



Town of Morehead City
NORTH CAROLINA

**Annual Comprehensive
Financial Report**
For the Fiscal Year Ended June 30, 2021

Prepared by the Finance Department
Jewel A. Lasater
Finance Director

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TOWN OF MOREHEAD CITY, NORTH CAROLINA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended June 30, 2021

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INTRODUCTORY SECTION

November 29, 2021



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

We are pleased to present the Annual Comprehensive Financial Report of the Town of Morehead City (City) for the fiscal year ending June 30, 2021. 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 Annual Comprehensive Financial Report consists of management's representations concerning the finances of the City. Responsibility for both the reliability of the data and the completeness and fairness of the presentations, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City 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 City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City'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.

PBMares LLP, a firm of independent licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2021, 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 City's financial statements for the fiscal year ended June 30, 2021. 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 City 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 Uniform Grant 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 Annual Comprehensive 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 Morehead City

Morehead City is located on the coast of North Carolina approximately 150 miles southeast of Raleigh. With a population of approximately 9,540 it is the largest incorporated city 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 City combines the best of the relaxed, friendly atmosphere of a small Southern city 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 City is the county's 135-inpatient bed hospital, a branch of the state community college system, and the Crystal Coast Civic Center. The City is forty-five minutes away from the closest commercial airport and fifteen minutes from the county airport, which services private planes.

Morehead City operates under the Council-Manager form of government. The City Council is comprised of the mayor and five council members who are responsible for the legislative affairs of the City. 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 City services, and the preparation and management of the budget.

The annual budget serves as the foundation for the City's financial planning and control. The City's formal annual budget process begins in January. The City Manager, Department Directors, and City 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 City 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 City'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 City 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 City provides water and sanitary sewer and a comprehensive solid waste program.

The estimated 2021 population for the City increased by 0.1% to 9,540 compared to the 2020 estimate of 9,517. The City 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 City operates. Morehead City is a port city 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 several historical sites that serve as destinations for individuals and groups. The county's economy, while seasonal, is stabilized by 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 City. Carteret County had a 4.9% annual average unemployment rate in fiscal year ending June 30, 2021, compared to 6.0% statewide and 6.9% nationally (not seasonally adjusted).

All indications are that the City and the county will experience stable continued growth. Unemployment rates across the United States increased in 2021, however decreased in North Carolina and locally considering the continuing global pandemic. Unemployment rates across all three areas continues to decline in the month's subsequent to the fiscal year end. The area has a mild climate and is attractive to retirees and second homeowners. The issuance of new construction permits increased to 1,686 with a value of \$91.8 million in the City limits and extraterritorial jurisdiction for 2020-2021. A portion of this growth expands our tax base and property taxes, one of our largest revenue sources.

The City 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 City'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. While a significant number of capital improvements were put on hold to await the financial implications of the pandemic, several projects were continued.

2020-2021 major initiatives undertaken in the governmental funds to meet this goal included construction completion of a new City Hall that reflects the historical Charles Wallace Building. The City began preliminary planning of Stormwater management services. Improvements to the Recreation Center & the Train Depot building were also completed. The City continued implementation Phase II of III an Enterprise Resource Solution software which had been delayed due to the pandemic. Phase III will establish a customer portal with up-to-date account information. The Planning & Inspections department continued progress on the Community Development Block Grant Neighborhood Revitalization program during 2021. The city completed several paving, resurfacing & drainage projects during 2021.

The City 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. While the North Carolina Seafood Festival (NCSF) was cancelled for 2020 due to the global pandemic, the City provided in kind support for several groups including 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. The North Carolina Seafood Festival was once again held during 2021. All 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 purchased various types of public safety vehicles including but not limited to heart monitors and multiple equipment purchases to establish a water rescue team in the Fire & EMS Department for future storm events. Vehicle purchases during 2021 included one truck for the Streets Department, ten new Dodge Durangos & one Animal Control Van for Police. Other continuing improvements included electrical enhancements to the Waterfront area and street beautification projects across our community. The City completed various dredging projects in conjunction with local community groups. The City also purchased various equipment including watch guard camera upgrades and equipment to enhance remote work & education.

In the Water & Sewer Fund a new work order system & asset management system was implemented during 2020-2021. Multiple Water & Sewer line rehabilitation projects were completed throughout the City. Major equipment replacements were done at the Wastewater Treatment Plant to its clarifier & reactor as part of a multiyear improvement project. Rehabilitation to Lift Station #20 was completed to support increased building in the surrounding area.

For the Future

The City Council adopted the fiscal year 2021-2022 budget in June 2021. Property taxes provide approximately 49% of the revenues for the General Fund. Revenue from sales tax, permits and fees, and sales and services were all projected to increase. Due to the geographical nature of our City, revenue from sales tax has significantly increased during most of the spring and summer months of 2021. In response to the continuing possible economic impact on our customers there are no rate increases to become effective at midyear for water and sewer charges. These increases will be reinstated in the future and are necessary to pay operating costs associated with these services and to provide adequate funds to repay Water and Sewer Fund debt and infrastructure improvements. In addition, there are no rate increases to solid waste charges.

On the spending side, funds were budgeted to continue significant repaving, resurfacing, drainage & sidewalk projects. Purchase of ten patrol vehicles for Police were also budgeted. The Fire & EMS department budgeted towards a reserve amount for the future purchase of a ladder truck. Rehabilitation to the Municipal Building to move the Morehead City Library to this location is expected to be completed in 2021-2022. Discussions continue to develop plans for Fire Station #3 on the west end of City that was heavily damaged during Hurricane Florence. The City continues its work with consultants in developing a plan to deal with the increasing issue of storm water. Replacement of the Gymnasium floor are budgeted for the Recreation Center. Development of a City Comprehensive plan is projected to begin in 2021-2022. The Water & Sewer fund budgeted for significant clarifier, digester, and sludge equipment renovations at the Wastewater Treatment Plant. Additional funds were budgeted towards the research and testing to meet new NPDES rules as it relates to wastewater. Rehabilitation to Lift Station #7 was budgeted as well as funds towards multiple other upcoming large equipment, wells & lift station rehabilitations. Many vehicles were purchased across all funds & departments to replace the current aging vehicles continue stabilization of response times and functions.

Independent Audit

The North Carolina General Statutes requires the City to provide for an annual audit of the accounts and financial transactions of the City by a firm of independent certified public accountants. The City Council designated PBMares LLP, Certified Public Accountants, to meet these requirements and their report follows and is an integral part of this report.

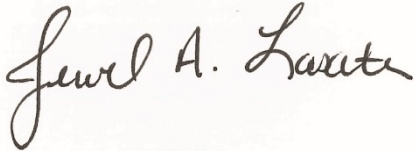
Award and Acknowledgments

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the thirty-first (31st) consecutive years that the government has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report is the result of the desire of the Mayor and City Council to develop the highest standards of financial reporting. Their foresight in encouraging these standards is recognized. I wish to thank all government departments for their assistance in providing the data necessary to prepare this report. I would also like to express my deepest gratitude to the Finance Department staff for their efficient and dedicated services and to PBMares LLP for their support in the preparation of this report.

Respectfully submitted,

A handwritten signature in dark ink, reading "Jewel A. Lasater". The signature is written in a cursive style with a large, looped initial "J".

Jewel A. Lasater, Finance Director

2020-2021 Morehead City Mayor & Council

Honorable G.A. “Jerry” Jones Jr.
Mayor

Diane C. Warrender

William F. Taylor

Keri V. McCann
Mayor Pro Tem

George W. Ballou

David A. Horton

2020-2021 Morehead City Administrative, Financial & Director Staff

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

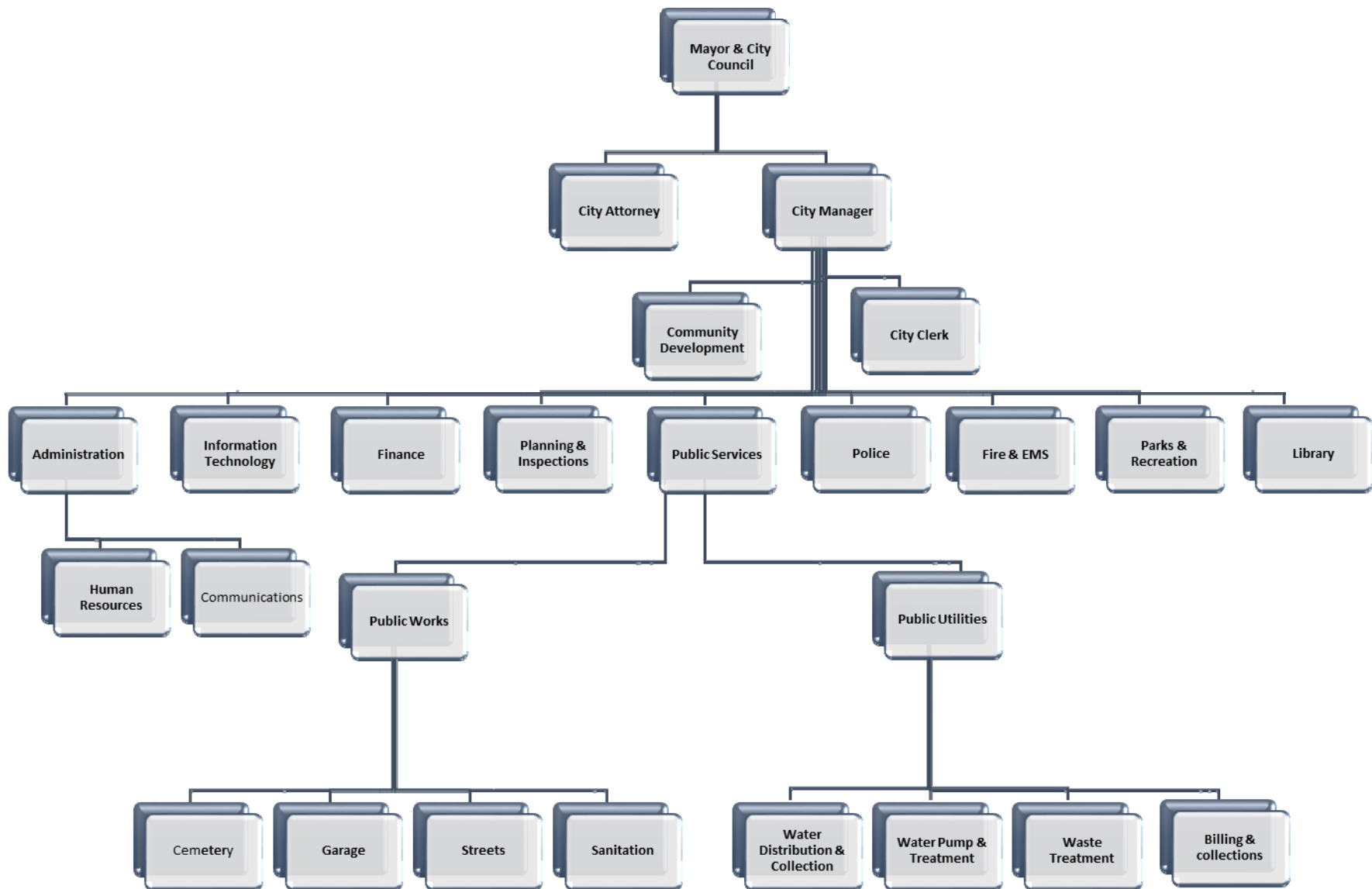
Susan Nixon
Human Resources Director

Sandi Watkins
Planning & Inspection
Director

Alize Proisy
Communications
Director

Shirl F. Meadows
Tax Collector

City-Wide Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Morehead City
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
and Members of the City 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 City), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Auditors

