

**TOWN OF MOREHEAD CITY, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Prepared by:**

**Jewel A. Lasater, Finance Director  
Finance Department**

**(This Page Was Intentionally Left Blank)**

<b>Table of Contents</b>	<b>Page</b>
<hr/>	
<b>Introductory Section (Unaudited)</b>	
<hr/>	
Letter of Transmittal	1 - 4
List of Principal Officials	5
Organizational Chart	6
GFOA Certificate of Achievement	7
<hr/>	
<b>Financial Section</b>	
<hr/>	
Independent Auditor's Report	8 - 10
Management's Discussion and Analysis (Unaudited)	11 - 19
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21 - 22
Fund Financial Statements	
Balance Sheet – Governmental Funds	23
Reconciliation of the Governmental Funds Balance Sheet to Net Position of Governmental Activities in the Statement of Net Position	24
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	25
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance to the Statement of Activities of Governmental Funds	26
General Fund and Fire/EMS District Annually Budgeted Major Funds - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	27 - 28
Statement of Net Position - Proprietary Funds	29
Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds	30
Statement of Cash Flows - Proprietary Funds	31 - 32
Notes to Basic Financial Statements	33 - 63
Required Supplemental Financial Data (Unaudited)	
Local Government Employees' Retirement System	
Schedule of the Proportionate Share of the Net Pension Liability (Asset)	64
Schedule of Contributions to Local Government Employees' Retirement System	65
Firefighters' and Resque Squad Workers' Pension	
Schedule of the Proportionate Share of the Net Pension Liability	66
Law Enforcement Officers' Special Separation Allowance	
Schedule of Changes in Total Pension Liability	67
Schedule of Total Pension Liability as a Percentage of Covered Payroll	68
Other Post Employment Benefits (OPEB)	
Schedule of Changes in the Total OPEB Liability and Related Ratios	69

**Table of Contents****Page**

---

Other Supplementary Financial Data	
Major Governmental Funds	
General Fund:	
Schedule of Revenue, Expenditures and Changes in Fund Balance, Budget and Actual	70-74
Fire/EMS District Fund:	
Schedule of Revenue, Expenditures and Changes in Fund Balance, Budget and Actual	75-76
Non-Major Governmental Funds:	
Combining Balance Sheet	77
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	78
Jib Waterfront Access Capital Project Fund - Schedule of Revenue, Expenditures and Changes in Fund Balance,	79
Katherine Davis Park Capital Project Fund - Schedule of Revenue, Expenditures and Changes in Fund Balance, Budget and Actual	80
Morehead City Municipal Campus Capital Project Fund: Expenditures and Changes in Fund Balance, Budget and Actual	81
Governmental Capital Projects Fund-Schedule of Revenue, Expenditures and Changes in Fund Balance, Budget and Actual	82
Enterprise Funds:	
Water and Sewer Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	83-85
Solid Waste Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	86
Water and Sewer Capital Reserve Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	87
Water and Sewer Capital Project Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	88
Water and Sewer Rebatable Capital Reserve Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	89
Water and Sewer System Development Fees Capital Reserve Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	90
Water/Sewer Extensions Improvement Capital Project Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	91
West End Force Main Capital Project Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	92
Water and Sewer New Capital Projects Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	93
Solid Waste Capital Projects Fund - Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)	94

<b>Table of Contents</b>	<b>Page</b>
<hr/>	
Other Financial Information:	
Schedule of Ad Valorem Taxes Receivable	96
Analysis of Current Tax Levy	97
<hr/>	
<b>Statistical Section (Unaudited)</b>	
<hr/>	
Net Position By Component - Last Ten Fiscal Years	98-99
Changes in Net Position - Last Ten Fiscal Years	100-103
Fund Balances, Governmental Funds - Last Ten Fiscal Years	104-106
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	107-108
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	109
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	110
Principal Property Tax Owners - Current and Nine Years Ago	111
Property Tax Levies and Collections - Last Ten Fiscal Years	112
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	113-114
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	115
Direct and Overlapping Governmental Activities Debt	116
Legal Debt Margin Information - Last Ten Years	117-118
Demographic and Economic Statistics - Last Ten Fiscal Years	119
Principal Employers - Current Year and Nine Years Ago	120
Full-Time Equivalent Town Government Employees By Functions/Programs - Last Ten Fiscal Years	121
Operating Indicators by Function/Program - Last Ten Fiscal Years	122-123
Capital Asset Statistics By Function/Program - Last Ten Fiscal Years	124-125
<hr/>	
<b>Compliance Section</b>	
<hr/>	
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 <i>Government Auditing Standards</i>	126-127

**(This Page Was Intentionally Left Blank)**

## **INTRODUCTORY SECTION**

---

- **Letter of Transmittal**
  - **List of Principal Officials**
  - **Organizational Chart**
  - **GFOA Certificate of Achievement for  
Excellence in Financial Reporting**
-

**(This Page Was Intentionally Left Blank)**





December 18, 2019

To The Honorable Mayor and Members of the Town Council  
Morehead City, North Carolina

We are pleased to present the Comprehensive Annual Financial Report of the Town of Morehead City (Town) for the fiscal year ending June 30, 2019. State law requires that all general-purpose local governments publish a complete set of financial statements 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 accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the Town. Responsibility for both the reliability of the data and the completeness and fairness of the presentations, including all disclosures, rests with the Town. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe this financial report is complete and reliable in all material respects.

RSM US LLP, a firm of independent licensed certified public accountants has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ending June 30, 2019 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion on the Town's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the independent audit of the financial statements, the Town may be required to have a "Single Audit" in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and certain state agencies. If applicable, Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards, findings and recommendations, and auditors' reports on the internal control structure and compliance, are included in the Compliance Section of this report.

This Comprehensive Annual Financial Report is presented in four sections which include the introductory, financial, statistical, and compliance sections. The introductory section includes this transmittal letter, the government's organizational chart, and a list of principal officials. The financial section includes the auditors' report on the financial statements and schedules, Management's Discussion and Analysis, the basic financial statements and related notes, the combining and individual fund financial statements and schedules, and additional financial data. The statistical section contains selected financial and demographic information. The compliance section presents reports and schedules required by the federal and State grantor agencies. MD&A included in the financial section fulfills a GAAP requirement that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

## **Description of the Town of Morehead City**

Morehead City is located on the coast of North Carolina approximately 150 miles southeast of Raleigh. With a population of approximately 9,380 it is the largest incorporated town in Carteret County. Founded in 1858, this picturesque community is located on the Intercoastal Waterway and is separated from the Atlantic Ocean by a sound and a protective barrier island.

The Town combines the best of the relaxed, friendly atmosphere of a small Southern town with many amenities generally found only in larger communities that make life here both pleasurable and convenient. Residential, shopping, medical, and industrial areas surround the downtown business district, which is home to many restaurants and a renovated, working waterfront. Located in the city limits is the deep water Port of Morehead City, one of two state ports in North Carolina. Also, located in the Town is the county's 135-inpatient bed hospital, a branch of the state community college system, and the Crystal Coast Civic Center. The Town is forty-five minutes away from the closest commercial airport and fifteen minutes from the county airport, which services private planes.

The Town of Morehead City operates under the Council-Manager form of government. The Town Council is comprised of the mayor and five council members who are responsible for the legislative affairs of the Town. They are elected at large and serve for two-year and four-year terms, respectively. The Mayor and Council make appointments to various boards and appoint the City Manager, City Attorney, and Tax Collector. As chief executive officer, the City Manager is responsible for enforcement of all laws and ordinances, the efficient delivery of all Town services, and the preparation and management of the budget.

The annual budget serves as the foundation for the Town's financial planning and control. The Town's formal annual budget process begins in January. The City Manager, Department Directors, and Town Council work over the next several months reviewing and refining Council goals and objectives for the upcoming year. Based on the outcome of this process, the annual budget is prepared and delivered to the Town Council in May. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the Town's fiscal year. The General Fund's legal budgetary control is at the functional level. It is at the fund level in all other funds. The City Manager is authorized to transfer funds within these limits without report to Council. Transfers between functions in the General Fund, between funds, and non-emergency appropriation of Contingency in the annually adopted budget requires Council approval. The City Manager may authorize appropriation of contingency in emergency situations. Any contingency appropriations must be reported to Council at the next scheduled monthly Council meeting.

The Town provides a full range of governmental services, including police and Fire/EMS protection, street construction and maintenance, planning and zoning and building inspections, cemetery, parks and recreation, and a library. In addition to general governmental activities, the Town provides water and sanitary sewer and a comprehensive solid waste program.

The estimated 2019 population for the Town increased by 0.1% to 9,481 compared to the 2018 estimate of 9,380. The Town encompasses approximately seven square miles and employs 179 full-time equivalent staff. Economic indicators including building permits, number of utility customers, and sales tax revenue point to a stable growing local economy.

## **Economic Conditions and Outlook**

The information in the financial statements may be best understood when considered in the context of the environment in which the Town operates. The Town of Morehead City is a port town and is located in a rural coastal county. The major industries are tourism and fishing. The main attractions are the area's beaches and water related activities. The county also enjoys a number of historical sites that serve as destinations for individuals and groups. The county's economy, while seasonal, is stabilized by being in close proximity to two Marine Corp bases and air stations at Cherry Point and Camp Lejeune, which provide substantial employment for the county. Both Carteret County and Morehead City play host to a vibrant marine science community. The NC State University Marine Sciences and Technology Center, UNC-Chapel Hill Institute of Marine Sciences, and the NC Division of Marine Fisheries are located in Morehead City. The Duke University Marine Laboratory and the NOAA National Marine Fisheries Service are located just outside of the city limits of the Town. Carteret County had a 4.7% annual average unemployment rate in fiscal year ending June 30, 2019 compared to 4.3% statewide and 3.7% nationally (not seasonally adjusted).

All indications are that the Town and the county will experience continued growth. The area has a mild climate and is attractive to retirees and second homeowners. The value of new construction permitted in the Town limits for 2018-2019 fiscal year was \$60.0 million. This growth expands our tax base and property taxes, one of our largest revenue sources.

The Town closely monitors its resources and has emphasized program efficiencies and other cost containment efforts, allowing strong financial positions to be maintained. We believe that the economic environment in this area along with the diligent management of the Town's costs and services will provide ongoing financial stability and fiscal capacity.

### **Major Initiatives**

An ongoing goal of the Council has been to develop programs and pursue projects that upgrade facilities and enhance the quality of life for citizens and visitors through the cooperative efforts of governmental units, the business community, nonprofit organizations, and individual citizens. 2018-2019 major initiatives undertaken in the governmental funds to meet this goal included the continuation of developing plans and analyzing financial costs for reconstruction of the Charles Wallace Building for a new Town Hall. The Town finalized rehabilitation of Katherine Davis Park to increase the usage of its citizens. Due to Hurricane Florence the Town reconstructed the Evans St. docks that house the fishing fleet of Morehead City. New replacements of equipment and structures were done at the Big Rock Baseball Stadium also due to Hurricane Florence. The Town purchased and began implementation of a new Planning & Inspections software solution that will allow more use by the public. The Town implemented Phase II of III an Enterprise Resource Solution software. The software will regain efficiencies and give back man hours directly to the community, reduce waste, allow for real time budget monitoring and through Phase III will establish a customer portal with up to date account information. The town completed several paving, resurfacing & drainage projects and began multiple other projects during 2019.

The Town continues support for nonprofit and other organizations that sponsor major public events which showcase the area as well as provide economic benefit to the community. The Town provided in kind support for a number of groups including the North Carolina Seafood Festival (NCSF) and the Big Rock Blue Marlin Tournament. The NCSF sponsors the second largest festival in North Carolina to promote and educate the public about NC seafood; the Big Rock Blue Marlin Tournament is considered the 'Super Bowl' of fishing and attracts fishermen from all over the world. All of these events and other smaller ones promote Morehead City and Carteret County as a tourist destination, provide stimulus for the local economy, as well as enhance the quality of life for citizens.

Other capital improvements in the governmental funds included the purchase of four various types of public safety vehicles including but not limited to a new 2019 Fire Engine. The Town also purchased various equipment including watch guard camera upgrades and continued renovations of flooring and walls at the Recreation Center.

In the Water & Sewer Fund rehabilitation was completed for Lift Station #17 during 2018-2019 and renovations to Lift Station #16 was initiated. Brooks St. & Galantis Dr. sewer improvements were completed and also a water and sewer line extension on Olgesby Rd. was constructed during 2018-2019.

### **For the Future**

The Town Council adopted the fiscal year 2019-2020 budget in June 2019. Property taxes provide approximately 47% of the revenues for the General Fund. There was a 3 cent increase the property tax rate, which increase the amount to \$.38 per \$100 of valuation. Revenue from sales tax, permits and fees, and sales and services were all projected to increase. Rate increases to become effective at midyear were budgeted for water and sewer charges. These increases were necessary to pay operating costs associated with these services and to provide adequate funds to repay Water and Sewer Fund debt. Rate increases to become effective at midyear were budgeted for solid waste charges. These increases were necessary to pay increasing operating costs of contracts associated with these services.

On the spending side, funds were budgeted to complete multiple repaving & resurfacing projects and also additional paving and resurfacing projects were budgeted for. Purchase of a Street Sweeper and major renovations to Shevans Park were also budgeted. The Fire & EMS department budgeted for new Heart Monitors. Construction of a new Town Hall is expected to begin during 2019-2020. Plans and discussions are being developed for Fire Station #3 on the west end of Town that was heavily damaged during the storm. Phase II of III of the Enterprise Resource Solution software was implemented during fiscal year 2018-2019 and Phase III which involves the billing & collections of taxes, utilities and other miscellaneous revenues will begin during fiscal year

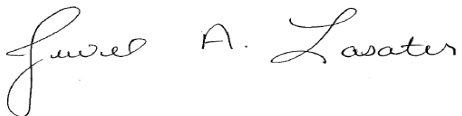
2019-2020. A consultant has been contracted to assist the Town in developing a plan to deal with the increasing issue of Storm water. The Water & Sewer fund budgeted for a new backhoe, Jet Vac truck and new software for work orders and utility system asset maintenance. Funds were budgeted for replacement vehicles and equipment.

### **For the Future**

The Town Council adopted the fiscal year 2019-2020 budget in June 2019. Property taxes provide approximately 47% of the revenues for the General Fund. There was a 3 cent increase the property tax rate, which increase the amount to \$.38 per \$100 of valuation. Revenue from sales tax, permits and fees, and sales and services were all projected to increase. Rate increases to become effective at midyear were budgeted for water and sewer charges. These increases were necessary to pay operating costs associated with these services and to provide adequate funds to repay Water and Sewer Fund debt. Rate increases to become effective at midyear were budgeted for solid waste charges. These increases were necessary to pay increasing operating costs of contracts associated with these services.

On the spending side, funds were budgeted to complete multiple repaving & resurfacing projects and also additional paving and resurfacing projects were budgeted for. Purchase of a Street Sweeper and major renovations to Shevans Park were also budgeted. The Fire & EMS department budgeted for new Heart Monitors. Construction of a new Town Hall is expected to begin during 2019-2020. Plans and discussions are being developed for Fire Station #3 on the west end of Town that was heavily damaged during the storm. Phase II of III of the Enterprise Resource Solution software was implemented during fiscal year 2018-2019 and Phase III which involves the billing & collections of taxes, utilities and other miscellaneous revenues will begin during fiscal year 2019-2020. A consultant has been contracted to assist the Town in developing a plan to deal with the increasing issue of Storm water. The Water & Sewer fund budgeted for a new backhoe, Jet Vac truck and new software for work orders and utility system asset maintenance. Funds were budgeted for replacement vehicles and equipment.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jewel A. Lasater".

Jewel A. Lasater, Finance Director

**Town of Morehead City, North Carolina**

**List of Principal Officials  
June 30, 2019**

---

**Town Council**

---

Honorable G.A. "Jerry" Jones, Jr.  
Mayor

Diane C. Warrender

William F. Taylor

George W. Ballou  
Mayor Pro Tem

Harvey N. Walker, Jr.

Keri V. McCann

---

**Administration**

---

Ryan Eggleston  
City Manager

Cathy Campbell  
City Clerk

Jewel A Lasater  
Finance Director

Daniel K. Williams  
Public Services Director

Jamie E. Fulk  
Chief, Fire & EMS Department

Bernette Morris  
Chief, Police Department

James Swann  
Acting Library Director

Jerry Riggs  
Parks and Recreation Director

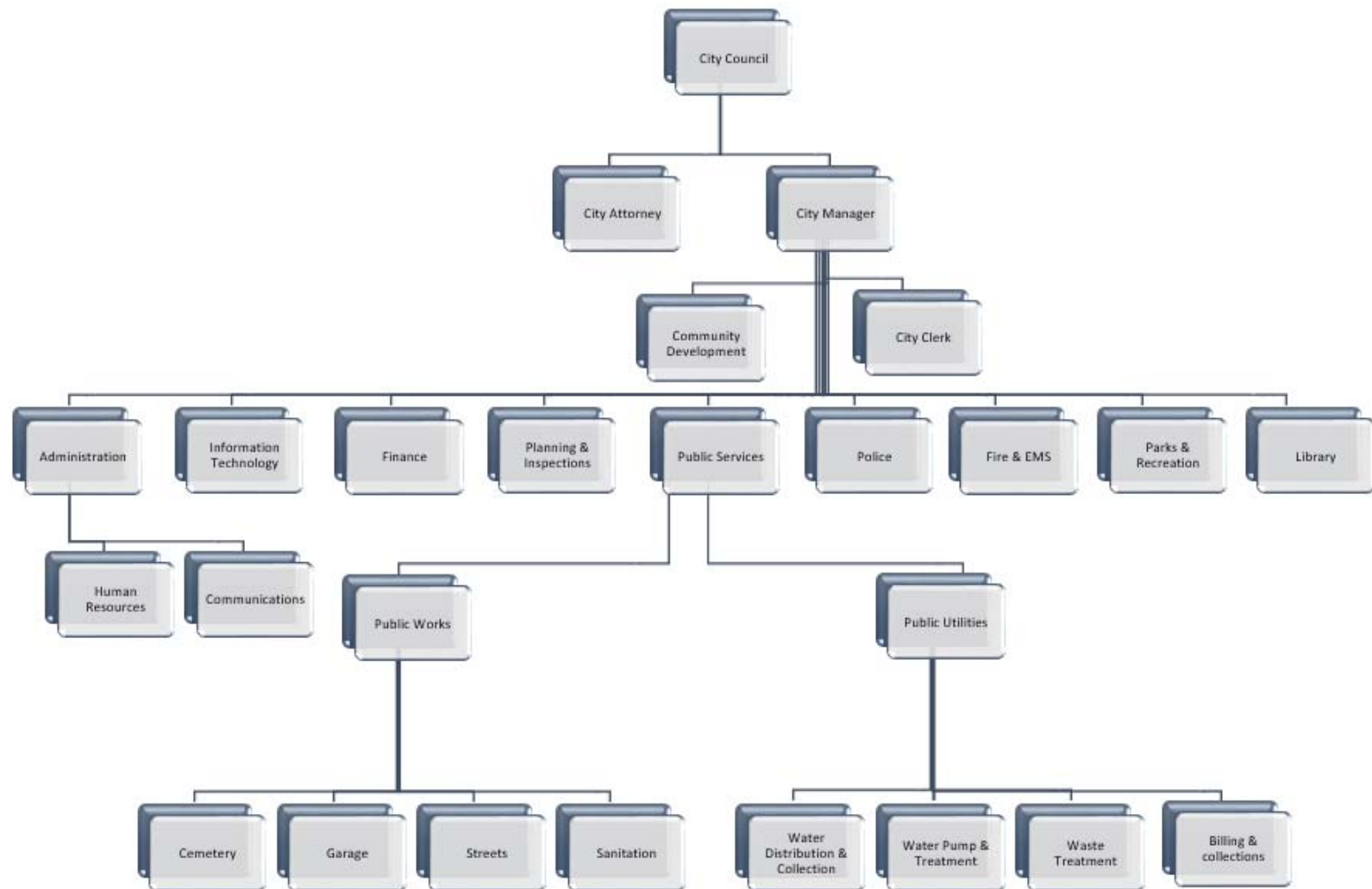
Susan Nixon  
Human Resources Director

Shirl F. Meadows  
Tax Collector

Jonathan Snyder  
Information Technology  
Director

Alize Proisy  
Communications  
Director

Sandi Watkins  
Planning & Inspection  
Director





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Morehead City**  
**North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

**(This Page Was Intentionally Left Blank)**



## **FINANCIAL SECTION**

---

- **Independent Auditor's Report**
  - **Management's Discussion and Analysis**
  - **Basic Financial Statements**
  - **Notes to the Basic Financial Statements**
  - **Required Supplemental Financial Data**
  - **Combining and Individual Fund Statements and Schedules**
-

**(This Page Was Intentionally Left Blank)**



## Independent Auditor's Report

RSM US LLP

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Morehead City, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Fire/EMS District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, 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, and the Schedules of Changes in the Total OPEB liability on pages 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The combining and individual fund statements, budgetary schedules, other schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion pertaining to the year ended June 30, 2018, marked "unaudited," has been subjected to the 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, except for that portion marked "unaudited," which we express no opinion, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the Town of Morehead City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 Town of Morehead City's internal control over financial reporting and compliance.

*RSM US LLP*

Morehead City, North Carolina  
December 18, 2019

**(This Page Was Intentionally Left Blank)**

## **Town of Morehead City, North Carolina**

### **Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2019**

This section of the Town of Morehead City's (Town) annual financial report presents a narrative overview and analysis of the Town's financial performance for the fiscal year ended June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the Town's financial statements, which follow this section.

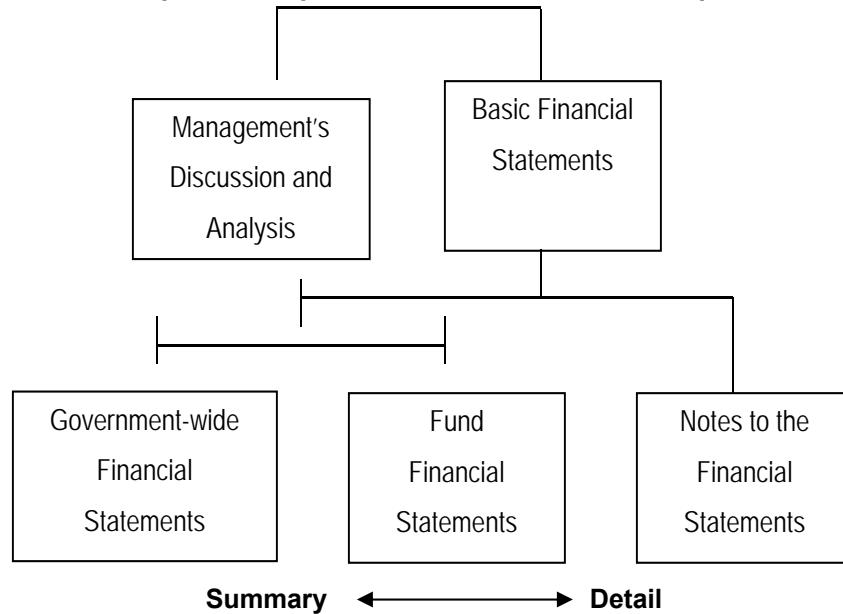
#### **Financial Highlights**

- The overall financial position of the Town improved in 2019 as evidenced by an increase in total net position of \$1.0 million. This increase was mainly from governmental (\$1.0 million) activities. The increase for the governmental activities was due to increased property, sales, and other shared tax revenue, and increased transfers in. The small decrease (\$.035) for business-type activities was primarily the result of increased expenses in the business-type departments and increase of transfers out.
- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$87.0 million (net position). Of this amount, \$13.6 million (unrestricted net position) can be used to meet the Town's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11.7 million, a decrease of \$.7 million in comparison with the prior year. Approximately 53.7% or \$6.3 million is nonspendable, restricted, committed, or assigned.
- At the end of the current fiscal year unassigned fund balance for the General Fund was \$5.4 million or approximately 46.3% of General Fund expenditures and transfers out for the fiscal year, and is available for spending at the government's discretion.
- Governmental net capital assets increased \$1.0 million primarily due to the addition to buildings and other improvements as well as equipment and vehicles. Business-type net capital assets decreased \$.4 million primarily as a result of the expensing of certain construction in progress costs at the completion of the West End Force Main project.
- The Town's total debt decreased by \$2.7 million during the current fiscal year. Debt in the governmental activities decreased \$1.2 million due to principal repayments. Debt in the business-type activities decreased \$1.5 million due to principal repayments.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 Town of Morehead City.

