

**Annual Comprehensive  
Financial Report  
Fiscal Year Ended  
June 30, 2022  
Morganton, NC**



**City of Morganton  
North Carolina**

**Annual Comprehensive  
Financial Report**

***Fiscal Year Ended June 30, 2022***

**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**



CITY OF MORGANTON  
TABLE OF CONTENTS  
JUNE 30, 2022

<u>Exhibit</u>	<b><u>INTRODUCTORY SECTION</u></b>	<u>Pages</u>
	Letter of Transmittal	1 – 3
	Certificate of Achievement	4
	Organizational Chart	5
	<b><u>FINANCIAL SECTION</u></b>	
	Independent Auditors' Report	6 – 9
	<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u></b>	10 – 21
	<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
	Government-wide Financial Statements:	
A	Statement of Net Position	22
B	Statement of Activities	23 – 24
	Fund Financial Statements:	
C	Balance Sheet – Governmental Funds	25 – 26
D	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
E	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
F	Statement of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual – General Fund	29
G	Statement of Fund Net Position – Proprietary Funds	30
H	Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	31
I	Statement of Cash Flows – Proprietary Funds	32 – 33
J	Statement of Fund Net Position – Fiduciary Fund	34
K	Statement of Changes Fund Net Position – Fiduciary Fund	35

CITY OF MORGANTON  
TABLE OF CONTENTS  
JUNE 30, 2022

Notes to the Financial Statements	36 – 85
Required Supplemental Financial Data:	
Required Supplementary Information – City’s Proportionate Share of Net Pension Liability (Asset) – Local Government Employees Retirement System	86
Required Supplementary Information – Schedule of Employer Contributions – Local Government Employees Retirement System	87
Required Supplementary Information – Schedule of Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance	88
Required Supplementary Information – – Law Enforcement Officers’ Special Separation Allowance Schedule of Total Pension Liability as a Percentage of Covered Payroll	89
Required Supplementary Information – Schedule of Changes In the Total OPEB Liability and Related Ratios	90
 <u>SUPPLEMENTAL FINANCIAL DATA</u>	
Combining and Individual Fund Financial Statements:	
General Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual	91 – 96
Special Revenue Fund – American Recovery Act Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual	97
Combining Balance Sheet: Nonmajor Governmental Funds	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances: Nonmajor Governmental Funds	99
Combining Balance Sheet: Nonmajor Special Revenue Funds	100

CITY OF MORGANTON  
TABLE OF CONTENTS  
JUNE 30, 2022

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances: Special Revenue Funds	101
Dogwood Trust Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	102
Building Reuse Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	103
Cemetery Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	104
CDBG Entitlement Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	105
Combining Balance Sheet: Nonmajor Governmental Capital Project Funds	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances: Nonmajor Governmental Capital Project Funds	107
Greenway Connector Capital Project Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	108
Exit 105 Road Connector Capital Project Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	109
College Street Capital Project Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	110
Courthouse Capital Project Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	111
Bethel Park Capital Project Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	112
Water Fund: Schedule of Revenues and Expenditures Budget and Actual (Non- GAAP)	113

CITY OF MORGANTON  
TABLE OF CONTENTS  
JUNE 30, 2022

Water Capital Project Fund- Courthouse: Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual	114
Electric Fund: Schedule of Revenues and Expenditures Budget and Actual (Non- GAAP)	115
Electric Capital Projects Fund- Courthouse: Schedule of Revenues, Expenditures and Changes in Fund Net Position - Budget and Actual (Non-GAAP)	116
Wastewater Fund: Schedule of Revenues and Expenditures Budget and Actual (Non- GAAP)	117
Cable Fund: Schedule of Revenues and Expenditures Budget and Actual (Non- GAAP)	118
Internal Service Fund: Schedule of Revenues and Expenditures Budget and Actual (Non- GAAP)	119
Schedule of Ad Valorem Taxes Receivable	120
Schedule of Current Tax Levy	121
Schedule of Transfers	122
Schedule of Cash and Investment Balances	123

**STATISTICAL SECTION**

Net Position by Component	124 – 125
Changes in Net Position	126 – 129
Fund Balances, Governmental Funds	130 – 131
Changes in Fund Balances, Governmental Funds	132 – 133
Assessed Value of Taxable Property	134
Direct and Overlapping Property Tax Rates	135
Principal Property Tax Payers	136



CITY OF MORGANTON  
TABLE OF CONTENTS  
JUNE 30, 2022

Property Tax Levies and Collections	137
Ratios of Outstanding Debt by Type	138
Ratios of General Bonded Debt Outstanding	139
Direct and Overlapping Debt	140
Legal Debt Margin Information	141
Demographic and Economic Statistics	142
Principal Employers	143
Full-Time-Equivalent City Government Employees By Function	144
Operating Indicators by Function/Program	145 – 146
Capital Asset Statistics by Function/Program	147 – 148

**COMPLIANCE SECTION**

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 <u>Government Auditing Standards</u>	149 – 150
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	151 – 153
Summary Auditor's Results	154 – 157
Schedule of Expenditures of Federal and State Awards	158 – 159



CITY OF MORGANTON  
NORTH CAROLINA

December 1, 2022

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, 2022. 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, 2022, 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, the four utility funds, and the OPEB Trust fund. 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, 2022. 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 16,800 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 for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Annual Report 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 Annual Report 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**

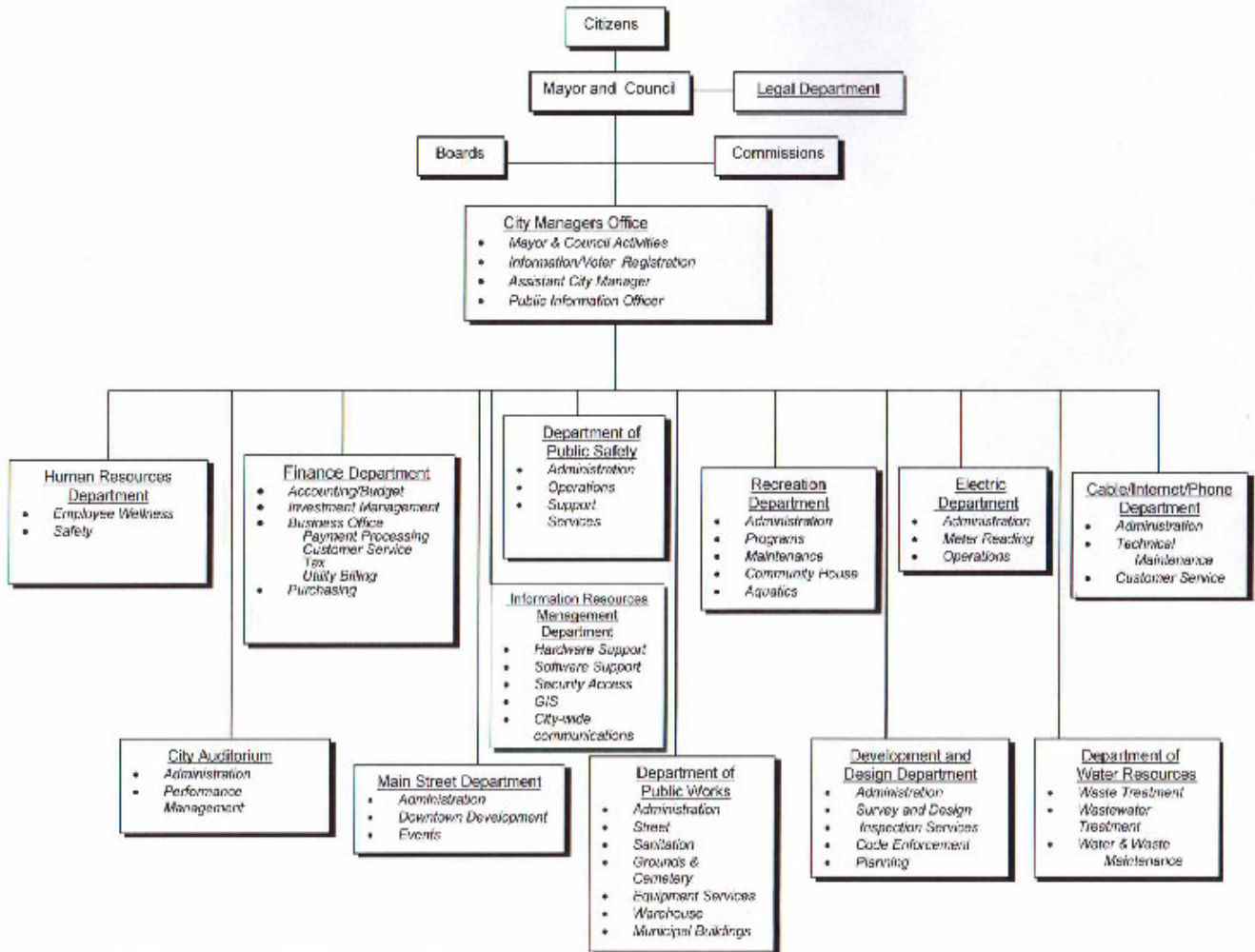
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

**CITY OF MORGANTON  
ORGANIZATION CHART**



**Thompson, Price, Scott, Adams & Co, P.A.**

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

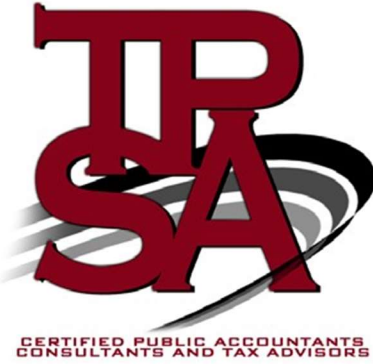
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Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA



## Independent Auditors' Report

To the Honorable Mayor and Members of the City Council  
City of Morganton, North Carolina

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morganton, North Carolina (the "City"), as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information City of Morganton, North Carolina as of June 30, 2022, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Morganton's ABC Board, which represents 100 percent, 100 percent and 100 percent of the assets, net positions and revenues, respectively, of the aggregate discretely presented component unit as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Morganton's ABC Board, is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Morganton and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

The financial statements of City of Morganton's ABC Board were not audited in accordance with *Government Auditing Standards*.

### ***Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raises substantial doubt about the City of Morganton's ability to continue as a going concern for the twelve months beyond the financial statement date, including any current known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing and audit in accordance with GAAS and *Government Auditing Standards* we:

- exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 of Morganton's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Morganton's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identify during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 21, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 86 through 87, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 88 through 89, and the Changes in Total OPEB Liability and Related Ratios page 90, be presented to supplement the basic financial statements. Such information, although not a required 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Morganton, North Carolina's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare that basic financial statements. The information has been subject to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section as well as the accompanying 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.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory information but does not include the basic financial statements and our auditor's

report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of the City of Morganton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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 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 City of Morganton's internal control over financial reporting and compliance.

*Thompson, Rice, Scott, Adams & Co., P.A.*

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Whiteville, NC  
December 1, 2022

## 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, 2022. 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

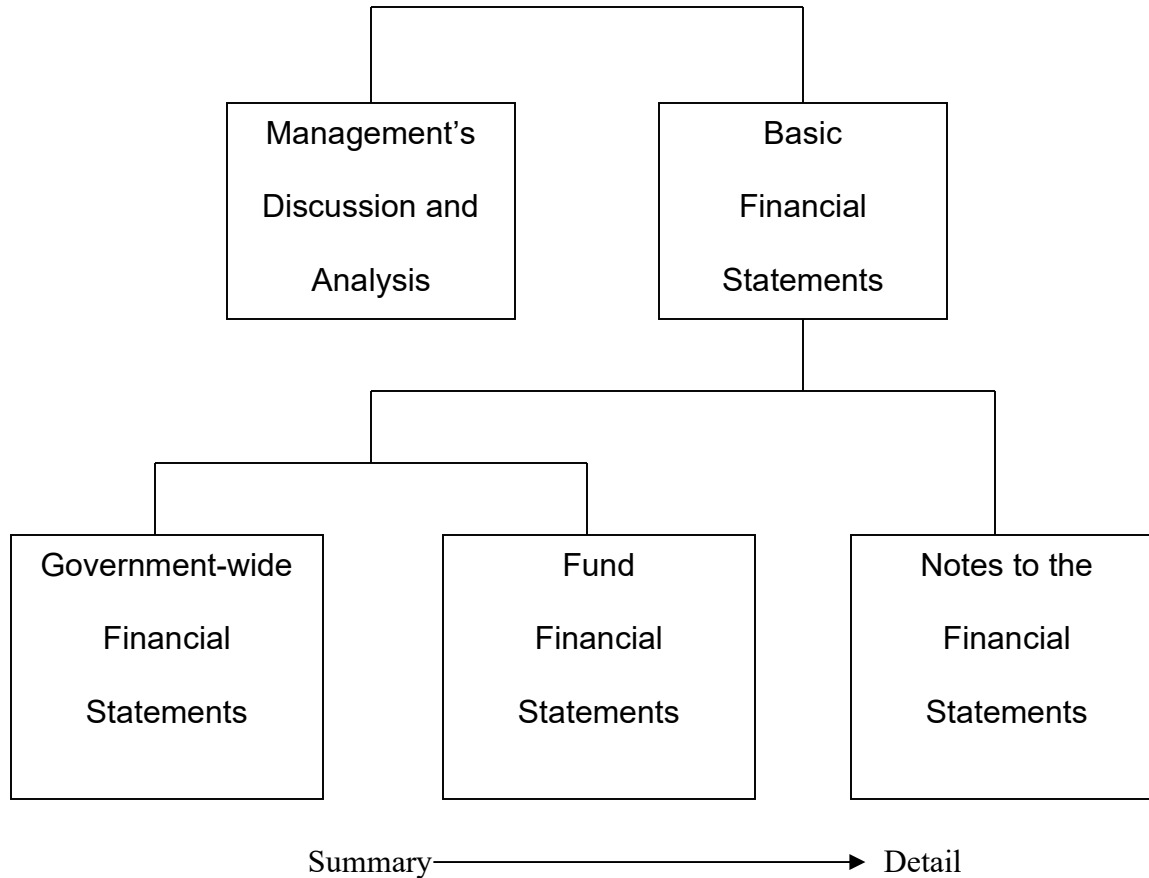
- The assets and deferred outflows of resources of the City of Morganton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$144,770,675 (*net position*).
- The government's total net position increased by \$12,473,892 primarily due to diligent cost-saving 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 \$36,055,823 an increase of \$7,910,155 in fund balance. Approximately 82% of this total amount, or \$29,586,636 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 \$22,786,499 or 107% of total general fund expenditures and transfers out for the fiscal year.
- The City of Morganton's total debt decreased by \$9,995,572 (19%) 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 two 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 A and B) 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 C through K) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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. 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 A and B 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 three categories: governmental funds, proprietary funds, and fiduciary 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.

**Proprietary Funds** – 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. City of Morganton uses enterprise funds to account for its water and sewer activity and for its electric and cable operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of 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.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government –wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund, the OPEB Trust Fund.

**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.

**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 in the notes.

**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

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Assets:</b>						
Current and other assets	\$ 43,775,055	\$ 33,020,427	\$ 46,022,915	\$ 46,794,846	\$ 89,797,970	\$ 79,815,273
Capital assets	<u>32,484,839</u>	<u>33,062,093</u>	<u>78,317,077</u>	<u>76,356,152</u>	<u>110,801,916</u>	<u>143,864,009</u>
Total assets	<u>76,259,894</u>	<u>66,082,520</u>	<u>124,339,992</u>	<u>123,150,998</u>	<u>200,599,886</u>	<u>189,233,518</u>
<b>Deferred Outflows of Resources</b>						
	<u>5,217,795</u>	<u>4,337,670</u>	<u>1,097,132</u>	<u>1,304,411</u>	<u>6,314,927</u>	<u>5,642,081</u>
<b>Liabilities:</b>						
Long-term liabilities	23,071,331	28,363,218	17,155,115	21,453,961	40,226,446	49,817,179
Other liabilities	<u>5,503,762</u>	<u>5,306,216</u>	<u>6,044,527</u>	<u>6,738,272</u>	<u>11,548,289</u>	<u>12,044,488</u>
Total liabilities	<u>28,575,093</u>	<u>33,669,434</u>	<u>23,199,642</u>	<u>28,192,233</u>	<u>51,774,735</u>	<u>61,861,667</u>
<b>Deferred Inflows of Resources</b>						
	<u>8,343,905</u>	<u>1,127,261</u>	<u>2,025,498</u>	<u>397,009</u>	<u>10,369,403</u>	<u>1,524,270</u>
<b>Net Position:</b>						
Net investment in capital assets	28,285,277	27,734,431	65,077,034	61,102,293	93,362,311	88,836,724
Restricted	12,237,213	6,004,690	-	-	12,237,213	6,004,690
Unrestricted	<u>4,036,202</u>	<u>1,884,374</u>	<u>35,134,949</u>	<u>34,763,874</u>	<u>39,171,151</u>	<u>36,648,248</u>
Total net position	<u>\$ 44,558,692</u>	<u>\$ 35,623,495</u>	<u>\$ 100,211,983</u>	<u>\$ 95,866,167</u>	<u>\$ 144,770,675</u>	<u>\$ 131,489,662</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 \$144,770,675 as of June 30, 2022. However, 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, \$12,237,213, represents resources that are subject to external restrictions on how they may be used.

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**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,991,899	\$ 7,703,971	\$ 47,857,195	\$ 47,323,186	\$ 51,849,094	\$ 55,027,157
Operating grants and contributions	1,144,037	1,656,870	-	-	1,144,037	1,656,870
Capital grants and contributions	4,202,885	443,371	-	6,375,904	4,202,885	6,819,275
General revenues:					-	
Property taxes	10,977,904	10,799,234	-	-	10,977,904	10,799,234
Other taxes	9,222,966	8,131,619	-	-	9,222,966	8,131,619
Other	705,743	168,651	395,143	180,895	1,100,886	349,546
Total revenues	30,245,434	28,903,716	48,252,338	53,879,985	78,497,772	82,783,701
<b>Expenses:</b>						
General government	4,212,358	6,344,651	-	-	4,212,358	6,344,651
Public safety	8,627,992	9,501,719	-	-	8,627,992	9,501,719
Environmental protection	1,520,497	150,853	-	-	1,520,497	150,853
Economic and physical development	714,839	3,403,176	-	-	714,839	3,403,176
Transportation	2,328,331	1,880,894	-	-	2,328,331	1,880,894
Cultural and recreational	5,390,901	5,301,692	-	-	5,390,901	5,301,692
Interest on long-term debt	116,895	93,164	315,109	-	432,004	93,164
Water	-	-	5,027,420	5,303,125	5,027,420	5,303,125
Wastewater	-	-	4,253,336	4,693,396	4,253,336	4,693,396
Electric	-	-	28,502,920	28,114,445	28,502,920	28,114,445
Cable	-	-	5,013,282	5,003,317	5,013,282	5,003,317
Total expenses	22,911,813	26,676,149	43,112,067	43,114,283	66,023,880	69,790,432
Increase (decrease) in net position before transfers	7,333,621	2,227,567	5,140,271	10,765,702	12,473,892	12,993,269
Transfers	794,458	784,199	(794,458)	(764,199)	-	20,000
Increase (decrease) in net position	8,128,079	3,011,766	4,345,813	10,001,503	12,473,892	13,013,269
<b>Net Position:</b>						
Beginning of year	35,623,495	34,802,663	95,866,170	86,619,471	131,489,665	121,422,134
Prior Period Adjustment/Restatement	807,118	(2,190,934)	-	(754,807)	807,118	(2,945,741)
Beginning of year - July 1, restated	36,430,613	32,611,729	95,866,170	85,864,664	132,296,783	118,476,393
End of year - June 30	\$ 44,558,692	\$ 35,623,495	\$ 100,211,983	\$ 95,866,167	\$ 144,770,675	\$ 131,489,662

**Governmental activities.** Governmental activities increased the City's net position by \$8,128,079, thereby adding to the total growth in the net position of the City of Morganton. The increase in net position was the result of increased revenue generation as well as continued effort to control costs and manage expenditures. City management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across City departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. Management believes healthy investment in the City will result in additional revenues, adding to the City's net position by investing in capital assets which were largely funded by cultural, recreational and economic development grant revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. City management acknowledges that 2022 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Continued concerted effort to control costs and manage expenditures appropriately
- 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 of re-prioritizing of capital outlay
- Continued growth in sales tax revenue

**Business-type activities.** Business-type activities increased the City of Morganton's net position by \$4,345,813, thereby adding to the total growth in the government's net position.

Key elements of this increase are as follows:

- Continued awareness of the largest customer's consumption patterns
- Continued concerted effort to control costs and manage expenditures appropriately
- Annual review and re-prioritizing of capital outlay
- Water and Wastewater master plan and rate study reviewed annually

**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 City's Council.

At June 30, 2022, governmental funds reported a combined fund balance of \$36,055,823 with a net increase in fund balance of \$7,910,155. Included in this change in fund balance is an increase in fund balance in the General Fund, Cemetery Fund, and Capital Projects Funds.

**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.

There were several reasons the City revised its budget throughout the year. 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 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 \$35,134,949, an increase in unrestricted net position by \$4,345,813.

