

**Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2020
Morganton, NC**



**City of Morganton
North Carolina**

**Comprehensive
Annual Financial Report**

Fiscal Year Ended June 30, 2020

City Council

**Ronnie M. Thompson, Mayor
Wendy Cato
Christopher Hawkins
Chris Jernigan
Butch McSwain**

City Manager

Sally W. Sandy, CPA

Finance Director

Jessie S. Parris, CPA

Prepared by the City of Morganton's Finance Department



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CITY OF MORGANTON
NORTH CAROLINA

October 30, 2020

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, 2020. 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, 2020, 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 unqualified 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, 2020. 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 16,777 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 90,892 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, 2019. 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,

Jessie S. Parris, CPA

Jessie S. Parris, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Morganton
North Carolina**

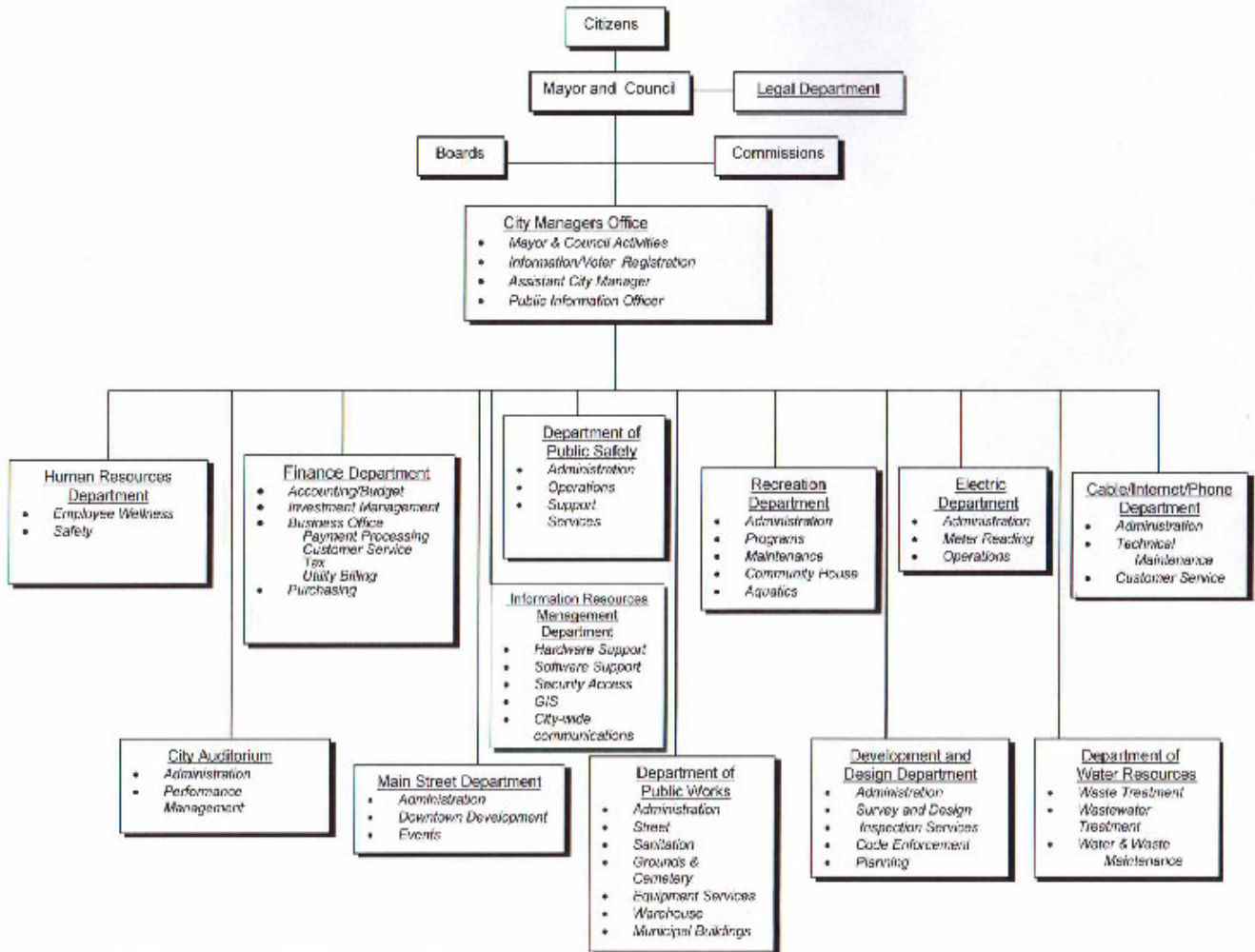
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

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, 2020, 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 unit. Those financial statements were audited by other auditors whose report has 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 report of the 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 report of the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 information 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 information 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 30, 2020, 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.



Raleigh, North Carolina
October 30, 2020



Management's Discussion and Analysis

As management of the City of Morganton (the "City"), 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, 2020. 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

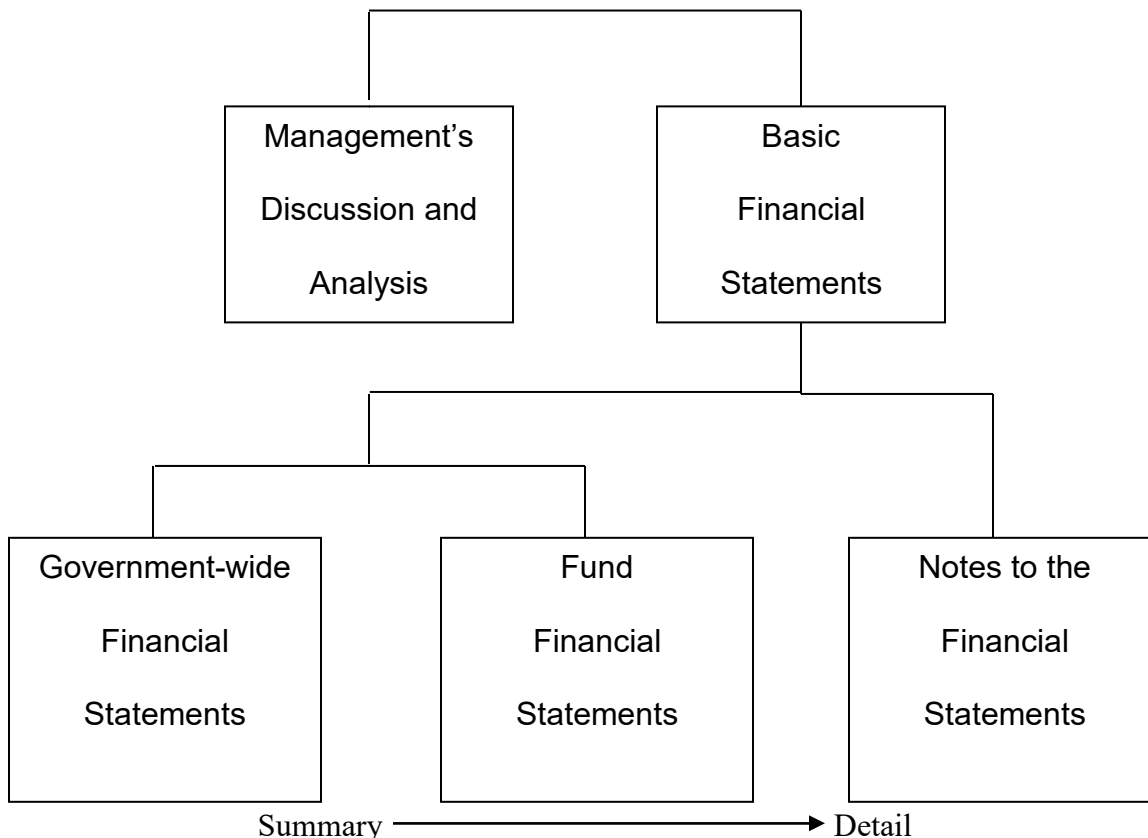
- The assets and deferred outflows of resources of the City of Morganton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$121,422,134 (*net position*).
- The government's total net position increased by \$10,370,220, primarily due to diligent cost-saving measures and returns on the City's economic development investments.
- As of the close of the current fiscal year, the City of Morganton's governmental funds reported combined ending fund balances of \$23,932,919, an increase of \$2,824,906 in fund balance. Approximately 89% of this total amount, or \$18,037,210, 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 \$15,849,228, or 79% of total general fund expenditures and transfers out for the fiscal year.
- The City of Morganton's total debt decreased by \$1,435,689 (2.9%) 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 are intended to serve as an introduction to 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 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements.

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

Government-Wide Financial Analysis

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, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and electric and cable 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 the Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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 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 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 the General Fund; 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, sewer, and cable activity and for its electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Morganton. 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 governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

City of Morganton’s Net Position Position Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current and other assets	\$ 26,545,139	\$ 23,703,333	\$37,539,438	\$30,545,353	\$ 64,084,577	\$ 54,248,686
Capital assets	31,241,195	32,653,590	75,947,315	76,670,800	107,188,510	109,324,390
Total assets	<u>57,786,334</u>	<u>56,356,923</u>	<u>113,486,753</u>	<u>107,216,153</u>	<u>171,273,087</u>	<u>163,573,076</u>
Deferred Outflows of Resources						
	<u>3,836,362</u>	<u>3,393,019</u>	<u>1,171,395</u>	<u>1,242,624</u>	<u>5,007,757</u>	<u>4,635,643</u>
Liabilities:						
Long-term liabilities	23,219,304	22,462,804	21,626,399	23,248,991	44,845,703	45,711,795
Other liabilities	<u>2,163,930</u>	<u>2,767,704</u>	<u>5,915,864</u>	<u>7,075,845</u>	<u>8,079,794</u>	<u>9,843,549</u>
Total liabilities	<u>25,383,234</u>	<u>25,230,508</u>	<u>27,542,263</u>	<u>30,324,836</u>	<u>52,925,497</u>	<u>55,555,344</u>
Deferred Inflows of Resources						
	<u>1,436,799</u>	<u>1,214,313</u>	<u>496,414</u>	<u>387,148</u>	<u>1,933,213</u>	<u>1,601,461</u>
Net Position:						
Net investment in capital assets	27,614,287	28,528,025	59,268,805	58,037,817	86,883,092	86,565,842
Restricted	4,897,224	5,829,361	-	-	4,897,224	5,829,361
Unrestricted	<u>2,291,152</u>	<u>(1,052,265)</u>	<u>27,350,666</u>	<u>19,708,976</u>	<u>29,641,818</u>	<u>18,656,711</u>
Total net position	<u>\$ 34,802,663</u>	<u>\$ 33,305,121</u>	<u>\$86,619,471</u>	<u>\$77,746,793</u>	<u>\$ 121,422,134</u>	<u>\$ 111,051,914</u>

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 \$121,422,134 as of June 30, 2020. The largest portion reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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, \$4,897,224 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,641,818 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 high bond rating.

(continued on next page)

City of Morganton's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,039,231	\$ 2,912,503	\$ 47,206,980	\$ 49,031,548	\$ 50,246,211	\$ 51,944,051
Operating grants and contributions	749,741	2,407,803	-	-	749,741	2,407,803
Capital grants and contributions	2,466,301	193,198	4,961,315	-	7,427,616	193,198
General revenues:						
Property taxes	10,485,983	9,712,831	-	-	10,485,983	9,712,831
Other taxes	7,762,552	4,510,890	-	-	7,762,552	4,510,890
Other	<u>246,162</u>	<u>3,542,648</u>	<u>488,624</u>	<u>904,138</u>	<u>734,786</u>	<u>4,446,786</u>
Total revenues	<u>24,749,970</u>	<u>23,279,873</u>	<u>52,656,919</u>	<u>49,935,686</u>	<u>77,406,889</u>	<u>73,215,559</u>
Expenses:						
General government	4,184,168	3,765,610	-	-	4,184,168	3,765,610
Public safety	9,469,238	7,984,756	-	-	9,469,238	7,984,756
Environmental protection	1,139,565	2,402,144	-	-	1,139,565	2,402,144
Economic and physical development	1,863,906	1,881,166	-	-	1,863,906	1,881,166
Human services	6,156,414	1,167,597	-	-	6,156,414	1,167,597
Cultural and recreational	1,072,872	5,223,557	-	-	1,072,872	5,223,557
Interest on long-term debt	109,467	113,873	-	-	109,467	113,873
Water			5,436,736	5,485,837		
Wastewater			4,603,843	4,503,240		
Electric	-	-	28,012,699	28,886,865	28,012,699	28,886,865
Cable			4,987,761	4,766,223		
Other	-	-	-	-	-	-
Total expenses	<u>23,995,630</u>	<u>22,538,703</u>	<u>43,041,039</u>	<u>43,642,165</u>	<u>67,036,669</u>	<u>66,180,868</u>
Increase (decrease) in net position before transfers	754,340	741,170	9,615,880	6,293,521	10,370,220	7,034,691
Transfers	<u>743,202</u>	<u>733,535</u>	<u>(743,202)</u>	<u>(733,535)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	1,497,542	1,474,705	8,872,678	5,559,986	10,370,220	7,034,691
Net Position:						
Beginning of year - July 1, previously reported	33,305,121	31,830,416	77,746,793	72,186,807	111,051,914	104,017,223
End of year - June 30	<u>\$ 34,802,663</u>	<u>\$ 33,305,121</u>	<u>\$ 86,619,471</u>	<u>\$ 77,746,793</u>	<u>\$ 121,422,134</u>	<u>\$ 111,051,914</u>

Governmental activities. Governmental activities increased the City's net position by \$1,497,542, thereby adding to the total growth 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 \$8,872,678.

Key elements of this increase are:

- Continued awareness of largest customer's 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 were completed at the Waste Treatment plant.

Financial Analysis of the School'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, 2020, the governmental funds of the City of Morganton reported a combined fund balance of \$23,932,919 with a net increase in fund balance of \$2,824,906 in comparison with the prior year. Included in this change in fund balance are increases in fund balance in the General Fund, Cemetery Fund, and Capital Project Funds. There was a decrease in fund balance in the Entitlement Fund and 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 \$18,037,210 while total fund balance was \$22,297,329. 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 89.7% of general fund expenditures, while total fund balance represents 100.7% of the same amount.

The fund balance of the City of Morganton's General fund increased with a net change in fund balance of \$2,523,659. 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.

Four capital project funds continue. The greenway connector fund will connect the City's Downtown corridor to a large park, Catawba Meadows. The road connector fund, 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. The fourth fund is the College Street fund, will provide improvements to this main corridor through the City.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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 \$27,350,666, an increase in unrestricted net position by \$7,641,690.

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, 2020, totals \$103,353,684 (net of accumulated depreciation). These assets include buildings, land, plant and system, equipment, and infrastructure.

Major capital asset transactions during the year include the following:

- Several large truck purchases
- Completed Green Street Infrastructure project
- Extensive manhole rehabilitation
- Water tank maintenance
- Significant improvements to Electric industrial customer services
- Park improvements
- Enhancements of internet infrastructure

**City of Morganton's Capital
Assets (net of depreciation)**

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and Buildings	\$ 16,357,559	\$ 16,779,233	\$ 19,243,343	\$ 19,528,364	\$ 35,600,992	\$ 36,307,597
Plant and distribution systems	-	-	42,270,640	42,027,936	42,270,640	42,027,936
Equipment	10,960,233	11,246,666	14,433,334	15,114,500	25,393,567	26,361,166
Infrastructure	3,834,917	4,539,206		-		4,539,206
Construction in progress	88,485	88,485	-	-	88,485	88,485
Total Assets	<u>31,241,195</u>	<u>32,653,590</u>	<u>75,947,317</u>	<u>76,670,800</u>	<u>103,353,684</u>	<u>109,324,390</u>

Additional information on the City's capital assets can be found in Section II, Detail Notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the City of Morganton had \$11,772,042 of installment debt and \$8,533,376 in State revolving loan fund debt. The debt is backed by security interest in the property for which it was issued.

Outstanding Debt Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment debt	3,626,908	\$4,125,565	\$ 8,145,134	\$9,462,365	\$11,772,042	\$13,587,930
Loans			8,533,376	9,170,617	8,533,376	9,170,617
Compensated absences	1,087,125	856,465	346,761	271,259	1,433,886	1,127,724
OPEB	13,538,929	13,585,517	5,265,139	5,283,257	18,804,069	18,868,774
Pension related debt (LGEF)	3,681,437	3,164,572	1,431,669	1,230,666	5,113,105	4,395,238
Pension related debt (LEO)	2,438,311	2,380,218			2,438,311	2,380,218
Total	<u>\$24,372,710</u>	<u>\$24,112,337</u>	<u>\$23,722,079</u>	<u>\$25,418,164</u>	<u>\$48,094,789</u>	<u>\$49,530,501</u>

City of Morganton's Outstanding Debt

The City of Morganton's total debt decreased by \$1,435,712 (2.9%) 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 \$134,766,838.

See the notes to the financial statements for additional information regarding the City of Morganton's long-term debt; specifically, in Section II, 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 City of Morganton's unemployment rate of 4.3% improved throughout the first 8 months of the fiscal year; before experiencing an uptick due to the COVID-19 pandemic.
- Occupancy and Sales Tax. The City of Morganton maintained an upward trend before the COVID-19 pandemic. While Sales Tax remained constant, Occupancy Tax experienced slight decline during the fourth quarter.

Budget Highlights for the Fiscal Year Ending June 30, 2021

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 2020-2021 represents a 4.6% decrease or \$1,178,008 less than the 2019-2020 budget. The main reason for the difference is conservative, cost-cutting measures to maintain City operations during the COVID-19 pandemic.

Business-type Activities: Sales and services revenues are based on estimated usage or consumption multiplied by the applicable rates. The 2020-2021 business-type activities budget overall is 4.6% or \$2,527,731 lower than the 2019-2020 budget. The main reason for the difference is conservative, cost-cutting measures to maintain City operations during the COVID-19 pandemic.