## Required Components of Annual Financial Report



The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.

- The *governmental funds statements* tell how general government services, like public safety, were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General and Fire/EMS Funds to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the Town operates like businesses, such as the water and sewer system.
- The *Fiduciary funds statements* reflect the financial relationship with the Other Postemployment Benefits Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data, and are followed by the required supplemental financial data. In addition to these elements, a section is included with combining statements that provide details about nonmajor governmental funds, which are totaled and presented in a single column in the basic financial statements. This section also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

### Government-wide Statements

The government-wide statements are designed to provide the reader with a broad overview of the Town'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 Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town'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 Town's financial condition.



The government-wide financial statements are divided into two categories:

- Governmental activities - Most of the Town's basic services are included here, such as public safety, community planning and development, streets and culture and recreation. Property taxes, other taxes, and grants and contributions finance most of these activities.
- Business-type activities - The Town charges fees to customers to cover the costs of certain services provided. The Town's water and sewer system and solid waste system are included here.

The government-wide financial statements are on pages 20 – 22 of this report.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Town'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 Town of Morehead City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The Town has the following three kinds of 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 Town's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can be readily converted to cash and (2) the balances left at year-end that are available for spending in the next year. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The Town of Morehead City adopts an annual budget for its General and Fire/EMS Funds as required by the General Statutes. The budget is a legally adopted document that incorporates input from citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General and Fire/EMS Funds demonstrate how well the Town complied with the budget ordinance and whether or not the Town 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 Town Council; 2) the final budget as amended by the Town Council; 3) the actual resources, charges to appropriations, and ending balances in the General and Fire/EMS Funds; and 4) the difference or variance between the final budget and the actual resources and charges. Because the Town's budgetary basis of accounting does not differ from the modified accrual basis used in the fund's statements, reconciliation is not necessary at the end of the statement.

- Proprietary funds – The Town of Morehead City utilizes one type of proprietary fund, an enterprise fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operation and for its solid waste operation. The funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

The fund financial statements are on pages 23 – 32 of this report.

## Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 33 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Morehead City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 64 of this report.

### Interdependence with Other Entities

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

### Financial Analysis of the Town as a Whole

**Net Position:** For the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$87.0 million at the close of the most recent fiscal year. A summary of the Town's net position at June 30, 2019 and 2018 is presented below:

	Town of Morehead City's Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 13,110,272	\$ 13,666,878	\$ 14,165,417	\$ 15,209,714	\$ 27,275,689	\$ 28,876,592
Other non current assets	-	-	57,970	57,970	57,970	57,970
Capital assets	41,766,096	40,779,991	51,696,155	52,167,859	93,462,251	92,947,850
Total assets	54,876,368	54,446,869	65,919,542	67,435,543	120,795,910	121,882,412
Deferred outflows of resources	2,410,025	1,546,879	404,729	262,814	2,814,754	1,809,693
Total assets and deferred outflows of resources	57,286,393	55,993,748	66,324,271	67,698,357	123,610,664	123,692,105
Long-term liabilities outstanding	14,762,524	14,694,476	16,463,862	17,719,026	31,226,386	32,413,502
Other liabilities	2,078,527	1,908,342	2,864,951	2,971,809	4,943,478	4,880,151
Total liabilities	16,841,051	16,602,818	19,328,813	20,690,835	36,169,864	37,293,653
Deferred inflows of resources	389,575	414,175	65,217	42,370	454,792	456,545
Total liabilities and deferred inflows of resources	17,230,626	17,016,993	19,394,030	20,733,205	36,624,656	37,750,198
Net position:						
Net investment in capital assets	33,012,289	30,839,716	34,987,905	33,989,708	68,000,194	64,829,424
Restricted	5,358,178	3,425,647	-	-	5,358,178	3,425,647
Unrestricted	1,685,300	4,711,392	11,942,336	12,975,444	13,627,636	17,686,836
Total net position	\$ 40,055,767	\$ 38,976,755	\$ 46,930,241	\$ 46,965,152	\$ 86,986,008	\$ 85,941,907

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The Town's net position increased by \$1.0 million for the fiscal year ended June 30, 2019. However, the largest portion (78.2%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not

available for future spending. Although the Town's investment in its 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. A portion of the Town's net position (6.2%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$13.6 million (15.6%) is unrestricted.

### **Governmental Activities**

Net position of the governmental activities increased \$1.1 million, or 2.77 percent, to \$40.1 million. \$38.4 million of net position either are restricted as to the purposes for which they can be used or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). \$1.7 million is unrestricted. The unrestricted net position is available primarily to support operations and to provide for payment of long-term debt.

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 tax collection percentage of above 99%. The statewide average in fiscal year 2018 was 99.55%.
- Increased sales tax revenues of approximately \$180,000 and increased Ad valorem tax revenue of approximately \$134,000 due to economic growth in the City.

### **Business-type Activities**

The net position of the business-type activities decreased by \$0.035 million, or 0.07 percent, to \$46.9 million. This net position will be used to finance the operations and expansion of the water, sewer, and solid waste operations.

**Changes in Net Position:** The following table presents the Town's changes in net position for the fiscal years ended June 30, 2019 and 2018:

	<b>Town of Morehead City's Changes in Net Position</b>					
	Governmental		Business-type		Totals	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program revenue:						
Charges for services	\$ 2,492,430	\$ 2,224,339	\$ 8,243,526	\$ 7,931,155	\$ 10,735,956	\$ 10,155,494
Operating grants and contributions	1,089,827	1,117,599	7,025	6,235	1,096,852	1,123,834
Capital grants and contributions	-	289,522	232,899	104,876	232,899	394,398
General revenue:						
Property taxes	7,139,424	7,004,591	-	-	7,139,424	7,004,591
Other taxes	3,222,436	3,002,735	-	-	3,222,436	3,002,735
Grants and contributions not restricted to specific programs	1,444,489	1,397,389	-	-	1,444,489	1,397,389
Other	615,038	203,801	539,228	470,894	1,154,266	674,695
Total revenue	<u>16,003,644</u>	<u>15,239,976</u>	<u>9,022,678</u>	<u>8,513,160</u>	<u>25,026,322</u>	<u>23,753,136</u>
Expenses:						
General government	3,292,821	1,530,546	-	-	3,292,821	1,530,546
Public safety	10,257,915	9,269,368	-	-	10,257,915	9,269,368
Highways and streets	688,813	1,073,074	-	-	688,813	1,073,074
Culture and recreation	900,708	1,388,170	-	-	900,708	1,388,170
Library	184,756	227,680	-	-	184,756	227,680
Interest on long-term debt	298,219	370,413	-	-	298,219	370,413
Water and sewer	-	-	6,445,950	6,665,800	6,445,950	6,665,800
Solid waste	-	-	1,913,039	954,371	1,913,039	954,371
Total expenses	<u>15,623,232</u>	<u>13,859,251</u>	<u>8,358,989</u>	<u>7,620,171</u>	<u>23,982,221</u>	<u>21,479,422</u>
Increase in net position before transfers	380,412	1,380,725	663,689	892,989	1,044,101	2,273,714
Transfers	698,600	-	(698,600)	-	-	-
Increase (decrease) in net position	<u>1,079,012</u>	<u>1,380,725</u>	<u>(34,911)</u>	<u>892,989</u>	<u>1,044,101</u>	<u>2,273,714</u>
Net position, July 1	38,976,755	38,601,450	46,965,152	46,344,323	85,941,907	84,945,773
Restatement	-	(1,005,420)	-	(272,160)	-	(1,277,580)
Net position, July 1 as restated	<u>38,976,755</u>	<u>37,596,030</u>	<u>46,965,152</u>	<u>46,072,163</u>	<u>85,941,907</u>	<u>83,668,193</u>
Net position, June 30	<u>\$40,055,767</u>	<u>\$38,976,755</u>	<u>\$46,930,241</u>	<u>\$46,965,152</u>	<u>\$86,986,008</u>	<u>\$85,941,907</u>

Total government-wide revenue of \$25.0 million was primarily derived from charges for services (42.9%), property taxes (28.5%) and other taxes (12.9%). The total expenses of all programs were \$24.0 million. The expenses cover a range of services with the two largest being public safety (fire/EMS, police and building inspections) for 42.8% and water and sewer for 26.9%.

### Governmental Activities

Governmental activities increased the Town's net position by \$1.08 million and accounted for 103.3% of the total growth in the net position of the Town of Morehead City. Key elements related to governmental activities are as follows:

- Property taxes increased approximately \$135,000 over the preceding year.
- Charges for services increased \$0.27 million, due mainly to an increase in the charging and collection of Ambulance fees.
- Other taxes increased approximately \$.41 million primarily due to increased sales tax distributions from the State.
- Expenses increased approximately \$1.8 million (12.7%) compared to the prior period.
  - General Government increased \$1.8 million. The largest portion of this increase in expenditures is related to disaster recovery following Hurricane Florence. The Town also paid off debt early.

## Business-type Activities

Business-type activities decreased the Town of Morehead City's net position by \$0.035 million and accounted for 3.3% of the total decrease in the government's net position. Key elements of these activities are as follows:

- Charges for services in the Water and Sewer and Solid Waste Funds increased by approximately \$312,000 or a 12.1% increase over the previous year. The largest portion of this increase is due to water and sewer rates increased midway through the year and a large multifamily housing complex construction was completed became part of the customer base.
- The Water and Sewer Fund expenses increased approximately \$738,000 or 9.7% from the preceding year. A large portion of this was approximately \$490,000 was spent on Disaster Recovery due to Hurricane Florence.
- Solid Waste fund revenue and expenses were essentially flat.

## Financial Analysis of the Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town of Morehead City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Morehead City's financing requirements.

The general fund is the chief operating fund of the Town of Morehead City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.4 million, while total fund balance was \$9.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 37.8% of total General Fund expenditures and transfers out of \$14.3 million, while total fund balance represents 58.3% of that same amount. The Town Council of Morehead City has determined that the General Fund should maintain a minimum of between \$2.5 and \$2.75 million of unassigned fund balance in order to meet unforeseen needs and opportunities.

At June 30, 2019, the governmental funds of the Town of Morehead City reported a combined fund balance of \$13.1 million, up from \$12.5 million the previous year. The General Fund fund balance increased \$0.4 million. This increase is mainly attributable to increases in property, sales and other shared tax revenue and increased transfers in. Revenues increased \$0.6 millions, expenditures increased \$1.5 million and net transfers out decreased \$.2 million. The fund balance in the Fire/EMS Fund decreased to a \$0 balance, as the fund closed into the general fund at June 30, 2019. The fund balance in the Major and Non-Major Capital Project Funds increased \$1.9 million due to increased capital outlay expenditures for various capital projects.

**General Fund Budgetary Highlights.** During the fiscal year, the Town 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 and acquire capital assets.

Total revenue exceeded the final budget by approximately \$64,500 in the General Fund. The most significant favorable variances were in ad valorem taxes and other state shared taxes included in unrestricted intergovernmental revenue. Expenditures were tightly controlled, and the Town was able to comply with its budgetary requirements in all categories.

**Proprietary Funds.** Proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year totaled \$12.3 million in the Water and Sewer fund and (\$0.4) million in the Solid Waste fund. Unrestricted net position in the Water and Sewer Fund decreased approximately \$0.1 million. Unrestricted net position in the Solid Waste Fund decreased approximately \$0.9 million. Other factors concerning the finances of these funds were addressed in the discussion of the business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** At June 30, 2019, the Town had \$93.5 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings, water and sewer operating plant and infrastructure. This amount represents a net increase of \$0.5 million, or .6%, over last year and is result of the addition of capital assets over depreciation. The summary of capital assets at June 30, 2019 and 2018 is presented below:

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 12,802,000	\$ 12,802,000	\$ 937,411	\$ 913,775	\$ 13,739,411	\$ 13,715,775
Intangible assets	562,831	562,831	405,580	355,585	968,411	918,416
Infrastructure	5,422,003	5,559,568	-	-	5,422,003	5,559,568
Buildings and other improvements	19,207,345	18,683,472	5,467,403	5,605,941	24,674,748	24,289,413
Equipment and vehicles	3,108,171	2,838,051	809,748	808,083	3,917,919	3,646,134
Operating plant	-	-	44,076,013	41,165,220	44,076,013	41,165,220
Construction in progress	663,746	334,069	-	3,319,255	663,746	3,653,324
<b>Total</b>	<b>\$ 41,766,096</b>	<b>\$ 40,779,991</b>	<b>\$ 51,696,155</b>	<b>\$ 52,167,859</b>	<b>\$ 93,462,251</b>	<b>\$ 92,947,850</b>

This year's major capital asset changes included:

- Increase in infrastructure, buildings and other improvements - \$0.39 million
- Increase in operating plant – \$2.9 million
- Decrease in construction in progress - \$3.0 million

More detailed information about the Town's capital assets is presented in Note 4 of the basic financial statements.

**Long-term Debt.** At June 30, 2019, the City had \$25.5 million of debt outstanding in installment purchases, loans from the State of North Carolina and US Department of Agriculture (USDA), and a revenue bond. Details by type of debt are presented in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Direct placement installment contracts	\$ 8,753,807	\$ 9,662,974	\$ -	\$ -	\$ 8,753,807	\$ 9,662,974
Direct placement revenue bond	-	-	4,701,000	4,780,000	4,701,000	4,780,000
Direct placement notes payable	-	277,302	12,007,250	13,398,152	12,007,250	13,675,454
<b>Total</b>	<b>\$ 8,753,807</b>	<b>\$ 9,940,276</b>	<b>\$ 16,708,250</b>	<b>\$ 18,178,152</b>	<b>25,462,057</b>	<b>28,118,428</b>

The Town of Morehead City's total long-term debt decreased by \$0.1 million (0.4%) during the past fiscal year.

- Principal payments of \$1.2 million and \$1.5 million were made on outstanding debt in the governmental activities and business-type activities, respectively. All scheduled debt service payments were made timely.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Morehead City is \$164,371,003.

More detailed information about the Town's long-term obligations is presented in Note 10 of the basic financial statements.

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

The following economic indicators impact the Town's budget outlook:

- During fiscal year ended June 30, 2019 1,693 permits were issued with a value of \$60 million compared to 1,363 permits with a value of \$40.7 million for fiscal year ended June 30, 2018. The biggest contributor of this increase is due to permits issued related to Hurricane Florence. With the removal of this factor building is relatively stable in the area.
- Annual unemployment average for Carteret County was 4.7% compared to 4.33% in the prior year and 3.9% for the state.

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

#### **Governmental Activities**

The General Fund initial budget for 2019-2020 increased 12.1% from \$13.9 million to \$15.6 million. The Town Council adopted a tax rate of \$.38 per \$100 of valuation, which was an increase of \$.03 from the prior year. Projected increases in property tax revenue is expected to fund future capital projects and improvements. The Town Council opted to appropriate \$480,000 of unassigned and assigned fund balance to acquire needed capital items. It was projected that this would still leave the General Fund with an adequate amount to meet Council's minimum fund balance requirement of in the range of \$2.5 to \$2.75 million.

#### **Business-type Activities**

The initial 2019-2020 budget for the Water and Sewer Fund increased \$0.9 million from \$7.6 million to \$8.5 million. A 3% rate increase was budgeted to be effective midway through the fiscal year and is projected to provide \$.29 million more from water and sewer charges than the previous year. The rate increase is one in a series of increases that Council endorsed to provide a rate structure that will support current and upcoming debt service on major capital projects undertaken by the Town in recent years. Revenue from the rate increase will balance the current year budget without appropriation of fund balance as done in prior years as well as fund additional needed capital expenditures.

The initial 2019-2020 budget for the Solid Waste Fund increased \$.01 million from \$0.99 million to \$1.0 million. A \$5 a month increase was budgeted to be effective midway through the fiscal year and is projected to cover the related increase in contractor charges largely in regards to recycling fees.

#### **Contacting the Town's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning this report or requests for additional financial information should be directed to the Town of Morehead City's Finance Department, 706 Arendell Street, Morehead City, NC 28557-4234.

**(This Page Was Intentionally Left Blank)**



Town of Morehead City, North Carolina

Statement of Net Position

June 30, 2019

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 10,364,458	\$ 11,987,746	\$ 22,352,204
Taxes receivable (net)	102,122	-	102,122
Customer receivables (net)	108,068	1,476,045	1,584,113
Due from governmental agencies	540,933	-	540,933
Local option sales tax receivable	902,213	-	902,213
Inventories	3,838	198,126	201,964
Prepaid expense	232,293	-	232,293
Restricted cash and investments	846,442	106,023	952,465
Total current assets	13,100,367	13,767,940	26,868,307
Non-current assets:			
Notes receivable	-	57,970	57,970
Capital assets:			
Land and construction in process	14,028,577	1,324,991	15,353,568
Other capital assets, net of depreciation	27,737,519	50,371,164	78,108,683
Total capital assets	41,766,096	51,696,155	93,462,251
<b>Total assets</b>	<b>54,866,463</b>	<b>65,522,065</b>	<b>120,388,528</b>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	2,296,253	380,429	2,676,682
OPEB deferrals	113,772	24,300	138,072
<b>Total deferred outflows of resources</b>	<b>2,410,025</b>	<b>404,729</b>	<b>2,814,754</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	1,182,739	541,841	1,724,580
Accrued interest payable	211,760	40,813	252,573
Customer deposits	-	600,274	600,274
Prepaid fees	-	8,459	8,459
Current portion of long-term liabilities	674,123	1,276,087	1,950,210
Total current liabilities	2,068,622	2,467,474	4,536,096
Long-term liabilities:			
Net pension liability (LRS)	2,983,607	514,172	3,497,779
Total pension liability (LEOSSA)	1,087,472	-	1,087,472
Total OPEB liability	2,089,780	446,361	2,536,141
Due in more than one year	8,601,665	15,503,329	24,104,994
Total long-term liabilities	14,762,524	16,463,862	31,226,386
<b>Total liabilities</b>	<b>16,831,146</b>	<b>18,931,336</b>	<b>35,762,482</b>
<b>Deferred Inflows of Resources</b>			
Prepaid taxes and fees	57,074	8,459	65,533
Pension deferrals	167,400	21,494	188,894
OPEB deferrals	165,101	35,264	200,365
<b>Total deferred inflows of resources</b>	<b>389,575</b>	<b>65,217</b>	<b>454,792</b>
<b>Net Position</b>			
Net investment in capital assets	33,012,289	34,987,905	68,000,194
Restricted:			
Stabilization by State Statute	2,015,042	-	2,015,042
General government	2,615,629	-	2,615,629
Streets	474,202	-	474,202
Public safety	231,297	-	231,297
Recreation	3,279	-	3,279
Library	18,729	-	18,729
Unrestricted	1,685,300	11,942,336	13,627,636
<b>Total net position</b>	<b>\$ 40,055,767</b>	<b>\$ 46,930,241</b>	<b>\$ 86,986,008</b>

See Notes to Financial Statements.

Town of Morehead City, North Carolina

Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 3,286,806	\$ 133,177	\$ 129,989	\$ -
Public safety	10,257,915	2,182,223	642,743	-
Highways and streets	688,813	-	264,020	-
Cultural and recreation	900,708	174,319	-	-
Library	184,756	2,711	53,075	-
Interest on long-term debt	298,219	-	-	-
<b>Total governmental activities</b>	<b>15,617,217</b>	<b>2,492,430</b>	<b>1,089,827</b>	<b>-</b>
Business-type activities:				
Water and sewer	6,445,950	7,284,789	-	232,899
Solid waste	1,913,039	958,737	7,025	-
<b>Total business-type activities</b>	<b>8,358,989</b>	<b>8,243,526</b>	<b>7,025</b>	<b>232,899</b>
<b>Total primary government</b>	<b>\$ 23,976,206</b>	<b>\$ 10,735,956</b>	<b>\$ 1,096,852</b>	<b>\$ 232,899</b>

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes

Unrestricted intergovernmental

Investment earnings, unrestricted

Gain (loss) on disposal of assets

Miscellaneous income, unrestricted

Transfers

**Total general revenue**

**Change in net position**

Net position, beginning

Net position, ending

See Notes to Financial Statements.

**Net (Expense) Revenue and  
Changes in Net Position  
Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,023,640)	\$ -	\$ (3,023,640)
(7,432,949)	-	(7,432,949)
(424,793)	-	(424,793)
(726,389)	-	(726,389)
(128,970)	-	(128,970)
(298,219)	-	(298,219)
<b>(12,034,960)</b>	<b>-</b>	<b>(12,034,960)</b>
-	1,071,738	1,071,738
-	(947,277)	(947,277)
-	124,461	124,461
<b>(12,034,960)</b>	<b>124,461</b>	<b>(11,910,499)</b>
7,139,424	-	7,139,424
3,176,645	-	3,176,645
45,791	-	45,791
1,444,489	-	1,444,489
200,836	218,349	419,185
-	861	861
408,187	320,018	728,205
698,600	(698,600)	-
<b>13,113,972</b>	<b>(159,372)</b>	<b>12,954,600</b>
1,079,012	(34,911)	1,044,101
38,976,755	46,965,152	85,941,907
<b>\$ 40,055,767</b>	<b>\$ 46,930,241</b>	<b>\$ 86,986,008</b>

Town of Morehead City, North Carolina

Balance Sheet-Governmental Funds

June 30, 2019

	General Fund	Fire/EMS District Fund	Non-Major Governmental Funds	Totals
<b>Assets:</b>				
Cash and investments	\$ 7,611,828	\$ 77,351	\$ 2,675,279	\$ 10,364,458
Restricted cash and investments	846,442	-	-	846,442
Receivables (net)	1,548,257	105,079	-	1,653,336
Inventories	3,838	-	-	3,838
Prepaid items	232,293	-	-	232,293
<b>Total assets</b>	<b>\$10,242,658</b>	<b>\$ 182,430</b>	<b>\$ 2,675,279</b>	<b>\$ 13,100,367</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	611,424	78,079	261,715	951,218
Accrued salaries	145,378	86,143	-	231,521
<b>Total liabilities</b>	<b>756,802</b>	<b>164,222</b>	<b>261,715</b>	<b>1,182,739</b>
<b>Deferred Inflows of Resources</b>				
Prepaid taxes and fees	59,098	-	-	59,098
Property taxes receivable	102,122	-	-	102,122
Unavailable Ambulance Fees	-	18,208	-	18,208
<b>Total deferred inflows of resources</b>	<b>161,220</b>	<b>18,208</b>	<b>-</b>	<b>179,428</b>
<b>Fund Balances:</b>				
Non Spendable:				
Inventories	3,838	-	-	3,838
Prepaid items	232,293	-	-	232,293
Restricted:				
Stabilization by State Statute	2,015,042	-	-	2,015,042
General government	202,065	-	2,413,564	2,615,629
Streets	474,202	-	-	474,202
Public safety	231,297	-	-	231,297
Recreation	3,279	-	-	3,279
Library	18,729	-	-	18,729
Committed:				
Sidewalk construction	191,880	-	-	191,880
Recreation facilities development	28,049	-	-	28,049
Assigned:				
Subsequent year's expenditures	484,060	-	-	484,060
Unassigned	5,439,902	-	-	5,439,902
<b>Total fund balances</b>	<b>9,324,636</b>	<b>-</b>	<b>2,413,564</b>	<b>11,738,200</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$10,242,658</b>	<b>\$ 182,430</b>	<b>\$ 2,675,279</b>	<b>\$ 13,100,367</b>

See Notes to Financial Statements.