### **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, 2022, totals \$110,801,916 (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 equipment purchases
- Completed Courthouse Square renovation project.
- Continued Downtown Greenway Connector projects
- 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 12,673,548	\$ 12,673,548	\$ 15,040,621	\$ 15,040,621	\$ 27,714,169	\$ 27,714,169
Buildings	3,152,529	3,200,506	4,015,331	4,331,015	7,167,860	7,531,521
Plant and distribution systems	-	-	45,706,888	42,770,623	45,706,888	42,770,623
Equipment	10,800,013	10,724,808	12,958,941	13,620,399	23,758,954	24,345,207
Infrastructure	3,117,707	3,722,189	-	-	3,117,707	3,722,189
Construction in progress	<u>2,741,042</u>	<u>2,741,042</u>	<u>595,296</u>	<u>593,493</u>	<u>3,336,338</u>	<u>3,334,535</u>
			-			
<b>Total</b>	<u>\$ 32,484,839</u>	<u>\$ 33,062,093</u>	<u>\$ 78,317,077</u>	<u>\$ 76,356,151</u>	<u>\$ 110,801,916</u>	<u>\$ 109,418,244</u>

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

(continued on next page)

**Long-term Debt.** As of June 30, 2022, the City of Morganton had \$18,188,094 of installment debt. The debt is backed by security interest in the property for which it was issued.

**Outstanding Debt  
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Installment purchases	\$ 4,948,037	\$ 5,327,951	\$ 13,240,043	\$ 15,253,860	\$ 18,188,080	\$ 20,581,811
Leases	1,076,790	-	-	-	1,076,790	-
Compensated absences	1,111,159	1,016,637	350,325	319,373	1,461,484	1,336,010
OPEB	11,941,091	15,459,229	4,643,757	6,011,922	16,584,848	21,471,151
Pension related debt (LGERS)	2,051,032	4,923,953	797,623	1,914,869	2,848,655	6,838,822
Pension related debt (LEO)	3,237,498	3,165,133	-	-	3,237,498	3,165,133
Total	<u>\$ 24,365,607</u>	<u>\$ 29,892,903</u>	<u>\$ 19,031,748</u>	<u>\$ 23,500,024</u>	<u>\$ 43,397,355</u>	<u>\$ 53,392,927</u>

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

The City of Morganton's total debt decreased by \$9,995,572 (19%) during the current fiscal year.

As mentioned in the financial highlights section of this document, the City of Morganton continues to maintain is 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 that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Morganton is \$141,652,693.

Additional information regarding the City of Morganton's long-term debt can be found in Notes of this report.

**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 unemployment rate of 4.7% is below the State average.
- The City of Morganton experience an upward trend of Sales Tax and Occupancy Tax.

## **Budget Highlights for the Fiscal Year Ending June 30, 2023**

**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 Services revenues vary in nature. The largest of these revenues, in the General Fund, are commercial solid waste user fees, the 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 2022-2023 represents an increase of 3.3% or \$843,446 higher than the 2021-2022 budget. The main reason for the difference is capital expenditures and increase in salaries due to the inflationary economic environment.

**Business-type Activities:** Sales and service revenues are based on estimated usage or consumption multiplied by the applicable rates. The 2022-2023 business-type activities budget overall is 8.2% or \$5,066,996 less than the 2021-2022 budget. The main reason for the difference is several, large capital projects in the Wastewater Fund.

## **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, PO Box 3448, Morganton, NC 28680. One can also call (828) 438-5240, or visit our website [www.morgantonnc.gov](http://www.morgantonnc.gov)

STATEMENT OF NET POSITION  
JUNE 30, 2022

22

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morganton ABC Board
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 29,072,646	\$ 39,710,688	\$ 68,783,334	\$ 193,660
Taxes receivable, net	212,741	-	212,741	-
Receivables, net	2,935,491	5,275,484	8,210,975	-
Inventories	996,986	-	996,986	307,090
Prepaid items	234,470	79,879	314,349	-
Interest receivable	42,552	44,492	87,044	-
Restricted cash	9,208,617	912,372	10,120,989	-
Total current assets	42,703,503	46,022,915	88,726,418	500,750
Non-current assets:				
Right to use asset, net	1,071,552	-	1,071,552	-
Capital assets:				
Land and construction in progress	15,414,590	15,634,114	31,048,704	11,000
Other capital assets, net of depreciation	17,070,249	62,682,963	79,753,212	32,497
Total capital assets	32,484,839	78,317,077	110,801,916	43,497
Total non-current assets	33,556,391	78,317,077	111,873,468	43,497
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	846,748	329,291	1,176,039	-
Pension deferrals	4,371,047	767,841	3,593,153	98,230
Total deferred outflows of resources	5,217,795	1,097,132	4,769,192	98,230
Total assets and deferred outflows of resources	81,477,689	125,437,124	206,914,813	642,477
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	1,073,867	3,255,522	4,329,389	316,978
Advance payments from grant agency	3,135,619	-	3,135,619	-
Customer deposits	-	912,372	912,372	-
Current Portion of compensated absences	104,619	35,032	139,651	-
Due within one year	1,189,657	1,841,601	3,031,258	-
Total current liabilities	5,503,762	6,044,527	11,548,289	316,978
Long-term liabilities:				
Due in more than one year				
Net pension liability - LGERS	2,051,032	797,623	2,848,655	40,947
Total pension liability - LEOSSA	3,237,498	-	3,237,498	-
Net OPEB liability	11,941,091	4,643,757	16,584,848	18,585
Installment Purchases	3,853,670	11,398,442	15,252,112	-
Compensated Absences	1,006,540	315,293	1,321,833	-
Lease Liability	981,500	-	981,500	-
Total long-term liabilities	23,071,331	17,155,115	40,226,446	59,532
Total liabilities	28,575,092	23,199,642	51,774,734	376,510
<b>Deferred Inflows of Resources:</b>				
OPEB deferrals	3,994,773	1,553,524	5,548,297	-
Pension deferrals	4,275,131	29,988	4,305,119	70,967
Lessor deferred inflows	74,001	441,986	515,987	-
Total deferred inflows of resources	8,343,905	2,025,498	10,369,403	70,967
<b>Net Position:</b>				
Net investment in capital assets	28,285,277	65,077,034	93,362,311	43,497
Restricted for:				
Stabilization for State statute	5,374,683	-	5,374,683	-
Transportation	873,565	-	873,565	-
Economic and physical development	5,988,965	-	5,988,965	-
Unrestricted	4,036,202	35,134,949	39,171,151	151,503
Total net position	\$ 44,558,692	\$ 100,211,983	\$ 144,770,675	\$ 195,000

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 4,212,358	\$ 1,365,662	\$ 103,589	\$ -
Public safety	8,627,992	61,105	78,189	-
Transportation	2,328,331	2,205	529,567	-
Economic and physical development	714,839	-	27,514	4,202,885
Cultural and recreational	5,390,901	1,015,397	405,178	-
Environmental protection	1,520,497	1,547,530	-	-
Interest on long-term debt	116,895	-	-	-
Total governmental activities	<u>22,911,813</u>	<u>3,991,899</u>	<u>1,144,037</u>	<u>4,202,885</u>
<b>Business-Type Activities:</b>				
Water	5,027,420	6,046,911	-	-
Wastewater	4,253,336	5,857,435	-	-
Electric	28,502,920	29,847,931	-	-
Cable	5,013,282	6,104,918	-	-
Total business-type activities	<u>42,796,958</u>	<u>47,857,195</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 68,057,291</u>	<u>\$ 54,233,068</u>	<u>\$ 3,766,232</u>	<u>\$ 588,129</u>
<b>Component unit</b>				
ABC Board	5,000,472	5,000,472		
Total component unit	<u>\$ 5,000,472</u>	<u>\$ 5,000,472</u>		

The accompanying notes are an integral part of this statement.



## CITY OF MORGANTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position			Component Unit Morganton ABC Board
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (2,743,107)	\$ -	\$ (2,743,107)	\$ -
Public safety	(8,488,698)	-	(8,488,698)	-
Transportation	(1,796,559)	-	(1,796,559)	-
Economic and physical development	3,515,560	-	3,515,560	-
Cultural and recreational	(3,970,326)	-	(3,970,326)	-
Environmental protection	27,033	-	27,033	-
Interest on long-term debt	(116,895)	(315,109)	(432,004)	-
Total governmental activities	<u>(13,572,992)</u>	<u>(315,109)</u>	<u>(13,888,101)</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water	-	1,019,491	1,019,491	-
Wastewater	-	1,604,099	1,604,099	-
Electric	-	1,345,011	1,345,011	-
Cable	-	1,091,636	1,091,636	-
Total business-type activities	<u>-</u>	<u>5,060,237</u>	<u>5,060,237</u>	<u>-</u>
Total primary government	<u>(13,572,992)</u>	<u>4,745,128</u>	<u>(8,827,864)</u>	<u>-</u>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purpose	10,977,904	-	10,977,904	-
Local option sales tax	6,388,366	-	6,388,366	-
Utility sales tax	1,718,910	-	1,718,910	-
Other taxes and licenses	1,115,690	-	1,115,690	-
Investment earnings, unrestricted	111,008	178,609	289,617	-
Miscellaneous, unrestricted	594,735	216,534	811,269	-
Total general revenues	<u>20,906,613</u>	<u>395,143</u>	<u>21,301,756</u>	<u>-</u>
<b>Transfers</b>	<u>794,458</u>	<u>(794,458)</u>	<u>-</u>	<u>-</u>
Total general revenues, capital contribution, and transfers	<u>21,701,071</u>	<u>(399,315)</u>	<u>21,301,756</u>	<u>-</u>
Change in net position	8,128,079	4,345,813	12,473,892	-
<b>Net Position:</b>				
Beginning of year	35,623,495	95,866,170	131,489,665	195,000
Restatement- Sales Tax Accrual & Compensated Absences	807,118	-	807,118	-
Beginning of year - July 1, restated	<u>36,430,613</u>	<u>95,866,170</u>	<u>132,296,783</u>	<u>195,000</u>
End of year - June 30	<u>\$ 44,558,692</u>	<u>\$ 100,211,983</u>	<u>\$ 144,770,675</u>	<u>\$ 195,000</u>

The accompanying notes are an integral part of this statement.

## CITY OF MORGANTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Major		Nonmajor	
	General	American Rescue Act Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 26,880,331	\$ -	\$ 970,596	\$ 27,850,927
Taxes receivable, net	212,741	-	-	212,741
Interest receivable	42,552	-	-	42,552
Other receivables, net	2,931,778	-	3,528	2,935,306
Due from other funds	751,031	-	-	751,031
Prepaid items	220,939	-	-	220,939
Restricted assets:				
Cash and investments	2,063,312	3,135,619	4,009,686	9,208,617
Total assets	<u>\$ 33,102,684</u>	<u>\$ 3,135,619</u>	<u>\$ 4,983,810</u>	<u>\$ 41,222,113</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 454,760	\$ -	\$ 26,277	\$ 481,037
Advance payments from grant agency	-	3,135,619	-	3,135,619
Accrued payroll liabilities	511,861	-	-	511,861
Due to other funds	-	-	751,031	751,031
Total liabilities	<u>966,621</u>	<u>3,135,619</u>	<u>777,308</u>	<u>4,879,548</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	212,741	-	-	212,741
Lessor Deferred Inflows	74,001	-	-	74,001
Total deferred inflows of resources	<u>286,742</u>	<u>-</u>	<u>-</u>	<u>286,742</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventory	-	-	-	-
Prepaid items	220,939	-	-	220,939
Restricted:				
Stabilization for State statute	4,573,924	-	800,759	5,374,683
Restricted for Streets - Powell Bill	873,565	-	-	873,565
Restricted, all other	1,189,747	-	4,799,218	5,988,965
Committed	2,204,647	-	-	2,204,647
Unassigned	22,786,499	-	(1,393,475)	21,393,024
Total fund balances	<u>31,849,321</u>	<u>-</u>	<u>4,206,502</u>	<u>36,055,823</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,102,684</u>	<u>\$ 3,135,619</u>	<u>\$ 4,983,810</u>	<u>\$ 41,222,113</u>

Amounts reported in the governmental activities in the Statement of Net Position (Exhibit A)

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 31,731,125
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,071,551
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.	212,741
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(7,071,014)
Deferred outflows of resources related to pensions are not related in the funds.	4,261,355
Deferred outflows of resources related to OPEB are not related in the funds.	799,706
Deferred inflows of resources related to pensions are not related in the funds.	(4,270,847)
Deferred inflows of resources related to OPEB are not related in the funds.	(3,772,838)
The internal service fund is used by management to charge certain costs to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities statement of net position	1,993,371
Net pension liability	(1,937,086)
Net OPEB liability	(11,277,697)
Total pension liability	<u>(3,237,498)</u>
Net position of governmental activities	<u>\$ 44,558,692</u>

## CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Major		Nonmajor	
	General Fund	American Rescue Act Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,915,238	\$ -	\$ -	\$ 10,915,238
Local option sales taxes	6,388,363	-	3	6,388,366
Unrestricted intergovernmental revenues	1,115,690	-	-	1,115,690
Utility sales tax	1,718,910	-	-	1,718,910
Restricted intergovernmental revenues	1,144,037	1,700,000	292,175	3,136,212
Permits and fees	569,123	-	-	569,123
Sales and services	3,150,149	-	80,027	3,230,176
Investment earnings	109,648	-	1,360	111,008
Miscellaneous	234,536	-	2,210,338	2,444,874
Total revenues	<u>25,345,694</u>	<u>1,700,000</u>	<u>2,583,903</u>	<u>29,629,597</u>
<b>Expenditures:</b>				
Current:				
General government	3,875,654	-	268,180	4,143,834
Public safety	8,837,730	-	-	8,837,730
Transportation	1,695,284	-	22,593	1,717,877
Environmental protection	1,401,064	-	-	1,401,064
Cultural and recreational	5,744,616	-	-	5,744,616
Economic and physical development	-	-	1,345,235	1,345,235
Debt service:				
Principal retirement	1,288,538	-	-	1,288,538
Interest and other charges	116,895	-	-	116,895
Total expenditures	<u>22,959,781</u>	<u>-</u>	<u>1,636,008</u>	<u>24,595,789</u>
Revenues over (under) expenditures	<u>2,385,913</u>	<u>1,700,000</u>	<u>947,895</u>	<u>5,033,808</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of installment debt	2,081,889	-	-	2,081,889
Transfers enterprise funds	794,458	-	-	794,458
From General Fund	-	-	409,107	409,107
From ARPA Fund	-	-	1,700,000	1,700,000
Transfers to Dogwood Fund	-	(1,700,000)	-	(1,700,000)
Transfers to general fund	(409,107)	-	-	(409,107)
Total other financing sources (uses)	<u>2,467,240</u>	<u>(1,700,000)</u>	<u>2,109,107</u>	<u>2,876,347</u>
Net change in fund balances	4,853,153	-	3,057,002	7,910,155
<b>Fund Balances:</b>				
Beginning Balance, Restated - July 1	<u>26,996,168</u>	<u>-</u>	<u>1,149,500</u>	<u>28,145,668</u>
End of year - June 30	<u>\$ 31,849,321</u>	<u>\$ -</u>	<u>\$ 4,206,502</u>	<u>\$ 36,055,823</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, 2022

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	\$ 7,910,155
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.	62,666
Pension Expense, net of current year contributions - LEOSSA	(227,090)
Pension Expense, net of current year contributions - LGERS	(348,768)
OPEB Plan Expense, net of current year contributions	480,862
Compensated absence expenses are reported in the statement activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(29,550)
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.	2,855,374
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,503,416)
Right to use lease assets, net used in governmental activities are not financial resources and therefore are not reported in the funds	1,173,766
Amortization of right to use lease asset	(102,214)
The net income (expense) of certain activities in the internal service fund are reported with governmental activities	553,170
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(2,081,889)
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>1,385,013</u>
Total change in net position of governmental activities	<u>\$ 8,128,079</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance from Final Budget Over/Under</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,434,000	\$ 10,434,000	\$ 10,915,238	\$ 481,238
Other taxes and licenses	5,144,885	5,144,885	6,388,363	1,243,478
Unrestricted intergovernmental revenues	936,768	936,768	1,115,690	178,922
Utility sales tax	1,587,670	1,587,670	1,718,910	131,240
Restricted intergovernmental revenues	1,063,077	1,621,132	1,144,037	(477,095)
Permits and fees	464,050	464,050	569,123	105,073
Sales and services	2,600,100	2,817,198	3,150,149	332,951
Investment earnings	31,000	31,000	109,648	78,648
Miscellaneous	31,660	31,660	234,536	202,876
Total revenues	<u>22,293,210</u>	<u>23,068,363</u>	<u>25,345,694</u>	<u>2,277,331</u>
<b>Expenditures:</b>				
Current:				
General government	4,226,608	4,408,335	3,875,654	532,681
Public safety	9,420,780	9,724,634	8,837,730	886,904
Transportation	2,099,757	2,147,238	1,695,284	451,954
Environmental Protection	1,338,655	1,400,546	1,401,064	(518)
Cultural and recreational	5,687,592	5,907,294	5,744,616	162,678
Debt service:				
Principal retirement	1,170,994	1,321,994	1,288,538	33,456
Interest and other charges	75,193	119,193	116,895	2,298
Total expenditures	<u>24,019,579</u>	<u>25,029,234</u>	<u>22,959,781</u>	<u>2,069,453</u>
Revenues over (under) expenditures	<u>(1,726,369)</u>	<u>(1,960,871)</u>	<u>2,385,913</u>	<u>4,346,784</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease financing issued	1,008,000	1,008,000	2,081,889	1,073,889
Transfers from other funds	794,458	794,458	794,458	-
Transfers to other funds	-	(409,107)	(409,107)	-
Appropriated fund balance	123,911	755,020	-	(755,020)
Contingency	(200,000)	(187,500)	-	187,500
Total other financing sources (uses)	<u>1,726,369</u>	<u>1,960,871</u>	<u>2,467,240</u>	<u>506,369</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,853,153	<u>\$ 4,853,153</u>
<b>Fund Balance:</b>				
Beginning of year, restated - July 1			<u>26,996,168</u>	
End of year - June 30			<u>\$ 31,849,321</u>	

## CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2022

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 1,758,164	\$ -	\$ 3,141,964	\$ -	\$ 4,900,128	\$ 1,221,719
Investments	10,174,914	8,274,549	16,361,097	-	34,810,560	-
Accounts receivable, net	1,226,867	427,846	3,552,382	68,389	5,275,484	185
Inventory	-	-	-	-	-	996,986
Interest receivable	15,513	11,515	17,464	-	44,492	-
Prepaid assets	15,140	30,144	28,444	6,151	79,879	13,531
Restricted cash and cash equivalents	117,861	130,738	663,773	-	912,372	-
Total current assets	13,308,459	8,874,792	23,765,124	74,540	46,022,915	2,232,421
Non-current assets:						
Due from other funds	340,930	-	-	-	340,930	-
Capital assets:						
Land and construction in progress	995,895	14,067,068	567,368	5,586	15,634,114	33,317
Other capital assets, net of depreciation	16,320,061	27,927,064	13,621,520	4,812,515	62,682,963	720,396
Total non-current assets	17,656,886	41,994,132	14,188,888	4,818,101	78,658,007	753,713
Total assets	30,965,345	50,868,924	37,954,011	4,892,641	124,680,921	2,986,134
<b>Deferred Outflow of Resources:</b>						
OPEB deferrals	94,083	94,083	105,844	35,281	329,291	47,042
Pension deferrals	219,383	219,383	246,806	82,269	767,841	109,692
Total deferred outflows of resources	313,466	313,466	352,650	117,550	1,097,132	156,734
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	131,619	111,337	2,620,679	213,389	3,077,024	80,969
Accrued payroll	56,478	40,136	56,807	25,077	178,498	-
Current portion of compensated absences	6,521	10,190	11,748	6,573	35,032	-
Current portion of installment purchase	66,221	1,637,409	82,189	55,782	1,841,601	-
Total current liabilities	260,839	1,799,072	2,771,423	300,821	5,132,155	80,969
Non-current liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	117,861	130,738	663,773	-	912,372	-
Other non-current liabilities:						
Due to other funds	-	49,049	-	291,881	340,930	-
Installment purchase	872,282	10,003,871	450,797	71,492	11,398,442	-
Compensated absences	58,690	91,717	105,728	59,159	315,293	64,972
Net pension liability	227,892	227,892	256,379	85,460	797,623	113,946
Net OPEB liability	1,326,788	1,326,788	1,492,636	497,545	4,643,757	663,394
Total non-current liabilities	2,603,513	11,830,055	2,969,313	1,005,537	18,408,417	842,312
Total liabilities	2,864,352	13,629,127	5,740,735	1,306,358	23,540,572	923,281
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	8,568	8,568	9,639	3,213	29,988	4,284
OPEB deferrals	443,864	443,864	499,347	166,449	1,553,524	221,932
Lessor Deferred Inflows	441,986	-	-	-	441,986	-
Total deferred inflows of resources	894,418	452,432	508,986	169,662	2,025,498	226,216
<b>Net Position:</b>						
Net investment in capital assets	16,377,453	30,352,852	13,655,902	4,690,827	65,077,034	-
Unrestricted	11,142,588	6,747,979	18,401,038	(1,156,656)	35,134,949	1,993,371
Total net position	\$ 27,520,041	\$ 37,100,831	\$ 32,056,940	\$ 3,534,171	\$ 100,211,983	\$ 1,993,371

## CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Operating Revenues:</b>						
Charges for services	\$ 6,046,911	\$ 5,857,435	\$ 29,847,931	\$ 6,104,918	\$ 47,857,195	\$ 2,756,885
Total operating revenues	<u>6,046,911</u>	<u>5,857,435</u>	<u>29,847,931</u>	<u>6,104,918</u>	<u>47,857,195</u>	<u>2,756,885</u>
<b>Operating Expenses:</b>						
Salaries and employee benefits	1,240,379	955,499	1,292,179	875,536	4,363,593	670,559
Other operating expenses	2,669,992	1,667,940	25,957,496	3,656,994	33,952,422	-
MIS, Garage and Warehouse Operations	-	-	-	-	-	1,397,365
Depreciation	1,117,049	1,629,897	1,253,245	480,752	4,480,943	137,834
Total operating expenses	<u>5,027,420</u>	<u>4,253,336</u>	<u>28,502,920</u>	<u>5,013,282</u>	<u>42,796,958</u>	<u>2,205,758</u>
Operating income (loss)	<u>1,019,491</u>	<u>1,604,099</u>	<u>1,345,011</u>	<u>1,091,636</u>	<u>5,060,237</u>	<u>551,127</u>
<b>Non-Operating Revenues (Expenses):</b>						
Interest income	55,444	33,120	90,045	-	178,609	-
Interest expense	(3,617)	(295,971)	(12,554)	(2,967)	(315,109)	-
Miscellaneous income	-	9,909	65,547	110,309	185,765	36,872
Gain/(loss) on a sale	30,769	-	-	-	30,769	(34,829)
Total non-operating revenues (expenses)	<u>82,596</u>	<u>(252,942)</u>	<u>143,038</u>	<u>107,342</u>	<u>80,034</u>	<u>2,043</u>
Income (loss) before capital contributions and transfers	<u>1,102,087</u>	<u>1,351,157</u>	<u>1,488,049</u>	<u>1,198,978</u>	<u>5,140,271</u>	<u>553,170</u>
<b>Transfers:</b>						
Transfers out	-	-	(794,458)	-	(794,458)	-
Net transfers	<u>-</u>	<u>-</u>	<u>(794,458)</u>	<u>-</u>	<u>(794,458)</u>	<u>-</u>
Change in net position	1,102,087	1,351,157	693,591	1,198,978	4,345,813	553,170
<b>Net Position:</b>						
Beginning of year - July 1	<u>26,417,954</u>	<u>35,749,674</u>	<u>31,363,349</u>	<u>2,335,193</u>	<u>95,866,170</u>	<u>1,440,201</u>
End of year - June 30	<u>\$ 27,520,041</u>	<u>\$ 37,100,831</u>	<u>\$ 32,056,940</u>	<u>\$ 3,534,171</u>	<u>\$ 100,211,983</u>	<u>\$ 1,993,371</u>

The accompanying notes are an integral part of this statement.



CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 5,409,922	\$ 5,817,235	\$ 29,552,794	\$ 6,053,230	\$ 46,833,181	\$ 2,756,700
Cash paid for goods and services	(2,645,368)	(1,703,286)	(26,382,744)	(3,579,871)	(34,311,269)	(1,461,904)
Cash paid to employees for services	(1,125,172)	(1,258,657)	(1,653,868)	(989,538)	(5,027,235)	(698,769)
Customer deposits	-	6,072	22,480	-	28,552	-
Net cash provided (used) by operating activities	1,639,382	2,861,364	1,538,662	1,483,821	7,523,229	596,027
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers out	-	-	(794,458)	-	(794,458)	-
Interfund Borrowings	550,647	-	-	(599,696)	(49,049)	-
Net cash provided (used) by non-capital financing activities	550,647	-	(794,458)	(599,696)	(843,507)	-
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets - capitalized	(747,779)	(559,915)	(4,327,106)	(807,071)	(6,441,871)	(137,834)
Proceeds from sale of long-term asset	30,769	9,909	65,548	-	106,226	-
Long-term debt payments	(232,306)	(1,611,007)	(96,417)	(74,087)	(2,013,817)	-
Interest paid	(3,617)	(295,971)	(12,554)	(2,967)	(315,109)	-
Net cash provided (used) for capital and related financing activities	(952,933)	(2,456,984)	(4,370,529)	(884,125)	(8,664,571)	(137,834)
<b>Cash Flows from Investing Activities:</b>						
(Purchase) and disposal of investments	(2,287,887)	(2,067,212)	(585,819)	-	(4,940,918)	-
Interest on investments	55,444	33,120	90,045	-	178,609	-
Net cash provided (used) for investing related financing activities	(2,232,443)	(2,034,092)	(495,774)	-	(4,762,309)	-
Net increase (decrease) in cash and cash equivalents	(995,347)	(1,629,712)	(4,122,099)	-	(6,747,158)	458,193
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	2,871,372	1,760,450	7,927,836	-	12,559,658	763,526
End of year - June 30	\$ 1,876,025	\$ 130,738	\$ 3,805,737	\$ -	\$ 5,812,500	\$ 1,221,719

## CITY OF MORGANTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 1,019,491	\$ 1,604,099	\$ 1,345,011	\$ 1,091,636	\$ 5,060,237	\$ 551,127
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,117,049	1,629,897	1,253,245	480,752	4,480,943	137,834
Changes in assets and liabilities:						
Increase (decrease) in inventories	(3,054)	-	-	-	(3,054)	(40,649)
(Increase) decrease in accounts receivable	(636,989)	(40,200)	(295,137)	(16,508)	(988,834)	(185)
Increase (decrease) in accounts payable and accrued liabilities	34,023	(25,369)	(425,246)	32,792	(383,800)	10,715
Increase (decrease) in prepayments	(1,401)	(3,905)	22,480	(396)	16,778	(37,646)
Increase (decrease) in accrued vacation pay	(19,829)	13,912	(10,808)	(2,220)	(18,945)	-
Increase (decrease) in net OPEB liability	(390,905)	(396,081)	(439,768)	(141,411)	(1,368,165)	(91,357)
(Increase) decrease in deferred outflows of resources - pensions	57,662	57,662	64,869	21,623	201,816	28,830
(Increase) decrease in deferred outflows of resources - OPEB	1,561	1,561	1,755	586	5,463	780
Increase in net pension liability	(319,213)	(319,213)	(359,115)	(119,705)	(1,117,246)	(132,922)
Decrease in net lessor receivable	441,986	-	-	-	441,986	-
Decrease in deferred inflows of resources - pension	6,229	6,229	7,007	11,883	31,348	3,114
Decrease in deferred inflows of resources - OPEB	332,772	332,772	374,369	124,789	1,164,702	166,386
Total adjustments	619,891	1,257,265	193,651	392,185	2,462,992	44,900
Net cash provided (used) by operating activities	\$ 1,639,382	\$ 2,861,364	\$ 1,538,662	\$ 1,483,821	\$ 7,523,229	\$ 596,027

The accompanying notes are an integral part of this statement.

**CITY OF MORGANTON, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
FIDUCIARY FUND- OPEB TRUST FUND  
JUNE 30, 2022**

	<b>OPEB Trust Fund</b>
<b>Assets:</b>	
Current assets:	
Restricted cash and cash equivalents	\$ 229,342
Total assets	<u>\$ 229,342</u>
<b>Liabilities:</b>	
Intergovernmental Payable	\$ -
Total Liabilities	<u>-</u>
<b>Net Position:</b>	
Restricted for:	
Postemployment benefits, other than pensions	<u>229,342</u>
Total fiduciary net position	<u>\$ 229,342</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF MORGANTON, NORTH CAROLINA**

**STATEMENT OF CHANGES IN NET POSITION**

**FIDUCIARY FUND- OPEB TRUST FUND**

**JUNE 30, 2022**

	<b>OPEB Trust Fund</b>
<b>Additions:</b>	
Employer Contributions	\$ 951,115
Net Investment Income	<u>(20,136)</u>
Total additions	<u>\$ 930,979</u>
<b>Deductions:</b>	
Benefit Payments	<u>\$ 951,115</u>
Total deductions	<u>951,115</u>
Net increase (decrease) in fiduciary net position	(20,136)
Net position- beginning	<u>249,478</u>
Net position - ending	<u>\$ 229,342</u>

## **Notes to the Financial Statements**

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

**I. Summary of Significant Accounting Policies**

The accounting policies of City of Morganton and its component units 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, Basis of Accounting**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is 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 items such as investment earnings 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, and sanitation 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.

**American Recovery Plan Fund.** This fund is used to account for federal funds received from the American Recovery Plan Act.

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 for transactions related to the reuse of existing buildings within the City limits. The revenue source is State grants.

**Dogwood Trust Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's Dogwood Trust Fund project. The revenue source is private 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.

**College Street Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's College Street improvements capital project. The revenue source is city funding.

**Courthouse Square Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's courthouse square renovation capital project.

**Bethel Park Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's Bethel Park stream restoration capital project.

**Exit 105 Connector Road Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's 105 Connector road capital project.

The City reports the following major enterprise funds:

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

**Electric Fund.** This fund is used to account for the City's electric operations.

**Wastewater Fund.** This fund is used to account for the City's wastewater operations. A Wastewater Capital Projects Fund has been consolidated into the Wastewater Fund for financial reporting purposes. The budgetary comparison for the Wastewater Capital Projects 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 type:

**Internal Service Fund.** This 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.

**Fiduciary Fund- OPEB Trust.** This fund is used to account for the monies deposited in State of North Carolina's Ancillary Government Participant Investment Program (AGPIP).

### **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 fiduciary 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. Issuances 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 property taxes 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. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed by the City for periods prior to September 1, 2013, or those 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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 all the Capital Projects Funds, ARP Funds and CDBG Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Internal Service Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared 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 Inflows and Outflows 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 Super NOW 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.

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.

General Statute 159-30.1 allows the City to establish and fund an irrevocable trust for the purpose of paying post-employment benefits (OPEB) for which the City is liable. The City Other Postemployment Benefit (OPEB) Trust is managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. The Trust is not registered with the SEC. G.S. 159-30(g) allows the City to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short-term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, and the Bond Index Fund (BIF) consisting of high-quality debt securities eligible under G.S. 147-69.2(b)(1) -(6).

Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022, of 0.9 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

The BIF is measured at fair value using Level 2 inputs and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. The BIF, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 8.75 years at June 30, 2022.

### **2. Cash and Cash Equivalents**

The City pools moneys from several funds, except the Other Post Employment Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered 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 NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Cash and cash equivalents in the OPEB Trust Fund is considered restricted because it can only be used to pay other postemployment benefit obligations.

#### **Governmental Activities**

##### **General Fund**

Economic Development	\$ 1,189,747
Streets	873,565
Cemetary Fund	311,976
Building Re-Use	8,175
CDBG Entitlement	108,860
Dogwood Trust	3,580,675
ARPA Fund	<u>3,135,619</u>
Total Governmental Activities	<u><u>\$ 9,208,617</u></u>

#### **Business-Type Activities**

##### **Water Fund**

Customer Deposits	\$ 117,861
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##### **Wastewater Fund**

Customer Deposits	130,738
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##### **Electric Fund**

Customer Deposits	<u>663,773</u>
Total Business-Type Activities	<u><u>\$ 912,372</u></u>

#### **Fiduciary Activities**

##### **OPEB Trust Fund**

OPEB Trust	<u>\$ 229,342</u>
Total Fiduciary Activities	<u><u>\$ 229,342</u></u>

#### **4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2021. 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. Inventories 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. Lease Receivable**

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

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

#### **8. 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 of the City are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</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>Estimated Useful Lives</u>
Buildings	35
Improvements	15
Equipment	5

## **9. Right to use assets**

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

## **10. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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 several items that meet this criterion – pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position can also 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, special assessments receivable, leases, and other OPEB or pension related deferrals.

## **11. 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.

## **12. 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, 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's 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.

## **13. Net Position/Fund Balances**

### **Net Position**

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

Prepaid Insurance – Insurance paid in advanced.

Leases – portion of fund balance that is not an available resource because it represents the

year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

**Restricted Fund Balance** - This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

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

Restricted for 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 funds.

**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** - Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Morganton has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification expenditures are to be spent

from restricted fund balance first, followed in-order by committed fund balance, and lastly unassigned fund balance.

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

#### **14. Defined Benefit Pension and OPEB Plans**

The City participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Governmental Employees' Retirement System (LGERS) and the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"); and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans.

For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due and the City have a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

## **II. Stewardship/ Non-Compliance**

Deficit Fund Balance in multi-year projects due to timing of grant reimbursements.

Greenway Connector	\$751,031
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## **III. 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 has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2022, the City's deposits had a carrying amount of \$8,845,053 and a bank balance of \$8,578,857. 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 \$193,660 and the bank balance was \$330,936. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

## **2. Investments**

At June 30, 2022, the City's investment balances were as follows:

(Continued on next page)

<b>Investments by Type</b>	<b>Valuation</b>	<b>Book Value at 6/30/2022</b>	<b>Maturity</b>	<b>Rating</b>
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$999,690	July 25, 2022	AAA
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$997,357	September 12, 2022	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$996,488	October 7, 2022	A1 P1
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$999,414	October 21, 2022	AAA
Commercial Paper: Credit Agricole Corporate	Fair Value Level 2	\$993,948	November 7, 2022	A1 P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$993,625	November 8, 2022	A1 P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$986,898	December 16, 2022	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$986,302	December 16, 2022	A1 P1
Commercial Paper: Credit Agricole Corporate	Fair Value Level 2	\$987,095	December 30, 2022	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$984,818	January 9, 2023	A1 P1
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$999,800	February 24, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$999,580	March 1, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	March 10, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$1,000,000	March 30, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$999,380	April 13, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	May 9, 2023	AA+
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$1,000,000	May 19, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$997,500	June 26, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$999,784	August 24, 2023	AAA

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2022</b>	<b>Maturity</b>	<b>Rating</b>
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$999,991	September 8, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$999,050	September 8, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	September 29, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$999,561	October 16, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$999,280	October 16, 2023	AAA
Government Agency: Federal National Mortgage Assn	Fair Value Level 2	\$1,000,000	November 16, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	November 17, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	December 21, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$999,410	December 22, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	December 29, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$999,500	January 11, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	January 19, 2024	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	February 9, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	February 13, 2024	AAA
Government Treasury: US Treasury Note	Fair Value Level 2	\$996,250	February 15, 2024	N/A
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	February 16, 2024	AAA

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2022</b>	<b>Maturity</b>	<b>Rating</b>
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	March 15, 2024	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	April 5, 2024	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$1,000,000	April 22, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	April 29, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	May 17, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	May 24, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	June 7, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	June 24, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	June 28, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	June 28, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	July 12, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	July 18, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	August 23, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	September 10, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$997,780	September 13, 2024	AAA
Government Treasury: US Treasury Note	Fair Value Level 2	\$998,125	September 15, 2024	N/A
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	September 20, 2024	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$995,090	October 21, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	October 28, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	November 22, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	November 22, 2024	AAA

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2022</b>	<b>Maturity</b>	<b>Rating</b>
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	December 30, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	February 24, 2025	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	February 24, 2025	AA+
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	March 28, 2025	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$1,000,000	April 25, 2025	AAA
NC Capital Management Trust- Cash Portfolio	Amortized Cost	\$7,153,555	N/A	AAAm
<b>TOTAL</b>		<b>\$70,059,270</b>		

(Continued on next page)

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:

<b>Investment Type</b>	<b>Maximum % of Portfolio</b>
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 and AAMf rating by Moody's Investors Service as of June 30, 2022.

General Statute 15-30.1 allows the City to establish and fund an irrevocable trust for the purpose of paying post- employment benefits (OPEB) for which the City is liable. The City's Other Post-Employment Benefit (OPEB) Trust is managed by the staff of the Department of the State Treasurer and operated in accordance with the state laws and regulations. The Trust is not registered with the SEC. G.S. 159-30(g) allows the City to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short-term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). Funds submitted are held in the State Treasurer's Short –Term Investment Fund (STIF) and Bond Index Fund (BIF). Allowable STIF and BIF investments are detailed in G.S. 147-69.1

At June 30, 2022, the City of Morganton OPEB Trust Fund had \$229,342 invested in the Ancillary Governmental Participants Program (AGPIP), established by the Treasurer of the State of North Carolina. The AGPIP may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the AGPIP was invested 80% in the BIF and 20% in the STIF.

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

- Bankers Acceptances – No more than 25% of the total portfolio with any one institution.
- Commercial Paper – No more than 25% of the total portfolio with any one issuer.
- Repurchase Agreements – No more than 15% of the total portfolio with any one institution.
- Certificates of Deposits- Commercial – No more than 50% of the total portfolio with any one institution.
- Certificates of Deposits- Savings – No more than 25% of the total portfolio with any one institution.
- NCCMT – No more than 50% of the total portfolio.

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

### **3. Receivables – Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 498,004
Accounts receivable	489,060
Revolving Loans	35,985
Uncollectible Charges	4,929
Total General Fund	<u>\$ 1,027,978</u>
Enterprise Funds	
Water Fund - accounts receivable	\$ 12,414
Wastewater Fund - accounts receivable	6,108
Electric Fund - accounts receivable	39,982
Cable Fund - accounts receivable	5,000
Total Enterprise Funds	<u>63,504</u>
Total	<u>\$ 1,091,482</u>

#### **4. Lease Receivable**

For the year ended 6/30/2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On 07/01/2021, City of Morganton, NC entered into a 41 month lease as Lessor for the use of Highway 181. An initial lease receivable was recorded in the amount of \$104,307. As of 06/30/2022, the value of the lease receivable is \$74,001. The lessee is required to make monthly fixed payments of \$2,575. The lease has an interest rate of 0.7270%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$73,778, and City of Morganton recognized lease revenue of \$30,529 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, City of Morganton, NC entered into a 2 month lease as Lessor for the use of Cell Tower - AT & T. An initial lease receivable was recorded in the amount of \$11,575. As of 06/30/2022, the value of the lease receivable is \$0. The lessee is required to make monthly fixed payments of \$3,860. The lease has an interest rate of 0.3160%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was -\$0, and City of Morganton recognized lease revenue of \$11,575 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, City of Morganton, NC entered into a 27 month lease as Lessor for the use of 107 Hennessee Street. An initial lease receivable was recorded in the amount of \$66,949. As of 06/30/2022, the value of the lease receivable is \$38,338. The lessee is required to make monthly fixed payments of \$2,405. The lease has an interest rate of 0.5140%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$38,154, and City of Morganton recognized lease revenue of \$28,795 during the fiscal year.

On 07/01/2021, City of Morganton, NC entered into a 55 month lease as Lessor for the use of 3208 NC 126. An initial lease receivable was recorded in the amount of \$191,781. As of 06/30/2022, the value of the lease receivable is \$151,346. The lessee is required to make monthly fixed payments of \$3,508. The lease has an interest rate of 1.0590%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$150,014, and City of Morganton recognized lease revenue of \$41,767 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On 07/01/2021, City of Morganton, NC entered into a 32 month lease as Lessor for the use of 434 Valdese Avenue. An initial lease receivable was recorded in the amount of \$128,954. As of 06/30/2022, the value of the lease receivable is \$82,316. The lessee is required to make monthly fixed payments of \$3,946. The lease has an interest rate of 0.7270%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$81,437, and City of Morganton recognized lease revenue of \$47,516 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.