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, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morganton ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 22,300,123	\$ 32,038,104	\$ 54,338,227	\$ 366,156
Taxes receivable, net	199,115	-	199,115	-
Receivables, net	1,374,802	4,560,480	5,935,282	-
Inventories	932,700	-	932,700	157,663
Prepaid items	211,409	76,984	288,393	-
Interest receivable	22,156	28,168	50,324	-
Restricted cash	1,504,834	835,702	2,340,536	-
Total current assets	<u>26,545,139</u>	<u>37,539,438</u>	<u>64,084,577</u>	<u>523,819</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	12,892,268	15,040,621	27,932,889	11,000
Other capital assets, net of depreciation	18,348,927	60,906,694	79,255,621	6,441
Total capital assets	<u>31,241,195</u>	<u>75,947,315</u>	<u>107,188,510</u>	<u>17,441</u>
Total non-current assets	<u>31,241,195</u>	<u>75,947,315</u>	<u>107,188,510</u>	<u>17,441</u>
Other assets	-	-	-	-
Deferred Outflows of Resources:				
OPEB deferrals	1,582,840	397,880	1,980,720	-
Pension deferrals	<u>2,253,522</u>	<u>773,515</u>	<u>3,027,037</u>	<u>55,895</u>
Total deferred outflows of resources	<u>3,836,362</u>	<u>1,171,395</u>	<u>5,007,757</u>	<u>55,895</u>
Total assets and deferred outflows of resources	<u>61,622,696</u>	<u>114,658,148</u>	<u>176,280,844</u>	<u>597,155</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	956,206	2,984,482	3,940,688	328,577
Customer Deposits	-	835,702	835,702	-
Current portion of installment purchases	1,202,292	1,423,761	2,626,053	-
Current portion of note payable	-	637,243	637,243	-
Current portion of compensated absences	5,432	34,676	40,108	-
Total current liabilities	<u>2,163,930</u>	<u>5,915,864</u>	<u>8,079,794</u>	<u>328,577</u>
Long-term liabilities:				
Due in more than one year	-	-	-	-
Net pension liability - LGERS	3,681,437	1,431,668	5,113,105	55,711
Total pension liability - LEOSSA	2,438,311	-	2,438,311	-
Total OPEB liability	13,538,929	5,265,140	18,804,069	14,102
Installment Purchases	2,424,616	6,721,373	9,145,989	-
Note Payable	-	7,896,133	7,896,133	-
Compensated Absences	1,136,011	312,085	1,448,096	-
Total long-term liabilities	<u>23,219,304</u>	<u>21,626,399</u>	<u>44,845,703</u>	<u>69,813</u>
Total liabilities	<u>25,383,234</u>	<u>27,542,263</u>	<u>52,925,497</u>	<u>398,390</u>
Deferred Inflows of Resources:				
Prepaid taxes	55	-	55	-
OPEB deferrals	1,228,956	477,925	1,706,881	-
Pension deferrals	<u>207,788</u>	<u>18,489</u>	<u>226,277</u>	<u>3,765</u>
Total deferred inflows of resources	<u>1,436,799</u>	<u>496,414</u>	<u>1,933,213</u>	<u>3,765</u>
Net Position:				
Net investment in capital assets	27,614,287	59,268,805	86,883,092	17,441
Restricted for:				
Stabilization for State statute	2,561,342	-	2,561,342	-
Transportation	886,855	-	886,855	-
Economic and physical development	1,449,027	-	1,449,027	-
Unrestricted	<u>2,291,152</u>	<u>27,350,666</u>	<u>29,641,818</u>	<u>177,559</u>
Total net position	<u>\$ 34,802,663</u>	<u>\$ 86,619,471</u>	<u>\$ 121,422,134</u>	<u>\$ 195,000</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MORGANTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 4,184,168	\$ 782,266	\$ 581,989	\$ 318,280
Public safety	9,469,238	35,655	85,051	-
Transportation	1,139,565	-	-	2,148,021
Economic and physical development	1,863,906	1,409,372	-	-
Cultural and Recreational	6,156,414	811,938	82,701	-
Environmental Protection	1,072,872	-	-	-
Interest on long-term debt	109,467	-	-	-
Total governmental activities	<u>23,995,630</u>	<u>3,039,231</u>	<u>749,741</u>	<u>2,466,301</u>
Business-Type Activities:				
Water	5,436,736	5,940,206	-	34,612
Wastewater	4,603,843	5,797,237	-	42,779
Electric	28,012,699	30,050,312	-	4,883,924
Cable	4,987,761	5,419,225	-	-
Total business-type activities	<u>43,041,039</u>	<u>47,206,980</u>	<u>-</u>	<u>4,961,315</u>
Total primary government	<u>\$ 67,036,669</u>	<u>\$ 50,246,211</u>	<u>\$ 749,741</u>	<u>\$ 7,427,616</u>

CITY OF MORGANTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
				Morganton ABC Board
Primary Government:				
Governmental Activities:				
General government	\$ (2,501,633)	\$ -	\$ (2,501,633)	-
Public safety	(9,348,532)	-	(9,348,532)	-
Environmental protection	1,008,456	-	1,008,456	-
Economic and physical development	(454,534)	-	(454,534)	-
Human services	(5,261,775)	-	(5,261,775)	-
Cultural and recreational	(1,072,872)	-	(1,072,872)	-
Interest on long-term debt	(109,467)	-	(109,467)	-
Total governmental activities	<u>(17,740,357)</u>	<u>-</u>	<u>(17,740,357)</u>	<u>-</u>
Business-Type Activities:				
Water	-	538,082	538,082	-
Wastewater	-	1,236,173	1,236,173	-
Electric	-	6,921,537	6,921,537	-
Cable	-	431,464	431,464	-
Total business-type activities	<u>-</u>	<u>9,127,256</u>	<u>9,127,256</u>	<u>-</u>
Total primary government	<u>(17,740,357)</u>	<u>9,127,256</u>	<u>(8,613,101)</u>	<u>-</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	10,485,983	-	10,485,983	-
Local option sales tax	4,700,062	-	4,700,062	-
Other taxes and licenses	3,062,490	-	3,062,490	-
Investment earnings, unrestricted	246,162	290,385	536,547	-
Miscellaneous, unrestricted	-	198,239	198,239	-
Total general revenues	<u>18,494,697</u>	<u>488,624</u>	<u>18,983,321</u>	<u>-</u>
Capital contribution				
Transfers	<u>743,202</u>	<u>(743,202)</u>	<u>-</u>	<u>-</u>
Total general revenues, capital contribution, and transfers	<u>19,237,899</u>	<u>(254,578)</u>	<u>18,983,321</u>	<u>-</u>
Change in net position	1,497,542	8,872,678	10,370,220	-
Net Position:				
Beginning of year - July 1, previously reported	33,305,121	77,746,793	111,051,914	195,000
Restatement	-	-	-	-
Beginning of year - July 1, restated	<u>33,305,121</u>	<u>77,746,793</u>	<u>111,051,914</u>	<u>195,000</u>
End of year - June 30	<u>\$ 34,802,663</u>	<u>\$ 86,619,471</u>	<u>\$ 121,422,134</u>	<u>\$ 195,000</u>

CITY OF MORGANTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 20,434,293	\$ 1,296,311	\$ 21,730,604
Taxes receivable, net	199,115	-	199,115
Interest receivable	22,156	-	22,156
Due from other governments	-	-	-
Other receivables, net	1,352,381	22,367	1,374,748
Due from other funds	-	-	-
Inventories	-	-	-
Prepaid items	197,617	-	197,617
Restricted assets:			
Cash and investments	<u>1,187,922</u>	<u>316,912</u>	<u>1,504,834</u>
Note receivable	<u>-</u>	<u>-</u>	<u>-</u>
Non-current assets			
Long term note receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 23,393,484</u>	<u>\$ 1,635,590</u>	<u>\$ 25,029,074</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 417,576	\$ -	\$ 417,576
Accrued payroll liabilities	<u>479,409</u>	<u>-</u>	<u>479,409</u>
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities to be paid from restricted cash	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>896,985</u>	<u>-</u>	<u>896,985</u>
Deferred Inflows of Resources:			
Property taxes receivable	199,115	-	199,115
Prepaid taxes	55	-	55
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>199,170</u>	<u>-</u>	<u>199,170</u>
Fund Balances:			
Non-spendable:			
Inventory	-	-	-
Note receivable	-	-	-
Prepaid items	197,617	-	197,617
Restricted:			
Stabilization for State statute	1,726,620	834,722	2,561,342
Restricted for Streets - Powell Bill	886,855	-	886,855
Restricted, all other	1,449,027	800,868	2,249,895
Committed	2,187,982	-	2,187,982
Assigned for subsequent year's expenditures	-	-	-
Assigned, all other	-	-	-
Unassigned	<u>15,849,228</u>	<u>-</u>	<u>15,849,228</u>
Total fund balances	<u>22,297,329</u>	<u>1,635,590</u>	<u>23,932,919</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,393,484</u>	<u>\$ 1,635,590</u>	<u>\$ 25,029,074</u>

CITY OF MORGANTON, NORTH CAROLINA**Exhibit C****BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

Amounts reported in the governmental activities in the Statement of Net Position (Exhibit A) are different because:

Total Fund Balance, Governmental Funds	23,932,919
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,556,734
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Position.	199,115
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(4,714,033)
Deferred outflows of resources related to pensions are not related in the funds.	2,143,020
Deferred outflows of resources related to OPEB are not related in the funds.	1,526,000
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 the governmental activities in the statement of net position	1,226,725
Deferred inflows of resources related to pensions are not related in the funds.	(205,147)
Deferred inflows of resources related to OPEB are not related in the funds.	(1,160,681)
Net pension liability	(3,476,912)
Total OPEB liability	(12,786,766)
Total pension liability	(2,438,311)
Net position of governmental activities	<u>\$ 34,802,663</u>

CITY OF MORGANTON, NORTH CAROLINA

Exhibit D

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Major</u>	<u>Nonmajor</u>	
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 10,438,316	\$ -	\$ 10,438,316
Local option sales taxes	4,678,335	21,727	4,700,062
Unrestricted intergovernmental revenues	2,646,038	-	2,646,038
Restricted intergovernmental revenues	1,289,823	1,590,256	2,880,079
Other restricted revenues	-	416,452	416,452
Permits and fees	466,211	-	466,211
Sales and services	2,745,040	17,550	2,762,590
Investment earnings	244,965	1,197	246,162
Miscellaneous	144,217	-	144,217
Total revenues	<u>22,652,945</u>	<u>2,047,182</u>	<u>24,700,127</u>
Expenditures:			
Current:			
General government	4,013,675	210,412	4,224,087
Public safety	8,610,999	-	8,610,999
Transportation	1,474,516	-	1,474,516
Environmental protection	1,090,046	-	1,090,046
Cultural and recreational	4,303,031	805,095	5,108,126
Economic and physical development	-	1,502,525	1,502,525
Debt service:			
Principal retirement	1,294,999	-	1,294,999
Interest and other charges	104,975	-	104,975
Advanced payment to escrow agent	-	-	-
Total expenditures	<u>20,892,241</u>	<u>2,518,032</u>	<u>23,410,273</u>
Revenues over (under) expenditures	<u>1,760,704</u>	<u>(470,850)</u>	<u>1,289,854</u>
Other Financing Sources (Uses):			
Installment financing issued	-	-	-
Issuance of installment debt	791,850	-	791,850
Transfers from other funds	822,452	-	822,452
From General Fund	-	772,097	772,097
Transfers to other funds	(851,347)	-	(851,347)
Total other financing sources (uses)	<u>762,955</u>	<u>772,097</u>	<u>1,535,052</u>
Net change in fund balances	2,523,659	301,247	2,824,906
Fund Balances:			
Beginning of year - July 1	<u>19,773,670</u>	<u>1,334,343</u>	<u>21,108,013</u>
End of year - June 30	<u>\$ 22,297,329</u>	<u>\$ 1,635,590</u>	<u>\$ 23,932,919</u>

CITY OF MORGANTON, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Total net change in fund balances - total governmental funds	\$ 2,824,906
Property tax revenues and other fees and services in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	248,872
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(230,660)
Expenses related to OPEB plan, pension expense and compensated absences 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	
Pension Expense - LEOSSA, net of employer contributions	185,310
Pension Expense - LGERS, net of employer contributions	387,296
OPEB Plan Expense	(1,041,450)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,950,090
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,458,292)
Net gain/loss on the disposal of capital assets, not recognized on modified accrual basis.	-
The net expense of certain activities of the internal service fund is reported with governmental activities	132,813
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	-
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(791,850)
Principal repayments and capital lease payments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>1,290,507</u>
Total change in net position of governmental activities	<u>\$ 1,497,542</u>

CITY OF MORGANTON, NORTH CAROLINA

Exhibit E

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 10,132,298	\$ 10,232,298	\$ 10,438,316	\$ 206,018
Other taxes and licenses	4,553,807	4,413,807	4,678,335	264,528
Unrestricted intergovernmental revenues	2,709,488	2,709,488	2,646,038	(63,450)
Restricted intergovernmental revenues	3,430,248	1,527,550	1,289,823	(237,727)
Permits and fees	567,900	567,900	466,211	(101,689)
Sales and services	2,828,550	2,921,594	2,745,040	(176,554)
Investment earnings	242,000	242,000	244,965	2,965
Miscellaneous	63,001	142,251	144,217	1,966
Total revenues	<u>24,527,292</u>	<u>22,756,888</u>	<u>22,652,945</u>	<u>(103,943)</u>
Expenditures:				
Current:				
General government	7,850,129	5,007,760	4,013,675	994,085
Public safety	9,426,297	9,551,763	8,610,999	940,764
Transportation	1,635,235	2,001,262	1,474,516	526,746
Environmental Protection	1,129,846	1,129,846	1,090,046	39,800
Cultural and recreational	5,141,155	5,433,902	4,303,031	1,130,871
Debt service:				
Principal retirement	1,290,508	1,295,000	1,294,999	1
Interest and other charges	105,122	105,122	104,975	147
Total expenditures	<u>26,578,292</u>	<u>24,524,655</u>	<u>20,892,241</u>	<u>3,632,414</u>
Revenues over (under) expenditures	<u>(2,051,000)</u>	<u>(1,767,767)</u>	<u>1,760,704</u>	<u>3,528,471</u>
Other Financing Sources (Uses):				
Capital lease financing issued	798,000	798,000	791,850	(6,150)
Transfers from other funds	843,202	922,452	822,452	(100,000)
Transfers to other funds	-	(851,347)	(851,347)	-
Appropriated fund balance	409,798	898,662	-	(898,662)
Total other financing sources (uses)	<u>2,051,000</u>	<u>1,767,767</u>	<u>762,955</u>	<u>(1,004,812)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,523,659</u>	<u>\$ 2,523,659</u>
Fund Balance:				
Beginning of year - July 1			<u>19,773,670</u>	
End of year - June 30			<u>\$ 22,297,329</u>	

CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	Business-Type Activities				Totals	Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
Assets:						
Current assets:						
Cash and cash equivalents	\$ 5,459,670	\$ 4,615,816	\$ 10,685,388	\$ -	\$ 20,760,874	\$ 569,519
Investments	3,494,527	2,318,252	5,464,451	-	11,277,230	-
Accounts receivable, net	589,254	443,352	3,486,970	40,904	4,560,480	54
Inventory	-	-	-	-	-	932,701
Interest receivable	7,858	7,682	12,628	-	28,168	-
Prepaid assets	17,558	31,085	22,565	5,777	76,985	13,792
Restricted cash and cash equivalents	109,822	116,433	609,447	-	835,702	-
Total current assets	9,678,689	7,532,620	20,281,449	46,681	37,539,439	1,516,066
Non-current assets:						
Due from other funds	1,881,698	-	-	-	1,881,698	-
Capital assets:						
Land and construction in progress	912,017	14,067,068	55,950	5,586	15,040,621	33,317
Other capital assets, net of depreciation	17,020,736	29,986,878	9,594,590	4,304,490	60,906,694	651,143
Total non-current assets	19,814,451	44,053,946	9,650,540	4,310,076	77,829,013	684,460
Total assets	29,493,140	51,586,566	29,931,989	4,356,757	115,368,452	2,200,526
Deferred Outflow of Resources:						
OPEB deferrals	113,680	113,680	127,890	42,630	397,880	56,840
Pension deferrals	221,005	221,005	248,628	82,877	773,515	110,502
Total deferred outflows of resources	334,685	334,685	376,518	125,507	1,171,395	167,342
Liabilities:						
Current liabilities:						
Accounts payable	148,537	145,803	2,362,629	270,043	2,927,012	59,221
Accrued payroll	57,470	-	-	-	57,470	-
Current portion of compensated absences	7,250	8,210	12,880	6,336	34,676	5,432
Current portion of installment purchase	170,000	1,058,341	159,151	36,269	1,423,761	-
Current portion of note payable	62,306	574,937	-	-	637,243	-
Total current liabilities	445,563	1,787,291	2,534,660	312,648	5,080,162	64,653
Non-current liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	109,822	116,433	609,447	-	835,702	-
Other non-current liabilities:						
Due to other funds	-	-	-	1,881,698	1,881,698	-
Installment purchase	173,916	6,323,264	59,334	164,859	6,721,373	-
Note payable	996,892	6,899,241	-	-	7,896,133	-
Compensated absences	65,000	73,901	115,399	57,785	312,085	48,886
Net pension liability	409,048	409,048	460,179	153,393	1,431,668	204,525
Total OPEB liability	1,504,326	1,504,326	1,692,367	564,122	5,265,141	752,163
Total non-current liabilities	3,259,004	15,326,213	2,936,726	2,821,857	24,343,800	1,005,574
Total liabilities	3,704,567	17,113,504	5,471,386	3,134,505	29,423,962	1,070,227
Deferred Inflows of Resources:						
Pension deferrals	5,283	5,283	5,942	1,981	18,489	2,641
OPEB deferrals	136,550	136,550	153,619	51,206	477,925	68,275
Total deferred outflows of resources	141,833	141,833	159,561	53,187	496,414	70,916
Net Position:						
Net investment in capital assets	16,529,639	29,198,163	9,432,055	4,108,948	59,268,805	684,460
Unrestricted	9,451,786	5,467,751	15,245,505	(2,814,376)	27,350,666	542,265
Total net position	\$ 25,981,425	\$ 34,665,914	\$ 24,677,560	\$ 1,294,572	\$ 86,619,471	\$ 1,226,725

The accompanying notes are an integral part of the financial statements.

CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
Operating Revenues:						
Charges for services	\$ 5,940,206	\$ 5,797,237	\$ 30,050,312	\$ 5,419,225	\$ 47,206,980	\$ 2,124,831
Restricted intergovernmental	34,612	42,779	4,883,924	-	4,961,315	-
Total operating revenues	5,974,818	5,840,016	34,934,236	5,419,225	52,168,295	2,124,831
Operating Expenses:						
Salaries and employee benefits	1,581,980	1,195,565	1,566,009	870,509	5,214,063	
Other operating expenses	2,750,407	1,437,729	25,534,529	3,750,114	33,472,779	
MIS, Garage and Warehouse Operations	-	-	-	-	-	1,858,610
Depreciation	1,097,048	1,592,680	905,701	363,359	3,958,788	133,709
Total operating expenses	5,429,435	4,225,974	28,006,239	4,983,982	42,645,630	1,992,319
Operating income (loss)	545,383	1,614,042	6,927,997	435,243	9,522,665	132,512
Non-Operating Revenues (Expenses):						
Capital contribution	-	-	-	-	-	-
Interest income	96,021	69,223	125,141	-	290,385	-
Interest expense	(7,301)	(377,869)	(6,460)	(3,779)	(395,409)	-
Miscellaneous income	-	42,440	48,656	100,948	192,044	301
Gain/(loss) on a sale	6,195	-	-	-	6,195	-
Total non-operating revenues (expenses)	94,915	(266,206)	167,337	97,169	93,215	301
Income (loss) before capital contributions and transfers	640,298	1,347,836	7,095,334	532,412	9,615,880	132,813
Transfers:						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(743,202)	-	(743,202)	-
Net transfers	-	-	(743,202)	-	(743,202)	-
Capital contributions	-	-	-	-	-	-
Change in net position	640,298	1,347,836	6,352,132	532,412	8,872,678	132,813
Net Position:						
Beginning of year - July 1	25,341,127	33,318,078	18,325,428	762,160	77,746,793	1,093,912
End of year - June 30	25,981,425	34,665,914	24,677,560	1,294,572	86,619,471	1,226,725

The accompanying notes are an integral part of the financial statements.

CITY OF MORGANTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities					Governmental Activities - Internal Service Fund
	Enterprise Funds				Totals	
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
Cash Flows from Operating Activities:						
Cash received from customers	\$ 6,127,967	\$ 5,964,160	\$ 35,635,022	\$ 5,419,223	\$ 53,146,372	\$ 2,125,113
Cash paid for goods and services	(2,783,202)	(2,302,824)	(25,697,772)	(3,621,395)	(34,405,193)	(206,019)
Cash paid to employees for services	(1,437,804)	(1,071,506)	(1,421,310)	(814,545)	(4,745,165)	(1,793,484)
Customer deposits	-	(28,269)	(5,882)	-	(34,151)	-
Net cash provided (used) by operating activities	<u>1,906,961</u>	<u>2,561,561</u>	<u>8,510,058</u>	<u>983,283</u>	<u>13,961,863</u>	<u>125,610</u>
Cash Flows from Non-Capital Financing Activities:						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(743,202)	-	(743,202)	301
Interfund Borrowings	530,186	-	-	(530,186)	-	-
Net cash provided (used) by non-capital financing activities	<u>530,186</u>	<u>-</u>	<u>(743,202)</u>	<u>(530,186)</u>	<u>(743,202)</u>	<u>301</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(982,277)	(746,593)	(1,033,341)	(579,637)	(3,341,848)	(229,605)
Installment purchase debt issued	-	-	-	106,544	106,544	-
Proceeds from sale of long-term asset	6,195	-	48,657	-	54,852	-
Miscellaneous	-	42,440	-	100,948	143,388	(301)
Long-term debt payments	(232,306)	(1,633,277)	(159,151)	(36,269)	(2,061,004)	-
Interest paid	(7,301)	(377,869)	(6,460)	(3,779)	(395,409)	-
Net cash provided (used) for capital and related financing activities	<u>(1,215,689)</u>	<u>(2,715,299)</u>	<u>(1,150,295)</u>	<u>(412,193)</u>	<u>(5,493,477)</u>	<u>(229,906)</u>
Cash Flows from Investing Activities:						
Proceeds and disposal of investments	(207,292)	664,382	(1,641,050)	-	(1,183,960)	-
Interest on investments	96,021	69,223	125,141	-	290,385	-
Net cash provided (used) for investing related financing activities	<u>(111,271)</u>	<u>733,605</u>	<u>(1,515,909)</u>	<u>-</u>	<u>(893,575)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>1,110,187</u>	<u>579,867</u>	<u>5,100,652</u>	<u>40,904</u>	<u>6,831,610</u>	<u>(103,995)</u>
Cash and Cash Equivalents:						
Beginning of year - July 1	<u>4,459,305</u>	<u>4,152,397</u>	<u>6,194,183</u>	<u>-</u>	<u>14,805,885</u>	<u>673,514</u>
End of year - June 30	<u>\$ 5,569,492</u>	<u>\$ 4,732,264</u>	<u>\$ 11,294,835</u>	<u>\$ 40,904</u>	<u>\$ 21,637,495</u>	<u>\$ 569,519</u>
	<u>\$ 5,569,492</u>	<u>\$ 4,732,249</u>	<u>\$ 11,294,835</u>	<u>\$ -</u>	<u>\$ 21,596,576</u>	<u>\$ 569,519</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MORGANTON, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 545,383	\$ 1,614,042	\$ 6,927,997	\$ 435,243	\$ 9,522,665	\$ 132,512
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,097,048	1,592,680	905,701	363,359	3,958,788	133,709
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	153,149	124,144	710,116	87,598	1,075,007	(18)
Increase (decrease) in accounts payable and accrued liabilities	(24,807)	(891,407)	(172,573)	48,874	(1,039,913)	13,061
Increase (decrease) in prepayments	2,340	(1,957)	(5,882)	(786)	(6,285)	(617)
Increase (decrease) in inventories						(218,163)
Increase (decrease) in accrued vacation pay	30,025	20,236	27,898	25,325	103,484	-
Increase (decrease) in compensated absences						13,214
Increase (decrease) in net OPEB liability	(5,176)	(5,176)	(5,823)	(1,941)	(18,116)	(2,588)
(Increase) decrease in deferred outflows of resources - pensions	54,477	54,477	61,287	12,797	183,038	27,239
(Increase) decrease in deferred outflows of resources - OPEB	(34,126)	(34,126)	(38,392)	(20,429)	(127,073)	(17,063)
Increase in net pension liability	57,429	57,429	64,608	21,536	201,002	28,715
Decrease in deferred inflows of resources - pension	(5,555)	(5,555)	(6,250)	(2,083)	(19,443)	(2,778)
Increase in deferred inflows of resources - OPEB	36,774	36,774	41,371	13,790	128,709	18,387
Total adjustments	1,361,578	947,519	1,582,061	548,040	4,439,198	(6,902)
Net cash provided (used) by operating activities	\$ 1,906,961	\$ 2,561,561	\$ 8,510,058	\$ 983,283	\$ 13,961,863	\$ 125,610

The accompanying notes are an integral part of the financial statements.

City of Morganton, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

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 (the "City") is a municipal corporation that is governed by an elected mayor and a 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 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 specific 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 specific program. Revenues that are not

classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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, street maintenance and construction, sanitation services, 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.

The City reports the following non-major governmental funds:

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 perpetual care of the municipal cemetery. The revenue source is user fees.

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

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

Exit 105 Connector Road Capital Project Fund. 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 Federal grant.

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

The City reports the following major enterprise funds:

Water Fund. This fund is used to account for the City's water operations.

Waste-water This fund is used to account for the City's wastewater operations. A Wastewater Capital Project Fund has been consolidated into the Wastewater operating fund for financial reporting purposes. The budgetary comparison for the Wastewater Capital Project Fund has been included in the supplemental information.

Electric Fund. This fund is used to account for the City's electric operations. An Electric Rate Stabilization Fund has been consolidated into the Electric Fund for financial reporting purposes. The budgetary comparison for the Electric Rate Stabilization Fund has been included in the supplemental information.

Cable Fund. This fund is used to account for the City's cable operations.

The City reports the following fund types:

Internal Service Fund. The Central Garage Fund is used to account for the accumulation and allocation of costs associated with the City's warehouse, garage, and information resource management services functions.

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.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fund financial statements are reported using the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales

and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. 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. Issuance 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 the 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. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general 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 Special Revenue Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the CDBG Entitlement Special Revenue Fund, the Building Re-Use Special Revenue Fund, the Greenway Connector Capital

Projects Fund, the Exit 105 Connector Capital Project Fund, the Soccer Complex Capital Project Fund, and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their 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 the multi- year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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. 159-30(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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 reported 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 ABC Board considers 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 NCG.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

Governmental Activities	
General Fund	
Economic Development and Streets	\$ 1,187,922
Cemetery Fund	268,950
Building Re-Use	8,175
CDBG Entitlement	39,787
Total Governmental Activities	\$ <u>1,504,834</u>
Business-Type Activities	
Water Fund	
Customer Deposits	\$ 109,822
Wastewater Fund	
Customer Deposits	\$ 116,433
Electric Fund	
Customer Deposits	\$ <u>609,447</u>
Total Business-Type Activities	\$ <u>835,702</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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

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. Inventory and Prepaid Items

The internal service fund maintains all inventories of the City unless it has been charged out to enterprise fund trucks. All inventories are valued at average cost. The ABC Board inventories are valued at cost (first-in, first-out), which approximates 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 costs are \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value.

All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost 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 > 1 ton	10

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<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 criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

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 that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City and ABC Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is 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 represents constraints on resources that are externally imposed either by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by

State statute”. *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for 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 unexpended Powell Bill funds.

Restricted for Economic Development - portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

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 the total unexpended confiscated drug money

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

Committed for Other – portion of fund balance committed for future trust possibility.

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 City’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 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 to or greater than 15% of budgeted expenditures. Any portion of the general fund balance in excess 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 the entities' 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 City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City or the ABC Board neither have a 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, 2020, the City's deposits had a carrying amount of \$7,061,628 and a bank balance of \$6,950,123. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$505,084 and the bank balance was \$332,463. Of the bank balances, only \$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, 2020, the City's investments were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2020	Maturity	Rating
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 998,080	July 16, 2020	AAA
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 995,250	September 18, 2020	A1 P1
Commercial Paper: Toyota Motor Credit Corp	Fair Value Level 2	\$ 994,097	October 1, 2020	A1+ P1
Commercial Paper: Malayan BKG Berhad NY	Fair Value Level 2	\$ 987,061	October 15, 2020	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 988,089	October 30, 2020	A1 P1
Commercial Paper: Toyota Motor Credit Corp	Fair Value Level 2	\$ 992,583	December 8, 2020	A1+ P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 991,615	December 31, 2020	A1 P1
Commercial Paper: Exxon Mobil Corp	Fair Value Level 2	\$ 997,783	February 26, 2021	A1+ P1
Commercial Paper: MUFG Bank LTD/NY	Fair Value Level 2	\$ 997,767	March 18, 2021	A1 P1
Commercial Paper: Toyota Motor Credit Corp	Fair Value Level 2	\$ 997,758	March 19, 2021	A1+ P1
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 999,786	June 8, 2022	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 1,000,000	June 30, 2022	Unrated
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 999,933	November 14, 2022	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 999,407	December 29, 2022	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 1,000,000	December 29, 2022	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 1,000,887	February 3, 2023	Unrated
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 1,005,790	February 10, 2023	AA+
NC Capital Management Trust- Cash Portfolio	Amortized Cost	\$ 27,375,210	N/A	AAAm
NC Capital Management Trust- Term Portfolio	Fair Value Level 1	\$ 5,336,943	0.17 years	Unrated
Total:		\$ 49,658,039		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy:

- Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.
- Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ benchmark quoted prices.

Interest Rate Risk. The City 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 limits investments to the following parameters:

- Percent of Portfolio under 270 days.....up to 50%
- Percent of Portfolio under 365 days.....up to 75%
- Percent of Portfolio under 3 years.....up to 100%

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>Investment Type</u>	<u>Maximum % of Portfolio</u>
U.S. Government Agency	Up to 100%
U.S. Government Treasury	Up to 100%
Bankers Acceptances/Commercial Paper	Up to 40%
Repurchase Agreements	Up to 25%
Certificates of Deposit - Commercial	Up to 100%
Certificates of Deposit - Savings	Up to 25%
NCCMT	Up to 50%

The City’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2020. 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's Board places no limit on the amount 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 any one institution.

Certificates of Deposit-Savings Banks – No more than 25% of the total portfolio with any 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 - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund	
Taxes receivable	199,115
Accounts receivable	23,318
Revolving loans	48,190
Uncollectible charges	21,215
Water Fund	
Accounts receivable	45,061
Wastewater Fund	
Accounts receivable	28,015
Electric Fund	
Accounts receivable	196,810
Cable Fund	
Accounts receivable	32,755

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 12,770,466	\$ -	\$ -	\$ -	\$ 12,770,466
Construction in progress	88,485	-	-	-	88,485
Total non-depreciable capital assets	<u>12,858,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,858,951</u>
Depreciable Capital Assets:					
Buildings	23,959,271	-	(26,383)	-	23,932,888
Equipment	29,701,285	1,529,044	(1,013,746)	-	30,216,583
Infrastructure	44,864,828	421,046	-	-	45,285,874
Total depreciable capital assets	<u>98,525,384</u>	<u>1,950,090</u>	<u>(1,040,129)</u>	<u>-</u>	<u>99,435,345</u>
Less Accumulated Depreciation:					
Buildings	20,075,420	405,319	(26,383)	-	20,454,356
Equipment	18,918,266	1,927,638	(1,013,746)	-	19,832,158
Infrastructure	40,325,622	1,125,335	-	-	41,450,957
Total accumulated depreciation	<u>79,319,308</u>	<u>3,458,292</u>	<u>(1,040,129)</u>	<u>-</u>	<u>81,737,471</u>
Total depreciable capital assets	<u>19,206,076</u>	<u>(1,508,202)</u>	<u>-</u>	<u>-</u>	<u>17,697,874</u>
Governmental activities capital assets, net	<u>\$ 32,065,027</u>	<u>\$ (1,508,202)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,556,825</u>

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

General government	\$ 412,725
Public safety	822,957
Transportation	1,299,489
Environmental Protection	188,099
Cultural and Recreation	735,022
Total	<u>\$ 3,458,292</u>

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Internal Service Fund					
Non-Depreciable Capital Assets:					
Land	\$ 33,317	\$ -	\$ -	\$ -	\$ 33,317
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>33,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,317</u>
Depreciable Capital Assets:					
Buildings	711,419	-	(7,986)	-	703,433
Equipment	1,510,398	229,605	(88,116)	-	1,651,887
Total depreciable capital assets	<u>2,221,817</u>	<u>229,605</u>	<u>(96,102)</u>	<u>-</u>	<u>2,355,320</u>
Less Accumulated Depreciation:					
Buildings	619,820	16,265	(7,986)	-	628,099
Equipment	1,046,751	117,444	(88,116)	-	1,076,079
Total accumulated depreciation	<u>1,666,571</u>	<u>133,709</u>	<u>(96,102)</u>	<u>-</u>	<u>1,704,178</u>
Total depreciable capital assets, net	<u>555,246</u>	<u>95,896</u>	<u>-</u>	<u>-</u>	<u>651,142</u>
Internal Service capital assets, net	<u>\$ 588,563</u>	<u>\$ 95,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,460</u>

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-Type Activities:					
Water:					
Non-Depreciable Capital Assets:					
Land	\$ 912,017	\$ -	\$ -	\$ -	\$ 912,017
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>912,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>912,017</u>
Depreciable Capital Assets:					
Buildings	10,106,366	-	-	-	10,106,366
Plant and System	23,893,289	964,127	-	-	24,857,416
Equipment	4,899,397	18,150	(264,989)	-	4,652,558
Total depreciable capital assets	<u>38,899,052</u>	<u>982,277</u>	<u>(264,989)</u>	<u>-</u>	<u>39,616,340</u>
Less Accumulated Depreciation:					
Buildings	7,272,272	133,226	-	-	7,405,498
Plant and System	11,445,400	650,110	-	-	12,095,510
Equipment	3,045,873	313,712	(264,989)	-	3,094,596
Total accumulated depreciation	<u>21,763,545</u>	<u>1,097,048</u>	<u>(264,989)</u>	<u>-</u>	<u>22,595,604</u>
Total depreciable capital assets, net	<u>17,135,507</u>	<u>(114,771)</u>	<u>-</u>	<u>-</u>	<u>17,020,736</u>
Water capital assets, net	<u>\$ 18,047,524</u>	<u>\$ (114,771)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,932,753</u>

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-Type Activities:					
Wastewater					
Non-Depreciable Capital Assets:					
Land	\$ 14,067,068	\$ -	\$ -	\$ -	\$ 14,067,068
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>14,067,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,067,068</u>
Depreciable Capital Assets:					
Buildings	3,928,538	-	-	-	3,928,538
Plant and System	32,370,422	568,762	-	-	32,939,184
Equipment	17,699,356	177,832	(357,943)	-	17,519,245
Total depreciable capital assets	<u>53,998,316</u>	<u>746,594</u>	<u>(357,943)</u>	<u>-</u>	<u>54,386,967</u>
Less Accumulated Depreciation:					
Buildings	3,227,879	60,180	-	-	3,288,059
Plant and System	13,721,262	788,404	-	-	14,509,666
Equipment	6,216,210	744,096	(357,943)	-	6,602,363
Total accumulated depreciation	<u>23,165,351</u>	<u>1,592,680</u>	<u>(357,943)</u>	<u>-</u>	<u>24,400,088</u>
Total depreciable capital assets, net	<u>30,832,965</u>	<u>(846,086)</u>	<u>-</u>	<u>-</u>	<u>29,986,879</u>
Wastewater capital assets, net	<u>\$ 44,900,033</u>	<u>\$ (846,086)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,053,947</u>