**Town of Morehead City, North Carolina**

**Reconciliation of the Governmental Funds Balance Sheet to Net  
Position of Governmental Activities in the Statement of Net Position  
June 30, 2019**

---

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

Total fund balances for governmental funds	<b>\$ 11,738,200</b>
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds.	<b>41,766,096</b>
Deferred inflows of resources recorded in the funds for taxes and special assessments receivable expenditures and therefore are considered unavailable:	<b>122,354</b>
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	<b>2,296,253</b>
Deferred outflows of resources related to OPEB are not reported in the funds	<b>113,772</b>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<b>(9,275,788)</b>
Net pension liability (LGERS)	<b>(2,983,607)</b>
Total pension liability (LEOSSA)	<b>(1,087,472)</b>
Net OPEB liability	<b>(2,089,780)</b>
Accrued interest payable on long-term liabilities not recorded in the fund statements	<b>(211,760)</b>
Deferred inflows of resources related to OPEB are not reported in the funds	<b>(167,400)</b>
Deferred inflows of resources related to pensions are not reported in the funds	<b><u>(165,101)</u></b>
Net position of governmental activities	<b><u><u>\$ 40,055,767</u></u></b>

See Notes to Financial Statements.

Town of Morehead City, North Carolina

Statement of Revenue, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2019

	General Fund	Fire/EMS District Fund	Non-Major Governmental Funds	Totals
<b>Revenue</b>				
Ad valorem taxes	\$ 7,122,202	\$ -	\$ -	\$ 7,122,202
Other taxes and licenses	45,791	-	-	45,791
Unrestricted intergovernmental	4,621,134	-	-	4,621,134
Restricted intergovernmental	544,755	186,975	-	731,730
Permits and fees	353,200	-	-	353,200
Sales and services	360,142	2,132,288	-	2,492,430
Investment earnings	155,486	28,730	16,620	200,836
Miscellaneous	109,065	28,193	275,826	413,084
<b>Total revenue</b>	<b>13,311,775</b>	<b>2,376,186</b>	<b>292,446</b>	<b>15,980,407</b>
<b>Expenditures</b>				
Current:				
General government	1,348,452	-	1,152,732	2,501,184
Public safety	4,497,642	5,602,780	-	10,100,422
Highways and streets	1,133,056	-	-	1,133,056
Library	160,284	-	-	160,284
Recreation	687,131	-	-	687,131
Parks	563,077	-	-	563,077
Disaster planning and recovery	786,138	-	-	786,138
Debt service:				
Principal	1,156,982	29,209	-	1,186,191
Interest	225,317	72,902	-	298,219
<b>Total expenditures</b>	<b>10,558,079</b>	<b>5,704,891</b>	<b>1,152,732</b>	<b>17,415,702</b>
<b>Revenue over (under) expenditures</b>	<b>2,753,696</b>	<b>(3,328,705)</b>	<b>(860,286)</b>	<b>(1,435,295)</b>
<b>Other financing sources (uses)</b>				
Sales of capital assets	6,015	-	-	6,015
Transfers in	567,000	1,661,634	3,155,733	5,384,367
Transfers out	(3,768,652)	(567,000)	(350,115)	(4,685,767)
<b>Total other financing sources (uses)</b>	<b>(3,195,637)</b>	<b>1,094,634</b>	<b>2,805,618</b>	<b>704,615</b>
<b>Net changes in fund balances</b>	<b>(441,941)</b>	<b>(2,234,071)</b>	<b>1,945,332</b>	<b>(730,680)</b>
<b>Fund balances:</b>				
Fund balances, beginning	9,766,577	2,234,071	468,232	12,468,880
Fund balances, ending	\$ 9,324,636	\$ -	\$ 2,413,564	\$ 11,738,200

See Notes to Financial Statements.

**Town of Morehead City, North Carolina**

**Reconciliation of the Statement of Revenue, Expenditures and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2019**

---

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

Net change in fund balances - total governmental funds	<b>\$ (730,680)</b>
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Increase in purchased capital assets, net of decrease in construction in progress	<b>2,452,671</b>
Depreciation expense	<b>(1,388,215)</b>
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	<b>(78,351)</b>
Net Changes in:	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	<b>833,035</b>
Pension and OPEB deferred outflows included on the Statement of Activities	<b>30,107</b>
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	
Pension and OPEB plan deferred inflows of resources	<b>(30,649)</b>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Increase in deferred property taxes	<b>12,663</b>
Increase in accrued interest receivable	<b>4,556</b>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.	
Additions to long-term liabilities	<b>(791,383)</b>
Retirement of long-term liabilities	<b>1,925,088</b>
Accrued interest	<b>(61,055)</b>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Net pension expense (LGERS)	<b>(1,081,770)</b>
Net pension expense (LEOSSA)	<b>(5,811)</b>
Net OPEB expense	<b>(11,194)</b>
Total change in net position of governmental activities	<b><u>\$ 1,079,012</u></b>

Town of Morehead City, North Carolina

General Fund and Fire/EMS District Fund Annually Budgeted Major Funds  
Statement of Revenue, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget
	Budget, Original	Budget, Final	Actual	
Revenue				
Ad valorem taxes	\$ 7,006,025	\$ 7,006,025	\$ 7,122,202	\$ 116,177
Other taxes	28,000	28,000	45,791	17,791
Unrestricted intergovernmental	4,111,000	4,111,000	4,621,134	510,134
Restricted intergovernmental	477,337	701,042	544,755	(156,287)
Permits and fees	320,000	320,000	353,200	33,200
Sales and services	270,250	303,750	360,142	56,392
Investment earnings	50,000	50,000	155,486	105,486
Miscellaneous	10,500	72,571	109,065	36,494
<b>Total revenue</b>	<b>12,273,112</b>	<b>12,592,388</b>	<b>13,311,775</b>	<b>719,387</b>
Expenditures				
Current:				
General government	2,365,300	2,411,095	1,348,452	1,062,643
Public safety	4,711,237	4,891,660	4,497,642	394,018
Highways and streets	1,720,763	1,816,551	1,133,056	683,495
Recreation and parks	1,187,904	1,289,123	1,250,208	38,915
Library	351,472	355,572	160,284	195,288
Disaster planning and recovery	-	1,000,000	786,138	213,862
Debt service	700,980	1,558,493	1,382,299	176,194
<b>Total expenditures</b>	<b>11,037,656</b>	<b>13,322,494</b>	<b>10,558,079</b>	<b>2,764,415</b>
<b>Revenue over (under) expenditures</b>	<b>1,235,456</b>	<b>(730,106)</b>	<b>2,753,696</b>	<b>3,483,802</b>
Other financing sources (uses)				
Sale of capital assets	2,500	7,500	6,015	(1,485)
Transfers in	794,647	1,361,647	567,000	(794,647)
Transfers out	(3,545,617)	(5,302,635)	(3,768,652)	1,533,983
Contingency	(147,000)	(23,371)	-	23,371
Fund balance appropriated	1,660,014	4,686,965	-	(4,686,965)
<b>Total other financing sources (uses)</b>	<b>(1,235,456)</b>	<b>730,106</b>	<b>(3,195,637)</b>	<b>(3,925,743)</b>
<b>Revenue and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(441,941)</b>	<b>\$ (441,941)</b>
Fund balance, beginning			<u>9,766,577</u>	
Fund balance, ending			<u>\$ 9,324,636</u>	

Note: As of June 30, 2019, the Fire/EMS District Fund closed into the General Fund.

See Notes to Financial Statements.



**Fire/EMS District Fund**

Budget, Original	Budget, Final	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
235,246	287,246	186,975	(100,271)
-	-	-	-
1,770,700	1,770,700	2,132,288	361,588
6,000	6,000	28,730	22,730
4,000	26,914	28,193	1,279
<b>2,015,946</b>	<b>2,090,860</b>	<b>2,376,186</b>	<b>285,326</b>
-	-	-	-
5,400,928	5,812,332	5,602,780	209,552
-	-	-	-
-	-	-	-
-	-	-	-
102,115	102,115	102,111	4
<b>5,503,043</b>	<b>5,914,447</b>	<b>5,704,891</b>	<b>209,556</b>
<b>(3,487,097)</b>	<b>(3,823,587)</b>	<b>(3,328,705)</b>	<b>494,882</b>
-	-	-	-
3,195,617	3,195,617	1,661,634	(1,533,983)
-	(567,000)	(567,000)	-
(75,000)	(71,010)	-	71,010
366,480	1,265,980	-	(1,265,980)
<b>3,487,097</b>	<b>3,823,587</b>	<b>1,094,634</b>	<b>(2,728,953)</b>
<b>\$ -</b>	<b>\$ -</b>	<b>(2,234,071)</b>	<b>\$ (2,234,071)</b>
		<b>2,234,071</b>	
		<b>\$ -</b>	

Town of Morehead City, North Carolina

Statement of Net Position  
 Proprietary Funds  
 June 30, 2019

	Water and Sewer Fund	Solid Waste Fund	Totals
<b>Assets</b>			
Current assets			
Cash and investments	\$ 11,987,746	\$ -	\$ 11,987,746
Restricted cash and investments	106,023	-	106,023
Due from solid waste fund	397,477	-	397,477
Receivables	1,326,936	149,109	1,476,045
Inventories	198,126	-	198,126
<b>Total current assets</b>	<b>14,016,308</b>	<b>149,109</b>	<b>14,165,417</b>
Noncurrent assets			
Notes receivable	57,970	-	57,970
Capital assets, net	51,507,657	188,498	51,696,155
<b>Total noncurrent assets</b>	<b>51,565,627</b>	<b>188,498</b>	<b>51,754,125</b>
<b>Total assets</b>	<b>65,581,935</b>	<b>337,607</b>	<b>65,919,542</b>
<b>Deferred Outflows of Resources</b>			
Contributions to pension plan	371,582	8,847	380,429
OPEB deferrals	23,472	828	24,300
<b>Total deferred outflows of resources</b>	<b>395,054</b>	<b>9,675</b>	<b>404,729</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	382,414	124,336	506,750
Due to/from general fund	-	397,477	397,477
Current maturities of long-term debt	1,211,750	-	1,211,750
Customer deposits	600,274	-	600,274
Accrued salaries	34,282	809	35,091
Prepaid fees	8,459	-	8,459
Accrued compensated absences-current portion	61,203	3,134	64,337
Accrued interest payable	40,813	-	40,813
<b>Total current liabilities</b>	<b>2,339,195</b>	<b>525,756</b>	<b>2,864,951</b>
Noncurrent liabilities			
Accrued compensated absences-long-term portion	6,481	348	6,829
Installment notes	15,496,500	-	15,496,500
Net pension liability	502,278	11,894	514,172
Total OPEB liability	431,144	15,217	446,361
<b>Total noncurrent liabilities</b>	<b>16,436,403</b>	<b>27,459</b>	<b>16,463,862</b>
<b>Total liabilities</b>	<b>18,775,598</b>	<b>553,215</b>	<b>19,328,813</b>
<b>Deferred Inflows of Resources</b>			
Prepaid fees	8,459	-	8,459
Pension deferrals	21,004	490	21,494
OPEB deferrals	34,062	1,202	35,264
<b>Total deferred inflows of resources</b>	<b>63,525</b>	<b>1,692</b>	<b>65,217</b>
<b>Net Position (deficit)</b>			
Net investment in capital assets	34,799,407	188,498	34,987,905
Unrestricted	12,338,459	(396,123)	11,942,336
<b>Total net position</b>	<b>\$ 47,137,866</b>	<b>\$ (207,625)</b>	<b>\$ 46,930,241</b>

See Notes to Financial Statements.

Town of Morehead City, North Carolina

Statement of Revenue, Expenses and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund	Solid Waste Fund	Totals
<b>Operating revenue</b>			
Charges for sales and services	\$ 7,284,789	\$ 958,737	\$ 8,243,526
Miscellaneous	319,306	712	320,018
Total operating revenue	<u>7,604,095</u>	<u>959,449</u>	<u>8,563,544</u>
<b>Operating expenses</b>			
Cost of sales and services	3,889,081	1,877,696	5,766,777
Depreciation	1,661,430	35,343	1,696,773
Total operating expenses	<u>5,550,511</u>	<u>1,913,039</u>	<u>7,463,550</u>
Operating income (loss)	<u>2,053,584</u>	<u>(953,590)</u>	<u>1,099,994</u>
<b>Nonoperating revenue (expense)</b>			
Interest revenue	210,632	7,717	218,349
Restricted intergovernmental	-	7,025	7,025
Sale of surplus property	861	-	861
Disaster planning and recovery	(487,294)	-	(487,294)
Interest expense and fiscal charges	(408,145)	-	(408,145)
Total nonoperating revenue (expense)	<u>(683,946)</u>	<u>14,742</u>	<u>(669,204)</u>
<b>Income (loss) before contributions and transfers</b>	<u>1,369,638</u>	<u>(938,848)</u>	<u>430,790</u>
Contributed capital	232,899	-	232,899
Transfers out:			
Morehead Municipal Campus Capital Projects Fund	(410,000)	-	(410,000)
Governmental Capital Projects Fund	(288,600)	-	(288,600)
Total contributed capital and transfers out	<u>(465,701)</u>	<u>-</u>	<u>(465,701)</u>
Change in net position	<u>903,937</u>	<u>(938,848)</u>	<u>(34,911)</u>
Net position, beginning of year, July 1	<u>46,233,929</u>	<u>731,223</u>	<u>46,965,152</u>
Net position (deficit), ending June 30	<u>\$ 47,137,866</u>	<u>\$ (207,625)</u>	<u>\$ 46,930,241</u>

See Notes to Financial Statements.

Town of Morehead City, North Carolina

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2019

Page 1 of 2

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 7,519,110	\$ 964,881	\$ 8,483,991
Cash paid to suppliers for goods and services	(2,493,182)	(1,763,165)	(4,256,347)
Cash paid to employees	(1,681,020)	(44,806)	(1,725,826)
<b>Net cash provided by operating activities</b>	<b>3,344,908</b>	<b>(843,090)</b>	<b>2,501,818</b>
Cash Flows from Noncapital Financing Activities:			
Disaster planning and recovery	(487,294)	-	(487,294)
Transfers out	(698,600)	-	(698,600)
Advances to/from other funds	(397,477)	397,477	-
Restricted intergovernmental	-	7,025	7,025
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(1,583,371)</b>	<b>404,502</b>	<b>(1,178,869)</b>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,225,070)	-	(1,225,070)
Contributions-capital project funds	86,004	-	86,004
Sale of surplus property	861	-	861
Debt issued	92,287	-	92,287
Principal paid on long-term debt	(1,562,188)	-	(1,562,188)
Interest paid on long-term debt	(316,810)	-	(316,810)
<b>Net cash used in capital and related financing activities</b>	<b>(2,924,916)</b>	<b>-</b>	<b>(2,924,916)</b>
Cash Flows from Investing Activities:			
Interest on investments	210,632	7,717	218,349
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(952,747)</b>	<b>(430,871)</b>	<b>(1,383,618)</b>
Cash and cash equivalents, beginning	13,046,516	430,871	13,477,387
Cash and cash equivalents, ending	\$ 12,093,769	\$ -	\$ 12,093,769

(Continued)

Town of Morehead City, North Carolina

Statement of Cash Flows (Continued)  
Proprietary Funds

Page 2 of 2

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>			
Operating income	\$ 2,053,584	\$ (953,590)	\$ 1,099,994
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,661,430	35,343	1,696,773
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in receivables	(106,869)	5,432	(101,437)
Decrease in Inventory	61,412	-	61,412
(Increase) Decrease in deferred outflows of resources	(138,468)	(3,447)	(141,915)
Increase in net pension liability	167,315	4,028	171,343
Increase in deferred inflows of resources	13,929	541	14,470
(Decrease) Increase in accounts payable and accrued	(379,481)	67,998	(311,483)
Increase in customer deposits	21,884	-	21,884
Increase (decrease) in accrued salaries	51	(538)	(487)
Increase (decrease) in accrued compensated absences	(9,879)	1,143	(8,736)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,344,908</b>	<b>\$ (843,090)</b>	<b>\$ 2,501,818</b>

See Notes to Financial Statements.

**(This Page Was Intentionally Left Blank)**

## NOTES TO THE BASIC FINANCIAL STATEMENTS

---

**These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.**

---

**(This Page Intentionally Left Blank)**



Notes to Financial Statements

---

**Note 1. Summary of Significant Accounting Policies**

The Town of Morehead City, North Carolina (the Town) was incorporated in 1858 and operates under the Council-Manager form of government. Services include police, fire and EMS, highways and streets, cultural and recreation, planning and inspections, water and sewer, solid waste disposal, and general and administrative services.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Morehead City is a municipal corporation that is governed by an elected mayor and a five-member council. Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Codification Section 2100 have been considered and the Town has no component units or entities for which it is considered to be financially accountable, and is not itself a component unit of any other government.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities except that interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. 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 Town and for each function of the Town's governmental activities except that interfund services provided and used are not eliminated in the process of consolidation. 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 Town's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. 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, parks and recreation, and general government services.

**Fire and EMS District Fund** - The Fire and EMS District Fund is used to account for activities of the EMS and fire department including revenue and services for districts outside of the Town limits. The primary revenues are charges for services, restricted monies from Carteret County for the Wildwood and Mitchell Village Districts, and General Fund transfers.

The Town reports the following non-major governmental funds:

**Capital Project Funds** - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Town has four non-major capital project funds: JIB Waterfront Access, Catherine Davis Park Capital Project Fund, Morehead Municipal Campus Capital Project Fund, and the Government Capital Projects Fund.

The Town reports the following major enterprise funds:

**Water and Sewer Enterprise Fund** - The Water and Sewer Enterprise Fund accounts for the water and sewer activities of the Town. The primary revenue consists of user charges for services. The primary expenses are for pumping and distribution of water to and collection and treatment of sewage from the Town's customers. There are three Capital Project Funds and three Capital Reserve Funds which are consolidated with the Water and Sewer Enterprise Fund (the operating fund) for financial reporting purposes.

**Solid Waste Enterprise Fund** - The Solid Waste Enterprise Fund accounts for the solid waste disposal activities of the Town. The primary revenue consists of user charges for services. The primary expenses are for collection and disposal of solid waste for the Town's customers. This fund is not a major fund this year but is being reported as such for consistency purposes.

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

In accordance with North Carolina General Statutes, all non-proprietary type funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town 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 the 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.

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

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 Town enterprise funds are charges to customers for sales and services. The Town 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, OPEB and pension, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenue, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Morehead City because the tax is levied by Carteret County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town 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 Town'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 Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Fire/EMS District Fund and selected Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project funds utilize project ordinances. 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. Budget amounts are as originally adopted, or as amended by the Town as of June 30, 2019. During the year, several amendments to the original budget became necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

# Town of Morehead City, North Carolina

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (Continued)

The following types of budgets have been adopted by the following funds:

Annual Ordinance Funds	Project Ordinance Funds
General Fund	Morehead Municipal Campus Capital Project Fund
Fire/EMS District Fund	Jib Waterfront Access Capital Project Fund
Water and Sewer Fund	Katherine Davis Park Capital Project Fund
Solid Waste Fund	Water and Sewer Extensions Capital Project Fund*
Water and Sewer Capital Project Fund*	West End Force Main Capital Project Fund*
Water and Sewer Capital Reserve Fund*	Water and Sewer System Development Capital Reserve Fund*
Water and Sewer Rebatable Capital Reserve Fund*	Government Capital Projects Fund
	Solid Waste Capital Project Fund**
	Water and Sewer New Capital Project Fund*

\*Funds considered a part of the Town's Water and Sewer Fund.

\*\* Fund considered a part of the Town's Solid Waste Fund.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed:

- April 30 Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.
- June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 The budget ordinance shall be adopted by the governing board.

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

#### Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town 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 Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. Except for debt reserves, the Town pools moneys from several funds to facilitate disbursement and investment and maximize investment income.

#### Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Restricted Assets**

The USDA requires debt reserve accounts to be set up. The Town maintains these accounts as separate bank accounts or certificates of deposit. 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.

Town of Morehead City Restricted Cash

Governmental Activities:

General Fund

USDA debt reserves	\$	247,283
Restricted donations		34,166
Drug enforcement assets		2,978
		<u>284,427</u>

Governmental Capital Projects Fund

Powell Bill		<u>474,202</u>
-------------	--	----------------

Fire and EMS Fund

USDA debt reserves		<u>87,813</u>
--------------------	--	---------------

Total governmental activities

846,442

Business-Type Activities:

Water and Sewer Fund

USDA debt reserves		<u>106,023</u>
--------------------	--	----------------

Total restricted cash

\$ 952,465

**Ad Valorem Taxes Receivable**

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

**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.

**Inventory and Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market value or net realizable value. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Inventory and Prepaid Items (Continued)

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.

##### 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 as follows: equipment, vehicles, building and other improvements, \$5,000; infrastructure, \$100,000; and intangibles with an estimated useful life in excess of one year, \$25,000. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Improvements are capitalized and depreciated using the straight-line method over the remaining useful lives of the related fixed assets, as applicable. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and system	10 – 50 years
Infrastructure	20 – 50 years
Equipment and vehicles	3 – 20 years
Operating plant	20 – 50 years

##### Deferred Outflows/Inflows of Resources

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

##### 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 using the straight-line method over the life of the debt.

Notes to Financial Statements

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Long-Term Obligations**

In the 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town'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. For the governmental funds financial statements, the Town records the liquidation of the liability in the fund in which the underlying salary is paid, primarily the General and Fire/EMS funds. The Town has assumed a last-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.

The Town'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 Town does not have any obligation for the accumulated sick leave until its actually taken, no accrual for sick leave has been made.

**Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This primarily represents outstanding receivables and cannot be budgeted in the next year.

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Fund Balances (Continued)

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

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for various public safety activities, drug law enforcement, and the USDA required loan reserve balance.

Restricted for Recreation - portion of fund balance restricted by revenue source for various recreation projects and the USDA required loan reserve balance.

Restricted for General Government - portion of fund balance restricted by revenue source for various general government projects.

Restricted for Library - portion of fund balance restricted by revenue source for library.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town Council (highest level of decision-making authority). The Council 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 Sidewalk Construction - portion of fund balance that can only be used for sidewalk construction.

Committed for Recreation Facilities Development - portion of fund balance that can only be used for acquiring, maintaining, or improving subdivision recreational land or facilities.

Committed for Public Safety - portion of fund balance assigned by the Town Council for the Fire and EMS Fund.

Assigned Fund Balance - portion of fund balance that Town of Morehead City intends to use for specific purposes.

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

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

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

The Town has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available unassigned fund balance is in the range of \$2,500,000 to \$2,750,000.



## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### Fund Balances (Continued)

Any portion of the general fund balance in excess of \$2,750,000 may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

##### Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Morehead City's employer contributions are recognized when due and the Town of Morehead City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Note 2. Deposits and Investments

##### 1. Deposits

All the deposits of the Town 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 Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 Town 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$5,034,611 and bank balance of \$5,109,083. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$4,859,083 was covered by collateral held under the Pooling Method. At June 30, 2019, the Town's petty cash fund totaled \$4,350.

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 2. Deposits and Investments (Continued)

##### 2. Investments

At June 30, 2019, the Town's investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2019</b>	<b>Maturity</b>
NC Capital Management Trust – Government Portfolio*	Fair Value Level 1	860,133	-
NC Capital Management Trust – Term Portfolio**	Fair Value Level 1	17,415,480	-
Total		\$ 18,275,613	

\* The NC Capital Management Trust Government Portfolio is an SEC registered (2a-7) money market investment pool with a weighted average maturity of less than 90 days, and are presented as an investment with a maturity of less than 6 months.

\*\*As of June 30, 2019, The NC Capital Management Trust Term Portfolio has a duration of .11 years. Because the NCCMT Term Portfolio has a weighted average maturity of less than 90 days, and are presented as an investment with a maturity of less than 6 months.

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.

*Interest Rate Risk.* The Town has no formal investment policy regarding interest rate risk.