On 07/01/2021, City of Morganton, NC entered into a 28 month lease as Lessor for the use of Hennessee Street - Verizon. An initial lease receivable was recorded in the amount of \$86,480. As of 06/30/2022, the value of the lease receivable is \$50,803. The lessee is required to make monthly fixed payments of \$3,000. The lease has an interest rate of 0.5140%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$49,939, and City of Morganton recognized lease revenue of \$36,541 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On 07/01/2021, City of Morganton, NC entered into a 57 month lease as Lessor for the use of Hennessee Street Water Tank. An initial lease receivable was recorded in the amount of \$149,617. As of 06/30/2022, the value of the lease receivable is \$119,181. The lessee is required to make monthly fixed payments of \$2,645. The lease has an interest rate of 1.0590%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2022 was \$118,483, and City of Morganton recognized lease revenue of \$31,134 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

## 5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 12,640,231	\$ -	\$ -	\$ -	\$ 12,640,231
Construction in progress	<u>2,741,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,741,042</u>
Total non-depreciable capital assets	<u>15,381,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,381,273</u>
<b>Depreciable Capital Assets:</b>					
Buildings	22,908,162	328,836	(2,406,290)	-	20,830,708
Equipment	30,996,327	1,908,751	(1,478,948)	-	31,426,130
Infrastructure	<u>46,235,606</u>	<u>617,787</u>	<u>-</u>	<u>-</u>	<u>46,853,393</u>
Total depreciable capital assets	<u>100,140,095</u>	<u>2,855,374</u>	<u>(3,885,238)</u>	<u>-</u>	<u>99,110,231</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	19,778,073	371,896	(2,406,290)	-	17,743,679
Equipment	20,850,711	1,909,251	(1,478,948)	-	21,281,014
Infrastructure	<u>42,513,417</u>	<u>1,222,269</u>	<u>-</u>	<u>-</u>	<u>43,735,686</u>
Total accumulated depreciation	<u>83,142,201</u>	<u>3,503,416</u>	<u>(3,885,238)</u>	<u>-</u>	<u>82,760,379</u>
Total depreciable capital assets	<u>16,997,894</u>	<u>(648,042)</u>	<u>-</u>	<u>-</u>	<u>16,349,852</u>
capital assets, net	<u>\$ 32,379,167</u>				<u>\$ 31,731,125</u>

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

General government	\$	438,082
Public safety		827,007
Transportation		1,245,733
Environmental Protection		119,602
Cultural and Recreation		<u>872,992</u>
Total	\$	<u>3,503,416</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Internal Service Fund</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 33,317	\$ -	\$ -	\$ -	\$ 33,317
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	<u>33,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,317</u>
<b>Depreciable Capital Assets:</b>					
Buildings	703,433			-	703,433
Equipment	<u>1,520,760</u>	<u>208,612</u>	<u>(34,827)</u>	<u>-</u>	<u>1,694,545</u>
Total depreciable capital assets	<u>2,224,193</u>	<u>208,612</u>	<u>(34,827)</u>	<u>-</u>	<u>2,397,978</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	633,016	4,917		-	637,933
Equipment	<u>941,568</u>	<u>132,907</u>	<u>(34,827)</u>	<u>-</u>	<u>1,039,648</u>
Total accumulated depreciation	<u>1,574,584</u>	<u>137,824</u>	<u>(34,827)</u>	<u>-</u>	<u>1,677,581</u>
Total depreciable capital assets, net	<u>649,609</u>	<u>70,788</u>	<u>-</u>	<u>-</u>	<u>720,397</u>
Internal Service capital assets, net	<u>\$ 682,926</u>	<u>\$ 70,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,714</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Business-Type Activities:</b>					
<b>Water:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 912,017	\$ -	\$ -	\$ -	\$ 912,017
Construction in progress	83,878	16,030	(16,030)	-	83,878
Total non-depreciable capital assets	<u>995,895</u>	<u>16,030</u>	<u>(16,030)</u>	<u>-</u>	<u>995,895</u>
<b>Depreciable Capital Assets:</b>					
Buildings	10,135,812	-	-	-	10,135,812
Plant and System	25,502,122	652,725	-	-	26,154,847
Equipment	4,671,694	95,054	-	-	4,766,748
Total depreciable capital assets	<u>40,309,628</u>	<u>747,779</u>	<u>-</u>	<u>-</u>	<u>41,057,407</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	7,540,197	136,171	-	-	7,676,368
Plant and System	12,762,394	704,571	-	-	13,466,965
Equipment	3,317,705	2,763,308	-	-	3,594,013
Total accumulated depreciation	<u>23,620,296</u>	<u>3,604,051</u>	<u>-</u>	<u>-</u>	<u>24,737,346</u>
Total depreciable capital assets, net	<u>16,689,332</u>				<u>16,320,061</u>
Water capital assets, net	<u>\$ 17,685,227</u>				<u>\$ 17,315,956</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Business-Type Activities:</b>					
<b>Wastewater</b>					
<b>Non-Depreciable Capital Assets:</b>					
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>
<b>Depreciable Capital Assets:</b>					
Buildings	4,283,755	10,800	-	-	4,294,555
Plant and System	33,219,107	381,000	-	-	33,600,107
Equipment	17,466,781	168,114	(18,366)	-	17,616,529
Total depreciable capital assets	<u>54,969,643</u>	<u>559,914</u>	<u>(18,366)</u>	<u>-</u>	<u>55,511,190</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	3,366,000	96,242	-	-	3,462,242
Plant and System	15,337,424	855,161	-	-	16,192,585
Equipment	7,269,173	93	(18,366)	-	7,929,300
Total accumulated depreciation	<u>25,972,597</u>	<u>951,496</u>	<u>(18,366)</u>	<u>-</u>	<u>27,584,127</u>
Total depreciable capital assets, net	<u>28,997,046</u>				<u>27,927,064</u>
Wastewater capital assets, net	<u>\$ 43,064,114</u>				<u>\$ 41,994,132</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Business-Type Activities:</b>					
<b>Electric:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 55,950	\$ -	\$ -	\$ -	\$ 55,950
Construction in progress	<u>509,615</u>	<u>1,803</u>	<u>-</u>	<u>-</u>	<u>511,418</u>
Total non-depreciable capital assets	<u>565,565</u>	<u>1,803</u>	<u>-</u>	<u>-</u>	<u>567,368</u>
<b>Depreciable Capital Assets:</b>					
Buildings	2,677,695	-	-	-	2,677,695
Plant and System	19,748,170	3,962,479	-	-	23,710,649
Equipment	<u>5,625,337</u>	<u>362,824</u>	<u>-</u>	<u>-</u>	<u>5,988,161</u>
Total depreciable capital assets	<u>28,051,202</u>	<u>4,325,303</u>	<u>-</u>	<u>-</u>	<u>32,376,505</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	2,231,810	65,923	-	-	2,297,733
Plant and System	11,476,452	857,224	-	-	12,333,676
Equipment	<u>3,793,477</u>	<u>330,099</u>	<u>-</u>	<u>-</u>	<u>4,123,576</u>
Total accumulated depreciation	<u>17,501,739</u>	<u>1,253,246</u>	<u>-</u>	<u>-</u>	<u>18,754,985</u>
Total depreciable capital assets, net	<u>9,549,463</u>				<u>13,621,520</u>
Electric capital assets, net	<u>\$ 9,650,541</u>				<u>\$ 14,188,888</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Business-Type Activities:</b>					
<b>Cable</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 5,586	\$ -	\$ -	\$ -	\$ 5,586
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	<u>5,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,586</u>
<b>Depreciable Capital Assets:</b>					
Buildings	950,410	-	-	-	950,410
Plant and System	14,514,540	771,071	-	-	15,285,611
Equipment	<u>804,245</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>840,245</u>
Total depreciable capital assets	<u>16,269,195</u>	<u>807,071</u>	<u>-</u>	<u>-</u>	<u>17,076,266</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	578,651	28,147	-	-	606,798
Plant and System	10,637,046	414,054	-	-	11,051,100
Equipment	<u>567,302</u>	<u>38,551</u>	<u>-</u>	<u>-</u>	<u>605,853</u>
Total accumulated depreciation	<u>11,782,999</u>	<u>480,752</u>	<u>-</u>	<u>-</u>	<u>12,263,751</u>
Total depreciable capital assets, net	<u>4,486,196</u>				<u>4,812,514</u>
Cable capital assets, net	<u>\$ 4,491,782</u>				<u>\$ 4,818,100</u>

### Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2022, was as follows:

	<b>Beginning</b>			<b>Ending</b>
	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
<b>Capital assets not being depreciated:</b>				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Total capital assets not being depreciated	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
<b>Capital assets being depreciated:</b>				
Buildings	77,980	-	-	77,980
Improvements	151,153	-	-	151,153
Equipment	178,680	35,401	-	214,081
Total capital assets being depreciated	<u>407,813</u>	<u>35,401</u>	<u>-</u>	<u>443,214</u>
<b>Less accumulated depreciation for:</b>				
Buildings	77,980	-	-	77,980
Improvements	151,153	-	-	151,153
Equipment	175,142	6,442	-	181,584
Total accumulated depreciation	<u>404,275</u>	<u>6,442</u>	<u>-</u>	<u>410,717</u>
<b>Total capital assets being depreciated, net</b>	<u>3,538</u>	<u>28,959</u>	<u>-</u>	<u>32,497</u>
<b>ABC capital assets, net</b>	<u>\$ 14,538</u>	<u>\$ 28,959</u>	<u>\$ -</u>	<u>\$ 43,497</u>

(Continued on next page)

## 6. Right to Use Leased Assets

The City has recorded two right to use leased assets. The assets are right to use assets for leased equipment and leased vehicles. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>
<b>Right to Use Assets:</b>				
<b>General Fund</b>				
<b>Lease Assets:</b>				
Infrastructure	\$ -	\$ 58,668	\$ -	\$ 58,668
Land Improvements	-	9,593	-	9,593
Land	-	1,046,850	-	1,046,850
Equipment	-	58,655	-	58,655
Total right to use assets	<u>-</u>	<u>1,173,766</u>	<u>-</u>	<u>1,173,766</u>
<b>Less Accumulated Amortization:</b>				
Infrastructure	-	4,775	-	4,775
Land Improvements	-	2,878	-	2,878
Land	-	86,034	-	86,034
Equipment	-	8,527	-	8,527
Total accumulated amortization	<u>-</u>	<u>102,214</u>	<u>-</u>	<u>102,214</u>
Total right of use assets, net	<u>\$ -</u>	<u>\$ 1,071,552</u>	<u>\$ -</u>	<u>\$ 1,071,552</u>

## B. Liabilities

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable agency 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, 2022, was 10.84% of compensation for law enforcement officers and 10.15% 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 \$1,545,734 for the year ended June 30, 2022.

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

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

At June 30, 2022, the City reported a liability of \$2,848,655 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, 2021 (measurement date), the City's proportion was 0.18575%, which was a decrease of 0.00563% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,229,000. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 906,259	
Changes of assumptions	1,789,683	-
Net difference between projected and actual earnings on pension plan investments		4,069,872
Changes in proportion and differences between City contributions and proportionate share of contributions	46,351	107,103
City contributions subsequent to the measurement date	1,545,734	-
Total	\$ 4,288,027	\$ 4,176,975

\$1,545,734 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 249,427
2023	(96,169)
2024	(342,536)
2025	(1,245,405)
2026	-
Thereafter	-



*Actuarial Assumptions.* The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	2.64 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, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

This information is based on 30-year expectations developed with the consulting actuary for the 2020 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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease</b> <b>(5.50%)</b>	<b>Discount</b> <b>Rate</b> <b>(6.50%)</b>	<b>1% Increase</b> <b>(7.50%)</b>
City's proportionate share of the net pension liability (asset)	\$ 11,058,240	\$2,848,655	\$ (3,907,357)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2021, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>57</u>
Total	<u>75</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, 2020, valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 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, 2020.

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

## **4. Contributions**

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$235,889 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, 2022, the City reported a total pension liability of \$3,237,498. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$362,517.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 210,985	\$ 32,311
Changes of assumptions	503,988	95,833
County benefit payments and plan administrative expense made subsequent to the	235,889	-
Total	<u>\$ 950,862</u>	<u>\$ 128,144</u>

\$235,889 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:**

2023	\$ 151,182
2024	162,286
2025	166,347
2026	99,657
2027	7,357
Thereafter	-

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 2.25 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	<u>\$ 3,527,642</u>	<u>\$ 3,237,498</u>	<u>\$ 2,975,522</u>

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

	<u>2022</u>
Beginning balance	\$ 3,165,133
Service Cost	152,336
Interest on the total pension liability	58,811
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	186,785
Changes of assumptions or other inputs	(89,678)
Benefit payments	(235,889)
Other changes	-
Ending balance of the total pension liability	<u>\$ 3,237,498</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, 2020, valuation was based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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***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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,229,000	\$ 362,517	\$ 1,591,517
Pension Liability	2,848,655	3,237,498	6,086,153
Proportionate share of the net pension liability	0.18575%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	906,259	210,985	1,117,244
Changes of assumptions	1,789,683	503,988	2,293,671
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	46,351	-	46,351
Benefit payments and administrative costs paid subsequent to the measurement date	1,545,734	235,889	1,781,623
 Deferred of Inflows of Resources			
Differences between expected and actual experience	-	32,311	32,311
Changes of assumptions	4,069,872	95,833	4,165,705
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	107,103	-	107,103

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 \$235,889 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefit

Healthcare Benefits

*Plan Description.* Per a 1988 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 upon 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.

Membership of the HCB Plan consisted of the following at December 31, 2021, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	67	18
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	271	57
Total	<u>338</u>	<u>75</u>

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

Retired Employees' Years of Creditable	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
5 to 9.99 years	Not eligible for coverage	Not eligible for coverage
10 to 19.99 years	50% coverage paid for by City	50% coverage paid for by City
20 to 24.99 years	Full coverage paid for by City	75% coverage paid for by City
25+ years	Full coverage paid for by City	Full coverage paid for by City
Disability Retirement	Full coverage paid for by City	Full coverage paid for by City

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.

During fiscal year 2021, a \$250,000 initial contribution was paid into the City of Morganton OPEB Trust. This irrevocable trust was established for the purpose of paying future post-employment benefits (OPEB) for which the City is liable. The Fiscal Year 2023 budget does not include an additional contribution to the Fund.

*Investment Policy.* The OPEB Trust had \$229,342 invested in the State Treasurer's Local Government Other Post Employment (OPEB) Trust at June 30, 2021. The following was the Board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022.

Asset Class	Target Allocation 2021	Long-Term Expected Real Rate of Return 2021
Bond Index Fund	80%	2.80%
Equity Index Fund	0%	0.00%
Short Term Investment Fund	20%	2.00%
Total	100%	

*Rate of Return.* For the year ended June 30, 2022, the annual money weighted rate of return on investments, net of investment expense, was 2.64%. The money –weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Net OPEB Liability

The City's net OPEB liability of \$21,471,151 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

At June 30, 2022 the City of Morganton's OPEB Trust had \$229,342 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the City of Morganton's OPEB Trust was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 20 %, which is reported as cash and cash equivalents; State Treasurer's Bond Index Fund (BIF) 80 % and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund (EIF) 0 % (the equities were split with 58.82% in domestic securities and 41.18% in international securities).

The components of the net OPEB liability of the city as of June 30, 2022 were as follows:

Total OPEB Liability	\$ 16,814,190
Plan fiduciary net position	<u>229,342</u>
City's net OPEB liability	\$ 16,584,848
Plan fiduciary net position as a percentage of the total OPEB Liability	1.36%



*Level of the fair value hierarchy:* Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2022 of .09 years.

Ownership of the BIF is determined monthly at fair value using the same Level 2 inputs as the STIF and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. On 6/30/2022 the BIF, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 8.75 years at June 30, 2022.

The BlackRock's MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b) (8), is a common trust fund considered to be commingled in nature. The Fund's fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2022 the fair value of the funds was \$ 27.230307 per share. Fair value for this Blackrock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Valuation Technique:* North Carolina Department of State Treasurer OPEB Trust 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.

*Actuarial assumptions and other inputs.* The net OPEB liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Real Wage Growth	0.75 percent
Salary increases	3.25- 8.41 percent, general employees 3.25 – 8.15 percent, firefighters 3.25 – 7.90 percent, law enforcement
Long-term Investment Rate of Return, Net of OPEB plan investment expense, Including price inflation	2.64 percent
Municipal Bond Index Rate	
Prior Measurement	2.16 percent
Measurement Date	3.54 percent
Year FNP is projected to be depleted	
Prior Measurement	2021
Measurement Date	2022
Single Equivalent Interest Rate, net Of OPEB plan investment expense, Including price inflation	
Prior Measurement	2.16 percent
Measurement Date	3.54 percent

Healthcare cost trend rates 7.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2031

### Changes in the Net OPEB Liability

	<b>Net OPEB Liability</b>
<b>Balance at July 1, 2021</b>	\$ 21,471,151
<b>Changes for the year</b>	
Service cost	949,461
Interest	458,948
Changes of benefit terms	-
Differences between expected and actual experience	(4,479,370)
Changes in assumptions or other inputs	(884,363)
Benefit payments	(951,115)
Net Investment Income	20,136
<b>Net changes</b>	<u>(4,886,303)</u>
<b>Balance at June 30, 2022</b>	<u>\$ 16,584,848</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 December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase</u>
Net OPEB liability	\$ 18,238,092	\$ 16,584,848	\$ 15,122,222

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net 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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 14,715,791	\$ 16,584,848	\$ 18,810,089

*Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2022, the City reported a net OPEB liability of \$21,471,151. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2022, the components of the Net OPEB Liability of the City, measured as of June 30, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2021	\$ 21,720,629	\$ 249,478	\$ 21,471,151
Changes for the Year:			-
Service Cost	949,461	-	949,461
Interest	458,948	-	458,948
Differences between Expected and Actual experience	(4,479,370)	-	(4,479,370)
Changes of assumptions	(884,363)	-	(884,363)
Contributions		951,115	(951,115)
Net Investment Income		(20,136)	20,136
Benefit Payments	(951,115)	(951,115)	-
Net Changes	(4,906,439)	(20,136)	(4,886,304)
Balances at June 30, 2022	\$ 16,814,190	\$ 229,342	\$ 16,584,848

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent in 2022. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The City changed the accounting principle to align the Measurement Date and the Reporting Date between GASB 74 and GASB 75. The net result is to remove the lag between the Measurement Date and the Reporting Date for GASB 75.

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$267,261. At June 30, 2022, 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	\$ 4,797	\$ 4,266,670
Changes of assumptions	173,936	1,281,626
Net difference between projected and actual earnings on plan investments	25,717	
Benefit payments and administrative costs made subsequent to the measurement date	951,115	
Total	\$ 1,155,565	\$ 5,548,296

\$951,115 reported as deferred outflows of resources related to OPEB 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2023	\$ (1,140,893)
2024	(992,969)
2025	(911,706)
2026	(867,686)
2027	(841,695)
Thereafter	(588,897)

**2. 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 three 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 \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

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

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.

**3. Claims, Judgments and Contingent Liabilities**

At June 30, 2022, 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.

#### 4. Long-Term Obligations

##### a. Leases

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

On 07/01/2021, City of Morganton, NC entered into a 147 month lease as Lessee for the use of 305 East Union Street. An initial lease liability was recorded in the amount of \$58,667. As of 06/30/2022, the value of the lease liability is \$53,667. City of Morganton is required to make annual fixed payments of \$5,000. The lease has an interest rate of 1.7590%. The Infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$58,667 with accumulated amortization of \$4,775 is included with Infrastructure on the Lease Class activities table found below.

On 07/01/2021, City of Morganton, NC entered into a 40 month lease as Lessee for the use of North Green Street. An initial lease liability was recorded in the amount of \$9,593. As of 06/30/2022, the value of the lease liability is \$6,735. City of Morganton is required to make monthly fixed payments of \$242. The lease has an interest rate of 0.7270%. The Land Improvements estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$9,593 with accumulated amortization of \$2,877 is included with Land Improvements on the Lease Class activities table found below. City of Morganton had a termination period of 2 months as of the lease commencement.

On 07/01/2021, City of Morganton, NC entered into a 48 month lease as Lessee for the use of Parking Lot - Lake Rhodhiss. An initial lease liability was recorded in the amount of \$11,446. As of 06/30/2022, the value of the lease liability is \$8,616. City of Morganton is required to make monthly fixed payments of \$242. The lease has an interest rate of 0.8930%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$11,446 with accumulated amortization of \$2,861 is included with Land on the Lease Class activities table found below.

On 07/01/2021, City of Morganton, NC entered into a 48 month lease as Lessee for the use of 103 Queen St. An initial lease liability was recorded in the amount of \$11,446. As of 06/30/2022, the value of the lease liability is \$8,616. City of Morganton is required to make monthly fixed payments of \$242. The lease has an interest rate of 0.8930%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$11,446 with accumulated amortization of \$2,861 is included with Land on the Lease Class activities table found below.

On 07/01/2021, City of Morganton, NC entered into a 153 month lease as Lessee for the use of Collett Street Recreation Center and Shuey Park. An initial lease liability was recorded in the amount of \$1,023,955. As of 06/30/2022, the value of the lease liability is \$950,559. City of Morganton is required to make monthly fixed payments of \$7,500. The lease has an interest rate of 1.8360%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$1,023,955 with accumulated amortization of \$80,310 is included with Land on the Lease Class activities table found below. City of Morganton has 1 extension option(s), each for 120 months.

On 08/17/2021, City of Morganton, NC entered into a 72 month lease as Lessee for the use of Turf Tank One Robot. An initial lease liability was recorded in the amount of \$58,155. As of 06/30/2022, the value of the lease liability is \$48,592. City of Morganton is required to make quarterly fixed payments of \$2,500. The lease has an interest rate of 1.0940%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2022 of \$58,655 with accumulated amortization of \$8,526 is included with Equipment on the Lease Class activities table found below.

