

**Comprehensive Annual  
Financial Report  
Fiscal Year Ended  
June 30, 2019**



**City of Morganton  
North Carolina**

**Comprehensive  
Annual Financial Report**

***Fiscal Year Ended June 30, 2019***

**City Council**

**Ronnie M. Thompson, Mayor  
Wendy Cato  
Forrest Fleming  
Christopher Hawkins  
Sidney Simmons**

**City Manager**

**Sally W. Sandy, CPA**

**Finance Director**

**Karen B. Duncan, CPA**

**Prepared by the City of Morganton's Finance Department**



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# CITY OF MORGANTON NORTH CAROLINA

October 17, 2019

To the Honorable Mayor, Members of the City Council, and Citizens:

The Comprehensive Annual Financial Report of the City of Morganton, North Carolina is submitted for your review and use. This report is the comprehensive publication of the City's financial position and results of operations as of and for the fiscal year ended June 30, 2019. The City, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the *Financial Section*. The *Supplementary Information* provides details on capital project activity, the economic development fund, the CDBG entitlement fund, the special revenue-building re-use fund, internal service fund and the four utility funds. The *Statistical Section* provides trend information on financial performance, revenue capacity, debt capacity, demographic and economic indicators as well as operating information. A *Compliance Section* includes documentation on federal and state grants and awards compliance.

City management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information, City management has established a comprehensive framework of internal control. Internal controls protect the City's assets from loss, theft and misuse and help ensure that information is reliable for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the City's controls have been designed to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the City is required by state law to have an annual independent financial audit. A compliance on federal and state financial assistance is also required under the Federal Single Audit Act of 1984 and the State Single Audit Implementation Act. Elliott Davis, CPA's, a licensed certified public accountant practice conducted the audits and concluded in an unmodified opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Morganton, North Carolina as of June 30, 2019. The independent auditor's report is located at the beginning of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the City**

The City of Morganton, incorporated in 1885, is nestled in the foothills of the Blue Ridge Mountains in the western part of North Carolina. It currently serves a population of 16,519 and encompasses 19.145 square miles. Around the region it is known as a great place to live, work and play.

The City of Morganton is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Morganton has operated under the council-manager form of government since 1913, having been the first in the state to adopt this form of government. Policy-making and legislative authority are vested in the City Council consisting of the mayor and four other members, all elected on a non-partisan basis. The City Council appoints the city manager, who in turn appoints the heads of the various departments. Council members serve four-year terms, with two members elected every two years. The mayor is elected for a four-year term. The mayor and council members are elected at large; each of the council members represents one of the four-districts within the City limits.

The City of Morganton provides a full range of governmental services, including public safety protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. The City of Morganton also provides public utilities including water, wastewater, electric and cable/internet/telephone enterprises. The City of Morganton is financially accountable for the ABC Board which is reported separately within the City of Morganton's financial statements. Additional information on the legally separate entity can be found in the notes to the financial statements.

The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Morganton's financial planning and control. The budget is prepared by fund, function and department and adopted by function. Department directors may transfer resources within a functional area as they see fit. Transfers between functional areas need special approval from the City council.

## **Local economy**

The City serves as the retail trade and employment center for a majority of the 90,912 people of the County. Additionally, many people from sections of the surrounding counties of Avery, McDowell, Rutherford and Cleveland work or shop in the City.

The principal manufacturing activities in the City include furniture and metal working with many other types of establishments providing a diversified manufacturing base. Agriculture is a large industry in the County with approximately 90,000 acres in farmland, but very little farming is done in the City. Government at local and State levels is a large employer in the City. City, County and several State-affiliated offices and facilities are located within the corporate limits.

## **Financial Policy**

The City Council has set a minimum 15% fund balance policy to provide continued financial stability to the government. An adequate unreserved fund balance ensures consistent cash flow, generates interest income, eliminates the need for short term borrowings and provides flexibility for unanticipated opportunities and needs during emergencies.

### **Long-term financial planning and initiatives**

The City of Morganton has to be in a continued state of planning to keep up with the ever-changing environment of local government. This is the ongoing charge to the elected officials as well as City staff.

Fiscally responsible budgeting has been key in the City's planning process. Currently the City does not have any bonded debt. In 2014, the City's bond rating was reviewed by Standard and Poor's and increased two steps to an AA bond rating which is another sign of fiscal stability.

Each year the City adopts a capital improvement budget and prepares a six-year capital improvement plan. The City accomplished many projects this fiscal year including beginning the implementation of two master plans, one in Downtown and the other in recreation.

Overall, the City is meeting the demands of the present while constantly planning for the future. As always, the City of Morganton places the interest of its citizens as its number one priority. The City Council and City staff are challenged daily, and as a result, the City of Morganton continues to prosper.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morganton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the City Manager, Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City of Morganton's finances.

Respectfully submitted,

*Karen B. Duncan, CPA*

Karen B. Duncan, CPA  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Morganton  
North Carolina**

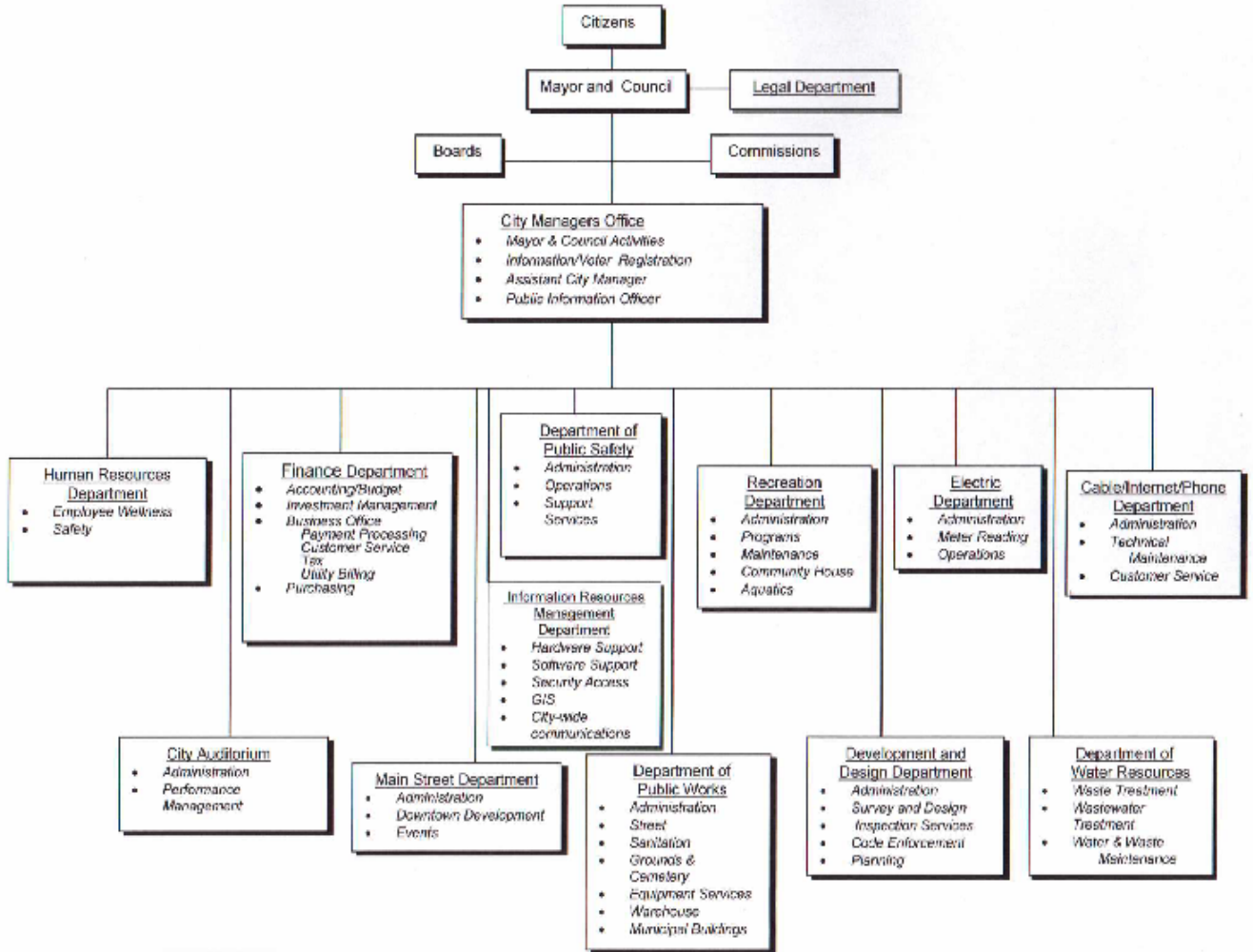
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

### CITY OF MORGANTON ORGANIZATION CHART





## Independent Auditor's Report

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morganton, North Carolina (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morganton ABC Board, which represent 100 percent of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morganton ABC Board, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Morganton ABC Board were not audited in accordance with *Government Auditing Standards*.

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



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

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Cemetery Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions and the Law Enforcement Officers Special Separation Allowance Schedules of Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Schedule of Changes in the Total OPEB Liability and Related Ratios, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, budget to actual comparisons, schedule of ad valorem taxes receivable, schedule of current tax levy, schedule of transfers, schedule of cash and investment balances, the schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements* and the State Single Audit Implementation Act, the introductory section and the statistical section, as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, budget to actual comparisons, schedule of ad valorem taxes receivable, schedule of current tax levy, schedule of transfers, schedule of cash and investment balances, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as previously described and the reports of other auditors, the combining and individual fund financial statements, budget to actual comparisons, schedule of ad valorem taxes receivable, schedule of current tax levy, schedule of transfers, schedule of cash and investment balances, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Elliott Davis, PLLC*

Raleigh, North Carolina  
October 17, 2019

## Management's Discussion and Analysis

As management of the City of Morganton, we offer readers of the City of Morganton's financial statements this narrative overview and analysis of the financial activities of the City of Morganton for the fiscal year ended June 30, 2019. 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.

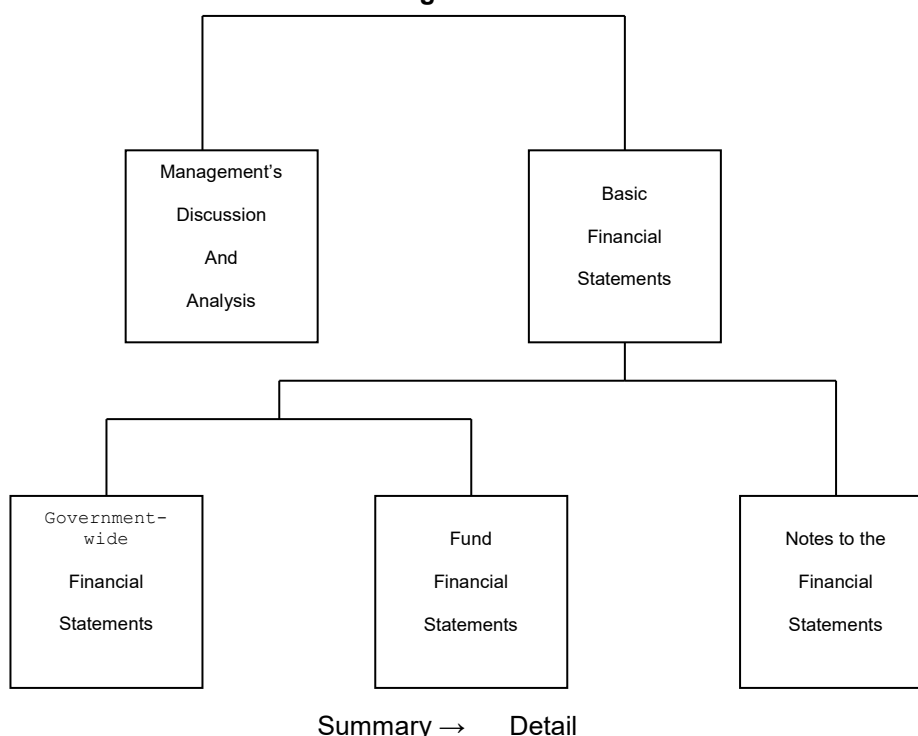
### Financial Highlights

- The assets and deferred outflows of resources of the City of Morganton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$111,051,914.
- The government's total net position increased by \$7,034,691. Governmental activities had an increase of \$1,474,705 and business-type activities experienced an increase of \$5,559,986 in net position.
- As of the close of the current fiscal year, the City of Morganton's governmental funds reported combined ending fund balances of \$21,108,013, an increase of \$2,105,130 in comparison with the prior year. Approximately 70 percent of this amount, or \$14,891,720, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,454,439, or 59 percent of total general fund expenditures for the fiscal year.
- The City of Morganton's total debt decreased by \$2,017,457 (8.1%) during the current fiscal year.
- Moody's Investors Service reviewed the City of Morganton bond ratings in 2003 at which time the City maintained its rating of A2. Standard and Poor's reviewed the City in 2014. The City's rating increased by 2 steps to a new rating of AA.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Morganton'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 Morganton.

**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 10) are the **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 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, culture and recreation, and general administration. Property taxes and grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include water, electric, cable, and wastewater services offered by the City of Morganton. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City because the City exercises control over the Board by appointing its' members and because it is required to distribute its profits to the City.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

### **Fund Financial Statements**

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

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

The City of Morganton adopts an annual budget for its 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 period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement 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 these funds; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The City of Morganton has two different kinds 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 of Morganton uses enterprise funds to account for its water, electric, wastewater, and cable 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 City functions. The City uses an internal service fund to account for the activities of the management information systems, central warehouse and garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are an integral part 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 Morganton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the financial statements in this report.

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

**Government-Wide Financial Analysis**

**City of Morganton’s Net Position**

	Governmental-type		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$23,703,333	\$21,900,373	\$30,545,353	\$30,458,562	\$54,248,686	\$52,358,935
Capital assets	32,653,590	33,373,320	76,670,800	72,729,087	109,324,390	106,102,407
Total assets	56,356,923	55,273,693	107,216,153	103,187,649	163,573,076	158,461,342
Deferred outflows of resources	3,393,019	2,490,478	1,242,624	820,333	4,635,643	3,310,811
Total assets and deferred outflows of resources	59,749,942	57,764,171	108,458,777	104,007,982	168,208,719	161,772,153
L T liabilities outstanding	22,462,804	22,067,837	23,248,991	24,506,737	45,711,795	46,574,574
Other liabilities	2,767,704	2,964,584	7,075,845	7,002,930	9,843,549	9,967,514
Total liabilities	25,230,508	25,032,421	30,324,836	31,509,667	55,555,344	56,542,088
Deferred inflows of resources	1,214,313	901,334	387,148	311,508	1,601,461	1,212,842
Total liabilities and deferred inflows of resources	26,444,821	25,933,755	30,711,984	31,821,175	57,156,805	57,754,930
Net position:						
Net investment in capital assets	28,528,025	28,863,885	58,037,817	52,462,517	86,565,842	81,326,402
Restricted	5,829,361	4,592,854			5,829,361	4,592,854
Unrestricted	(1,052,265)	(1,626,323)	19,708,976	19,724,290	18,656,711	18,097,967
Total net position	\$33,305,121	\$31,830,416	\$77,746,793	\$72,186,807	\$111,051,914	\$104,017,223

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Morganton exceeded liabilities and deferred inflows by \$111,051,914 as of June 30, 2019. The largest portion of the City's net assets is reflected in the City's investment in capital assets (less any related debt still outstanding that was issued to acquire those items.) The City of Morganton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Morganton's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Morganton's net position, \$5,829,361 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$18,656,711 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a high collection rate.
- Increased sales tax revenues due to economic growth in the City.
- Continued low cost of debt due to the City's bond rating

(Continued on next page)

**City of Morganton's Changes in Net Position**

	Governmental-type		Business-type		Total	Total
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$2,912,503	\$2,938,440	\$49,031,548	\$47,994,002	\$51,944,051	\$50,932,442
Operating grants and contributions	2,407,803	979,262			2,407,803	979,262
Capital grants and contributions	193,198	320,312			193,198	320,312
<b>General revenues:</b>						
Ad valorem taxes	9,712,831	8,953,681			9,712,831	8,953,681
Occupancy tax	131,279	110,494			131,279	110,494
Carbon City fire tax	10,706	9,362			10,706	9,362
Sales tax	4,368,905	4,069,777			4,368,905	4,069,777
Unrestricted Intergovernmental	2,637,488	2,597,176			2,637,488	2,597,176
Investment earnings	368,754	219,318	575,594	147,262	944,348	366,580
Other	536,406	521,435	328,544	215,155	864,950	736,590
<b>Total revenues</b>	<b>23,279,873</b>	<b>20,719,257</b>	<b>49,935,686</b>	<b>48,356,419</b>	<b>73,215,559</b>	<b>69,075,676</b>
<b>Expenses:</b>						
General government	3,765,610	3,419,322			3,765,610	3,419,322
Public safety	7,984,756	7,998,165			7,984,756	7,998,165
Transportation	2,402,144	2,548,502			2,402,144	2,548,502
Economic and physical development	1,881,166	358,863			1,881,166	358,863
Environmental protection	1,167,597	1,217,912			1,167,597	1,217,912
Culture and recreation	5,223,557	5,082,336			5,223,557	5,082,336
Interest on long-term debt	113,873	136,483			113,873	136,483
Water			5,485,837	5,254,922	5,485,837	5,254,922
Wastewater			4,503,240	4,592,059	4,503,240	4,592,059
Electric			28,886,865	31,446,910	28,886,865	31,446,910
Cable			4,766,223	4,585,347	4,766,223	4,585,347
<b>Total expenses</b>	<b>22,538,703</b>	<b>20,761,583</b>	<b>43,642,165</b>	<b>45,879,238</b>	<b>66,180,868</b>	<b>66,640,821</b>
Increase (decrease) in net assets before transfers	741,170	(42,326)	6,293,521	2,477,181	7,034,691	2,434,855
Transfers	733,535	733,535	(733,535)	(733,535)		
<b>Increase(decrease) in net assets</b>	<b>1,474,705</b>	<b>691,209</b>	<b>5,559,986</b>	<b>1,743,646</b>	<b>7,034,691</b>	<b>2,434,855</b>
Net assets, July 1	31,830,416	31,168,190	72,186,807	72,186,807	104,017,223	103,354,997
<b>Net assets, June 30</b>	<b>\$33,305,121</b>	<b>\$31,859,399</b>	<b>\$77,746,793</b>	<b>\$73,930,453</b>	<b>\$111,051,914</b>	<b>\$105,789,852</b>



**Governmental activities:** Governmental activities increased the City's net position by \$1,474,705, thereby adding to the overall increase in the net position of the City of Morganton.

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

- Continued concerted effort to control costs and manage expenditures responsibly
- Continued review of all non-essential programs and implementation of cost saving strategies when feasible
- Review and renegotiation of existing contracts
- Investment in infrastructure/capital assets to maximize current and future revenue streams and cost-savings when possible
- Maximization of tax collections
- Annual review and re-prioritizing of capital outlay
- Continued growth in sales tax revenue
- Master plan updates for Main Street and Recreation

**Business-type activities:** Business-type activities increased the City of Morganton's net position by \$5,559,986.

Key elements of this increase are:

- Continued awareness of largest customers consumption patterns
- Continued concerted effort to control costs and manage expenditures responsibly
- Annual review and re-prioritizing of capital outlay
- Water and Wastewater master plan and rate study reviewed annually
- Extensive upgrades continue at the Waste Treatment plant.

**Financial Analysis of the City's Funds:** As noted earlier, the City of Morganton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Morganton'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 Morganton's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Morganton itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Morganton's City Council.

At June 30, 2019, the governmental funds of the City of Morganton reported a combined fund balance of \$21,108,013 with a net increase in fund balance of \$2,105,130 in comparison with the prior year. Included in this change in fund balance are increases in fund balance in the General Fund, Entitlement Fund, Cemetery Fund, Capital Project Fund-Soccer Complex, Capital Project Fund-Connect Greenway and Capital Project Fund-Connector Road. There was a decrease in fund balance in the Building reuse Fund.

The general fund is the chief operating fund of the City of Morganton. At the end of the current fiscal year, the City of Morganton's fund balance available in the General Fund was \$14,642,421, while total fund balance was \$19,773,670. The Governing Body of the City of Morganton has determined that the City should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 70.03% of general fund expenditures, while total fund balance represents 94.57% of the same amount.