*Credit risk.* The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town'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 Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 3. Receivables – Allowances for Doubtful Accounts**

Receivables at June 30, 2019, consist of the following:

	Major General	Major Fire & EMS District	Major Water & Sewer Fund	Major Solid Waste Fund	Total
Receivables					
Local option sales tax	\$ 902,213	\$ -	\$ -	\$ -	\$ 902,213
Property tax	124,946	-	-	-	124,946
Allowance for uncollectibles	(22,824)	-	-	-	(22,824)
	102,122	-	-	-	102,122
Accounts receivable:					
Services	2,989	234,010	1,326,936	147,373	1,711,308
Allowance for uncollectibles	-	(127,195)	-	-	(127,195)
	2,989	106,815	1,326,936	147,373	1,584,113
Due from governmental agencies	540,933	-	-	-	540,933
Net total receivables	\$ 1,548,257	\$ 106,815	\$ 1,326,936	\$ 147,373	\$ 3,129,381

**Note 4. Capital Assets**

**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,802,000	\$ -	\$ -	\$ 12,802,000
Intangible assets	562,831	-	-	562,831
Construction in progress	334,069	846,828	(517,151)	663,746
Total capital assets not being depreciated	13,698,900	846,828	(517,151)	14,028,577
Capital assets being depreciated:				
Buildings and other improvements	25,523,238	1,294,353	(76,632)	26,740,959
Infrastructure	6,879,317	-	-	6,879,317
Equipment and vehicles	6,802,289	828,641	(231,730)	7,399,200
Total capital assets being depreciated	39,204,844	2,122,994	(308,362)	41,019,476
Less accumulated depreciation for:				
Buildings and other improvements	(6,839,766)	(738,938)	45,090	(7,533,614)
Infrastructure	(1,319,749)	(137,565)	-	(1,457,314)
Equipment and vehicles	(3,964,238)	(511,712)	184,921	(4,291,029)
Total accumulated depreciation	(12,123,753)	(1,388,215)	230,011	(13,281,957)
Total capital assets being depreciated, net	27,081,091			27,737,519
Governmental activity capital assets, net	\$ 40,779,991			\$ 41,766,096

Town of Morehead City, North Carolina

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 913,775	\$ 23,636	\$ -	\$ 937,411
Intangible assets	355,585	49,995	-	405,580
Construction in progress	3,319,255	179,526	(3,498,781)	-
Total capital assets not being depreciated	<u>4,588,615</u>	<u>253,157</u>	<u>(3,498,781)</u>	<u>1,342,991</u>
Capital assets being depreciated:				
Buildings and other improvements	6,414,871	-	-	6,414,871
Equipment and vehicles	2,342,377	175,609	-	2,517,986
Operating plant	62,401,990	4,295,085	-	66,697,075
Total capital assets being depreciated	<u>71,159,238</u>	<u>4,470,694</u>	<u>-</u>	<u>75,629,932</u>
Less accumulated depreciation for:				
Buildings and other improvements	(808,930)	(138,538)	-	(947,468)
Equipment and vehicles	(1,758,136)	(138,600)	-	(1,896,736)
Operating plant	(21,236,770)	(1,384,292)	-	(22,621,062)
Total accumulated depreciation	<u>(23,803,836)</u>	<u>(1,661,430)</u>	<u>-</u>	<u>(25,465,266)</u>
Total capital assets being depreciated, net	<u>47,355,402</u>			<u>50,164,666</u>
Water and Sewer Fund capital assets, net	<u>51,944,017</u>			<u>51,507,657</u>
Solid Waste Fund:				
Capital assets being depreciated:				
Equipment and vehicles	415,346	-	(1)	415,345
Less accumulated depreciation for:				
Equipment and vehicles	(191,504)	(35,343)	-	(226,847)
Total capital assets being depreciated, net	<u>223,842</u>			<u>188,498</u>
Solid Waste Fund capital assets, net	<u>223,842</u>			<u>188,498</u>
Business-type activity capital assets, net	<u>\$ 52,167,859</u>			<u>\$ 51,696,155</u>

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

Governmental activities:	
General government	\$ 139,994
Public safety	644,520
Highway and streets	171,286
Cultural and recreation	407,943
Library	24,472
	<u>\$ 1,388,215</u>

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 4. Capital Assets (Continued)

##### Construction Commitments

The Town has active construction projects as of June 30, 2019. However, at year-end, the Town did not have any commitments with contractors.

#### Note 5. Pension Plan and Postemployment Liabilities

##### a. Local Governmental Employees' Retirement System

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

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

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

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

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. Town of Morehead City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Morehead City's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.81% 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 Town of Morehead City were \$687,282 for the year ended June 30, 2019. Contributions made after the measurement date of the net pension liability but before the end of the Town's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than the current fiscal period.

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

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

At June 30, 2019, the Town reported a liability of \$3,497,779 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.14744%, which was an increase of 0.00036% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$953,192. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 539,625	\$ 18,107
Changes of assumptions	928,176	-
Net difference between projected and actual earnings on pension plan investments	480,141	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,046	121,302
Town contributions subsequent to the measurement date	687,282	-
Total	<u>\$ 2,637,270</u>	<u>\$ 139,409</u>

687,282 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

Year ended June 30:

2019	\$	898,557
2020		573,069
2021		80,909
2022		258,044
2023		-
Thereafter		-
		<u>\$ 1,810,579</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

---

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% (6.00%)	Discount Rate (7.00%)	1% (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 8,401,973	\$ 3,497,779	\$ (600,239)

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

**b. Law Enforcement Officers' Special Separation Allowance**

**1. Plan Description.**

The Town of Morehead City administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town'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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>40</u>
Total	<u><u>45</u></u>



**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**2. Summary of Significant Accounting Policies.**

*Basis of Accounting.* The Town 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 following criteria which are outlined in GASB Statement 73.

**3. Actuarial Assumptions**

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the following:

Deaths after Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths after Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths after Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

**4. Contributions.**

The Town 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 Town'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 Town paid \$78,824 as benefits came due for the reporting period.

Town of Morehead City, North Carolina

Notes to Financial Statements

Note 5. Pension Plan and Postemployment Obligations (Continued)

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

At June 30, 2019, the Town reported a total pension liability of \$1,087,472. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$77,193.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,850
Changes of assumptions	-	8,635
Town benefit payments and plan administrative expense made subsequent to the measurement date	39,412	-
Total	<u>\$ 39,412</u>	<u>\$ 49,485</u>

\$39,412 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30:	
2020	\$ (13,597)
2021	(13,597)
2022	(13,338)
2023	(7,939)
2024	(936)
Thereafter	(78)
	<u>\$ (49,485)</u>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% (4.64%)
Total pension liability	\$ 1,180,631	\$ 1,087,472	\$ 1,002,904

Notes to Financial Statements

Note 5. Pension Plan and Postemployment Obligations (Continued)

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

	2019
Beginning balance	\$ 1,081,661
Service cost	57,394
Interest on the total pension liability	32,935
Differences between expected and actual experience in the measurement of the total pension liability	37,918
Changes of assumptions or other inputs	(43,612)
Benefit payments	(78,824)
Ending balance of the total pension liability	\$ 1,087,472

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

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

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 953,192	\$ 77,193	\$ 1,030,385
Pension liability	3,497,779	1,087,472	4,585,251
Proportionate share of the net pension liability	0.14744%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	539,625	-	539,625
Changes of assumptions	928,176	-	928,176
Net difference between projected and actual earnings on plan investments	480,141	-	480,141
Changes in proportion and differences between contributions and proportionate share of contributions	2,046	-	2,046
Benefit payments and administrative costs paid subsequent to the measurement date	687,282	39,412	726,694
Deferred inflows of resources:			
Differences between expected and actual experience	18,107	40,850	58,957
Changes of assumptions	-	8,635	8,635
Changes in proportion and differences between contributions and proportionate share of contributions	121,302	-	121,302

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

**c. Supplemental Retirement Income Plan for Law Enforcement**

*Plan Description.* The Town 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 Town. 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 CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town 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 Town made contributions of \$109,296 and law enforcement officers made contributions of \$82,194 for the reporting year. No amounts were forfeited.

**d. Firefighter's and Rescue Squad Workers' Pension Fund**

*Plan Description:* The State of North Carolina contributes, on behalf of the Town of Morehead City, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. 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:* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions:* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,952,000 to the plan. The Town of Morehead City's proportionate share of the State's contribution is \$17,857.

*Refunds of Contributions:* Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

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

At June 30, 2019, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$48,582. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the Town recognized pension expense of \$13,816 and revenue of \$13,816 for support provided by the State. At June 30, 2019, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**e. Other Postemployment Benefit (OPEB)**

**Healthcare Benefits**

*Plan Description.* Employees who retire under the provisions of the North Carolina Local Government Employees' Retirement System (NCLGERS) and have five or more years of service with the Town at the time of retirement are eligible to participate in the Town's OPEB plan until age 65 or until eligible for Medicare, whichever occurs first.

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

---

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

*Plan Description:* The Town provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who meet requirements established by the Town Council.

*Benefits Provided:* OPEB plan benefits are available to eligible retirees who were hired before July 1, 2016 and who have at least 10 years of continuous service with the Town immediately prior to retirement, and also meet one of the following conditions:

- (1) 30 years of service with NCLGERS, regardless of age,
- (2) have attained 55 years of age and have a minimum of 25 years of service with NCLGERS, or
- (3) have attained 62 years of age and have a minimum of 15 years of service with NCLGERS.

Eligible retirees who were hired before July 1, 2016 may remain on the Town's medical plan and pay for coverage in the same manner as active employees. Currently, active employees have single coverage provided at no cost.

Employees hired before July 1, 2016 not meeting one of the requirements listed above can continue coverage in the Town's group health care plan by paying the full premiums for coverage.

Eligible retirees hired after July 1, 2016 who service retire from NCLGERS with unreduced benefits after completing 10 years of continued service with the Town, will receive a reimbursement of medical premiums equal to \$5.00 per month for each year of employment with the Town with a maximum monthly amount of \$150.00 for an employee working thirty or more years with the Town.

The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Health care and prescription drug coverage are provided in the Town's group health care plan until the retiree becomes eligible for Medicare for those hired prior to July 1, 2016. A medical premium reimbursement is provided until age 65 for those hired after July 1, 2016.

The retiree hired prior to July 1, 2016 may continue dependent coverage (and pay the full required contribution for this coverage) if enrolled in dependent coverage at the time of retirement. Dependent coverage terminates whenever the retiree or dependent becomes eligible for Medicare, or upon the retiree's death.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	16
Active plan members	<u>165</u>
Total	<u><u>181</u></u>

**Total OPEB Liability**

The Town's total OPEB liability of \$2,536,141 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases, including inflation and productivity factor	3.50 to 7.75 percent
Municipal bond index rate:	
Measurement date	3.89 percent
Healthcare cost trend rates:	
Pre-Medicare Medical and Prescription Drug	7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023

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

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2018	\$ 2,522,556
Charges for the year:	
Service cost at the end of the year*	143,529
Interest on TOL and cash flows	87,379
Differences between expected and actual experience	11,385
Changes of assumptions or other inputs	(91,345)
Net benefit payments and implicit subsidy credit**	(137,363)
Net changes	<u>13,585</u>
Balance at June 30, 2019	<u>\$ 2,536,141</u>

\*The service cost includes interest for the year.

\*\*The net benefit payments shown above include \$41,000 due to the implicit subsidy.

Since the Prior Measurement Date (June 30, 2017), the Discount Rate has changed from 3.56 percent to 3.89 percent due to a change in the Municipal Bond Rate.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.896 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 2,825,109	\$ 2,536,141	\$ 2,281,868

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 5. Pension Plan and Postemployment Obligations (Continued)**

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

	Health Care Cost Trend Rate Sensitivity		
	1%		1%
	Decrease	Current	Increase
Total OPEB liability	\$ 2,196,444	\$ 2,536,141	\$ 2,952,040

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$211,733. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,227	\$ -
Changes of assumptions or other inputs	-	200,365
Benefit payments and plan administrative expense made subsequent to the measurement date	123,845	-
Total	<u>\$ 138,072</u>	<u>\$ 200,365</u>

\$123,845 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30:	
2019	\$ (25,013)
2020	(25,013)
2021	(25,013)
2022	(25,013)
2023	(25,013)
Thereafter	(61,073)
	<u>\$ (186,138)</u>

**Note 6. Other Employment Benefits**

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants.



## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 6. Other Employment Benefits (Continued)

The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

#### Note 7. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows and inflows of resources. Deferred outflows and inflows of resources at June 30, 2019 are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Government-wide:		
Prepaid taxes and fees	\$ -	\$ 65,533
Pension deferrals	2,676,682	188,894
OPEB deferrals	138,072	200,365
	<u>\$ 2,814,754</u>	<u>\$ 454,792</u>
General fund:		
Prepaid taxes and fees	\$ -	\$ 59,098
Property taxes receivable	-	102,122
	<u>\$ -</u>	<u>\$ 161,220</u>
Fire/EMS fund:		
Unavailable Ambulance Fees	\$ -	\$ 18,208
	<u>\$ -</u>	<u>\$ 18,208</u>

#### Note 8. Risk Management

The Town 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 Town participates in two insurance pools administered by the North Carolina League of Municipalities. One pool (IRFFNC) provides coverage for property damage and general liability (including auto and law enforcement officers). Major policies and their limits of coverage include: public officials (\$5 million) and law enforcement liability (\$5 million), vehicle liability (\$5 million), public employee scheduled and blanket bonds (\$250,000), general liability (\$5 million), municipal equipment (\$3,134,857), vehicles (\$3,373,633), property (\$75,460,491) and employee health coverage (\$1,000,000). The other pool (NCRIMA) provides workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$1,000,000 for general liability and \$1,000,000 for property damage, and single occurrence losses of \$1,000,000 for workers' compensation. The Town provides employee health insurance through Blue Cross Blue Shield up to an unlimited lifetime benefit. The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 8. Risk Management (Continued)

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because certain properties owned by the Town are in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of up to \$500,000 per structure through the NFIP. The Town also is eligible to and has purchased commercial flood insurance for another \$38,300 of coverage for contents.

In accordance with G. S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$250,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

#### Note 9. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

#### Note 10. 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.

#### Changes in Long-term Liabilities – Governmental Activities

Long-term liability activity for governmental activities for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
*Accrued compensated absences	\$ 469,215	\$ 791,383	\$ 738,617	521,981	\$ 370,607
Net pension liability (LERS)	1,901,837	1,081,770	-	2,983,607	-
Total pension liability (LEO)	1,081,661	5,811	-	1,087,472	-
Total OPEB liability	2,078,586	11,194	-	2,089,780	-
Direct placement installment notes payable	277,302	-	277,302	-	-
Direct placement installment purchase contracts	9,662,974	-	909,167	8,753,807	303,516
Total	<u>\$ 15,471,575</u>	<u>\$ 1,890,158</u>	<u>\$ 1,925,086</u>	<u>\$ 15,436,647</u>	<u>\$ 674,123</u>

\*For governmental activities, compensated absences, pension obligations and other postemployment benefits are generally liquidated by the General Fund and Fire/EMS Fund.

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 10. Long-Term Obligations (Continued)**

The Town has a \$4,808,000 direct placement installment purchase contract from USDA to finance the E911 Police Center. The agreement has a term of 40 years and is collateralized by the property. The note bears interest at a rate of 4.125% annually. As of June 30, 2019, \$225,144 remains in a restricted account and the remaining obligation due under this agreement totaled \$4,330,423.

The Town has a \$2,075,000 direct placement installment purchase contract from USDA to finance the construction of the new Fire and EMS station. The agreement has a term of 40 years and is collateralized by the property. The note bears interest at a rate of 3.75% annually. As of June 30, 2019, \$81,724 remains in a restricted account and the remaining obligation due under this agreement totaled \$1,914,839.

The Town has a \$2,605,000 direct placement installment purchase contract from the State of North Carolina over a 20-year term to finance the Katherine Davis Park Capital Project. The note bears an annual interest rate of 3.05%. As of June 30, 2019, the obligation due under this agreement totaled \$2,508,545.

**Changes in Long-Term Liabilities – Business-Type Activities**

Long-term liability activity for business-type activities for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Direct placement revenue bond	\$ 4,780,000	\$ -	\$ 79,000	\$ 4,701,000	\$ 82,000
Direct placement notes payable	13,398,152	92,287	1,483,189	12,007,250	1,129,750
*Accrued compensated absences	79,902	110,278	119,014	71,166	64,337
Net pension liability (LGERS)	345,138	169,034	-	514,172	-
Total OPEB liability	443,970	2,391	-	446,361	-
Total	<u>\$ 19,047,162</u>	<u>\$ 373,990</u>	<u>\$ 1,681,203</u>	<u>\$ 17,739,949</u>	<u>\$ 1,276,087</u>

\*For business-type activities, compensated absences and other postemployment benefits are generally liquidated by the Water and Sewer Fund and the Solid Waste Fund.

The Town has a \$1,700,000 direct placement installment note payable to the State of North Carolina over a 20-year term to finance the acquisition and construction of improvements to the water and sewer system. The note is payable from water and sewer revenue or sales tax distributions to the Town and bears an annual interest rate of 2.6%. As of June 30, 2019, the remaining obligation due under this agreement totaled \$340,000.

## Town of Morehead City, North Carolina

### Notes to Financial Statements

---

#### Note 10. Long-Term Obligations (Continued)

The Town has a \$1,000,000 direct placement installment note payable to the State of North Carolina over a 20-year term to finance the acquisition and construction of improvements to the sewer system. The note is payable from sewer revenue or sales tax distributions to the Town and bears an annual interest rate of 2.36%. As of June 30, 2019, the remaining obligation due under this agreement totaled \$300,000.

The Town has a \$15,000,000 direct placement installment note payable to the State of North Carolina over a 20-year term to finance the construction of a new wastewater treatment plant. The note is payable from sewer revenue or sales tax distributions to the Town and bears an annual interest rate of 2.265%. As of June 30, 2019, the remaining obligation due under this agreement totaled \$7,500,000.

The Town has a \$645,000 direct placement installment note payable to the State of North Carolina over a 20-year term to finance sewer lift station improvements. The note is payable from sewer revenue or sales tax distributions to the Town and is interest free. As of June 30, 2019, the obligation due is \$354,750.

The Town has a \$1,500,000 direct placement installment note payable to the State of North Carolina over a 20-year term to finance water treatment improvements. The note is payable from water revenue or sales tax distributions to the Town and is interest free. As of June 30, 2019, the obligation due is \$900,000.

The Town issued \$4,932,000 in direct placement revenue bonds payable to USDA for improvements to the water treatment facilities consisting of a water tower, two water treatment plants and well. The bonds are payable from water and sewer revenue. Bond terms consist of 40 annual payments beginning June 1, 2015 and bear an interest rate of 2.75%. As of June 30, 2019, \$106,023 remains in a restricted account and the remaining obligation due under this agreement totaled \$4,701,000.

The Town has a \$2,750,000 direct placement installment note payable to the State of North Carolina over a 20-year term to finance the West End Force Main Capital Project. The note is payable from water revenue or sales tax distributions to the Town and bears an annual interest rate of 1.66%. As of June 30, 2019, the obligation due under this agreement totaled \$2,612,500.

The following table summarizes the annual requirements to amortize all long-term debt outstanding (excluding accrued compensated absences, unfunded pension contributions, and other postemployment pension obligations):

	Principal	Interest
Governmental activities:		
2019-2020	\$ 303,516	\$ 400,426
2020-2021	211,324	316,710
2021-2022	218,789	309,246
2022-2023	226,522	301,512
2023-2024	234,534	293,500
2025-2029	1,303,348	1,336,823
2030-2034	1,551,827	1,088,345
2035-2039	1,491,567	796,790
2040-2044	1,211,007	549,628
2045-2049	1,474,788	285,847
2050-2054	526,585	32,638
	<u>\$ 8,753,807</u>	<u>\$ 5,711,465</u>

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

**Note 10. Long-Term Obligations (Continued)**

	Principal	Interest
Business-type activities, Water and Sewer Fund:		
2019-2020	\$ 1,211,750	\$ 358,440
2020-2021	1,213,750	333,525
2021-2022	1,215,750	308,555
2022-2023	1,217,750	283,520
2023-2024	1,135,750	258,450
2025-2029	5,516,750	953,695
2030-2034	1,434,750	568,975
2035-2039	1,198,000	429,798
2040-2044	740,000	312,950
2045-2049	849,000	205,342
2050-2054	975,000	82,060
	<u>16,708,250</u>	<u>4,095,310</u>
	<u>\$ 25,462,057</u>	<u>\$ 9,806,775</u>

Interest paid on the above obligations for the year ended June 30, 2019 totaled \$708,169. State statutes provide for a legal debt limit of 8 percent of the Town's assessed value of taxable property. The Town's legal debt margin as of June 30, 2019 amounts to \$154,378,770.

The Town is in compliance with the covenants contained in the USDA bond order as set forth in Article 5.01. The significant bond covenants require: a) that the net revenues (excluding depreciation) for each fiscal year shall not be less than 110% of the amount of the debt service requirement for each fiscal year and shall not be less than 100% of the subordinated indebtedness debt service requirement for each fiscal year and b) The Town shall establish a debt service reserve account to provide for at least one average annual loan installment.

The net revenues coverage calculation for the year ended June 30, 2019, is as follows:

Operating revenues.	\$ 7,604,095
Operating expenses	<u>3,767,559</u>
Operating income	3,836,536
Non-operating income	795,151
Non-operating expense*	<u>1,937,394</u>
Net revenues available for debt service	<u>\$ 2,694,293</u>
110% of FY 18/19 maximum debt service requirement	\$ 231,495
Debt service coverage ratio	<u>1163.87%</u>
100% of FY 18/19 subordinated indebtedness debt service requirement	\$ 1,761,688
Debt service coverage ratio	<u>152.94%</u>

\* Operating expenses do not include depreciation or interest

**Note 11. Jointly Governed Organizations**

The Town, in conjunction with seven counties and twenty-eight other municipalities, established the Neuse River Council of Governments d/b/a Eastern Carolina Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$3,305 to the Council during the fiscal year ended June 30, 2019.

**Town of Morehead City, North Carolina**

**Notes to Financial Statements**

---

**Note 12. Federal and State Assisted Programs**

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**Note 13. Interfund Transfers**

Interfund transfers for the year ended June 30, 2019 are as follows:

	From	To	Purpose
General Fund	\$ 3,768,652	\$ 567,000	
Major Fire/EMS District Fund	567,000	1,661,634	Portion of operations
Major Katherine Davis Park CPF	294,340	350,000	Portion of construction and fund close out
Water and Sewer Fund	1,450,100	555,584	Portion of operations
Governmental CPF	-	1,870,733	Portion of construction
Morehead Municipal Campus CPF	-	935,000	Portion of construction
Water and Sewer CPF	555,584	751,500	Portion of construction and fund close out
JIB Waterfront Access CPF	55,775	-	Fund close out
Total	<u>\$ 6,691,451</u>	<u>\$ 6,691,451</u>	

**Note 14 Due To/From**

	From	To	Purpose
Water and Sewer Fund		\$ 397,477	Fund debris removal
Solid Waste Fund	397,477		Fund debris removal
Total	<u>\$ 397,477</u>	<u>\$ 397,477</u>	

**Note 15. Subsequent Events**

The Town has evaluated its subsequent events (events occurring after June 30, 2019) through December 18, 2019 which represents the date the financial statements were available to be issued.

**Note 16. Recent GASB Statements**

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018, and did not have a material impact on the Town's financial position, overall cash flow or balances or results of operations.

Notes to Financial Statements

---

**Note 16. Recent GASB Statements (Continued)**

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statements also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, and did not have a material impact on the Town's financial position, overall cash flow or balances or results of operations.

**Note 17. Pending GASB Statements**

The Town has not currently determined what, if any, effect of implementation of the following statements may have on the financial statements of the Town.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2020.

**(This Page Intentionally Left Blank)**



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA - UNAUDITED**

---

This section contains additional information required by generally accepted accounting principles.

- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
  - **Schedule of Contributions to Local Government Employees' Retirement System**
  - **Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan**
  - **Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance**
  - **Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance**
  - **Schedule of Changes in the Total OPEB Liability and Related Ratios**
-

**(This Page Was Intentionally Left Blank)**

**Town of Morehead City, North Carolina**

**Schedule of Town's Proportionate Share of Net Pension Liability (Asset)**

**Required Supplementary Information - Unaudited Last Six Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) %	0.147%	0.147%	0.143%	0.134%	0.124%	0.112%
Town's proportionate share of the net pension liability (asset)	\$ 3,497,779	\$ 2,246,975	\$ 3,044,490	\$ 599,634	\$ (733,408)	\$ 1,352,441
Town's covered payroll	\$ 8,027,679	\$ 8,100,246	\$ 7,357,194	\$ 6,662,614	\$ 5,883,587	\$ 5,551,592
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.57%	27.74%	41.38%	9.00%	( 12.47%)	24.36%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\*The amounts presented for each fiscal year were determined as of the prior fiscal years ended June 30. This schedule will present 10 years' worth of information when available.

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

**Town of Morehead City, North Carolina**

**Schedule of Town's Contributions  
Required Supplementary Information - Unaudited  
\*Last Six Fiscal Years**

**Local Governmental Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 687,282	\$ 619,467	\$ 599,257	\$ 495,967	\$ 476,266	\$ 418,846
Contributions in relation to the contractually required contribution	687,282	619,467	599,257	495,967	476,266	418,846
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 8,630,104	\$ 8,027,679	\$ 8,100,246	\$ 7,357,194	\$ 6,662,614	\$ 5,883,587
Contributions as a percentage of covered-employee payroll	7.96%	7.72%	7.40%	6.74%	7.15%	7.12%

\*This schedule will present 10 years' worth of information as of the fiscal years ended June 30, when available.

**Town of Morehead, North Carolina**

**Schedule of Town's Proportionate Share of Net Pension Liability  
Required Supplementary Information - Unaudited  
Last Five Fiscal Years \***

**Firefighters' and Rescue Squad Workers' Pension**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Town's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Morehead	48,582	38,860	27,171	21,916	18,821
Total	<u>\$ 48,582</u>	<u>\$ 38,860</u>	<u>\$ 27,171</u>	<u>\$ 21,916</u>	<u>\$ 18,821</u>
Town's covered payroll	\$ 2,453,301	\$2,272,111	\$2,165,982	\$1,743,285	\$1,247,293
Town's proportionate share of the net pension liability as a percentage of its covered payroll	1.98%	1.71%	1.25%	1.26%	1.51%
Plan fiduciary net position as a percentage of the total pension liability**	89.69%	89.35%	84.94%	91.40%	93.42%

\*The amounts presented are for the prior fiscal years ended June 30. This schedule will present 10 years' worth of information when available.

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

**Town of Morehead City, North Carolina**

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information - Unaudited  
Last Three Fiscal Years\***

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 1,081,661	\$ 1,138,005	\$ 1,166,289
Service Cost	57,394	47,476	88,620
Interest on the total pension liability	32,935	42,052	-
Differences between expected and actual experience in the measurement of the total pension liability	37,918	(110,307)	-
Changes of assumptions or other inputs	(43,612)	61,609	(21,351)
Benefit payments	<u>(78,824)</u>	<u>(97,174)</u>	<u>(95,553)</u>
Ending balance of the total pension liability	<u>\$ 1,087,472</u>	<u>\$ 1,081,661</u>	<u>\$ 1,138,005</u>

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

\*This schedule will present 10 years' worth of information when available.

**Town of Morehead City, North Carolina**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information - Unaudited  
Last Three Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,087,472	\$ 1,081,661	\$ 1,138,005
Covered payroll	2,099,919	1,963,851	2,052,052
Total pension liability as a percentage of covered payroll	51.79%	55.08%	55.46%

Notes to the schedules:

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

\* The amounts presented for each fiscal year were determined as of the prior year ended December 31. This schedule will present 10 years' worth of information when available.

**Town of Morehead City, North Carolina**

**Schedule of Changes in the Total OPEB Liability and Related Ratios  
Required Supplementary Information - Unaudited  
Last Two Fiscal Years\***

	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 143,529	\$ 155,365
Interest	87,379	75,281
Differences between expected and actual experience	11,385	5,250
Change of assumptions	(91,345)	(152,657)
Benefit payments	(137,363)	(122,545)
<b>Net change in total OPEB Liability</b>	<u>13,585</u>	<u>(39,306)</u>
<b>Total OPEB liability - beginning</b>	2,522,556	2,561,862
<b>Total OPEB liability - ending</b>	<u><u>\$ 2,536,141</u></u>	<u><u>\$ 2,522,556</u></u>
Covered payroll	\$ 7,462,546	\$ 7,462,546
Total OPEB liability as a percentage of covered payroll	33.98%	33.80%

**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 ended June 30:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.89%
2017	3.01%

\*This schedule will present 10 years' worth of information when available.



**MAJOR GOVERNMENTAL FUNDS**

---

- **General Fund**
  - **Fire/EMS District Fund**
-

**(This Page Was Intentionally Left Blank)**

**GENERAL FUND**

---

**The General Fund is the principal fund of the Town and is used to account for all activities of the Town not included in other specific funds. The General Fund accounts for the normal recurring activities of the Town. These activities are funded principally by property and sales taxes on individuals and businesses, and grants from other governmental units.**

---

**Town of Morehead City, North Carolina  
General Fund**

**Schedule of Revenue, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for Year Ended June 30, 2018)**

(Page 1 of 5)	2019			Unaudited 2018
	Final Budget	Actual	Variance, With Final Budget	Actual
<b>Revenue:</b>				
Ad valorem taxes:				
Current year	\$ 6,942,025	\$ 7,061,431	\$ 119,406	\$ 6,941,639
Prior years	40,000	31,005	(8,995)	33,330
Interest and penalties	24,000	29,766	5,766	14,120
<b>Total ad valorem taxes</b>	<b>7,006,025</b>	<b>7,122,202</b>	<b>116,177</b>	<b>6,989,089</b>
Other taxes:				
Motor vehicle lease tax	28,000	45,791	17,791	29,959
<b>Total other taxes</b>	<b>28,000</b>	<b>45,791</b>	<b>17,791</b>	<b>29,959</b>
Unrestricted intergovernmental:				
Local option sales tax	2,800,000	3,176,645	376,645	2,972,776
Electric sales tax	798,000	867,359	69,359	836,425
Beer and wine tax	40,000	40,529	529	40,545
Carteret County ABC revenue	176,000	246,154	70,154	212,193
Video programming sales tax	118,000	112,861	(5,139)	120,804
Telecommunications tax	98,000	95,199	(2,801)	103,913
Piped natural gas tax	16,000	16,784	784	17,293
Payment in lieu of taxes	65,000	65,603	603	66,216
<b>Total unrestricted intergovernmental</b>	<b>4,111,000</b>	<b>4,621,134</b>	<b>510,134</b>	<b>4,370,165</b>
Restricted intergovernmental:				
Powell Bill	264,900	264,020	(880)	267,439
School resource officer	113,700	114,922	1,222	110,260
Bullet proof vest grant	1,662	2,565	903	1,390
Controlled substance tax	20,000	21,115	1,115	15,530
Restitution funds	-	769	769	1,903
Dredging grant	60,000	38,628	(21,372)	20,000
CAMA	4,000	2,220	(1,780)	3,650
Webb Library funding	53,075	53,075	-	53,075
Housing Authority grant	35,000	35,000	-	35,000
FEMA reimbursements	135,905	-	(135,905)	-
CAMA S. 10th St. grant	12,800	12,441	(359)	-
<b>Total restricted governmental</b>	<b>701,042</b>	<b>544,755</b>	<b>(156,287)</b>	<b>508,247</b>

(Continued)

Town of Morehead City, North Carolina  
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for Year Ended June 30, 2018)

(Page 2 of 5)	2019			Unaudited 2018
	Final Budget	Actual	Variance, With Final Budget	Actual
Permits and fees:				
Building permits and inspection fees	\$ 275,000	\$ 281,397	\$ 6,397	\$ 310,551
Planning/zoning fees and charges	25,000	40,098	15,098	28,393
Sidewalk extension fees	20,000	31,580	11,580	-
Franchise fees	-	125	125	125
<b>Total permits and fees</b>	<b>320,000</b>	<b>353,200</b>	<b>33,200</b>	<b>339,069</b>
Sales and services:				
Court cost and fees	3,500	2,252	(1,248)	4,062
Cemetery fees	1,000	1,445	445	1,680
Recreation concessions	-	-	-	1,363
Sale of cemetery lots	5,000	9,630	4,630	24,550
Library fees and charges	2,250	2,711	461	2,684
Leases	108,900	119,850	10,950	114,824
E 911 cost sharing	48,500	49,935	1,435	35,530
Recreation fees and charges	134,600	174,319	39,719	173,867
<b>Total sales and services</b>	<b>303,750</b>	<b>360,142</b>	<b>56,392</b>	<b>358,560</b>
Investment earnings	50,000	155,486	105,486	93,089
Miscellaneous revenue:				
Restricted donations	22,050	4,897	(17,153)	12,002
Insurance reimbursements/refunds	40,521	77,329	36,808	7,663
Police sponsorship	-	-	-	6,000
Miscellaneous	10,000	26,839	16,839	4,809
<b>Total miscellaneous revenue</b>	<b>72,571</b>	<b>109,065</b>	<b>36,494</b>	<b>30,474</b>
<b>Total revenue</b>	<b>12,592,388</b>	<b>13,311,775</b>	<b>719,387</b>	<b>12,718,652</b>

(Continued)

**Town of Morehead City, North Carolina  
General Fund**

**Schedule of Revenue, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for Year Ended June 30, 2018)**

(Page 3 of 5)	2019			Unaudited 2018
	Final Budget	Actual	Variance, With Final Budget	Actual
<b>Expenditures</b>				
General government:				
Mayor - town council				
Salaries and benefits		\$ 29,481		\$ 22,191
Other		9,159		14,517
	<b>57,868</b>	<b>38,640</b>	<b>19,228</b>	<b>36,708</b>
Administration:				
Salaries, wages and benefits		189,694		125,396
Other		22,074		20,991
	<b>269,705</b>	<b>211,768</b>	<b>57,937</b>	<b>146,387</b>
Finance:				
Salaries, wages and benefits		191,642		253,335
Other		34,993		35,769
	<b>261,802</b>	<b>226,635</b>	<b>35,167</b>	<b>289,104</b>
Central services:				
Employee benefits		70,646		122,705
Professional services		82,249		78,561
Capital outlay		19,193		37,842
Other		167,855		241,018
	<b>421,931</b>	<b>339,943</b>	<b>81,988</b>	<b>480,126</b>
Community projects:				
	<b>93,786</b>	<b>88,671</b>	<b>5,115</b>	<b>66,793</b>
Information technology:				
Salaries, wages and benefits		1		580
Other		-		(580)
	<b>2,698</b>	<b>1</b>	<b>2,697</b>	<b>-</b>
Cemetery, buildings and grounds:				
Salaries, wages and benefits		292,815		278,485
Capital outlay		29,841		6,968
Other		86,991		84,617
	<b>473,119</b>	<b>409,647</b>	<b>63,472</b>	<b>370,070</b>
Garage:				
Salaries, wages and benefits		24,262		18,696
Capital outlay		4,902		59,171
Other		3,983		4,019
	<b>79,859</b>	<b>33,147</b>	<b>46,712</b>	<b>81,886</b>
<b>Total general government</b>	<b>1,660,768</b>	<b>1,348,452</b>	<b>312,316</b>	<b>1,471,074</b>

(Continued)

Town of Morehead City, North Carolina  
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for Year Ended June 30, 2018)

(Page 4 of 5)	2019			Unaudited 2018
	Final Budget	Actual	Variance, With Final Budget	Actual
Public safety:				
Police:				
Salaries, wages and benefits		\$ 3,301,657		\$ 3,013,134
Capital outlay		101,771		372,617
Other		525,430		476,194
	<b>4,213,448</b>	<b>3,928,858</b>	<b>284,590</b>	<b>3,861,945</b>
Inspections:				
Salaries, wages and benefits		491,575		490,103
Other		77,209		41,481
	<b>680,383</b>	<b>568,784</b>	<b>111,599</b>	<b>531,584</b>
Federal drug forfeit funds:				
Capital outlay		-		-
Other		-		-
	<b>2,929</b>	<b>-</b>	<b>2,929</b>	<b>-</b>
<b>Total public safety</b>	<b>4,896,760</b>	<b>4,497,642</b>	<b>399,118</b>	<b>4,393,529</b>
Highways and streets:				
Transportation:				
Salaries, wages and benefits		410,732		391,301
Other		273,201		338,617
	<b>834,823</b>	<b>683,933</b>	<b>150,890</b>	<b>729,918</b>
Powell Bill funds	<b>932,308</b>	<b>449,123</b>	<b>483,185</b>	<b>183,317</b>
<b>Total highways and streets</b>	<b>1,767,131</b>	<b>1,133,056</b>	<b>634,075</b>	<b>913,235</b>
Recreation:				
Salaries, wages and benefits		428,488		412,519
Capital outlay		66,190		78,603
Other		192,453		164,197
<b>Total recreation</b>	<b>706,637</b>	<b>687,131</b>	<b>19,506</b>	<b>655,319</b>
Parks:				
Salaries, wages and benefits		221,229		199,880
Capital outlay		78,190		189,708
Other		263,658		254,151
<b>Total parks</b>	<b>582,486</b>	<b>563,077</b>	<b>19,409</b>	<b>643,739</b>

(Continued)

Town of Morehead City, North Carolina  
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for Year Ended June 30, 2018)

(Page 5 of 5)	2019			Unaudited 2018
	Final Budget	Actual	Variance, With Final Budget	Actual
Library:				
Salaries, wages and benefits		\$ 98,880		\$ 84,139
Capital outlay		-		88,340
Other		61,404		54,533
<b>Total library</b>	<b>355,572</b>	<b>160,284</b>	<b>195,288</b>	<b>227,012</b>
Disaster planning and recovery:				
Other	1,000,000	786,138		-
<b>Total disaster planning and recovery</b>	<b>1,000,000</b>	<b>786,138</b>	<b>213,862</b>	<b>-</b>
Debt service:				
Principal retirement		1,156,982		403,973
Interest fees		225,317		301,351
<b>Total debt service</b>	<b>1,558,493</b>	<b>1,382,299</b>	<b>176,194</b>	<b>705,324</b>
Contingency	-	-	-	-
<b>Total expenditures</b>	<b>12,527,847</b>	<b>10,558,079</b>	<b>1,969,768</b>	<b>9,009,232</b>
<b>Revenue over expenditures</b>	<b>64,541</b>	<b>2,753,696</b>	<b>2,689,155</b>	<b>3,709,420</b>
Other financing sources (uses):				
Fund balance appropriated	4,686,965	-	(4,686,965)	-
Sale of capital assets	7,500	6,015	(1,485)	16,628
Transfers in:				
Fire/EMS District Fund	567,000	567,000	-	-
Transfers out:				
Fire/EMS District Fund	(3,195,617)	(1,661,634)	1,533,983	(2,988,601)
Katherine Davis Park CPF	(350,000)	(350,000)	-	(60,000)
Governmental CPF	(1,232,018)	(1,232,018)	-	-
Morehead City Municipal Campus CPF	(525,000)	(525,000)	-	(392,264)
Contingency	(23,371)	-	23,371	-
<b>Total other financing sources (uses)</b>	<b>(64,541)</b>	<b>(3,195,637)</b>	<b>(3,131,096)</b>	<b>(3,424,237)</b>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>(441,941)</b>	<b>\$ (441,941)</b>	<b>285,183</b>
Fund balance, beginning		9,766,577		9,481,394
Fund balance, ending		<b>\$ 9,324,636</b>		<b>\$ 9,766,577</b>



**FIRE/EMS DISTRICT FUND**

---

**This fund is used to account for activities of the EMS and fire department including revenues and services for districts outside of town limits, which are restricted by North Carolina State Statutes.**

---

**Town of Morehead City, North Carolina  
Fire/EMS District Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)**

(Page 1 of 2)	2019			Unaudited 2018
	Budget	Actual	Variance With Final Budget	Actual
Revenue:				
Operating revenue:				
Restricted - intergovernmental				
FEMA Reimbursement	\$ 52,100	\$ -	\$ (52,100)	\$ -
FEMA Grant (Safer)	235,246	186,975	(48,271)	290,998
Carteret County Equipment Grant	-	-	-	260,000
Charges for services	1,770,700	2,132,288	361,588	1,865,779
<b>Total operating revenue</b>	<b>2,058,046</b>	<b>2,319,263</b>	<b>261,217</b>	<b>2,416,777</b>
Investment earnings	6,000	28,730	22,730	15,153
Miscellaneous revenue:				
Special project revenue	4,000	4,653	653	8,234
Sale of surplus property	-	2,256	2,256	-
Insurance reimbursements	22,807	13,357	(9,450)	950
Miscellaneous	107	7,927	7,820	44,467
<b>Total miscellaneous revenue</b>	<b>26,914</b>	<b>28,193</b>	<b>1,279</b>	<b>53,651</b>
<b>Total revenue</b>	<b>2,090,960</b>	<b>2,376,186</b>	<b>285,226</b>	<b>2,485,581</b>
Expenditures:				
Public safety:				
Salaries, wages, and benefits		4,009,953		3,732,752
Other		1,210,605		871,380
Capital outlay		382,222		59,900
<b>Total public safety</b>		<b>5,602,780</b>	<b>209,352</b>	<b>4,664,032</b>

(Continued)

Town of Morehead City, North Carolina  
 Fire/EMS District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Year Ended June 30, 2019  
 (With Comparative Actual Amounts for the Year Ended June 30, 2018)

(Page 2 of 2)	2019			Unaudited 2018
	Budget	Actual	Variance With Final Budget	Actual
Debt service:				
Principal retirement		\$ 29,209		\$ 28,153
Interest fees		72,902		73,958
	<u>102,115</u>	<u>102,111</u>	<u>4</u>	<u>102,111</u>
<b>Total expenditures</b>	<b><u>5,914,247</u></b>	<b><u>5,704,891</u></b>	<b><u>209,356</u></b>	<b><u>4,766,143</u></b>
<b>Revenue over (under) expenditures</b>	<b><u>(3,823,287)</u></b>	<b><u>(3,328,705)</u></b>	<b><u>494,582</u></b>	<b><u>(2,280,562)</u></b>
Other financing sources (uses):				
Fund balance appropriated	1,265,680	-	(1,265,680)	-
Transfers out:				
General Fund	(567,000)	(567,000)	-	-
Contingency	(71,010)	-	71,010	-
Operating transfer in:				
General fund	3,195,617	1,661,634	(1,533,983)	2,988,601
<b>Total other financing sources (uses)</b>	<b><u>3,823,287</u></b>	<b><u>1,094,634</u></b>	<b><u>(2,728,653)</u></b>	<b><u>2,988,601</u></b>
<b>Revenue and other financing sources over expenditures</b>	<b><u>\$ -</u></b>	<b><u>(2,234,071)</u></b>	<b><u>\$ (2,234,071)</u></b>	<b><u>708,039</u></b>
Fund balance, beginning		<u>2,234,071</u>		<u>1,526,032</u>
Fund balance, ending		<u>\$ -</u>		<u>\$ 2,234,071</u>

**(This Page Was Intentionally Left Blank)**

## NON-MAJOR GOVERNMENTAL FUNDS

---

**Non-Major Capital Project Funds** – Capital Project Funds account for all resources used for current and future acquisition and/or construction of major capital facilities by the Town except for those financed by proprietary funds. The Town has four non-major capital project funds.

- **Jib Waterfront Access Capital Project Fund** – This fund is used to account for funds accumulated for the acquisition and development of the Jib Waterfront property.
  - **Katherine Davis Park Capital Project Fund** – This fund is used to account for funds accumulated for the acquisition and development of Katherine Davis Park.
  - **Morehead City Municipal Campus Capital Project Fund** – This fund is used to account for funds accumulated for the acquisition of the Charles Wallace School Property and additional renovations to the property.
  - **Governmental Capital Projects Fund** – This fund is used to account for the financial resources segregated for the acquisition and/or construction of general capital assets and facilities. Resources may include grants, debt issuance, transfers from other funds or contributed capital as long as the accounting system can segregate the revenues and expenditures for each project.
-

Town of Morehead City, North Carolina

Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2019

(With Comparative Totals as of June 30, 2018)

	Governmental Capital Project Fund	Morehead Municipal Campus Capital Project Fund	Totals	
			2019	Unaudited 2018
<b>Assets</b>				
Cash and cash equivalents	\$ 2,038,174	\$ 637,105	\$ 2,675,279	\$ 633,049
<b>Total assets</b>	<b>\$ 2,038,174</b>	<b>637,105</b>	<b>2,675,279</b>	<b>633,049</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	40,953	220,762	261,715	202,908
<b>Total liabilities</b>	<b>40,953</b>	<b>220,762</b>	<b>261,715</b>	<b>202,908</b>
Fund balances:				
Restricted				
General government	1,997,221	416,343	2,413,564	430,141
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>1,997,221</b>	<b>416,343</b>	<b>2,413,564</b>	<b>430,141</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,038,174</b>	<b>\$ 637,105</b>	<b>\$ 2,675,279</b>	<b>\$ 633,049</b>

Town of Morehead City, North Carolina

Non-Major Governmental Funds  
 Combining Statement of Revenue, Expenditures and  
 Changes in Fund Balance  
 Year Ended June 30, 2019  
 (With Comparative Totals For Year Ended June 30, 2018)

	Jib Waterfront Access Capital Project Fund	Governmental Capital Project Fund	Morehead Municipal Campus Capital Project Fund	Katherine Davis Park Capital Project Fund	2019 Totals	Unaudited 2018 Totals
Revenue:						
Donated and contributed capital	\$ 663	\$ 249,935	\$ -	\$ 25,228	\$ 275,826	\$ 7,109
Investment earnings	2,632	1,702	7,617	4,669	16,620	5,668
<b>Total revenue</b>	<b>3,295</b>	<b>251,637</b>	<b>7,617</b>	<b>29,897</b>	<b>292,446</b>	<b>12,777</b>
Expenditures:						
General government	5,676	125,149	898,259	123,648	1,152,732	79,409
	5,676	125,149	898,259	123,648	1,152,732	79,409
<b>Total expenditures</b>	<b>5,676</b>	<b>125,149</b>	<b>898,259</b>	<b>123,648</b>	<b>1,152,732</b>	<b>79,409</b>
<b>Revenue over (under) expenditures</b>	<b>(2,381)</b>	<b>126,488</b>	<b>(890,642)</b>	<b>(93,751)</b>	<b>(860,286)</b>	<b>(66,632)</b>
Other financing sources (uses):						
Transfers in	-	1,870,733	935,000	350,000	3,155,733	392,264
Transfers out	(55,775)	-	-	(294,340)	(350,115)	-
<b>Total other financing sources (uses)</b>	<b>(55,775)</b>	<b>1,870,733</b>	<b>935,000</b>	<b>55,660</b>	<b>2,805,618</b>	<b>392,264</b>
<b>Revenue and other financing sources over (under) expenditures and other financing uses</b>	<b>(58,156)</b>	<b>1,997,221</b>	<b>44,358</b>	<b>(38,091)</b>	<b>1,945,332</b>	<b>325,632</b>
Fund balance, beginning	58,156	-	371,985	38,091	468,232	104,509
Fund balance, ending	\$ -	\$ 1,997,221	\$ 416,343	\$ -	\$ 2,413,564	\$ 430,141