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Equipment	58,655.11	8,526.71
Land	1,046,849.41	86,033.70
Land Improvements	9,593.07	2,877.92
Infrastructure	58,667.87	4,775.14
<b>Total Leases</b>	<b>1,173,765.46</b>	<b>102,213.47</b>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	95,290	18,445	113,736
2024	96,893	16,843	113,736
2025	96,578	15,216	111,794
2026	91,398	13,601	105,000
2027	93,013	11,986	105,000
2028 - 2032	438,993	36,006	475,000
2033 - 2035	164,625	2,877	167,500

(Continued on next page)

b. Governmental Funds Installment Purchase

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

\$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	\$ 111,323
\$1,290,000 - Community House Renovation- 2017 Financing; due in annual installments over 15 years at 3.23% interest.	860,000
\$2,258,570 - Main Street Courthouse Square - 2020 Financing; due in annual installments over 15 years, including interest at variable amounts through 2021; interest payable at 1.93%	2,116,243
\$215,351 - Sanitation Rear Loader - 2021 Financing; due in annual installments over 5 years; interest payable at 1.49%	215,351
\$335,489 - New Backhoe and Knuckleboom - 2018 Financing; due in annual installments over 4 years; interest payable at 3.04%	87,260
\$187,213 - New Dump Trucks- 2019 Financing; due in annual installments over 4 years; interest payable at 2.03%	94,594
\$59,804 - 1 Ton Dump Truck- 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	44,665
\$124,509 - 2 Ton Dump Truck- 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	93,006
\$274,979 - Front Loader - 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	205,419

\$156,637 - New Tractor- 2019 Financing; due in annual installments over 4 years; interest payable at 2.03%	29,286
\$44,352 - Recreation Service Vehicle - 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	33,125
\$472,425 - Public Safety Vehicles - 2021 Financing; due in annual installments over 3 years; interest payable at 1.19%	472,425
\$220,848 - Streets Leaf Vac - 2021 Financing; due in annual installments over 5 years; interest payable at 1.49%	220,848
\$548,000 - Public Safety Cars - 2019 Financing; due in annual installments over 3 years; interest payable at 2.03%	161,395
\$271,875 - Public Safety Vehicles - 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	203,097
<b>Total direct placement</b>	<u>\$ 4,948,037</u>

Annual debt service payments of the installment purchase as of June 30, 2022, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2023	\$ 1,094,367	\$ 87,933
2024	738,747	67,527
2025	576,610	55,417
2026	418,516	46,022
2027	326,411	38,509
2028-2032	1,182,857	113,236
2033-2037	610,530	15,654
Total	<u>\$ 4,948,037</u>	<u>\$ 424,299</u>



c. Enterprise Funds Installment Purchase

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

(Continued on next page)

due in 10 annual installments through 2023;  
interest payable at 2.08% \$ 3,916

\$1,246,115 - Clearwell Water Plant Improvements - 2016 Financing;  
due in 20 annual installments;  
interest payable at 0.00% 934,586

**Serviced by the WasteWater Fund:**

**Direct Placement Debt:**

\$9,716,370 - Sewer Plant Upgrades- 2017 Financing;  
due in 10 annual installments; interest payable at 2.45% 5,151,559

\$398,000 - Sewer Vac Truck- 2018 Financing;  
due in 5 annual installments; interest payable at 3.29% 165,431

\$11,495,222 - Treatment Plant Improvements- 2013 Financing;  
due in 20 annual installments; interest payable at 2.00% 6,324,291

**Serviced by the Electric Fund:**

**Direct Placement Debt:**

\$529,788- Electric Courthouse Square- 2020 Financing;  
due in 15 annual installments; interest payable at 1.93% 486,225

\$280,400 - Electric DiggerTrucks- 2018 Financing;  
due in 4 annual installments; interest payable at 2.67% 46,762

**Serviced by the Cable Fund:**

**Direct Placement Debt:**

\$60,225.35 - Cable Service Trucks - 2020 Financing;  
due in 5 annual installments; interest payable at 1.45% 45,002

\$165,000 - Cable DNCS System- 2017 Financing;  
due in 5 annual installments; interest payable at 2.42% 19,323

\$106,544 - Cable Bucket Truck - 2019 Financing;  
due in 5 annual installments; interest payable at 2.05% 62,948

**Total Direct Placement** \$ 13,240,043

Annual debt service payments of the installment purchase as of June 30, 2022, are as follows:

Year Ending June 30	Business- Type Activities	
	Principal	Interest
2023	\$ 1,841,601	\$ 269,808
2024	1,798,533	229,304
2025	1,729,666	189,068
2026	1,734,800	151,100
2027	1,753,151	112,967
2028-2032	3,362,810	249,729
2033-2036	1,019,482	15,171
<b>Total</b>	<b>\$ 13,240,043</b>	<b>\$ 1,217,147</b>

d. Changes in Long-Term Liabilities

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

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Portion of</u>
					<u>Balance</u>
<b>Governmental Activities:</b>					
Direct placement installment purchases	\$ 5,327,951	\$ 908,624	\$ (1,288,538)	\$ 4,948,037	\$ 1,094,367
Compensated absences	1,016,637	488,423	(393,901)	1,111,159	104,619
Lease Liability	-	1,173,265	(96,475)	1,076,790	95,290
Net pension liability (LGERS)	4,923,953	-	(2,872,921)	2,051,032	-
Total Pension Liability (LEO)	3,165,133	72,365	-	3,237,498	-
Net OPEB Liability	15,459,229	-	(3,518,138)	11,941,091	-
<b>Total governmental activities</b>	<b>\$ 29,892,903</b>	<b>\$ 2,642,677</b>	<b>\$ (8,169,973)</b>	<b>\$ 24,365,607</b>	<b>\$ 1,294,276</b>
<b>Business-Type Activities:</b>					
Installment purchase	\$ 15,253,860	\$ -	\$ (2,013,817)	\$ 13,240,043	\$ 1,841,601
Net pension liability (LGERS)	1,914,869	-	(1,117,246)	797,623	-
Net OPEB liability	6,011,922	-	(1,368,165)	4,643,757	-
Compensated absences	319,373	225,742	(194,790)	350,325	35,032
<b>Total business-type activities</b>	<b>\$ 23,500,024</b>	<b>\$ 225,742</b>	<b>\$ (4,694,018)</b>	<b>\$ 19,031,748</b>	<b>\$ 1,876,633</b>

## 5. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2022, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Water Fund - due from other funds	\$ 340,930	\$ -
Cable Fund - due to Water Fund	-	291,881
Wastewater Fund - due to Water Fund		49,049
Greenway Connector - due to General Fund	-	751,031
General Fund - due from Greenway Connector	<u>751,031</u>	<u>-</u>
Total	<u>\$ 1,091,961</u>	<u>\$ 1,091,961</u>

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

Transfers are used for various reasons. In the year ended June 30, 2022 transfers were used for:

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

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund :		
From Electric Fund	\$ 794,458	\$ -
To Capital Projects Funds	-	409,107
	<u>794,458</u>	<u>409,107</u>
Capital Projects Funds:		
From General Fund	409,107	-
	<u>409,107</u>	<u>-</u>
Electric Fund :		
To General Fund	-	794,458
	<u>-</u>	<u>794,458</u>
ARPA Fund :		
To Dogwood Trust Fund	-	1,700,000
	<u>-</u>	<u>1,700,000</u>
Dogwood Trust Fund :		
From ARPA Fund	1,700,000	-
	<u>1,700,000</u>	<u>-</u>
Grand Totals	<u>\$2,903,565</u>	<u>\$2,903,565</u>

### 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	\$31,849,321
Less:	
Stabilization by State Statute	4,573,924
Streets-Powell Bill	873,565
Prepaid	220,939
Economic Development	1,189,747
Assigned, other	2,204,647
Remaining Fund Balance	<u>\$22,786,499</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	\$ 922,564
Greenway Connector	61,291
College Street	12,012
HWY 181 Dogwood	203,250
Bethel Park Restoration	202,743
Water Fund	162,183
Electric Fund	1,901,390
Wastewater Fund	219,762
Cable Fund	407,436
Internal Service Fund	132,503
Entitlement - Special Revenue	7,420

### 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, 2022, were \$22,499,347.

The City, in conjunction with twenty-six other municipalities established the Western Piedmont Council of Governments (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 \$24,046 to the Council during the fiscal year ended June 30, 2022.

#### **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 intergovernmental agreement that created the Airport to honor any deficiencies in the event proceeds from other default remedies are insufficient. The City contributed \$47,137 to the Airport during the fiscal year ended June 30, 2022. 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, 2022. Complete financial statements for the Airport can be obtained from the Airport's administrative offices.

The City and the members of the City's public safety department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. During the fiscal year ended June 30, 2022, the City reported revenues of \$17,362 and expenditures of \$33,057 for the payments made through the Firemen's 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, 2022. 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. Complete financial statements for the 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.

### **Prior Period Adjustments**

Prior Period Adjustments were made to the General Fund that increased fund balance by \$925,405. These adjustments were to record the June 2021 local option sales tax and utility tax receivable, which increased fund balance by \$925,405. Additionally, a prior period adjustment was made to the Government Activities of \$118,287 to accrued FICA and retirement liabilities on compensated absences; netted with the \$925,405 the total prior period adjustment to Government activities was \$807,118.

**CITY OF MORGANTON, NORTH CAROLINA**

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

	<b>Local Government Employees' Retirement System</b>								
	<u>2022</u>	<u>2021</u>	<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) (%)	0.186%	0.191%	0.187%	0.185%	0.189%	0.200%	0.202%	0.21%	0.20%
Morganton's proportion of the net pension liability (asset) (\$)	\$ 2,848,655	\$ 6,838,823	\$ 5,113,105	\$ 4,395,238	\$ 2,880,674	\$ 4,235,544	\$ 906,742	\$ (1,218,415)	\$ 2,427,643
Morganton's covered payroll	\$ 13,398,946	\$ 13,194,310	\$ 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	21.26%	51.83%	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%	96.45%	96.45%

\* 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 NINE FISCAL YEARS**

	<b>Local Government Employees' Retirement System</b>								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,545,734	\$ 1,202,189	\$ 990,889	\$ 995,775	\$ 912,453	\$ 842,339	\$ 769,923	\$ 819,571	\$ 806,235
Contributions in relation to the contractually required contribution	<u>1,545,734</u>	<u>1,202,189</u>	<u>990,889</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>	<u>\$ -</u>	<u>\$ -</u>
Morganton's covered payroll	13,431,659	13,398,946	\$ 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	11.54%	9.11%	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  
LAST SIX FISCAL YEARS

<u>Law Enforcement Officers' Special Separation Allowance</u>						
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 3,165,133	\$ 2,438,311	\$ 2,380,218	\$ 2,619,567	\$ 2,543,747	\$ 2,613,350
Service Cost	152,336	102,065	85,169	90,254	82,676	87,059
Interest on the total pension liability	58,811	75,627	82,871	79,331	94,486	89,917
Differences between expected and actual experience in the measurement of the total pension liability	186,785	72,246	27,713	(103,527)	(49,733)	-
Changes of assumptions or other inputs	(89,678)	713,811	69,429	(87,215)	140,214	(57,236)
Benefit payments	(235,889)	(236,927)	(207,089)	(218,192)	(191,823)	(189,343)
Ending balance of the total pension liability	<u>\$ 3,237,498</u>	<u>\$ 3,165,133</u>	<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  
LAST SIX FISCAL YEARS**

**Law Enforcement Officers' Special Separation Allowance**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 3,237,498	\$ 3,165,133	\$ 2,438,311	\$ 2,380,218	\$ 2,619,567	\$ 2,543,747
Covered- employee payroll	3,023,266	3,106,525	2,752,867	2,663,965	2,781,238	2,872,388
Total pension liability as a percentage of covered payroll	107.09%	101.89%	88.57%	89.35%	94.19%	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 NET OPEB LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS

Total OPEB Liability	2022	2021	2020	2019	2018
Service Cost	\$ 949,461	\$ 1,058,463	\$ 613,573	\$ 634,665	\$ 686,630
Interest	458,948	466,301	715,115	661,281	577,105
Changes of benefit terms					
Differences between expected and actual experience	(4,479,370)	(127,201)	(803,324)	16,737	(30,128)
Changes of assumptions	(884,363)	(306,498)	390,004	(581,592)	(1,017,284)
Benefit payments	(951,115)	(934,951)	(980,073)	(867,669)	(762,150)
<b>Net change in total OPEB liability</b>	<u>(4,906,439)</u>	<u>156,114</u>	<u>(64,705)</u>	<u>(136,578)</u>	<u>(545,827)</u>
<b>Total OPEB liability - beginning</b>	<u>21,720,629</u>	<u>21,564,515</u>	<u>18,868,774</u>	<u>19,005,352</u>	<u>19,551,179</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 16,814,190</u>	<u>\$ 21,720,629</u>	<u>\$ 18,804,069</u>	<u>\$ 18,868,774</u>	<u>\$ 19,005,352</u>
<b>Plan Fiduciary Net Position</b>					
Contributions- Employer	\$ 951,115	\$ 934,951			
Net Investment Income	(20,136)	(628)			
Beneficiary Payments	(951,115)	(934,951)			
<b>Net change in total OPEB liability</b>	<u>(20,136)</u>	<u>(628)</u>			
<b>Plan Fiduciary Net Position - beginning</b>	<u>249,478</u>	<u>250,106</u>			
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 229,342</u>	<u>\$ 249,478</u>			
<b>Net OPEB Liability - ending (a-b)</b>	<u>\$ 16,584,848</u>	<u>\$ 21,471,151</u>			
Plan Fiduciary Net Position as a percentage of the total OPEB liability	1.36%	1.15%			
<b>Covered-employee payroll</b>	\$ 12,130,777	\$ 11,996,837	\$ 11,996,837	\$ 11,119,693	
<b>Total OPEB liability as a percentage of covered payroll</b>	136.72%	178.97%	156.74%	169.69%	

## Notes to Schedule

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

	<u>Fiscal year</u>	<u>Fiscal year</u>	<u>Rate</u>
	2022	2022	3.54%
	2021	2021	2.16%
	2020	2020	3.50%
	2019	2019	3.89%

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

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes - General Fund		\$ 10,685,297		\$ 10,613,721
Taxes - General Fund prior year		165,935		59,937
Taxes - Discount		(133,495)		(120,399)
Taxes - Main Street		137,308		135,715
Penalties, interest, and advertising		60,193		33,968
Total	10,434,000	10,915,238	481,238	10,722,942
<b>Other Taxes and Licenses:</b>				
Carbon city fire tax		10,715		11,053
Occupancy Tax		188,426		124,018
One-half cent sales tax		4,189,370		3,543,369
One cent sales tax		1,999,852		1,715,449
Total	5,144,885	6,388,363	1,243,478	5,393,889
<b>Unrestricted Intergovernmental Revenues:</b>				
Urban renewal in lieu of taxes		47,323		41,672
Section eight in lieu of taxes		3,583		2,518
Payments in lieu of taxes		471,477		466,321
Narcotics		52,745		13,896
Beer and wine		69,180		70,985
Solid Waste Disposal		13,255		12,641
Alcohol Beverage Commission		458,127		418,776
Total	936,768	1,115,690	178,922	1,026,809
<b>Unrestricted Intergovernmental Revenues:</b>				
Utility sales tax	1,587,670	1,718,910	(131,240)	1,710,919
<b>Restricted Intergovernmental Revenues:</b>				
Fire protection - state facilities		78,189		82,882
State and federal grants		434,868		405,658
Other restricted revenues		101,413		92,518
Powell bill street aid allocation		529,567		443,371
Total	1,621,132	1,144,037	(477,095)	1,024,429
<b>Permits and Fees:</b>				
Building permits		108,553		132,880
Plumbing permits		56,658		31,746
Variance/planning/zoning permits		13,050		19,173
Vehicle tag fee		265,431		276,326
Electric permits		62,094		67,304
HVAC permits		63,337		43,624
Total	464,050	569,123	105,073	571,053

**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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Parking revenue		9,602		9,056
Reimbursement for services		162,025		20,003
Solid waste user fees		1,492,286		1,430,751
Rough trash fees		42,841		42,025
Simply Green revenue		-		-
Solid Waste late charges		12,403		11,743
Curb cuts		2,205		4,475
Civil citations		-		-
Engineering inspections		1,222		5,397
Rent		55,106		56,350
Fire protection		33,955		22,660
False alarm violations		27,150		22,885
Recreation revenue		485,527		389,028
Food sales and services		251,152		121,494
Bad check charges		3,220		2,000
Canteen sales		3,949		1,346
Main street revenue		32,945		37,632
Façade loan program		-		(3,252)
DARE program		-		215
Municipal Auditorium		223,612		30,405
Sale of surplus		173,793		86,376
Reimbursements		137,156		90,191
Total	<u>2,817,198</u>	<u>3,150,149</u>	<u>332,951</u>	<u>2,380,780</u>
<b>Investment Earnings</b>	<u>31,000</u>	<u>109,648</u>	<u>78,648</u>	<u>26,180</u>
<b>Miscellaneous:</b>				
Revolving loan principal		2,300		3,021
Revolving loan interest		776		1,468
Other		231,460		70,618
Total	<u>31,660</u>	<u>234,536</u>	<u>202,876</u>	<u>75,107</u>
Total revenues	<u>23,068,363</u>	<u>25,345,694</u>	<u>2,277,331</u>	<u>22,932,108</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Legislative - city council</b>				
Salaries and employee benefits		48,395		46,355
Operating expenditures		115,923		123,741
Economic development		591,975		518,493
Pro rate administrative services		(323,043)		(270,594)
Total	<u>433,236</u>	<u>433,250</u>	<u>(14)</u>	<u>417,995</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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Legal</b>				
Salaries and employee benefits		223,939		217,569
Operating expenditures		73,431		78,289
Pro rate administrative services		(223,965)		(220,453)
Total	75,890	73,405	2,485	75,405
<b>Executive</b>				
Salaries and employee benefits		563,827		523,399
Operating expenditures		62,940		87,604
Pro rate administrative services		(481,770)		(495,857)
Total	124,636	144,997	(20,361)	115,146
<b>Human resources</b>				
Salaries and employee benefits		315,402		303,090
Operating expenditures		785,657		782,022
Pro rate administrative services		(642,615)		(662,009)
Total	529,310	458,444	70,866	423,103
<b>Accounting</b>				
Salaries and employee benefits		350,663		317,205
Operating expenditures		486,868		373,539
Pro rate administrative services		(729,155)		(572,825)
Total	139,393	108,376	31,017	117,919
<b>Main street</b>				
Salaries and employee benefits		183,051		184,249
Contracted services		294,926		258,108
Capital outlay		111,366		73,887
Total	661,667	589,343	72,324	516,244
<b>Canteen operations</b>				
Operating expenditures	-	3,441	(3,441)	456
<b>Business office/tax</b>				
Salaries and employee benefits		293,176		278,992
Operating expenditures		187,387		174,248
Pro rate administrative services		(548,810)		(538,315)
Total	20,658	(68,247)	88,905	(85,075)

**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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Development</b>				
Salaries and employee benefits		728,941		700,595
Operating expenditures		164,103		130,652
Capital outlay		55,000		28,795
Total	995,461	948,044	47,417	860,042
<b>Municipal buildings</b>				
Operating expenditures		179,091		147,060
Capital outlay		34,361		-
Pro rata administrative services		(125,343)		(131,145)
Total	165,731	88,109	77,622	15,915
<b>Design</b>				
Salaries and employee benefits		415,906		412,307
Operating expenditures		61,260		54,542
Pro rata administrative services		(315,320)		(300,334)
Total	213,208	161,846	51,362	166,515
<b>Public works</b>				
Salaries and employee benefits		191,199		196,053
Operating expenditures		30,654		25,835
Total	225,077	221,853	3,224	221,888
<b>Cemetary and grounds</b>				
Salaries and employee benefits		571,676		577,393
Operating expenditures		107,818		99,691
Capital outlay		33,299		16,068
Total	824,068	712,793	111,275	693,152
Total general government	4,408,335	3,875,654	532,681	3,538,705
<b>Public Safety:</b>				
<b>Police, fire, and administrative operations</b>				
Salaries and employee benefits		6,805,496		6,656,151
Operating expenditures		1,364,188		1,077,427
Capital outlay		687,246		530,990
Pro rata administrative services		(19,200)		(19,200)
Total public safety	9,724,634	8,837,730	886,904	8,245,368
<b>Transportation</b>				
<b>Street department</b>				
Salaries and employee benefits		988,843		952,831
Operating expenditures		181,402		128,953
Capital outlay		265,735		133,054
Total	1,577,441	1,435,980	141,461	1,214,838



## 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, 2022  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Powell bill</b>				
Operating expenditures		38,231		368,004
Capital outlay		221,073		188,029
Total powell bill	569,797	259,304	310,493	556,033
Total transportation	2,147,238	1,695,284	451,954	1,770,871
<b>Environmental Protection:</b>				
<b>Environmental protection - sanitation</b>				
Salaries and employee benefits		675,703		653,649
Operating expenditures		478,088		404,125
Capital outlay		247,273		274,979
Total environmental protection	1,400,546	1,401,064	(518)	1,332,753
<b>Cultural and Recreational:</b>				
<b>Municipal auditorium</b>				
Salaries and employee benefits		324,430		246,319
Operating expenditures		596,306		214,228
Total	1,043,526	920,736	122,790	460,547
<b>Recreation</b>				
Salaries and employee benefits		1,651,418		1,634,564
Operating expenditures		2,140,849		923,995
Capital outlay		554,927		624,124
Pro rata administrative services		(22,080)		(22,080)
Total	4,255,393	4,325,114	(69,721)	3,160,603
<b>Community house</b>				
Salaries and employee benefits		256,461		198,508
Operating expenditures		201,833		116,916
Capital outlay		40,472		-
Total	608,375	498,766	109,609	315,424
Total cultural and recreational	5,907,294	5,744,616	162,678	3,936,574

**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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Debt Service:</b>				
Principal retirement	1,321,994	1,288,538		1,341,289
Interest expenditures	<u>119,193</u>	<u>116,895</u>		<u>93,163</u>
Total debt service	<u>1,441,187</u>	<u>1,405,433</u>	<u>35,754</u>	<u>1,434,452</u>
Total expenditures	<u>25,029,234</u>	<u>22,959,781</u>	<u>2,069,453</u>	<u>20,258,723</u>
Revenues over (under) expenditures	<u>(1,960,871)</u>	<u>2,385,913</u>	<u>4,346,784</u>	<u>2,673,385</u>
<b>Other Financing Sources (Uses):</b>				
Installment purchase debt issued	1,008,000	2,081,889	1,073,889	3,042,332
Transfers in	794,458	794,458	-	764,199
Transfers out	(409,107)	(409,107)	-	(2,456,447)
Contingency	(187,500)	-	187,500	
Appropriated fund balance	<u>755,020</u>	<u>-</u>	<u>(755,020)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,960,871</u>	<u>2,467,240</u>	<u>506,369</u>	<u>1,350,084</u>
Net changes in fund balance	<u>\$ -</u>	<u>4,853,153</u>	<u>\$ 4,853,153</u>	<u>4,023,469</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		24,882,876		<u>21,109,408</u>
Restatement		<u>925,406</u>		<u>(250,000)</u>
Beginning of year - July 1, as restated		<u>25,808,282</u>		<u>\$ 20,859,408</u>