The financial statements of the City, as of and for the year ended June 30, 2020, were audited by other auditors, whose report, dated January 27, 2021, expressed an unmodified opinion on those statements.

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 72 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements, budgetary schedules, other financial information and Schedule of Expenditures of Federal and State Awards, as required by Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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, other financial information, and the Schedule of Expenditures of Federal and State Awards 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, 2020, 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, other financial information, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections of the Annual Comprehensive 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 November 29, 2021 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 City’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.

PBMares, LLP

Morehead City, North Carolina
November 29, 2021



Town of Morehead City, North Carolina

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2021

This section of the Town of Morehead City's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2021. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

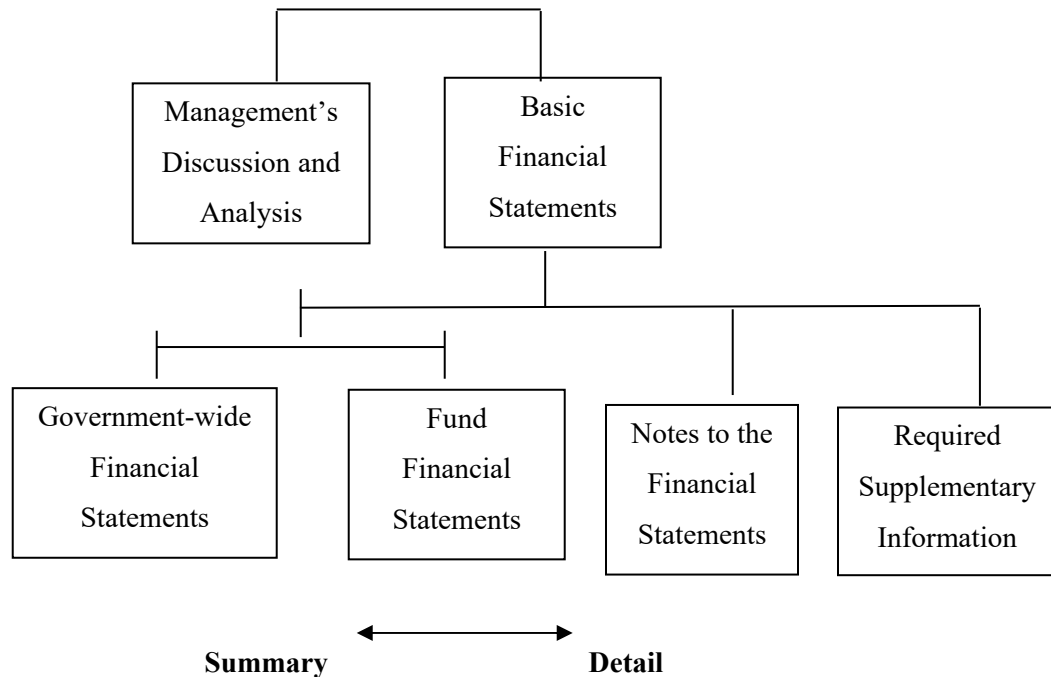
Financial Highlights

- The overall financial position of the City improved in 2021 as evidenced by an increase in total net position of \$4.2 million. This increase was mainly from governmental (\$3.3 million) activities. The increase for the governmental activities was due to increased property tax revenue, charges for services, and decreased expenditures. The small increase (\$0.9 million) for business-type activities was primarily the result of increased charges for services in the business-type departments.
- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$94.9 million (net position). Of this amount, \$8.9 million (unrestricted net position) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12.1 million, a decrease of \$2.8 million in comparison with the prior year. Approximately 63.0% or \$7.6 million is nonspendable, restricted, committed, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4.5 million or approximately 28.1% 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 \$6.6 million primarily due to additions to buildings and infrastructure for the new City Hall. Business-type net capital assets decreased \$0.9 million primarily as a result of depreciation on the operating plant.
- The City's total debt increased by \$1.0 million during the current fiscal year. Debt in the governmental activities increased \$1.9 million due mostly to increases in the LGERSs, LEO and OPEB liabilities. Debt in the business-type activities decreased \$0.9 million due to principal repayments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City'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 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 City's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City'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 Fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the water and sewer system.

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 the 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 City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

- Governmental activities - Most of the City'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 City charges fees to customers to cover the costs of certain services provided. The City's water and sewer system and solid waste system are included here.

The government-wide financial statements are on pages 24 – 25 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 City's budget ordinance. The City has the following types 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 City'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 City'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 City adopts an annual budget for its General Fund as required by the General Statutes. The budget is a legally adopted document that incorporates input from citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund to demonstrate how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Because the City'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 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 City uses enterprise funds to account for its water and sewer operation, solid waste operation, and stormwater operations. 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 26 – 34 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 35 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City'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 72 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 City as a Whole

Net Position: For the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$94.9 million at the close of the most recent fiscal year. A summary of the City's net position at June 30, 2021 and 2020 is presented below:

	Town of Morehead City's Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 14,438,257	\$ 17,370,786	\$ 10,261,192	\$ 9,893,959	\$ 24,699,449	\$ 27,264,745
Other non current assets	-	-	57,970	57,970	57,970	57,970
Capital assets	52,599,210	46,051,849	53,477,897	54,388,848	106,077,107	100,440,697
Total assets	67,037,467	63,422,635	63,797,059	64,340,777	130,834,526	127,763,412
Deferred outflows of resources	3,902,304	2,707,794	592,866	478,791	4,495,170	3,186,585
Total assets and deferred outflows of resources	70,939,771	66,130,429	64,389,925	64,819,568	135,329,696	130,949,997
Long-term liabilities outstanding	20,611,236	18,675,203	14,541,015	15,468,177	35,152,251	34,143,380
Other liabilities	2,667,399	2,905,844	2,430,983	2,783,568	5,098,382	5,689,412
Total liabilities	23,278,635	21,581,047	16,971,998	18,251,745	40,250,633	39,832,792
Deferred inflows of resources	115,072	278,823	20,103	46,112	135,175	324,935
Total liabilities and deferred inflows of resources	23,393,707	21,859,870	16,992,101	18,297,857	40,385,808	40,157,727
Net position:						
Net investment in capital assets	41,466,910	34,501,559	39,195,147	38,892,348	80,662,057	73,393,907
Restricted	5,312,953	10,045,571	-	-	5,312,953	10,045,571
Unrestricted	766,201	(276,571)	8,202,677	7,629,363	8,968,878	7,352,792
Total net position	\$ 47,546,064	\$ 44,270,559	\$ 47,397,824	\$ 46,521,711	\$ 94,943,888	\$ 90,792,270

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The City's net position increased by \$4.2 million for the fiscal year ended June 30, 2021. However, the largest portion (85%) reflects the City'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 City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 City's net position (5.6%) represents resources that are subject to restrictions on how they may be used. The remaining balance of \$8.9 million (9.4%) is unrestricted.

Governmental Activities

Net position of the governmental activities increased \$3.3 million, or 7.4%, to \$46.8 million. \$47.5 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.). \$0.8 million is unrestricted. Unrestricted net position deficits are created from long-term liabilities that resources are appropriated each year as the payments come due rather than accumulating the net assets in advance.