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-Type Activities:					
Electric:					
Non-Depreciable Capital Assets:					
Land	\$ 55,950	\$ -	\$ -	\$ -	\$ 55,950
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>55,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,950</u>
Depreciable Capital Assets:					
Buildings	2,677,695	-	-	-	2,677,695
Plant and System	17,581,768	619,296	-	-	18,201,064
Equipment	5,157,876	414,045	(24,712)	-	5,547,209
Total depreciable capital assets	<u>25,417,339</u>	<u>1,033,341</u>	<u>(24,712)</u>	<u>-</u>	<u>26,425,968</u>
Less Accumulated Depreciation:					
Buildings	2,099,964	65,923	-	-	2,165,887
Plant and System	10,329,080	533,721	-	-	10,862,801
Equipment	3,521,344	306,057	(24,712)	-	3,802,689
Total accumulated depreciation	<u>15,950,388</u>	<u>905,701</u>	<u>(24,712)</u>	<u>-</u>	<u>16,831,377</u>
Total depreciable capital assets, net	<u>9,466,951</u>	<u>127,640</u>	<u>-</u>	<u>-</u>	<u>9,594,591</u>
Solid Waste capital assets, net	<u>\$ 9,522,901</u>	<u>\$ 127,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,650,541</u>

	Balance				Balance
	July 1, 2019	Increases	Decreases	Transfers	June 30, 2020
Business-Type Activities:					
Cable					
Non-Depreciable Capital Assets:					
Land	\$ 5,586	\$ -	\$ -	\$ -	\$ 5,586
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>5,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,586</u>
Depreciable Capital Assets:					
Buildings	901,299	-	-	-	901,299
Plant and System	13,671,175	365,413	-	-	14,036,588
Equipment	<u>757,384</u>	<u>107,680</u>	<u>(103,700)</u>	<u>-</u>	<u>761,364</u>
Total depreciable capital assets	<u>15,329,858</u>	<u>473,093</u>	<u>(103,700)</u>	<u>-</u>	<u>15,699,251</u>
Less Accumulated Depreciation:					
Buildings	526,040	25,692	-	-	551,732
Plant and System	9,992,976	302,659	-	-	10,295,635
Equipment	<u>616,086</u>	<u>35,008</u>	<u>(103,700)</u>	<u>-</u>	<u>547,394</u>
Total accumulated depreciation	<u>11,135,102</u>	<u>363,359</u>	<u>(103,700)</u>	<u>-</u>	<u>11,394,761</u>
Total depreciable capital assets, net	<u>4,194,756</u>	<u>109,734</u>	<u>-</u>	<u>-</u>	<u>4,304,490</u>
Cable capital assets, net	<u>\$ 4,200,342</u>	<u>\$ 109,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,310,076</u>

Discretely Presented Component Unit

	Balance				Balance
	July 1, 2019	Increases	Decreases	Transfers	June 30, 2020
Discretely Presented Component Unit					
ABC Board					
Non-Depreciable Capital Assets:					
Land	\$ 11,000	\$ -	\$ -	\$ -	\$ 11,000
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Depreciable Capital Assets:					
Buildings	77,980	-	-	-	77,980
Improvements	151,153	-	-	-	151,153
Equipment	<u>178,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,680</u>
Total depreciable capital assets	<u>407,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,813</u>
Less Accumulated Depreciation:					
Buildings	77,980	-	-	-	77,980
Improvements	151,153	-	-	-	151,153
Equipment	<u>169,337</u>	<u>2,902</u>	<u>-</u>	<u>-</u>	<u>172,239</u>
Total accumulated depreciation	<u>398,470</u>	<u>2,902</u>	<u>-</u>	<u>-</u>	<u>401,372</u>
Total depreciable capital assets, net	<u>9,343</u>	<u>(2,902)</u>	<u>-</u>	<u>-</u>	<u>6,441</u>
Solid Waste capital assets, net	<u>\$ 20,343</u>	<u>\$ (2,902)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,441</u>

5. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Morganton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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.

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Morganton were \$910,985 for the year ended June 30, 2020.

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 60day 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, 2020, the City reported a liability of \$5,113,105 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019 (measurement date), the City's proportion was 0.18723%, which was an increase of .00196% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$2,235,493. At June 30, 2020, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$875,493	
Changes in assumptions	833,351	
Net difference between projected and actual earnings on pension plan investments	124,716	
Changes in proportion and differences between City contributions and proportionate share of contributions	18,006	66,031
City contributions subsequent to the measurement date	910,985	
Total	<u>\$2,762,551</u>	<u>\$66,031</u>

\$910,985 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$881,411
2021	263,400
2022	494,558
2023	146,167

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 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

returns 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, 2019 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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 2.50%. 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 liability 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)	\$11,694,607	\$5,113,105	(\$357,456)

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 at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees Receiving Benefits:	
Inactive Members Currently Receiving Benefits	16
Active Members	<u>55</u>
Total	<u>71</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 are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 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, 2019.

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

3. 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. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$120,167 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, 2020, the City reported a total pension liability of \$2,438,311. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$62,907.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$22,600	\$88,345
Changes of assumptions	121,719	71,901
City benefit payments and plan administrative expense made subsequent to the measurement date	120,167	
Total	\$264,486	\$160,246

\$120,167 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$11,254
2022	8,028
2023	7,638
2024	(3,466)
2025	(7,527)
Thereafter	0

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 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
TOTAL Pension Liability	\$2,633,859	\$2,438,311	\$2,261,088

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

Total Pension Liability as of December 31, 2018	\$2,380,218
Changes for the year:	
Service Cost at End of year	85,169
Interest	82,871
Difference between expected and actual experience	27,713
Change of assumptions and other inputs	69,429
Benefit payments	(207,089)
Net changes	<u>58,093</u>
Total Pension Liability as of December 31, 2019	<u><u>\$2,438,311</u></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, 2018 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	\$2,235,493	\$62,907	\$2,298,400
Pension Liability	5,113,105	2,438,311	7,551,416
Proportionate share of the net pension liability	0.18723%		
Deferred Outflows of Resources			
Differences between expected and actual experience	875,493		875,493
Changes of assumptions	833,351	144,319	977,670
Net difference between projected and actual earnings on plan investments	124,716		124,716
Benefit payments and administrative costs paid subsequent to the measurement date	910,985	120,167	1,031,152
Deferred Inflows of Resources			
Differences between expected and actual experience	709,294	88,345	797,639
Changes of assumptions		71,901	71,901
Changes in proportion and differences between contributions and proportionate share of contributions	66,031		66,031

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699- 1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The City made contributions of \$292,524 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefit

Healthcare Benefits

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 the benefit upon thirty days' notice. No assets are accumulated in a trust that meets the criteria in paragraph four (4) f GASB statement 75.

Membership of the HCB Plan consisted of the following at December 31, 2019, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	67	16
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	288	55
Total	<u>355</u>	<u>71</u>

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

<u>Years of Service</u>	<u>% of Retiree Health Insurance</u>
	<u>Paid by City</u>
20 or more years	100%
10 to 19.99 years	50%
5 to 9.99 years	0%
Disability retirement	100%

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

<u>Years of Service</u>	<u>% of Retiree Health Insurance</u>
	<u>Paid by City</u>
25 or more years	100%
20 to 24.99 years	75%
10 to 19.99 years	50%
5 to 9.99 years	0%
Disability retirement	100%

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 Medicare eligible. 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 \$18,804,069 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 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%	The
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	3.89%	
Measurement Date	3.50%	
Health Care Cost Trends		
Pre-Medicare	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026	

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$18,868,774
Changes for the year:	
Service cost	613,573
Interest	715,115
Differences between expected and actual experience	(803,324)
Changes in assumptions or other inputs	390,004
Benefit payments	(980,073)
Net changes	<u>(\$64,705)</u>
Balance at June 30, 2019	<u>\$18,804,069</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 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
TOTAL OPEB Liability	\$20,554,679	\$18,804,069	\$17,241,687

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	\$16,919,676	\$18,804,069	\$21,025,781

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,045,957. At June 30, 2020, 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	11,961	\$709,294
Changes of assumptions	335,987	997,587
Benefit payments and administrative costs made subsequent to the measurement date	1,632,772	
Total	<u>\$1,980,720</u>	<u>\$1,706,881</u>

\$1,632,775 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (287,242)
2021	(287,242)
2022	(287,242)
2023	(287,242)
2024	(139,318)
Thereafter	(70,647)

3. 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 insured values of the property policy, 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. 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.

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.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

a. Governmental Funds Installment Purchase:

All of the City's installment purchase debt financings were direct borrowings.

GASB 88 does not apply any of the contracts listed below:

Governmental Activities:**Serviced by the General Fund:****Direct Placement Debt:**

\$3,339,700 - Town Hall Building - 2007 Financing; due in sixteen (16) annual installments of \$222,347 through 2023; interest payable at 3.93% from 2007-2011; 3.49% 2011-2023	\$ 556,616
\$800,000 - Fire Truck Purchase - 2013 Financing; due in seven (7) annual installments, including interest at variable amounts through 2021; interest payable at 1.85%	120,850
\$244,268 - Garbage Truck - 2016 Financing; due in annual installments over 4.5 years; interest payable at 1.97%	50,839
\$1,290,000 - Community House Renovation- 2017 Financing; due in annual installments over 15 years at 3.23% interest.	1,032,000
\$436,855 - Garbage Truck and Sweep - 2016 Financing; due in annual installments over 4 years, including interest at variable amounts through 2021; interest payable at 1.352%	64,112
\$818,500 - Public Safety Vehicles and Fire Truck - 2017 Financing; due in annual installments over 5 years; interest payable at 2.14%	338,995
\$335,489 - New Backhoe and Knuckleboom - 2018 Financing; due in annual installments over 4 years; interest payable at 3.04%	254,132
\$187,213 - New Dump Trucks- 2019 Financing; due in annual installments over 4 years; interest payable at 2.03%	187,213
\$156,637 - New Tractor- 2019 Financing; due in annual installments over 4 years; interest payable at 2.03%	56,637
\$400,173 - Public Safety Cars - 2018 Financing; due in annual installments over 3 years; interest payable at 3.07%	268,463
\$183,285.51 - Fire Truck Re-Furbishment - 2019 Financing; due in annual installments over 5 years; interest payable at 3.42%	149,051
\$548,000 - Public Safety Cars - 2019 Financing; due in annual installments over 3 years; interest payable at 2.03%	<u>548,000</u>
Total direct placement	<u><u>\$ 3,626,908</u></u>

Annual debt service payments of the installment purchase as of June 30, 2020 are as follows:

<u>Installment Financing</u>		
Year Ending June 30	Principal	Interest
2021	\$ 1,202,282	\$ 95,958
2022	979,588	71,118
2023	569,376	41,289
2024	187,664	2,609
2025	86,000	-
2026-2030	430,000	-
2031-2035	172,000	-
Total	<u>\$ 3,626,910</u>	<u>\$ 210,974</u>

b. Enterprise Fund Installment Purchase:

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

Enterprise Funds:**Serviced by the Water Fund:****Direct Placement Debt:**

\$1,700,000 - Water Filter Media Project - 2012 Financing;
due in 10 annual installments through 2023;
interest payable at 2.08%

6/30/20 Debt Balance

\$ 343,916

\$1,246,115 - Clearwell Water Plant Improvements - 2016 Financing;
due in 20 annual installments;
interest payable at 0.00%

\$ 1,059,198

Serviced by the Waste Water Fund:**Direct Placement Debt:**

\$9,716,370 - Sewer Plant Upgrades- 2017 Financing;
due in 10 annual installments; interest payable at 2.45%

\$ 7,043,858

\$398,000 - Sewer Vac Truck- 2018 Financing;
due in 5 annual installments; interest payable at 3.29%

\$ 320,492

\$11,495,222 - Treatment Plant Improvements- 2013 Financing;
due in 20 annual installments; interest payable at 2.00%

\$ 7,474,164

\$150,000 - Sewer Department Trucks- 2019 Financing;
due in 3 annual installments; interest payable at 2.19%

\$ 17,270

Serviced by the Electric Fund:**Direct Placement Debt:**

\$348,248 - Electric Fund Trucks- 2016 Financing;
due in 4 annual installments; interest payable at 1.352%

\$ 51,130

\$280,400 - Electric Digger Trucks- 2018 Financing;
due in 4 annual installments; interest payable at 2.67%

\$ 167,354

Serviced by the Cable Fund:**Direct Placement Debt:**

\$165,000 - Cable DNCS System- 2017 Financing;
due in 5 annual installments; interest payable at 2.42%

\$ 94,584

\$106,544 - Cable Bucket Truck - 2019 Financing;
due in 5 annual installments; interest payable at 2.05%

\$ 106,544**Total direct placement**\$ 16,678,510

Annual debt service payments of the installment purchase as of June 30, 2020 are as follows:

<u>Installment Financing</u>		
Year Ending	Principal	Interest
June 30		
2021	\$ 2,003,885	\$ 346,060
2022	1,963,603	302,753
2023	1,791,133	259,092
2024	1,748,121	219,934
2025	1,689,136	181,046
2026-2030	5,321,724	-
2031-2035	2,160,931	-
Total	<u>\$ 16,678,533</u>	<u>\$ 1,308,885</u>

c. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Balance			Balance	Current
	July 1, 2019	Increases	Decreases	June 30, 2020	Portion of
					Balance
Governmental Activities:					
Direct placement installment purchases	4,125,565	791,850	(1,290,507)	3,626,908	1,202,292
Compensated absences	856,465	232,498	(1,838)	1,087,125	108,713
Total OPEB Liability	13,585,517	-	(46,587)	13,538,930	-
Net pension liability (LGERS)	3,164,572	516,864	-	3,681,436	-
Total Pension Liability (LEO)	<u>2,380,218</u>	<u>58,093</u>	<u>-</u>	<u>2,438,311</u>	<u>-</u>
Total governmental activities	<u>\$ 24,112,337</u>	<u>\$ 1,599,305</u>	<u>\$ (1,338,932)</u>	<u>\$ 24,372,710</u>	<u>\$ 1,311,005</u>
Business-Type Activities:					
Installment purchase	\$ 9,462,375	\$ 106,544	\$ (1,423,785)	\$ 8,145,134	\$ 1,423,760
Revolving Loans	9,170,618	-	(637,243)	8,533,376	637,243
Net pension liability (LGERS)	1,230,666	201,003	-	1,431,669	-
Total OPEB liability	5,283,257	-	(18,118)	5,265,139	-
Compensated absences	<u>271,259</u>	<u>75,502</u>	<u>-</u>	<u>346,761</u>	<u>34,676</u>
Total business-type activities	<u>\$ 25,418,175</u>	<u>\$ 383,049</u>	<u>\$ (2,079,146)</u>	<u>\$ 23,722,079</u>	<u>\$ 2,095,679</u>

B. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Water Fund - due from Cable Fund	\$ 1,881,698	\$ -
Cable Fund - due to Water Fund	-	1,881,698
Total	<u>\$ 1,881,698</u>	<u>\$ 1,881,698</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.

Transfer are used for various reasons. In the year ended June 30, 2020 transfers were used for:

Transfers to/from other funds at June 30, 2020, consist of the following:

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

	Transfers From	Transfers To
General Fund :		
From Electric Fund	\$743,202	
To Special Revenue Fund		\$12,500
To Capital Projects Funds		759,597
	<u>743,202</u>	<u>772,097</u>
Capital Projects Funds:		
From General Fund	759,597	
	<u>759,597</u>	
Special Revenue Fund:		
From General Fund	12,500	
	<u>12,500</u>	
Economic Development Fund (a sub-fund of the general fund):		
From General Fund	79,250	
To General Fund		79,250
	<u>79,250</u>	<u>79,250</u>
Electric Fund :		
To General Fund		743,202
Sewer Fund :		
From Sewer Capital Projects Fund	16,228	
Sewer Capital Projects Fund :		
To Sewer Fund		16,228
		<u>16,228</u>
Grand Totals	<u>\$1,610,777</u>	<u>\$1,610,777</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

C. 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	\$ 22,297,329
Less:	
Committed	(2,187,982)
Restricted for Streets - Powell Bill	(886,855)
Prepays	(197,617)
Stabilization by State statute	(1,374,372)
Other Restrictions	(1,096,944)
Total available fund balance	<u>\$ 16,553,559</u>

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 and contracts that remain unperformed at year-end.

General Fund	\$352,083
Capital Project Fund - Road Connector	\$113,990
Capital Project Fund - Greenway Connector	\$6,136
Capital Project Fund - Soccer Complex	\$693,962
Water Fund	\$288,527
Electric Fund	\$105,135
Wastewater Fund	\$52,265
Cable Fund	\$316,608
Internal Service Fund	\$67,683
Special Revenue Fund	\$10,000

III. Jointly Governed Organization

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric 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 Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric 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, 2020 were \$23,326,457.

The City, in conjunction with twenty-six other local governments, established the Western Piedmont Council of Government (WPCOG). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees OF \$21,548 to the Council during the fiscal year ended June 30, 2020.

IV. Joint Ventures

The City, in conjunction with Burke County, Caldwell County and the City of Lenoir 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 County 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 interlocal 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, 2020. 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, 2020. Complete financial statements for the Airport can be obtained from the Airport's administrative offices.

The City and the members of the City's fire 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. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2020, per change of legislation, the City dissolved the Supplemental Fund and combined both funds into the Firemen's Relief Fund while simultaneously created a supplemental retirement reserve. The City reported revenues of \$19,214 and expenditures of \$6,269 for the payments made through the relief fund. 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, 2020. 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.

V. Related Organization

The five-member board of the City of Morganton Housing Authority is appointed by the mayor of the City of Morganton. 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 of Morganton is also disclosed as a related organization in the notes to the financial statements for the City of Morganton Housing Authority.

VI. 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.

COVID-19 Pandemic

The 2019 novel coronavirus (“COVID-19”) has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity which may increasingly have the potential to negatively impact the City’s financial condition and its customer’s costs, the NC economy, and the U.S. economy. Further, COVID-19 may result in health or other government authorities requiring the closure or disruption of some of the City’s operations or other businesses of the City’s customers and suppliers, which could significantly disrupt the City’s operations and the operations of the City’s customers. The extent of the adverse impact of the COVID-19 outbreak on the City cannot be predicted at this time.