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

Fund Balances beginning	<u>1,187,886</u>
Fund Balances ending	<u>\$ 31,849,321</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**AMERICAN RECOVERY ACT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ 4,835,619	\$ -	\$ 1,700,000	\$ 1,700,000
Total revenues	<u>4,835,619</u>	<u>-</u>	<u>1,700,000</u>	<u>1,700,000</u>
<b>Expenditures:</b>				
Economic Development				
Operating Expenditures	3,135,619	-	-	-
Total expenditures	<u>3,135,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,700,000</u>	<u>-</u>	<u>1,700,000</u>	<u>1,700,000</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
To Dogwood Trust	1,700,000	-	(1,700,000)	(1,700,000)
Total other financing sources (uses)	<u>1,700,000</u>	<u>-</u>	<u>(1,700,000)</u>	<u>(1,700,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

## CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022

	<u>Nonmajor Governmental Funds</u>		
	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Totals June 30, 2022</u>
<b>Assets:</b>			
Cash and investments	\$ -	\$ 970,596	\$ 970,596
Accounts receivable, net	3,528	-	3,528
Restricted cash	4,009,686	-	4,009,686
Total assets	<u>\$ 4,013,214</u>	<u>\$ 970,596</u>	<u>\$ 4,983,810</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 26,040	\$ 237	\$ 26,277
Due to other funds	-	751,031	751,031
Total liabilities	<u>26,040</u>	<u>751,268</u>	<u>777,308</u>
<b>Fund Balances:</b>			
Restricted			
Stabilization for State statute	118,556	682,203	800,759
Restricted, all other	3,879,526	919,692	4,799,218
Unassigned	(10,908)	(1,382,567)	(1,393,475)
Total fund balances	<u>3,987,174</u>	<u>219,328</u>	<u>4,206,502</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,013,214</u>	<u>\$ 970,596</u>	<u>\$ 4,983,810</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, 2022**

	<u>Nonmajor Governmental Funds</u>		
	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Totals June 30, 2022</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Other taxes and licenses	3	-	3
Restricted intergovernmental revenues	282,826	9,349	292,175
Sales and services	80,027	-	80,027
Investment earnings	1,360	-	1,360
Miscellaneous	2,161,125	49,213	2,210,338
Total revenues	<u>2,525,341</u>	<u>58,562</u>	<u>2,583,903</u>
<b>Expenditures:</b>			
Current:			
General government	268,180	-	268,180
Transportation	-	22,593	22,593
Economic and physical development	301,750	1,043,485	1,345,235
Total expenditures	<u>569,930</u>	<u>1,066,078</u>	<u>1,636,008</u>
Revenues over (under) expenditures	<u>1,955,411</u>	<u>(1,007,516)</u>	<u>947,895</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from:			
ARPA fund	1,700,000	-	1,700,000
General Fund	-	409,107	409,107
Total other financing sources (uses)	<u>1,700,000</u>	<u>409,107</u>	<u>2,109,107</u>
Net change in fund balances	3,655,411	(598,409)	3,057,002
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>331,763</u>	<u>817,737</u>	<u>1,149,500</u>
End of year - June 30	<u>\$ 3,987,174</u>	<u>\$ 219,328</u>	<u>\$ 4,206,502</u>

## CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30. 2022

	Nonmajor Special Revenue Funds				Totals June 30. 2022
	Building Re-Use Fund	Cemetary Fund	CDBG Entitlement Project	Dogwood Trust Fund	
<b>Assets:</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	-	354	3,174	-	3,528
Restricted cash	8,175	311,976	108,860	3,580,675	4,009,686
Total assets	<u>\$ 8,175</u>	<u>\$ 312,330</u>	<u>\$ 112,034</u>	<u>\$ 3,580,675</u>	<u>\$ 4,013,214</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,740	\$ 21,300	\$ 26,040
Total liabilities	-	-	4,740	21,300	26,040
<b>Fund Balances:</b>					
Restricted:					
Stabilization for State statute	-	354	118,202	-	118,556
Restricted, all other	8,175	311,976	-	3,559,375	3,879,526
Unassigned	-	-	(10,908)	-	(10,908)
Total fund balances	<u>8,175</u>	<u>312,330</u>	<u>107,294</u>	<u>3,559,375</u>	<u>3,987,174</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,175</u>	<u>\$ 312,330</u>	<u>\$ 112,034</u>	<u>\$ 3,580,675</u>	<u>\$ 4,013,214</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, 2022

	Nonmajor Special Revenue Funds				Totals June 30, 2022
	Building Re-Use Fund	Cemetery Fund	CDBG Entitlement Project	Dogwood Trust Fund	
<b>Revenues:</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	3	-	3
Restricted intergovernmental revenues	-	-	282,826	-	282,826
Sales and services	-	30,445	49,582	-	80,027
Investment earnings	-	1,360	-	-	1,360
Miscellaneous	-	-	-	2,161,125	2,161,125
Total revenues	-	31,805	332,411	2,161,125	2,525,341
<b>Expenditures:</b>					
Current:					
General government	-	-	268,180	-	268,180
Economic and physical development	-	-	-	301,750	301,750
Total expenditures	-	-	268,180	301,750	569,930
Revenues over (under) expenditures	-	31,805	64,231	1,859,375	1,955,411
Installment financing issued	-	-	-	-	-
Transfers from (to):					
From ARPA fund	-	-	-	1,700,000	1,700,000
Total other financing sources (uses)	-	-	-	1,700,000	1,700,000
Net change in fund balances	-	31,805	64,231	3,559,375	3,655,411
<b>Fund Balances:</b>					
Beginning of year - July 1	8,175	280,525	43,063	-	331,763
End of year - June 30	\$ 8,175	\$ 312,330	\$ 107,294	\$ 3,559,375	\$ 3,987,174

**CITY OF MORGANTON, NORTH CAROLINA**

**DOGWOOD TRUST FUND SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Miscellaneous Contributions	\$ 2,161,125	\$ -	\$ 2,161,125	\$ 3,861,125
Total revenues	<u>2,161,125</u>	<u>-</u>	<u>2,161,125</u>	<u>3,861,125</u>
<b>Expenditures:</b>				
Economic Development	<u>3,861,125</u>	<u>-</u>	<u>301,750</u>	<u>301,750</u>
Total expenditures	<u>3,861,125</u>	<u>-</u>	<u>301,750</u>	<u>301,750</u>
Revenues over (under) expenditures	<u>(1,700,000)</u>	<u>-</u>	<u>1,859,375</u>	<u>1,859,375</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From ARPA fund	<u>1,700,000</u>	<u>-</u>	<u>1,700,000</u>	<u>1,700,000</u>
Total other financing sources (uses)	<u>1,700,000</u>	<u>-</u>	<u>1,700,000</u>	<u>1,700,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,559,375</u>	<u>\$ 3,559,375</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 3,559,375</u>	



**BUILDING RE-USE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Grant Revenue	\$ -	\$ 2,044,028	\$ -	\$ 2,044,028
Burke County	-	32,575	-	32,575
Total revenues	-	2,076,603	-	2,076,603
<b>Expenditures:</b>				
Grant Administration	-	77,650	-	77,650
Construction	-	2,044,028	-	2,044,028
Total expenditures	-	2,121,678	-	2,121,678
Revenues over (under) expenditures	-	(45,075)	-	(45,075)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	-	53,250	-	53,250
Total other financing sources (uses)	-	53,250	-	53,250
Net change in fund balance	\$ -	\$ 8,175	-	\$ 8,175
<b>Fund Balance:</b>				
Beginning of year - July 1			8,175	
End of year - June 30			\$ 8,175	

**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, 2022**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Cemetery lot sales and services	\$ 15,500	\$ 30,445	\$ 14,945	\$ 30,075
Investment income	<u>1,000</u>	<u>1,360</u>	<u>360</u>	<u>864</u>
Total revenues	<u>16,500</u>	<u>31,805</u>	<u>15,305</u>	<u>30,939</u>
<b>Expenditures:</b>				
Public safety	<u>16,500</u>	<u>-</u>	<u>16,500</u>	<u>20,000</u>
Total expenditures	<u>16,500</u>	<u>-</u>	<u>16,500</u>	<u>20,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>31,805</u>	<u>\$ 31,805</u>	<u>10,939</u>
<b>Fund Balance:</b>				
Beginning of year, July 1		<u>280,525</u>		<u>269,586</u>
End of year, June 30		<u>\$ 312,330</u>		<u>\$ 280,525</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, 2022**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted Intergovernmental	\$ 5,346,750	\$ 4,635,714	\$ 282,826	\$ 4,918,540
Other income	566,168	457,014	49,582	506,596
Investment earnings	-	2	3	5
Total revenues	<u>5,912,918</u>	<u>5,092,730</u>	<u>332,411</u>	<u>5,425,141</u>
<b>Expenditures:</b>				
Land Acquisition	402,573	198,123	-	198,123
Rehabilitation	486,600	525,117	-	525,117
Construction	1,667,175	1,047,234	155,638	1,202,872
Administration	811,639	809,748	31,428	841,176
Credit Counseling	32,253	32,253	-	32,253
Deposit Assistance	19,162	19,162	-	19,162
Grant Assistance	553,198	661,976	51,114	713,090
Interest Expense	133,109	119,500	-	119,500
Small Business Loan	1,067,311	887,322	30,000	917,322
Bad Debts	-	14,334	-	14,334
Section 108 Loan Repayment	<u>380,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>
Total expenditures	<u>5,553,020</u>	<u>4,689,769</u>	<u>268,180</u>	<u>4,957,949</u>
Revenues over (under) expenditures	<u>359,898</u>	<u>402,961</u>	<u>64,231</u>	<u>467,192</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	3,439	3,439	-	3,439
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>\$ 43,063</u>	<u>\$ 64,231</u>	<u>\$ 107,294</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>43,063</u>	
End of year - June 30			<u>\$ 107,294</u>	

## CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS  
JUNE 30, 2022

	<u>Nonmajor Capital Project Funds</u>					
	<u>Greenway Connector Capital Project Fund</u>	<u>105 Connector Capital Project Fund</u>	<u>College Street Capital Project Fund</u>	<u>Courthouse Capital Project Fund</u>	<u>Bethel Park Restoration Capital Project Fund</u>	<u>Totals June 30, 2022</u>
<b>Assets:</b>						
Cash and investments	\$ -	\$ 56,927	\$ 488,262	\$ 16,300	\$ 409,107	\$ 219,565
Total assets	<u>\$ -</u>	<u>\$ 56,927</u>	<u>\$ 488,262</u>	<u>\$ 16,300</u>	<u>\$ 409,107</u>	<u>\$ 219,565</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 237	\$ -	\$ 237
Due to other funds	751,031	-	-	-	-	751,031
Total liabilities	<u>751,031</u>	<u>-</u>	<u>-</u>	<u>237</u>	<u>-</u>	<u>751,268</u>
<b>Fund Balances:</b>						
Non-spendable						
Stabilization for State statute	84,030	-	34,604	563,569	-	682,203
Restricted, all other	-	56,927	453,658	-	409,107	919,692
Unassigned	(835,061)	-	-	(547,506)	-	(1,382,567)
Total fund balances	<u>(751,031)</u>	<u>56,927</u>	<u>488,262</u>	<u>16,063</u>	<u>409,107</u>	<u>219,328</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 56,927</u>	<u>\$ 488,262</u>	<u>\$ 16,300</u>	<u>\$ 409,107</u>	<u>\$ 219,565</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, 2022

	Nonmajor Capital Projects Fund					Totals June 30, 2022
	Greenway Connector Capital Project Fund	Exit 105 Connector Capital Project Fund	College Street Capital Project Fund	Courthouse Capital Project Fund	Bethel Park Restoration Capital Project Fund	
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental revenues	-	9,349	-	-	-	9,349
Miscellaneous	-	-	-	49,213	-	49,213
Total revenues	-	9,349	-	49,213	-	58,562
<b>Expenditures:</b>						
Current:						
Transportation	-	-	22,593	-	-	22,593
Economic and physical development	427,647	-	-	615,838	-	1,043,485
Total expenditures	427,647	-	22,593	615,838	-	1,066,078
Revenues over (under) expenditures	(427,647)	9,349	(22,593)	(566,625)	-	(1,007,516)
<b>Other Financing Sources (Uses):</b>						
Transfers from:						
General Fund	-	-	-	-	409,107	409,107
Total other financing sources (uses)	-	-	-	-	409,107	409,107
Net change in fund balances	(427,647)	9,349	(22,593)	(566,625)	409,107	(598,409)
<b>Fund Balances:</b>						
Beginning of year - July 1	(323,384)	47,578	510,855	582,688	-	817,737
End of year - June 30	<u>\$ (751,031)</u>	<u>\$ 56,927</u>	<u>\$ 488,262</u>	<u>\$ 16,063</u>	<u>\$ 409,107</u>	<u>\$ 219,328</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, 2022**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
ARC Grant	\$ 1,335,000	\$ 36,514	\$ -	\$ 36,514
Total revenues	<u>1,335,000</u>	<u>36,514</u>	<u>-</u>	<u>36,514</u>
<b>Expenditures:</b>				
Capital outlay:				
Construction	<u>2,056,266</u>	<u>693,648</u>	<u>427,647</u>	<u>1,121,295</u>
Total expenditures	<u>2,056,266</u>	<u>693,648</u>	<u>427,647</u>	<u>1,121,295</u>
Revenues over (under) expenditures	<u>(721,266)</u>	<u>(657,134)</u>	<u>(427,647)</u>	<u>(1,084,781)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	333,750	333,750	-	333,750
Appropriated fund balance	<u>387,516</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>721,266</u>	<u>333,750</u>	<u>-</u>	<u>333,750</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (323,384)</u>	<u>(427,647)</u>	<u>\$ (751,031)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>(323,384)</u>	
End of year - June 30			<u>\$ (751,031)</u>	

**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, 2022**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
ARC Grant	\$ 1,375,000	\$ 1,314,660	\$ 9,349	\$ 1,324,009
Total revenues	<u>1,375,000</u>	<u>1,314,660</u>	<u>9,349</u>	<u>1,324,009</u>
<b>Expenditures:</b>				
Capital outlay:				
Professional Services	53,063	31,395	-	31,395
Construction	<u>1,609,122</u>	<u>1,408,882</u>	<u>-</u>	<u>1,408,882</u>
Total expenditures	<u>1,662,185</u>	<u>1,440,277</u>	<u>-</u>	<u>1,440,277</u>
Revenues over (under) expenditures	<u>(287,185)</u>	<u>(125,617)</u>	<u>9,349</u>	<u>(116,268)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	<u>287,185</u>	<u>173,195</u>	<u>-</u>	<u>173,195</u>
Total other financing sources (uses)	<u>287,185</u>	<u>173,195</u>	<u>-</u>	<u>173,195</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 47,578</u>	<u>9,349</u>	<u>\$ 56,927</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>47,578</u>	
End of year - June 30			<u>\$ 56,927</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, 2022**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
ARC Grant	\$ 2,649,699	\$ -	\$ -	\$ -
Total revenues	<u>2,649,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Capital outlay:				
Construction	<u>3,312,000</u>	<u>151,446</u>	<u>22,593</u>	<u>174,039</u>
Total expenditures	<u>3,312,000</u>	<u>151,446</u>	<u>22,593</u>	<u>174,039</u>
Revenues over (under) expenditures	<u>(662,301)</u>	<u>(151,446)</u>	<u>(22,593)</u>	<u>(174,039)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	<u>662,301</u>	<u>662,301</u>	<u>-</u>	<u>662,301</u>
Total other financing sources (uses)	<u>662,301</u>	<u>662,301</u>	<u>-</u>	<u>662,301</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 510,855</u>	<u>(22,593)</u>	<u>\$ 488,262</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>510,855</u>	
End of year - June 30			<u>\$ 488,262</u>	



**CITY OF MORGANTON, NORTH CAROLINA**

**COURTHOUSE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Miscellaneous income	\$ 55,146	\$ 66,500	\$ 49,213	\$ 115,713
Investment earnings	-	-	-	-
Total revenues	<u>55,146</u>	<u>66,500</u>	<u>49,213</u>	<u>115,713</u>
<b>Expenditures:</b>				
Economic Development				
Construction	<u>2,321,960</u>	<u>1,867,259</u>	<u>615,838</u>	<u>2,483,097</u>
Total expenditures	<u>2,321,960</u>	<u>1,867,259</u>	<u>615,838</u>	<u>2,483,097</u>
Revenues over (under) expenditures	<u>(2,266,814)</u>	<u>(1,800,759)</u>	<u>(566,625)</u>	<u>(2,367,384)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	<u>2,266,814</u>	<u>2,383,447</u>	-	<u>2,383,447</u>
Total other financing sources (uses)	<u>2,266,814</u>	<u>2,383,447</u>	-	<u>2,383,447</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 582,688</u>	<u>(566,625)</u>	<u>\$ 16,063</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>582,688</u>	
End of year - June 30			<u>\$ 16,063</u>	

**CITY OF MORGANTON, NORTH CAROLINA**

**BETHEL PARK RESTORATION PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	Project	Actual		
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 500,000	\$ -	\$ -	\$ -
Total revenues	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Economic Development	443,595	-	-	-
Construction	743,715	-	-	-
Total expenditures	<u>1,187,310</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(687,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	687,310	-	409,107	409,107
Total other financing sources (uses)	<u>687,310</u>	<u>-</u>	<u>409,107</u>	<u>409,107</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	409,107	<u>\$ 409,107</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 409,107</u>	

## CITY OF MORGANTON, NORTH CAROLINA

## WATER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2022

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 5,625,000	\$ 6,046,911	\$ 421,911	\$ 5,952,318
Non-operating revenues:				
Sale of capital asset	3,969	30,769	26,800	-
Interest income	5,000	55,444	50,444	2,994
Total revenues	5,633,969	6,133,124	499,155	5,955,312
<b>Expenditures:</b>				
Salaries and employee benefits	1,708,833	1,484,946	223,887	1,543,590
Other operating expenditures	2,859,681	2,726,564	133,117	2,364,501
Capital outlay	4,824,439	731,749	4,076,660	762,864
Total expenditures	9,392,953	4,943,259	4,433,664	4,670,955
<b>Debt Service:</b>				
Interest paid	3,618	3,617	1	3,765
Principal retirement	232,306	232,306	-	232,306
Total debt service	235,924	235,923	1	236,071
Revenue over (under) expenditures	(3,994,908)	953,942	4,932,820	1,048,286
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	-	(100,000)
Debt issuance	3,500,000	-	(3,500,000)	-
Appropriated retained earnings	494,908	-	(494,908)	-
Total other financing sources (uses)	3,994,908	-	(3,994,908)	(100,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	953,942	\$ 937,912	\$ 948,286

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

## Reconciling items:

Capital outlay, capitalized	731,749
Debt principal	232,306
Change in accrued vacation	(10,755)
Decrease in deferred outflows of resources - OPEB	(1,561)
Decrease in deferred inflows of resources -OPEB	(332,772)
Increase/Decrease in OPEB liability	390,905
Increase in deferred outflows of resources - pensions	(57,662)
Decrease in deferred inflows of resources - pensions	(6,229)
Increase in net pension liability	319,213
Depreciation	(1,117,049)
Total reconciling items	148,145
Change in net position	\$ 1,102,087

**CITY OF MORGANTON, NORTH CAROLINA**

**WATER FUND CAPITAL PROJECT FUND - COURTHOUSE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Project Authorization</b>	<b>Actual</b>			<b>Total to Date</b>
		<b>Prior Years</b>	<b>Current Year</b>	<b>Closed Out</b>	
<b>Expenditures:</b>					
Capital outlay:					
Construction	\$ 100,000	\$ 83,878	\$ 16,030	\$ (16,030)	\$ 83,878
Total expenditures	<u>100,000</u>	<u>83,878</u>	<u>16,030</u>	<u>(16,030)</u>	<u>83,878</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(83,878)</u>	<u>(16,030)</u>	<u>16,030</u>	<u>(83,878)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in:					
From Water Fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,122</u>	<u>\$ (16,030)</u>	<u>\$ 16,030</u>	<u>\$ 16,122</u>

