June	
2026	$ 2,382,508
2027	4,775,056
2028	934,913
2029	(356,235)
	$ 7,736,242

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:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of**
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 and 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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
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	96

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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	$ 876,004	$ 533,865

$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:

Year ended June 30:	
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 (3.28%)	Discount Rate (4.28%)	1% Increase (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

	2025
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	645,068
Ending balance of the total pension liability	$ 4,058,747

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:

	LGERS	LEOSSA	Total
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. <u>Supplemental Retirement Income Plan for Employees not Engaged in Law Enforcement</u>

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. <u>Other Postemployment Benefits</u>

<u>Healthcare Benefits</u>

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:

	General Employees:
Retirees and dependents receiving benefits	98
Active plan members	461
Total	559

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

	Total OPEB Liability
Balance at July 1, 2023	$ 38,244,553
Changes for the year	
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)
Net changes	2,135,318
Balance at June 30, 2024	$ 40,379,871

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 (2.93%)	Discount Rate (3.93%)	1% Increase (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 Outflows of Resources	Deferred Inflows of 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 subsequent to the measurement date	641,737	-
Total	$ 6,934,941	$ 10,008,482

$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. <u>Deferred Outflows and Inflows of Resources</u>

	Deferred Outflows of Resources	Deferred Inflows of 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 to the measurement date (LEOSSA)	73,817	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	641,737	-
Lease receivable (Enterprise)	-	1,332,596
Lease receivable (General)		150,958
Total Government-wide Statements (Exhibit 1)	$ 20,319,238	$ 12,138,665
Taxes receivable, net (General)		$ 167,691
Liens and other receivables (General)		299,017
Lease receivable (General)		150,958
Total Governmental Fund Statements (Exhibit 3)		$ 617,666

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	Beginning of Year Claims Liability	Current Year Claims and Change in Estimates	Claims Paid	End of Year 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	Beginning of Year Claims Liability	Current Year Claims and Change in Estimates	Claims Paid	End of Year 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:

Year Ending	Principal	Interest	Total
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	$ 211,022	$ 7,739	$ 218,761

Business-Type Activities:

Year Ending	Principal	Interest	Total
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	$ 73,791	$ 3,013	$ 76,804

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:

Year	Principal	Interest	Total
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	$ 565,807	$ 22,256	$ 588,063

Business-Type Activities:

Year	Principal	Interest	Total
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	$ 213,155	$ 7,698	$ 220,853

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:

Governmental Activities:	**Balance as of June 30, 2025**
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	Governmental Activities		Business-Type Activities	
Year Ending June 30	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	$ 21,646,133	$ 4,472,203	$ 4,696,351	$ 967,755

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 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:	$ 8,401,655

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:	$ 8,401,655	$ 570,893	$ 8,972,548

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.	611,350
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.	5,853,000
Total revenue bonds	$ 6,464,350

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:	$ 6,464,350	$ 2,082,224	$ 8,546,574

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 Fund	Water Fund	Sewer 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	$ 8,288,226	$ 3,024,935	$ 4,425,112
Debt service principal and interest paid (Revenue bond only)	$ 546,062	$ 285,665	$ 569,109
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. **<u>Changes in Long-Term Liabilities</u>**

A summary of changes in long-term obligations follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
Governmental activities:					
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	$ 89,457,040	$ 4,739,865	$ 4,098,939	$ 90,097,966	$ 5,927,024

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
Business-type activities:					
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	$ 31,401,680	$ 3,076,269	$ 4,611,575	$ 29,866,374	$ 3,951,153

**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

Receivable Fund	Payable Fund		Amount
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
		$	4,832,654

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:

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

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

		Governmental		Business-Type
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	$	69,083,775	$	135,955,775

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
Prepaids		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, lock 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, Prepaids, 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 6/30/24 as previously reported	Restatement - GASB 101 Implementation	Net Position 6/30/24 as 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
Total Government-wide Statements	222,702,974	(9,206,952)	213,496,022
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
Total Enterprise Funds	$ 172,549,797	$ (2,089,804)	$ 170,459,993

CHANGE IN FUND TYPE (MAJOR VS NONMAJOR)

	Fund Balance 6/30/24 as previously reported	Transfer to Major Fund	Transfer to Non-major Funds	Fund Balance 6/30/24 as 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)
Total Governmental Funds	$ 4,347,690	$ -	$ -	$ 4,347,690

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

	2025	2024	2023	2022	2021
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%

	2020	2019	2018	2017	2016
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

	2025	2024	2023	2022	2021
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%

	2020	2019	2018	2017	2016
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

	2025	2024	2023	2022	2021
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	(139,568)	(202,027)	(214,410)	(245,369)	(254,018)
Ending balance of the total pension liability	$ 4,058,747	$ 3,413,679	$ 3,203,161	$3,858,372	$ 3,630,645

	2020	2019	2018	2017
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	(218,413)	(199,125)	(163,818)	(122,099)
Ending balance of the total pension liability	$ 2,966,769	$ 2,383,204	$ 2,767,704	$2,632,626

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

	2025	2024	2023	2022	2021
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%

	2020	2019	2018	2017	2016
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

Total OPEB Liability	**2025**	**2024**	**2023**	**2022**
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)
Net change in total OPEB liability	2,135,318	1,118,908	(9,418,402)	2,733,597
Total OPEB liability - beginning	38,244,553	37,125,645	46,544,047	43,810,450
Total OPEB liability - ending	$ 40,379,871	$ 38,244,553	$ 37,125,645	$ 46,544,047
Covered payroll	$ 29,011,756	$ 24,621,083	$ 24,621,083	$ 22,348,027
Total OPEB liability as a percentage of covered-employee	139.18%	155.33%	150.79%	208.27%

Total OPEB Liability	**2021**	**2020**	**2019**	**2018**
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)
Net change in total OPEB liability	8,422,873	3,796,819	(70,028)	(1,673,990)
Total OPEB liability - beginning	35,387,577	31,590,758	31,660,786	33,334,776
Total OPEB liability - ending	$ 43,810,450	$ 35,387,577	$ 31,590,758	$ 31,660,786
Covered payroll	$ 22,348,027	$ 19,173,918	$ 19,173,918	$ 18,184,909
Total OPEB liability as a percentage of covered-employee	196.04%	184.56%	164.76%	174.10%

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:

Fiscal year	Rate
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

womblebonddickinson.com

WOMBLE BOND DICKINSON

Womble Bond Dickinson (US) LLP

555 Fayetteville Street
Suite 1100
Raleigh, NC 27601

t: 919.755.2100
f: 919.755.2150

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 $__________ 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

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.

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.