CITY OF MORGANTON, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Morganton's proportion of the net pension liability (asset) (%)	0.187%	0.185%	0.189%	0.200%	0.202%	0.21%	0.20%
Morganton's proportion of the net pension liability (asset) (\$)	\$ 5,113,105	\$ 4,395,238	\$ 2,880,674	\$ 4,235,544	\$ 906,742	\$ (1,218,415)	\$ 2,427,643
Morganton's covered payroll	\$ 12,578,485	\$ 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	40.65%	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%	99.07%	102.64%	94.35%

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CITY OF MORGANTON, NORTH CAROLINA

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

	Local Government Employees' Retirement System						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 910,985	\$ 995,775	\$ 912,453	\$ 842,339	\$ 769,923	\$ 819,571	\$ 806,235
Contributions in relation to the contractually required contribution	<u>910,985</u>	<u>995,775</u>	<u>912,453</u>	<u>842,339</u>	<u>769,923</u>	<u>819,571</u>	<u>806,235</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Morganton's covered payroll	\$ 13,194,310	\$ 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	6.90%	7.92%	7.66%	7.42%	6.81%	7.07%	7.74%

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CITY OF MORGANTON, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2020**

Law Enforcement Officers' Special Separation Allowance				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,380,218	\$ 2,619,567	\$ 2,543,747	\$ 2,613,350
Service Cost	85,169	90,254	82,676	87,059
Interest on the total pension liability	82,871	79,331	94,486	89,917
Differences between expected and actual experience in the measurement of the total pension liability	27,713	(103,527)	(49,733)	-
Changes of assumptions or other inputs	69,429	(87,215)	140,214	(57,236)
Benefit payments	<u>(207,089)</u>	<u>(218,192)</u>	<u>(191,823)</u>	<u>(189,343)</u>
Ending balance of the total pension liability	<u>\$ 2,438,311</u>	<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 December 31.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

CITY OF MORGANTON, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2020**

	<u>Law Enforcement Officers' Special Separation Allowance</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 2,438,311	\$ 2,380,218	\$ 2,619,567	\$ 2,543,747
Covered payroll	2,752,867	2,792,586	2,547,381	2,872,388
Total pension liability as a percentage of covered payroll	88.57%	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 is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CITY OF MORGANTON, NORTH CAROLINA

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2020**

Total OPEB Liability	2020	2019	2018
Service Cost	613,573	634,665	686,630
Interest	715,115	661,281	577,105
Changes of benefit terms			
Differences between expected and actual experience	(803,324)	16,737	(30,128)
Changes of assumptions	390,004	(581,592)	(1,017,284)
Benefit payments	<u>(980,073)</u>	<u>(867,669)</u>	<u>(762,150)</u>
Net change in total OPEB liability	(64,705)	(136,578)	(545,827)
Total OPEB liability - beginning	<u>18,868,774</u>	<u>19,005,352</u>	<u>19,551,179</u>
Total OPEB liability - ending	<u>18,804,069</u>	<u>18,868,774</u>	<u>19,005,352</u>
Covered payroll	13,194,310	12,578,485	11,914,784
Total OPEB liability as a percentage of covered payroll	142.52%	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:

Fiscal year	Rate
2020	3.50%
2019	3.89%
2018	3.56%



CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad Valorem Taxes:				
Taxes - General Fund	\$ 9,973,070	\$ 10,073,070	\$ 10,282,093	
Taxes - Main Street	129,328	129,328	127,541	
Penalties, interest, and advertising	29,900	29,900	28,682	
Total	<u>10,132,298</u>	<u>10,232,298</u>	<u>10,438,316</u>	\$ 206,018
Other Taxes and Licenses:				
Carbon city fire tax	8,900	8,900	10,363	
Occupancy Tax	125,000	125,000	122,889	
One-half cent sales tax	3,089,880	3,024,880	3,104,272	
One cent sales tax	<u>1,330,027</u>	<u>1,255,027</u>	<u>1,440,811</u>	
Total	<u>4,553,807</u>	<u>4,413,807</u>	<u>4,678,335</u>	264,528
Unrestricted Intergovernmental Revenues:				
Urban renewal in lieu of taxes	34,554	34,554	37,085	
Section eight in lieu of taxes	2,264	2,264	2,806	
Payments in lieu of taxes	452,611	452,611	454,781	
Utility sales tax	1,835,265	1,835,265	1,753,974	
Narcotics	7,600	7,600	4,499	
Beer and wine	75,211	75,211	73,144	
Solid Waste Disposal	11,983	11,983	12,937	
Alcohol Beverage Commission	<u>290,000</u>	<u>290,000</u>	<u>306,812</u>	
Total	<u>2,709,488</u>	<u>2,709,488</u>	<u>2,646,038</u>	(63,450)
Restricted Intergovernmental Revenues:				
Fire protection - state facilities	62,824	62,824	85,051	
State and federal grants	2,870,969	923,124	643,562	
Other restricted revenues	31,000	76,147	82,701	
Powell bill street aid allocation	<u>465,455</u>	<u>465,455</u>	<u>478,509</u>	
Total	<u>3,430,248</u>	<u>1,527,550</u>	<u>1,289,823</u>	(237,727)
Permits and Fees:				
Building permits	135,000	135,000	71,053	
Plumbing permits	50,000	50,000	32,843	
Variance/planning/zoning permits	12,900	12,900	11,130	
Vehicle tag fee	255,000	255,000	261,487	
Electric permits	65,000	65,000	44,054	

CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
HVAC permits	50,000	50,000	45,644	
Total	567,900	567,900	466,211	(101,689)
Sales and Services:				
Parking revenue	13,000	13,000	12,310	
Reimbursement for services	5,000	47,891	44,417	
Solid waste user fees	1,330,000	1,330,000	1,373,795	
Rough trash fees	20,000	20,000	26,727	
Simply Green revenue	0	0	0	
Solid Waste late charges	12,850	12,850	8,850	
Curb cuts	9,000	9,000	3,935	
Civil citations	500	500	0	
Engineering inspections	3,500	3,500	2,407	
Rent	54,600	54,600	55,200	
Fire protection	500	500	300	
False alarm violations	6,675	6,675	24,225	
Recreation revenue	510,000	450,000	341,803	
Food sales and services	322,000	322,000	264,129	
Bad check charges	5,500	5,500	4,259	
Canteen sales	2,025	2,025	1,423	
Main street revenue	20,700	20,700	26,765	
Façade loan program	3,100	3,100	4,145	
DARE program	4,600	4,600	0	
municipal auditorium	390,000	390,000	206,006	
Sale of surplus	75,000	75,000	153,234	
Reimbursements	40,000	150,153	191,110	
Total	2,828,550	2,921,594	2,745,040	(176,554)
Investment Earnings	242,000	242,000	233,237	(8,763)
Miscellaneous:				
Revolving loan principal	3,497	3,497	2,460	
Revolving loan interest	1,864	1,864	1,440	
Other	57,640	136,890	140,317	
Total	63,001	142,251	144,217	1,966
Total revenues	24,527,292	22,756,888	22,641,217	(115,671)

CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance Over/Under
	Original	Final		
Expenditures:				
General Government:				
Legislative - city council				
Salaries and employee benefits	44,085	44,085	43,328	
Operating expenditures	377,351	389,851	385,363	
Economic development	650,203	637,703	582,145	
Pro rate administrative services	(394,410)	(394,410)	(394,410)	
Total	677,229	677,229	616,426	60,803
Legal				
Salaries and employee benefits	208,658	208,658	207,323	
Operating expenditures	87,992	87,992	72,398	
Pro rate administrative services	(222,487)	(222,487)	(222,487)	
Total	74,163	74,163	57,234	16,929
Executive				
Salaries and employee benefits	497,212	497,212	495,643	
Operating expenditures	62,325	62,325	50,988	
Capital outlay	-	-	-	
Pro rate administrative services	(446,550)	(446,550)	(446,550)	
Total	112,987	112,987	100,081	12,906
Human resources				
Salaries and employee benefits	286,117	286,117	283,963	
Operating expenditures	930,350	937,850	909,184	
Capital outlay	-	-	-	
Pro rate administrative services	(669,057)	(669,057)	(669,057)	
Total	547,410	554,910	524,090	30,820
Accounting				
Salaries and employee benefits	292,980	292,980	292,326	
Operating expenditures	502,835	502,835	476,583	
Capital outlay	-	-	-	
Pro rate administrative services	(676,443)	(676,443)	(676,443)	
Total	119,372	119,372	92,466	26,906

CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Main street				
Salaries and employee benefits	183,674	183,674	179,080	
Contracted services	505,634	551,084	507,251	
Capital outlay	<u>210,000</u>	<u>394,197</u>	<u>130,273</u>	
Total	<u>899,308</u>	<u>1,128,955</u>	<u>816,604</u>	<u>312,351</u>
Canteen operations				
Operating expenditures	<u>1,700</u>	<u>1,700</u>	<u>886</u>	<u>814</u>
Business office/tax				
Salaries and employee benefits	360,116	360,116	307,658	
Operating expenditures	190,245	190,245	170,100	
Capital outlay	-	-	-	
Pro rate administrative services	<u>(523,901)</u>	<u>(523,901)</u>	<u>(523,901)</u>	
Total	<u>26,460</u>	<u>26,460</u>	<u>(46,143)</u>	<u>72,603</u>
Development				
Salaries and employee benefits	624,638	624,638	619,872	
Operating expenditures	184,717	244,097	114,882	
Capital outlay	<u>3,351,000</u>	<u>178,600</u>	<u>36,149</u>	
Total	<u>4,160,355</u>	<u>1,047,335</u>	<u>770,903</u>	<u>276,432</u>
Municipal buildings				
Operating expenditures	161,496	197,859	140,763	
Capital outlay	30,000	30,000	29,694	
Pro rata administrative services	<u>(101,819)</u>	<u>(101,819)</u>	<u>(101,819)</u>	
Total	<u>89,677</u>	<u>126,040</u>	<u>68,638</u>	<u>57,402</u>
Design				
Salaries and employee benefits	451,395	461,646	372,017	
Operating expenditures	61,415	63,305	45,554	
Capital outlay	-	-	-	
Pro rata administrative services	<u>(295,686)</u>	<u>(295,686)</u>	<u>(295,686)</u>	
Total	<u>217,124</u>	<u>229,265</u>	<u>121,885</u>	<u>107,380</u>

CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance Over/Under
	Original	Final		
Public works				
Salaries and employee benefits	177,882	177,882	180,369	
Operating expenditures	23,310	23,310	22,211	
Capital outlay	-	-	-	
Total	<u>201,192</u>	<u>201,192</u>	<u>202,580</u>	<u>(1,388)</u>
Cemetery and grounds				
Salaries and employee benefits	571,037	556,037	544,077	
Operating expenditures	92,115	92,115	86,346	
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>57,602</u>	
Total	<u>723,152</u>	<u>708,152</u>	<u>688,025</u>	<u>20,127</u>
Total general government	<u>7,850,129</u>	<u>5,007,760</u>	<u>4,013,675</u>	<u>994,085</u>
Public Safety:				
Police, fire, and administrative operations				
Salaries and employee benefits	6,813,302	6,740,802	6,657,736	
Operating expenditures	1,288,795	1,315,981	1,139,093	
Capital outlay	1,343,400	1,514,180	833,370	
Pro rata administrative services	<u>(19,200)</u>	<u>(19,200)</u>	<u>(19,200)</u>	
Total public safety	<u>9,426,297</u>	<u>9,551,763</u>	<u>8,610,999</u>	<u>940,764</u>
Transportation				
Street department				
Salaries and employee benefits	958,584	958,584	914,404	
Operating expenditures	192,576	199,826	149,173	
Capital outlay	-	<u>358,777</u>	<u>228,162</u>	
Total	<u>1,151,160</u>	<u>1,517,187</u>	<u>1,291,739</u>	<u>225,448</u>
Powell bill				
Operating expenditures	249,075	249,075	22,121	
Capital outlay	<u>235,000</u>	<u>235,000</u>	<u>160,656</u>	
Total powell bill	<u>484,075</u>	<u>484,075</u>	<u>182,777</u>	<u>301,298</u>
Total transportation	<u>1,635,235</u>	<u>2,001,262</u>	<u>1,474,516</u>	<u>526,746</u>

CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance Over/Under
	Original	Final		
Environmental Protection:				
Environmental protection - sanitation				
Salaries and employee benefits	671,497	671,497	653,475	
Operating expenditures	415,349	415,349	406,949	
Capital outlay	<u>43,000</u>	<u>43,000</u>	<u>29,622</u>	
Total environmental protection	<u>1,129,846</u>	<u>1,129,846</u>	<u>1,090,046</u>	<u>39,800</u>
Cultural and Recreational:				
Municipal auditorium				
Salaries and employee benefits	340,620	328,120	319,380	
Operating expenditures	780,459	782,459	516,571	
Capital outlay	15,000	80,400	48,275	
Pro rata administrative services	-	-	-	
Total	<u>1,136,079</u>	<u>1,190,979</u>	<u>884,226</u>	<u>306,753</u>
Recreation				
Salaries and employee benefits	1,870,909	1,780,909	1,580,888	
Operating expenditures	1,411,679	1,421,356	980,729	
Capital outlay	217,000	535,170	396,288	
Pro rata administrative services	<u>(22,080)</u>	<u>(22,080)</u>	<u>(22,080)</u>	
Total	<u>3,477,508</u>	<u>3,715,355</u>	<u>2,935,825</u>	<u>779,530</u>
Community house				
Salaries and employee benefits	292,900	292,900	278,067	
Operating expenditures	234,668	234,668	204,913	
Capital outlay	-	-	-	
Pro rata administrative services	-	-	-	
Total	<u>527,568</u>	<u>527,568</u>	<u>482,980</u>	<u>44,588</u>
Total cultural and recreational	<u>5,141,155</u>	<u>5,433,902</u>	<u>4,303,031</u>	<u>1,130,871</u>

CITY OF MORGANTON, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal retirement	1,290,508	1,295,000	1,294,999	
Interest expenditures	<u>105,122</u>	<u>105,122</u>	<u>104,975</u>	
Total debt service	<u>1,395,630</u>	<u>1,400,122</u>	<u>1,399,974</u>	<u>148</u>
Total expenditures	<u>26,578,292</u>	<u>24,524,655</u>	<u>20,892,241</u>	<u>3,632,414</u>
Revenues over (under) expenditures	<u>(2,051,000)</u>	<u>(1,767,767)</u>	<u>1,748,976</u>	<u>3,516,743</u>
Other Financing Sources (Uses):				
Installment purchase debt issued	798,000	798,000	791,850	(6,150)
Proceeds from sale of asset	-	-	-	-
Transfers in	843,202	922,452	743,202	(179,250)
Transfers out	-	(851,347)	(851,347)	-
Appropriated fund balance	<u>409,798</u>	<u>898,662</u>	<u>-</u>	<u>(898,662)</u>
Total other financing sources (uses)	<u>2,051,000</u>	<u>1,767,767</u>	<u>683,705</u>	<u>(1,084,062)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,432,681</u>	<u>\$ 2,432,681</u>
Fund Balance:				
Beginning of year - July 1			<u>18,676,726</u>	

A legally budgeted Economic Development Fund is consolidated into the General Fund for reporting purposes:

Investment Earnings	11,728
Transfer from general fund	79,250
Transfer to general fund	-
Fund Balances beginning	<u>1,096,944</u>
Fund Balances ending	<u>\$ 22,297,329</u>

CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>Nonmajor Governmental Funds</u>		
	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Totals June 30, 2020</u>
Assets:			
Cash and investments	\$ 1,797	\$ 1,294,514	\$ 1,296,311
Accounts receivable, net	2,367	20,000	22,367
Taxes receivable, net	-	-	-
Prepaid items	-	-	-
Restricted cash	<u>316,912</u>	<u>-</u>	<u>316,912</u>
Total assets	<u>\$ 321,076</u>	<u>\$ 1,314,514</u>	<u>\$ 1,635,590</u>
Fund Balances:			
Non-spendable:			
Inventory	-	-	-
Prepays	-	-	-
Restricted			
Stabilization for State statute	634	834,088	834,722
Restricted, all other	320,442	480,426	800,868
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>321,076</u>	<u>1,314,514</u>	<u>1,635,590</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 321,076</u>	<u>\$ 1,314,514</u>	<u>\$ 1,635,590</u>

CITY OF MORGANTON, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Nonmajor Governmental Funds</u>		
	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Totals June 30, 2020</u>
Revenues:			
Ad valorem taxes	\$ -	\$ -	\$ -
Other taxes and licenses	21,727	-	21,727
Restricted intergovernmental revenues	318,280	1,271,976	1,590,256
Other restricted revenues	1,452	415,000	416,452
Sales and services	17,550	-	17,550
Investment earnings	1,197	-	1,197
Miscellaneous	-	-	-
Total revenues	<u>360,206</u>	<u>1,686,976</u>	<u>2,047,182</u>
Expenditures:			
Current:			
General government	210,412	-	210,412
Public safety	-	-	-
Transportation	-	-	-
Environmental protection	-	-	-
Economic and physical development	202,903	1,299,622	1,502,525
Cultural and recreation	-	805,095	805,095
Debt service:			
Principal repayments	-	-	-
Interest	-	-	-
Total expenditures	<u>413,315</u>	<u>2,104,717</u>	<u>2,518,032</u>
Revenues over (under) expenditures	<u>(53,109)</u>	<u>(417,741)</u>	<u>(470,850)</u>
Other Financing Sources (Uses):			
Installment financing issued	-	-	-
Transfers from:			
General Fund	12,500	759,597	772,097
Project Funds	-	-	-
Transfers to:			
School Capital Projects Fund	-	-	-
General Fund	-	-	-
Total other financing sources (uses)	<u>12,500</u>	<u>759,597</u>	<u>772,097</u>
Net change in fund balances	(40,609)	341,856	301,247
Fund Balances:			
Beginning of year - July 1	<u>361,685</u>	<u>972,658</u>	<u>1,334,343</u>
End of year - June 30	<u>\$ 321,076</u>	<u>\$ 1,314,514</u>	<u>\$ 1,635,590</u>

CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	<u>Nonmajor Special Revenue Funds</u>			
	<u>Building Re-Use Fund</u>	<u>Cemetery Fund</u>	<u>CDBG Entitlement Project</u>	<u>Totals June 30, 2020</u>
Assets:				
Cash and investments	\$ -	\$ 2	\$ 1,795	\$ 1,797
Accounts receivable, net	-	634	1,733	2,367
Taxes receivable, net	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Restricted cash	<u>8,175</u>	<u>268,950</u>	<u>39,787</u>	<u>316,912</u>
Total assets	<u>\$ 8,175</u>	<u>\$ 269,586</u>	<u>\$ 43,315</u>	<u>\$ 321,076</u>
Restricted:				
Stabilization for State statute	\$ -	\$ 634	\$ -	\$ 634
Restricted, all other	<u>8,175</u>	<u>268,952</u>	<u>43,315</u>	<u>320,442</u>
Total fund balances	<u>8,175</u>	<u>269,586</u>	<u>43,315</u>	<u>321,076</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,175</u>	<u>\$ 269,586</u>	<u>\$ 43,315</u>	<u>\$ 321,076</u>

CITY OF MORGANTON, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Nonmajor Special Revenue Funds			
	Building Re-Use Fund	Cemetery Fund	CDBG Entitlement Project	Totals June 30, 2020
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	-	-	-	-
Other taxes and licenses	-	1,540	20,187	21,727
Restricted intergovernmental revenues	187,500	-	130,780	318,280
Other restricted revenues	1,452	-	-	1,452
Sales and services	-	17,550	-	17,550
Investment earnings	-	1,197	-	1,197
Miscellaneous	-	-	-	-
Total revenues	<u>188,952</u>	<u>20,287</u>	<u>150,967</u>	<u>360,206</u>
Expenditures:				
Current:				
General government	-	-	210,412	210,412
Public safety	-	-	-	-
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Economic and physical development	202,903	-	-	202,903
Debt service:				-
Principal repayments	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>202,903</u>	<u>-</u>	<u>210,412</u>	<u>413,315</u>
Revenues over (under) expenditures	<u>(13,951)</u>	<u>20,287</u>	<u>(59,445)</u>	<u>(53,109)</u>
Other Financing Sources (Uses):				
Installment financing issued	-	-	-	-
Transfers from (to):				
General Fund	12,500	-	-	12,500
Transfers to:				
General Fund	-	-	-	-
Total other financing sources (uses)	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Net change in fund balances	(1,451)	20,287	(59,445)	(40,609)
Fund Balances:				
Beginning of year - July 1	<u>9,626</u>	<u>249,299</u>	<u>102,760</u>	<u>361,685</u>
End of year - June 30	<u>\$ 8,175</u>	<u>\$ 269,586</u>	<u>\$ 43,315</u>	<u>\$ 321,076</u>

CITY OF MORGANTON, NORTH CAROLINA

BUILDING RE-USE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Grant Revenue	\$ 2,130,000	\$ 1,755,058	\$ 187,500	\$ 1,942,558
Burke County	40,750	31,123	1,452	32,575
Other Revenues	-	-	-	-
Total Revenues	<u>2,170,750</u>	<u>1,786,181</u>	<u>188,952</u>	<u>1,975,133</u>
Expenditures:				
Administration	81,500	62,247	15,403	-
Economic Development	<u>2,130,000</u>	<u>1,755,058</u>	<u>187,500</u>	<u>1,942,558</u>
Total expenditures	<u>2,211,500</u>	<u>1,817,305</u>	<u>202,903</u>	<u>1,942,558</u>
Revenues over (under) expenditures	<u>(40,750)</u>	<u>(31,124)</u>	<u>(13,951)</u>	<u>32,575</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	<u>40,750</u>	<u>40,750</u>	<u>12,500</u>	<u>53,250</u>
Total other financing sources (uses)	<u>40,750</u>	<u>40,750</u>	<u>12,500</u>	<u>53,250</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,626</u>	<u>(1,451)</u>	<u>\$ 85,825</u>
Fund Balance:				
Beginning of year - July 1			<u>9,626</u>	
End of year - June 30			<u>\$ 8,175</u>	

CITY OF MORGANTON, NORTH CAROLINA

**CEMETARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
New Cemetery Lot Sales	\$ 7,000	\$ 7,000	\$ 17,550	\$ 10,550
Cemetery Lot Marker Sales	1,000	1,000	1,540	540
Investment income	2,500	2,500	1,197	(1,303)
Total revenues	<u>10,500</u>	<u>10,500</u>	<u>20,287</u>	<u>9,787</u>
Expenditures:				
Cemetery Improvements	10,500	10,500	-	10,500
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>20,287</u>	<u>\$ 20,287</u>
Fund Balance:				
Beginning of year, July 1			<u>249,299</u>	
End of year, June 30			<u>\$ 269,586</u>	

CITY OF MORGANTON, NORTH CAROLINA

CDBG ENTITLEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted Intergovernmental	\$ 4,867,810	\$ 4,246,966	\$ 130,780	\$ 4,377,746
Restricted Local Grants	-	-	-	-
Program Income	408,502	393,957	20,187	414,144
Total revenues	<u>5,276,312</u>	<u>4,640,923</u>	<u>150,967</u>	<u>4,791,890</u>
Expenditures:				
Land Acquisition	397,673	198,123	-	198,123
Rehabilitation	446,600	525,117	-	525,117
Construction	1,332,779	1,004,343	42,891	1,047,234
Administration	750,317	749,622	30,286	779,908
Credit Counseling	32,253	32,253	-	32,253
Deposit Assistance	19,162	19,162	-	19,162
Grant Assistance	507,210	458,443	22,235	480,678
Interest Expense	133,109	119,500	-	119,500
Small Business Loan	917,311	682,322	115,000	797,322
Bad Debts	-	14,380	-	14,380
Section 108 Loan Repayment	380,000	375,000	-	375,000
Total expenditures	<u>4,916,414</u>	<u>4,178,265</u>	<u>210,412</u>	<u>4,388,677</u>
Revenues over (under) expenditures	<u>359,898</u>	<u>462,658</u>	<u>(59,445)</u>	<u>403,213</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	3,439	3,439	-	3,439
From Capital Reserve Fund	-	-	-	-
Transfers out:				
To Cable Fund	(16,960)	(16,960)	-	(16,960)
To Electric Fund	(8,331)	(8,331)	-	(8,331)
To Component Unit	(663,057)	(663,057)	-	(663,057)
Issuance of Debt	375,000	375,000	-	375,000
Re-payments to State	(49,989)	(49,989)	-	(49,989)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(359,898)</u>	<u>(359,898)</u>	<u>-</u>	<u>(359,898)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 102,760</u>	<u>(59,445)</u>	<u>\$ 43,315</u>
Fund Balance:				
Beginning of year - July 1			<u>102,760</u>	
End of year - June 30			<u>\$ 43,315</u>	

CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
JUNE 30, 2020

	<u>Nonmajor Capital Project Funds</u>				<u>Totals June 30, 2020</u>
	<u>Soccer Complex Capital Project Fund</u>	<u>Greenway Connector Capital Project Fund</u>	<u>105 Connector Capital Project Fund</u>	<u>106 Connector Capital Project Fund</u>	
Assets:					
Cash and investments	\$ 162,201	\$ 310,468	\$ 159,544	\$ 662,301	\$ 1,294,514
Accounts receivable, net	20,000	-	-	-	20,000
Due from other funds	-	-	-	-	-
Restricted cash	-	-	-	-	-
Total assets	<u>\$ 182,201</u>	<u>\$ 310,468</u>	<u>\$ 159,544</u>	<u>\$ 662,301</u>	<u>\$ 1,314,514</u>
Fund Balances:					
Stabilization for State statute	113,962	6,136	113,990	600,000	834,088
Restricted, all other	68,239	304,332	45,554	62,301	480,426
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>182,201</u>	<u>310,468</u>	<u>159,544</u>	<u>662,301</u>	<u>1,314,514</u>
Total liabilities and fund balances	<u>\$ 182,201</u>	<u>\$ 310,468</u>	<u>\$ 159,544</u>	<u>\$ 662,301</u>	<u>\$ 1,314,514</u>

CITY OF MORGANTON, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Nonmajor Capital Projects Fund</u>				Totals June 30, 2020
	Soccer Complex Capital Project Fund	Greenway Connector Capital Project Fund	Exit 105 Connector Capital Project Fund	College Street Capital Project Fund	
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	-
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental revenues	-	(636)	1,272,612	-	1,271,976
Restricted local revenues	415,000	-	-	-	415,000
Unrestricted intergovernmental revenues	-	-	-	-	-
Sales and services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>415,000</u>	<u>(636)</u>	<u>1,272,612</u>	<u>-</u>	<u>1,686,976</u>
Expenditures:					
Current:					
Economic and physical development	-	13,359	1,286,263	-	1,299,622
Cultural and recreation	805,095	-	-	-	805,095
Total expenditures	<u>805,095</u>	<u>13,359</u>	<u>1,286,263</u>	<u>-</u>	<u>2,104,717</u>
Revenues over (under) expenditures	<u>(390,095)</u>	<u>(13,995)</u>	<u>(13,651)</u>	<u>-</u>	<u>(417,741)</u>
Other Financing Sources (Uses):					
Installment financing issued	-	-	-	-	-
Transfers from:					
General Fund	97,296	-	-	662,301	759,597
Transfers to:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>97,296</u>	<u>-</u>	<u>-</u>	<u>662,301</u>	<u>97,296</u>
Net change in fund balances	(292,799)	(13,995)	(13,651)	662,301	341,856
Fund Balances:					
Beginning of year - July 1	475,000	324,463	173,195	-	972,658
End of year - June 30	<u>\$ 182,201</u>	<u>\$ 310,468</u>	<u>\$ 159,544</u>	<u>\$ 662,301</u>	<u>\$ 1,314,514</u>

CITY OF MORGANTON, NORTH CAROLINA

SOCCER COMPLEX CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted State Intergovernmental	\$ 385,000	\$ -	\$ -	\$ -
Restricted Local Grants	575,000	90,000	415,000	505,000
Other Revenues	64,210	-	-	-
Total revenues	<u>1,024,210</u>	<u>90,000</u>	<u>415,000</u>	<u>505,000</u>
Expenditures:				
Capital outlay:				
Construction	<u>1,409,210</u>	<u>-</u>	<u>805,095</u>	<u>805,095</u>
Total expenditures	<u>1,409,210</u>	<u>-</u>	<u>805,095</u>	<u>805,095</u>
Revenues over (under) expenditures	<u>(385,000)</u>	<u>90,000</u>	<u>(390,095)</u>	<u>(300,095)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	385,000	385,000	97,296	482,296
From Capital Reserve Fund	-	-	-	-
Transfers out:				
To Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>385,000</u>	<u>385,000</u>	<u>97,296</u>	<u>482,296</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ (292,799)</u>	<u>\$ 182,201</u>
Fund Balance:				
Beginning of year - July 1			<u>475,000</u>	
End of year - June 30			<u>\$ 182,201</u>	

CITY OF MORGANTON, NORTH CAROLINA

**GREENWAY CONNECTOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
ARC Grant	\$ 1,335,000	\$ 37,150	(636)	\$ 36,514
Local Revenues	-	-	-	-
Total revenues	1,335,000	37,150	(636)	36,514
Expenditures:				
Capital outlay:				
Professional Services	-	-	-	-
Construction	1,668,750	46,437	13,359	59,796
Total expenditures	1,668,750	46,437	13,359	59,796
Revenues over (under) expenditures	(333,750)	(9,287)	(13,995)	(23,282)
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	333,750	333,750	-	333,750
Transfers out:				
To Capital Reserve Fund	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	333,750	333,750	-	333,750
Net change in fund balance	\$ -	\$ 324,463	\$ (13,995)	\$ 310,468
Fund Balance:				
Beginning of year - July 1			324,463	
End of year - June 30			\$ 310,468	

CITY OF MORGANTON, NORTH CAROLINA

**EXIT 105 ROAD CONNECTOR CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
ARC Grant	\$ 1,375,000	\$ 42,048	\$ 1,272,612	\$ 1,314,660
Local Revenues	-	-	-	-
Total revenues	<u>1,375,000</u>	<u>42,048</u>	<u>1,272,612</u>	<u>1,314,660</u>
Expenditures:				
Capital outlay:				
Professional Services	210,952	28,548	2,847	31,395
Construction	<u>1,337,243</u>	<u>13,500</u>	<u>1,283,416</u>	<u>1,296,916</u>
Total expenditures	<u>1,548,195</u>	<u>42,048</u>	<u>1,286,263</u>	<u>1,328,311</u>
Revenues over (under) expenditures	<u>(173,195)</u>	<u>-</u>	<u>(13,651)</u>	<u>(13,651)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	173,195	173,195	-	173,195
Transfers out:				
To Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>173,195</u>	<u>173,195</u>	<u>-</u>	<u>173,195</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 173,195</u>	<u>\$ (13,651)</u>	<u>\$ 159,544</u>
Fund Balance:				
Beginning of year - July 1			<u>173,195</u>	
End of year - June 30			<u>\$ 159,544</u>	

CITY OF MORGANTON, NORTH CAROLINA

**COLLEGE STREET CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Grant Revenues	\$ 2,649,699	\$ -	\$ -	\$ -
Local Revenues	-	-	-	-
Total revenues	<u>2,649,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital outlay:				
Professional Services	186,051	-	-	-
Construction	<u>3,125,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,312,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(662,301)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	662,301	-	662,301	662,301
Transfers out:				
To Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>662,301</u>	<u>-</u>	<u>662,301</u>	<u>662,301</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,301</u>	<u>\$ 662,301</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 662,301</u>	

CITY OF MORGANTON, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Fees for service	\$ 6,119,396	\$ 5,940,206	\$ (179,190)
Non-operating revenues:			
ARC Grant	62,922	34,612	(28,310)
Sale of capital asset	2,500	12,071	9,571
Interest income	<u>130,000</u>	<u>96,021</u>	<u>(33,979)</u>
Total revenues	<u>6,314,818</u>	<u>6,082,910</u>	<u>(231,908)</u>
Expenditures:			
Salaries and employee benefits	1,736,017	1,581,980	154,037
Other operating expenditures	3,251,883	2,756,283	495,600
Capital outlay	<u>1,156,843</u>	<u>982,277</u>	<u>174,566</u>
Total expenditures	<u>6,144,743</u>	<u>5,320,540</u>	<u>824,203</u>
Debt Service:			
Interest paid	10,690	7,301	3,389
Principal retirement	<u>232,306</u>	<u>232,306</u>	<u>-</u>
Total debt service	<u>242,996</u>	<u>239,607</u>	<u>3,389</u>
Revenue over (under) expenditures	<u>(72,921)</u>	<u>522,763</u>	<u>(1,059,500)</u>
Transfers in	-	-	-
Transfers out	-	-	-
Debt issuance	-	-	-
Appropriated retained earnings	<u>72,921</u>	<u>-</u>	<u>(72,921)</u>
Total other financing sources (uses)	<u>72,921</u>	<u>-</u>	<u>(72,921)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 522,763</u>	<u>\$ 519,374</u>

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Reconciling items:

Capital outlay, capitalized	982,277
Debt principal	232,306
Change in accrued vacation	(10,338)
Decrease in deferred outflows of resources - OPEB	34,126
Increase in deferred inflows of resources -OPEB	(31,567)
Decrease in OPEB liability	5,176
Increase in deferred outflows of resources - pensions	54,477
Decrease in deferred inflows of resources - pensions	5,555
Increase in net pension liability	(57,429)
Depreciation	<u>(1,097,048)</u>
Total reconciling items	<u>117,535</u>
Change in net position	<u>\$ 640,298</u>

CITY OF MORGANTON, NORTH CAROLINA

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Fees for service	\$ 30,919,450	\$ 30,050,312	\$ (869,138)
Non-operating revenues:			
ARC Grant	36,330	49,826	13,496
Other grants	4,800,000	4,834,098	34,098
Sale of capital asset	-	-	-
Miscellaneous income	32,400	48,656	16,256
Interest income	<u>100,000</u>	<u>125,141</u>	<u>25,141</u>
Total revenues	<u>35,888,180</u>	<u>35,108,033</u>	<u>(780,147)</u>
Expenditures:			
Salaries and employee benefits	1,538,955	1,566,009	(27,054)
Other operating expenditures	29,839,855	25,534,529	4,305,326
Capital outlay	<u>3,956,152</u>	<u>1,033,341</u>	<u>2,922,811</u>
Total expenditures	<u>35,334,962</u>	<u>28,133,879</u>	<u>7,201,083</u>
Debt Service:			
Interest paid	6,987	6,460	527
Principal retirement	<u>159,128</u>	<u>159,151</u>	<u>(23)</u>
Total debt service	<u>166,115</u>	<u>165,611</u>	<u>504</u>
Revenue over (under) expenditures	<u>387,103</u>	<u>6,808,543</u>	<u>(7,981,734)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(743,202)	(743,202)	-
Debt issuance	-	-	-
Appropriated retained earnings	<u>356,099</u>	<u>-</u>	<u>(356,099)</u>
Total other financing sources (uses)	<u>(387,103)</u>	<u>(743,202)</u>	<u>(356,099)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,065,341</u>	<u>\$ 6,064,837</u>

CITY OF MORGANTON, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Reconciling items:

Capital outlay, capitalized	1,033,341
Debt principal	159,151
Change in accrued vacation	(27,898)
Decrease in deferred outflows of resources - OPEB	60,517
Increase in deferred inflows of resources -OPEB	(41,371)
Decrease in OPEB liability	5,823
Increase in deferred outflows of resources - pensions	61,287
Decrease in deferred inflows of resources - pensions	6,250
Increase in net pension liability	(64,608)
Depreciation	<u>(905,701)</u>
Total reconciling items	<u>286,791</u>
Change in net position	<u>\$ 6,352,132</u>

CITY OF MORGANTON, NORTH CAROLINA

**WASTEWATER FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Fees for service	\$ 6,036,609	\$ 5,797,237	\$ (239,372)
Non-operating revenues:			
ARC Grant	105,025	42,779	(62,246)
Sale of capital asset	-	-	-
Miscellaneous income	38,700	42,440	3,740
Interest income	75,000	69,178	(5,822)
Total revenues	<u>6,255,334</u>	<u>5,951,634</u>	<u>(303,700)</u>
Expenditures:			
Salaries and employee benefits	1,071,912	1,195,565	(123,653)
Other operating expenditures	2,001,778	1,437,729	564,049
Capital outlay	1,259,637	746,594	513,043
Total expenditures	<u>4,333,327</u>	<u>3,379,888</u>	<u>953,439</u>
Debt Service:			
Interest paid	366,543	377,869	(11,326)
Principal retirement	1,644,105	1,633,277	10,828
Total debt service	<u>2,010,648</u>	<u>2,011,146</u>	<u>(498)</u>
Revenue over (under) expenditures	<u>(88,641)</u>	<u>560,600</u>	<u>(1,256,641)</u>
Other Financing Sources (Uses):			
Transfers in	16,228	16,228	-
Transfers out	-	-	-
Debt issuance	-	-	-
Appropriated retained earnings	72,413	-	(72,413)
Total other financing sources (uses)	<u>88,641</u>	<u>16,228</u>	<u>(72,413)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 576,828</u>	<u>\$ 577,326</u>