## CITY OF MORGANTON, NORTH CAROLINA

## ELECTRIC FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2022

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 29,414,539	\$ 29,847,931	\$ 433,392	\$ 29,547,080
Non-operating revenues:				
Other grants	240,252	-	(240,252)	6,248,588
Miscellaneous income	45,840	65,547	19,707	12,055
Interest income	60,000	90,045	30,045	(675)
Total revenues	29,760,631	30,003,523	242,892	35,807,048
<b>Expenditures:</b>				
Salaries and employee benefits	1,706,962	1,548,196	158,766	1,525,297
Other operating expenditures	26,369,985	26,019,337	350,648	25,248,650
Capital outlay	6,139,436	4,325,303	1,812,330	1,958,736
Total expenditures	34,216,383	31,892,836	2,321,744	28,732,683
<b>Debt Service:</b>				
Interest paid	12,499	12,554	(55)	4,142
Principal retirement	96,375	96,417	(42)	110,625
Total debt service	108,874	108,971	(97)	114,767
Revenue over (under) expenditures	(4,564,626)	(1,998,284)	2,564,539	6,959,598
<b>Other Financing Sources (Uses):</b>				
Transfers out	(794,458)	(794,458)	-	(1,285,743)
Debt issuance	-	-	-	521,544
Appropriated retained earnings	5,359,084	-	(5,359,084)	-
Total other financing sources (uses)	4,564,626	(794,458)	(5,359,084)	(764,199)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(2,792,742)	\$ (2,794,545)	\$ 6,195,399

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

## Reconciling items:

Capital outlay, capitalized	4,325,303
Debt principal	96,417
Change in accrued vacation	
Change in compensated absences	(33,025)
Decrease in deferred outflows of resources - OPEB	(1,755)
Decrease in deferred inflows of resources -OPEB	(374,369)
Increase in OPEB liability	439,768
Increase in deferred outflows of resources - pensions	(64,869)
Decrease in deferred inflows of resources - pensions	(7,007)
Increase in net pension liability	359,115
Depreciation	(1,253,245)
Total reconciling items	3,486,333
Change in net position	\$ 693,591

**CITY OF MORGANTON, NORTH CAROLINA**

**ELECTRIC FUND CAPITAL PROJECT FUND - COURTHOUSE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Expenditures:</b>				
Capital outlay:				
Construction	\$ 521,544	\$ 509,615	\$ 1,803	\$ 511,418
Total expenditures	<u>521,544</u>	<u>509,615</u>	<u>1,803</u>	<u>511,418</u>
Revenues over (under) expenditures	<u>(521,544)</u>	<u>(509,615)</u>	<u>(1,803)</u>	<u>(511,418)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Electric Fund	<u>521,544</u>	<u>521,544</u>	<u>-</u>	<u>521,544</u>
Total other financing sources (uses)	<u>521,544</u>	<u>521,544</u>	<u>-</u>	<u>521,544</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,929</u>	<u>\$ (1,803)</u>	<u>\$ 10,126</u>

## CITY OF MORGANTON, NORTH CAROLINA

## WASTEWATER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2022

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 5,806,693	\$ 5,857,435	\$ 650,742	\$ 5,937,772
Non-operating revenues:				
Miscellaneous income	16,000	9,909	(6,091)	44,958
Interest income	15,000	33,120	18,120	10,085
Total revenues	<u>5,837,693</u>	<u>5,900,464</u>	<u>662,771</u>	<u>5,992,815</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,141,823	1,193,594	(51,771)	1,091,618
Other operating expenditures	1,784,111	1,733,699	50,412	1,365,819
Capital outlay	<u>6,265,063</u>	<u>559,914</u>	<u>5,705,149</u>	<u>635,140</u>
Total expenditures	<u>9,190,997</u>	<u>3,487,207</u>	<u>5,703,790</u>	<u>3,092,577</u>
<b>Debt Service:</b>				
Interest paid	295,701	295,971	(270)	326,911
Principal retirement	<u>1,611,355</u>	<u>1,611,007</u>	<u>348</u>	<u>1,603,496</u>
Total debt service	1,907,056	1,906,978	78	1,930,407
Revenue over (under) expenditures	<u>(5,260,360)</u>	<u>506,279</u>	<u>6,366,639</u>	<u>969,831</u>
<b>Other Financing Sources (Uses):</b>				
Debt issuance	4,700,000	-	-	-
Appropriated retained earnings	<u>560,360</u>	-	<u>(560,360)</u>	-
Total other financing sources (uses)	<u>5,260,360</u>	-	<u>(560,360)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>506,279</u>	<u>\$ 5,806,279</u>	<u>\$ 969,831</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

## Reconciling items:

Capital outlay, capitalized	559,914
Debt principal	1,611,007
Change in accrued vacation	(8,040)
Decrease in deferred outflows of resources - OPEB	(1,561)
Decrease in deferred inflows of resources -OPEB	(332,772)
Decrease in OPEB liability	390,905
Increase in deferred outflows of resources - pensions	(57,662)
Decrease in deferred inflows of resources - pensions	(6,229)
Increase in net pension liability	319,213
Depreciation	<u>(1,629,897)</u>
Total reconciling items	<u>844,878</u>
Change in net position	<u>\$ 1,351,157</u>

## CITY OF MORGANTON, NORTH CAROLINA

## CABLE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2022

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 5,921,200	\$ 6,104,918	\$ 183,718	\$ 5,886,016
Non-operating revenues:				
Restricted intergovernmental revenue	-	-	-	127,316
Miscellaneous income	94,500	110,309	15,809	111,465
Interest income	-	-	-	13
Total revenues	<u>6,015,700</u>	<u>6,215,227</u>	<u>199,527</u>	<u>6,124,810</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,044,496	947,757	96,739	972,118
Other operating expenditures	4,191,867	3,677,106	514,761	3,514,245
Capital outlay	<u>1,174,653</u>	<u>807,071</u>	<u>367,582</u>	<u>590,185</u>
Total expenditures	<u>6,411,016</u>	<u>5,431,934</u>	<u>979,082</u>	<u>5,076,548</u>
<b>Debt Service:</b>				
Interest paid	3,562	2,967	595	4,584
Principal retirement	<u>74,090</u>	<u>74,087</u>	<u>3</u>	<u>59,993</u>
Total debt service	<u>77,652</u>	<u>77,054</u>	<u>598</u>	<u>64,577</u>
Revenue over (under) expenditures	<u>(472,968)</u>	<u>706,239</u>	<u>1,179,207</u>	<u>983,685</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	-	-	-	60,226
Appropriated retained earnings	<u>472,968</u>	-	<u>(472,968)</u>	-
Total other financing sources (uses)	<u>472,968</u>	-	<u>(472,968)</u>	<u>60,226</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>706,239</u>	<u>\$ 706,239</u>	<u>\$ 1,043,911</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital outlay, capitalized		807,071		
Debt principal		74,087		
Change in accrued vacation		(9,902)		
Decrease in deferred outflows of resources - OPEB		(586)		
Decrease in deferred inflows of resources -OPEB		(124,789)		
Increase in OPEB liability		141,411		
Increase in deferred outflows of resources - pensions		(21,623)		
Decrease in deferred inflows of resources - pensions		(11,883)		
Increase in net pension liability		119,705		
Depreciation		<u>(480,752)</u>		
Total reconciling items		<u>492,739</u>		
Change in net position		<u>\$ 1,198,978</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, 2022

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 2,619,491	\$ 2,756,885	\$ 137,394	\$ 2,124,831
Non-operating revenues:				
Miscellaneous income	-	36,872	36,872	301
Interest income	-	-	-	-
Total revenues	<u>2,619,491</u>	<u>2,793,757</u>	<u>174,266</u>	<u>2,125,132</u>
<b>Expenditures:</b>				
Salaries and employee benefits	770,068	793,677	(23,609)	743,334
Other operating expenditures	1,544,180	1,321,556	222,624	1,063,364
Capital outlay	<u>433,274</u>	<u>137,834</u>	<u>295,440</u>	<u>229,605</u>
Total expenditures	<u>2,747,522</u>	<u>2,253,067</u>	<u>494,455</u>	<u>2,036,303</u>
<b>Debt Service:</b>				
Interest paid	-	-	-	-
Principal retirement	-	-	-	-
Total debt service	-	-	-	-
Revenue over (under) expenditures	<u>(128,031)</u>	<u>540,690</u>	<u>668,721</u>	<u>88,829</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated retained earnings	<u>128,031</u>	-	<u>(128,031)</u>	-
Total other financing sources (uses)	<u>128,031</u>	-	<u>(128,031)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 540,690</u>	<u>\$ 540,690</u>	<u>\$ 88,829</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2022**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 11,031,791	\$10,818,765	\$ 213,026
2020-2021	\$279,704	-	95,933	183,771
2019-2020	159,959	-	32,175	127,784
2018-2019	95,469	-	16,985	78,484
2017-2018	60,999	-	8,280	52,719
2016-2017	23,412	-	6,332	17,080
2015-2016	15,969	-	3,812	12,157
2014-2015	11,650	-	1,840	9,810
2013-2014	11,311	-	1,640	9,671
2012-2013	7,715	-	1,187	6,528
2011-2012	8,108	-	8,108	-
Total	<u>\$ 674,296</u>	<u>\$ 11,031,791</u>	<u>\$ 10,995,058</u>	<u>\$ 711,029</u>
Less: allowance for uncollectible accounts: General Fund				<u>(498,004)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 212,741</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 10,915,238
Reconciling items:				
Interest				(60,194)
Discounts				133,495
Other miscellaneous adjustments				(1,589)
Incentivized paybacks				
Amounts written off per Statute of Limitations				<u>8,108</u>
Total collections and credits				<u>\$ 10,995,058</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2022**

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
City-wide	\$ 1,727,674,327	0.57	\$9,859,175	\$9,859,175	\$ -
Special district	100,928,606	0.14	141,498	141,498	-
Vehicle Taxes	143,337,018	0.57	817,021	-	817,021
Total	<u>1,971,939,951</u>		<u>\$10,817,694</u>	<u>\$10,000,673</u>	<u>817,021</u>
<b>Discoveries:</b>					
Current year City-wide	39,123,333	0.57	223,003	223,003	-
Current year Special district	<u>406,429</u>	0.14	<u>569</u>	<u>569</u>	<u>-</u>
LESS RELEASES			<u>(9,475)</u>	<u>(9,475)</u>	<u>-</u>
Total	<u>39,529,762</u>		<u>214,097</u>	<u>214,097</u>	<u>-</u>
Total property valuation	<u>\$ 2,011,469,713</u>				
<b>Net Levy</b>			<u>\$ 11,031,791</u>	<u>\$ 10,214,770</u>	<u>\$ 817,021</u>
Uncollected taxes at June 30, 2022			<u>(213,026)</u>	<u>(213,026)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 10,818,765</u>	<u>\$ 10,001,744</u>	<u>\$ 817,021</u>
<b>Current Levy Collection Percentage</b>			<u>98.07%</u>	<u>97.91%</u>	<u>100.00%</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**SCHEDULE OF TRANSFERS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<b>Transfers From</b>	<b>Transfers To</b>
General Fund :		
From Electric Fund	\$ 794,458	\$ -
To Capital Projects Funds	-	409,107
	<u>794,458</u>	<u>409,107</u>
Capital Projects Funds:		
From General Fund	409,107	-
	<u>409,107</u>	<u>-</u>
Electric Fund :		
To General Fund	-	794,458
	<u>-</u>	<u>794,458</u>
ARPA Fund :		
To Dogowood Trust Fund	-	1,700,000
	<u>-</u>	<u>1,700,000</u>
Dogwood Trust Fund :		
From ARPA Fund	1,700,000	-
	<u>1,700,000</u>	<u>-</u>
Grand Totals	<u>\$ 2,903,565</u>	<u>\$ 2,903,565</u>

## CITY OF MORGANTON, NORTH CAROLINA

### SCHEDULE OF CASH AND INVESTMENT BALANCES FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Carrying Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
CASH :			
On hand	\$ 8,625	\$ 8,625	\$ 8,625
In time deposits - NOW, SuperNOW, money market and certificates of deposit	<u>8,836,428</u>	<u>8,836,428</u>	<u>8,836,428</u>
Total cash	<u>8,845,053</u>	<u>8,845,053</u>	<u>8,845,053</u>
INVESTMENTS :			
North Carolina Capital Management Trust	7,153,555	7,153,555	7,153,555
Commercial paper	7,926,530	7,926,530	7,926,530
US Government agencies	51,085,878	52,984,810	51,085,878
US Government securities	<u>1,900,742</u>	<u>1,994,375</u>	<u>1,900,742</u>
Total investments (including cash equivalents)	<u>68,066,705</u>	<u>70,059,270</u>	<u>68,066,705</u>
 TOTAL CASH AND INVESTMENTS	 <u>\$ 76,909,758</u>	 <u>\$ 78,902,323</u>	 <u>\$ 76,909,758</u>

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

	2013	2014	2015	2016
Governmental activities				
Invested in capital assets, net of related debt	\$31,808,471	\$30,490,395	\$31,287,687	\$29,363,037
Restricted	7,590,604	6,480,008	6,222,219	7,896,819
Unrestricted	3,471,229	4,749,144	4,765,778	6,086,449
Total governmental activities net assets	42,870,304	41,719,547	42,275,684	43,346,305
Business-type activities				
Invested in capital assets, net of related debt	51,986,555	54,455,902	54,912,799	56,570,906
Unrestricted	17,958,568	17,348,180	17,095,160	17,207,118
Total business-type activities net assets	69,945,123	71,804,082	72,007,959	73,778,024
Primary government				
Net investment in capital assets	83,795,026	84,946,297	86,200,486	85,933,943
Restricted	7,695,753	6,480,008	6,222,219	7,896,819
Unrestricted	21,324,648	22,097,324	21,860,938	23,293,567
Total primary government net assets	\$112,815,427	\$113,523,629	\$114,283,643	\$117,124,329

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$27,910,238	\$28,863,885	\$28,528,025	27,614,287	27,734,431	28,285,277
3,953,135	4,592,854	5,829,361	4,897,224	6,004,690	12,237,213
10,407,024	(1,626,323)	(1,052,265)	2,291,152	1,884,374	4,036,202
42,270,397	31,830,416	33,305,121	34,802,663	35,623,495	44,558,692
47,303,662	52,462,517	58,037,817	59,268,805	61,102,293	65,077,034
27,428,041	19,724,290	19,708,976	27,350,666	34,763,874	35,134,949
74,731,703	72,186,807	77,746,793	86,619,471	95,866,167	100,211,983
75,213,900	81,326,402	86,565,842	86,883,092	88,836,724	93,362,311
3,953,135	4,592,854	5,829,361	4,897,224	6,004,690	12,237,213
37835065	18,097,967	18,656,711	29,641,818	36,648,248	39,171,151
\$117,002,100	\$104,017,223	\$111,051,914	\$121,422,134	\$131,489,662	\$144,770,675

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

	Fiscal Year			
	2013	2014	2015	2016
Expenses:				
Governmental activities:				
General government	\$3,912,009	\$3,440,468	\$1,849,269	\$3,343,228
Public Safety	7,416,835	7,660,604	7,852,782	6,651,717
Transportation	2,277,238	2,576,293	2,312,432	2,730,653
Economic and physical development	119,035	136,785	141,751	285,783
Environmental protection	1,155,375	1,047,375	1,097,467	1,046,082
Culture and recreation	4,724,850	4,811,792	5,455,971	5,186,423
Interest on long-term debt	127,653	122,825	124,446	138,427
Total governmental activities expenses	<u>19,732,995</u>	<u>19,796,142</u>	<u>18,834,118</u>	<u>19,382,313</u>
Business-type activities:				
Water	4,803,191	4,949,707	5,070,715	5,029,465
Wastewater	3,723,556	4,091,744	4,280,212	4,425,170
Electric	32,061,280	33,682,364	34,719,580	32,438,473
Cable	4,433,307	4,472,432	4,347,245	4,417,630
Community house				
Total business-type activities expenses	<u>45,021,334</u>	<u>47,196,247</u>	<u>48,417,752</u>	<u>46,310,738</u>
Total primary government expenses	<u>64,754,329</u>	<u>66,992,389</u>	<u>67,251,870</u>	<u>65,693,051</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	561,709	624,519	817,579	532,812
Public Safety	33,898	38,499	49,396	61,180
Transportation		7,557	3,240	1,120
Economic and physical development		125,549	155,545	
Environmental protection	1,211,551	1,189,156	1,183,901	1,188,228
Culture and recreation	1,032,610	101,543	1,075,183	1,058,685
Operating Grants and Contributions	716,426	843,004	720,271	1,455,215
Capital Grants and Contributions	863,938		945,182	129,196
Total governmental activities program rev's	<u>4,420,132</u>	<u>2,929,827</u>	<u>4,950,297</u>	<u>4,426,436</u>
Business-type activities:				
Charges for services:				
Water	5,020,919	5,480,781	5,629,436	5,776,164
Wastewater	4,988,894	5,045,826	4,980,346	5,309,234
Electric	32,808,535	34,537,320	34,615,760	33,452,210
Cable	4,259,270	4,128,586	4,147,511	4,239,367
Community house				
Operating Grants and Contributions				
Total business-type activities program rev's	<u>47,077,618</u>	<u>49,192,513</u>	<u>49,373,053</u>	<u>48,776,975</u>
Total primary government program rev's	<u>\$51,497,750</u>	<u>\$52,122,340</u>	<u>\$54,323,350</u>	<u>\$53,203,411</u>



2017	2018	2019	2020	2021	2022
\$3,222,746	\$3,419,322	\$3,765,610	\$4,184,168	\$6,344,651	\$4,212,358
7,582,613	7,998,165	7,984,756	9,469,238	9,501,719	8,627,992
2,497,040	2,548,502	2,402,144	1,139,565	1,880,894	2,328,331
165,678	358,863	1,881,166	1,863,906	3,403,176	714,839
1,209,929	1,217,912	1,167,597	1,072,872	150,853	1,520,497
4,992,109	5,082,336	5,223,557	6,156,414	5,301,692	5,390,901
119,363	136,483	113,873	109,467	93,164	116,895
19,789,478	20,761,583	22,538,703	23,995,630	26,676,149	22,911,813
5,195,893	5,254,922	5,485,837	5,436,736	5,303,125	5,027,420
4,397,099	4,592,059	4,503,240	4,603,843	4,693,396	4,253,336
32,176,623	31,446,910	28,886,865	28,012,699	28,114,445	28,502,920
4,375,105	4,585,347	4,766,223	4,987,761	5,003,317	5,013,282
46,144,720	45,879,238	43,642,165	43,041,039	43,114,283	42,796,958
65,934,198	66,640,821	66,180,868	67,036,669	69,790,432	65,708,771
568,422	333,057	233,441	782,266	5,474,147	1,365,662
	21,346	30,300	35,655	64,718	61,105
		31,124	1,409,372	1,624,179	2,205
1,210,766	1,358,022	1,378,189	811,938		1,547,530
1,139,879	1,226,015	1,239,449		540,927	1,015,397
1,550,179	979,262	2,407,803	749,741	1,656,870	1,144,037
159,558	320,312	193,198	2,466,301	443,371	4,202,885
4,628,804	4,238,014	5,513,504	6,255,273	9,804,212	9,338,821
5,612,687	5,677,093	6,015,683	5,940,206	5,952,318	6,046,911
4,753,049	5,602,873	6,045,492	5,797,237	5,937,772	5,857,435
32,767,824	31,923,645	31,910,830	30,050,312	29,547,080	29,847,931
4,345,190	4,790,391	5,059,543	5,419,225	5,886,016	6,104,918
			4,961,315	6,375,904	
47,478,750	47,994,002	49,031,548	52,168,295	53,699,090	47,857,195
\$52,107,554	\$52,232,016	\$54,545,052	\$58,423,568	\$63,503,302	\$57,196,016

	Fiscal Year			
	2013	2014	2015	2016
Net (Expense)/Revenue:				
Governmental activities	(\$15,312,863)	(\$15,866,315)	(\$13,883,721)	(\$14,955,877)
Business-type activities	2,056,284	1,996,266	955,301	2,466,237
Total primary government net expense	<u>(13,256,579)</u>	<u>(13,870,049)</u>	<u>(12,928,420)</u>	<u>(12,489,640)</u>
General Revenues and Other				
Changes in Net Position:				
Governmental activities:				
Ad valorem taxes	7,944,516	8,746,988	9,021,003	9,088,863
Occupancy tax			79,879	91,224
Privilege license tax			190,977	48
Carbon City fire tax			9,164	9,259
Sales tax			3,275,403	3,522,743
Other taxes	3,460,242	3,339,080		
Unrestricted intergovernmental revenues	1,737,882	1,796,345	2,064,379	2,527,391
Restricted intergovernmental revenues				
Investment earnings	32,542	20,640	32,694	77,325
Other revenues	64,550	130,903	291,330	194,633
Change in reserve for prepaid insurance				(152,416)
Permits				
Transfers	795,700	681,602	642,442	667,428
Total governmental activities	<u>14,035,432</u>	<u>14,715,558</u>	<u>15,607,271</u>	<u>16,026,498</u>
Business-type activities:				
Investment earnings	46,163	34,987	37,703	92,821
Other revenues	215,785	509,308	307,310	228,450
Transfers	(795,700)	(681,602)	(642,442)	(667,428)
Total business-type activities	<u>(533,752)</u>	<u>(137,307)</u>	<u>(297,429)</u>	<u>(346,157)</u>
Total primary government	<u>13,501,680</u>	<u>14,578,251</u>	<u>15,309,842</u>	<u>15,680,341</u>
Change in Net Position:				
Governmental activities	(1,277,431)	(1,150,757)	1,723,550	1,070,621
Business-type activities	1,522,532	1,858,959	657,872	2,120,080
Total primary government	<u>\$245,101</u>	<u>\$708,202</u>	<u>\$2,381,422</u>	<u>\$3,190,701</u>