The fund balance of the City of Morganton's General fund increased with a net change in fund balance of \$1,440,465. An indicator of financial stability. The City continually puts forth a concerted effort to control costs and manage expenditures to minimize tax and other revenue increases.

The City continues to search out grant opportunities. The Building Re-use fund, was established to enable proper accounting for State Building Reuse grant funds which provide funding to sustain economic development efforts for local businesses.

Three capital project funds continue. The greenway connector fund which will be funded through an ARC grant, is underway which will connect the City's Downtown corridor to a large park, Catawba Meadows. The road connector fund, also funded by an ARC grant, will provide funds to develop a corridor off the interstate for access to a hotel and restaurants. The third fund is the soccer complex fund, which has several funding sources, has been established to account for additional soccer fields at the soccer complex.

**General Fund Budgetary Highlights:** During the fiscal year, there was a \$2,117,734 increase in appropriations between the original and final amended budget. 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.

During the year there were several increases in appropriations between the original budget and the final amended budget. The most significant reason for the budget amendments was incomplete projects at the end of the previous year-end which required transferring prior year budget into the current fiscal year. Other budget amendments reflected new projects and programs which occurred throughout the fiscal year.

The variance between the final amended budget and the actual results reflects conservative, responsible spending and timing of revenues received.

**Proprietary Funds.** The City of Morganton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds amounted to \$19,708,976, a decrease in unrestricted net position of \$15,314.

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

**Capital assets.** The City of Morganton's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totals \$109,324,390 (net of accumulated depreciation). These assets include land, buildings, plant and system, equipment and infrastructure.

**City of Morganton's Capital Assets  
(Net of accumulated depreciation)**

	Governmental-type		Business-type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land and Buildings	\$16,779,233	\$17,236,794	\$19,528,364	\$19,868,591	\$36,307,597	\$37,105,385
Plant and system			42,027,936	31,469,452	42,027,936	31,469,452
Equipment	11,246,666	10,945,802	15,114,500	15,891,043	26,361,166	26,836,845
Infrastructure Construction in Progress	4,539,206	5,190,724			4,539,206	5,190,724
	88,485			5,500,001	88,485	5,500,001
<b>Total assets</b>	<b>\$32,653,590</b>	<b>\$33,373,320</b>	<b>\$76,670,800</b>	<b>\$72,729,087</b>	<b>\$109,324,390</b>	<b>\$106,102,407</b>

Additional information on the City's capital assets can be found in the notes to the Basic Financial Statements; specifically, in Section II, Detail notes on all funds, Capital Assets section.

Major capital asset transactions during the year include the following:

- Several large truck purchases
- Extensive manhole rehabilitation
- Water tank maintenance
- Significant electric substation upgrades
- Self-contained breathing apparatus
- Park improvements
- Completion of waste treatment plant upgrade

**Long-term Debt.** As of June 30, 2019, the City of Morganton had \$13,587,930 of installment debt and \$9,170,618 in State revolving loan fund debt. The debt is backed by security interest in the property for which it was issued.

**Outstanding Liabilities**

City of Morganton's Outstanding Debt

	Governmental-type		Business-type		Total	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Installment debt	\$4,125,565	\$4,509,435	\$9,462,365	\$10,458,709	\$13,587,930	\$14,968,144
Loans			9,170,618	9,807,861	9,170,618	9,807,861
Compensated absences	856,465	806,191	271,259	239,422	1,127,724	1,045,613
OPEB	13,585,517	13,683,853	5,283,257	5,321,499	18,868,774	19,005,352
Pension related debt (LRS)	3,164,572	2,074,085	1,230,666	806,589	4,395,238	2,880,674
Pension related debt (LEO)	2,380,218	2,619,567			2,380,218	2,619,567
<b>Total</b>	<b>\$24,112,337</b>	<b>\$23,693,131</b>	<b>\$25,418,165</b>	<b>\$26,634,080</b>	<b>\$49,530,502</b>	<b>\$50,327,211</b>

### **City of Morganton's Outstanding Debt**

The City of Morganton's total debt decreased by \$796,709 (1.6%) during the past fiscal year.

As mentioned in the financial highlights section of this document, the City of Morganton continues to maintain its A2 rating from Moody's Investors Service and AA rating from Standard and Poor's. These bond ratings are a clear indication of the sound financial condition of the City of Morganton. These ratings are a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt a unit of government can issue to 8 percent of total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Morganton is \$120,881,017.

See the notes to the financial statements for additional information regarding the City of Morganton's long-term debt; specifically, in Section IV, Detail notes on all funds, Long-Term Obligations section.

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

The following key economic indicators reflect the growth and prosperity of the City.

- Low unemployment - The Hickory-Morganton-Lenoir MSA's unemployment rate of 4.3% is higher than both the State's rate of 4.2% and the national rate of 3.7%.
- New jobs are being created within the City limits by both new and existing industry.

### **Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities:** All revenues, for all funds, are projected based on trend analysis, estimates provided by the North Carolina League of Municipalities and assumed increases or decreases in usage. The City of Morganton responsibly and conservatively budgets its revenues. Assumptions used in budgeting major revenues are as follows:

Ad Valorem taxes are based on current valuations, as provided by the Burke County tax office, adjusted for anticipated annexations, discoveries and releases.

Other taxes and licenses are forecasted based on past trends and future predictions.

Unrestricted Intergovernmental Revenues, such as utility franchise tax and sales tax reimbursements are budgeted based on past amounts received, adjusted for growth and local economic influences.

Restricted Intergovernmental Revenues are primarily grant-related. Budgets are based on anticipated grant awards.

Sales and Service revenues vary in nature. The largest of these revenues, in the General Fund, are commercial solid waste user fees, City of Morganton Municipal Auditorium ticket sales and recreation program fees. The basis for budgeting these revenues is a factor of the number of participants (or users) multiplied by the appropriate rate or fee.

Overall the City of Morganton's governmental funds budget for 2019-2020 represents a 7.32% increase or \$1,813,889 more than the 2018-2019 budget. The main reason for difference is the new capital project funds.

**Business-type Activities:** Sales and services revenues are based on estimated usage or consumption multiplied by the applicable rates. The 2019-2020 business-type activities budget overall is 3.8% or \$2,847,517 higher than the 2018-2019 budget. The largest increase is in the Electric Fund budget due to the capital improvements planned.

### **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 Finance Director, City of Morganton, P O Box 3448, Morganton, NC 28680.

**CITY OF MORGANTON**  
**STATEMENT OF NET POSITION**

JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Morganton ABC Board
<b>ASSETS</b>				
Equity in Pooled Cash and Investments	\$18,804,265	\$23,990,081	\$42,794,346	\$253,523
Accrued Interest on Investments	87,192	125,563	212,755	
Ad Valorem Taxes Receivable, net	151,448		151,448	
Accrued Interest receivable on taxes	8,708		8,708	
Accounts Receivable, net	1,615,269	5,440,605	7,055,874	
Inventories	714,238		714,238	226,599
Prepaid Assets	208,803	80,030	288,833	
Equity in Pooled Cash and Investments - Restricted	2,113,410	909,074	3,022,484	
Capital Assets:				
Land	12,803,783	15,040,621	27,844,404	11,000
Other capital assets, net of depreciation	19,761,322	61,630,179	81,391,501	9,343
Construction in progress	88,485		88,485	
<b>TOTAL ASSETS</b>	<b>56,356,923</b>	<b>107,216,153</b>	<b>163,573,076</b>	<b>500,465</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	2,677,035	964,185	3,641,220	48,245
OPEB deferrals	715,984	278,439	994,423	
	<u>3,393,019</u>	<u>1,242,624</u>	<u>4,635,643</u>	<u>48,245</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	1,118,171	3,997,597	5,115,768	291,162
Deposits		909,074	909,074	
Long-term liabilities:				
Portion Due Within One Year				
Installment Purchases	1,290,505	1,423,427	2,713,932	
Loans		637,243	637,243	
Compensated Absences	359,028	108,504	467,532	
Portion Due After One Year				
Installment Purchases	2,835,060	8,038,938	10,873,998	
Loans		8,533,375	8,533,375	
Compensated Absences	497,437	162,755	660,192	
Total Pension Liability (LEOSSA)	2,380,218		2,380,218	
Net Pension Liability (LGERs)	3,164,572	1,230,666	4,395,238	41,990
Total OPEB Liability	13,585,517	5,283,257	18,868,774	15,429
<b>TOTAL LIABILITIES</b>	<b>25,230,508</b>	<b>30,324,836</b>	<b>55,555,344</b>	<b>348,581</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid Taxes	4,326		4,326	
OPEB Deferrals	897,988	349,216	1,247,204	
Pension Deferrals	311,999	37,932	349,931	5,129
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,214,313</b>	<b>387,148</b>	<b>1,601,461</b>	<b>5,129</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	28,528,025	58,037,817	86,565,842	20,343
Restricted for:				
Stabilization by State Statute	2,888,459		2,888,459	
Transportation	758,914		758,914	
Economic development	2,181,988		2,181,988	
Unrestricted	(1,052,265)	19,708,976	18,656,711	174,657
<b>Total net position</b>	<b>\$33,305,121</b>	<b>\$77,746,793</b>	<b>\$111,051,914</b>	<b>\$195,000</b>

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

CITY OF MORGANTON  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities				
General government	\$3,765,610	\$233,441	\$90,789	
Public safety	7,984,756	30,300	62,481	
Transportation	2,402,144		470,530	
Economic and physical development	1,881,166	31,124	1,765,113	\$169,198
Environmental protection	1,167,597	1,378,189		
Culture and recreation	5,223,557	1,239,449	18,890	24,000
Interest on long-term debt	113,873			
Total governmental activities	<u>22,538,703</u>	<u>2,912,503</u>	<u>2,407,803</u>	<u>193,198</u>
Business-type activities:				
Water	5,485,837	6,015,683		
Wastewater	4,503,240	6,045,492		
Electric	28,886,865	31,910,830		
Cable	4,766,223	5,059,543		
Total business-type activities	<u>43,642,165</u>	<u>49,031,548</u>		
Total primary government	<u>66,180,868</u>	<u>51,944,051</u>	<u>2,407,803</u>	<u>193,198</u>
Component units:				
Morganton ABC board	3,679,718	3,679,718		
Total component units	<u>\$3,679,718</u>	<u>3,679,718</u>		

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Morganton ABC Board
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
Primary government:				
Governmental activities				
General government	(\$3,441,380)		(\$3,441,380)	
Public safety	(7,891,975)		(7,891,975)	
Transportation	(1,931,614)		(1,931,614)	
Economic and physical development	84,269		84,269	
Environmental protection	210,592		210,592	
Culture and recreation	(3,941,218)		(3,941,218)	
Interest on long-term debt	(113,873)		(113,873)	
Total governmental activities	(17,025,199)		(17,025,199)	
Business-type activities:				
Water		\$529,846	529,846	
Wastewater		1,542,252	1,542,252	
Electric		3,023,965	3,023,965	
Cable		293,320	293,320	
Total business-type activities		5,389,383	5,389,383	
Total primary government	(17,025,199)	5,389,383	(11,635,816)	
Component units:				
Morganton ABC board				
Total component units				
General revenues:				
Ad valorem taxes	9,712,831		9,712,831	
Occupancy tax	131,279		131,279	
Carbon City fire tax	10,706		10,706	
Sales tax	4,368,905		4,368,905	
Unrestricted intergovernmental revenues	2,637,488		2,637,488	
Investment earnings	368,754	575,594	944,348	
Permits	488,792		488,792	
Miscellaneous	47,614	328,544	376,158	
Transfers	733,535	(733,535)		
Total general revenues and transfers	18,499,904	170,603	18,670,507	
Change in net position	1,474,705	5,559,986	7,034,691	
Net position, beginning	31,830,416	72,186,807	104,017,223	195,000
Net position, ending	\$33,305,121	\$77,746,793	\$111,051,914	\$195,000

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



CITY OF MORGANTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

ASSETS	General	CDBG		Building Re-use Fund
		Entitlement Fund	Cemetery Fund	
Cash and cash equivalents	\$17,108,289	\$100,454		
Restricted cash	1,855,858		\$247,926	\$9,626
Prepaid Insurance	195,628			
Taxes receivable (net)	151,448			
Accounts receivable (net)	1,533,728	2,306		
Interest receivable	85,819		1,373	
<b>Total assets</b>	<b>\$20,930,770</b>	<b>\$102,760</b>	<b>\$249,299</b>	<b>\$9,626</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	1,001,326			
<b>Total liabilities</b>	<b>\$1,001,326</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	151,448			
Prepaid taxes	4,326			
<b>Total deferred inflows of resources</b>	<b>\$155,774</b>			
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid Insurance	195,628			
Restricted				
Stabilization by State Statute	2,888,459			
Streets - Powell Bill	758,914			
Economic Development	1,096,944	102,760		9,626
Committed				
Canteen Operations	6,101			
Drug Enforcement	23,773			
Capital Projects	1,708,108			
Other	450,000			
Cemetery			249,299	
Unassigned	12,645,743			
<b>Total fund balances</b>	<b>\$19,773,670</b>	<b>\$102,760</b>	<b>\$249,299</b>	<b>\$9,626</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$20,930,770</b>	<b>\$102,760</b>	<b>\$249,299</b>	<b>\$9,626</b>

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

CITY OF MORGANTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Capital Project Fund Soccer Complex	Capital Project Fund 105 Connector Road	Capital Project Fund Connect Greenway	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$475,000	\$159,695	\$287,313	\$18,130,751
Restricted cash				2,113,410
Prepaid Insurance				195,628
Taxes receivable (net)				151,448
Accounts receivable (net)		42,048	37,150	1,615,232
Interest receivable				87,192
<b>Total assets</b>	<b>\$475,000</b>	<b>\$201,743</b>	<b>\$324,463</b>	<b>\$22,293,661</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities		28,548		1,029,874
<b>Total liabilities</b>		<b>\$28,548</b>		<b>\$1,029,874</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable				151,448
Prepaid taxes				4,326
<b>Total deferred inflows of resources</b>				<b>\$155,774</b>
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Prepaid Insurance				195,628
<b>Restricted</b>				
Stabilization by State Statute				2,888,459
Streets - Powell Bill				758,914
Economic Development	475,000	173,195	324,463	2,181,988
<b>Committed</b>				
Canteen Operations				6,101
Drug Enforcement				23,773
Capital Projects				1,708,108
Other				450,000
Cemetery				249,299
<b>Unassigned</b>				12,645,743
<b>Total fund balances</b>	<b>\$475,000</b>	<b>\$173,195</b>	<b>\$324,463</b>	<b>\$21,108,013</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$475,000</b>	<b>\$201,743</b>	<b>\$324,463</b>	<b>\$22,293,661</b>

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

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

Total Fund Balance, Governmental Funds 21,108,013

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost 111,384,335
Accumulated depreciation (79,319,308) 32,065,027

Deferred outflows of resources related to pensions are not reported in the funds 2,539,294

Deferred outflows of resources related to OPEB are not reported in the funds 676,207

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds. 8,708

The Internal Service fund is used by management to charge the costs of certain activities, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. 1,093,912

Earned revenue considered deferred inflows of resources in fund statements 151,448

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds

Installment purchase debt (4,125,565)
Compensated absences (815,361)
OPEB liability (12,830,766)
Total pension liability (239,349)
Net pension liability (5,129,631) (23,140,672)

Deferred inflows of resources related to pensions are not reported in the funds (306,580)

Deferred inflows of resources related to OPEB are not reported in the funds (848,100)

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. (42,136)

Net position of governmental activities \$33,305,121

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

CITY OF MORGANTON  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

REVENUES	General	CDBG Entitlement Fund	Cemetery Fund	Building Re-use Fund
Ad valorem taxes	\$9,676,414			
Other taxes and licenses	4,510,890			
Unrestricted intergovernmental revenues	2,637,488			
Restricted intergovernmental revenues	616,941	\$217,698		\$1,517,589
Other restricted revenues	42,890			
Permits and fees	488,792			
Sales and services	2,864,270		\$17,110	\$31,123
Investment earnings	363,667		5,087	
Other revenues	54,468	29,831		
Total revenues	21,255,820	247,529	22,197	1,548,712
EXPENDITURES				
Current				
General government	3,200,344			
Public safety	8,255,099			
Transportation	1,735,686			
Environmental protection	1,262,245			
Cultural and recreational	5,042,448			
Economic and physical development		223,478		1,569,203
Debt service				
Principal retirement	1,302,818			
Interest and fees	111,003			
Total expenditures	20,909,643	223,478		1,569,203
Revenues over (under) expenditures	346,177	24,051	22,197	(20,491)
OTHER FINANCING SOURCES				
Installment purchase debt issued	918,948			
Transfers	175,340			
Total other financing sources (uses)	1,094,288			
Net change in fund balances	1,440,465	24,051	22,197	(20,491)
Fund balances - beginning	18,333,205	78,709	227,102	30,117
Fund balances - ending	\$19,773,670	\$102,760	\$249,299	\$9,626

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

CITY OF MORGANTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Capital Project Fund Soccer Complex	Capital Project Fund 105 Connector Road	Capital Project Fund Connect Greenway	Total Governmental Funds
<b>REVENUES</b>				
Ad valorem taxes				\$9,676,414
Other taxes and licenses				4,510,890
Unrestricted intergovernmental revenues				2,637,488
Restricted intergovernmental revenues		\$42,048	\$37,150	2,431,426
Other restricted revenues	\$90,000			132,890
Permits and fees				488,792
Sales and services				2,912,503
Investment earnings				368,754
Other revenues				84,299
Total revenues	90,000	42,048	37,150	23,243,456
<b>EXPENDITURES</b>				
Current				
General government				3,200,344
Public safety				8,255,099
Transportation				1,735,686
Environmental protection				1,262,245
Cultural and recreational				5,042,448
Economic and physical development		42,048	46,437	1,881,166
Debt service				
Principal retirement				1,302,818
Interest and fees				111,003
Total expenditures		42,048	46,437	22,790,809
Revenues over (under) expenditures	90,000		(9,287)	452,647
<b>OTHER FINANCING SOURCES</b>				
Installment purchase debt issued				918,948
Transfers	385,000	173,195		733,535
Total other financing sources (use)	385,000	173,195		1,652,483
Net change in fund balances	475,000	173,195	(9,287)	2,105,130
Fund balances - beginning			333,750	19,002,883
Fund balances - ending	\$475,000	\$173,195	\$324,463	\$21,108,013

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

CITY OF MORGANTON  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	\$2,105,130
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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 capital outlays exceeded depreciation in the current period

Capital outlay expenditures which were capitalized	2,731,053	
Depreciation expense for governmental assets	<u>(3,532,796)</u>	(801,743)

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 and interest revenues	36,417
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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

New long-term debt issued	(918,948)	
Principal payments on long-term debt	1,302,818	
Decrease in accrued interest payable	<u>(2,870)</u>	381,000

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	(50,137)	
Other postemployment benefits expense	(82,083)	
Total pension obligation expense	<u>(58,520)</u>	(190,740)

The net expense of certain activities of the internal service fund is reported with governmental activities