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Reconciling items:

Capital outlay, capitalized	746,594
Debt principal	1,633,277
Change in accrued vacation	(20,236)
Transfer to Wastewater Enterprise Fund	(16,228)
Decrease in deferred outflows of resources - OPEB	34,126
Increase in deferred inflows of resources -OPEB	(27,528)
Decrease in OPEB liability	5,176
Increase in deferred outflows of resources - pensions	(54,477)
Decrease in deferred inflows of resources - pensions	5,555
Increase in net pension liability	57,429
Depreciation	<u>(1,592,680)</u>
Total reconciling items	<u>771,008</u>
Change in net position	<u>\$ 1,347,836</u>

CITY OF MORGANTON, NORTH CAROLINA

WASTEWATER ENTERPRISE FUND CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ -	\$ 15,376	\$ 45	\$ 15,421
Investment earnings	-	-	-	-
Total revenues	-	15,376	45	15,421
Expenditures:				
Capital outlay:				
Construction	11,728,986	10,090,563	-	10,090,563
Total expenditures	11,728,986	10,090,563	-	10,090,563
Revenues over (under) expenditures	(11,728,986)	(10,075,187)	45	(10,075,142)
Other Financing Sources (Uses):				
Transfers in:				
From wastewater fund	975,000	375,000	(16,228)	358,772
Appropriated fund balance	387,616	-	-	-
Installment financing issued	10,366,370	9,716,370	-	9,716,370
Total other financing sources (uses)	11,728,986	10,091,370	(16,228)	10,075,142
Net change in fund balance	\$ -	\$ 16,183	\$ (16,183)	\$ -
Fund Balance:				
Beginning of year - July 1			16,183	
End of year - June 30			\$ -	

CITY OF MORGANTON, NORTH CAROLINA

**CABLE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Fees for service	\$ 5,352,050	\$ 5,419,225	\$ 67,175
Non-operating revenues:			
Miscellaneous income	119,900	100,948	(18,952)
Interest income	<u>-</u>	<u>3</u>	<u>3</u>
Total revenues	<u>5,471,950</u>	<u>5,520,176</u>	<u>48,226</u>
Expenditures:			
Salaries and employee benefits	916,384	870,509	45,875
Other operating expenditures	3,995,847	3,750,114	245,733
Capital outlay	<u>659,295</u>	<u>579,637</u>	<u>79,658</u>
Total expenditures	<u>5,571,526</u>	<u>5,200,260</u>	<u>371,266</u>
Debt Service:			
Interest paid	2,949	3,779	(830)
Principal retirement	<u>36,270</u>	<u>36,269</u>	<u>1</u>
Total debt service	<u>39,219</u>	<u>40,048</u>	<u>(829)</u>
Revenue over (under) expenditures	<u>(138,795)</u>	<u>279,868</u>	<u>(322,211)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Debt issuance	120,000	106,544	(13,456)
Appropriated retained earnings	<u>18,795</u>	<u>-</u>	<u>(18,795)</u>
Total other financing sources (uses)	<u>138,795</u>	<u>106,544</u>	<u>(32,251)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 386,412</u>	<u>\$ 387,241</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:			
Reconciling items:			
Capital outlay, capitalized		579,637	
Debt principal		36,269	
Change in accrued vacation		(17,030)	
Proceeds from issuance of debt		(106,544)	
Increase in deferred outflows of resources - OPEB		12,797	
Increase in deferred inflows of resources -OPEB		(13,790)	
Increase in OPEB liability		1,941	
Increase in deferred outflows of resources - pensions		35,532	
Increase in deferred inflows of resources - pensions		(21,536)	
Decrease in net pension liability		2,083	
Depreciation		<u>(363,359)</u>	
Total reconciling items		<u>146,000</u>	
Change in net position		<u>\$ 532,412</u>	

CITY OF MORGANTON, NORTH CAROLINA

**INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		
	Budget	Actual	Variance Over/Under
Revenues:			
Operating revenues:			
Fees for service	\$ 2,314,353	\$ 2,124,831	\$ (189,522)
Non-operating revenues:			
ARC Grant	-	-	-
Sale of capital asset	-	-	-
Miscellaneous income	-	301	301
Interest income	-	-	-
Total revenues	<u>2,314,353</u>	<u>2,125,132</u>	<u>(189,221)</u>
Expenditures:			
Salaries and employee benefits	817,531	743,334	74,197
Other operating expenditures	1,521,965	1,063,364	458,601
Capital outlay	<u>297,277</u>	<u>229,605</u>	<u>67,672</u>
Total expenditures	<u>2,636,773</u>	<u>2,036,303</u>	<u>600,470</u>
Debt Service:			
Interest paid	-	-	-
Principal retirement	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>(322,420)</u>	<u>88,829</u>	<u>(789,691)</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Debt issuance	-	-	-
Appropriated retained earnings	<u>322,420</u>	<u>-</u>	<u>(322,420)</u>
Total other financing sources (uses)	<u>322,420</u>	<u>-</u>	<u>(322,420)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 88,829</u>	<u>\$ 88,829</u>

CITY OF MORGANTON, NORTH CAROLINA

**INTERNAL SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of Modified Accrual Basis to Full Accrual Basis:

Reconciling items:

Capital outlay, capitalized	229,605
Depreciation	(133,709)
Change in accrued vacation	(13,214)
Increase in deferred outflows of resources - OPEB	17,063
Increase in deferred inflows of resources -OPEB	(18,387)
Decrease in OPEB liability	2,588
Decrease in deferred outflows of resources - pensions	(27,239)
Decrease in deferred inflows of resources - pensions	2,778
Increase in net pension liability	(28,715)
Inventory	<u>13,214</u>
Total reconciling items	<u>43,984</u>
Change in net position	<u>\$ 132,813</u>

CITY OF MORGANTON, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND JUNE 30, 2020

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 10,680,993	\$ 10,473,529	\$ 207,464
2018-2019	151,448	-	43,885	107,563
2017-2018	73,530	-	9,016	64,514
2016-2017	29,087	-	3,646	25,441
2015-2016	18,703	-	1,794	16,909
2014-2015	12,734	-	956	11,778
2013-2014	17,036	-	906	16,130
2012-2013	12,962	-	617	12,345
2011-2012	8,939	-	399	8,540
2010-2011	8,523	-	265	8,258
2009-2010	8,648	-	8,648	-
Total	<u>\$ 341,610</u>	<u>\$ 10,680,993</u>	<u>\$ 10,543,661</u>	<u>\$ 478,942</u>

Less: allowance for uncollectible accounts: General Fund (271,478)

Ad valorem taxes receivable net: General Fund \$ 207,464

Reconciliation with Revenues:

Ad valorem taxes - General Fund \$ 10,438,316

Reconciling items:

Interest (28,682)

Discounts 133,671

Other miscellaneous adjustments (8,292)

Incentivized paybacks

Amounts written off per Statute of Limitations 8,648

Total collections and credits \$ 10,543,661

CITY OF MORGANTON, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>County-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
City-wide	\$ 1,684,609,914	0.57	\$ 9,636,093	\$ 9,636,093	
Special district	93,160,674	0.14	130,564	130,564	
Vehicle Taxes	124,640,175	0.57	710,449	-	710,449
Total	<u>1,902,410,763</u>		<u>10,477,106</u>	<u>9,766,657</u>	<u>710,449</u>
Discoveries:					
Current year City-wide	35,507,719	0.57	202,394	202,394	
Current year Special district	<u>485,000</u>	0.14	<u>679</u>	<u>679</u>	
LESS RELEASES			(7,478)	(7,478)	
Total	<u>35,992,719</u>		<u>195,595</u>	<u>195,595</u>	<u>-</u>
Total property valuation	<u>\$ 1,938,403,482</u>				
Net Levy			10,672,701	9,962,252	710,449
Uncollected taxes at June 30, 2020			<u>(207,464)</u>	<u>(207,464)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 10,465,237</u>	<u>\$ 9,754,788</u>	<u>\$ 710,449</u>
Current Levy Collection Percentage			<u>98.06%</u>	<u>97.92%</u>	<u>100.00%</u>

CITY OF MORGANTON, NORTH CAROLINA

SCHEDULE OF TRANSFERS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund :		
From Electric Fund	\$743,202	
To Special Revenue Fund		\$12,500
To Capital Projects Funds		759,597
	<u>743,202</u>	<u>772,097</u>
Capital Projects Funds:		
From General Fund	<u>759,597</u>	
	759,597	
Special Revenue Fund:		
From General Fund	<u>12,500</u>	
	12,500	
Economic Development Fund (a sub-fund of the general fund):		
From General Fund	79,250	
To General Fund		79,250
	<u>79,250</u>	<u>79,250</u>
Electric Fund :		
To General Fund		<u>743,202</u>
Sewer Fund :		
From Sewer Capital Projects Fund	<u>16,228</u>	
Sewer Capital Projects Fund :		
To Sewer Fund		<u>16,228</u>
Grand Totals	<u><u>\$1,610,777</u></u>	<u><u>\$1,610,777</u></u>

CITY OF MORGANTON, NORTH CAROLINA

SCHEDULE OF CASH AND INVESTMENT BALANCES FOR THE YEAR ENDED JUNE 30, 2020

	<u>Carrying Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
CASH :			
On hand	\$8,105	\$8,105	\$8,105
In time deposits - NOW, SuperNOW, money market and certificates of deposit	<u>7,053,523</u>	<u>7,053,523</u>	<u>7,053,523</u>
Total cash	<u>7,061,628</u>	<u>7,061,628</u>	<u>7,061,628</u>
INVESTMENTS :			
North Carolina Capital Management Trust	32,712,153	32,712,153	32,712,153
Commercial Paper	8,942,004	8,942,004	8,942,004
US Government agencies	<u>8,003,884</u>	<u>8,003,884</u>	<u>8,003,884</u>
Total investments (including cash equivalents)	<u>49,658,041</u>	<u>49,658,041</u>	<u>49,658,041</u>
TOTAL CASH AND INVESTMENTS	<u><u>\$56,719,669</u></u>	<u><u>\$56,719,669</u></u>	<u><u>\$56,719,669</u></u>



CITY OF MORGANTON

STATISTICAL SECTION

JUNE 30, 2020

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.	112-121
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	122-125
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.	126-129
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.	130-131
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.	132-136

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 POSTION BY COMPONENT
LAST TEN FISCALYEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014
Governmental activities				
Invested in capital assets, net of related debt	\$36,335,474	\$33,673,160	\$31,808,471	\$30,490,395
Restricted	5,549,775	6,255,232	7,590,604	6,480,008
Unrestricted	4,231,094	4,219,343	3,471,229	4,749,144
Total governmental activities net assets	<u>46,116,343</u>	<u>44,147,735</u>	<u>42,870,304</u>	<u>41,719,547</u>
Business-type activities				
Invested in capital assets, net of related debt	51,016,008	50,371,775	51,986,555	54,455,902
Unrestricted	14,737,059	16,813,565	17,958,568	17,348,180
Total business-type activities net assets	<u>65,753,067</u>	<u>67,185,340</u>	<u>69,945,123</u>	<u>71,804,082</u>
Primary government				
Net investment in capital assets	87,351,482	84,044,935	83,795,026	84,946,297
Restricted	9,780,869	10,474,575	7,695,753	6,480,008
Unrestricted	18,968,153	16,813,565	21,324,648	22,097,324
Total primary government net assets	<u>\$116,100,504</u>	<u>\$111,333,075</u>	<u>\$112,815,427</u>	<u>\$113,523,629</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$31,287,687	\$29,363,037	\$27,910,238	\$28,863,885	\$28,528,025	1,933,158
6,222,219	7,896,819	3,953,135	4,592,854	5,829,361	27,092,118
4,765,778	6,086,449	10,407,024	(1,626,323)	(1,052,265)	886,855
42,275,684	43,346,305	42,270,397	31,830,416	33,305,121	29,912,131
54,912,799	56,570,906	47,303,662	52,462,517	58,037,817	496,414
17,095,160	17,207,118	27,428,041	19,724,290	19,708,976	0
72,007,959	73,778,024	74,731,703	72,186,807	77,746,793	496,414
86,200,486	85,933,943	75,213,900	81,326,402	86,565,842	2,429,572
6,222,219	7,896,819	3,953,135	4,592,854	5,829,361	27,092,118
21,860,938	23,293,567	37,835,065	18,097,967	18,656,711	886,855
\$114,283,643	\$117,124,329	\$117,002,100	\$104,017,223	\$111,051,914	\$30,408,545

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

	Fiscal Year			
	2011	2012	2013	2014
Expenses:				
Governmental activities:				
General government	\$3,609,198	\$3,982,814	\$3,912,009	\$3,440,468
Public Safety	8,020,152	7,331,704	7,416,835	7,660,604
Transportation	2,275,232	2,396,894	2,277,238	2,576,293
Economic and physical development	216,413	200,710	119,035	136,785
Environmental protection	1,210,998	1,105,025	1,155,375	1,047,375
Culture and recreation	4,765,491	4,680,010	4,724,850	4,811,792
Interest on long-term debt	177,894	132,767	127,653	122,825
Total governmental activities expenses	<u>20,275,378</u>	<u>19,829,924</u>	<u>19,732,995</u>	<u>19,796,142</u>
Business-type activities:				
Water	4,428,054	4,626,908	4,803,191	4,949,707
Wastewater	3,791,743	3,465,124	3,723,556	4,091,744
Electric	29,042,901	30,455,928	32,061,280	33,682,364
Cable	4,200,613	4,201,231	4,433,307	4,472,432
Community house				
Total business-type activities expenses	<u>41,463,311</u>	<u>42,749,191</u>	<u>45,021,334</u>	<u>47,196,247</u>
Total primary government expenses	<u>61,738,689</u>	<u>62,579,115</u>	<u>64,754,329</u>	<u>66,992,389</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	401,366	474,238	561,709	624,519
Public Safety	49,184	38,273	33,898	38,499
Transportation	468,136			7,557
Economic and physical development				125,549
Environmental protection	1,094,518	1,085,405	1,211,551	1,189,156
Culture and recreation	970,297	988,922	1,032,610	1,101,543
Operating Grants and Contributions	425,492	797,030	716,426	843,004
Capital Grants and Contributions	934,725	775,628	863,938	
Total governmental activities program rev's	<u>4,343,718</u>	<u>4,159,496</u>	<u>4,420,132</u>	<u>3,929,827</u>
Business-type activities:				
Charges for services:				
Water	4,643,110	4,854,787	5,020,919	5,480,781
Wastewater	4,677,572	4,891,791	4,988,894	5,045,826
Electric	29,170,119	30,854,838	32,808,535	34,537,320
Cable	4,087,798	4,115,024	4,259,270	4,128,586
Community house				
Operating Grants and Contributions				
Total business-type activities program rev's	<u>42,578,599</u>	<u>44,716,440</u>	<u>47,077,618</u>	<u>49,192,513</u>
Total primary government program rev's	<u>\$46,922,317</u>	<u>\$48,875,936</u>	<u>\$51,497,750</u>	<u>\$53,122,340</u>

2015	2016	2017	2018	2019	2020
\$1,849,269	\$3,343,228	\$3,222,746	\$3,419,322	\$3,765,610	\$ 4,837,975
7,852,782	6,651,717	7,582,613	7,998,165	7,984,756	10,447,839
2,312,432	2,730,653	2,497,040	2,548,502	2,402,144	1,144,045
141,751	285,783	165,678	358,863	1,881,166	1,922,731
1,097,467	1,046,082	1,209,929	1,217,912	1,167,597	7,361,294
5,455,971	5,186,423	4,992,109	5,082,336	5,223,557	1,114,675
124,446	138,427	119,363	136,483	113,873	109,467
18,834,118	19,382,313	19,789,478	20,761,583	22,538,703	26,938,026
5,070,715	5,029,465	5,195,893	5,254,922	5,485,837	5,436,736
4,280,212	4,425,170	4,397,099	4,592,059	4,503,240	4,603,843
34,719,580	32,438,473	32,176,623	31,446,910	28,886,865	28,012,699
4,347,245	4,417,630	4,375,105	4,585,347	4,766,223	4,987,761
48,417,752	46,310,738	46,144,720	45,879,238	43,642,165	43,041,039
67,251,870	65,693,051	65,934,198	66,640,821	66,180,868	69,979,065
817,679	532,812	568,422	333,057	233,441	782,266
49,396	61,180		21,346	30,300	35,655
3,240	1,120				0
155,545				31,124	1,409,372
1,183,901	1,188,228	1,210,766	1,358,022	1,378,189	811,938
1,075,183	1,058,685	1,139,879	1,226,015	1,239,449	0
720,271	1,455,215	1,550,179	979,262	2,407,803	749,741
945,182	129,196	159,558	320,312	193,198	2,466,301
4,950,397	4,426,436	4,628,804	4,238,014	5,513,504	6,255,273
5,629,436	5,776,164	5,612,687	5,677,093	6,015,683	5,940,206
4,980,346	5,309,234	4,753,049	5,602,873	6,045,492	5,797,237
34,615,760	33,452,210	32,767,824	31,923,645	31,910,830	30,050,312
4,147,511	4,239,367	4,345,190	4,790,391	5,059,543	5,419,225
					4,961,315
49,373,053	48,776,975	47,478,750	47,994,002	49,031,548	52,168,295
\$54,323,450	\$53,203,411	\$52,107,554	\$52,232,016	\$54,545,052	\$58,423,568