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

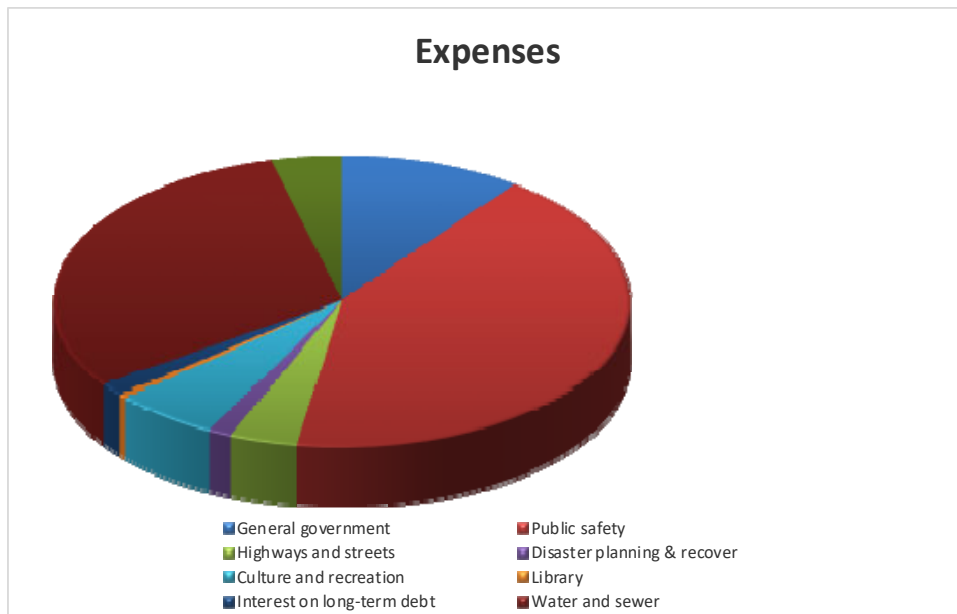
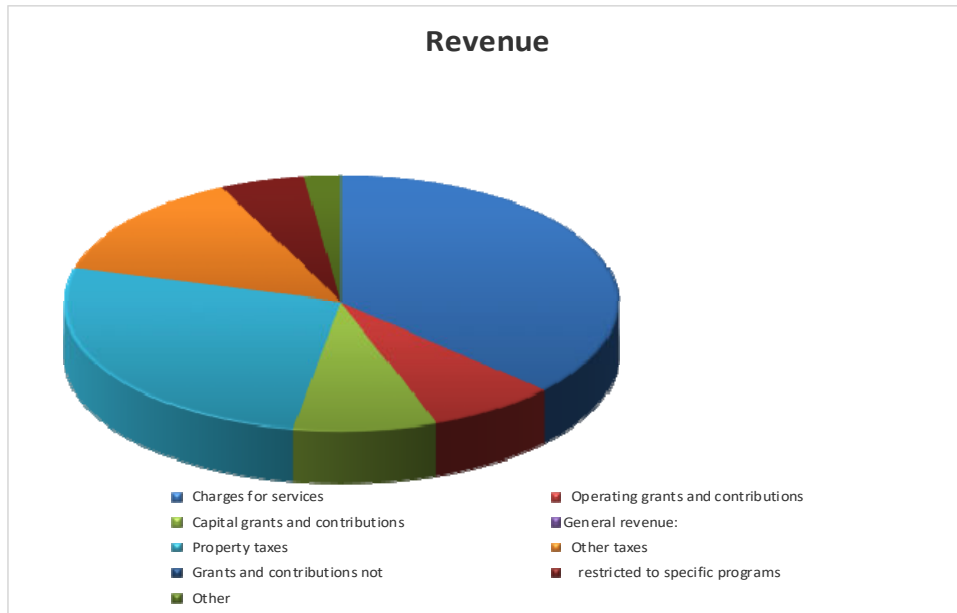
- Continued diligence in the collection of property taxes by maintaining a high tax collection percentage of 99.24%. The statewide average in fiscal year 2021 was 98.42%. The small decrease in the tax collection rate is assumed to be related to the global pandemic.
- Sales tax revenues increased approximately \$0.75 million (23%) due to economic growth in the City and increased tourist visitation that was experienced County wide. Ad valorem tax revenue increased approximately \$83 million due to economic growth in the City and a county re-evaluation that resulted in an increase of total property value.

Business-type Activities

The net position of the business-type activities increased by \$0.9 million, or 1.9%, to \$47.4 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 City's changes in net position for the fiscal years ended June 30, 2021 and 2020:

Town of Morehead City's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program revenue:						
Charges for services	\$ 2,066,960	\$ 2,333,952	\$ 9,229,837	\$ 8,755,306	\$ 11,296,797	\$ 11,089,258
Operating grants and contributions	1,955,541	1,588,157	322,326	1,070,254	2,277,867	2,658,411
Capital grants and contributions	2,518,256	838,920	31,086	1,251,764	2,549,342	2,090,684
General revenue:						
Property taxes	8,098,835	8,290,873	-	-	8,098,835	8,290,873
Other taxes	4,147,141	3,380,606	-	-	4,147,141	3,380,606
Grants and contributions not restricted to specific programs	1,504,200	1,422,392	-	-	1,504,200	1,422,392
Other	253,129	569,111	421,973	500,733	675,102	1,069,844
Total revenue	20,544,062	18,424,011	10,005,222	11,578,057	30,549,284	30,002,068
Expenses:						
General government	2,724,717	3,518,140	-	-	2,724,717	3,518,140
Public safety	11,121,126	10,208,297	-	-	11,121,126	10,208,297
Highways and streets	1,003,113	968,323	-	-	1,003,113	968,323
Disaster planning & recover	348,766	861,693	-	-	348,766	861,693
Culture and recreation	1,544,114	1,554,753	-	-	1,544,114	1,554,753
Library	133,006	174,304	-	-	133,006	174,304
Interest on long-term debt	393,715	350,909	-	-	393,715	350,909
Water and sewer	-	-	8,074,044	7,524,679	8,074,044	7,524,679
Solid waste	-	-	1,055,065	1,034,708	1,055,065	1,034,708
Total expenses	17,268,557	17,636,419	9,129,109	8,559,387	26,397,666	26,195,806
Increase in net position before transfers	3,275,505	787,592	876,113	3,018,670	4,151,618	3,806,262
Transfers	-	3,427,200	-	(3,427,200)	-	-
Increase (decrease) in net position	3,275,505	4,214,792	876,113	(408,530)	4,151,618	3,806,262
Net position, July 1	44,270,559	40,055,767	46,521,711	46,930,241	90,792,270	86,986,008
Net position, June 30	\$ 47,546,064	\$ 44,270,559	\$ 47,397,824	\$ 46,521,711	\$ 94,943,888	\$ 90,792,270



Total government-wide revenue of \$30.5 million was primarily derived from charges for services (37.0%), property taxes (26.5%) and other taxes (13.6%). The total expenses of all programs were \$26.4 million. The expenses cover a range of services with the two largest being public safety (fire/EMS, police and building inspections) for 42.1% and water and sewer for 30.6%.

Governmental Activities

Governmental activities increased the City's net position by \$3.3 million and accounted for 78.9% of the total growth in the net position of the City. Key elements related to governmental activities are as follows:

- Other taxes increased approximately \$0.7 million primarily due to increased sales tax distributions from the State.
- Expenses decreased approximately \$0.4 million (2.1%) compared to the prior period.
 - General Government decreased \$0.8 million. Public safety increased \$0.9 million.

Business-type Activities

Business-type activities increased the City's net position by \$0.9 million and accounted for 21.1% of the City's total increase in 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 \$0.5 million or a 5.4% increase over the previous year. The increase is due to a full year's worth of revenue at the higher rate from the previous year.
- The Water and Sewer Fund expenses increased approximately \$0.6 million or 7.3% from the preceding year. The largest portion of this increase of expenditures is related to water distribution and sewer collection operating expenditures.
- Solid Waste fund expenses increased approximately \$0.02 million or 2% from the preceding year.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the 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 City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.5 million, while total fund balance was \$10.7 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 28.1% of total General Fund expenditures and transfers out of \$15.9 million, while total fund balance represents 67% of that same amount. The City 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, 2021, the governmental funds of the City reported a combined fund balance of \$12.1 million, down from \$14.9 million the previous year. The General Fund balance increased \$2.5 million, while the Morehead Municipal Campus Fund balance decreased \$4.8 million and the Government Capital Project fund balance decreased \$0.6 million. Morehead City Municipal Campus Capital expenditures increased approximately \$2.3 million. Governmental Capital Project expenditures decreased approximately \$1.8 million, of which \$1.0 million was funded by the General Fund. Revenues increased \$0.7 million, expenditures increased \$0.2 million and net transfers in decreased \$2.3 million. The fund balance in the Capital Project Funds decreased \$5.4 million. The largest portion of this decrease is spending on the new City Hall and other capital projects. The Morehead City Municipal Campus Capital Project Fund and the Governmental Capital Project Fund were deemed to be major funds for the year ended June 30, 2021.

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

Total revenue was over the final budget by approximately \$2.4 million in the General Fund. The most significant favorable variances were in state shared taxes included in unrestricted intergovernmental revenue and ad valorem taxes. Expenditures were tightly controlled, and the City 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 \$7.1 million in the Water and Sewer fund, \$0.9 million in the Solid Waste fund, and \$0.2 million in the stormwater fund. Unrestricted net position in the Water and Sewer Fund increased approximately \$0.5 million. The largest portion of this increase is attributable to increases in charges for services. Unrestricted net position in the Solid Waste Fund increased approximately \$0.2 million. The largest portion of this increase is due to increases in charges for services. 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, 2021, the City had \$106 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 \$5.6 million, or 5.6%, over last year and is result of the addition of capital assets over depreciation. The summary of capital assets at June 30, 2021 and 2020 is presented below:

Town of Morehead City's Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 13,572,100	\$ 12,802,000	\$ 937,411	\$ 937,411	\$ 14,509,511	\$ 13,739,411
Intangible assets	566,324	562,831	1,357,823	1,332,822	1,924,147	1,895,653
Infrastructure	7,082,440	6,659,950	-	-	7,082,440	6,659,950
Buildings and other improvements	27,110,928	19,153,468	5,563,809	5,630,577	32,674,737	24,784,045
Equipment and vehicles	3,849,329	3,138,423	1,012,507	1,243,347	4,861,836	4,381,770
Operating plant	-	-	42,617,982	43,619,062	42,617,982	43,619,062
Construction in progress	418,089	3,735,177	1,988,365	1,625,629	2,406,454	5,360,806
Total	\$ 52,599,210	\$ 46,051,849	\$ 53,477,897	\$ 54,388,848	\$ 106,077,107	\$ 100,440,697

This year's major capital asset changes included:

- Increase in land - \$0.8 million
- Increase in infrastructure, buildings, and other improvements - \$8.3 million
- Increase in equipment and vehicles - \$0.5 million
- Decrease in operating plant – \$1 million
- Decrease in construction in progress - \$2.9 million

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

Long-term Debt. At June 30, 2021, the City had \$37.4 million of debt outstanding. Details by type of debt are presented in the following table:

Town of Morehead City's Outstanding Debt							
	Governmental Activities		Business-type Activities		Totals		<i>Current Portion of Balance</i>
	2021	2020	2021	2020	2021	2020	2021
Direct placement installment contracts	\$ 11,132,300	\$ 11,550,291	\$ -	\$ -	\$ 11,132,300	\$ 11,550,291	\$ 425,455
Direct placement revenue bond	-	-	4,535,000	4,619,000	4,535,000	4,619,000	86,000
Direct placement notes payable	-	-	9,747,750	10,877,500	9,747,750	10,877,500	1,129,750
Accrued compensated absences	673,767	621,284	111,697	97,969	785,464	719,253	635,038
Net pension liability (LGERS)	4,572,378	3,427,355	774,169	575,628	5,346,547	4,002,983	-
Total pension liability (LEO)	1,955,798	1,223,768	-	-	1,955,798	1,223,768	-
Total OPEB liability	3,234,724	2,786,160	690,911	595,102	3,925,635	3,381,262	-
Total	\$ 21,568,967	\$ 19,608,858	\$ 15,859,527	\$ 16,765,199	\$ 37,428,494	\$ 36,374,057	\$ 2,276,243

- The City's total long-term debt decreased by \$1.1 million (2.9%) during the past fiscal year.
- Principal payments of \$0.4 million and \$1.2 million were made on outstanding debt in the governmental activities and business-type activities, respectively. All scheduled debt service payments were made timely.
- There were increases in the OPEB, LGERS, and LEO liabilities of \$2.6 million.
- 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 City is \$183,238,317.