	<u>(55,359)</u>
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Total changes in net position of governmental activities	<u><u>\$1,474,705</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ANNUAL BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes				
Current year	\$9,344,258	\$9,344,258	\$9,583,067	\$238,809
Prior years	70,000	70,000	63,024	(6,976)
Special tax - Main Street	116,389	116,389	113,993	(2,396)
Interest	27,625	27,625	34,013	6,388
Discounts	(100,000)	(100,000)	(117,683)	(17,683)
Total	<u>9,458,272</u>	<u>9,458,272</u>	<u>9,676,414</u>	<u>218,142</u>
Other taxes and licenses				
Carbon city fire tax	9,300	9,300	10,706	1,406
Occupancy tax	115,000	115,000	131,279	16,279
One-half cent sales tax	2,941,604	2,941,604	3,008,668	67,064
One cent sales tax	1,300,000	1,300,000	1,360,237	60,237
Total	<u>4,365,904</u>	<u>4,365,904</u>	<u>4,510,890</u>	<u>144,986</u>
Unrestricted intergovernmental revenues				
Urban renewal in lieu of taxes	34,486	34,486	34,554	68
Section eight in lieu of taxes	2,225	2,225	2,264	39
Payments in lieu of taxes	416,816	416,816	417,140	324
Utility sales tax	1,765,687	1,765,687	1,790,341	24,654
Narcotics	3,000	3,000	9,833	6,833
Beer and wine	71,877	71,877	73,320	1,443
Solid waste disposal	11,626	11,626	11,860	234
Alcohol Beverage Commission	275,000	275,000	298,176	23,176
Total	<u>2,580,717</u>	<u>2,580,717</u>	<u>2,637,488</u>	<u>56,771</u>
Restricted intergovernmental revenues				
Fire protection - state facilities	63,347	63,347	62,481	(866)
State appropriation - storm drain		350,000		(350,000)
ARC grant	46,901	46,901		(46,901)
State and federal grants	200,000	283,935	83,930	(200,005)
Powell bill street aid allocation	467,690	467,690	470,530	2,840
Total	<u>777,938</u>	<u>1,211,873</u>	<u>616,941</u>	<u>(594,932)</u>

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

CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
REVENUES - (continued)				
Other restricted revenues				
Shared cost of curb and gutter	\$5,000	\$5,000		(\$5,000)
Restricted contributions	18,700	31,700	\$42,890	11,190
Total	<u>23,700</u>	<u>36,700</u>	<u>42,890</u>	<u>6,190</u>
Permits and fees				
Building permits	90,000	90,000	82,206	(7,794)
Plumbing permits	55,000	55,000	35,531	(19,469)
Electric permits	65,000	65,000	56,349	(8,651)
HVAC permits	38,000	38,000	43,716	5,716
Variance/planning/zoning requests	10,250	10,250	13,408	3,158
Vehicle tag fee	259,500	259,500	257,582	(1,918)
Total	<u>517,750</u>	<u>517,750</u>	<u>488,792</u>	<u>(28,958)</u>
Sales and services				
Parking revenue	9,200	9,200	15,534	6,334
Reimbursement for services	5,000	5,000	7,167	2,167
Solid waste user fees	1,324,000	1,324,000	1,339,380	15,380
Rough trash fees	24,000	24,000	24,979	979
Simply Green revenue	2,000	2,000	842	(1,158)
Solid waste late charges	11,500	11,500	12,989	1,489
Curb cuts	4,000	4,000	4,690	690
Civil citations	500	500	50	(450)
Engineering inspections	3,500	3,500	11,682	8,182
Rent	54,600	54,600	54,600	
Fire protection/inspections	45,500	45,500	525	(44,975)
False alarm violations	18,000	18,000	10,125	(7,875)
Recreation revenue	547,000	547,000	568,356	21,356
Food sales and services	321,500	321,500	312,666	(8,834)
Bad check charges/verification fee	5,585	5,585	5,979	394
Canteen sales	1,300	1,300	1,978	678
Main street revenue	27,000	27,000	27,975	975
Façade loan program	1,150	1,150	10,668	9,518
DARE program	6,000	6,000	4,641	(1,359)
Municipal auditorium	375,000	375,000	358,426	(16,574)
Sale of surplus	76,000	76,000	29,370	(46,630)
Reimbursements				
Burke County			1,040	1,040
Insurance	20,000	47,707	37,936	(9,771)
Stormwater	10,000	10,000	10,000	
Court cost and fees	10,000	10,000	12,672	2,672
Total	<u>2,902,335</u>	<u>2,930,042</u>	<u>2,864,270</u>	<u>(65,772)</u>

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



CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
REVENUES - (continued)				
Investment earnings	\$100,000	\$144,282	\$344,530	\$200,248
Other revenue				
Revolving loan principal	4,052	4,052	4,348	296
Revolving loan interest	2,333	2,333	2,511	178
Miscellaneous	31,500	35,714	47,609	11,895
Total	<u>37,885</u>	<u>42,099</u>	<u>54,468</u>	<u>12,369</u>
Total revenue	<u>20,764,501</u>	<u>21,287,639</u>	<u>21,236,683</u>	<u>(50,956)</u>
EXPENDITURES				
General government				
Legislative - city council				
Salaries and employee benefits			39,223	
Operating expenditures			118,041	
Donations/economic development			606,035	
Pro rata administrative services			(385,654)	
Total	<u>308,507</u>	<u>410,007</u>	<u>377,645</u>	<u>32,362</u>
Legal				
Salaries and employee benefits			198,974	
Operating expenditures			75,368	
Pro rata administrative services			(210,268)	
Total	<u>70,089</u>	<u>70,089</u>	<u>64,074</u>	<u>6,015</u>
Executive				
Salaries and employee benefits			475,432	
Operating expenditures			49,082	
Pro rata administrative services			(428,604)	
Total	<u>107,151</u>	<u>106,551</u>	<u>95,910</u>	<u>10,641</u>
Human resources				
Salaries and employee benefits			271,962	
Operating expenditures			889,370	
Pro rata administrative services			(675,854)	
Total	<u>552,971</u>	<u>555,101</u>	<u>485,478</u>	<u>69,623</u>

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

CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Accounting				
Salaries and employee benefits			\$283,951	
Operating expenditures			363,875	
Pro rata administrative services			(580,287)	
Total	<u>\$102,403</u>	<u>\$102,403</u>	<u>67,539</u>	<u>\$34,864</u>
Main street				
Salaries and employee benefits			169,761	
Operating expenditures			273,531	
Capital outlay			11,594	
Total	<u>881,852</u>	<u>953,631</u>	<u>454,886</u>	<u>498,745</u>
Canteen operations				
Operating expenditures	<u>1,100</u>	<u>1,700</u>	<u>1,236</u>	<u>464</u>
Business office/tax				
Salaries and employee benefits			351,178	
Operating expenditures			153,054	
Pro rata administrative services			(514,960)	
Total	<u>29,734</u>	<u>29,734</u>	<u>(10,728)</u>	<u>40,462</u>
Development				
Salaries and employee benefits			562,775	
Operating expenditures			141,588	
Total	<u>752,960</u>	<u>938,866</u>	<u>704,363</u>	<u>234,503</u>
Municipal buildings				
Operating expenditures			134,867	
Pro rata administrative services			(124,529)	
Capital outlay			23,994	
Total	<u>59,896</u>	<u>85,232</u>	<u>34,332</u>	<u>50,900</u>

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

CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
General government (continued)				
Design				
Salaries and employee benefits			\$341,161	
Operating expenditures			45,254	
Pro rata administrative services			(271,618)	
Total	<u>\$196,078</u>	<u>\$196,078</u>	<u>114,797</u>	<u>\$81,281</u>
Public works				
Salaries and employee benefits			176,610	
Operating expenditures			22,240	
Total	<u>196,257</u>	<u>196,257</u>	<u>198,850</u>	<u>(2,593)</u>
Cemetery and grounds				
Salaries and employee benefits			521,318	
Operating expenditures			75,941	
Capital outlay			14,703	
Total	<u>646,893</u>	<u>646,893</u>	<u>611,962</u>	<u>34,931</u>
Total general government	<u>3,905,891</u>	<u>4,292,542</u>	<u>3,200,344</u>	<u>1,092,198</u>
Public safety				
Police, fire and administrative operations				
Salaries and employee benefits			6,220,863	
Operating expenditures			1,124,100	
Pro rata administrative services			(19,200)	
Capital outlay			929,336	
Total public safety	<u>9,410,566</u>	<u>9,443,424</u>	<u>8,255,099</u>	<u>1,188,325</u>
Transportation				
Street department				
Salaries and employee benefits			888,053	
Operating expenditures			138,498	
Capital outlay			458,351	
Total	<u>\$1,156,182</u>	<u>\$1,910,077</u>	<u>1,484,902</u>	<u>425,175</u>

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

CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (continued)				
Powell bill				
Operating expenditures			\$78,802	
Capital outlay			171,982	
Total	<u>\$261,075</u>	<u>\$310,067</u>	<u>250,784</u>	<u>\$59,283</u>
Total transportation	<u>1,417,257</u>	<u>2,220,144</u>	<u>1,735,686</u>	<u>484,458</u>
Environmental protection - sanitation				
Salaries and employee benefits			624,617	
Operating expenditures			358,161	
Capital outlay			279,467	
Total environmental protection	<u>1,334,725</u>	<u>1,358,552</u>	<u>1,262,245</u>	<u>96,307</u>
Cultural and recreational				
Municipal auditorium				
Salaries and employee benefits			306,458	
Operating expenditures			629,696	
Capital outlay			108,339	
Total	<u>1,176,619</u>	<u>1,204,719</u>	<u>1,044,493</u>	<u>160,226</u>
Recreation				
Salaries and employee benefits			1,681,484	
Operating expenditures			1,197,401	
Pro rata administrative services			(22,080)	
Capital outlay			618,080	
Total	<u>3,341,795</u>	<u>3,961,201</u>	<u>3,474,885</u>	<u>486,316</u>
Community House				
Salaries and employee benefits			274,444	
Operating expenditures			221,905	
Capital outlay			26,721	
Total	<u>518,443</u>	<u>559,253</u>	<u>523,070</u>	<u>36,183</u>
Total cultural and recreational	<u>5,036,857</u>	<u>5,725,173</u>	<u>5,042,448</u>	<u>682,725</u>

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

CITY OF MORGANTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
EXPENDITURES (continued)				
Debt Service				
Principal retirement	\$1,302,821	\$1,302,821	\$1,302,818	\$3
Interest	111,029	111,029	111,003	26
Total debt service	<u>1,413,850</u>	<u>1,413,850</u>	<u>1,413,821</u>	<u>29</u>
Total expenditures	<u>22,519,146</u>	<u>24,453,685</u>	<u>20,909,643</u>	<u>3,544,042</u>
Revenues over (under) expenditures	<u>(1,754,645)</u>	<u>(3,166,046)</u>	<u>327,040</u>	<u>3,493,086</u>
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	96,109	1,360,405		(1,360,405)
Installment purchase debt issued	1,310,000	1,310,000	\$918,948	(391,052)
Transfer from Economic Development fund		330,300	225,000	(105,300)
Transfer from Electric fund	733,536	733,536	733,535	(1)
Transfer to Capital Project fund	(385,000)	(558,195)	(558,195)	
Transfer to Economic Development fund		(10,000)	(10,000)	
Total other financing sources	<u>1,754,645</u>	<u>3,166,046</u>	<u>1,309,288</u>	<u>(1,856,758)</u>
Revenues and other sources over expenditures and other uses			<u>1,636,328</u>	<u>\$1,636,328</u>
Net change in fund balances			1,636,328	
Fund balances - beginning			17,040,398	
A legally budgeted Economic Development Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			19,137	
Transfer from General Fund			10,000	
Transfer to General Fund			(225,000)	
Fund balances - beginning			<u>1,292,807</u>	
Fund balances - ending			<u>\$19,773,670</u>	

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

CITY OF MORGANTON  
CEMETERY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Sales and services:				
New cemetery lot sales	\$7,000	\$7,000	\$15,250	\$8,250
Cemetery lot marker service	1,600	1,600	1,860	260
Total	<u>8,600</u>	<u>8,600</u>	<u>17,110</u>	<u>8,510</u>
Investment earnings - interest earned	1,200	1,200	5,087	3,887
Total revenues	<u>9,800</u>	<u>9,800</u>	<u>22,197</u>	<u>12,397</u>
EXPENDITURES				
Cemetery improvements	<u>9,800</u>	<u>9,800</u>		<u>9,800</u>
Excess of revenues over (under) expenditures			<u>22,197</u>	<u>22,197</u>
Fund balances - beginning			<u>\$227,102</u>	
Fund balances - ending			<u><u>\$249,299</u></u>	

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

CITY OF MORGANTON  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	Business-type Activities - Enterprise Funds				Totals	Governmental
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		Activities - Internal Service Fund
<u>ASSETS</u>						
CURRENT ASSETS :						
Cash and cash equivalents	\$4,310,262	\$4,007,695	\$5,578,854		\$13,896,811	\$673,514
Investments	3,287,235	2,982,634	3,823,401		10,093,270	
Accounts receivable (net)	691,214	504,251	4,130,264	\$11,453	5,337,182	36
Grants receivable	45,276	35,871	22,276		103,423	
Inventories						714,238
Prepaid insurance	19,898	29,128	26,013	4,991	80,030	13,175
Interest receivable	42,664	35,055	47,844		125,563	
Restricted Cash	149,043	144,702	615,329		909,074	
Total current assets	<u>8,545,592</u>	<u>7,739,336</u>	<u>14,243,981</u>	<u>16,444</u>	<u>30,545,353</u>	<u>1,400,963</u>
NONCURRENT ASSETS :						
Due from other funds	2,411,884				2,411,884	
Capital assets:						
Land	912,017	14,067,068	55,950	5,586	15,040,621	33,317
Other capital assets (net)	17,135,507	30,832,965	9,466,951	4,194,756	61,630,179	555,246
Total noncurrent assets	<u>20,459,408</u>	<u>44,900,033</u>	<u>9,522,901</u>	<u>4,200,342</u>	<u>79,082,684</u>	<u>588,563</u>
TOTAL ASSETS	<u>29,005,000</u>	<u>52,639,369</u>	<u>23,766,882</u>	<u>4,216,786</u>	<u>109,628,037</u>	<u>1,989,526</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
OPEB deferrals	79,554	79,554	89,498	29,833	278,439	39,777
Pension deferrals	275,482	275,482	309,915	103,306	964,185	137,741
TOTAL DEFERRED OUTFLOWS	<u>355,036</u>	<u>355,036</u>	<u>399,413</u>	<u>133,139</u>	<u>1,242,624</u>	<u>177,518</u>
<u>LIABILITIES</u>						
CURRENT LIABILITIES :						
Accounts payable and accrued liabilities	200,799	1,008,941	2,529,320	258,537	3,997,597	46,160
Compensated absences-current	24,765	24,750	40,152	18,837	108,504	16,442
Installment purchase - current	170,000	1,058,030	159,128	36,269	1,423,427	
Loan payable - current	62,306	574,937			637,243	
Liabilities payable from restricted assets:						
Customer / line extension deposits	149,043	144,702	615,329		909,074	
Total current liabilities	<u>606,913</u>	<u>2,811,360</u>	<u>3,343,929</u>	<u>313,643</u>	<u>7,075,845</u>	<u>62,602</u>
NONCURRENT LIABILITIES :						
Due to other funds				2,411,884	2,411,884	
Total OPEB liability	1,509,502	1,509,502	1,698,190	566,063	5,283,257	754,751
Compensated absences-noncurrent	37,147	37,125	60,229	28,254	162,755	24,662
Net pension liability	351,619	351,619	395,571	131,857	1,230,666	175,810
Installment purchase - noncurrent	343,916	7,381,930	218,508	94,584	8,038,938	
Loan payable - noncurrent	1,059,198	7,474,177			8,533,375	
Total noncurrent liabilities	<u>3,301,382</u>	<u>16,754,353</u>	<u>2,372,498</u>	<u>3,232,642</u>	<u>25,660,875</u>	<u>955,223</u>
TOTAL LIABILITIES	<u>3,908,295</u>	<u>19,565,713</u>	<u>5,716,427</u>	<u>3,546,285</u>	<u>32,736,720</u>	<u>1,017,825</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
OPEB deferrals	99,776	99,776	112,248	37,416	349,216	49,888
Pension deferrals	10,838	10,838	12,192	4,064	37,932	5,419
TOTAL DEFERRED INFLOWS	<u>110,614</u>	<u>110,614</u>	<u>124,440</u>	<u>41,480</u>	<u>387,148</u>	<u>55,307</u>
<u>NET POSITION</u>						
Net Investment in capital assets	16,412,104	28,410,959	9,145,265	4,069,489	58,037,817	588,563
Unrestricted	8,929,023	4,907,119	9,180,163	(3,307,329)	19,708,976	505,349
TOTAL NET POSITION	<u>\$25,341,127</u>	<u>\$33,318,078</u>	<u>\$18,325,428</u>	<u>\$762,160</u>	<u>\$77,746,793</u>	<u>\$1,093,912</u>

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

CITY OF MORGANTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
OPERATING REVENUES :						
Charges for services	\$6,015,683	\$6,045,492	\$31,910,830	\$5,059,543	\$49,031,548	\$2,086,039
OPERATING EXPENSES :						
Water treatment and maintenance	4,301,165				4,301,165	
Wastewater treatment and maintenance		2,701,251			2,701,251	
Operations			27,994,655		27,994,655	
Operations and maintenance MIS, Garage and Warehouse operations				4,426,276	4,426,276	
Depreciation	1,173,835	1,407,025	882,857	336,814	3,800,531	2,041,063 112,698
Total	5,475,000	4,108,276	28,877,512	4,763,090	43,223,878	2,153,761
OPERATING INCOME (LOSS)	540,683	1,937,216	3,033,318	296,453	5,807,670	(67,722)
NONOPERATING REVENUES (EXPENSES) :						
Interest on investments	218,289	153,972	203,332	1	575,594	
ARC grant	45,276	35,871	22,276		103,423	
Sale of materials						1,814
Interest expense	(10,837)	(394,964)	(9,353)	(3,133)	(418,287)	
Miscellaneous	34,007	8,333	38,364	144,417	225,121	10,549
Total	286,735	(196,788)	254,619	141,285	485,851	12,363
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	827,418	1,740,428	3,287,937	437,738	6,293,521	(55,359)
TRANSFERS :						
Out			(733,535)		(733,535)	
Total			(733,535)		(733,535)	
Change in net position	827,418	1,740,428	2,554,402	437,738	5,559,986	(55,359)
Beginning net position	24,513,709	31,577,650	15,771,026	324,422	72,186,807	1,149,271
TOTAL NET POSITION - ending	<u>\$25,341,127</u>	<u>\$33,318,078</u>	<u>\$18,325,428</u>	<u>\$762,160</u>	<u>\$77,746,793</u>	<u>\$1,093,912</u>

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



CITY OF MORGANTON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>				Totals June 30, 2019	Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$5,967,107	\$6,104,162	\$31,691,117	\$5,105,880	\$48,868,266	\$2,086,003
Payments to suppliers	(2,613,645)	(865,795)	(26,891,881)	(3,891,013)	(34,262,334)	(1,207,842)
Payments to employees	(1,611,383)	(1,611,383)	(1,392,204)	(539,149)	(5,154,119)	(750,587)
Net cash provided by operating activities	<u>1,742,079</u>	<u>3,626,984</u>	<u>3,407,032</u>	<u>675,718</u>	<u>9,451,813</u>	<u>127,574</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers			(733,535)		(733,535)	
Interfund borrowings (gross)	299,557			(299,557)		
Proceeds from sale of materials						1,814
Miscellaneous	34,007	8,333	38,364	144,417	225,121	10,549
Net cash provided (used) by noncapital financing activities	<u>333,564</u>	<u>8,333</u>	<u>(695,171)</u>	<u>(155,140)</u>	<u>(508,414)</u>	<u>12,363</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(969,037)	(5,611,164)	(747,783)	(414,260)	(7,742,244)	(194,711)
Installment purchase debt issued/loan proceeds		398,000			398,000	
Principal paid on capital debt	(232,305)	(1,530,085)	(166,011)	(103,186)	(2,031,587)	
Interest paid on capital debt	(10,837)	(394,964)	(9,353)	(3,133)	(418,287)	
Net cash used by capital and related financing activities	<u>(1,212,179)</u>	<u>(7,138,213)</u>	<u>(923,147)</u>	<u>(520,579)</u>	<u>(9,794,118)</u>	<u>(194,711)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Proceeds from sales and maturities of investments	4,019,504	3,788,401	4,885,082		12,692,987	
Purchases of investments	(3,287,235)	(2,982,634)	(3,823,401)		(10,093,270)	
Interest on investments	202,553	144,362	186,050	1	532,966	
Net cash used by investing activities	<u>934,822</u>	<u>950,129</u>	<u>1,247,731</u>	<u>1</u>	<u>3,132,683</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,798,286</u>	<u>(2,552,767)</u>	<u>3,036,445</u>		<u>2,281,964</u>	<u>(54,774)</u>
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>2,661,019</u>	<u>6,705,164</u>	<u>3,157,738</u>		<u>12,523,921</u>	<u>728,288</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u><u>\$4,459,305</u></u>	<u><u>\$4,152,397</u></u>	<u><u>\$6,194,183</u></u>		<u><u>\$14,805,885</u></u>	<u><u>\$673,514</u></u>

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

CITY OF MORGANTON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds				Totals June 30, 2019	Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$540,683	\$1,937,216	\$3,033,318	\$296,453	\$5,807,670	(\$67,722)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,173,835	1,407,025	882,857	336,814	3,800,531	112,698
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(87,867)	27,272	(231,787)	46,337	(246,045)	(36)
(Increase) decrease in prepaid insurance	893	(9,497)	(3,403)	(441)	(12,448)	(699)
(Increase) decrease in inventories						34,862
(Increase) decrease in deferred outflows-pensions	(99,496)	(99,496)	(111,931)	(37,311)	(348,234)	(49,748)
(Increase) decrease in deferred outflows - OPEB	12,586	(20,820)	(35,990)	(29,833)	(74,057)	24,509
Increase (decrease) in accounts payable and accrued liabilities	29,879	232,819	(316,809)	2,432	(51,679)	7,648
Increase (decrease) in customer deposits	39,291	31,398	12,074		82,763	
Increase (decrease) in OPEB liability	(10,926)	(10,926)	(12,292)	(4,098)	(38,242)	(5,463)
Increase (decrease) in deferred inflows-pensions	(6,325)	(6,325)	(7,116)	(2,372)	(22,138)	(3,163)
Increase (decrease) in deferred inflows - OPEB	27,937	27,937	31,428	10,476	97,778	13,968
Increase (decrease) in net pension liability	121,165	121,165	136,310	45,437	424,077	60,583
Increase (decrease) in compensated absences	424	(10,784)	30,373	11,824	31,837	137
Net cash provided (used) by operating activities	<u>\$1,742,079</u>	<u>\$3,626,984</u>	<u>\$3,407,032</u>	<u>\$675,718</u>	<u>\$9,451,813</u>	<u>\$127,574</u>

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

CITY OF MORGANTON  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the City of Morganton and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Morganton is a municipal corporation governed by an elected mayor and four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Morganton ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Morganton ABC Board, 228 W. Fleming Drive, Morganton, NC 28655.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The City reports the following major governmental funds:

General Fund. The general fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, streets maintenance and construction, sanitation, and parks and recreation services. Additionally, the City has legally adopted an Economic Development Fund. Under GASB 54 guidance the Economic Development Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

Capital Project Fund – Soccer Complex. This fund is used to account for the revenue and expenditures of the City's soccer complex expansion capital project.