Town of Morehead City, North Carolina

**Jib Waterfront Access Capital Project Fund  
 Schedule of Revenue, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Project To Date
Revenue:				
Restricted intergovernmental:				
CAMA grant	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
Division of Water Resources grant	300,000	300,000	-	300,000
Waterfront access	150,000	150,000	-	150,000
Interest revenue	7,125	4,492	2,632	7,124
Miscellaneous revenue - donations	155,342	154,679	663	155,342
<b>Total revenue</b>	<b>1,012,467</b>	<b>1,009,171</b>	<b>3,295</b>	<b>1,012,466</b>
Expenditures:				
Jib waterfront access expenditures	2,998,943	2,993,267	5,676	2,998,943
Interest expense on interfund loan	4,836	4,836	-	4,836
<b>Total expenditures</b>	<b>3,003,779</b>	<b>2,998,103</b>	<b>5,676</b>	<b>3,003,779</b>
<b>Revenue under expenditures</b>	<b>(1,991,312)</b>	<b>(1,988,932)</b>	<b>(2,381)</b>	<b>(1,991,313)</b>
Other financing sources (uses):				
Contingency	-	-	-	-
Issuance of debt	407,000	407,000	-	407,000
Transfer from General Fund	1,637,896	1,637,897	-	1,637,897
Transfer from Shepard Street Boat Ramp	2,191	2,191	-	2,191
Transfer from Water/Sewer Fund	650,000	650,000	-	650,000
Transfer to Governmental Capital Projects Fund	(55,775)	-	(55,775)	(55,775)
Transfer to Water/Sewer Fund	(650,000)	(650,000)	-	(650,000)
<b>Total other financing sources (uses)</b>	<b>1,991,312</b>	<b>2,047,088</b>	<b>(55,775)</b>	<b>1,991,313</b>
<b>Revenue and other financing sources        (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 58,156</b>	<b>(58,156)</b>	<b>\$ -</b>
Fund balance, beginning			58,156	
Fund balance, ending			\$ -	

**Capital project closed at June 30, 2019**



Town of Morehead City, North Carolina

**Katherine Davis Park Capital Project Fund**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Project To Date
Revenue:				
Investment earnings	\$ 5,521	\$ 852	\$ 4,669	\$ 5,521
Donated and contributed capital	25,228	-	25,228	25,228
<b>Total revenue</b>	<b>30,749</b>	<b>852</b>	<b>29,897</b>	<b>30,749</b>
Expenditures:				
Katherine Davis Park expenditures	2,853,186	2,672,596	123,648	2,796,244
<b>Total expenditures</b>	<b>2,853,186</b>	<b>2,672,596</b>	<b>123,648</b>	<b>2,796,244</b>
<b>Revenue under expenditures</b>	<b>(2,822,437)</b>	<b>(2,671,744)</b>	<b>(93,751)</b>	<b>(2,765,495)</b>
Other financing sources (uses):				
Issuance of debt	2,605,000	2,605,000	-	2,605,000
Transfer from General Fund	454,835	104,835	350,000	454,835
Transfer to Governmental Capital Projects Fund	(237,398)	-	(294,340)	(294,340)
<b>Total other financing sources (uses)</b>	<b>2,822,437</b>	<b>2,709,835</b>	<b>55,660</b>	<b>2,765,495</b>
<b>Revenue and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 38,091</b>	<b>(38,091)</b>	<b>\$ -</b>
Fund balance, beginning			<b>38,091</b>	
Fund balance, ending			<b>\$ -</b>	

**Capital project closed at June 30, 2019**

Town of Morehead City, North Carolina

Morehead City Municipal Campus Capital Project Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balance -  
 Budget and Actual  
 From Inception and for the Year Ended June 30, 2019

	Project Authorization	Actual			Project To Date
		Prior Years	*Closed Projects	Current Year	
Revenue:					
Restricted intergovernmental:					
Carteret County	\$ -	\$ 996,754	\$ 996,754	\$ -	\$ -
Investment earnings	10,363	13,476	2,123	7,617	18,970
Interest revenue, Build America Bonds	-	33,633	33,633	-	-
Miscellaneous revenue-rent	-	313,950	313,950	-	-
Miscellaneous revenue - insurance reimbursement	-	41,088	41,088	-	-
Miscellaneous revenue	-	241	241	-	-
<b>Total revenue</b>	<b>10,363</b>	<b>1,399,142</b>	<b>1,387,789</b>	<b>7,617</b>	<b>18,970</b>
Expenditures:					
General government	-	267,229	-	7,526	274,755
Capital outlay:					
General government	-	1,158,154	1,067,528	890,733	981,359
Public safety	-	6,071,169	6,071,169	-	-
	<b>1,655,579</b>	<b>7,496,552</b>	<b>7,138,697</b>	<b>898,259</b>	<b>1,256,114</b>
Debt service:					
Principal retirement	-	5,000,000	5,000,000	-	-
Interest fees	-	96,094	96,094	-	-
	<b>-</b>	<b>5,096,094</b>	<b>5,096,094</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>1,655,579</b>	<b>12,592,646</b>	<b>12,234,791</b>	<b>898,259</b>	<b>1,256,114</b>
<b>Revenue under expenditures</b>	<b>(1,645,216)</b>	<b>(11,193,504)</b>	<b>(10,847,002)</b>	<b>(890,642)</b>	<b>(1,237,144)</b>
Other financing sources (uses):					
Issuance of debt	-	9,808,000	9,808,000	-	-
Transfer from Water and Sewer Fund	410,000	-	-	410,000	410,000
Transfer from General Fund	1,235,216	1,757,489	1,039,002	525,000	1,243,487
<b>Total other financing sources</b>	<b>1,645,216</b>	<b>11,565,489</b>	<b>10,847,002</b>	<b>935,000</b>	<b>1,653,487</b>
<b>Revenue and other financing sources         over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 371,985</b>	<b>\$ -</b>	<b>44,358</b>	<b>\$ 416,343</b>
Fund balance, beginning				371,985	
Fund balance, ending				<b>\$ 416,343</b>	

\*Note that certain projects within the fund were closed out during the year ended June 30, 2019

Town of Morehead City, North Carolina

**Governmental Capital Projects Fund  
 Schedule of Revenue, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and for the Year Ended June 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Project To Date
Revenue:				
U.S. Homeland Security Grant	\$ 170,730	\$ -	\$ -	\$ -
Insurance claims and reimbursements	229,270	-	249,935	249,935
Interest revenue	-	-	1,702	1,702
<b>Total revenue</b>	<b>400,000</b>	<b>-</b>	<b>251,637</b>	<b>251,637</b>
Expenditures:				
Capital outlay	2,213,791	-	125,149	125,149
<b>Total expenditures</b>	<b>2,213,791</b>	<b>-</b>	<b>125,149</b>	<b>125,149</b>
<b>Revenue over expenditures</b>	<b>(1,813,791)</b>	<b>-</b>	<b>126,488</b>	<b>126,488</b>
Other financing sources:				
Transfer from General Fund	1,232,018	-	1,232,018	1,232,018
Transfer from Water and Sewer Fund	288,600	-	288,600	288,600
Transfer from Jib Waterfront Access Capital Projects Fund	55,775	-	55,775	55,775
Transfer from Katherine Davis Park Capital Projects Fund	237,398	-	294,340	294,340
<b>Total other financing sources (uses)</b>	<b>1,813,791</b>	<b>-</b>	<b>1,870,733</b>	<b>1,870,733</b>
<b>Revenue and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,997,221</b>	<b>\$ 1,997,221</b>
Fund balance, beginning			-	
Fund balance, ending			<b>\$ 1,997,221</b>	

**(This Page Was Intentionally Left Blank)**

## ENTERPRISE FUNDS

---

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government's Board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or the government's Board has decided that periodic determination of net income is appropriate for accountability purposes.

The Town maintains two enterprise funds.

Water and Sewer Fund - This fund is used to account for the water and sewer services, and also maintains related construction projects.

Solid Waste Fund - This fund is used to account for revenues and expenditures related to waste disposal services.

---

**(This Page Intentionally Left Blank)**

Town of Morehead City, North Carolina

Water and Sewer Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts for Year Ended June 30, 2018)

(Page 1 of 3)

	2019			Unaudited 2018
	Budget	Actual	Variance With Final Budget	Actual
Operating revenue:				
Charges for sales and services:				
Sewer charges	\$ 3,476,000	\$ 3,459,851	\$ (16,149)	\$ 3,309,313
Water charges	3,775,000	3,790,789	15,789	3,623,688
Tap fees	33,300	34,149	849	43,209
Total charges for sales and services	7,284,300	7,284,789	489	6,976,210
Miscellaneous	280,807	319,306	38,499	323,627
<b>Total operating revenue</b>	<b>7,565,107</b>	<b>7,604,095</b>	<b>38,988</b>	<b>7,299,837</b>
Operating expenditures:				
Cost of sales and services -				
Water, wells and pumping stations:				
Salaries, wages and employee benefits		138,809		143,791
Other		353,404		310,923
Repairs and maintenance		149,371		122,430
<b>Total cost of sales and services -             water, wells and pumping stations</b>	<b>724,505</b>	<b>641,584</b>	<b>82,921</b>	<b>577,144</b>
Cost of sales and services -				
Water distribution and sewer collection:				
Salaries, wages and employee benefits		855,270		831,386
Other		1,314,843		1,133,969
Repairs and maintenance		63,485		60,254
Capital outlay		55,787		36,291
<b>Total cost of sales and services - water             distribution and sewer collection</b>	<b>2,362,404</b>	<b>2,289,385</b>	<b>73,019</b>	<b>2,061,900</b>
Cost of sales and services -				
Lift stations and sewer mains:				
Other		107,075		88,797
Repairs and maintenance		60,336		43,715
<b>Total cost of sales and services -             lift stations and sewer mains</b>	<b>161,800</b>	<b>167,411</b>	<b>(5,611)</b>	<b>132,512</b>

(Continued)

Unaudited

Town of Morehead City, North Carolina

Water and Sewer Fund

Schedule of Revenue and Expenditures – Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts For The Year Ended June 30, 2018)

(Page 2 of 3)

	2019		Variance With Final Budget	Unaudited
	Budget	Actual		2018
				Actual
Cost of sales and services -				
Wastewater treatment plant:				
Salaries, wages and employee benefits		\$ 514,119		\$ 512,258
Other		330,353		322,535
Repairs and maintenance		141,316		86,674
<b>Total cost of sales and services -   wastewater treatment plant</b>	<b>1,120,233</b>	<b>985,788</b>	<b>134,445</b>	<b>921,467</b>
Cost of sales and services -				
Water billing and collection				
Salaries, wages and employee benefits		205,769		182,223
Other		82,053		67,312
Capital outlay		16,759		27,877
<b>Total cost of sales and services -   water billing and collection</b>	<b>313,034</b>	<b>304,581</b>	<b>8,453</b>	<b>277,412</b>
<b>Total operating expenditures</b>	<b>4,681,976</b>	<b>4,388,749</b>	<b>293,227</b>	<b>3,970,435</b>
<b>Operating revenue over operating expenditures</b>	<b>2,883,131</b>	<b>3,215,346</b>	<b>332,215</b>	<b>3,329,402</b>
Nonoperating revenue (expenditures):				
Interest revenue	55,200	187,647	132,447	103,428
Disaster planning and recovery	(760,080)	(487,294)	272,786	-
Interest and fiscal charges	(405,850)	(408,145)	(2,295)	(376,356)
Capital recovery fees	53,000	-	(53,000)	30,912
Impact fee settlement	(520,000)	-	520,000	(546,154)
Sale of surplus property	500	861	361	2,185
Bond and installment agreement principal payments	(1,562,750)	(1,562,188)	562	(1,119,741)
<b>Total nonoperating revenues   (expenditures)</b>	<b>(3,139,980)</b>	<b>(2,269,119)</b>	<b>870,861</b>	<b>(1,905,726)</b>
<b>Revenue (under) over expenditures</b>	<b>(256,849)</b>	<b>946,227</b>	<b>1,203,076</b>	<b>1,423,676</b>

(Continued)



Town of Morehead City, North Carolina

Water and Sewer Fund

Schedule of Revenue and Expenditures – Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts For The Year Ended June 30, 2018)

(Page 3 of 3)

	2019			Unaudited 2018
	Budget	Actual	Variance With Final Budget	Actual
Other financing sources (uses):				
Capital contributions	\$ 50,700	\$ 51,059	\$ 359	\$ 7,246
Transfers in:				
Water and Sewer Capital Reserve Fund	-	35,584	35,584	-
Water Treatment Capital Project Fund	520,000	520,000	-	-
Transfers out:				
Water and Sewer Capital Project Funds	(751,500)	(751,500)	-	(251,808)
Morehead Municipal Campus Capital Projects Fund	(410,000)	(410,000)	-	-
Governmental Capital Projects Fund	(288,600)	(288,600)	-	-
Contingency	(130,595)	-	130,595	-
Fund balance appropriated	1,432,440	-	(1,432,440)	-
Reserved for future appropriation	(108,247)	-	108,247	-
<b>Total other financing sources (uses)</b>	<b>314,198</b>	<b>(843,457)</b>	<b>(1,157,655)</b>	<b>(244,562)</b>
<b>Revenue and other sources over expenditures and other financing uses</b>	<b>\$ 57,349</b>	<b>\$ 102,770</b>	<b>\$ 45,421</b>	<b>\$ 1,179,114</b>
Reconciliation of modified accrual basis to full accrual basis:				
Revenue and other financing sources over expenditures and other financing uses		\$ 102,770		\$ 1,179,114
Depreciation		(1,661,430)		(1,698,619)
Note and installment agreement principal payment		1,562,188		1,119,741
Capitalized expenditures included in capital outlay and other expenditures		1,225,071		327,223
Donated capitalized expenditures included in capital outlay and other expenditures		(603,881)		-
Net transfers to Water and Sewer Capital Project Funds		195,916		251,808
Repairs and maintenance expense from capital project funds		(121,522)		(357,177)
Contributions - capital project funds		181,840		66,718
Interest earned from capital project funds		22,985		17,910
Increase (decrease) in deferred outflows of resources - pensions		132,257		(163,671)
(Increase) decrease in net pension liability		(129,293)		137,364
(Increase) decrease in deferred inflows of resources - pensions		(2,964)		2,012
Increase (decrease) in deferred outflows of resources - OPEB		6,211		(3,572)
Increase in deferred inflows of resources - OPEB		(10,965)		(23,097)
(Increase) decrease in OPEB liability		4,754		6,682
<b>Net income, full accrual basis</b>		<b>\$ 903,937</b>		<b>\$ 862,436</b>

Town of Morehead City, North Carolina

Solid Waste Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts for Year Ended June 30, 2018)

	2019			Unaudited 2018
	Budget	Actual	Variance, With Final Budget	Actual
Revenue:				
Operating revenue:				
Charges for sales and services:				
Refuse collections - carts	\$ 950,000	\$ 958,737	\$ 8,737	\$ 954,945
Miscellaneous	-	712	712	521
<b>Total operating revenue</b>	<b>950,000</b>	<b>959,449</b>	<b>9,449</b>	<b>955,466</b>
Operating expenditures:				
Contracted Services		672,652		649,796
Salaries, wages and employee benefits		46,532		54,932
Operating		226,930		210,462
Capital outlay		-		127,831
<b>Total operating expenditures</b>	<b>992,329</b>	<b>946,114</b>	<b>46,215</b>	<b>1,043,021</b>
<b>Operating revenue over (under)       operating expenditures</b>	<b>(42,329)</b>	<b>13,335</b>	<b>55,664</b>	<b>(87,555)</b>
Nonoperating revenue:				
Interest revenue	1,500	7,717	6,217	4,223
Restricted intergovernmental	6,000	7,025	1,025	6,235
<b>Total nonoperating revenue</b>	<b>7,500</b>	<b>14,742</b>	<b>7,242</b>	<b>10,458</b>
<b>Revenue over (under) expenditures</b>	<b>(34,829)</b>	<b>28,077</b>	<b>62,906</b>	<b>(77,097)</b>
Other financing sources (uses):				
Transfers out:				
Contingency	(5,171)	-	5,171	-
Sale of surplus property	-	-	-	19,000
Fund balance appropriated	40,000	-	(40,000)	-
<b>Total other financing uses</b>	<b>34,829</b>	<b>-</b>	<b>(34,829)</b>	<b>19,000</b>
<b>Revenue and other financing sources       over expenditures</b>	<b>\$ -</b>	<b>\$ 28,077</b>	<b>\$ 28,077</b>	<b>\$ (58,097)</b>
Reconciliation of modified accrual basis with full accrual basis:				
Revenue and other financing sources over (under) expenditures		\$ 28,077		\$ (58,097)
Capital outlay		-		127,831
Debris removal expenses from capital project fund		(930,460)		-
Depreciation		(35,343)		(37,928)
Increase in deferred outflows of resources - OPEB		219		609
Increase in deferred inflows of resources - OPEB		(387)		(815)
Increase in OPEB liability		(82)		(499)
Increase in deferred outflows of resources - pensions		3,228		-
Decrease in deferred outflows of resources - pensions		-		(3,687)
Increase in net pension liability		(4,028)		-
Decrease in net pension liability		-		3,094
(Increase) decrease in deferred inflows of resources - pensions		(72)		45
<b>Net income, full accrual basis</b>		<b>\$ (938,848)</b>		<b>\$ 30,553</b>

Town of Morehead City, North Carolina

Water and Sewer Capital Reserve Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts For The Year Ended June 30, 2018)

	2019		Variance, With Final Budget	Unaudited
	Budget	Actual		2018
				Actual
Revenue:				
Impact fees	\$ -	\$ -	\$ -	\$ -
Interest	-	14,406	14,406	13,900
<b>Total revenue</b>	<b>-</b>	<b>14,406</b>	<b>14,406</b>	<b>13,900</b>
Other financing sources (uses):				
Transfers out:				
Water and sewer capital project fund	(523,728)	(523,728)	-	(257,967)
Water and sewer fund	(520,000)	(520,000)	-	-
Water and sewer system development fund	(423,117)	(423,117)	-	-
Transfers in:				
Water and sewer fund	-	-	-	-
Fund balance appropriated	1,466,845	-	(1,466,845)	-
Reserved for future appropriation	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(1,466,845)</b>	<b>(1,466,845)</b>	<b>(257,967)</b>
<b>Revenue and other financing sources under other financing sources</b>	<b>\$ -</b>	<b>\$ (1,452,439)</b>	<b>\$ (1,452,439)</b>	<b>\$ (244,067)</b>

Fund closed at June 30, 2019

**Town of Morehead City, North Carolina**

**Water and Sewer Capital Project Fund**

**Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)**

**Year Ended June 30, 2019**

**(With Comparative Actual Amounts for Year Ended June 30, 2018)**

	2019			Unaudited 2018
	Budget	Actual	Variance, With Final Budget	Actual
<b>Revenue:</b>				
Interest	\$ 1,164	\$ 835	\$ (329)	\$ 1,962
<b>Total revenue</b>	<b>\$ 1,164</b>	<b>835</b>	<b>(329)</b>	<b>1,962</b>
<b>Expenditures:</b>				
Repair and extension	86,043	84,107	1,936	387,376
Engineering	5,473	5,473	-	26,843
Contracted services-mapping	50,000	49,995	5	49,996
Sewer rehab pilot	10,000	4,526	5,474	-
Land purchase	23,637	23,637	-	-
Slip lining/I and I reduction	110,000	101,862	8,138	81,948
Lift station and force main repair	182,107	167,107	15,000	75,782
Well control system	30,689	25,329	5,360	17,239
Equipment	-	-	-	-
<b>Total expenditures</b>	<b>497,949</b>	<b>462,036</b>	<b>35,913</b>	<b>639,184</b>
<b>Revenue (under) expenditures</b>	<b>(496,785)</b>	<b>(461,201)</b>	<b>35,584</b>	<b>(637,222)</b>
<b>Other financing sources (uses):</b>				
<b>Transfers out:</b>				
Water and sewer fund	-	(35,584)	(35,584)	-
Water and sewer NCPF	(387,088)	(387,088)	-	-
<b>Transfers in:</b>				
Water and sewer fund	751,500	751,500	-	251,808
Water and sewer rebatable capital reserve fund	-	-	-	237,033
Water and sewer capital reserve fund	-	-	-	257,967
Fund balance appropriated	132,373	-	(132,373)	-
<b>Total other financing sources (uses)</b>	<b>496,785</b>	<b>328,828</b>	<b>(167,957)</b>	<b>746,808</b>
<b>Revenue and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (132,373)</b>	<b>\$ (132,373)</b>	<b>\$ 109,586</b>

**Capital project closed at June 30, 2019**

Town of Morehead City, North Carolina

Water & Sewer Rebateable Capital Reserve Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts For The Year Ended June 30, 2018)

	2019			Unaudited 2018
	Budget	Actual	Variance, With Final Budget	Actual
Revenue:				
Contributed capital	\$ -	\$ -	\$ -	\$ 15,159
Extension fees	22,936	24,216	1,280	-
Interest	430	430	-	743
<b>Total revenue</b>	<b>23,366</b>	<b>24,646</b>	<b>1,280</b>	<b>15,902</b>
Other financing sources (uses):				
Transfers out:				
Transfer to Water and Sewer CPF	-	-	-	(237,033)
Transfer to Water and Sewer NCPF	(70,579)	(70,579)	-	-
Fund balance appropriated	47,213	-	47,213	-
<b>Total other financing sources (uses)</b>	<b>(23,366)</b>	<b>(70,579)</b>	<b>47,213</b>	<b>(237,033)</b>
<b>Revenue (under) other         financing uses</b>	<b>\$ -</b>	<b>\$ (45,933)</b>	<b>\$ 48,493</b>	<b>\$(221,131)</b>

Fund closed at June 30, 2019

Town of Morehead City, North Carolina

Water and Sewer System Development Fees Capital Reserve Fund  
 Statement of Revenue and Expenditures -Budget and Actual (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
Development fees	\$ 807,500	\$ 40,159	\$ 70,369	\$ 110,528
Interest	-	149	4,166	4,315
<b>Total revenue</b>	<b>807,500</b>	<b>40,308</b>	<b>74,535</b>	<b>114,843</b>
Other financing sources (uses):				
Transfer from water and sewer CRF	423,117	-	423,117	423,117
Reserved for WWTP rehabilitation	(1,230,617)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(807,500)</b>	<b>-</b>	<b>423,117</b>	<b>423,117</b>
<b>Revenue over expenditures</b>	<b>\$ -</b>	<b>\$ 40,308</b>	<b>\$ 497,652</b>	<b>\$ 537,960</b>

Town of Morehead City, North Carolina

Water/Sewer Extensions Improvement Capital Project Fund  
 Statement of Revenue and Expenditures -Budget and Actual (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
Restricted Intergovernmental				
Rural Center Grant - Vinings	\$ 40,000	\$ 40,000	\$ -	\$ 40,000
Contributed Capital - Radio Island	713,616	713,618	-	713,618
Contributed Capital - SCYC	486,414	486,413	-	486,413
Contributed Capital - Mariners Point	839,195	839,195	(5,032)	834,163
Contributed Capital - Morgan Street	123,964	123,964	-	123,964
Contributed Capital - Vinings Apts.	349,699	341,241	-	341,241
Contributed Capital - S&W Ready Mix	96,626	96,627	-	96,627
Contributed Capital - 26th/Evans Sewer	24,749	24,748	-	24,748
Interest earned	76,910	78,405	908	79,313
<b>Total revenue</b>	<b>2,751,173</b>	<b>2,744,211</b>	<b>(4,124)</b>	<b>2,740,087</b>
Expenditures:				
Water and sewer improvements	3,153,849	3,120,820	33,918	3,154,738
<b>Total expenditures</b>	<b>3,153,849</b>	<b>3,120,820</b>	<b>33,918</b>	<b>3,154,738</b>
<b>Revenue under expenditures</b>	<b>(402,676)</b>	<b>(376,609)</b>	<b>(38,042)</b>	<b>(414,651)</b>
Other financing sources (uses):				
Transfers out:				
Transfer to Water & Sewer	(182,128)	(182,128)	-	(182,128)
Transfer to Water & Sewer NCPF	-	-	(48,930)	(48,930)
Transfers in:				
Water and Sewer Rebatable Capital Reserve	77,297	77,297	-	77,297
Radio Island Capital Project Fund	391,913	391,912	-	391,912
Water and Sewer Fund	176,500	176,500	-	176,500
Reserved for future appropriations	(60,906)	-	-	-
<b>Total other financing sources (uses)</b>	<b>402,676</b>	<b>463,581</b>	<b>(48,930)</b>	<b>414,651</b>
<b>Revenue and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 86,972</b>	<b>\$ (86,972)</b>	<b>\$ -</b>