More detailed information about the City'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 City's budget outlook:

- During fiscal year ended June 30, 2021, 1,686 permits were issued with a value of \$91.8 million compared to 1,558 permits with a value of \$85.7 million for fiscal year ended June 30, 2020. The biggest contributor of this increase is the value of construction and the number of permits issued.

- The annual unemployment average for Carteret County was 4.9% compared to 5.2% in the prior year. The annual unemployment average for the State it was 6.0% compared to 5.6% in the prior year. The Carteret County rate has decreased since the prior year increases related to the global pandemic. Unemployment rates across the county and state continued to decline in the months subsequent to the fiscal year-end.
- In response to the economic impact of the pandemic on our citizens and customers, no rate increases are to become effective at midyear for water and sewer charges.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities

The General Fund initial budget increased \$3.7 million (24%) from \$15.6 million to \$19.3 million for 2021-2022. The City Council adopted a tax rate of \$0.38 per \$100 of valuation, which is was the same rate as the prior year. Projected increases in sales tax revenue for 2021-2022 and actual increases from property tax revenue and sales tax revenue in 2020-2021 to fund future capital projects and improvements. Thw City Council opted to appropriate \$2.0 million 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 in the range of \$2.5 to \$2.75 million.

Business-type Activities

The initial 2021-2022 budget for the Water and Sewer Fund increased \$1.8 million (23.4%) from \$7.8 million to \$9.6 million. A 0% rate increase was budgeted to assist customers with the economic impact of the global pandemic. This is the 2nd year of the rate increase suspension. Council endorsed a series of rate increases to provide a rate structure that will support current and upcoming debt service on major capital projects undertaken by the City in addition to funding capital expenditures. The 2021-2022 budget includes an appropriation of fund balance of \$1.8 million for capital expenditures.

The initial 2020-2021 budget for the Solid Waste Fund remained relatively the same at \$1.1 million.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City'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.

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TOWN OF MOREHEAD CITY, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 10,813,453	\$ 7,976,631	\$ 18,790,084
Taxes receivable (net)	123,800	-	123,800
Customer receivables (net)	521,118	1,638,789	2,159,907
Due from governmental agencies	993,820	182,214	1,176,034
Local option sales tax receivable	1,172,713	-	1,172,713
Inventories	6,867	246,346	253,213
Prepaid expense	43,796	3,473	47,269
Restricted cash and investments	762,690	213,739	976,429
Total current assets	14,438,257	10,261,192	24,699,449
Non-current assets:			
Notes receivable	-	57,970	57,970
Capital assets:			
Land, intangibles, and construction in process	14,556,513	4,283,597	18,840,110
Other capital assets, net of depreciation	38,042,697	49,194,300	87,236,997
Total capital assets	52,599,210	53,477,897	106,077,107
Total assets	67,037,467	63,797,059	130,834,526
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	3,038,952	408,462	3,447,414
OPEB deferrals	863,352	184,404	1,047,756
Total deferred outflows of resources	3,902,304	592,866	4,495,170
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,528,260	442,323	1,970,583
Accrued interest payable	156,232	40,130	196,362
Customer deposits	-	630,018	630,018
Unearned revenues	25,176	-	25,176
Current portion of long-term liabilities	957,731	1,318,512	2,276,243
Total current liabilities	2,667,399	2,430,983	5,098,382
Long-term liabilities:			
Due in more than one year	20,611,236	14,541,015	35,152,251
Total long-term liabilities	20,611,236	14,541,015	35,152,251
Total liabilities	23,278,635	16,971,998	40,250,633
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	115,072	20,103	135,175
Total deferred inflows of resources	115,072	20,103	135,175
NET POSITION			
Net investment in capital assets	41,466,910	39,195,147	80,662,057
Restricted:			
Stabilization by State Statute	3,356,971	-	3,356,971
General government	1,201,498	-	1,201,498
Streets	1,736	-	1,736
Public safety	727,109	-	727,109
Recreation	10,000	-	10,000
Library	15,639	-	15,639
Unrestricted	766,201	8,202,677	8,968,878
Total net position	\$ 47,546,064	\$ 47,397,824	\$ 94,943,888

TOWN OF MOREHEAD CITY, NORTH CAROLINA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 2,724,717	\$ 256,762	\$ 287,755	\$ 2,518,256	\$ 338,056	\$ -	\$ 338,056
Public safety	11,121,126	1,657,306	1,667,786	-	(7,796,034)	-	(7,796,034)
Highways and streets	1,003,113	-	-	-	(1,003,113)	-	(1,003,113)
Disaster planning and recovery	348,766	-	-	-	(348,766)	-	(348,766)
Cultural and recreation	1,544,114	152,466	-	-	(1,391,648)	-	(1,391,648)
Library	133,006	426	-	-	(132,580)	-	(132,580)
Interest on long-term debt	393,715	-	-	-	(393,715)	-	(393,715)
Total governmental activities	17,268,557	2,066,960	1,955,541	2,518,256	(10,727,800)	-	(10,727,800)
Business-type activities:							
Water and sewer	8,074,044	8,005,857	287,552	31,086	-	250,451	250,451
Solid waste	1,055,065	1,223,980	34,774	-	-	203,689	203,689
Total business-type activities	9,129,109	9,229,837	322,326	31,086	-	454,140	454,140
Total primary government	\$ 26,397,666	\$ 11,296,797	\$ 2,277,867	\$ 2,549,342	(10,727,800)	454,140	(10,273,660)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					8,098,835	-	8,098,835
Local option sales tax					4,094,492	-	4,094,492
Other taxes					52,649	-	52,649
Unrestricted intergovernmental					1,504,200	-	1,504,200
Investment earnings, unrestricted					9,023	1,695	10,718
Gain on disposal of assets					26,452	4,168	30,620
Miscellaneous income, unrestricted					217,654	416,110	633,764
Total general revenue					14,003,305	421,973	14,425,278
Change in net position					3,275,505	876,113	4,151,618
Net position, beginning					44,270,559	46,521,711	90,792,270
Net position, ending					\$ 47,546,064	\$ 47,397,824	\$ 94,943,888

TOWN OF MOREHEAD CITY, NORTH CAROLINA

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Morehead Municipal Campus Capital Project Fund	Governmental Capital Project Fund	Totals
ASSETS				
Cash and investments	\$ 9,143,987	\$ 730,609	\$ 938,857	\$ 10,813,453
Restricted cash and investments	567,123	-	195,567	762,690
Receivables (net)	2,789,847	-	21,604	2,811,451
Inventories	6,867	-	-	6,867
Prepaid items	25,673	18,123	-	43,796
Total assets	\$ 12,533,497	\$ 748,732	\$ 1,156,028	\$ 14,438,257
LIABILITIES				
Accounts payable and accrued liabilities	\$ 723,849	\$ 58,183	\$ 417,990	\$ 1,200,022
Unearned revenues	25,176	-	-	25,176
Accrued salaries	328,238	-	-	328,238
Total liabilities	1,077,263	58,183	417,990	1,553,436
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	113,507	-	-	113,507
Property taxes receivable	123,800	-	-	123,800
Due from other governments	562,438	-	21,604	584,042
Total deferred inflows of resources	799,745	-	21,604	821,349
FUND BALANCES				
Non Spendable:				
Inventories	6,867	-	-	6,867
Prepaid items	25,673	18,123	-	43,796
Restricted:				
Stabilization by State Statute	3,356,971	-	-	3,356,971
General government	8,205	672,426	520,867	1,201,498
Streets	-	-	1,736	1,736
Public safety	543,278	-	183,831	727,109
Recreation	-	-	10,000	10,000
Library	15,639	-	-	15,639
Committed:				
Sidewalk construction	108,029	-	-	108,029
Recreation facilities development	111,549	-	-	111,549
Assigned:				
Subsequent year's expenditures	2,015,752	-	-	2,015,752
Unassigned	4,464,526	-	-	4,464,526
Total fund balances	10,656,489	690,549	716,434	12,063,472
Total liabilities, deferred inflows of resources and fund balances	\$ 12,533,497	\$ 748,732	\$ 1,156,028	\$ 14,438,257