Capital Project Fund – Exit 105 Road Connector. This fund is used to account for the revenue and expenditures of the City's exit 105 road connector capital project. The revenue source is a grant.

Capital Project Fund – Greenway Connector. This fund is used to account for the revenue and expenditures of the City's greenway connector capital project. The revenue source is a grant.

CDBG Entitlement Special Revenue Fund. This fund is used to account for federal funds used to benefit low and moderate-income individuals.

Cemetery Special Revenue Fund. This fund is used to account for transactions related to the City Cemetery. The revenue source is user fees.

Building Reuse Special Revenue Fund. This fund is used to account for transactions related to the reuse of existing buildings within the City limits. The revenue source is State grants.

The government reports the following major enterprise funds:

Water Fund. The water fund is used to account for the City's water operation.

Wastewater Fund. The wastewater fund is used to account for the City's wastewater operation.

Electric Fund. The electric fund is used to account for the City's electric distribution operation.

Cable Fund. The cable fund is used to account for the City's cable/internet/telephone operation.

The City reports the following fund type:

Internal Service Fund. The internal service fund accounts for the Warehouse, Garage and Information Resource Management Services functions. Services are provided to City departments by this fund.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Morganton because the tax is levied by Burke County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Economic Development Fund, the Cemetery Fund and the Enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Entitlement Special Revenue Fund, the Building Re-use Special Revenue Fund, the General Capital Project Fund – Connect Greenway, General Capital Project Fund – Soccer Complex, General Capital Project Fund – Exit 105 Greenway Connector and the Wastewater Capital Projects Fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. The City's Internal Service Fund operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. The City Manager is authorized to transfer appropriations within a fund; however the governing board must approve any revisions that alter total expenditures of any fund. Both the original and the amended budget ordinances as of June 30, 2019 are included in the financial statements.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-39(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

In accordance with State law, the City has invested in securities, which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are stated at fair value as determined by quoted market prices.

2. 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. The City and the ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. 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.

City of Morganton Restricted Cash

Governmental Activities:	
General Fund – Streets	\$758,914
Cemetary Fund	247,926
Building Re-use Fund	9,626
Economic Development Fund	<u>1,096,944</u>
Total governmental activities	\$2,113,410
Business-type Activities:	
Water Fund - Customer deposits	110,738
Water Fund - Line extension deposits	38,305
Wastewater Fund - Customer deposits	116,313
Wastewater Fund - Line extension deposits	28,389
Electric Fund - Customer deposits	<u>615,329</u>
Total Business-type Activities	\$909,074
Total Restricted Cash	<u><u>\$3,022,484</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the City has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. 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.

6. Inventories and Prepaid Items

The internal service fund maintains all inventories unless it has been charged out to enterprise fund trucks. All inventories are valued at average cost. The ABC Board values inventory at the lower of FIFO cost or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

### 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization cost is \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the donation date. Donated capital assets received after June 30, 2015 are recorded at acquisition value.

All other purchased or constructed capital assets are reported at cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	20
Distribution System	10 - 30
Buildings	20
Equipment	10
Vehicles	5
Vehicles greater than 1 ton	10

Capital assets of the ABC Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	35
Improvements	15
Equipment	5

### 8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria, pension deferrals and OPEB deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category – prepaid taxes, unavailable property tax receivable, pension deferrals and OPEB deferrals.

### 9. 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. Prepaid insurance costs are expensed over the life of the debt.



## 10. Compensated Absences

The vacation policy of the City and the ABC Board provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds and the ABC Board, 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 the 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. Both the City and the ABC Board's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## 11. 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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

### Fund Balances

In the governmental fund financial statements, fund balance is composed of four classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid insurance – Insurance paid in advance.

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Economic Development - portion of fund balance restricted to be spent on programs in accordance with federal restrictions.

**Committed Fund Balance** –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Morganton's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Canteen Operations - portion of fund balance available for appropriation but segregated for canteen operations. It represents the balance of the total unexpended canteen funds.

Committed for Drug Enforcement - portion of fund balance available for appropriation but segregated for drug enforcement. It represents the balance of total unexpended confiscated drug money.

Committed for Capital Projects - portion of total fund balance available for appropriation which has been assigned by the governing board for future capital improvements.

Committed for Other – portion of fund balance committed by the governing board for future trust possibility.

Committed for Cemetery – portion of fund balance committed by the governing board for the cemetery.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds

It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The City of Morganton has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the general fund balance in excess of 15% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

## 12. Defined Benefit Cost-Sharing Plans

For 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, plan member contributions are recognized in the period in which the contributions are due. The City of Morganton's employer contributions are recognized when due and the City of Morganton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## II. Detail Notes on All Funds

### A. Assets

#### 1. Deposits

All the deposits of the City and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board these deposits are considered to be held by the City's and the ABC Board's agents in their names. 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 Unit or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and 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 and the ABC Board have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the City's deposits had a carrying amount of \$8,306,930 and a bank balance of \$8,699,293. Of the bank balance, \$500,000 was insured by federal depository insurance and \$8,199,293 was collateralized with securities held by the pledging financial institution in an escrow account in the name of the State Treasurer under the Pooling method of collateralization. The carrying amount of deposits for the ABC Board was \$247,018 and the bank balance was \$332,463. Of the bank balance, \$250,000 was covered by Federal depository insurance and the remainder was covered by collateral held under the pooling method.

## 2. Investments

At June 30, 2019 the City's investments were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2019</b>	<b>Maturity</b>	<b>Rating</b>
Commercial Paper: ING (US) Funding LLC	Fair Value Level 2	\$981,389	July 12, 2019	A1 P1
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	September 30, 2019	AAA
Commercial Paper: Banco Santander SA/NY	Fair Value Level 2	\$984,275	September 30, 2019	A1 P1
Commercial Paper: MUFG Bank LTD/NY	Fair Value Level 2	\$980,946	November 15, 2019	A1 P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$981,170	December 6, 2019	A1 P1
Government Agency: Federal National Mortgage Assn	Fair Value Level 2	\$997,000	December 30, 2019	AAA

Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$1,000,000	June 5, 2020	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$1,000,000	June 12, 2020	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,005,392	July 16, 2020	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$997,338	September 11, 2020	Unrated
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$999,588	September 29, 2020	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$998,588	October 27, 2020	Unrated
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,225	November 9, 2020	Unrated
Government Agency: Federal National Mortgage Assn	Fair Value Level 2	\$996,713	November 9, 2020	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,585	February 26, 2021	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$999,553	February 26, 2021	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$998,176	June 30, 2021	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,517	July 30, 2021	AAA
NC Capital Management Trust- Cash Portfolio	Amortized Cost	\$14,333,810	N/A	AAA <sub>m</sub>
NC Capital Management Trust- Term Portfolio	Fair Value Level 1	\$5,254,637	0.11 years	Unrated
Total:		\$37,509,900		

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 hierarch: 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 has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s internal investment policy sets forth the following guidelines as part of its investment strategy.

Percent of portfolio under 270 days	up to 50%
Percent of portfolio under 1 year	up to 75%
Percent of portfolio under 3 years	up to 100%

The City’s purchases securities with staggered maturity dates to complement its cash flow strategy.

Credit Risk - The City has no formal policy regarding credit risk, but has internal management procedures that limits the City’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City diversifies its investment portfolio to avoid incurring unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities.

<u>Diversification by Instrument:</u>	<u>Percent of Portfolio</u>
US Treasuries	up to 100%
US Government Agencies	up to 100%
Bankers Acceptances/Commercial Paper	up to 40%
Repurchase Agreements	up to 25%
Certificates of Deposit – Commercial Banks	up to 100%
Certificates of Deposit – Savings Banks	up to 25%
North Carolina Capital Management Trust	up to 50%

The City’s investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2019. The City’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Concentration of Credit Risk – The City places the following limits on the percentage that the City may invest in any one issuer:

- Bankers Acceptances - No more than 25% of the total portfolio with any one institution.
- Commercial Paper – No more than 25% of the total portfolio with any one issuer.
- Repurchase Agreements – No more than 15% of the total portfolio with any one institution.
- Certificates of Deposit–Commercial Banks – No more than 50% of the total portfolio with one institution.
- Certificates of Deposit-Savings Banks – No more than 25% of the total portfolio with one institution.
- North Carolina Capital Management Trust – No more than 50% of the total portfolio.

Other than stated above, the City of Morganton has no other formal policy relating to the credit risk of investments and deposits.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
Allowance for uncollectible property taxes	\$190,162
Allowance for revolving loans	144,274
Allowance for uncollectible charges	7,200
Water Fund:	
Allowance for uncollectible charges	18,700
Electric Fund:	
Allowance for uncollectible charges	65,000
Wastewater Fund:	
Allowance for uncollectible charges	5,500
Cable Fund:	
Allowance for uncollectible charges	30,000
	<u>\$460,836</u>

4. Capital assets

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$12,770,466			\$12,770,466
Construction in Progress		88,485		88,485
Capital assets being depreciated:				
Buildings	23,845,431	113,840		23,959,271
Equipment	28,316,924	2,070,377	686,016	29,701,285
Infrastructure	44,406,477	458,351		44,864,828
Total capital assets being depreciated	<u>96,568,832</u>	<u>2,642,568</u>	<u>686,016</u>	<u>98,525,384</u>
Less accumulated depreciation for:				
Buildings	19,520,284	555,136		20,075,420
Equipment	17,736,491	1,867,791	686,016	18,918,266
Infrastructure	39,215,753	1,109,869		40,325,622
Total accumulated depreciation	<u>76,472,528</u>	<u>3,532,796</u>	<u>686,016</u>	<u>79,319,308</u>
Total capital assets being depreciated, net	<u>20,096,304</u>	<u>(890,228)</u>		<u>19,206,076</u>
Governmental activity Capital assets, net	<u>\$32,866,770</u>	<u>(\$801,743)</u>		<u>\$32,065,027</u>

Internal Service Fund:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$33,317			\$33,317
Capital assets being depreciated:				
Buildings	711,419			711,419
Equipment	1,315,687	194,711		1,510,398
Total capital assets being depreciated	2,027,106	194,711		2,221,817
Less accumulated depreciation for:				
Buildings	603,555	16,265		619,820
Equipment	950,318	96,433		1,046,751
Total accumulated depreciation	1,553,873	112,698		1,666,571
Total capital assets being depreciated, net	473,233	82,014		555,246
Internal service fund capital assets, net	<u>\$506,550</u>	<u>\$82,014</u>		<u>\$588,563</u>

Depreciation expense for governmental activities was charged to functions/programs as follows:

General Government	\$ 415,974
Public Safety	697,657
Transportation	1,289,299
Environmental Protection	191,871
Culture and Recreational	937,995
Internal Service	112,698
Total depreciation expense	<u>\$3,645,494</u>

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water Fund:				
Capital assets not being depreciated:				
Land	\$912,017			\$912,017
Capital assets being depreciated:				
Buildings	10,106,366			10,106,366
Plant and System	23,029,333	863,956		23,893,289
Equipment	4,852,971	105,081	58,655	4,899,397
Total capital assets being depreciated	37,988,670	969,037	58,655	38,899,052
Less accumulated depreciation for:				
Buildings	7,083,840	188,432		7,272,272
Plant and System	10,792,728	652,672		11,445,400
Equipment	2,771,797	332,731	58,655	3,045,873
Total accumulated depreciation	20,648,365	1,173,835	58,655	21,763,545
Total capital assets being depreciated, net	17,340,305	(204,798)		17,135,507
Water fund capital assets, net	<u>\$18,252,322</u>	<u>(\$204,798)</u>		<u>\$18,047,524</u>

Wastewater Fund:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$14,067,068			\$14,067,068
Construction in Progress	5,500,001		5,500,001	
Capital assets being depreciated:				
Buildings	3,928,538			3,928,538
Plant and System	22,085,976	10,655,488	371,042	32,370,422
Equipment	17,559,869	455,677	316,190	17,699,356
Total capital assets being depreciated	43,574,383	11,111,165	687,232	53,998,316
Less accumulated depreciation for:				
Buildings	3,167,699	60,180		3,227,879
Plant and System	13,509,641	582,663	371,042	13,721,262
Equipment	5,768,218	764,182	316,190	6,216,210
Total accumulated depreciation	22,445,558	1,407,025	687,232	23,165,351
Total capital assets being depreciated, net	21,128,825	9,704,140		30,832,965
Wastewater fund capital assets, net	\$40,695,894	\$9,704,140	\$5,500,001	\$44,900,033

Electric Fund:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$55,950			\$55,950
Capital assets being depreciated:				
Buildings	2,677,695			2,677,695
Plant and System	16,924,726	657,042		17,581,768
Equipment	5,115,039	90,741	47,904	5,157,876
Total capital assets being depreciated	24,717,460	747,783	47,904	25,417,339
Less accumulated depreciation for:				
Buildings	2,034,041	65,923		2,099,964
Plant and System	9,826,401	502,679		10,329,080
Equipment	3,254,993	314,255	47,904	3,521,344
Total accumulated depreciation	15,115,435	882,857	47,904	15,950,388
Total capital assets being depreciated, net	9,602,025	(135,074)		9,466,951
Electric fund capital assets, net	\$9,657,975	(\$135,074)		\$9,522,901



Cable Fund:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$5,586			\$5,586
Capital assets being depreciated:				
Buildings	901,299			901,299
Plant and System	13,280,867	390,308		13,671,175
Equipment	733,432	23,952		757,384
Total capital assets being depreciated	14,915,598	414,260		15,329,858
Less accumulated depreciation for:				
Buildings	500,348	25,692		526,040
Plant and System	9,722,680	270,296		9,992,976
Equipment	575,260	40,826		616,086
Total accumulated depreciation	10,798,288	336,814		11,135,102
Total capital assets being depreciated, net	4,117,310	77,446		4,194,756
Cable fund capital assets, net	\$4,122,896	\$77,446		\$4,200,342

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$11,000			\$11,000
Capital assets being depreciated:				
Buildings	77,980			77,980
Improvements	151,153			151,153
Equipment	177,390	1,290		178,680
Total capital assets being depreciated	406,523	1,290		407,813
Less accumulated depreciation for:				
Buildings	77,980			77,980
Improvements	151,153			151,153
Equipment	164,893	4,444		169,337
Total accumulated depreciation	394,026	4,444		398,470
Total capital assets being depreciated, net	12,497	(3,154)		9,343
Cable fund capital assets, net	\$23,497	(\$3,154)		\$20,343

B. Liabilities

1. Pension plan and Postemployment Obligations

a. Local Government Employees' Retirement System

Plan Description - The City of Morganton and the ABC Board are participating employers 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Morganton 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 Morganton's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, 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 Morganton were \$995,775 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$4,395,238 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 the City's proportion was 0.18527%, which was a decrease of 0.3291% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,183,077. At June 30, 2019, 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	\$678,081	\$22,753
Changes in assumptions	1,166,327	
Net difference between projected and actual earnings on pension plan investments	603,336	
Changes in proportion and differences between City contributions and proportionate share of contributions		112,727
City contributions subsequent to the measurement date	995,775	
Total	<u>\$3,443,519</u>	<u>\$135,480</u>

\$995,775 reported as deferred outflows of resources related to pensions resulting from City contributions made after the measurement date of the net pension/OPEB liability/collective net pension/OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the net pension/OPEB liability or collective net pension/OPEB liability in the subsequent fiscal period (06/30/2020) rather than in the current fiscal period. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$1,124,693
2020	727,154
2021	115,750
2022	344,667

Actuarial Assumptions - The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors 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 of return for each major asset class as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. 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 3.05%. All rates of return and inflation are annualized.

Discount rate - The discount rate used to measure the total pension liability was 7.00%. 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.

Sensitivity of the City's proportionate share of the net pension liability 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$10,557,742	\$4,395,238	(\$754,247)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description - The City of Morganton 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 under the age of 62 who have completed five or more years of creditable service. 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, 2017, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits:		
Inactive Members Currently Receiving Benefits		15
Active Members		<u>57</u>
Total		<u>72</u>

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 following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The City paid \$107,563 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$2,380,218. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$(71,908).

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$116,362
Changes of assumptions	90,138	98,099
City benefit payments and plan administrative expense made subsequent to the measurement date	107,563	
Total	<u>\$197,701</u>	<u>\$214,461</u>

\$107,563 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$29,177
2021	29,177
2022	25,951
2023	25,561
2024	14,457
Thereafter	

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 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$2,566,564	\$2,380,218	\$2,211,114

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

Total Pension Liability as of December 31, 2017	\$2,619,567
Changes for the year:	
Service Cost at End of year	90,254
Interest	79,331
Difference between expected and actual experience	(103,527)
Change of assumptions and other inputs	(87,215)
Benefit payments	(218,192)
Net changes	<u>(239,349)</u>
Total Pension Liability as of December 31, 2018	<u>\$2,380,218</u>

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$1,183,077	(\$71,908)	\$1,111,169
Pension Liability	4,395,238	2,380,218	6,775,456
Proportionate share of the net pension liability	0.18527%		
 Deferred Outflows of Resources			
Differences between expected and actual experience	678,081		678,081
Changes of assumptions	1,166,327	90,138	1,256,465
Net difference between projected and actual earnings on plan investments	603,336		603,336
Benefit payments and administrative costs paid subsequent to the measurement date	995,775	107,563	1,103,338
 Deferred Inflows of Resources			
Differences between expected and actual experience	22,753	116,362	139,115
Changes of assumptions		98,099	98,099
Changes in proportion and differences between contributions and proportionate share of contributions	112,717		112,717

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or 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. The law enforcement officers may also make voluntary contributions to the plan.