Net (Expense)/Revenue:				
Governmental activities	(\$15,931,660)	(\$15,670,428)	(\$15,312,863)	(\$15,866,315)
Business-type activities	1,115,288	1,967,249	2,056,284	1,996,266
Total primary government net expense	<u>(14,816,372)</u>	<u>(13,703,179)</u>	<u>(13,256,579)</u>	<u>(13,870,049)</u>
General Revenues and Other				
Changes in Net Position:				
Governmental activities:				
Ad valorem taxes	7,708,574	7,623,645	7,944,516	8,746,988
Occupancy tax				
Privilege license tax				
Carbon City fire tax				
Sales tax				
Other taxes	3,064,831	3,517,569	3,460,242	3,339,080
Unrestricted intergovernmental revenues	1,719,297	1,751,859	1,737,882	1,796,345
Restricted intergovernmental revenues	24,701			
Investment earnings	37,993	21,939	32,542	20,640
Other revenues	74,362		64,550	130,903
Change in reserve for prepaid insurance				
Permits				
Transfers	(858,831)	786,808	795,700	681,602
Total governmental activities	<u>11,770,927</u>	<u>13,701,820</u>	<u>14,035,432</u>	<u>14,715,558</u>
Business-type activities:				
Investment earnings	32,730	31,769	46,163	34,987
Other revenues	206,554	220,063	215,785	509,308
Transfers	858,831	(786,808)	(795,700)	(681,602)
Total business-type activities	<u>1,098,115</u>	<u>(534,976)</u>	<u>(533,752)</u>	<u>(137,307)</u>
Total primary government	<u>12,869,042</u>	<u>13,166,844</u>	<u>13,501,680</u>	<u>14,578,251</u>
Change in Net Position:				
Governmental activities	(4,160,733)	(1,968,608)	(1,277,431)	(1,150,757)
Business-type activities	2,213,403	1,432,273	1,522,532	1,858,959
Total primary government	<u>(\$1,947,330)</u>	<u>(\$536,335)</u>	<u>\$245,101</u>	<u>\$708,202</u>

(\$13,883,721)	(\$14,955,877)	(\$15,160,674)	(\$16,523,569)	(\$17,025,199)	(\$20,682,753)
955,301	2,466,237	1,334,030	2,114,764	5,389,383	9,127,256
(12,928,420)	(12,489,640)	(13,826,644)	(14,408,805)	(11,635,816)	(11,555,497)

9,021,003	9,088,863	9,045,679	8,953,681	9,712,831	10,485,983
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	4,700,062
					2,646,038
2,064,379	2,527,391	2,540,423	2,597,176	2,637,488	
32,694	77,325	107,644	219,318	368,754	246,162
291,330	194,633	76,862	28,908	47,614	0
	(152,416)				
			492,527	488,792	
642,442	667,428	688,353	704,552	733,535	743,202
15,607,271	16,026,498	16,418,965	17,185,795	18,499,904	18,821,447

37,703	92,821	87,291	147,262	575,594	290,385
307,310	228,450	220,711	215,155	328,544	198,239
(642,442)	(667,428)	(688,353)	(704,552)	(733,535)	(743,202)
(297,429)	(346,157)	(380,351)	(342,135)	170,603	(254,578)
15,309,842	15,680,341	16,038,614	16,843,660	18,670,507	18,566,869

1,723,550	1,070,621	1,258,291	662,226	1,474,705	(1,861,306)
657,872	2,120,080	953,679	1,772,629	5,559,986	8,872,678
\$2,381,422	\$3,190,701	\$2,211,970	\$2,434,855	\$7,034,691	\$7,011,372

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

	2011	2012	2013	2014	2015
General Fund					
Reserved					
Unreserved					
Nonspendable					
Restricted	2,104,203	\$1,965,729	\$2,610,137	\$1,895,424	\$1,844,844
Committed	3,066,228	3,953,714	4,725,743	4,287,109	4,107,784
Unassigned	5,203,732	5,096,368	4,702,828	5,951,951	6,918,323
Total general fund	<u>10,374,163</u>	<u>11,015,811</u>	<u>12,038,708</u>	<u>12,134,484</u>	<u>12,870,951</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds					
Restricted	379,344	335,789	340,959	290,480	248,802
Committed					161,800
Unassigned	3,163	13,580	18,231	6,995	
Total all other governmental funds	<u>\$382,507</u>	<u>\$349,369</u>	<u>\$359,190</u>	<u>\$297,475</u>	<u>\$410,602</u>

Notes:

2016	2017	2018	2019	2020
152,416	\$157,278	\$170,285	\$195,628	197,617
\$2,975,342	3,911,962	4,592,854	4,744,317	3,358,171
3,431,035	3,559,855	2,551,831	2,187,982	2,187,982
8,839,922	10,462,406	11,018,235	12,645,743	16,553,559
15,398,715	18,091,501	18,333,205	19,773,670	22,297,329
41,859	41,173	78,709	1,085,044	20,634
365,671	905,998	590,969	249,299	
				1,614,956
\$407,530	\$947,171	\$669,678	\$1,334,343	\$1,635,590

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

	2011	2012	2013	2014
Revenues:				
Ad valorem taxes	\$7,707,971	\$7,630,208	\$7,936,870	\$8,732,981
Other taxes and licenses	3,064,831	3,517,569	3,460,242	3,339,080
Unrestricted intergovernmental revenues	1,863,644	1,891,276	1,957,471	2,045,038
Restricted intergovernmental revenues	1,708,071	1,528,865	1,539,846	914,592
Other restricted revenues	128,474	34,098	17,894	29,808
Permits and fees	219,976	168,538	252,293	143,282
Sales and services	2,167,551	2,215,061	2,410,889	2,593,452
Investment earnings	37,993	21,939	32,542	20,640
Other revenues	74,362	73,517	118,481	130,903
Total revenues	<u>16,972,873</u>	<u>17,081,071</u>	<u>17,726,528</u>	<u>17,949,776</u>
Expenditures:				
General government	3,126,601	3,479,442	3,709,428	3,322,629
Public safety	7,221,357	6,908,659	7,052,196	8,123,787
Transportation	1,183,133	1,230,622	1,255,466	1,546,120
Environmental protection	1,044,297	1,168,448	987,112	1,081,299
Cultural and recreational	3,917,534	3,882,803	4,010,149	4,558,063
Economic and physical development	216,413	200,710	119,035	136,785
Debt service				
Principal	693,644	682,564	708,746	796,859
Interest	180,022	150,661	136,978	121,928
Total expenditures	<u>17,583,001</u>	<u>17,703,909</u>	<u>17,979,110</u>	<u>19,687,470</u>
Other Financing Sources (Uses):				
Installment purchase issued	196,540	836,808	489,600	1,090,153
Transfers	(858,831)	394,540	795,700	681,602
Total other financing sources (uses)	<u>(662,291)</u>	<u>1,231,348</u>	<u>1,285,300</u>	<u>1,771,755</u>
Net change in fund balances	<u>(\$1,272,419)</u>	<u>\$608,510</u>	<u>\$1,032,718</u>	<u>\$34,061</u>
Debt service as a percentage of noncapital expenditures	5.23%	4.93%	4.70%	5.34%

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$9,054,942	\$9,105,965	\$9,009,716	\$8,939,363	\$9,676,414	\$ 10,438,316
3,555,423	3,623,274	3,960,004	4,189,633	4,510,890	4,678,335
2,487,639	2,538,025	2,551,652	2,597,176	2,637,488	2,646,038
848,220	1,413,916	863,730	940,837	2,431,426	1,289,823
141,319	113,582	728,249	351,510	132,890	0
181,362	137,285	398,174	492,527	488,792	466,211
3,256,986	2,842,025	2,598,555	2,938,441	2,912,503	2,745,040
32,694	77,325	107,644	219,318	368,754	244,965
390,580	103,627	105,729	36,134	84,299	144,217
19,949,165	19,955,024	20,323,453	20,704,939	23,243,456	22,652,945
3,171,885	3,424,337	3,070,281	3,093,337	3,200,344	4,013,675
7,813,649	7,144,444	7,259,946	8,197,966	8,255,099	8,610,999
1,397,533	1,570,530	1,588,015	1,244,199	1,735,686	1,474,516
1,181,444	1,153,858	1,230,240	1,086,274	1,262,245	1,090,046
5,668,844	5,303,790	5,501,343	5,640,957	5,042,448	4,303,031
141,751	306,479	165,678	358,863	1,881,166	0
953,035	981,041	1,389,553	1,673,751	1,302,818	1,294,999
119,111	111,049	119,678	149,933	111,003	104,975
20,447,252	19,995,528	20,324,734	21,445,280	22,790,809	20,892,241
705,239	1,897,768	2,545,355		918,948	791,850
642,442	667,428	688,353	704,552	733,535	(28,895)
1,347,681	2,565,196	3,233,708	704,552	1,652,483	762,955
\$849,594	\$2,524,692	\$3,232,427	(\$35,789)	\$2,105,130	\$2,523,659
5.24%	6.26%	8.79%	9.73%	7.04%	7.70%

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>
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
2019-20	1,374,356,952	403,431,588	35,476,438	1,813,264,975	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>
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
2019-20	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 2019-2020			Fiscal Year 2009-2010		
	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.	\$114,142,979	1	6.39%	\$85,250,568	1	5.00%
SGL Carbon Corp	37,239,759	2	2.09%	38,424,743	2	2.26%
ARCP MT Morganton NC LL	34,395,416	3	1.93%			
Leviton Manufacturing	27,865,646	4	1.56%	20,265,326	6	1.19%
Case Farms Processing	26,681,530	5	1.49%	18,240,846	8	1.07%
Grace Properties	19,039,915	6	1.07%	16,107,880	10	0.95%
Seiren North America LLC	17,902,459	7	1.00%			
Wal-Mart Real Estate	15,249,369	8	0.85%			
American Roller Bearing	14,840,349	9	0.83%			
Gerresheimer Glass Inc.	14,481,809	10	0.81%	19,547,512	7	1.15%
HDM Furniture Industries				24,183,761	5	1.42%
Sypris Technologies Inc				25,747,138	4	1.51%
Caterpillar Inc				17,896,648	9	1.05%
Viscotec				36,848,824	3	2.16%
Total	\$321,839,231		18.02%	\$302,513,246		17.76%

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
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%	60,933	9,755,443	99.08%
2019-20	9,967,531	9,780,306	98.12%		9,780,306	98.12%

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			
2009-10	\$ -	\$ 5,019,440	\$ 5,475,000	\$ 1,493,332	\$ -	\$ 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	3.34%	1,375
2019-20	0	3,626,908	0	8,628,562	8,049,971	20,305,441	Not available	1,225

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

Fiscal Year	Bonded Debt Outstanding	Percentage of Assessed Value	Per Capita
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
2019-20	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, 2020

<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	\$58,050,340	27.25%	\$15,818,718
City of Morganton	<u>3,626,908</u>	100.00%	<u>3,626,908</u>
Total direct and overlapping debt	\$61,677,248		\$19,445,626

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 30,2020

Legal Debt Margin Calculation for Fiscal Year 2019-20	
Assessed Value	\$1,938,403,482
Debt Limit 8% of Assessed Value	155,072,279
Debt Applicable to Debt Limit:	20,305,441
Legal Debt Margin	134,766,838

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
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%
2019-20	155,072,279	20,305,441	134,766,838	13.09%

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>
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%
2020	16,577	Not available	Not available	7.9%

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 2019-20</u>			<u>Fiscal Year 2009-2010</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	6.05%
Burke County Schools	2,200	2	5.82%	2,139	2	5.50%
Carolinas Healthcare/Blue Ridge	1,400	3	3.70%	1,800	3	4.62%
Case Farms	950	4	2.51%	729	5	1.87%
Burke County	614	5	1.62%	512	9	1.32%
Leviton	600	6	1.59%	516	8	1.33%
City of Morganton	590	7	1.56%	540	7	1.39%
Continental Teves	500	8	1.32%	506	10	1.30%
Western Piedmont College	397	9	1.05%	587	6	1.51%
Viscotec Manufacturing	225	10	0.59%			
Turning Point Services				1,000	4	2.57%
Total	9,676		25.58%	10,684		27.46%

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	48	48	48	48	48	48	48	48	49	49
Public Safety	92	91	87	87	88	91	93	94	94	90
Transportation/Garage	23	22	22	23	23	23	23	23	23	22
Environmental Protection	13	13	13	13	13	13	13	13	13	13
Cultural & Recreation	23.5	22.5	19.5	25.25	26.25	26.25	27.00	28	29.50	28.50
IRMS	5	5	5	6	6	6	6	6	6	6
Electric	24	22	22	24	24	24	24	24	24	23
Cable	8	8	8	9	9	9	9	9	9	9
Water	21	20	20	20	20	20	20	20	20	18
Wastewater	21	21	23	22	22	22	22	22	22	22
Total	278.5	272.5	267.5	277.25	279.25	282.25	285.00	287.00	289.50	280.50

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				
	2011	2012	2013	2014	2015
General Government					
Building Permits Issued	273	631	1750	1,800	299
Building Inspections Conducted	4,958	2,077	5,200	5,250	931
Full-Time Employees	276.5	272.5	271.75	271.75	276.25
Part-Time Employees	285	319	365	365	360
Police					
Physical Arrests (18 & over)(annual)	1,569	1,746	1,572	1,572	1,642
Parking Violations	278	273	128	128	367
Sworn Officers	59	58	62	62	62
Civilian Employees	17	16	16	16	9
Reserve Officers	3	6	4	4	4
Number of Calls Responded	24,275	25,081	23,008	23,008	30,130
Number of Traffic Accidents	1,203	1,151	1,200	1,200	1,322
Fire Protection					
Fire Calls	346	441	533	533	483
Paid Fire Personnel	16	17	17	17	17
Volunteer Fire Personnel	12	12	11	11	10
Fire Inspections	632	632	632	640	586
Electric					
Customers	8,089	8,173	8,200	8,230	8,230
Public Works					
Refuse Collection (tons per day)	32	32	33.49	33.49	31.37
Recyclables Collected (tons per day)	2	2	1.83	1.83	1.38
Residential Collection Trucks	3	3	3	3	3
Water Treatment Facility					
Customers	12,500	12,509	10,342	12,108	10,040
Consumptions (billions)	3.031	3.054	2.4	2.4	2.7
Wastewater					
Customers	6,300	6,500	6,838	7,437	6,598
Average Daily Sewage Treatment million gallons daily (mgd)	4.79	4.83	5.2	5.2	4.7
Cable Television/Internet/Phone					
TV Subscribers / Customers	4,477	4,466	4,303	3,454	3,231
Basic Channels	78	78	78	78	78
Premium Channels	65	65	65	65	65
Internet Customers					
Phone Customers					

2016	2017	2018	2019	2020
246	350	1845	247	275
4106	4,150	5,165	4,850	5,317
273	285	279.25	282.5	280.5
329	340	320	327	297
2,507	2,572	3,214	2,897	2,007
494	458	0	1824	1,810
70	59	56	56	55
10	8	8	9	9
2	3	4	3	1
40,631	42,962	40,780	38,825	36,897
1,229	1,397	1,215	1,185	1,102
2711	1,257	714	1,144	1,066
17	16	26	26	26
9	11	11	4	1
895	950	840	900	945
8,208	8,208	8,208	8,394	8,358
33	33	33	24.93	25.73
1.35	1.35	1.35	1.16	1.24
3	3	3	2	2
10,094	10,174	10,173	10,232	10,347
2.716	2.646	2.511	2.49	2.36
6,635	6,691	6,695	6,745	6,813
4.7	4.2	5.1	6.8	5.31
3,007	2,767	2,582	2,487	2,202
78	78	78	78	78
65	65	65	65	65
			3,285	3,797
			802	827

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Police					
Stations	1	1	1	1	1
Patrol Units	85	77	77	77	79
Fire Protection					
Fire Stations	3	3	3	3	3
Electric					
Miles of Service	270	270	270	280	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	328	328	331
Fire Hydrants	1,200	1,200	1,504	1,504	1,504
Storage Capacity (millions of gallons)	9.15	9.15	8.15	8.15	8.15
Wastewater					
Plants	1	1	1	1	1
Miles of Collection Lines	200	200	202	202	204
Cable Television					
Miles of Plant	162	162	165	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	5
Community Centers	2	2	2	2	2
Aquatic Facilities	2	2	2	2	2

Sources:
Various City Departments

2016	2017	2018	2019	2020
1	1	1	1	1
74	64	59	70	55
3	3	3	3	3
280	260	281	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
1,529	1,552	1,552	1,552	1,552
9.15	9.15	9.15	9.15	9.15
1	1	1	1	1
205	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	14	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, 2020, 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 30, 2020. 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") as a basis for designing 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.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive style with a large, sweeping initial "E".

Raleigh, North Carolina
October 30, 2020



**Independent Auditor’s Report on Compliance for Each Major Federal 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 Federal Program

We have audited the City of Morganton, North Carolina’s (the “City”) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2020. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management’s Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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), 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 federal 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 federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2020.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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.



Raleigh, North Carolina
October 30, 2020



**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, 2020. 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, 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, 2020.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Elliott Davis, PLLC

Raleigh, North Carolina
October 30, 2020

City of Morganton, North Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2020

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

Federal 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 2 CFR 200.516(a): Yes No

Identification of major federal programs:

CFDA Number
20.205

Name of Federal Program or Cluster
Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? 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:

Powell Bill

City of Morganton, North Carolina***Schedule of Findings and Questioned Costs******For the year ended June 30, 2020***

II. FINANCIAL STATEMENT FINDINGS

No matters were reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

IV. STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported

CITY OF MORGANTON
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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-19-MC-37-0019	\$201,085		
<u>Appalachian Regional Development</u>					
I-40 Frontage Access Road	20.205	NC-18703	\$1,314,660		
<u>US Department of Justice</u>					
Direct Program:					
Office of Justice Programs:					
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.378	PROJ012836	\$17,970		
<u>Passed Thru From New Dimenions School</u>					
NC School Safety Grants Program	1.039		\$23,535		
Total Federal Cash Awards			<u>\$1,557,250</u>		

CITY OF MORGANTON
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

	<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		\$353,248	
<u>NC Department of Commerce</u>			
Building Reuse Program		<u>\$187,500</u>	
<u>NC Department of Commerce</u>			
Downtown Strong		<u>\$28,405</u>	
Total State Cash Awards		<u><u>\$569,153</u></u>	
Total Federal and State Awards	<u><u>\$1,557,250</u></u>		<u><u>\$0</u></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.