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, 2021

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

Total fund balances for governmental funds	\$ 12,063,472
Capital assets used in governmental activities are financial resources and, therefore are not reported in the funds.	52,599,210
Deferred inflows of resources recorded in the funds for taxes and special assessments receivable expenditures and therefore are considered unavailable:	123,800
Deferred inflows of resources recorded in the funds for unavailable revenues	697,549
Deferred outflows of resources related to pensions are not reported in the funds	3,038,952
Deferred outflows of resources related to OPEB are not reported in the funds	863,352
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,806,067)
Net pension liability (LGERS)	(4,572,378)
Total pension liability (LEOSSA)	(1,955,798)
Net OPEB liability	(3,234,724)
Accrued interest payable on long-term liabilities not recorded in the fund statements	(156,232)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(115,072)</u>
Net position of governmental activities	<u><u>\$ 47,546,064</u></u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General Fund	Morehead Municipal Campus Capital Project Fund	Governmental Capital Project Fund	Totals
Revenue:				
Ad valorem taxes	\$ 8,611,029	\$ -	\$ -	\$ 8,611,029
Other taxes and licenses	52,649	-	-	52,649
Capital contributions	-	-	25,056	25,056
Unrestricted intergovernmental	5,598,692	-	-	5,598,692
Restricted intergovernmental	1,955,541	-	250,481	2,206,022
Permits and fees	654,776	-	-	654,776
Sales and services	1,324,097	-	-	1,324,097
Investment earnings	2,680	6,223	120	9,023
Miscellaneous	192,234	-	-	192,234
Total revenue	18,391,698	6,223	275,657	18,673,578
Expenditures:				
Current:				
General government	1,967,756	4,807,291	1,879,933	8,654,980
Public safety	9,753,946	-	-	9,753,946
Highways and streets	766,047	-	-	766,047
Library	114,084	-	-	114,084
Recreation	410,170	-	-	410,170
Parks	665,105	-	-	665,105
Disaster planning and recovery	348,766	-	-	348,766
Debt service:				
Principal	417,991	-	-	417,991
Interest	393,715	-	-	393,715
Total expenditures	14,837,580	4,807,291	1,879,933	21,524,804
Revenue over (under) expenditures	3,554,118	(4,801,068)	(1,604,276)	(2,851,226)
Other financing sources (uses):				
Sales of capital assets	26,452	-	-	26,452
Transfers in	-	-	1,048,946	1,048,946
Transfers out	(1,048,946)	-	-	(1,048,946)
Total other financing sources (uses), net	(1,022,494)	-	1,048,946	26,452
Net changes in fund balances	2,531,624	(4,801,068)	(555,330)	(2,824,774)
Fund balances				
Fund balances, beginning	8,124,865	5,491,617	1,271,764	14,888,246
Fund balances, ending	\$ 10,656,489	\$ 690,549	\$ 716,434	\$ 12,063,472

TOWN OF MOREHEAD CITY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$ (2,824,774)
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 capital assets, net of decrease in construction in progress	8,094,970
Depreciation expense	(1,541,908)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(5,701)
Net Changes in:	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	986,348
Pension and OPEB deferred outflows included on the Statement of Activities	208,162
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	127,151
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	(512,194)
Increase in unavailable revenues	697,549
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	(1,115,499)
Retirement of long-term liabilities	1,481,007
Accrued interest	6,011
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)	(1,145,023)
Net pension expense (LEOSSA)	(732,030)
Net OPEB expense	(448,564)
Total change in net position of governmental activities	<u><u>\$ 3,275,505</u></u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

GENERAL FUND – ANNUALLY BUDGETED MAJOR FUNDS STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGE AND ACTUAL Year Ended June 30, 2021

	General Fund			Variance
	Budget, Original	Budget, Final	Actual	with Final Budget
Revenue				
Ad valorem taxes	\$ 7,952,684	\$ 7,952,684	\$ 8,611,029	\$ 658,345
Other taxes	26,400	26,400	52,649	26,249
Unrestricted intergovernmental	3,902,825	4,006,751	5,598,692	1,591,941
Restricted intergovernmental	1,467,887	2,296,737	1,955,541	(341,196)
Permits and fees	310,000	310,000	654,776	344,776
Sales and services	895,673	1,100,673	1,324,097	223,424
Investment earnings	83,000	83,000	2,680	(80,320)
Miscellaneous	19,000	151,086	192,234	41,148
Total revenue	14,657,469	15,927,331	18,391,698	2,464,367
Expenditures				
Current:				
General government	3,185,511	2,175,847	1,967,756	208,091
Public safety	9,849,590	10,003,156	9,753,946	249,210
Highways and streets	953,701	815,672	766,047	49,625
Recreation and parks	1,170,836	1,137,459	1,075,275	62,184
Library	130,000	130,000	114,084	15,916
Disaster planning and recovery	3,000	827,850	348,766	479,084
Debt service	811,750	811,750	811,706	44
Total expenditures	16,104,388	15,901,734	14,837,580	1,064,154
Revenue over (under) expenditures	(1,446,919)	25,597	3,554,118	3,528,521
Other financing sources (uses)				
Sale of capital assets	2,000	18,668	26,452	7,784
Transfers in	732,799	-	-	-
Transfers out	-	(1,098,946)	(1,048,946)	50,000
Contingency	(203,157)	(15,445)	-	15,445
Fund balance appropriated	915,277	1,070,126	-	(1,070,126)
Total other financing sources (uses)	1,446,919	(25,597)	(1,022,494)	(996,897)
Revenue and other financing uses over expenditures and other financing uses	\$ -	\$ -	2,531,624	\$ 2,531,624
Fund balance, beginning			<u>8,124,865</u>	
Fund balance, ending			<u>\$ 10,656,489</u>	

TOWN OF MOREHEAD CITY, NORTH CAROLINA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2021

	Water and Sewer Fund	Solid Waste Fund	Non-major Fund	Totals
ASSETS				
Current assets				
Cash and investments	\$ 6,984,357	\$ 832,267	\$ 160,007	\$ 7,976,631
Restricted cash and investments	213,739	-	-	213,739
Prepaid expenses	3,296	177	-	3,473
Receivables	1,610,841	210,162	-	1,821,003
Inventories	246,346	-	-	246,346
Total current assets	9,058,579	1,042,606	160,007	10,261,192
Noncurrent assets				
Notes receivable	57,970	-	-	57,970
Capital assets, net	53,360,086	117,811	-	53,477,897
Total noncurrent assets	53,418,056	117,811	-	53,535,867
Total assets	62,476,635	1,160,417	160,007	63,797,059
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	398,580	9,882	-	408,462
OPEB deferrals	178,118	6,286	-	184,404
Total deferred outflows of resources	576,698	16,168	-	592,866
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	318,087	70,697	-	388,784
Current maturities of long-term debt	1,215,750	-	-	1,215,750
Customer deposits	630,018	-	-	630,018
Accrued salaries	52,265	1,274	-	53,539
Accrued compensated absences-current portion	99,389	3,373	-	102,762
Accrued interest payable	40,130	-	-	40,130
Total current liabilities	2,355,639	75,344	-	2,430,983
Noncurrent liabilities				
Accrued compensated absences-long-term portion	8,642	293	-	8,935
Installment notes	13,067,000	-	-	13,067,000
Net pension liability	755,462	18,707	-	774,169
Total OPEB liability	667,358	23,553	-	690,911
Total noncurrent liabilities	14,498,462	42,553	-	14,541,015
Total liabilities	16,854,101	117,897	-	16,971,998
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	19,673	430	-	20,103
Total deferred inflows of resources	19,673	430	-	20,103
NET POSITION				
Net investment in capital assets	39,077,336	117,811	-	39,195,147
Unrestricted	7,102,223	940,447	160,007	8,202,677
Total net position	\$ 46,179,559	\$ 1,058,258	\$ 160,007	\$ 47,397,824

TOWN OF MOREHEAD CITY, NORTH CAROLINA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS Year Ended June 30, 2021

	Water and Sewer Fund	Solid Waste Fund	Non-major Fund	Totals
Operating revenue				
Charges for sales and services	\$ 8,005,857	\$ 1,223,980	\$ -	\$ 9,229,837
Miscellaneous	416,010	100	-	416,110
Total operating revenue	8,421,867	1,224,080	-	9,645,947
Operating expenses				
Cost of sales and services	5,891,099	1,019,721	-	6,910,820
Depreciation	1,853,327	35,344	-	1,888,671
Total operating expenses	7,744,426	1,055,065	-	8,799,491
Operating income	677,441	169,015	-	846,456
Nonoperating revenue (expense)				
Interest revenue	1,534	154	7	1,695
Restricted intergovernmental	-	7,131	-	7,131
Sale of surplus property	4,168	-	-	4,168
Disaster planning and recovery	287,552	27,643	-	315,195
Interest expense and fiscal charges	(329,618)	-	-	(329,618)
Total nonoperating revenue (expense), net	(36,364)	34,928	7	(1,429)
Income before contributions and transfers	641,077	203,943	7	845,027
Capital contributions	31,086	-	-	31,086
Transfers in	-	-	160,000	160,000
Transfers out	(160,000)	-	-	(160,000)
Total contributed capital and transfers out	(128,914)	-	160,000	31,086
Change in net position	512,163	203,943	160,007	876,113
Net position, beginning of year, July 1	45,667,396	854,315	-	46,521,711
Net position, ending June 30	\$ 46,179,559	\$ 1,058,258	\$ 160,007	\$ 47,397,824

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Non-major Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 8,369,829	\$ 1,254,545	\$ -	\$ 9,624,374
Cash paid to suppliers for goods and services	(4,370,075)	(967,365)	-	(5,337,440)
Cash paid to employees	(1,741,367)	(45,800)	-	(1,787,167)
Net cash provided by operating activities	2,258,387	241,380	-	2,499,767
Cash Flows from Noncapital Financing Activities:				
Disaster planning and recovery	216,416	253,432	-	469,848
Transfers out	(160,000)	-	-	(160,000)
Transfers in	-	-	160,000	160,000
Restricted intergovernmental	-	7,131	-	7,131
Net cash provided by noncapital financing activities	56,416	260,563	160,000	476,979
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(977,719)	-	-	(977,719)
Capital contributions	31,086	-	-	31,086
Sale of surplus property	4,168	-	-	4,168
Principal paid on long-term debt	(1,213,750)	-	-	(1,213,750)
Interest paid on long-term debt	(333,526)	-	-	(333,526)
Net cash used in capital and related financing activities	(2,489,741)	-	-	(2,489,741)
Cash Flows from Investing Activities:				
Interest on investments	1,534	154	7	1,695
Net increase (decrease) in cash and cash equivalents	(173,404)	502,097	160,007	488,700
Cash and Cash Equivalents, beginning	7,371,500	330,170	-	7,701,670
Cash and Cash Equivalents, ending	\$ 7,198,096	\$ 832,267	\$ 160,007	\$ 8,190,370

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2021

	Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total
Reconciliation of Operating Income to Net				
Cash provided by operating activities				
Operating income	\$ 677,441	\$ 169,015	\$ -	\$ 846,456
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,853,327	35,344	-	1,888,671
Change in assets, deferred outflows of resources, and liabilities:				
(Increase) decrease in receivables	(67,371)	30,465	-	(36,906)
Decrease in inventory	7,192	-	-	7,192
Increase in prepaid expenses	(3,296)	(177)	-	(3,473)
Increase in deferred outflows of resources	(110,632)	(3,443)	-	(114,075)
Increase in net pension liability	193,045	5,496	-	198,541
Increase in OPEB liability	92,543	3,266	-	92,543
Decrease in deferred inflows of resources	(25,155)	(854)	-	(26,009)
(Decrease) increase in accounts payable and accrued liabilities	(396,087)	1,708	-	(394,379)
Increase in customer deposits	15,333	-	-	15,333
Increase in accrued salaries	8,414	465	-	8,879
Increase in accrued compensated absences	13,633	95	-	13,728
Net cash provided by operating activities	\$ 2,258,387	\$ 241,380	\$ -	\$ 2,499,767

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TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Town of Morehead City, North Carolina (the City) 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 City 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 (GAAP) 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 City 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 City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities 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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, parks and recreation, and general government services.