The City made contributions of \$140,052 for the reporting year. No amounts were forfeited.



d. Other Post-Employment Benefit

Plan Description - Per a 1998 City Council approved policy; the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the City. How much the City will pay for basic medical insurance for all retirees is based on years of service. The City's contributions are financed on a pay-as-you-go basis. The policy provides for termination of this benefit upon thirty days' notice. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation.

Retirees and dependents receiving benefits	55
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>267</u>
Total	<u>322</u>

The following schedule became effective July 1, 1997 and applies to employees hired prior to July 1, 2012:

Years of service with the <u>City of Morganton</u>	% of Retiree Health <u>Insurance the City Pays</u>
20 or more years of service	100%
10 to 19.99 years of service	50%
5 to 9.99 years of service	0%
Disability retirement	100%

The following schedule became effective July 1, 2012 and applies to employees hired on or after July 1, 2012:

Years of service with the <u>City of Morganton</u>	% of Retiree Health <u>Insurance the City Pays</u>
25 or more years of service	100%
20 years to 24.99 years of service	75%
15 to 19.99 years of service	50%
5 to 14.99 years of service	0%
Disability retirement	100%

Funding Policy - The City's contribution will cease when the retiree reaches age 65. Employees pay varying amounts depending on the plan they choose as the cost of their coverage. Retirees pay according to the scale listed above. Employees and retirees have the option of purchasing dependent coverage. Coverage for all retirees ceases when they are eligible for Medicare. The City has chosen to fund healthcare benefits on a pay as you go basis. A separate report was not issued for the plan.

Total OPEB Liability

The City's total OPEB liability of \$18,868,774 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the June 30, 2018 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%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$19,005,352
Changes for the year:	
Service cost	634,665
Interest	661,281
Differences between expected and actual experience	16,737
Changes in assumptions or other inputs	(581,592)
Benefit payments	<u>(867,669)</u>
Net changes	<u>(\$136,578)</u>
Balance at June 30, 2018	<u>\$18,868,774</u>

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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 (2.89% percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	\$0 Increase (4.89%)
TOTAL OPEB Liability	\$20,703,986	\$18,868,774	\$17,240,202

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	Current	1% Increase
TOTAL OPEB Liability	\$16,828,859	\$18,868,774	\$21,273,386

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,065,951. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	14,349	\$21,532
Changes of assumptions		1,225,672
Benefit payments and administrative costs made subsequent to the measurement date	980,074	
Total	\$994,423	\$1,247,204

\$980,074 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	(229,995)
2019	(229,995)
2020	(229,995)
2021	(229,995)
2022	(229,995)
Thereafter	(82,880)

4. 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. The City participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these

pools, the City obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. To mitigate the risk of flood, the City has obtained flood insurance coverage.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each.

#### 5. Claims, Judgments and Contingent Liabilities

The City is not aware of any claims or legal actions that would have a material adverse effect on the City's financial position. Legal council is currently representing the City on various legal proceedings principally in the normal course of operations in a City government.

#### 6. Long-Term Obligations

##### a. Installment Purchase Obligations

All of the City's installment purchase debt financings were direct borrowings. GASB 88 does not apply to any of contracts listed below:

In November 2007, the City entered into an installment purchase contract to finance the purchase of the City Hall Building. The agreement was to borrow \$3,339,700 for 16 years at an interest rate of 3.93%. The loan was refinanced during fiscal year 2010-2011; the new interest rate is 3.49%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$54,392 of interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	222,647	25,254
2021	222,647	17,483
2022	222,647	9,713
2023	111,322	1,942
Total	<u>\$779,263</u>	<u>\$54,392</u>

In December 2013, the City entered into an installment purchase contract to finance a fire truck. \$800,000 was borrowed for 7 years at an interest rate of 1.85%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$5,534 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	118,656	3,864
2021	<u>120,850</u>	<u>1,670</u>
Total	<u>\$239,506</u>	<u>\$5,534</u>

In July 2015, the City entered into an installment purchase contract to finance three projects – City parking lots, resurfacing the Greenway trail and improvements at the Mountain View recreation center. \$1,065,500 was borrowed for 4.5 years at an interest rate of 1.6%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$3,315 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	<u>274,987</u>	<u>3,315</u>
Total	<u>\$274,987</u>	<u>\$3,315</u>

In April 2016, the City entered into an installment purchase contract to finance a garbage truck. \$244,268 was borrowed for 4.5 years at an interest rate of 1.97%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$2,234 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	49,839	1,617
2021	<u>50,839</u>	<u>617</u>
Total	<u>\$100,678</u>	<u>\$2,234</u>

In October 2016, the City entered into an installment purchase contract to finance a garbage truck and a sweeper. \$436,855 was borrowed for 4 years at an interest rate of 1.352%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$2,266 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	126,928	1,941
2021	<u>64,112</u>	<u>325</u>
Total	<u>\$191,040</u>	<u>\$2,266</u>

In January 2017, the City entered into an installment purchase contract to finance the renovation of the Community House. \$1,290,000 was borrowed for 15 years at an interest rate of 3.23%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$252,780 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	86,000	36,111
2021	86,000	33,334
2022	86,000	30,556
2023	86,000	27,778
2024 - 2032	<u>774,000</u>	<u>125,001</u>
Total	<u>\$1,118,000</u>	<u>\$252,780</u>

In February 2017, the City entered into an installment purchase contract to finance Public Safety cars and a fire truck. \$818,500 was borrowed for 5 years at an interest rate of 2.14%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$17,668 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	164,148	9,456
2021	167,689	5,915
2022	171,306	2,297
Total	<u>\$503,143</u>	<u>\$17,668</u>

In September 2018, the City entered into an installment purchase contract to finance a backhoe and a knuckleboom. \$335,489 was borrowed for 4 years at an interest rate of 3.04%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$24,161 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	81,357	8,556
2021	82,187	7,726
2022	84,685	5,227
2023	87,260	2,652
Total	<u>\$335,489</u>	<u>\$24,161</u>

In November 2018, the City entered into an installment purchase contract to finance Public Safety cars. \$400,173 was borrowed for 3 years at an interest rate of 3.07%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$21,161 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	131,709	8,736
2021	132,203	8,242
2022	136,261	4,183
Total	<u>\$400,173</u>	<u>\$21,161</u>

In February 2019, the City entered into an installment purchase contract to finance the refurbishment of a firetruck. \$183,285.51 was borrowed for 5 years at an interest rate of 3.42%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$19,226 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	34,234	6,268
2021	35,405	5,098
2022	36,616	3,887
2023	37,868	2,634
2024	39,163	1,339
Total	<u>\$183,286</u>	<u>\$19,226</u>

In May 2012, the City entered into an installment purchase contract to finance a water filter media project for the Water Department. \$1,700,000 was borrowed for 10 years at an interest rate of 2.08%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$21,542 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Water Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	170,000	10,689
2021	170,000	7,153
2022	170,000	3,617
2023	3,916	83
Total	<u>\$513,916</u>	<u>\$21,542</u>

In October 2016, the City entered into an installment purchase contract to finance two electric department trucks. \$348,428 was borrowed for 4 years at an interest rate of 1.352%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$1,808 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Electric Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	101,237	1,548
2021	51,130	260
Total	<u>\$152,367</u>	<u>\$1,808</u>

In June 2017, the City entered into an installment purchase contract to finance sewer plant upgrades. \$9,716,370 was borrowed for 10 years at an interest rate of 2.45%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$901,965 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Wastewater Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	912,379	194,935
2021	934,732	172,582
2022	957,633	149,681
2023	981,095	126,219
2025	1,005,132	102,182
2024 - 2027	3,165,576	156,366
Total	<u>\$7,956,547</u>	<u>\$901,965</u>

In August 2017, the City entered into an installment purchase contract to finance two sewer department trucks. \$150,000 was borrowed for 3 years at an interest rate of 2.19%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$1,408 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Wastewater Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	68,143	1,313
2021	17,270	95
Total	<u>\$85,413</u>	<u>\$1,408</u>

In September 2017, the City entered into an installment purchase contract to finance a cable DNCS system. \$165,000 was borrowed for 5 years at an interest rate of 2.42%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$6,409 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Cable Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	36,269	2,949
2021	37,152	2,065
2022	38,057	1,161
2023	19,375	234
Total	<u>\$130,853</u>	<u>\$6,409</u>

In February 2018, the City entered into an installment purchase contract to finance an electric digger derrick truck. \$280,400 was borrowed for 4 years at an interest rate of 2.67%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$12,216 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Electric Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	57,891	5,438
2021	59,451	3,877
2022	61,056	2,274
2023	46,871	627
Total	<u>\$225,269</u>	<u>\$12,216</u>

In November 2018, the City entered into an installment purchase contract to finance a sewer vac truck. \$398,000 was borrowed for 5 years at an interest rate of 3.29%.

Annual debt service payments of the installment purchase as of June 30, 2019, including \$36,098 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Wastewater Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	77,508	9,311
2021	76,276	10,544
2022	78,785	8,035
2023	81,377	5,443
2024	84,054	2,765
Total	<u>\$398,000</u>	<u>\$36,098</u>

#### Clean Water Revolving Loan

In October 2013, the City entered into a clean water revolving loan to finance infrastructure improvements at its waste treatment plant. \$11,495,222 was borrowed for 20 years at an interest rate of 2.00%

Annual debt service payments of the installment purchase as of June 30, 2019, including \$1,207,367 of interest, are as follows:



<u>Year Ending June 30</u>	<u>Wastewater Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2020	574,937	160,982
2021	574,937	149,484
2022	574,937	137,985
2023	574,937	126,486
2024	574,937	114,987
2025-2033	<u>5,174,429</u>	<u>517,443</u>
Total	<u>\$8,049,114</u>	<u>\$1,207,367</u>

North Carolina Drinking Water State Revolving Loan

In June 2016, the City entered into a drinking water state revolving loan to finance clearwell improvements at its water plant. \$1,246,115 was borrowed for 20 years at an interest rate of 0%.

Annual debt service payments of the installment purchase as of June 30, 2019, are as follows:

<u>Year Ending June 30</u>	<u>Water Fund</u>
	<u>Principal</u>
2020	62,306
2021	62,306
2022	62,306
2023	62,306
2024	62,306
2025-2033	<u>809,974</u>
Total	<u>\$1,121,504</u>

Debt Margin

At June 30, 2019, the City of Morganton had a legal debt margin of \$120,881,017 (unaudited).

b. Changes in long-term liabilities

The liability for pension-related debt and compensated absences is liquidated by the general fund.

	<u>Beginning</u>			<u>Balance</u>	<u>Current</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>30-Jun-19</u>	<u>Portion of</u>
					<u>Balance</u>
Governmental activities:					
Installment purchase	\$4,509,435	\$918,948	\$1,302,818	\$4,125,565	\$1,290,505
Compensated absences	806,191	512,960	462,686	856,465	359,028
Net pension liability (LGERS)	2,074,085	1,090,487		3,164,572	
Total pension liability (LEO)	2,619,567		239,349	2,380,218	
Total OPEB Liability	13,683,853		98,336	13,585,517	
Governmental activities long-term liabilities	\$23,693,131	\$2,522,395	\$2,103,189	\$24,112,337	\$1,649,533

	Beginning Balance	Increases	Decreases	Balance 30-Jun-19	Current Portion of Balance
Business-type activities:					
Installment purchase	\$10,458,709	\$398,000	\$1,394,344	\$9,462,365	\$1,423,427
Revolving loans	9,807,861		637,243	9,170,618	637,243
Net pension liability (LGERS)	806,589	424,077		1,230,666	
Total OPEB Liability	5,321,499		38,242	5,283,257	
Compensated absences	239,422	173,731	141,894	271,259	108,504
Business-type activities long-term liabilities	\$26,634,080	\$995,808	\$2,211,723	\$25,418,165	\$2,169,174

c. Interfund Balances and Activity

Balances due to/due from other funds at June 30, 2019, consist of the following:

	<u>Receivables</u>	<u>Payables</u>
Water fund - due from Cable Fund	\$2,411,884	
Cable fund – due to Water fund		\$2,411,884
Total interfund receivables/payables	<u>\$2,411,884</u>	<u>\$2,411,884</u>

The outstanding balances between funds result mainly from working capital loans made to other funds which are expected to be reimbursed in a future year.

Transfers are used for various reasons. In the year ended June 30, 2019 transfers were used to:

- Subsidize the general fund to forestall a significant property tax increase
- Cover administrative costs for special revenue funds

A summary of interfund transfers by fund for the year ended June 30, 2019 is as follows:

	Transfers From	Transfers To
General Fund :		
From Electric Fund	\$733,535	
To Capital Projects Fund - Soccer Complex		\$385,000
To Capital Projects Fund - 105 Road Connector		173,195
	733,535	558,195
Capital Projects Fund - Soccer Complex		
From General Fund	385,000	
	385,000	
Capital Projects Fund - 105 Road Connector		
From General Fund	173,195	
	173,195	
Electric Fund :		
To General Fund		733,535
Grand Totals	\$1,291,730	\$1,291,730

d. 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	\$19,773,670
Less:	
Stabilization by state statute	(\$2,888,459)
Streets - Powell bill	(758,914)
Economic development	(1,096,944)
Capital Projects	(1,708,108)
Canteen operations	(6,101)
Drug enforcement	(23,773)
Prepaid insurance	(195,628)
Other	(450,000)
Working capital/fund balance policy	(3,136,446)
Remaining fund balance	\$9,509,297

The City of Morganton has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures.

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

General fund	\$1,268,912
Capital Project fund - Road Connector	\$1,310,456
Water fund	\$146,723
Electric fund	\$339,164
Wastewater fund	\$196,183
Cable fund	\$18,795
Internal Service fund	\$172,419
Special Revenue fund	\$3,800

### Jointly Governed Organization

The City, in conjunction with twenty other local governments, is a member of the North Carolina Municipal Power Agency #1 (Agency). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The twenty-one members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2019 were \$24,587,343.

The City, in conjunction with twenty-six other local governments, established the Western Piedmont Council of Governments (WPCOG). The participating governments established the WPCOG to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the WPCOG'S governing board. The City paid membership fees of \$19,036 to WPCOG during the fiscal year ended June 30, 2019.

### III. Joint Ventures

The City, in conjunction with the City of Lenoir, Burke County and Caldwell County, participates in a regional airport. Each participating government appoints members to the board. The Airport is a joint venture established to facilitate economic expansion within the area and improve the quality of life for its citizens. The Airport has been in existence for fifty years, but it is not self-sustaining.

The City has an ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The City contributed \$47,137 to the Airport during the fiscal year ended June 30, 2019. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2019. Complete financial statements for the Airport can be obtained from the Airport's administrative offices.

The City and the members of the City's public safety department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. During the fiscal year ended June 30, 2019, the City reported revenues of \$15,791 and

expenditures of \$2,512 for the payments made through the Fireman's Relief fund. The Firemen's supplemental fund expended \$2,250 to retired reserve firefighters. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VI. Related Organization

The mayor of the City of Morganton appoints the five-member board of the City of Morganton Housing Authority. 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. The City makes no financial contributions to the Authority, does not approve its budget and is not able to impose its will or provide specific financial benefit or burden. The City of Morganton is also disclosed as related organization in the notes to the financial statements for the Morganton Housing Authority.

VII. 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.

CITY OF MORGANTON  
REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MORGANTON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST SIX FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Morganton's proportion of the net pension liability (asset) %	0.18527%	0.18856%	0.19957%	0.20200%	0.20660%	0.20140%
Morganton's proportion of the net pension liability (asset) \$	4,395,238	2,880,674	4,235,544	906,742	(1,218,415)	2,427,643
Morganton's covered payroll	11,914,784	11,353,548	11,312,359	11,592,235	10,422,226	10,063,585
Morganton's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.89%	25.37%	37.44%	7.82%	-11.69%	24.12%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. This schedule will show ten years of information as it becomes available.

CITY OF MORGANTON  
REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MORGANTON'S CONTRIBUTIONS  
LAST SIX FISCAL YEARS

LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$995,775	\$912,453	\$842,339	\$769,923	\$819,571	\$806,235
Contributions in relation to the contractually required contribution	995,775	912,453	842,339	769,923	819,571	806,235
Contribution deficiency (excess)	-	-	-	-	-	-
Morganton's covered payroll	12,578,485	11,914,784	11,353,548	11,312,359	11,592,235	10,422,226
Contributions as a percentage of covered payroll	7.92%	7.66%	7.42%	6.81%	7.07%	7.74%

This schedule will show ten years of information as it becomes available.

CITY OF MORGANTON  
REQUIRED SUPPLEMENTARY INFORMATION  
LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE  
SCHEDULE OF TOTAL PENSION LIABILITY

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$2,619,567	\$2,543,747	\$2,613,350
Service cost	90,254	82,676	87,059
Interest on total pension liability	79,331	94,486	89,917
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the total pension liability	(103,527)	(49,733)	
Changes of assumptions or other inputs	(87,215)	140,214	(57,236)
Benefit payments	(218,192)	(191,823)	(189,343)
Other changes			
Ending balance of the total pension liability	<u>\$2,380,218</u>	<u>\$2,619,567</u>	<u>\$2,543,747</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This schedule will show ten years of information as it becomes available.

CITY OF MORGANTON  
REQUIRED SUPPLEMENTARY INFORMATION  
LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE  
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$2,380,218	\$2,619,567	\$2,543,747
Covered payroll	2,792,586	2,547,381	2,872,388
Total pension liability as a percentage of covered payroll	85.23%	102.83%	88.56%

Notes to the schedules:

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

This schedule will show ten years of information as it becomes available.



CITY OF MORGANTON  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Total OPEB Liability	<u>2019</u>	<u>2018</u>
Service cost	\$634,665	\$686,630
Interest	661,281	577,105
Changes of benefit terms		
Differences between expected and actual experience	16,737	(30,128)
Changes of assumptions	(581,592)	(1,017,284)
Benefit payments	<u>(867,669)</u>	<u>(762,150)</u>
Net change in total OPEB liability	(136,578)	(545,827)
Total OPEB Liability – beginning	<u>19,005,352</u>	<u>19,551,179</u>
Total OPEB Liability – ending	<u>\$18,868,774</u>	<u>\$19,005,352</u>
Covered payroll	\$12,578,485	\$11,914,784
Total OPEB liability as a percentage of covered payroll	150.01%	159.51%

Notes to Schedule:

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

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

This schedule will show ten years of information as it becomes available.