2017	2018	2019	2020	2021	2022
(\$15,160,674)	(\$16,523,569)	(\$17,025,199)	(\$17,740,357)	(\$16,871,937)	(\$13,572,992)
1,334,030	2,114,764	5,389,383	9,127,256	10,584,807	4,745,128
(13,826,644)	(14,408,805)	(11,635,816)	(8,613,101)	(6,287,130)	(8,827,864)
9,045,679	8,953,681	9,712,831	10,485,983	10,799,234	10,977,904
110,727	110,494	131,279			
9,579	9,362	10,706			
3,839,698	4,069,777	4,368,905	4,700,062	5,393,891	6,388,366
			3,062,490	2,737,728	2,834,600
2,540,423	2,597,176	2,637,488			
107,644	219,318	368,754	246,162	27,044	111,008
76,862	28,908	47,614		141,607	594,735
	492,527	488,792			
688,353	704,552	733,535	743,202	784,199	794,458
16,418,965	17,185,795	18,499,904	19,237,899	19,883,703	21,701,071
87,291	147,262	575,594	290,385	12,417	178,609
220,711	215,155	328,544	198,239	168,478	216,534
(688,353)	(704,552)	(733,535)	(743,202)	(764,199)	(794,458)
(380,351)	(342,135)	170,603	(254,578)	(583,304)	(399,315)
16,038,614	16,843,660	18,670,507	18,983,321	19,300,399	21,301,756
1,258,291	662,226	1,474,705	1,497,542	3,011,766	8,128,079
953,679	1,772,629	5,559,986	8,872,678	10,001,503	4,345,813
\$2,211,970	\$2,434,855	\$7,034,691	\$10,370,220	\$13,013,269	\$12,473,892

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

	2013	2014	2015	2016
General Fund				
Reserved				
Unreserved				
Nonspendable				\$152,416
Restricted	2,610,137	1,895,424	1,844,844	2,975,342
Committed	4,725,743	4,287,109	4,107,784	3,431,035
Unassigned	4,702,828	5,951,951	6,918,323	8,839,922
Total general fund	<u>12,038,708</u>	<u>12,134,484</u>	<u>12,870,951</u>	<u>15,398,715</u>
All Other Governmental Funds				
Unreserved, reported in:				
Special revenue funds				
Restricted	340,959	290,480	248,802	41,859
Committed			161,800	365,671
Unassigned	18,231	6,995		
Total all other governmental funds	<u>\$359,190</u>	<u>\$297,475</u>	<u>\$410,602</u>	<u>\$407,530</u>

2017	2018	2019	2020	2021	2022
\$157,278	\$170,285	\$195,628	\$197,617	\$177,568	\$220,939
3,911,962	4,592,854	4,744,317	4,062,502	4,854,900	6,637,236
3,559,855	2,551,831	2,187,982	2,187,982	2,204,647	2,204,647
10,462,406	11,018,235	12,645,743	15,849,228	18,833,683	22,786,499
18,091,501	18,333,205	19,773,670	22,297,329	26,070,798	31,849,321
41,173	78,709	1,085,044	1,635,590	1,149,790	5,599,977
905,998	590,969	249,299			(1,393,475)
\$947,171	\$669,678	\$1,334,343	\$1,635,590	\$1,149,790	\$4,206,502

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

	2013	2014	2015	2016
Revenues:				
Ad valorem taxes	\$7,936,870	\$8,732,981	\$9,054,942	\$9,105,965
Other taxes and licenses	3,460,242	3,339,080	3,555,423	3,623,274
Unrestricted intergovernmental revenues	1,957,471	2,045,038	2,487,639	2,538,025
Restricted intergovernmental revenues	1,539,846	914,592	848,220	1,413,916
Other restricted revenues	17,894	29,808	141,319	113,582
Permits and fees	252,293	143,282	181,362	137,285
Sales and services	2,410,889	2,593,452	3,256,986	2,842,025
Investment earnings	32,542	20,640	32,694	77,325
Other revenues	118,481	130,903	390,580	103,627
<b>Total revenues</b>	<b>17,726,528</b>	<b>17,949,776</b>	<b>19,949,165</b>	<b>19,955,024</b>
Expenditures:				
General government	3,709,428	3,322,629	3,171,885	3,424,337
Public safety	7,052,196	8,123,787	7,813,649	7,144,444
Transportation	1,255,466	1,546,120	1,397,533	1,570,530
Environmental protection	987,112	1,081,299	1,181,444	1,153,858
Cultural and recreational	4,010,149	4,558,063	5,668,844	5,303,790
Economic and physical development	119,035	136,785	141,751	306,479
Debt service				
Principal	708,746	796,859	953,035	981,041
Interest	136,978	121,928	119,111	111,049
<b>Total expenditures</b>	<b>17,979,110</b>	<b>19,687,470</b>	<b>20,447,252</b>	<b>19,995,528</b>
Other Financing Sources (Uses):				
Installment purchase issued	489,600	1,090,153	705,239	1,897,768
Transfers	795,700	681,602	642,442	667,428
<b>Total other financing sources (uses)</b>	<b>1,285,300</b>	<b>1,771,755</b>	<b>1,347,681</b>	<b>2,565,196</b>
<b>Net change in fund balances</b>	<b>\$1,032,718</b>	<b>\$34,061</b>	<b>\$849,594</b>	<b>\$2,524,692</b>
Debt service as a percentage of noncapital expenditures	4.70%	5.34%	5.24%	6.26%

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$9,009,716	\$8,939,363	\$9,676,414	\$10,438,316	\$10,722,942	\$10,915,238
3,960,004	4,189,633	4,510,890	4,700,062	5,393,891	8,107,276
2,551,652	2,597,176	2,637,488	2,646,038	2,737,728	1,115,690
863,730	940,837	2,431,426	2,880,079	1,768,867	3,854,022
728,249	351,510	132,890	416,452		
398,174	492,527	488,792	466,211	571,053	569,123
2,598,555	2,938,441	2,912,503	2,762,590	2,453,725	3,230,176
107,644	219,318	368,754	246,162	27,044	111,008
105,729	36,134	84,299	144,217	141,607	2,444,874
20,323,453	20,704,939	23,243,456	24,700,127	23,816,857	30,347,407
3,070,281	3,093,337	3,200,344	4,224,087	3,839,797	4,143,834
7,259,946	8,197,966	8,255,099	8,610,999	8,265,368	8,837,730
1,588,015	1,244,199	1,735,686	1,474,516	2,034,283	1,717,877
1,230,240	1,086,274	1,262,245	1,090,046	1,332,753	1,401,064
5,501,343	5,640,957	5,042,448	5,108,126	4,596,485	5,744,616
165,678	358,863	1,881,166	1,502,525	2,602,581	1,345,235
1,389,553	1,673,751	1,302,818	1,294,999	1,341,289	1,288,538
119,678	149,933	111,003	104,975	93,163	116,895
20,324,734	21,445,280	22,790,809	23,410,273	24,105,719	24,595,789
2,545,355		918,948	791,850	3,042,332	2,081,889
688,353	704,552	733,535	743,202	764,199	794,458
3,233,708	704,552	1,652,483	1,535,052	3,806,531	2,876,347
\$3,232,427	(\$35,789)	\$2,105,130	\$2,824,906	\$3,537,669	\$8,627,965
8.79%	9.73%	7.04%	7.70%	5.95%	6.01%

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>
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	1,158,105,495	390,925,679	34,339,211	1,583,370,385	0.57
2019-20	1,289,325,081	395,801,114	35,476,438	1,720,602,633	0.57
2020-21	1,313,991,594	417,022,275	36,953,274	1,767,967,143	0.57
2021-22	1,338,171,338	389,502,989	39,123,333	1,766,797,660	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>
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
2020-21	0.57	0.14	0.695
2021-22	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 2021-2022			Fiscal Year 2012-2013		
	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.	\$103,186,046	1	5.84%	57,599,667	1	3.45%
ARCP MT Morganton NC	34,395,416	2	1.95%	36,808,093		2.21%
Case Farms Processing	33,316,061	3	1.88%	23,129,961	5	1.39%
Leviton Manufacturing	32,849,608	4	1.86%	19,970,194	8	1.20%
SGL Carbon LLC	26,012,359	5	1.47%	36,190,575	2	2.17%
Blue Ridge Healthcare	19,604,615	6	1.11%			0.00%
Seiren North America LLC	17,093,403	7	0.97%			0.00%
Gerresheimer Glass Inc.	16,326,826	8	0.92%	20,365,666	7	1.22%
Meritor Heavy Vehicle Sy	15,752,708	9	0.89%	28,086,907	3	1.68%
Wal-Mart	15,249,369	10	0.86%			0.00%
HDM Furniture Industries				11,985,776	10	0.72%
Caterpillar Inc				22,633,332	6	1.36%
Viscotec				27,409,819	4	1.64%
Grace Properties Inc				12,887,925	9	0.77%
Total	\$313,786,411		17.75%	\$297,067,915		17.80%

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
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%	58,955	9,839,261	98.71%
2020-21	11,024,216	10,744,572	97.46%	59,937	10,804,509	98.01%
2021-22	11,031,791	10,818,765	98.07%	168,184	10,986,949	99.59%

Source:

City of Morganton Tax Division

Notes:

Taxes levied include general taxes, special district property 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	Leases	General Obligation Bonds	Installment Purchases/Loans	Notes Payable	Leases			
2010-11	0	4,522,329	0	4,170,000	714,560	0	0	9,406,889	1.98%	555
2011-12	0	4,284,305	0	2,895,000	2,048,835	0	0	9,228,140	1.88%	545
2012-13	0	4,065,159	0	1,572,628	2,730,646	0	0	8,368,433	1.65%	496
2013-14	0	4,358,453	0	425,000	2,888,934	10,352,110	0	18,024,497	3.40%	1,072
2014-15	0	4,110,656	0	0	2,377,767	10,348,862	0	16,837,285	3.16%	994
2015-16	0	5,027,383	0	0	1,793,828	10,107,222	0	16,928,433	3.08%	1,001
2016-17	0	6,183,186	0	0	11,267,707	10,445,104	0	27,895,997	4.21%	1,674
2017-18	0	4,509,435	0	0	10,458,709	9,807,861	0	24,776,005	3.64%	1,500
2018-19	0	4,125,565	0	0	9,462,365	9,170,618	0	22,758,548	3.34%	1,375
2019-20	0	3,626,908	0	0	8,628,563	8,049,971	0	20,305,442	Not available	1,225
2020-21	0	5,327,952	0	0	7,357,740	7,896,134	0	20,581,826	5.07%	1,178
2021-22	0	4,948,037	1,076,790	0	5,981,166	7,258,891	0	19,264,884	4.75%	1,102

## 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
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
2020-21	0	0.00%	0
2021-22	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, 2022

<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	\$45,836,556	27.25%	\$12,490,462
City of Morganton	<u>4,948,037</u>	100.00%	<u>4,948,037</u>
Total direct and overlapping debt	\$50,784,593		\$17,438,499

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 30,2022

Legal Debt Margin Calculation for Fiscal Year 2021-22	
Assessed Value	\$2,011,469,713
Debt Limit 8% of Assessed Value	160,917,577
Debt Applicable to Debt Limit:	19,624,884
Legal Debt Margin	141,652,693

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
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%
2020-21	159,677,596	20,581,826	139,095,770	12.89%
2021-22	160,917,577	19,264,884	141,652,693	11.97%

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>
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	4.3%
2021	17,474	405,728,806	23,219	4.7%
2022	17,518	378,108,512	21,584	4.4%

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

<b>Employer</b>	<u>Fiscal Year 2021-2022</u>			<u>Fiscal Year 2012-2013</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	3,025	1	8.00%	2,500	1	6.05%
Burke County Schools	1,500	2	3.97%	2,200	2	5.50%
Carolinas Healthcare/Blue Rid	1,386	3	3.66%	1,400	3	4.62%
Case Farms	900	4	2.38%	725	5	1.87%
Burke County	637	5	1.68%	486	9	1.32%
Leviton	615	6	1.63%	520	7	1.39%
City of Morganton	563	7	1.49%	516	8	1.33%
Continental Teves	500	8	1.32%	350	10	1.30%
Western Piedmont College	370	9	0.98%	614	6	1.51%
Viscotec Manufacturing	175	10	0.46%			
Turning Point Services				1,000	4	2.57%
<b>Total</b>	<b>9,671</b>		<b>25.57%</b>	<b>10,311</b>		<b>27.46%</b>

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government	48	48	48	48	48	48	49	49	48	50
Public Safety	87	87	88	91	93	94	94	90	87	86
Transportation/Garage	22	23	23	23	23	23	23	22	22	23
Environmental Protection	13	13	13	13	13	13	13	13	11	11
Cultural & Recreation	19.5	25.25	26.25	26.25	27.00	28	29.50	28.50	22.75	28.75
IRMS	5	6	6	6	6	6	6	6	6	5
Electric	22	24	24	24	24	24	24	23	23	24
Cable	8	9	9	9	9	9	9	9	9	9
Water	20	20	20	20	20	20	20	18	19	17
Wastewater	23	22	22	22	22	22	22	22	21	21
Total	267.5	277.3	279.25	282.25	285.00	287.00	289.50	280.50	271.75	274.75

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			
	2013	2014	2015	2016
General Government				
Building Permits Issued	1750	1,800	299	246
Building Inspections Conducted	5,200	5,250	931	4106
Full-Time Employees	271.75	271.75	276.25	273
Part-Time Employees	365	365	360	329
Police				
Physical Arrests (18 & over)(annual)	1,572	1,572	1,642	2,507
Parking Violations	128	128	367	494
Sworn Officers	62	62	62	70
Civilian Employees	16	16	9	10
Reserve Officers	4	4	4	2
Number of Calls Responded	23,008	23,008	30,130	40,631
Number of Traffic Accidents	1,200	1,200	1,322	1,229
Fire Protection				
Fire Calls	533	533	483	2711
Paid Fire Personnel	17	17	17	17
Volunteer Fire Personnel	11	11	10	9
Fire Inspections	632	640	586	895
Electric				
Customers	8,200	8,230	8,230	8,208
Public Works				
Refuse Collection (tons per day)	33.49	33.49	31.37	33
Recyclables Collected (tons per day)	1.83	1.83	1.38	1.35
Residential Collection Trucks	3	3	3	3
Water Treatment Facility				
Customers	10,342	12,108	10,040	10,094
Consumptions (billions)	2.4	2.4	2.7	2.716
Wastewater				
Customers	6,838	7,437	6,598	6,635
Average Daily Sewage Treatment million gallons daily (mgd)	5.2	5.2	4.7	4.7
Cable Television/Internet/Phone				
TV Subscribers / Customers	4,303	3,454	3,231	3,007
Basic Channels	78	78	78	78
Premium Channels	65	65	65	65
Internet Customers				
Phone Customers				

2017	2018	2019	2020	2021	2022
350	1845	247	278	580	324
4,150	5,165	4,850	5,317	5,313	6,959
285	279.25	282.5	280.5	271.75	274.75
340	320	327	297	316	289
2,572	3,214	2,897	2,007	2,661	1,690
458	0	1824	1,810	2,509	649
59	56	56	55	54	53
8	8	9	9	8	8
3	4	3	1	2	4
42,962	40,780	38,825	36,897	35,981	26,178
1,397	1,215	1,185	1,102	1,363	1,092
1,257	714	1,144	1,066	1,106	477
16	26	26	26	38	29
11	11	4	1	0	0
950	840	900	945	903	674
8,208	8,208	8,394	8,358	8,858	9,461
33	33	24.93	25.73	25.18	25.10
1.35	1.35	1.16	1.24	0	0.47
3	3	2	2	2	2
10,174	10,173	10,232	10,347	10,377	11,123
2.646	2.511	2.49	2.36	2.23	2.4
6,691	6,695	6,745	6,813	6,826	7,235
4.2	5.1	6.8	5.31	3	5
2,767	2,582	2,487	2,202	1,663	1,510
78	78	78	78	78	107
65	65	65	65	65	65
		3,285	3,797	4,066	4,275
		802	827	823	731

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Police					
Stations	1	1	1	1	1
Patrol Units	77	77	79	74	64
Fire Protection					
Fire Stations	3	3	3	3	3
Electric					
Miles of Service	270	280	280	280	260
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	328	328	331	331	331
Fire Hydrants	1,504	1,504	1,504	1,529	1,552
Storage Capacity (millions of gallons)	8.15	8.15	8.15	9.15	9.15
Wastewater					
Plants	1	1	1	1	1
Miles of Collection Lines	202	202	204	205	205
Cable Television					
Miles of Plant	165	165	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	14
Soccer Fields	4	4	5	5	5
Community Centers	2	2	2	2	2
Aquatic Facilities	2	2	2	2	2

Sources:

Various City Departments

2018	2019	2020	2021	2022
1	1	1	1	1
59	70	55	55	55
3	3	3	3	3
281	281	281	282	282
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	333	333
1,552	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
14	14	14	14	14
5	5	5	7	7
2	2	2	2	2
2	2	2	2	2



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**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***

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the City Council  
City of Morganton, North Carolina

We have audited, in accordance with the 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Morganton, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises City of Morganton's basic financial statements, and have issued our report thereon dated December 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Morganton'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 City of Morganton'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 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 the internal control was for the limited purpose 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the schedule of findings and questioned costs as item [2022-001] that we consider to be significant deficiencies.

Members

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### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Morganton'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 or other matters that are required to be reported under Government Auditing Standards.

### City of Morganton's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Morganton's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
December 1, 2022





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**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the City Council  
City of Morganton, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Morganton, North Carolina, 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 of Morganton's major federal programs for the year ended June 30, 2022. City of Morganton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Morganton 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements 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*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Morganton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Morganton's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Morganton federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Morganton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Morganton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Morganton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Morganton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Morganton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
December 1, 2022

**City of Morganton, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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Section I. Summary of Auditors' Results

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Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified?  yes  no
- Significant Deficiency(s) identified?  yes  none reported

Noncompliance material to financial statements noted  yes  no

Federal Awards

Internal control over major federal programs:

- Material Weakness(es) identified?  yes  no
- Significant Deficiency(s) identified?  yes  none reported

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

<u>AL #</u>	<u>Program Name</u>
20.205	Surface Transportation Block Grant- Direct Allocation

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

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Section II. Financial Statement Findings

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**Finding 2022-001          Prior Period Adjustment**

**SIGNIFICANT DEFICIENCY**

Criteria:                      Management should have a system in place to verify that transactions are recorded in the correct period, thereby reducing the likelihood of errors in financial reporting.

Condition:                    During the fiscal year ended June 30, 2022 the City determined that receivables for sales and utility tax distributions had not been accrued as of June 30, 2021. Additionally, the City determined that FICA and retirement on compensated absences had not been accrued as of June 30, 2021. Therefore, an adjustment to beginning fund balance has been recorded to account for these accruals, the net effect on the government activities increased fund balance by \$807,118.

**City of Morganton, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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Section II. Financial Statement Findings

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Effect:	The City's management and other users of the financial statements do not have accurate information for decisions-making and monitoring of the City's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.
Cause:	Entries that should be part of the year-end close were overlooked.
Recommendation:	The City should review the ledger and financial documents regularly to ensure that necessary adjustments are made timely during the year.
Views of responsible officials and planned corrective actions:	The City agrees with this finding. Please refer to the corrective action plan for details.

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Section III. Federal Award Findings and Questioned Costs

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None reported.



CITY OF MORGANTON  
**NORTH CAROLINA**

Corrective Action Plan  
For the Year Ended June 30, 2022

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Section II - Financial Statement Findings

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**Finding: 2022-001**

Name of contact person: Jessie Parris, Finance Officer

Corrective Action: The City will implement controls to review the ledger and financial documents regularly to ensure that necessary adjustments are made timely during the year.

Proposed Completion Date: 6/30/2023

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Section III - Federal Award Findings and Question Costs

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None reported.

**City of Morganton, North Carolina  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2022**

None reported.

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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	\$249,363		
<u>US Department of Housing and Urban Development</u>					
CDBG Entitlement Grants Cluster					
Direct Program:					
CDBG Entitlement Program Cares Act CDBG-CV	14.218.119		\$27,514		
<u>US Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-NC-4588-PW-00117	\$59,013	\$6,557	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-NC-4588-PW-00004(0)	\$20,888	\$2,321	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-NC-4588-PW-00005(0)	\$18,857	\$2,095	
<u>US Small Business Administration</u>					
Direct Program:					
The SVOG Program:	59.075		\$303,765		
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Surface Transportation Block Grant- Direct Allocation	20.205-4	WO46464.2.1	\$1,003,654		
Total Federal Cash Awards			<u>\$1,683,055</u>	<u>\$10,973</u>	



## CITY OF MORGANTON, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Federal Expenditures	State Expenditures	Local Expenditures
State Awards:			
Cash Programs:			
<u>NC Department of Transportation</u>			
Powell Bill		\$384,855	
<u>NC Office of State Budget and Management</u>			
SCIF Grant:			
Catawba River Trail System		<u>\$15,000</u>	
Total State Cash Awards		<u>\$399,855</u>	
Total Federal and State Awards	<u>\$1,683,055</u>	<u>\$410,828</u>	

#### Notes to the Schedule of Expenditures of Federal and State Financial Awards:

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##### **Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Morganton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Morganton, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Morganton.

##### **Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

##### **Note 3: Indirect Cost Rate**

The City of Morganton has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.