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 City has two major capital project funds: Morehead Municipal Campus Capital Project Fund and the Government Capital Projects Fund.

The City 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 City. 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 City's customers. There is one Capital Project Fund and one Capital Reserve Fund 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 City. The primary revenue consists of user charges for services. The primary expenses are for collection and disposal of solid waste for the City's customers. This fund is not a major fund this year but is being reported as such for consistency purposes.

The City reports the following non-major enterprise funds:

Stormwater Enterprise Fund - The Stormwater Enterprise Fund was created in the current fiscal year to house funds for potential stormwater activity.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all non-proprietary type funds of the City 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. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all 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.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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 City 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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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 City 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 City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund 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 City as of June 30, 2021. 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.

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
Water and Sewer Fund	*Water and Sewer System Development Capital Reserve Fund
Solid Waste Fund	Government Capital Projects Fund
Stormwater fund	**Solid Waste Capital Project Fund
	*Water and Sewer Capital Project Fund
	***Stormwater Capital Project Fund

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

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

***Fund considered a part of the City's Stormwater 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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments:

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents:

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

Restricted Assets:

The USDA requires debt reserve accounts to be set up. The City 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	\$ 352,370
Restricted donations	27,319
Inspection fees	184,416
Drug enforcement assets	3,018
	<u>567,123</u>

Governmental Capital Projects Fund

Water rescue equipment	173,775
Restricted for recreation	10,000
Restricted for public safety	10,056
Powell Bill	1,736
	<u>195,567</u>

Total governmental activities

762,690

Business-Type Activities:

Water and Sewer Fund

USDA debt reserves	<u>213,739</u>
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Total restricted cash

\$ 976,429

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

Inventories and Prepaid Items

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

The inventories of the City'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.

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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

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 City has two items that meets this criterion, pension and OPEB deferrals for the 2021 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 City 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.

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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. For the governmental funds financial statements, the City records the liquidation of the liability in the fund in which the underlying salary is paid, primarily the General Fund. The City 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 City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is 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 City 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.

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 general fund is the only governmental fund that reports a positive unassigned fund balance.

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

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

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

Deposits: All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name.

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

At June 30, 2021, the City's deposits had a carrying amount of \$5,321,149 and bank balance of \$5,381,410. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,084,548 was covered by collateral held under the Pooling Method. At June 30, 2021, the City's petty cash fund totaled \$6,750.

Investments: At June 30, 2021, the City's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust – Government Portfolio*	Fair Value Level 1	\$ 14,438,614	-	AAAm
Total		\$ 14,438,614		

* 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.

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 City has no formal investment policy regarding interest rate risk.

Credit risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investor's Service as of June 30, 2021.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables – Allowances for Doubtful Accounts

Receivables at June 30, 2021, consist of the following:

	Major General	Major Water & Sewer Fund	Major Solid Waste Fund	Governmental Capital Project Fund	Total
Receivables					
Local option sales tax	\$ 1,172,713	\$ -	\$ -	\$ -	\$ 1,172,713
Property tax	141,100	-	-	-	141,100
Allowance for uncollectibles	(17,300)	-	-	-	(17,300)
	123,800	-	-	-	123,800
Accounts receivable:					
Services	663,360	1,445,160	193,869	-	2,302,389
Allowance for uncollectibles	(142,242)	(240)	-	-	(142,482)
	521,118	1,444,920	193,869	-	2,159,907
Due from governmental agencies	972,216	165,921	16,293	21,604	1,176,034
Net total receivables	\$ 2,789,847	\$ 1,610,841	\$ 210,162	\$ 21,604	\$ 4,632,454

Note 4. Capital Assets

Primary Government

Capital asset activity for the City for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,802,000	\$ 770,100	\$ -	\$ 13,572,100
Intangible assets	562,831	3,493	-	566,324
Construction in progress	3,735,177	4,638,737	(7,955,825)	418,089
Total capital assets not being depreciated	17,100,008	5,412,330	(7,955,825)	14,556,513
Capital assets being depreciated:				
Buildings and other improvements	27,481,405	8,790,619	-	36,272,024
Infrastructure	8,262,440	594,897	-	8,857,337
Equipment and vehicles	7,691,763	1,252,949	(190,236)	8,754,476
Total capital assets being depreciated	43,435,608	10,638,465	(190,236)	53,883,837
Less accumulated depreciation for:				
Buildings and other improvements	(8,327,937)	(833,159)	-	(9,161,096)
Infrastructure	(1,602,490)	(172,407)	-	(1,774,897)
Equipment and vehicles	(4,553,340)	(536,342)	184,535	(4,905,147)
Total accumulated depreciation	(14,483,767)	(1,541,908)	184,535	(15,841,140)
Total capital assets being depreciated, net	28,951,841			38,042,697
Governmental activity capital assets, net	\$ 46,051,849			\$ 52,599,210

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	\$ 937,411	\$ -	\$ -	\$ 937,411
Intangible assets	1,332,822	25,001	-	1,357,823
Construction in progress	1,625,629	362,736	-	1,988,365
Total capital assets not being depreciated	3,895,862	387,737	-	4,283,599
Capital assets being depreciated:				
Buildings and other improvements	6,725,187	48,032	-	6,773,219
Equipment and vehicles	3,048,157	8,950	-	3,057,107
Operating plant	67,692,408	533,001	-	68,225,409
Total capital assets being depreciated	77,465,752	589,983	-	78,055,735
Less accumulated depreciation for:				
Buildings and other improvements	(1,094,610)	(114,800)	-	(1,209,410)
Equipment and vehicles	(1,957,965)	(204,446)	-	(2,162,411)
Operating plant	(24,073,346)	(1,534,081)	-	(25,607,427)
Total accumulated depreciation	(27,125,921)	(1,853,327)	-	(28,979,248)
Total capital assets being depreciated, net	50,339,831			49,076,487
Water and Sewer Fund capital assets, net	54,235,693			53,360,086
Solid Waste Fund:				
Capital assets being depreciated:				
Equipment and vehicles	415,345	-	-	415,345
Less accumulated depreciation for:				
Equipment and vehicles	(262,190)	(35,344)	-	(297,534)
Total capital assets being depreciated, net	153,155			117,811
Solid Waste Fund capital assets, net	153,155			117,811
Business-type activity capital assets, net	\$ 54,388,848			\$ 53,477,897

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

Governmental activities:	
General government	\$ 181,931
Public safety	635,150
Highway and streets	237,066
Cultural and recreation	468,839
Library	18,922
	<u>\$ 1,541,908</u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Construction Commitments

The City has active construction projects as of June 30, 2021.

Project	Spent to Date	Remaining Commitment
Fisher & Bay Resurfacing	\$ -	\$ 191,220
Various paving projects	-	96,751
Evans soundside sewer replacement	137,080	198,083
S. Shore Florida Sewer Extension	-	24,800
	<u>\$ 137,080</u>	<u>\$ 510,854</u>

Note 5. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the statewide 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

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

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2021, was 10.84% of compensation for law enforcement officers and 10.2% 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 \$941,104 for the year ended June 30, 2021. Contributions made after the measurement date of the net pension liability but before the end of the City'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. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2021, the City reported a liability of \$5,346,547 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the City's proportion was 0.14962%, which was an increase of 0.00304% from its proportion measured as of June 30, 2019.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$1,775,607. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to LGERS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 675,177	\$ -
Changes of assumptions	397,889	-
Net difference between projected and actual earnings on pension plan investments	752,385	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	135,172
City contributions subsequent to the measurement date	941,104	-
Total	<u>\$ 2,766,555</u>	<u>\$ 135,172</u>

\$941,104 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Amount
2022	\$ 456,850
2023	636,467
2024	374,295
2025	222,667
	<u>\$ 1,690,279</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, 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 the RP-2014 Total Data Set for Healthy Annuitants published mortality 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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study prepared as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 10,847,588	\$ 5,346,547	\$ 774,819

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR 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 City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Active plan members	39
Total	<u>42</u>

2. Summary of Significant Accounting Policies.

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 7.75%, including inflation and productivity factor
Discount rate	1.93%

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the following:

Deaths after Retirement (Healthy): Mortality rates are based on the Pub-2010 Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

Deaths before Retirement: Mortality rates are based on the Pub-2010 Safety Mortality Table for Employees.

Deaths after Retirement (Beneficiary): Mortality rates are based on the Pub-2010 Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths after Retirement (Disabled): Mortality rates are based on the Pub-2010 Non-safety Mortality Table for Disabled Retirees. Rates are set back 3 years for all ages.