Capital project closed at June 30, 2019

Town of Morehead City, North Carolina

West End Force Main Capital Project Fund  
 Statement of Revenue and Expenditures -Budget and Actual (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2019

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
Interest	\$ -	\$ 250	\$ 148	\$ 398
<b>Total revenue</b>	<b>-</b>	<b>250</b>	<b>148</b>	<b>398</b>
Expenditures:				
Legal services	50,000	55,958	-	55,958
Engineering	218,000	286,598	-	286,598
Inspections	182,000	164,034	13,310	177,344
Construction	2,435,000	2,336,123	74,564	2,410,687
<b>Total expenditures</b>	<b>2,885,000</b>	<b>2,842,713</b>	<b>87,874</b>	<b>2,930,587</b>
<b>Revenue (under) expenditures</b>	<b>(2,885,000)</b>	<b>(2,842,463)</b>	<b>(87,726)</b>	<b>(2,930,189)</b>
Other financing sources (uses):				
Transfer out:				
Water and sewer capital reserve fund	-	-	(4,811)	(4,811)
Transfer in:				
Water and sewer capital reserve fund	185,000	185,000	-	185,000
Division of Water Infrastructure loan proceeds	2,750,000	2,657,713	92,287	2,750,000
Contingency	(50,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,885,000</b>	<b>2,842,713</b>	<b>87,476</b>	<b>2,930,189</b>
<b>Revenue and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 250</b>	<b>\$ (250)</b>	<b>\$ -</b>

Capital project closed at June 30, 2019



Town of Morehead City, North Carolina

Water and Sewer New Capital Projects Fund  
 Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)  
 Year Ended June 30, 2019  
 With Comparative Actual Amounts For The Year Ended June 30, 2018

	2019			Unaudited 2018
	Budget	Actual	Variance, with Final Budget	Actual
<b>Revenue:</b>				
Interest	\$ -	\$ 2,092	\$ 2,092	\$ -
<b>Total revenue</b>	<b>-</b>	<b>2,092</b>	<b>2,092</b>	<b>-</b>
<b>Expenditures:</b>				
Automated meter reading system	594,307	-	(594,307)	-
Pipe extensions	141,018	-	(141,018)	-
Land purchase	30,000	-	(30,000)	-
Utility mapping	50,000	-	(50,000)	-
other	219,811	-	(219,811)	-
<b>Total expenditures</b>	<b>1,035,136</b>	<b>-</b>	<b>(1,035,136)</b>	<b>-</b>
<b>Revenue over (under) expenditures</b>	<b>(1,035,136)</b>	<b>2,092</b>	<b>1,037,228</b>	<b>-</b>
<b>Other financing sources:</b>				
Transfers in:				
Water and sewer capital projects fund	387,088	387,088	-	-
Water and sewer capital reserve fund	523,728	523,728	-	-
Water and sewer rebatable capital reserve fund	70,579	70,579	-	-
Water/sewer extensions improvement capital project fund	48,930	48,930	-	-
West End Force main capital projects fund	4,811	4,811	-	-
<b>Total other financing sources</b>	<b>1,035,136</b>	<b>1,035,136</b>	<b>-</b>	<b>-</b>
<b>Revenue and other financing sources over other financing sources</b>	<b>\$ -</b>	<b>\$ 1,037,228</b>	<b>\$ 1,037,228</b>	<b>\$ -</b>

Town of Morehead City, North Carolina

Solid Waste Capital Projects Fund

Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)

Year Ended June 30, 2019

(With Comparative Actual Amounts For The Year Ended June 30, 2018)

	2019			Unaudited 2018
	Budget	Actual	Variance, with Final Budget	Actual
Revenue:				
FEMA reimbursement	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
<b>Total revenue</b>	<b>1,000,000</b>	<b>-</b>	<b>(1,000,000)</b>	<b>-</b>
Expenditures:				
Debris removal	1,000,000	930,460	(69,540)	-
<b>Total other financing sources (uses)</b>	<b>1,000,000</b>	<b>930,460</b>	<b>(69,540)</b>	<b>-</b>
<b>Revenue and other financing sources over other financing sources</b>	<b>\$ -</b>	<b>\$ (930,460)</b>	<b>\$ (930,460)</b>	<b>\$ -</b>

## **OTHER FINANCIAL INFORMATION**

---

**Other financial information includes additional detailed analysis of particular aspects of the Town's financial position or results of operations.**

- **Schedule of Ad Valorem Taxes Receivable**
- **Analysis of Current Tax Levy**

**(This Page Was Intentionally Left Blank)**

Town of Morehead City, North Carolina

Schedule of Ad Valorem Taxes Receivable (Unaudited)

June 30, 2019

Year Ended June 30	Uncollected Balance June 30, 2018	Additions (Releases) Net	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 7,191,301	\$ 7,142,753	48,548
2017-2018	54,839	(1,587)	25,755	27,497
2016-2017	19,083	(935)	2,780	15,368
2015-2016	10,479	(318)	1,718	8,443
2014-2015	3,805	(297)	651	2,857
2013-2014	5,187	-	27	5,160
2012-2013	7,271	(58)	4	7,209
2011-2012	4,427	(23)	69	4,335
2010-2011	588	-	-	588
2009-2010	544	-	3	541
2008-2009	4,400	-	-	4,400
	<u>\$ 110,623</u>	<u>\$ 7,188,083</u>	<u>\$ 7,173,760</u>	<u>124,946</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>22,824</u>
Ad valorem taxes receivable - net				<u>\$ 102,122</u>
<u>Reconciliation to revenues:</u>				
Taxes - Ad valorem, General Fund				\$ 7,122,202
Reconciling items:				
Amounts adjusted for tax discount				81,325
Less penalties and interest collected, net				(29,767)
Subtotal				<u>51,558</u>
Total collections and credits				<u>\$ 7,173,760</u>

**Town of Morehead City, North Carolina**

**Analysis of Current Tax Levy  
For the Year Ended June 30, 2019**

	City Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,025,187,999	0.350	\$ 7,088,158	\$ 6,754,071	\$ 334,087
Late listing penalties	-	-	326	326	-
<b>Total</b>	<b>2,025,187,999</b>		<b>7,088,484</b>	<b>6,754,397</b>	<b>334,087</b>
Discoveries:					
Current year taxes	37,927,772	0.350	132,747	132,747	-
Prior year taxes	352,596	0.330	1,164	1,164	-
<b>Total</b>	<b>38,280,368</b>		<b>133,911</b>	<b>133,911</b>	<b>-</b>
Abatements					
Current year taxes	8,830,827	0.350	30,908	30,908	-
Other adjustments	-	-	186	186	-
<b>Total</b>	<b>8,830,827</b>		<b>31,094</b>	<b>31,094</b>	<b>-</b>
Total property valuation	<u>\$ 2,054,637,540</u>				
Net levy			7,191,301	6,857,214	334,087
Uncollected taxes at June 30, 2019			48,552	48,552	-
Current year's taxes collected			<u>\$ 7,142,749</u>	<u>\$ 6,808,662</u>	<u>\$ 334,087</u>
Current levy collection percentage			<u>99.32%</u>	<u>99.29%</u>	<u>100.00%</u>

**STATISTICAL SECTION  
(Unaudited)**

---

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time	98
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, property taxes.	109
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	109
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	119
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	122

---

Town of Morehead City, North Carolina

**Net Position By Component**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
**(Unaudited)**

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets	\$ 27,397,697	\$ 28,415,541	\$ 28,409,590	\$ 29,832,269
Restricted	49,870	2,604,295	3,029,403	2,236,110
Unrestricted	3,541,078	2,902,265	3,318,508	3,043,941
<b>Total governmental activities net position</b>	<b>\$ 30,988,645</b>	<b>\$ 33,922,101</b>	<b>\$ 34,757,501</b>	<b>\$ 35,112,320</b>
Business-type activities:				
Net investment in capital assets	\$ 25,608,344	\$ 27,669,652	\$ 28,868,465	\$ 28,439,320
Unrestricted	5,696,777	6,339,091	5,908,427	7,291,817
<b>Total business-type activities net position</b>	<b>\$ 31,305,121</b>	<b>\$ 34,008,743</b>	<b>\$ 34,776,892</b>	<b>\$ 35,731,137</b>
Primary government:				
Net investment in capital assets	\$ 53,006,041	\$ 56,085,193	\$ 57,278,055	\$ 58,271,589
Restricted	49,870	2,604,295	3,029,403	2,236,110
Unrestricted	9,237,855	9,241,356	9,226,935	10,335,758
<b>Total primary government net position</b>	<b>\$ 62,293,766</b>	<b>\$ 67,930,844</b>	<b>\$ 69,534,393</b>	<b>\$ 70,843,457</b>



Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 29,797,242	\$ 30,996,748	\$ 30,553,783	\$ 30,588,767	\$ 30,839,716	<b>\$ 33,012,289</b>
2,328,152	2,251,305	2,512,603	2,734,866	3,232,564	<b>5,358,178</b>
3,226,255	4,023,536	5,093,407	5,277,817	4,904,475	<b>1,685,300</b>
<b>\$ 35,351,649</b>	<b>\$ 37,271,589</b>	<b>\$ 38,159,793</b>	<b>\$ 38,601,450</b>	<b>\$ 38,976,755</b>	<b>\$ 40,055,767</b>
\$ 31,102,147	\$ 33,535,086	\$ 33,488,345	\$ 33,869,014	\$ 33,989,708	<b>\$ 34,987,905</b>
7,933,557	9,644,766	11,099,637	12,475,309	12,975,444	<b>11,942,336</b>
<b>\$ 39,035,704</b>	<b>\$ 43,179,852</b>	<b>\$ 44,587,982</b>	<b>\$ 46,344,323</b>	<b>\$ 46,965,152</b>	<b>\$ 46,930,241</b>
\$ 60,899,389	\$ 64,531,834	\$ 64,042,128	\$ 64,457,781	\$ 64,829,424	<b>\$ 68,000,194</b>
2,328,152	2,251,305	2,512,603	2,734,866	3,232,564	<b>5,358,178</b>
11,159,812	13,668,302	16,193,044	17,753,126	17,879,919	<b>13,627,636</b>
<b>\$ 74,387,353</b>	<b>\$ 80,451,441</b>	<b>\$ 82,747,775</b>	<b>\$ 84,945,773</b>	<b>\$ 85,941,907</b>	<b>\$ 86,986,008</b>

Town of Morehead City, North Carolina

**Changes In Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	Fiscal Year			
	2010	2011	2012	2013
<b>Expenses:</b>				
Governmental activities:				
General government	\$ 1,374,988	\$ 1,439,277	\$ 1,608,076	\$ 1,805,015
Public safety	5,877,638	5,924,665	5,941,696	7,074,479
Highways and streets	861,275	960,596	932,790	231,503
Cultural and recreation	719,211	1,266,613	1,066,750	763,721
Library	138,268	141,726	135,880	140,368
Interest on long-term debt	70,524	208,152	340,508	297,958
<b>Total governmental activities expenses</b>	<b>9,041,904</b>	<b>9,941,029</b>	<b>10,025,700</b>	<b>10,313,044</b>
Business-type activities:				
Water and sewer	4,521,842	4,667,772	4,933,504	4,907,070
Solid waste	857,002	895,433	966,224	872,407
<b>Total business-type activities expenses</b>	<b>5,378,844</b>	<b>5,563,205</b>	<b>5,899,728</b>	<b>5,779,477</b>
<b>Total primary government expenses</b>	<b>14,420,748</b>	<b>15,504,234</b>	<b>15,925,428</b>	<b>16,092,521</b>
<b>Program revenue:</b>				
Governmental activities:				
Charges for services				
General government	72,296	144,243	91,956	87,547
Public safety	904,846	816,709	115,574	621,344
Cultural and recreation	124,142	103,932	103,211	114,772
Library	7,759	7,818	7,947	6,858
Operating grants and contributions				
General government	2,381	-	47,863	39,525
Public safety	291,185	180,140	304,801	263,607
Highways and streets	250,052	249,100	252,306	-
Economic and physical development	-	-	-	-
Cultural and recreation	133,991	-	-	-
Library	53,075	53,075	53,075	53,075
Capital grants and contributions				
General government	-	-	-	-
Public safety	935,555	537,023	179,812	200,000
Highways and streets	127,876	-	498,563	339,608
Economic and physical development	-	-	-	-
Cultural and recreation	3,049,718	2,003,391	100,000	195,251
<b>Total governmental activities program revenue</b>	<b>5,952,876</b>	<b>4,095,431</b>	<b>1,755,108</b>	<b>1,921,587</b>
Business-type activities:				
Charges for services:				
Water and sewer	4,356,093	4,707,662	4,758,541	5,160,283
Solid waste	821,547	846,708	927,927	920,217
Operating grants and contributions	9,431	5,985	127,767	255,525
Capital grants and contributions	806,506	2,374,606	522,823	77,691
<b>Total business-type activities program revenue</b>	<b>5,993,577</b>	<b>7,934,961</b>	<b>6,337,058</b>	<b>6,413,716</b>
<b>Total primary government program revenue</b>	<b>11,946,453</b>	<b>12,030,392</b>	<b>8,092,166</b>	<b>8,335,303</b>

(Continued)

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 1,787,898	\$ 1,797,065	\$ 1,667,275	\$ 2,249,699	\$ 1,530,546	\$ 3,292,821
7,315,678	7,663,099	8,629,216	9,176,852	9,269,368	10,257,915
1,019,054	939,536	999,423	1,224,621	1,073,074	688,813
1,159,643	1,139,113	1,425,224	954,597	1,388,170	900,708
158,508	170,326	205,802	162,679	227,680	184,756
314,150	319,016	311,099	389,976	370,413	298,219
11,754,931	12,028,155	13,238,039	14,158,424	13,859,251	15,623,232
5,028,282	5,382,993	5,786,961	5,924,219	6,665,800	6,445,950
899,208	906,383	887,987	904,126	954,371	1,913,039
5,927,490	6,289,376	6,674,948	6,828,345	7,620,171	8,358,989
17,682,421	18,317,531	19,912,987	20,986,769	21,479,422	23,982,221
66,419	116,299	109,376	183,486	145,116	133,177
1,187,605	2,019,975	2,134,520	2,447,323	1,901,309	2,182,223
138,247	160,427	149,198	204,194	175,230	174,319
5,070	3,760	2,370	3,054	2,684	2,711
39,286	35,000	86,000	199,664	60,553	129,989
537,708	167,796	106,174	120,450	766,054	642,743
-	-	-	-	237,917	264,020
-	-	-	94,340	-	-
-	-	-	-	-	-
53,075	53,075	53,075	53,075	53,075	53,075
150,000	200,000	-	-	-	-
-	1,324,477	-	-	260,000	-
271,051	274,388	272,445	269,286	29,522	-
-	-	-	-	-	-
-	144,953	206,596	4,195	-	-
2,448,461	4,500,150	3,119,754	3,579,067	3,631,460	3,582,257
5,486,373	6,040,613	6,490,182	6,880,212	6,976,210	7,284,789
927,360	945,157	944,477	952,979	954,945	958,737
14,853	81,053	6,096	6,328	6,235	7,025
2,447,316	3,171,344	300,785	434,544	104,876	232,899
8,875,902	10,238,167	7,741,540	8,274,063	8,042,266	8,483,450
11,324,363	14,738,317	10,861,294	11,853,130	11,673,726	12,065,707

**Town of Morehead City, North Carolina**

**Changes In Net Position (Continued)**

**Last Ten Fiscal Years**

*(accrual basis of accounting)*

**(Unaudited)**

	Fiscal Year			
	2010	2011	2012	2013
Net (expense) revenue:				
Governmental activities	(3,089,028)	(5,845,598)	(8,270,592)	(8,391,457)
Business-type activities	614,733	2,371,756	437,330	634,239
<b>Total primary government net expense</b>	<b>(2,474,295)</b>	<b>(3,473,842)</b>	<b>(7,833,262)</b>	<b>(7,757,218)</b>
General revenue and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes, levied for general purpose	5,785,183	5,775,012	5,953,304	5,411,825
Local option sales tax	1,485,898	1,511,872	1,842,063	2,006,679
Other taxes	255,550	254,620	263,509	93,464
Unrestricted intergovernmental	1,054,303	1,121,557	902,888	1,089,515
Investment earnings, unrestricted	36,910	56,951	21,560	11,551
Gain (Loss) on disposal of assets	-	-	-	-
Miscellaneous income, unrestricted	51,334	59,042	122,668	133,242
Transfers	-	-	-	-
<b>Total governmental activities</b>	<b>8,669,178</b>	<b>8,779,054</b>	<b>9,105,992</b>	<b>8,746,276</b>
Business-type activities:				
Investment earnings	60,010	44,917	36,205	27,689
Gain (Loss) on disposal of assets	-	-	-	-
Miscellaneous income	263,189	286,949	294,614	292,317
Transfers	-	-	-	-
<b>Total business-type activities</b>	<b>323,199</b>	<b>331,866</b>	<b>330,819</b>	<b>320,006</b>
<b>Total primary government</b>	<b>8,992,377</b>	<b>9,110,920</b>	<b>9,436,811</b>	<b>9,066,282</b>
Changes in net position:				
Governmental activities	5,580,150	2,933,456	835,400	354,819
Business-type activities	937,932	2,703,622	768,149	954,245
<b>Total primary government</b>	<b>\$ 6,518,082</b>	<b>\$ 5,637,078</b>	<b>\$ 1,603,549</b>	<b>\$ 1,309,064</b>

Fiscal Year

2014	2015	2016	2017	2018	2019
(9,306,470)	(7,528,005)	(10,118,285)	(10,579,357)	(10,227,791)	<b>(12,040,975)</b>
2,948,412	3,948,791	1,066,592	1,445,718	422,095	<b>124,461</b>
<b>(6,358,058)</b>	<b>(3,579,214)</b>	<b>(9,051,693)</b>	<b>(9,133,639)</b>	<b>(9,805,696)</b>	<b>(11,916,514)</b>
6,110,807	6,322,041	6,785,757	6,911,703	7,004,591	<b>7,139,424</b>
1,963,754	2,307,936	2,484,746	2,840,811	2,972,776	<b>3,176,645</b>
93,306	74,189	29,145	35,257	29,959	<b>45,791</b>
1,118,241	1,353,173	1,402,712	1,402,462	1,397,389	<b>1,444,489</b>
8,939	3,629	19,089	54,295	114,618	<b>200,836</b>
-	-	(47,026)	38,842	(17,483)	<b>6,015</b>
250,752	177,698	203,182	189,630	106,666	<b>408,187</b>
-	(2,427)	-	37,500	-	<b>698,600</b>
<b>9,545,799</b>	<b>10,236,239</b>	<b>10,877,605</b>	<b>11,510,500</b>	<b>11,608,516</b>	<b>13,119,987</b>
23,066	18,660	28,221	62,457	125,561	<b>218,349</b>
-	-	-	1,614	21,185	<b>861</b>
333,089	319,532	313,317	284,052	324,148	<b>320,018</b>
-	2,427	-	(37,500)	-	<b>(698,600)</b>
<b>356,155</b>	<b>340,619</b>	<b>341,538</b>	<b>310,623</b>	<b>470,894</b>	<b>(159,372)</b>
<b>9,901,954</b>	<b>10,576,858</b>	<b>11,219,143</b>	<b>11,821,123</b>	<b>12,079,410</b>	<b>12,960,615</b>
239,329	2,708,234	759,320	931,143	1,380,725	<b>1,079,012</b>
3,304,567	4,289,410	1,408,130	1,756,341	892,989	<b>(34,911)</b>
<b>\$ 3,543,896</b>	<b>\$ 6,997,644</b>	<b>\$ 2,167,450</b>	<b>\$ 2,687,484</b>	<b>\$ 2,273,714</b>	<b>\$ 1,044,101</b>

**(This Page Was Intentionally Left Blank)**

**Town of Morehead City, North Carolina**

**Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Unaudited)**

	<u>Fiscal Year</u>
	<u>2010</u>
General Fund:	
Reserved	\$ 1,356,068
Unreserved	3,760,096
<b>Total General Fund</b>	<u><u>\$ 5,116,164</u></u>
All Other Governmental Funds:	
Reserved	\$ 4,525,157
Unreserved, reported in:	
Special revenue funds	63,131
Capital projects funds	<u>(2,253,538)</u>
<b>Total all other Government</b>	
<b>Funds</b>	<u><u>\$ 2,334,750</u></u>

**Town of Morehead City, North Carolina**

**Fund Balances, Governmental Funds**

**Last Ten Years**

*(Modified Accrual Basis of Accounting)*

**(Unaudited)**

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund:					
Non Spendable	\$ 5,704	\$ 3,506	\$ 3,886	\$ 4,403	\$ 9,752
Restricted	1,396,236	1,306,003	1,493,214	1,921,287	1,873,344
Committed	131,979	131,979	131,979	132,979	150,503
Assigned	743,829	955,600	129,500	571,850	603,900
Unassigned	2,750,836	3,078,547	3,423,270	3,279,443	4,280,262
<b>Total General Fund</b>	<b>\$ 5,028,584</b>	<b>\$ 5,475,635</b>	<b>\$ 5,181,849</b>	<b>\$ 5,909,962</b>	<b>\$ 6,917,761</b>
All Other Governmental Funds:					
Non Spendable	\$ 20,785	\$ 7,189	\$ -	\$ -	\$ -
Restricted	1,208,059	1,723,400	742,896	400,865	377,961
Assigned	434,965	927,864	461,662	608,569	753,456
Unassigned	(783,374)	(145,110)	-	(117,951)	(118,111)
<b>Total all other Governmental Funds</b>	<b>\$ 880,435</b>	<b>\$ 2,513,343</b>	<b>\$ 1,204,558</b>	<b>\$ 891,483</b>	<b>\$ 1,013,306</b>

Note: The Town began to report its governmental fund balances in accordance with GASB 54 for the fiscal year ending June 30, 2011.