CITY OF MORGANTON  
CAPITAL PROJECTS FUND - SOCCER COMPLEX  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		<u>Actual</u>			
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>Total To</u>	<u>Variance</u>
	<u>Authorization</u>	<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>Favorable</u>
					<u>(Unfavorable)</u>
REVENUES:					
Restricted Contributions	\$575,000		\$90,000	\$90,000	(\$485,000)
State Grant	385,000				(385,000)
Other Grants	64,210				(64,210)
Total revenues	<u>1,024,210</u>		<u>90,000</u>	<u>90,000</u>	<u>(934,210)</u>
EXPENDITURES:					
Construction	1,409,210				1,409,210
Total expenditures	<u>1,409,210</u>				<u>1,409,210</u>
REVENUES OVER (UNDER) EXPENDITUR	<u>(385,000)</u>		<u>90,000</u>	<u>90,000</u>	<u>475,000</u>
OTHER FINANCING SOURCES (USES):					
Transfer from General Fund	385,000		385,000	385,000	
Total other financing sources (uses)	<u>385,000</u>		<u>385,000</u>	<u>385,000</u>	
Excess of revenues over (under) expenditures and other financial uses			<u>475,000</u>	<u>475,000</u>	<u>475,000</u>
Fund balances - beginning					
Fund balances - ending			<u>\$475,000</u>		

CITY OF MORGANTON  
CAPITAL PROJECTS FUND - GREENWAY CONNECTOR  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Project</u>	<u>Actual</u>			<u>Variance</u>
	<u>Authorization</u>	<u>Prior</u>	<u>Current</u>	<u>Total To</u>	<u>Favorable</u>
		<u>Years</u>	<u>Year</u>	<u>Date</u>	<u>(Unfavorable)</u>
REVENUES:					
ARC grant	<u>1,335,000</u>		<u>\$37,150</u>	<u>37,150</u>	<u>(\$1,297,850)</u>
Total revenues	<u>1,335,000</u>		<u>37,150</u>	<u>37,150</u>	<u>(1,297,850)</u>
EXPENDITURES:					
Construction	<u>1,668,750</u>		<u>46,437</u>	<u>46,437</u>	<u>1,622,313</u>
Total expenditures	<u>1,668,750</u>		<u>46,437</u>	<u>46,437</u>	<u>1,622,313</u>
REVENUES OVER (UNDER) EXPENDITUR	<u>(333,750)</u>		<u>(9,287)</u>	<u>(9,287)</u>	<u>324,463</u>
OTHER FINANCING SOURCES (USES):					
Transfer from General Fund	<u>333,750</u>	<u>333,750</u>		<u>333,750</u>	
Total other financing sources (uses)	<u>333,750</u>	<u>333,750</u>		<u>333,750</u>	
Excess of revenues over (under) expenditures and other financial uses			<u>(9,287)</u>	<u>\$324,463</u>	<u>\$324,463</u>
Fund balances - beginning			<u>333,750</u>		
Fund balances - ending			<u>\$324,463</u>		

CITY OF MORGANTON  
CAPITAL PROJECTS FUND - EXIT 105 ROAD CONNECTOR  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total To Date	
REVENUES:					
ARC grant	\$1,375,000		\$42,048	\$42,048	(\$1,332,952)
Total revenues	<u>1,375,000</u>		<u>42,048</u>	<u>42,048</u>	<u>(1,332,952)</u>
EXPENDITURES:					
Site work	50,000				50,000
Construction	1,067,070				1,067,070
Demolition and removal	65,000				65,000
Traffic signals and lighting	59,286		13,500	13,500	45,786
Architectural/engineering	52,738		28,548	28,548	24,190
Project inspection	158,214				158,214
ContingencySite Work	95,887				95,887
Total expenditures	<u>1,548,195</u>		<u>42,048</u>	<u>42,048</u>	<u>1,506,147</u>
REVENUES OVER (UNDER) EXPENDITUR	<u>(173,195)</u>				<u>173,195</u>
OTHER FINANCING SOURCES (USES):					
Transfer from General Fund	173,195		173,195	173,195	
Total other financing sources (uses)	<u>173,195</u>		<u>173,195</u>	<u>173,195</u>	
Excess of revenues over (under) expenditures and other financial uses			<u>173,195</u>	<u>173,195</u>	<u>\$173,195</u>
Fund balances - beginning					
Fund balances - ending			<u>\$173,195</u>		

CITY OF MORGANTON  
ECONOMIC DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest earned			\$19,137	\$19,137
Total revenues			19,137	19,137
OTHER FINANCING SOURCES (USES):				
Transfers in		340,300	10,000	(330,300)
Transfers out		(340,300)	(225,000)	115,300
Total other financing sources (uses)			(215,000)	(215,000)
Excess of revenues over (under) expenditures and other financial uses			(195,863)	(\$195,863)
Fund balances - beginning			1,292,807	
Fund balances - ending			\$1,096,944	

CITY OF MORGANTON  
CDBG ENTITLEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total To</u> <u>Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:					
Restricted intergovernmental revenues - community development block grants	\$4,609,819	\$4,029,268	\$217,698	\$4,246,966	(\$362,853)
Program income	378,502	364,126	29,831	393,957	15,455
Total revenues	<u>4,988,321</u>	<u>4,393,394</u>	<u>247,529</u>	<u>4,640,923</u>	<u>(347,398)</u>
EXPENDITURES:					
Economic and physical development					
Land acquisition	392,673	171,873	26,250	198,123	194,550
Rehabilitation	441,600	525,117		525,117	(83,517)
Construction	1,211,670	863,454	140,889	1,004,343	207,327
Administration	720,670	718,033	31,589	749,622	(28,952)
Credit counseling	32,253	32,253		32,253	
Deposit assistance	19,162	19,162		19,162	
Grant assistance	484,975	433,693	24,750	458,443	26,532
Interest expense	133,109	119,500		119,500	13,609
Small business loan	812,311	682,322		682,322	129,989
Bad debts		14,380		14,380	(14,380)
Section 108 loan repayment	380,000	375,000		375,000	5,000
Total expenditures	<u>4,628,423</u>	<u>3,954,787</u>	<u>223,478</u>	<u>4,178,265</u>	<u>450,158</u>
REVENUES OVER EXPENDITURES	<u>359,898</u>	<u>438,607</u>	<u>24,051</u>	<u>462,658</u>	<u>102,760</u>
OTHER FINANCING SOURCES (USES):					
Issuance of capital debt (108)	375,000	375,000		375,000	
Paid to State of North Carolina	(49,989)	(49,989)		(49,989)	
Transfers from general fund	3,439	3,439		3,439	
Transfer to electric fund	(8,331)	(8,331)		(8,331)	
Transfer to cable fund	(16,960)	(16,960)		(16,960)	
Transfer to component unit					
Redevelopment commission	(663,057)	(663,057)		(663,057)	
	<u>(359,898)</u>	<u>(359,898)</u>		<u>(359,898)</u>	
Excess of revenues over expenditures and other financial uses		<u>\$78,709</u>	<u>\$24,051</u>	<u>\$102,760</u>	<u>\$102,760</u>
Fund balances - beginning			<u>\$78,709</u>		
Fund balances - ending			<u>\$102,760</u>		

CITY OF MORGANTON  
BUILDING RE-USE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total To</u> <u>Date</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:					
Grant revenue	\$2,130,000	\$237,469	\$1,517,589	\$1,755,058	(\$374,942)
Burke County	40,750		31,123	\$31,123	(9,627)
Total revenues	<u>2,170,750</u>	<u>237,469</u>	<u>1,548,712</u>	<u>1,786,181</u>	<u>(\$384,569)</u>
EXPENDITURES:					
Economic development	2,130,000	237,469	1,517,589	1,755,058	374,942
Administration	81,500	10,633	51,614	62,247	19,253
Total expenditures	<u>2,211,500</u>	<u>248,102</u>	<u>1,569,203</u>	<u>1,817,305</u>	<u>394,195</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(40,750)</u>	<u>(10,633)</u>	<u>(20,491)</u>	<u>(31,124)</u>	<u>9,626</u>
OTHER FINANCING SOURCES:					
Transfers from general fund	40,750	40,750		40,750	
	<u>40,750</u>	<u>40,750</u>		<u>40,750</u>	
Excess of revenues over (under) expenditures and other financial uses		<u>\$30,117</u>	<u>(\$20,491)</u>	<u>\$9,626</u>	<u>\$9,626</u>
Fund balances - beginning			<u>\$30,117</u>		
Fund balances - ending			<u>\$9,626</u>		

CITY OF MORGANTON  
WATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES :			
Operating revenues :			
Reimbursement for services	\$10,000	\$20,833	\$10,833
Water rents	5,348,696	5,513,227	164,531
Penalties	61,200	69,916	8,716
Water taps	55,000	81,891	26,891
Reconnect fees	21,000	18,275	(2,725)
Rental income	340,000	311,541	(28,459)
Total	<u>5,835,896</u>	<u>6,015,683</u>	<u>179,787</u>
Nonoperating revenues (expenditures) :			
Interest on investments	95,527	218,289	122,762
Miscellaneous	4,500	34,007	29,507
ARC Grant	79,888	45,276	(34,612)
Interest expenditures	(14,226)	(10,837)	3,389
Total	<u>165,689</u>	<u>286,735</u>	<u>121,046</u>
Total revenues	<u>6,001,585</u>	<u>6,302,418</u>	<u>300,833</u>
EXPENDITURES :			
Water treatment and maintenance :			
Salaries and employee benefits		1,611,383	
Operating expenditures		2,631,900	
Total	<u>\$4,679,451</u>	<u>\$4,243,283</u>	<u>\$436,168</u>



CITY OF MORGANTON  
WATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance
EXPENDITURES (Continued) :			
Budgetary appropriations :			
Debt principal	\$232,306	\$232,306	
Capital outlay	1,328,478	969,037	\$359,441
Total budgetary appropriations	1,560,784	1,201,343	359,441
Total expenditures	6,240,235	5,444,626	795,609
REVENUES OVER (UNDER) EXPENDITURES	(238,650)	857,792	1,096,442
OTHER FINANCING SOURCES (USES) :			
Appropriated retained earnings	238,650		(238,650)
Total other financing sources (uses)	238,650		(238,650)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(238,650)	\$857,792	\$857,792
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Revenues and Other Sources Over (Under) Expenditures and Other Uses			\$857,792
Reconciling items:			
Capital outlays		969,037	
Debt principal		232,306	
Depreciation		(1,173,835)	
Accrued vacation pay		(424)	
Increase in net pension liability		(121,165)	
Increase in deferred outflows of resources - pensions		99,496	
Decrease in deferred inflows of resources - pensions		6,325	
Decrease in OPEB liability		10,926	
Decrease in deferred outflows of resources - OPEB		(12,586)	
Increase in deferred inflows of resources - OPEB		(27,937)	
Bad debts		(12,517)	(30,374)
Change in Net Position		(12,517)	\$827,418

CITY OF MORGANTON  
WASTEWATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES :</b>			
Operating revenues :			
Reimbursement for services	\$43,109	\$42,409	(\$700)
Sewer rents	5,686,200	5,894,653	208,453
Late payment penalties	31,000	35,440	4,440
Sewer taps	7,500	13,825	6,325
Septage revenue	40,000	56,150	16,150
Sale of materials	1,000	2,500	1,500
Sale of sludge	1,500	515	(985)
Total	<u>5,810,309</u>	<u>6,045,492</u>	<u>235,183</u>
Nonoperating revenues (expenditures) :			
Interest earned	54,354	150,092	95,738
Miscellaneous	11,000	8,333	(2,667)
Reimbursement	30,605		(30,605)
ARC Grant	78,650	35,871	(42,779)
Interest expenditures	(394,105)	(394,964)	(859)
Total	<u>(219,496)</u>	<u>(200,668)</u>	<u>18,828</u>
Total revenues	<u>5,590,813</u>	<u>5,844,824</u>	<u>254,011</u>
<b>EXPENDITURES :</b>			
Wastewater treatment and maintenance :			
Salaries and employee benefits		934,985	
Operating expenditures		1,756,674	
Total wastewater treatment	<u>\$2,990,538</u>	<u>\$2,691,659</u>	<u>\$298,879</u>

CITY OF MORGANTON  
WASTEWATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance
EXPENDITURES (Continued) :			
Budgetary appropriations :			
Debt principal	\$1,530,084	\$1,530,084	\$0
Capital outlay	1,531,513	1,020,602	\$510,911
Total budgetary appropriations	3,061,597	2,550,686	510,911
Total expenditures	6,052,135	5,242,345	809,790
REVENUES OVER (UNDER) EXPENDITURES:	(461,322)	602,479	1,063,801
OTHER FINANCING SOURCES (USES) :			
Installment purchase debt issued	400,000	398,000	(2,000)
Appropriated retained earnings	436,322		(436,322)
Transfer to capital project fund	(375,000)	(375,000)	0
Total other financing sources (uses)	461,322	23,000	(438,322)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(461,322)	625,479	625,479
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Revenues and Other Sources Over (Under) Expenditures and Other Uses			\$625,479
Reconciling items:			
Capital outlays		1,020,602	
Debt principal		1,530,084	
Installment purchase debt issued		(398,000)	
Depreciation		(1,407,025)	
Accrued vacation pay		10,783	
Increase in net pension liability		(121,165)	
Increase in deferred outflows of resources - pensions		99,496	
Decrease in deferred inflows of resources - pensions		6,325	
Decrease in OPEB liability		10,926	
Decrease in deferred outflows of resources - OPEB		20,820	
Increase in deferred inflows of resources - OPEB		(27,937)	
Bad debts		(8,840)	736,069
Change in Net Position			\$1,361,548

CITY OF MORGANTON  
WASTEWATER CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES :					
Interest earned		\$11,496	\$3,880	\$15,376	\$15,376
EXPENDITURES:					
Construction	\$11,728,986	\$5,500,001	\$4,590,562	10,090,563	1,638,423
REVENUES OVER (UNDER) EXPENDITURES:	<u>(11,728,986)</u>	<u>(\$5,488,505)</u>	<u>(\$4,586,682)</u>	<u>(\$10,075,187)</u>	<u>\$1,653,799</u>
OTHER FINANCING SOURCES:					
Appropriated retained earnings	387,616				(387,616)
Transfer from wastewater	975,000		375,000		(600,000)
Installment purchase debt issued	<u>10,366,370</u>	<u>9,716,370</u>		<u>9,716,370</u>	<u>(650,000)</u>
Total	<u>11,728,986</u>	<u>9,716,370</u>	<u>375,000</u>	<u>10,091,370</u>	<u>(1,637,616)</u>
Excess of expenditures (over) under other financial uses		<u>4,227,865</u>	<u>(4,211,682)</u>	<u>16,183</u>	<u>16,183</u>
Fund balances - beginning			<u>4,227,865</u>		
Fund balances - ending			<u>\$16,183</u>		

CITY OF MORGANTON  
ELECTRIC FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES :			
Operating revenues :			
Reimbursement for services	\$42,750	\$32,620	(\$10,130)
Sale of power	30,657,000	30,978,775	321,775
Late payment penalties	275,000	241,625	(33,375)
Security light rental	530,000	548,993	18,993
Street lighting	74,000	74,000	0
Reconnection fees	40,000	27,975	(12,025)
Pole rental	5,000	6,842	1,842
	<u>31,623,750</u>	<u>31,910,830</u>	<u>287,080</u>
Total			
Nonoperating revenues (expenditures) :			
Interest expenditures	(11,493)	(9,353)	2,140
Interest earned	52,000	203,332	151,332
Miscellaneous	7,900	38,364	30,464
ARC Grant	72,102	22,276	(49,826)
	<u>120,509</u>	<u>254,619</u>	<u>134,110</u>
Total			
Total revenues	<u>31,744,259</u>	<u>32,165,449</u>	<u>421,190</u>
EXPENDITURES :			
Operations and construction :			
Salaries and employee benefits		1,392,204	
Operating expenditures		1,935,558	
Purchases of power		24,587,343	
		<u>\$30,268,180</u>	<u>\$27,915,105</u>
Total			<u>\$2,353,075</u>
Budgetary appropriations :			
Debt principal - installment purchase notes	\$166,011	\$166,011	\$0
Capital Outlay	813,792	747,783	66,009
	<u>979,803</u>	<u>913,794</u>	<u>66,009</u>
Total budgetary appropriations	<u>979,803</u>	<u>913,794</u>	<u>66,009</u>
Total expenditures	<u>31,247,983</u>	<u>28,828,899</u>	<u>2,419,084</u>

CITY OF MORGANTON  
ELECTRIC FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance
REVENUES OVER (UNDER) EXPENDITURES	496,276	3,336,550	2,840,274
OTHER FINANCING SOURCES (USES) :			
Appropriated retained earnings	237,259		237,259
Transfer to general fund	(733,535)	(733,535)	
Total other financing sources (uses)	(496,276)	(733,535)	237,259
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		\$2,603,015	\$2,603,015
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Revenues and Other Sources Over (Under) Expenditures and Other Uses			\$2,603,015
Reconciling items:			
Capital outlays		747,783	
Debt principal		166,011	
Depreciation		(882,857)	
Accrued vacation pay		(30,372)	
Increase in net pension liability		(136,310)	
Increase in deferred outflows of resources - pensions		111,931	
Decrease in deferred inflows of resources - pensions		7,116	
Decrease in OPEB liability		12,292	
Decrease in deferred outflows of resources - OPEB		35,990	
Increase in deferred inflows of resources - OPEB		(31,428)	
Bad debts		(48,769)	(48,613)
Change in Net Position			\$2,554,402

CITY OF MORGANTON  
CABLE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES :			
Operating revenues :			
Reimbursement for services	\$21,500	\$14,649	(\$6,851)
Telephone revenues	365,000	385,782	20,782
Internet revenues	2,150,000	2,247,824	97,824
Cable rents	2,400,000	2,411,288	11,288
Total	<u>4,936,500</u>	<u>5,059,543</u>	<u>123,043</u>
Nonoperating revenues (expenditures) :			
Interest earned		1	1
Penalties	62,000	76,136	14,136
Reconnect fees	25,000	28,885	3,885
Ad sales	40,000	33,449	(6,551)
Bad check charges	2,000	1,560	(440)
Miscellaneous	18,834	4,387	(14,447)
Interest expenditures	(5,613)	(3,133)	2,480
Total	<u>142,221</u>	<u>141,285</u>	<u>(936)</u>
Total revenues	<u>5,078,721</u>	<u>5,200,828</u>	<u>122,107</u>
EXPENDITURES :			
Cable operations and maintenance :			
Salaries and employee benefits		539,149	
Operating expenditures		3,803,413	
Total cable operations and maintenance	<u>\$4,678,381</u>	<u>\$4,342,562</u>	<u>\$335,819</u>

CITY OF MORGANTON  
CABLE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance
EXPENDITURES (Continued) :			
Budgetary appropriations :			
Debt principal - installment purchase notes	\$103,186	\$103,186	
Capital outlay	312,000	414,260	(\$102,260)
Total budgetary appropriations	415,186	517,446	(102,260)
Total expenditures	5,093,567	4,860,008	233,559
REVENUES OVER (UNDER) EXPENDITURES	(14,846)	340,820	355,666
OTHER FINANCING SOURCES (USES) :			
Appropriated retained earnings	14,846		(14,846)
Total other financing sources (uses)	14,846		(14,846)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(14,846)	\$340,820	\$340,820
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Revenues and Other Sources Over (Under) Expenditures and Other Uses			\$340,820
Reconciling items:			
Capital outlays		414,260	
Debt principal		103,186	
Depreciation		(336,814)	
Accrued vacation pay		(11,824)	
Increase in net pension liability		(45,437)	
Increase in deferred outflows of resources - pensions		37,311	
Decrease in deferred inflows of resources - pensions		2,372	
Decrease in OPEB liability		4,098	
Decrease in deferred outflows of resources - OPEB		29,833	
Increase in deferred inflows of resources - OPEB		(10,476)	
Bad debts		(89,591)	96,918
Change in Net Position			\$437,738



CITY OF MORGANTON  
IRMS, WAREHOUSE AND GARAGE INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
FINANCIAL PLAN AND ACTUAL (NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Financial Plan	Actual	Variance
REVENUES :			
Operating revenues :			
IRMS :			
General Fund	\$612,360	\$612,360	
Electric Fund	102,128	102,128	
Water Fund	63,981	63,981	
Wastewater Fund	49,942	49,942	
Cable Fund	116,645	116,645	
Internal Service Fund	28,609	28,609	
Total	973,665	973,665	
Warehouse :			
General Fund sales	30,000	26,383	(\$3,617)
Electric Fund sales	270,000	390,352	120,352
Water Fund sales	65,000	68,996	3,996
Wastewater Fund sales	5,000	1,043	(3,957)
Cable Fund sales	40,000	58,372	18,372
Total	410,000	545,146	135,146
Garage :			
General Fund sales	208,000	197,161	(10,839)
Electric Fund sales	25,000	15,774	(9,226)
Water Fund sales	22,000	58,406	36,406
Wastewater Fund sales	10,000	5,755	(4,245)
Cable Fund sales	10,000	32,740	22,740
Sale of fuel	400,000	257,392	(142,608)
Total	675,000	567,228	(107,772)
Total operating revenues	2,058,665	2,086,039	27,374
Nonoperating revenues :			
Insurance reimbursements		10,549	10,549
Sale of materials/surplus		1,814	1,814
Total		12,363	12,363
Total revenues	\$2,058,665	\$2,098,402	\$39,737

CITY OF MORGANTON  
IRMS, WAREHOUSE AND GARAGE INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES - FINANCIAL PLAN AND ACTUAL  
(NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Financial Plan	Actual	Variance
EXPENDITURES :			
IRMS :			
Salaries and employee benefits		\$362,439	
Operating expenditures		557,657	
Total IRMS	\$1,016,603	920,096	\$96,507
Warehouse :			
Salaries and employee benefits		150,356	
Operating expenditures		39,820	
Purchases of inventory		463,684	
Pro rata administrative services		(209,570)	
Total warehouse	550,000	444,290	105,710
Garage :			
Salaries and employee benefits		237,792	
Operating expenditures		89,380	
Purchases of inventory		256,647	
Purchases of fuel		353,914	
Pro rata administrative services		(361,281)	
Total garage	665,049	576,452	88,597
Budgetary appropriations :			
Capital outlay	235,791	194,711	41,080
Total budgetary appropriations	235,791	194,711	41,080
Total expenditures	\$2,467,443	\$2,135,549	\$331,894