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$73,818 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, 2021, the City reported a total pension liability of \$1,955,798. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$221,449.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,388	\$ -
Changes of assumptions	555,562	-
City benefit payments and plan administrative expense made subsequent to the measurement date	36,909	-
Total	<u>\$ 680,859</u>	<u>\$ -</u>

\$36,909 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2022	\$ 117,149
2023	122,548
2024	129,551
2025	127,625
2026	110,583
Thereafter	36,494
	<u>\$ 643,950</u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 2,129,709	\$ 1,955,798	\$ 1,795,906

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

	2020
Beginning balance	\$ 1,223,768
Service cost	65,367
Interest on the total pension liability	38,720
Differences between expected and actual experience in the measurement of the total pension liability	61,864
Changes of assumptions or other inputs	638,128
Benefit payments	(72,049)
Ending balance of the total pension liability	<u>\$ 1,955,798</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 1,775,607	\$ 221,449	\$ 1,997,056
Pension liability	5,346,547	1,955,798	7,302,345
Proportionate share of the net pension liability	0.14962%	n/a	-
Deferred outflows of resources:			
Differences between expected and actual experience	675,177	88,388	763,565
Changes of assumptions	397,889	555,562	953,451
Net difference between projected and actual earnings on plan investments	752,385	-	752,385
Benefit payments and administrative costs paid subsequent to the measurement date	941,104	36,909	978,013
Deferred inflows of resources:			
Changes in proportion and differences between contributions and proportionate share of contributions	135,172	-	135,172

c. Supplemental Retirement Income Plan for Law Enforcement

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

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

The City made contributions of \$120,213 and law enforcement officers made contributions of \$125,135 for the reporting year. No amounts were forfeited.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

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 ACFR for the State of North Carolina. The State's ACFR 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.

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 City 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, 2020, the State contributed \$18,652,000 to the plan. The Town of Morehead City's proportionate share of the State's contribution is \$16,232.

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.

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, 2021, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$31,490. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2021 and 2020 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$12,605 and revenue of \$12,605 for support provided by the State. At June 30, 2021, the City 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Not applicable
Investment rate of return	7.00%, 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 ACFR for the State of North Carolina.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

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 City at the time of retirement are eligible to participate in the City's OPEB plan until age 65 or until eligible for Medicare, whichever occurs first. The City provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the City who meet requirements established by the City 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 City 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 City'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 City's group health care plan by paying the full premiums for coverage.

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

The City 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 City'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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	20
Active plan members	179
Total	<u>199</u>

Total OPEB Liability

The City's total OPEB liability of \$3,925,637 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases, including inflation and productivity factor	3.50 to 7.75 percent
Municipal bond index rate	
Measurement date	2.21 percent
Healthcare cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026

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, 2019	\$ 3,381,262
Charges for the year:	
Service cost at the end of the year*	135,587
Interest on TOL and cash flows	119,715
Differences between expected and actual experience	17,440
Changes of assumptions or other inputs	466,024
Net benefit payments and implicit subsidy credit**	<u>(194,393)</u>
Net changes	544,373
Balance at June 30, 2020	<u>\$ 3,925,635</u>

*The service cost includes interest for the year.

**The net benefit payments shown above include \$58,200 due to the implicit subsidy.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

Since the Prior Measurement Date (June 30, 2019), the Discount Rate has changed from 3.5% to 2.21% 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, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(1.21%)	(2.21%)	(3.21%)
Total OPEB liability	\$ 4,334,889	\$ 3,925,635	\$ 3,559,603

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

	Health Care Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Current	Increase
Total OPEB liability	\$ 3,425,727	\$ 3,925,635	\$ 4,528,326

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$369,478. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 587,335	\$ -
Changes of assumptions or other inputs	315,249	-
Benefit payments and plan administrative expense made subsequent to the measurement date	145,172	-
Total	\$ 1,047,756	\$ -

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 5. Pension Plan and Postemployment Obligations (Continued)

\$145,172 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2022	\$ 114,174
2023	114,174
2024	114,174
2025	114,174
2026	114,174
Thereafter	331,714
	<u>\$ 902,584</u>

Note 6. Other Employment Benefits

The City 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 City, the City does not determine the number of eligible participants.

The City 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 City considers these contributions to be immaterial.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 7. Deferred Outflows and Inflows of Resources

The City has several deferred outflows and inflows of resources. Deferred outflows and inflows of resources at June 30, 2021 are comprised of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Government-wide:		
Pension deferrals	\$ 3,447,414	\$ 135,172
OPEB deferrals	1,047,756	-
	<u>\$ 4,495,170</u>	<u>\$ 135,172</u>
General fund:		
Unavailable revenues	\$ -	\$ 113,507
Due from other governments	-	562,438
Property taxes receivable	-	123,800
	<u>\$ -</u>	<u>\$ 799,745</u>
Government Capital Project Fund		
Due from other governments	\$ -	\$ 21,604
	<u>\$ -</u>	<u>\$ 21,604</u>

Note 8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two 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 (\$3,302,195), vehicles (\$4,169,816) property (\$77,101,745) 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 City also carries commercial insurance policies which include coverage for property damage (\$5,544,319), portable equipment (\$55,000), auto liability (\$1,000,000), general liability (\$10,000,000), and excess liability (\$4,000,000). The City also carries a cybercrime policy of \$1,000,000.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Management (Continued)

The City provides employee health insurance through Blue Cross Blue Shield up to an unlimited lifetime benefit. The City 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. The City carries flood insurance through the National Flood Insurance Plan (NFIP). Because certain properties owned by the City 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 City is eligible to purchase coverage of up to \$500,000 per structure through the NFIP. The City is also eligible to and has purchased commercial flood insurance for another \$90,200 of coverage for contents. In accordance with G. S. 159-29, the City’s employees that have access to \$100 or more at any given time of the City’s funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$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, 2021, the City was a defendant to various lawsuits. In the opinion of the City’s management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City’s financial position.

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, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
*Accrued compensated absences	\$ 621,284	\$ 1,115,499	\$ 1,063,016	673,767	\$ 532,276
Net pension liability (LGERS)	3,427,355	1,145,023	-	4,572,378	-
Total pension liability (LEO)	1,223,768	732,030	-	1,955,798	-
Total OPEB liability	2,786,160	448,564	-	3,234,724	-
Direct placement installment purchase contracts	11,550,291	-	417,991	11,132,300	425,455
Total	<u>\$ 19,608,858</u>	<u>\$ 3,441,116</u>	<u>\$ 1,481,007</u>	<u>\$ 21,568,967</u>	<u>\$ 957,731</u>

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

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations (Continued)

The City 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, 2021, \$250,202 remains in a restricted account and the remaining obligation due under this agreement totaled \$4,184,707.

The City 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, 2021, \$102,168 remains in a restricted account and the remaining obligation due under this agreement totaled \$1,853,093.

The City 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, 2021, the obligation due under this agreement totaled \$2,201,168.

The City has a \$3,100,000 installment financing contract from First Bank over a 15-year term to finance the new City Hall project. The note bears an annual interest rate of 2.45%. As of June 30, 2021, the obligation due under this agreement totaled \$2,893,332.

Changes in Long-Term Liabilities – Business-Type Activities

Long-term liability activity for business-type activities for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Direct placement revenue bond	\$ 4,619,000	\$ -	\$ 84,000	\$ 4,535,000	\$ 86,000
Direct placement notes payable	10,877,500	-	1,129,750	9,747,750	1,129,750
*Accrued compensated absences	97,969	219,314	205,586	111,697	102,762
Net pension liability (LERS)	575,628	198,541	-	774,169	-
Total OPEB liability	595,102	95,809	-	690,911	-
Total	<u>\$ 16,765,199</u>	<u>\$ 513,664</u>	<u>\$ 1,419,336</u>	<u>\$ 15,859,527</u>	<u>\$ 1,318,512</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.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations (Continued)

The City 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 City and bears an annual interest rate of 2.6%. As of June 30, 2021, the remaining obligation due under this agreement totaled \$170,000.

The City 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 City and bears an annual interest rate of 2.36%. As of June 30, 2021, the remaining obligation due under this agreement totaled \$200,000.

The City 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 City and bears an annual interest rate of 2.265%. As of June 30, 2021, the remaining obligation due under this agreement totaled \$6,000,000.

The City 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 City and is interest free. As of June 30, 2021, the obligation due is \$290,250.

The City 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 City and is interest free. As of June 30, 2021, the obligation due is \$750,000.

The City 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 City and bears an annual interest rate of 1.66%. As of June 30, 2021, the obligation due under this agreement totaled \$2,337,500.

The City 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, 2021, \$213,739 remains in a restricted account and the remaining obligation due under this agreement totaled \$4,535,000.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations (Continued)

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:		
2021-2022	\$ 425,455	\$ 381,117
2022-2023	433,188	368,249
2023-2024	441,201	355,104
2024-2025	449,502	341,669
2025-2026	458,103	327,934
2027-2031	2,430,806	1,422,376
2032-2036	2,490,948	1,027,226
2037-2041	1,246,697	689,846
2042-2046	1,310,317	450,318
2047-2051	1,347,922	165,571
2052-2056	98,161	3,951
	<u>\$ 11,132,300</u>	<u>\$ 5,533,361</u>
	Principal	Interest
Business-type activities, Water and Sewer Fund:		
2021-2022	\$ 1,215,750	\$ 308,555
2022-2023	1,217,750	283,530
2023-2024	1,135,750	258,450
2024-2025	1,137,750	235,498
2025-2026	1,090,750	212,490
2027-2031	3,962,500	749,302
2032-2036	1,284,500	514,635
2037-2041	958,000	377,712
2042-2046	782,000	271,673
2047-2051	896,000	158,015
2052-2056	602,000	33,495
	<u>\$ 14,282,750</u>	<u>\$ 3,403,355</u>
Total governmental activities and business-type activities, Water and Sewer Fund	<u>\$ 25,415,050</u>	<u>\$ 8,936,716</u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations (Continued)

Interest paid on the above obligations for the year ended June 30, 2021 totaled \$727,240. State statutes provide for a legal debt limit of 8 percent of the City's assessed value of taxable property. The City's legal debt margin as of June 30, 2021 amounts to \$183,238,317.

The City 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 City 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, 2021, is as follows:

Operating revenues.	\$ 8,276,670
Operating expenses	(5,725,488)
Operating income	<u>2,551,182</u>
Non-operating income	293,069
Non-operating expense*	(329,618)
Net revenues available for debt service	<u><u>\$ 2,514,633</u></u>
110% of FY 20/21 maximum debt service requirement	\$ 211,023
Debt service coverage ratio	<u><u>1191.64%</u></u>
100% of FY 20/21 subordinated indebtedness debt service requirement	\$ 1,336,253
Debt service coverage ratio	<u><u>188.19%</u></u>

* Operating expenses do not include depreciation or interest

Note 11. Jointly Governed Organizations

The City, in conjunction with seven counties and 28 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 City paid membership fees of \$3,347 to the Council during the fiscal year ended June 30, 2021.