Town of Morehead City, North Carolina

**Fund Balances, Governmental Funds (Continued)**  
**Last Ten Years**  
*(Modified Accrual Basis of Accounting)*  
**(Unaudited)**

	Fiscal Year			
	2016	2017	2018	2019
General Fund:				
Non Spendable	\$ 3,381	\$ 13,895	\$ 31,805	\$ 236,131
Restricted	2,076,481	2,344,026	2,266,667	2,944,614
Committed	282,427	649,395	188,349	219,929
Assigned	1,742,091	1,603,568	1,660,014	484,060
Unassigned	4,061,123	4,870,510	5,619,742	5,439,902
<b>Total General Fund</b>	<b>\$ 8,165,503</b>	<b>\$ 9,481,394</b>	<b>\$ 9,766,577</b>	<b>\$ 9,324,636</b>
All Other Governmental Funds:				
Non Spendable	\$ -	\$ -	\$ -	\$ -
Restricted	436,122	390,840	965,897	2,413,564
Committed	-	-	1,369,926	-
Assigned	952,246	1,357,434	366,480	-
Unassigned	(76,539)	(78,830)	-	-
<b>Total all other Governmental Funds</b>	<b>\$ 1,311,829</b>	<b>\$ 1,669,444</b>	<b>\$ 2,702,303</b>	<b>\$ 2,413,564</b>

Town of Morehead City, North Carolina

Changes In Fund Balances, Governmental Funds  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)  
 (Unaudited)

	Fiscal Year			
	2010	2011	2012	2013
Revenue:				
Taxes	\$ 5,752,282	\$ 5,794,269	\$ 5,921,562	\$ 5,405,814
Other taxes and licenses	255,550	254,620	263,509	93,464
Intergovernmental	4,609,859	5,594,738	3,595,747	4,149,263
Permits and fees	130,440	207,628	119,754	193,414
Sales and services	683,340	708,283	657,197	1,170,479
Investment earnings	37,179	56,951	21,560	11,551
Miscellaneous	155,857	165,862	154,852	133,242
<b>Total revenue</b>	<b>11,624,507</b>	<b>12,782,351</b>	<b>10,734,181</b>	<b>11,157,227</b>
Expenditures:				
General government	1,118,017	1,272,341	1,316,704	1,329,077
Public safety	5,618,063	5,550,763	5,603,595	5,814,771
Highway and streets	715,181	839,748	811,191	840,581
Culture and recreation	645,897	774,498	822,249	797,993
Capital outlay	7,587,018	5,274,968	1,601,481	2,879,010
Debt service:				
Interest	61,200	196,232	297,089	300,644
Principal	247,407	5,223,696	276,913	281,816
<b>Total expenditures</b>	<b>15,992,783</b>	<b>19,132,246</b>	<b>10,729,222</b>	<b>12,243,892</b>
<b>Excess of revenue (under) expenditures</b>	<b>(4,368,276)</b>	<b>(6,349,895)</b>	<b>4,959</b>	<b>(1,086,665)</b>
Other financing sources (uses):				
Sales of capital assets	-	-	-	-
Transfers in	2,088,594	2,371,207	1,565,000	2,553,133
Transfers out	(2,088,594)	(2,371,207)	(1,565,000)	(2,553,133)
Debt issued	6,050,000	4,808,000	2,075,000	-
<b>Total other financing sources</b>	<b>6,050,000</b>	<b>4,808,000</b>	<b>2,075,000</b>	<b>-</b>
<b>Net changes in fund balance</b>	<b>\$ 1,681,724</b>	<b>\$ (1,541,895)</b>	<b>\$ 2,079,959</b>	<b>\$ (1,086,665)</b>
Debt service as a percentage of noncapital expenditures	3.67%	38.10%	6.29%	6.22%

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 6,106,245	\$ 6,331,129	\$ 6,785,716	\$ 6,907,397	\$ 6,989,089	\$ 7,122,202
93,306	74,189	29,145	35,257	29,959	45,791
4,133,115	4,544,321	4,609,994	5,146,188	5,429,714	5,352,864
263,773	329,559	345,461	538,310	339,069	353,200
1,228,315	1,762,902	2,050,003	2,129,870	2,224,339	2,492,430
8,939	7,652	19,089	54,294	114,618	200,836
250,752	170,622	203,182	200,820	90,930	413,084
<b>12,084,445</b>	<b>13,220,374</b>	<b>14,042,590</b>	<b>15,012,136</b>	<b>15,217,718</b>	<b>15,980,407</b>
1,492,138	1,606,902	1,598,377	1,920,483	1,247,054	2,231,401
6,695,853	7,351,304	7,812,983	8,380,586	8,646,949	9,561,350
866,211	1,033,748	840,835	1,014,976	883,713	791,831
924,901	1,658,429	1,172,332	665,102	1,053,086	894,039
1,122,716	202,747	641,985	3,820,429	1,278,067	2,452,671
328,535	324,036	312,495	304,253	432,126	1,186,191
239,053	320,586	327,762	331,639	375,309	298,219
<b>11,669,407</b>	<b>12,497,752</b>	<b>12,706,769</b>	<b>16,437,468</b>	<b>13,916,304</b>	<b>17,415,702</b>
415,038	722,622	1,335,821	(1,425,332)	1,301,414	(1,435,295)
-	-	81,559	85,500	16,628	6,015
2,063,847	2,203,261	2,757,020	3,006,227	3,440,865	5,384,367
(2,063,847)	(2,203,261)	(2,757,020)	(2,968,727)	(3,440,865)	(4,685,767)
-	407,000	-	2,605,000	-	-
-	407,000	81,559	2,728,000	16,628	704,615
<b>\$ 415,038</b>	<b>\$ 1,129,622</b>	<b>\$ 1,417,380</b>	<b>\$ 1,302,668</b>	<b>\$ 1,318,042</b>	<b>\$ (730,680)</b>
5.38%	5.24%	5.31%	5.04%	6.39%	9.92%

**Town of Morehead City, North Carolina**

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year Ending June 30	Real Property*	Personal Property*#	Public Service Companies*	Total Assessed Value*	Total Direct Tax Rate	Estimated Actual Taxable Value*	Taxable Assessed Value as a Percentage of Actual Taxable Value of Real Property	
2010	2,122,207,558	179,711,084	32,984,173	2,334,902,815	0.0022	2,096,590,115	112.65%	111.37%
2011	2,129,549,437	177,889,405	31,869,633	2,339,308,475	0.0022	2,382,103,664	98.03%	98.20%
2012	1,681,511,072	184,162,834	30,263,614	1,895,937,520	0.0029	1,895,937,520	100.00%	100.00%
2013	1,697,292,892	185,708,092	29,795,181	1,912,796,165	0.0029	1,767,526,766	109.36%	108.22%
2014	1,706,716,318	211,826,554	29,723,837	1,948,266,709	0.0032	1,802,190,770	109.36%	108.11%
2015	1,715,148,131	189,872,631	26,079,819	1,931,100,581	0.0033	1,797,900,551	108.42%	107.41%
2016	1,684,259,780	240,557,404	29,027,941	1,953,845,125	0.0035	1,823,330,530	108.40%	107.16%
2017	1,704,583,269	255,545,185	29,621,629	1,989,750,083	0.0035	1,990,432,189	99.96%	99.97%
2018	1,729,924,854	256,421,080	30,752,082	2,017,098,016	0.0035	2,032,456,509	99.12%	99.24%
<b>2019</b>	<b>1,753,582,991</b>	<b>270,320,852</b>	<b>30,733,697</b>	<b>2,054,637,540</b>	<b>0.0035</b>	<b>2,080,980,443</b>	<b>98.52%</b>	<b>98.73%</b>

Source: Carteret County Tax Scrolls

Notes:

- 1 The North Carolina General Statutes require a revaluation of real property at least every eight years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. The last revaluation was effective for the fiscal year ending June 30, 2012.
- 2 Personal property is valued at 100% of estimated value.
- 3 Public service property is generally valued at 100% of estimated value. It may be valued at less than 100% in years in which the County's sales to assessment ratio on real property is less than 80%.
- 4 The Town bills and collects property taxes for real, public service, nonregistered motor vehicles, and personal property. Carteret County billed & collected for property taxes for registered motor vehicles on behalf of the Town through October 2013. The County continues to collect delinquent taxes on registered motor vehicles for which it billed. The North Carolina Department of Motor Vehicles began billing/collecting property taxes for registered motor vehicles through the Tax & Tag program that was implemented during the fiscal year ending June 30, 2014. The values reported above include property taxes billed and collected by the Town, County and State.

\* Excludes tax exempt property

# Includes registered motor vehicles billed and collected by Carteret County

**Town of Morehead City, North Carolina**

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

Fiscal Year Ending <u>June 30,</u>	Direct Rate Morehead <u>City</u>	Overlapping Rate Carteret <u>County</u>
2010	0.220	0.230
2011	0.220	0.230
2012	0.285	0.300
2013	0.285	0.290
2014	0.315	0.290
2015	0.330	0.300
2016	0.350	0.300
2017	0.350	0.350
2018	0.350	0.310
<b>2019</b>	0.350	0.310

Notes:

1 Source of County tax rates - Carteret County Tax Office.

**Town of Morehead City, North Carolina**

**Principal Property Tax Owners  
Current Year and Nine Years Ago  
(Unaudited)**

Customer	Fiscal Year Ending June 30, 2019			Fiscal Year Ending June 30, 2010		
	Taxable Assessed Value	Rank	% of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Town Taxable Assessed Value
ITAC 192 LLC	25,357,352	1	1.29	22,143,071	1	0.95
USPG PORTFOLIO FIVE LLC	20,274,257	2	1.03			
STEVENS TOWING COMPANY	20,193,619	3	1.03			
DUKE ENERGY PROGRESS INC	16,710,998	4	0.85			
WAL MART REAL EST BUSINESS TR	15,027,141	5	0.77	15,208,791	3	0.65
4 SISTERS-00 LLC ETAL	13,588,577	6	0.69			
VININGS AT MOREHEAD LLC	11,302,080	7	0.58			
SOUTHSTAR HOLDING MHC LLC ETAL	10,988,577	9	0.56	13,657,722	6	0.58
ZP NO 185 LLC	8,648,101	10	0.44	9,124,298	10	0.39
USPG PORTFOLIO TWO LLC				19,295,409	2	0.83
PROGRESS ENERGY CAROLINAS				14,635,679	4	0.63
MOREHEAD PLAZA LLC ETAL				13,828,270	5	0.59
OLD TOWNE YACHT CLUB INC				13,078,510	7	0.56
CAROLINA TELEPHONE				9,913,921	8	0.63
RADIO ISLAND MARINA CLUB INC				9,383,699	9	0.42
	142,090,702		7.24	140,269,370		6.23

1 Values reported above include amounts for property billed and collected by the Town. It excludes values for registered motor vehicles billed and collected by Carteret County and the NC Department of Motor Vehicles on behalf of the Town.

**Town of Morehead City, North Carolina**

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	5,014,647	4,970,086	99.11%	41,379	5,011,465	99.94%
2011	5,015,615	4,982,951	99.35%	31,558	5,014,509	99.99%
2012	5,240,988	5,181,661	98.87%	57,232	5,238,893	99.97%
2013	5,260,008	5,205,324	98.96%	47,887	5,253,211	99.92%
2014	5,865,417	5,810,430	99.06%	49,395	5,859,825	99.96%
2015	6,131,180	6,089,596	99.32%	29,311	6,118,907	99.94%
2016	6,558,115	6,508,576	99.24%	31,751	6,540,327	99.83%
2017	6,678,662	6,630,957	99.29%	26,650	6,657,607	99.68%
2018	6,762,936	6,708,097	99.19%	25,755	6,733,852	99.19%
<b>2019</b>	<b>6,857,218</b>	<b>6,808,666</b>	<b>99.29%</b>		<b>6,808,666</b>	<b>99.29%</b>

Source: Town of Morehead City tax reports.

Note: Excludes motor vehicle taxes

**Town of Morehead City, North Carolina**

**Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Installment Contracts	Notes Payable	Capital Leases
2010	-	7,133,343	348,974	-
2011	-	6,725,391	341,230	-
2012	-	8,531,541	333,167	-
2013	-	8,258,121	324,771	-
2014	-	8,027,810	316,029	-
2015	-	8,119,877	306,925	-
2016	-	7,801,593	297,447	-
2017	-	10,084,824	287,577	-
2018	-	9,662,974	277,302	-
<b>2019</b>	-	<b>8,753,807</b>	-	-

**Note:** Details regarding the Town's outstanding debt may be found in the notes to the financial statements

**N/A** Not Available



Business-Type Activities			Total	Population	Total Debt	Total debt
Revenue Bonds	Installment Contracts	Notes Payable	Primary Government	Estimate	Per Capita	as Percentage of Personal Income
-	2,341,124	16,774,299	26,597,740	8,830	3,012	1.03%
-	1,987,380	17,188,307	26,242,308	8,693	3,019	0.99%
-	1,620,429	16,318,704	26,803,841	8,810	3,042	0.95%
-	1,236,578	20,886,144	30,705,614	9,163	3,351	1.06%
-	840,289	19,843,403	29,027,531	9,313	3,117	0.96%
4,932,000	432,824	13,868,662	27,660,288	9,319	2,968	0.91%
4,932,000	151,484	12,825,921	26,008,445	9,362	2,778	0.81%
4,857,000	-	13,014,957	28,244,359	9,361	3,017	0.85%
4,780,000	-	13,398,152	28,118,428	9,380	2,998	0.82%
<b>4,701,000</b>	-	<b>12,007,250</b>	<b>25,462,057</b>	<b>9,481</b>	<b>2,686</b>	<b>N/A</b>

**Town of Morehead City, North Carolina**

**Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	General Bonded Debt Outstanding	Estimated Actual Taxable Value	Percentage of Actual Taxable Value of Property	Population Estimate	Total debt Per Capita
2010	-	2,096,590,115	0.00%	8,830	-
2011	-	2,382,103,664	0.00%	8,693	-
2012	-	1,895,937,520	0.00%	8,810	-
2013	-	1,912,796,165	0.00%	9,163	-
2014	-	1,948,266,709	0.00%	9,313	-
2015	-	1,931,100,581	0.00%	9,319	-
2016	-	1,953,845,125	0.00%	9,362	-
2017	-	1,989,750,083	0.00%	9,361	-
2018	-	2,032,456,509	0.00%	9,380	-
<b>2019</b>	-	<b>2,080,980,443</b>	<b>0.00%</b>	<b>9,481</b>	-

**Note:** Details regarding the Town's outstanding debt may be found in the notes to the financial statements.

**Town of Morehead City, North Carolina**

**Direct and Overlapping Governmental Activities Debt  
For the Year Ended June 30, 2019  
(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Carteret County Debt	\$ 23,390,000	13.41%	\$ 3,136,819
<b>Subtotal, overlapping debt</b>	<u>\$ 23,390,000</u>		<u>3,136,819</u>
Town direct debt	-	100.00%	8,753,807
<b>Total direct and overlapping debt</b>			<u><u>\$ 11,890,626</u></u>

Notes:

- 1 Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Morehead City. This process recognizes that, when considering the Town'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.
- 2 The source of County debt is the Carteret County Finance Office.

**Town of Morehead City, North Carolina**

**Legal Debt Margin Information**

**Last Ten Fiscal Years**

*(dollars in thousands)*

**(Unaudited)**

	2010	2011	2012	2013	2014
Debt limit	\$ 186,792,225	\$ 187,144,678	\$ 151,675,002	\$ 153,023,693	\$ 155,861,337
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 186,792,225</u>	<u>\$ 187,144,678</u>	<u>\$ 151,675,002</u>	<u>\$ 153,023,693</u>	<u>\$ 155,861,337</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin

Calculation for Fiscal Year 2019

Total assessed valuation 2,054,637,540

Debt limit (8% of assessed value) 164,371,003

Legal debt margin \$ 164,371,003

2015	2016	2017	2018	2018	2019
\$ 154,488,046	\$ 156,307,610	\$ 159,180,007	\$ 155,861,337	\$ 161,367,841	\$ 164,371,003
-	-	-	-	-	-
<u>\$ 154,488,046</u>	<u>\$ 156,307,610</u>	<u>\$ 159,180,007</u>	<u>\$ 155,861,337</u>	<u>\$ 161,367,841</u>	<u>\$ 164,371,003</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Town of Morehead City, North Carolina**

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year Ending June 30,	Carteret County Public School Enrollment (2)	Morehead City Public School Enrollment (2)	Average Annual Unemployment Rate (3)	Per Capita Personal Income (4)	Personal Income (4)
2010	8,830	2,565	8.4%	38,728	2,583,758
2011	8,693	2,608	8.5%	39,174	2,639,299
2012	8,810	2,585	9.3%	41,761	2,824,360
2013	9,163	2,588	8.5%	42,214	2,888,870
2014	9,313	2,599	6.5%	43,903	3,021,043
2015	9,319	2,665	5.8%	44,199	3,044,352
2016	9,362	2,526	5.7%	46,654	3,212,372
2017	9,361	2,620	4.9%	47,871	3,297,436
2018	9,380	2,556	4.3%	49,360	3,431,692
<b>2019</b>	<b>9,481</b>	<b>2,554</b>	<b>4.7%</b>	<b>N/A</b>	<b>N/A</b>

Notes:

- 1 Population and median age provided by NC Office of Planning-State Demographer
  - 2 Public school enrollment provided by the Carteret County Board of Education
  - 3 Unemployment provided by the NC Dept. of Commerce and is presented at the County level
  - 4 Per capita personal income and personal income provided by the U S Bureau of Economic Analysis. Information is available at the county level and presented on that basis. (In thousands)
- N/A - information not yet available for the year listed.

**Town of Morehead City, North Carolina**

**Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year Ending June 30,	Population (1)	Carteret County Public School Enrollment (2)	Morehead City Public School Enrollment (2)	Average Annual Unemployment Rate (3)	Per Capita Personal Income (4)	Personal Income (4)
2010	8,830	8,353	2,565	8.4%	38,728	2,583,758
2011	8,693	8,491	2,608	8.5%	39,174	2,639,299
2012	8,810	8,540	2,585	9.3%	41,761	2,824,360
2013	9,163	8,307	2,588	8.5%	42,214	2,888,870
2014	9,313	8,615	2,599	6.5%	43,903	3,021,043
2015	9,319	8,451	2,665	5.8%	44,199	3,044,352
2016	9,362	8,139	2,526	5.7%	46,654	3,212,372
2017	9,361	8,486	2,620	4.9%	47,871	3,297,436
2018	9,380	8,119	2,556	4.3%	49,360	3,431,692
<b>2019</b>	<b>9,481</b>	<b>8,097</b>	<b>2,554</b>	<b>4.7%</b>	<b>N/A</b>	<b>N/A</b>

Notes:

- 1 Population and median age provided by NC Office of Planning-State Demographer
  - 2 Public school enrollment provided by the Carteret County Board of Education
  - 3 Unemployment provided by the NC Dept. of Commerce and is presented at the County level
  - 4 Per capita personal income and personal income provided by the U S Bureau of Economic Analysis. Information is available at the county level and presented on that basis. (In thousands)
- N/A - information not yet available for the year listed.

**(This Page Was Intentionally Left Blank)**



**Town of Morehead City, North Carolina**

**Full-Time Equivalent Town Government Employees By Functions/Programs  
Last Ten Fiscal Years  
(Unaudited)**

FUNCTION	Full-Time Equivalent Employees as of June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government:										
Administration	5	5	4	4	4	5	5	5	5	5
Information Technology	2	2	1	1	1	-	-	-	-	-
Finance	7	7	7	7	7	7	7	6	6	6
Building & Grounds	5	5	5	5	6	5	5	5	7	7
Garage	2	1	2	2	2	2	2	2	1	1
Public Safety:										
Police	45	45	47	46	46	48	47	45	45	53
Fire/EMS	51	54	52	49	44	38	35	34	34	34
Planning & Inspections	8	7	7	7	7	7	7	6	6	7
Transportation:										
Streets	9	10	9	9	9	9	9	9	9	9
Recreation & Culture:										
Recreation	8	8	8	7	8	7	7	6	8	8
Parks	4	5	4	3	3	3	3	3	1	1
Library	3	3	3	3	3	3	5	4	4	4
Water & Sewer:										
Billing & collections	4	4	4	4	4	4	4	4	4	4
Wells & water treatment	2	2	2	2	2	2	1	-	-	-
Water Distbr. & sewer collect.	15	15	16	14	15	14	14	15	15	14
Wastewater treatment	8	8	8	9	8	8	8	7	7	7
Solid Waste:										
Operations	1	1	1	1	1	1	1	1	1	1
<b>TOTAL</b>	<b>179</b>	<b>182</b>	<b>180</b>	<b>173</b>	<b>170</b>	<b>163</b>	<b>160</b>	<b>152</b>	<b>153</b>	<b>161</b>

**Town of Morehead City, North Carolina**

**Operating Indicators By Function/Program**

**Last Ten Fiscal Years**

**(Unaudited)**

Function/Program	2010	2011	2012	2013
Function/Program				
Public Safety				
Police calls dispatched ##	84,586	81,015	72,351	72,194
Number of building permits issued ##	813	943	1,050	1,256
Construction value of building permits issued ##	\$ 25,341,471	\$ 24,851,031	\$ 38,126,292	\$ 21,528,398
Fire/EMS area served in square miles ##	14.20	14.20	15.73	15.73
Fire calls answered ##	727	966	1,015	762
EMS calls answered ##	1,893	1,801	2,058	2,261
Highways and Streets				
Miles of streets maintained **	49.56	49.82	50.27	50.27
Water/Sewer				
Number of customers served **	5,299	5,323	5,375	5,419
Daily avg. gallons water consumption ##	1,244,000	1,209,000	1,208,000	1,163,000
Daily avg. gallons waste water treated ##	1,329,000	1,199,000	1,169,000	1,121,000
Sanitation				
Solid waste collected annually (tons) **	3,246	3,235	3,204	3,077
Recyclables collected annually (tons) **	398	397	398	366

Notes:

- 1 Items noted with ## are presented on a calendar year basis.
- 2 Items noted with \*\* are presented on a fiscal year basis.
- 3 N/A = information not available
- 4 Source of Information Various Town of Morehead City Departments

2014	2015	2016	2017	2018	<b>2019</b>
75,004	68,038	58,144	59,164	56,360	<b>45,735</b>
985	1,094	1,256	1,110	1,227	<b>1,382</b>
\$ 26,764,940	\$ 68,690,713	\$ 37,701,802	\$ 36,314,424	\$ 46,359,377	<b>\$45,115,238</b>
15.73	28.00	28.00	28.00	28.00	<b>28</b>
707	667	785	507	516	<b>635</b>
2,505	2,499	3,201	3,470	3,476	<b>3,669</b>
50.27	50.35	50.35	50.35	50.35	<b>50.64</b>
5,454	5,339	5,534	5,623	5,797	<b>5,857</b>
1,165,000	1,160,000	1,191,000	990,000	1,030,000	<b>1,024,000</b>
1,144,000	1,340,000	1,438,000	1,396,000	1,430,000	<b>1,549,000</b>
3,080	3,010	3,056	3,047	3,045	<b>3,227</b>
365	435	469	515	492	<b>598</b>

**Town of Morehead City, North Carolina**

**Capital Asset Statistics By Function/Program  
Last Ten Fiscal Years  
(Unaudited)**

Function/Program	Calendar Year			
	2010	2011	2012	2013
General Government				
Number of cemeteries	3	3	3	3
Public Safety				
Number of police stations/substations	4	4	4	2
Number of patrol units	52	52	50	46
Number of police boats	1	1	1	1
Number of Fire/EMS stations	4	4	4	3
Number of engines	5	5	5	5
Number of ambulances	3	3	4	5
Number of Fire/EMS boats	1	1	1	1
Highways and Streets				
Miles of streets	49.56	49.82	50.27	50.27
Culture and Recreation				
Number of parks	16	16	16	16
Number of public water accesses	22	22	22	22
Park acreage	76.00	76.00	76.00	77.50
Tennis and multipurpose courts	7	7	7	7
Playgrounds	4	4	5	6
Ballfields	11	11	11	10
Number of libraries	1	1	1	1
Water/Sewer				
Miles of water mains	83.25	83.25	83.25	83.25
Miles of sanitary sewers	79.50	79.50	79.50	79.50
Number of water treatment plants	0	0	1	1
Number of treatment plants	2	2	2	2
Sanitation				
Number of yard waste trucks	2	2	2	2

Calendar Year					
2014	2015	2016	2017	2018	2019
3	3	3	3	3	<b>3</b>
2	2	2	2	2	<b>2</b>
46	48	47	44	44	<b>46</b>
1	1	1	1	1	<b>1</b>
3	3	3	3	3	<b>3</b>
5	7	7	7	7	<b>7</b>
5	5	5	5	5	<b>5</b>
1	1	1	1	1	<b>1</b>
50.27	50.35	50.35	50.35	50.35	<b>50.64</b>
16	16	16	16	16	<b>16</b>
23	23	23	23	23	<b>23</b>
77.50	77.50	77.50	77.50	77.50	<b>77.50</b>
7	7	7	7	7	<b>7</b>
6	6	6	6	6	<b>6</b>
10	10	10	10	10	<b>10</b>
1	1	1	1	1	<b>1</b>
83.25	83.50	83.50	83.50	83.50	<b>83.50</b>
79.50	80.00	80.00	80.00	80.00	<b>80.00</b>
1	3	3	3	3	<b>3</b>
2	2	2	2	2	<b>2</b>
2	2	2	2	2	<b>2</b>

**(This Page Was Intentionally Left Blank)**

**COMPLIANCE SECTION**

---

**The Compliance Section contains the Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.**

---



RSM US LLP

**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 Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Morehead City, North Carolina (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Morehead City's basic financial statements, and have issued our report thereon dated December 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Morehead City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Morehead City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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



**Compliance and Other Matters**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM VS LLP*

Morehead City, North Carolina  
December 18, 2019