CITY OF MORGANTON  
IRMS, WAREHOUSE AND GARAGE INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES - FINANCIAL PLAN AND ACTUAL  
(NON GAAP)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(\$408,778)</u>	<u>(\$37,147)</u>	<u>(\$371,631)</u>
OTHER FINANCING SOURCES (USES) :			
Appropriated retained earnings	<u>408,778</u>	<u>                    </u>	<u>408,778</u>
Total other financing sources (uses)	<u>408,778</u>	<u>                    </u>	<u>408,778</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>                    </u>	<u>(\$37,147)</u>	<u>(\$37,147)</u>
RECONCILIATION FROM FINANCIAL PLAN (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
Revenues and Other Sources Over (Under) Expenditures and Other Uses			(\$37,147)
Reconciling items:			
Capital outlays		194,711	
Depreciation		(112,698)	
Accrued vacation pay		(137)	
Increase in net pension liability		(60,583)	
Increase in deferred outflows of resources - pensions		49,748	
Decrease in deferred inflows of resources - pensions		3,163	
Decrease in OPEB liability		5,463	
Decrease in deferred outflows of resources - OPEB		(24,509)	
Increase in deferred inflows of resources - OPEB		(13,968)	
Inventory		<u>(59,402)</u>	<u>(18,212)</u>
Change in Net Position			<u>(\$55,359)</u>

CITY OF MORGANTON  
SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019		\$9,845,958	\$9,694,510	\$151,448
2017-2018	\$117,011		43,481	73,530
2016-2017	\$43,175		14,088	29,087
2015-2016	\$21,723		3,020	18,703
2014-2015	\$14,582		1,848	12,734
2013-2014	\$18,003		967	17,036
2012-2013	\$13,994		1,032	12,962
2011-2012	\$9,468		529	8,939
2010-2011	\$8,977		454	8,523
2009-2010	\$8,804		156	8,648
2008-2009	\$9,365		9,365	0
TOTAL	<u>\$265,102</u>	<u>\$9,845,958</u>	<u>\$9,769,450</u>	<u>\$341,610</u>
Less Allowance for Doubtful Accounts				<u>(190,162)</u>
Net Property Tax Receivable (Exhibit 1)				<u>\$151,448</u>
RECONCILEMENT WITH REVENUES :				
Taxes - ad valorem - General Fund (Exhibit 4)		\$9,676,414		
Less interest collected		<u>(34,013)</u>	\$9,642,401	
Discounts			117,684	
Amount written off for tax year 2008-2009 per statute of limitations			<u>9,365</u>	
TOTAL COLLECTIONS AND CREDITS			<u>\$9,769,450</u>	



CITY OF MORGANTON  
SCHEDULE OF TRANSFERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund :		
From Electric Fund	\$733,535	
To Capital Projects Fund - Soccer Complex		\$385,000
To Capital Projects Fund - 105 Road Connector		173,195
	<u>733,535</u>	<u>558,195</u>
Capital Projects Fund - Soccer Complex		
From General Fund	385,000	
	<u>385,000</u>	
Capital Projects Fund - 105 Road Connector		
From General Fund	173,195	
	<u>173,195</u>	
Electric Fund :		
To General Fund		733,535
		<u>733,535</u>
Grand Totals	<u>\$1,291,730</u>	<u>\$1,291,730</u>

CITY OF MORGANTON  
SCHEDULE OF CASH AND INVESTMENT BALANCES  
YEAR ENDED JUNE 30, 2019

	<u>Carrying Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
CASH :			
On hand	\$6,665	\$6,665	\$6,665
In time deposits - NOW, SuperNOW, money market and certificates of deposit	<u>8,300,265</u>	<u>8,300,265</u>	<u>8,300,265</u>
Total cash	<u>8,306,930</u>	<u>8,306,930</u>	<u>8,306,930</u>
INVESTMENTS :			
North Carolina Capital Management Trust	19,588,446	19,588,446	19,588,446
Commercial paper	3,927,780	3,927,780	3,927,780
US Government agencies	<u>13,993,674</u>	<u>13,965,930</u>	<u>13,993,674</u>
Total investments (including cash equivalents)	<u>37,509,900</u>	<u>37,482,156</u>	<u>37,509,900</u>
 TOTAL CASH AND INVESTMENTS	 <u><u>\$45,816,830</u></u>	 <u><u>\$45,789,086</u></u>	 <u><u>\$45,816,830</u></u>

CITY OF MORGANTON

STATISTICAL SECTION

JUNE 30, 2019

This part of the City of Morganton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government's overall financial health

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being has changed over time.	102-111
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	112-115
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	116-119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	120-121
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	122-126

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



CITY OF MORGANTON  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Invested in capital assets, net of related debt	\$37,897,550	\$36,335,474	\$33,673,160	\$31,808,471
Restricted	1,315,433	5,549,775	6,255,232	7,590,604
Unrestricted	11,272,201	4,231,094	4,219,343	3,471,229
Total governmental activities net assets	<u>50,485,184</u>	<u>46,116,343</u>	<u>44,147,735</u>	<u>42,870,304</u>
Business-type activities				
Invested in capital assets, net of related debt	50,256,119	51,016,008	50,371,775	51,986,555
Unrestricted	13,075,437	14,737,059	16,813,565	17,958,568
Total business-type activities net assets	<u>63,331,556</u>	<u>65,753,067</u>	<u>67,185,340</u>	<u>69,945,123</u>
Primary government				
Net investment in capital assets	88,153,669	87,351,482	84,044,935	83,795,026
Restricted	1,315,433	9,780,869	10,474,575	7,695,753
Unrestricted	24,347,638	18,968,153	16,813,565	21,324,648
Total primary government net assets	<u>\$113,816,740</u>	<u>\$116,100,504</u>	<u>\$111,333,075</u>	<u>\$112,815,427</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$30,490,395	\$31,287,687	\$29,363,037	\$27,910,238	\$28,863,885	\$28,528,025
6,480,008	6,222,219	7,896,819	3,953,135	4,592,854	5,829,361
4,749,144	4,765,778	6,086,449	10,407,024	(1,626,323)	(1,052,265)
41,719,547	42,275,684	43,346,305	42,270,397	31,830,416	33,305,121
54,455,902	54,912,799	56,570,906	47,303,662	52,462,517	58,037,817
17,348,180	17,095,160	17,207,118	27,428,041	19,724,290	19,708,976
71,804,082	72,007,959	73,778,024	74,731,703	72,186,807	77,746,793
84,946,297	86,200,486	85,933,943	75,213,900	81,326,402	86,565,842
6,480,008	6,222,219	7,896,819	3,953,135	4,592,854	5,829,361
22,097,324	21,860,938	23,293,567	37,835,065	18,097,967	18,656,711
\$113,523,629	\$114,283,643	\$117,124,329	\$117,002,100	\$104,017,223	\$111,051,914

CITY OF MORGANTON  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2010	2011	2012	2013
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	\$3,630,766	\$3,609,198	\$3,982,814	\$3,912,009
Public Safety	7,408,112	8,020,152	7,331,704	7,416,835
Transportation	2,412,047	2,275,232	2,396,894	2,277,238
Economic and physical development	218,656	216,413	200,710	119,035
Environmental protection	1,176,135	1,210,998	1,105,025	1,155,375
Culture and recreation	4,183,063	4,765,491	4,680,010	4,724,850
Interest on long-term debt	201,570	177,894	132,767	127,653
<b>Total governmental activities expenses</b>	<b>19,230,349</b>	<b>20,275,378</b>	<b>19,829,924</b>	<b>19,732,995</b>
<b>Business-type activities:</b>				
Water	3,719,723	4,428,054	4,626,908	4,803,191
Wastewater	3,739,629	3,791,743	3,465,124	3,723,556
Electric	27,380,632	29,042,901	30,455,928	32,061,280
Cable	4,173,224	4,200,613	4,201,231	4,433,307
Community house	300,521			
<b>Total business-type activities expenses</b>	<b>39,313,729</b>	<b>41,463,311</b>	<b>42,749,191</b>	<b>45,021,334</b>
<b>Total primary government expenses</b>	<b>58,544,078</b>	<b>61,738,689</b>	<b>62,579,115</b>	<b>64,754,329</b>
<b>Program Revenues:</b>				
<b>Governmental activities:</b>				
Charges for services:				
General government	354,433	401,366	474,238	561,709
Public Safety	214,043	49,184	38,273	33,898
Transportation		468,136		
Economic and physical development				
Environmental protection	1,024,768	1,094,518	1,085,405	1,211,551
Culture and recreation	861,029	970,297	988,922	1,032,610
Operating Grants and Contributions	724,637	425,492	797,030	716,426
Capital Grants and Contributions	323,177	934,725	775,628	863,938
<b>Total governmental activities program rev's</b>	<b>3,502,087</b>	<b>4,343,718</b>	<b>4,159,496</b>	<b>4,420,132</b>
<b>Business-type activities:</b>				
Charges for services:				
Water	4,894,472	4,643,110	4,854,787	5,020,919
Wastewater	4,274,993	4,677,572	4,891,791	4,988,894
Electric	26,192,614	29,170,119	30,854,838	32,808,535
Cable	3,973,907	4,087,798	4,115,024	4,259,270
Community house	175,332			
Operating Grants and Contributions	19,392			
<b>Total business-type activities program rev's</b>	<b>39,530,710</b>	<b>42,578,599</b>	<b>44,716,440</b>	<b>47,077,618</b>
<b>Total primary government program rev's</b>	<b>\$43,032,797</b>	<b>\$46,922,317</b>	<b>\$48,875,936</b>	<b>\$51,497,750</b>

2014	2015	2016	2017	2018	2019
\$3,440,468	\$1,849,269	\$3,343,228	\$3,222,746	\$3,419,322	\$3,765,610
7,660,604	7,852,782	6,651,717	7,582,613	7,998,165	\$7,984,756
2,576,293	2,312,432	2,730,653	2,497,040	2,548,502	\$2,402,144
136,785	141,751	285,783	165,678	358,863	\$1,881,166
1,047,375	1,097,467	1,046,082	1,209,929	1,217,912	\$1,167,597
4,811,792	5,455,971	5,186,423	4,992,109	5,082,336	\$5,223,557
122,825	124,446	138,427	119,363	136,483	\$113,873
19,796,142	18,834,118	19,382,313	19,789,478	20,761,583	22,538,703
4,949,707	5,070,715	5,029,465	5,195,893	5,254,922	\$5,485,837
4,091,744	4,280,212	4,425,170	4,397,099	4,592,059	\$4,503,240
33,682,364	34,719,580	32,438,473	32,176,623	31,446,910	\$28,886,865
4,472,432	4,347,245	4,417,630	4,375,105	4,585,347	\$4,766,223
47,196,247	48,417,752	46,310,738	46,144,720	45,879,238	43,642,165
66,992,389	67,251,870	65,693,051	65,934,198	66,640,821	66,180,868
624,519	817,679	532,812	568,422	333,057	233,441
38,499	49,396	61,180		21,346	30,300
7,557	3,240	1,120			
125,549	155,545				31,124
1,189,156	1,183,901	1,188,228	1,210,766	1,358,022	1,378,189
1,101,543	1,075,183	1,058,685	1,139,879	1,226,015	1,239,449
843,004	720,271	1,455,215	1,550,179	979,262	2,407,803
	945,182	129,196	159,558	320,312	193,198
3,929,827	4,950,397	4,426,436	4,628,804	4,238,014	5,513,504
5,480,781	5,629,436	5,776,164	5,612,687	5,677,093	6,015,683
5,045,826	4,980,346	5,309,234	4,753,049	5,602,873	6,045,492
34,537,320	34,615,760	33,452,210	32,767,824	31,923,645	31,910,830
4,128,586	4,147,511	4,239,367	4,345,190	4,790,391	5,059,543
49,192,513	49,373,053	48,776,975	47,478,750	47,994,002	49,031,548
\$53,122,340	\$54,323,450	\$53,203,411	\$52,107,554	\$52,232,016	\$54,545,052

Net (Expense)/Revenue:				
Governmental activities	(\$15,728,262)	(\$15,931,660)	(\$15,670,428)	(\$15,312,863)
Business-type activities	216,981	1,115,288	1,967,249	2,056,284
Total primary government net expense	<u>(15,511,281)</u>	<u>(14,816,372)</u>	<u>(13,703,179)</u>	<u>(13,256,579)</u>
General Revenues and Other				
Changes in Net Position:				
Governmental activities:				
Ad valorem taxes	7,820,692	7,708,574	7,623,645	7,944,516
Occupancy tax				
Privilege license tax				
Carbon City fire tax				
Sales tax				
Other taxes	2,641,496	3,064,831	3,517,569	3,460,242
Unrestricted intergovernmental revenues	1,713,894	1,719,297	1,751,859	1,737,882
Restricted intergovernmental revenues		24,701		
Investment earnings	137,801	37,993	21,939	32,542
Other revenues	64,690	74,362		64,550
Change in reserve for prepaid insurance				
Permits				
Transfers	337,467	(858,831)	786,808	795,700
Total governmental activities	<u>12,716,040</u>	<u>11,770,927</u>	<u>13,701,820</u>	<u>14,035,432</u>
Business-type activities:				
Investment earnings	105,723	32,730	31,769	46,163
Other revenues	237,886	206,554	220,063	215,785
Transfers	(337,467)	858,831	(786,808)	(795,700)
Total business-type activities	<u>6,142</u>	<u>1,098,115</u>	<u>(534,976)</u>	<u>(533,752)</u>
Total primary government	<u>12,722,182</u>	<u>12,869,042</u>	<u>13,166,844</u>	<u>13,501,680</u>
Change in Net Position:				
Governmental activities	(3,012,222)	(4,160,733)	(1,968,608)	(1,277,431)
Business-type activities	223,123	2,213,403	1,432,273	1,522,532
Total primary government	<u>(\$2,789,099)</u>	<u>(\$1,947,330)</u>	<u>(\$536,335)</u>	<u>\$245,101</u>

(\$15,866,315)	(\$13,883,721)	(\$14,955,877)	(\$15,160,674)	(\$16,523,569)	(\$17,025,199)
1,996,266	955,301	2,466,237	1,334,030	2,114,764	5,389,383
<u>(13,870,049)</u>	<u>(12,928,420)</u>	<u>(12,489,640)</u>	<u>(13,826,644)</u>	<u>(14,408,805)</u>	<u>(11,635,816)</u>

8,746,988	9,021,003	9,088,863	9,045,679	8,953,681	9,712,831
	79,879	91,224	110,727	110,494	131,279
	190,977	48			
	9,164	9,259	9,579	9,362	10,706
	3,275,403	3,522,743	3,839,698	4,069,777	4,368,905
3,339,080					
1,796,345	2,064,379	2,527,391	2,540,423	2,597,176	2,637,488
20,640	32,694	77,325	107,644	219,318	368,754
130,903	291,330	194,633	76,862	28,908	47,614
		(152,416)			
				492,527	488,792
681,602	642,442	667,428	688,353	704,552	733,535
<u>14,715,558</u>	<u>15,607,271</u>	<u>16,026,498</u>	<u>16,418,965</u>	<u>17,185,795</u>	<u>18,499,904</u>

34,987	37,703	92,821	87,291	147,262	575,594
509,308	307,310	228,450	220,711	215,155	328,544
(681,602)	(642,442)	(667,428)	(688,353)	(704,552)	(733,535)
<u>(137,307)</u>	<u>(297,429)</u>	<u>(346,157)</u>	<u>(380,351)</u>	<u>(342,135)</u>	<u>170,603</u>
<u>14,578,251</u>	<u>15,309,842</u>	<u>15,680,341</u>	<u>16,038,614</u>	<u>16,843,660</u>	<u>18,670,507</u>

(1,150,757)	1,723,550	1,070,621	1,258,291	662,226	1,474,705
1,858,959	657,872	2,120,080	953,679	1,772,629	5,559,986
<u>\$708,202</u>	<u>\$2,381,422</u>	<u>\$3,190,701</u>	<u>\$2,211,970</u>	<u>\$2,434,855</u>	<u>\$7,034,691</u>

CITY OF MORGANTON  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2010	2011*	2012	2013	2014
General Fund					
Reserved	\$1,872,310				
Unreserved	7,115,736				
Nonspendable					
Restricted		\$2,104,203	\$1,965,729	\$2,610,137	\$1,895,424
Committed		3,066,228	3,953,714	4,725,743	4,287,109
Unassigned		5,203,732	5,096,368	4,702,828	5,951,951
Total general fund	<u>8,988,046</u>	<u>10,374,163</u>	<u>11,015,811</u>	<u>12,038,708</u>	<u>12,134,484</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds	3,417,360				
Restricted		379,344	335,789	340,959	290,480
Committed					
Unassigned		3,163	13,580	18,231	6,995
Total all other governmental funds	<u>\$3,417,360</u>	<u>\$382,507</u>	<u>\$349,369</u>	<u>\$359,190</u>	<u>\$297,475</u>

Notes:

\* Prior to FY 2011 fund balance reporting reflects pre GASB 54 GAAP classifications. From FY 2011 forward current GAAP is reported.

2015	2016	2017	2018	2019
	\$152,416	\$157,278	\$170,285	\$195,628
\$1,844,844	2,975,342	3,911,962	4,592,854	4,744,317
4,107,784	3,431,035	3,559,855	2,551,831	2,187,982
6,918,323	8,839,922	10,462,406	11,018,235	12,645,743
12,870,951	15,398,715	18,091,501	18,333,205	19,773,670
248,802	41,859	41,173	78,709	1,085,044
161,800	365,671	905,998	590,969	249,299
\$410,602	\$407,530	\$947,171	\$669,678	\$1,334,343



CITY OF MORGANTON  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2010	2011	2012	2013
Revenues:				
Ad valorem taxes	\$7,786,282	\$7,707,971	\$7,630,208	\$7,936,870
Other taxes and licenses	2,649,525	3,064,831	3,517,569	3,460,242
Unrestricted intergovernmental revenues	1,851,812	1,863,644	1,891,276	1,957,471
Restricted intergovernmental revenues	1,164,160	1,708,071	1,528,865	1,539,846
Other restricted revenues	58,557	128,474	34,098	17,894
Permits and fees	168,853	219,976	168,538	252,293
Sales and services	1,964,570	2,167,551	2,215,061	2,410,889
Investment earnings	137,801	37,993	21,939	32,542
Other revenues	64,690	74,362	73,517	118,481
<b>Total revenues</b>	<b>15,846,250</b>	<b>16,972,873</b>	<b>17,081,071</b>	<b>17,726,528</b>
Expenditures:				
General government	3,266,881	3,126,601	3,479,442	3,709,428
Public safety	6,693,223	7,221,357	6,908,659	7,052,196
Transportation	1,160,742	1,183,133	1,230,622	1,255,466
Environmental protection	1,005,097	1,044,297	1,168,448	987,112
Cultural and recreational	4,171,791	3,917,534	3,882,803	4,010,149
Economic and physical development	233,656	216,413	200,710	119,035
Debt service				
Principal	672,392	693,644	682,564	708,746
Interest	214,872	180,022	150,661	136,978
<b>Total expenditures</b>	<b>17,418,654</b>	<b>17,583,001</b>	<b>17,703,909</b>	<b>17,979,110</b>
Other Financing Sources (Uses):				
Installment purchase issued		196,540	836,808	489,600
Transfers	337,467	(858,831)	394,540	795,700
<b>Total other financing sources (uses)</b>	<b>337,467</b>	<b>(662,291)</b>	<b>1,231,348</b>	<b>1,285,300</b>
<b>Net change in fund balances</b>	<b>(\$1,234,937)</b>	<b>(\$1,272,419)</b>	<b>\$608,510</b>	<b>\$1,032,718</b>
Debt service as a percentage of noncapital expenditures				
	5.37%	5.23%	4.93%	4.70%

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$8,732,981	\$9,054,942	\$9,105,965	\$9,009,716	\$8,939,363	\$9,676,414
3,339,080	3,555,423	3,623,274	3,960,004	4,189,633	4,510,890
2,045,038	2,487,639	2,538,025	2,551,652	2,597,176	2,637,488
914,592	848,220	1,413,916	863,730	940,837	2,431,426
29,808	141,319	113,582	728,249	351,510	132,890
143,282	181,362	137,285	398,174	492,527	488,792
2,593,452	3,256,986	2,842,025	2,598,555	2,938,441	2,912,503
20,640	32,694	77,325	107,644	219,318	368,754
130,903	390,580	103,627	105,729	36,134	84,299
17,949,776	19,949,165	19,955,024	20,323,453	20,704,939	23,243,456
3,322,629	3,171,885	3,424,337	3,070,281	3,093,337	3,200,344
8,123,787	7,813,649	7,144,444	7,259,946	8,197,966	8,255,099
1,546,120	1,397,533	1,570,530	1,588,015	1,244,199	1,735,686
1,081,299	1,181,444	1,153,858	1,230,240	1,086,274	1,262,245
4,558,063	5,668,844	5,303,790	5,501,343	5,640,957	5,042,448
136,785	141,751	306,479	165,678	358,863	1,881,166
796,859	953,035	981,041	1,389,553	1,673,751	1,302,818
121,928	119,111	111,049	119,678	149,933	111,003
19,687,470	20,447,252	19,995,528	20,324,734	21,445,280	22,790,809
1,090,153	705,239	1,897,768	2,545,355		918,948
681,602	642,442	667,428	688,353	704,552	733,535
1,771,755	1,347,681	2,565,196	3,233,708	704,552	1,652,483
\$34,061	\$849,594	\$2,524,692	\$3,232,427	(\$35,789)	\$2,105,130
5.34%	5.24%	6.26%	8.79%	9.73%	7.04%

CITY OF MORGANTON  
ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

<u>Fiscal</u> <u>Year</u>	<u>Real</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Utilities</u>	<u>Taxable</u> <u>Value*</u>	<u>Tax Rate</u>
2009-10	1,199,128,762	474,848,368	29,824,993	1,703,802,123	0.46
2010-11	1,198,791,908	438,159,444	31,728,145	1,668,679,497	0.46
2011-12	1,202,411,351	418,982,896	28,712,849	1,650,107,096	0.46
2012-13	1,198,554,851	423,036,719	28,996,222	1,650,587,792	0.48
2013-14	1,092,910,590	514,553,411	28,455,816	1,635,919,817	0.53
2014-15	1,037,640,097	518,358,914	28,056,258	1,584,055,269	0.53
2015-16	1,147,443,980	523,151,058	30,809,358	1,701,404,396	0.53
2016-17	1,147,677,767	518,769,207	32,210,597	1,698,657,571	0.53
2017-18	1,254,947,435	384,731,511	33,969,373	1,673,648,319	0.53
2018-19	1,555,449,474	389,912,275	34,339,211	1,979,700,960	0.57

Notes:

Revenue is not broken into different types of rate payers as the information is not available from Burke County in that format.

\* Taxable value equals fair market value.

CITY OF MORGANTON  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(RATE PER \$100 DOLLAR VALUATION)

<u>Fiscal Year</u>	<u>City Direct Rates</u>	<u>Overlapping Rates (*)</u>	
	<u>Basic Tax Rate</u>	<u>Special Tax District</u>	<u>Burke County</u>
2009-10	0.46	0.14	0.52
2010-11	0.46	0.14	0.52
2011-12	0.46	0.14	0.52
2012-13	0.48	0.14	0.52
2013-14	0.53	0.14	0.68
2014-15	0.53	0.14	0.68
2015-16	0.53	0.14	0.68
2016-17	0.53	0.14	0.68
2017-18	0.53	0.14	0.695
2018-19	0.57	0.14	0.695

Notes:

\* Overlapping rates are those of local and county governments that apply to property owners within the City of Morganton. Not all overlapping rates apply to all Morganton property owners; for example, although Burke County property tax rates apply to all Morganton property owners, Morganton Downtown District rates apply only to the Morganton property owners whose property is located within that district's geographical boundaries.

Components of the total direct rate are not included as individual components are not identifiable throughout the State of North Carolina.

CITY OF MORGANTON  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND TEN YEARS AGO

Taxpayer	Fiscal Year 2018-2019			Fiscal Year 2008-2009		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Continental Teves Inc.	\$104,680,737	1	5.86%	\$92,447,804	1	5.47%
SGL Carbon Corp	34,495,570	2	1.93%	30,046,327	4	1.78%
ARCP MT Morganton NC LL	30,686,556	3	1.72%			
Case Farms Processing	25,484,122	4	1.43%			
Leviton Manufacturing	25,369,534	5	1.42%	18,512,598	7	1.10%
Seiren North America LLC	19,565,076	6	1.10%			
Meritor Heavy Vehicle Syste	15,223,033	7	0.85%			
Gerresheimer Glass Inc.	14,642,054	8	0.82%	18,794,248	6	1.11%
Wal-Mart Real Estate	14,329,385	9	0.80%			
American Roller Bearing	13,717,605	10	0.77%			
Grace Properties				16,107,880	9	0.95%
Fiddlers Run LLC				15,572,373	10	0.92%
HDM Furniture Industries				30,967,408	3	1.83%
Sypris Technologies Inc				24,033,082	5	1.42%
Caterpillar Inc				16,885,235	8	1.00%
Viscotec				31,698,112	2	1.88%
<b>Total</b>	<b>\$298,193,672</b>		<b>16.70%</b>	<b>\$295,065,067</b>		<b>17.46%</b>

Source:

City of Morganton Tax Division

CITY OF MORGANTON  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009-10	7,860,584	7,744,751	98.53%	106,295	7,851,046	99.88%
2010-11	7,778,447	7,660,545	98.48%	108,660	7,769,205	99.88%
2011-12	7,695,934	7,588,040	98.60%	97,645	7,685,685	99.87%
2012-13	8,041,336	7,907,768	98.34%	116,601	8,024,369	99.79%
2013-14	8,783,795	8,656,951	98.56%	101,057	8,758,008	99.71%
2014-15	9,118,820	9,032,717	99.06%	58,145	9,090,862	99.69%
2015-16	9,136,156	9,066,692	99.24%	39,802	9,106,494	99.68%
2016-17	9,139,021	9,035,550	98.87%	74,384	9,109,934	99.68%
2017-18	9,043,825	8,926,814	98.71%	43,481	8,970,295	99.19%
2018-19	9,845,958	9,694,510	98.46%		9,694,510	98.46%

Source:  
City of Morganton Tax Division

Notes:  
Taxes levied include general taxes, special district taxes, and motor vehicle taxes.

CITY OF MORGANTON  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchases	General Obligation Bonds	Installment Purchases/Loans	Notes Payable			
2008-09	0	5,691,876	6,810,000	2,856,295	0	15,358,171	3.39%	898
2009-10	0	5,019,440	5,475,000	1,493,332	0	11,987,772	2.58%	704
2010-11	0	4,522,329	4,170,000	714,560	0	9,406,889	1.98%	555
2011-12	0	4,284,305	2,895,000	2,048,835	0	9,228,140	1.88%	545
2012-13	0	4,065,159	1,572,628	2,730,646	0	8,368,433	1.65%	496
2013-14	0	4,358,453	425,000	2,888,934	10,352,110	18,024,497	3.40%	1,072
2014-15	0	4,110,656	0	2,377,767	10,348,862	16,837,285	3.16%	994
2015-16	0	5,027,383	0	1,793,828	10,107,222	16,928,433	3.08%	1,001
2016-17	0	6,183,186	0	11,267,707	10,445,104	27,895,997	4.21%	1,674
2017-18	0	4,509,435	0	10,458,709	9,807,861	24,776,005	3.64%	1,500
2018-19	0	4,125,565	0	9,462,365	9,170,618	22,758,548	Not available	1,375

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF MORGANTON  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

<u>Fiscal</u> <u>Year</u>	<u>Bonded</u> <u>Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Assessed</u> <u>Value</u>	<u>Per</u> <u>Capita</u>
2009-10	5,475,000	0.32%	321
2010-11	4,170,000	0.24%	246
2011-12	2,895,000	0.18%	171
2012-13	1,572,628	0.09%	93
2013-14	425,000	0.03%	25
2014-15	0	0.00%	0
2015-16	0	0.00%	0
2016-17	0	0.00%	0
2017-18	0	0.00%	0
2018-19	0	0.00%	0

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.



CITY OF MORGANTON  
DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2019

<u>Governmental Unit</u>	<u>Governmental Activities: Debt Outstanding</u>	<u>Percentage Applicable to the City of Morganton</u>	<u>City of Morganton's Share of Debt</u>
Burke County	\$66,138,473	27.25%	\$18,022,734
City of Morganton	<u>4,125,565</u>	100.00%	<u>4,125,565</u>
Total direct and overlapping debt	\$70,264,038		\$22,148,299

Sources:

Assessed value data used to estimate applicable percentages provided by the Burke County tax assessor. Debt outstanding provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Morganton. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and, therefore, responsible for repaying the debt - of each overlapping government. For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

CITY OF MORGANTON  
LEGAL DEBT MARGIN INFORMATION  
AS OF JUNE 30,2019

Legal Debt Margin Calculation for Fiscal Year 2018-19	
Assessed Value	\$1,795,494,562
Debt Limit 8% of Assessed Value	143,639,565
Debt Applicable to Debt Limit:	22,758,548
Legal Debt Margin	120,881,017

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2009-10	140,840,693	5,641,654	135,199,039	4.01%
2010-11	139,500,944	5,236,889	134,264,055	3.75%
2011-12	132,224,565	6,333,140	125,891,425	4.79%
2012-13	138,531,845	6,798,805	131,733,040	4.91%
2013-14	137,149,429	12,388,307	124,761,122	9.03%
2014-15	140,001,369	16,837,285	123,164,084	12.03%
2015-16	142,486,764	16,928,433	125,558,331	11.88%
2016-17	142,861,192	27,895,997	114,965,195	19.53%
2017-18	138,451,311	24,776,005	113,675,306	17.90%
2018-19	143,639,565	22,758,548	120,881,017	15.84%

CITY OF MORGANTON  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2010	17,035	465,430,270	27,322	13.0%
2011	16,935	475,280,775	28,065	12.5%
2012	16,917	492,149,364	29,092	10.9%
2013	16,861	508,173,679	30,139	10.4%
2014	16,807	530,344,885	31,555	7.5%
2015	16,932	532,646,856	31,458	6.2%
2016	16,918	550,477,884	32,538	5.0%
2017	16,665	662,583,735	39,759	4.0%
2018	16,519	680,995,775	41,225	3.9%
2019	16,555	Not available	Not available	4.3%

Sources:

Information provided by the U.S. Census, N.C. Office of State Planning, City of Morganton Development and Design Division, US Department of Commerce, and Bureau of Economic Analysis.

CITY OF MORGANTON  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO

<u>Employer</u>	<u>Fiscal Year 2018-19</u>			<u>Fiscal Year 2008-2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Burke County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Burke County Employment</u>
State of North Carolina	2,200	1	5.82%	2,355	1	5.60%
Burke County Schools	2,200	2	5.82%	2,100	2	5.00%
Carolinas Healthcare/Blue Ridge	1,400	3	3.70%	1,700	3	4.04%
Case Farms	725	4	1.92%	729	5	1.73%
Leviton	620	5	1.64%	617	6	1.47%
City of Morganton	610	6	1.61%	514	9	1.22%
Burke County	560	7	1.48%	550	7	1.31%
Continental Teves	499	8	1.32%	457	10	1.09%
Western Piedmont College	450	9	1.19%	550	8	1.31%
Viscotec Manufacturing	250	10	0.66%			
Turning Point Services				1,000	4	2.38%
<b>Total</b>	<b>9,514</b>		<b>25.16%</b>	<b>10,572</b>		<b>25.15%</b>

Sources:  
 Burke Development Inc. and North Carolina Employment Security  
 Commission Labor Market Information.

CITY OF MORGANTON  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	51	48	48	48	48	48	48	48	48	49
Public Safety	97.58	92	91	87	87	88	91	93	94	94
Transportation/Garage	22	23	22	22	23	23	23	23	23	23
Environmental Protection	16	13	13	13	13	13	13	13	13	13
Cultural & Recreation	26.2	23.5	22.5	19.5	25.25	26.25	26.25	27	28.00	29.50
IRMS	6	5	5	5	6	6	6	6	6	6
Electric	26	24	22	22	24	24	24	24	24	24
Cable	8	8	8	8	9	9	9	9	9	9
Water	22	21	20	20	20	20	20	20	20	20
Wastewater	23	21	21	23	22	22	22	22	22	22
Total	297.78	278.5	272.5	267.5	277.25	279.25	282.25	285.00	287.00	289.50

Source:  
City Human Resource Department

Notes:  
A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick).  
Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

CITY OF MORGANTON  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2011	2012	2013	2014
General Government					
Building Permits Issued	252	273	631	1,750	1,800
Building Inspections Conducted	4,022	4,958	2,077	5,200	5,250
Full-Time Employees	295.5	276.5	272.5	271.75	271.75
Part-Time Employees	292	285	319	365	365
Police					
Physical Arrests (18 & over)(annual)	1,728	1,569	1,746	1,572	1,572
Parking Violations	739	278	273	128	128
Sworn Officers	63	59	58	62	62
Civilian Employees	32	17	16	16	16
Reserve Officers	3	3	6	4	4
Number of Calls Responded	23,916	24,275	25,081	23,008	23,008
Number of Traffic Accidents	1,245	1,203	1,151	1,200	1,200
Fire Protection					
Fire Calls	365	346	441	533	533
Paid Fire Personnel	16	16	17	17	17
Volunteer Fire Personnel	14	12	12	11	11
Fire Inspections	627	632	632	632	640
Electric					
Customers	8,230	8,089	8,173	8,200	8,230
Public Works					
Refuse Collection (tons per day)	32	32	32	33.49	33.49
Recyclables Collected (tons per day)	2	2	2	1.83	1.83
Residential Collection Trucks	3	3	3	3	3
Water Treatment Facility					
Customers	12,500	12,500	12,509	10,342	12,108
Consumptions (billions)	3.184	3.031	3.054	2.4	2.4
Wastewater					
Customers	6,700	6,300	6,500	6,838	7,437
Average Daily Sewage Treatment million gallons daily (mgd)	4.76	4.79	4.83	5.2	5.2
Cable Television/Internet/Phone					
TV Subscribers / Customers	4,554	4,477	4,466	4,303	3,454
Basic Channels	78	78	78	78	78
Premium Channels	65	65	65	65	65
Internet Customers					
Phone Customers					

2015	2016	2017	2018	2019
299	246	350	1845	247
931	4,106	4,150	5,165	4,850
276.25	273	285	279.25	282.5
360	329	340	320	327
1,642	2,507	2,572	3,214	2,897
367	494	458	0	1,824
62	70	59	56	56
9	10	8	8	9
4	2	3	4	3
30,130	40,631	42,962	40,780	38,825
1,322	1,229	1,397	1,215	1,185
483	2,711	1,257	714	1,144
17	17	16	26	26
10	9	11	11	4
586	895	950	840	900
8,230	8,208	8,208	8,208	8,394
31.37	33	33	33	24.93
1.38	1.35	1.35	1.35	1.16
3	3	3	3	2
10,040	10,094	10,174	10,173	10,232
2.7	2.716	2.646	2.511	2.49
6,598	6,635	6,691	6,695	6,745
4.7	4.7	4.2	5.1	6.8
3,231	3,007	2,767	2,582	2,487
78	78	78	78	78
65	65	65	65	65
				3,285
				802

CITY OF MORGANTON  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2011	2012	2013	2014
Police					
Stations	1	1	1	1	1
Patrol Units	85	85	77	77	77
Fire Protection					
Fire Stations	3	3	3	3	3
Electric					
Miles of Service	269	270	270	270	280
Public Works					
Miles of Streets	87.88	87.88	87.88	87.88	87.88
Primary Streets	86.79	86.79	86.79	86.79	86.79
Secondary Streets	1.09	1.09	1.09	1.09	1.09
Streetlights	3,420	3,420	3,420	3,420	3,420
Traffic Signals	58	58	58	58	58
Water Treatment Facility					
Plants	1	1	1	1	1
Miles of Distribution Lines	322	322	322	328	328
Fire Hydrants	1,200	1,200	1,200	1,504	1,504
Storage Capacity (millions of gallons)	9.15	9.15	9.15	8.15	8.15
Wastewater					
Plants	1	1	1	1	1
Miles of Collection Lines	200	200	200	202	202
Cable Television					
Miles of Plant	161	162	162	165	165
Parks and Recreation					
Acreage	680	680	680	680	680
Playgrounds	9	9	9	9	9
Parks	12	12	12	12	12
Baseball Fields	15	15	15	15	15
Soccer Fields	4	4	4	4	4
Community Centers	2	2	2	2	2
Aquatic Facilities	2	2	2	2	2

Sources:  
Various City Departments



2015	2016	2017	2018	2019
1	1	1	1	1
79	74	64	59	70
3	3	3	3	3
280	280	260	281	281
87.88	87.88	87.88	87.88	87.88
86.79	86.79	86.79	86.79	86.79
1.09	1.09	1.09	1.09	1.09
3,420	3,420	3,420	3,420	3,420
58	58	58	58	58
1	1	1	1	1
331	331	331	331	331
1,504	1,529	1,552	1,552	1,552
8.15	9.15	9.15	9.15	9.15
1	1	1	1	1
204	205	205	205	205
165	165	165	165	165
680	680	680	680	680
9	9	9	9	9
12	12	12	12	12
15	15	14	14	14
5	5	5	5	5
2	2	2	2	2
2	2	2	2	2

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

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morganton, North Carolina (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2019. Our report includes a reference to other auditors who audited the financial statements of the Morganton ABC Board, as described in our report on the City's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Morganton ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

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

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

### Compliance and Other Matters

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

### Purpose of This Report

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

*Elliott Davis, PLLC*

Raleigh, North Carolina  
October 17, 2019

**Independent Auditor's Report on Compliance for Each Major State Program;  
Report on Internal Control over Compliance; in Accordance with  
OMB Uniform Guidance; and the State Single Audit Implementation Act**

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the City of Morganton, North Carolina's (the "City") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2019. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major State Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Elliott Davis, PLLC*

Raleigh, North Carolina  
October 17, 2019

**City of Morganton, North Carolina**

*Schedule of Findings and Questioned Costs*

*For the year ended June 30, 2019*

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Noncompliance material to the financial statements noted?

Yes  No

**State Awards**

Internal control over major programs:

Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

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

Unmodified

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

Yes  No

Identification of major state programs:

Rural Building Reuse Program

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported

**III. STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported

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**City of Morganton, North Carolina**

*Summary Schedule of Prior Audit Findings*

*For the year ended June 30, 2019*

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No matters were reported.

CITY OF MORGANTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
Cash Programs:					
<u>US Department of Housing and Urban Development</u>					
CDBG Entitlement Grants Cluster					
Direct Program:					
CDBG Entitlement Grants Cluster	14.218	B-18-MC-37-0018	\$223,478		
<u>US Department of Justice</u>					
Passed through NC Department of Public Safety:					
Narcotics Equipment	16.004	12201	<u>24,494</u>		
Total Federal Cash Awards			<u>\$247,972</u>		



CITY OF MORGANTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
State Awards:			
Cash Programs:			
<u>NC Department of Transportation</u>			
Powell Bill		\$327,165	
<u>Appalachian Regional Commission</u>			
Green Street Revitalization		103,423	\$103,423
<u>NC Department of Commerce</u>			
Building Reuse Program		<u>1,517,589</u>	81,654
Total State Cash Awards		<u>\$1,948,177</u>	
Total Federal and State Awards	<u>\$247,972</u>		<u>\$185,077</u>

Note 1 - Basis of Presentation:

The accompanying schedule of Federal and State awards includes the Federal and State grant activity of the City of Morganton and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City has elected not to use the 10% de minimus cost rate as covered in CFR 200.414.

No awards were passed through to subrecipients.