Note 12. Federal and State Assisted Programs

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

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2021 are as follows:

	From	To	Purpose
General Fund	\$ 1,048,946	\$ -	Portion of construction
Water and Sewer Fund	160,000	-	Portion of operations
Stormwater Fund	-	160,000	Portion of operations
Governmental CPF	-	1,048,946	Portion of construction
Total	<u>\$ 1,208,946</u>	<u>\$ 1,208,946</u>	

Note 14. Recently Implemented GASB Statements

The City implemented the following GASB Statements during the year ended June 30, 2021:

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 became effective for fiscal years beginning after December 15, 2019, and it did not have a material impact on the City's financial position, overall cash flow or balances or results of operations.

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, 2019 and it did not have a material impact on the City's financial position overall cash flow, or balances or results of operations.

Note 15. Pending GASB Statements

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

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, 2021.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 15. Pending GASB Statements (Continued)

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 June 15, 2021.

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, 2020.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement is effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, and did not have a material impact on the City's financial position, overall cash flow or balances or results of operations. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

Note 15. Pending GASB Statements (Continued)

GASB Statement Number 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32”, was issued to address (a) applicability of component unit criteria to certain arrangements, including some Internal Revenue Code 457 deferred compensation plans, and (b) the accounting and financial reporting for Section 457 plans. The requirements of the Statement will be effective for the City beginning with its year ending June 30, 2022.

Note 16. Subsequent Events

The City has evaluated its subsequent events (events occurring after June 30, 2021) through November 29, 2021, which represents the date the financial statements were available to be issued.

On July 15, 2021, Carteret Health Care, Carteret County, and the City completed a property exchange. Per the local agreement, Carteret County donated the Curb Market Property to the Town of Morehead City, and Carteret Health Care remitted \$1,203,580 to the City for the purchase of the Armory property adjacent to Carteret Health Care.

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**REQUIRED SUPPLEMENTAL
FINANCIAL DATA - UNAUDITED**

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TOWN OF MOREHEAD CITY, NORTH CAROLINA

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) Last Eight Fiscal Years*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset) %	0.150%	0.147%	0.147%	0.147%	0.143%	0.134%	0.124%	0.112%
City's proportionate share of the net pension liability (asset)	\$ 5,346,547	\$ 4,002,983	\$ 3,497,779	\$ 2,246,975	\$ 3,044,490	\$ 599,634	\$ (733,408)	\$ 1,352,441
City's covered payroll	\$ 9,389,348	\$ 8,630,104	\$ 8,027,679	\$ 8,100,246	\$ 7,357,194	\$ 6,662,614	\$ 5,883,587	\$ 5,551,592
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	56.94%	46.38%	43.57%	27.74%	41.38%	9.00%	(12.47%)	24.36%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	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 CITY'S CONTRIBUTIONS REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) Last Eight Fiscal Years*

Local Governmental Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 941,104	\$ 859,995	\$ 687,282	\$ 619,467	\$ 599,257	\$ 495,967	\$ 476,266	\$ 418,846
Contributions in relation to the contractually required contribution	<u>941,104</u>	<u>859,995</u>	<u>687,282</u>	<u>619,467</u>	<u>599,257</u>	<u>495,967</u>	<u>476,266</u>	<u>418,846</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 9,092,672	\$ 9,389,348	\$ 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	10.35%	9.16%	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 CITY, NORTH CAROLINA

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) Last Seven Fiscal Years*

Firefighters' and Rescue Squad Workers' Pension

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Morehead City	31,490	35,132	48,582	38,860	27,171	21,916	18,821
Total	<u>\$ 31,490</u>	<u>\$ 35,132</u>	<u>\$ 48,582</u>	<u>\$ 38,860</u>	<u>\$ 27,171</u>	<u>\$ 21,916</u>	<u>\$ 18,821</u>
City's covered payroll	\$ 2,734,429	\$ 2,667,018	\$ 2,453,301	\$ 2,272,111	\$ 2,165,982	\$ 1,743,285	\$ 1,247,293
City's proportionate share of the net pension liability as a percentage of its covered payroll	1.15%	1.32%	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%	92.76%	91.45%

*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 Five Fiscal Years***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,223,768	\$ 1,087,472	\$ 1,081,661	\$ 1,138,005	\$ 1,166,289
Service cost	65,367	54,924	57,394	47,476	88,620
Interest on the total pension liability	38,720	38,246	32,935	42,052	-
Differences between expected and actual experience in the measurement of the total pension liability	61,864	78,707	37,918	(110,307)	-
Changes of assumptions or other inputs	638,128	37,933	(43,612)	61,609	(21,351)
Benefit payments	<u>(72,049)</u>	<u>(73,514)</u>	<u>(78,824)</u>	<u>(97,174)</u>	<u>(95,553)</u>
Ending balance of the total pension liability	<u><u>\$ 1,955,798</u></u>	<u><u>\$ 1,223,768</u></u>	<u><u>\$ 1,087,472</u></u>	<u><u>\$ 1,081,661</u></u>	<u><u>\$ 1,138,005</u></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 Five Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,955,798	\$ 1,223,768	\$ 1,087,472	\$ 1,081,661	\$ 1,138,005
Covered payroll	2,365,640	2,267,534	2,099,919	1,963,851	2,052,052
Total pension liability as a percentage of covered payroll	82.68%	53.97%	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 Four Fiscal Years*

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 135,587	\$ 138,711	\$ 143,529	\$ 155,365
Interest	119,715	95,394	87,379	75,281
Differences between expected and actual experience	17,440	719,793	11,385	5,250
Change of assumptions	466,024	60,568	(91,345)	(152,657)
Benefit payments	(194,393)	(169,345)	(137,363)	(122,545)
Net change in total OPEB Liability	544,373	845,121	13,585	(39,306)
Total OPEB liability - beginning	3,381,262	2,536,141	2,522,556	2,561,862
Total OPEB liability - ending	\$ 3,925,635	\$ 3,381,262	\$ 2,536,141	\$ 2,522,556
Covered payroll	\$ 9,145,270	\$ 9,145,270	\$ 7,462,546	\$ 7,462,546
Total OPEB liability as a percentage of covered payroll	42.93%	36.97%	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 measurement period ended June 30:

Measurement Fiscal Year	Rate
2020	2.21%
2019	3.50%
2018	3.89%
2017	3.01%

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

MAJOR GOVERNMENTAL FUNDS

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GENERAL FUND

**TOWN OF MOREHEAD CITY, NORTH CAROLINA
GENERAL FUND**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

Year Ended June 30, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 1 of 5)	2021			Unaudited 2020
	Final Budget	Actual	Variance, With Final Budget	Actual
Revenue:				
Ad valorem taxes:				
Current year	\$ 7,910,709	\$ 8,540,105	\$ 629,396	\$ 7,715,098
Prior years	16,800	28,546	11,746	37,704
Interest and penalties	25,175	42,378	17,203	24,431
Total ad valorem taxes	7,952,684	8,611,029	658,345	7,777,233
Other taxes:				
Motor vehicle lease tax	26,400	52,649	26,249	39,392
Total other taxes	26,400	52,649	26,249	39,392
Unrestricted intergovernmental:				
Local option sales tax	2,714,926	4,094,492	1,379,566	3,341,214
Electric sales tax	752,250	847,597	95,347	844,576
Beer and wine tax	40,000	39,748	(252)	40,778
Carteret County ABC revenue	247,000	340,265	93,265	260,173
Video programming sales tax	103,550	107,569	4,019	109,508
Telecommunications tax	70,300	77,163	6,863	77,396
Piped natural gas tax	14,725	17,849	3,124	14,438
Payment in lieu of taxes	64,000	74,009	10,009	75,523
Total unrestricted intergovernmental	4,006,751	5,598,692	1,591,941	4,763,606
Restricted intergovernmental:				
School resource officer	189,123	256,400	67,277	186,618
Bullet proof vest grant	2,024	1,888	(136)	3,998
Controlled substance tax	5,000	3,897	(1,103)	4,063
Restitution funds	-	305	305	959
Fire Wildwood	601,360	602,100	740	590,295
Fire Crab Pot	516,630	519,695	3,065	509,500
Medicaid Reimbursement	80,750	71,592	(9,158)	13,589
Dredging grant	-	-	-	36,140
CAMA	2,000	3,300	1,300	4,315
FEMA reimbursements	611,990	220,275	(391,715)	689,684
FEMA grant (SAFER)	40,000	30,184	(9,816)	102,972
US Department of Health and Human Services	-	-	-	37,483
Webb Library funding	-	-	-	53,075
Housing Authority grant	35,000	33,042	(1,958)	35,000
CARES Act	212,860	212,863	3	-
Total restricted governmental	2,296,737	1,955,541	(341,196)	2,267,691

(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, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 2 of 5)	2021			Unaudited 2020
	Final Budget	Actual	Variance, With Final Budget	Actual
Permits and fees:				
Building permits and inspection fees	\$ 275,000	\$ 612,212	\$ 337,212	\$ 398,014
Planning/zoning fees and charges	25,000	33,969	8,969	27,454
Sidewalk extension fees	10,000	8,470	(1,530)	2,680
Franchise fees	-	125	125	250
Total permits and fees	310,000	654,776	344,776	428,398
Sales and services:				
Fire and rescue charges	-	1,041,657	1,041,657	962,795
Court cost and fees	3,500	2,929	(571)	2,537
Cemetery fees	1,000	2,005	1,005	1,745
Sale of cemetery lots	5,000	13,995	8,995	9,515
Library fees and charges	-	426	426	2,005
Leases	107,153	149,746	42,593	123,256
E 911 cost sharing	30,420	32,465	2,045	28,017
Recreation fees and charges	953,600	80,874	(872,726)	90,698
Total sales and services	1,100,673	1,324,097	223,424	1,220,568
Investment earnings	83,000	2,680	(80,320)	100,407
Miscellaneous revenue:				
Insurance reimbursements/refunds	43,064	62,023	18,959	351,027
Police sponsorship	3,500	3,500	-	3,500
Miscellaneous	104,522	126,711	22,189	70,151
Total miscellaneous revenue	151,086	192,234	41,148	424,678
Total revenue	15,927,331	18,391,698	2,464,367	17,021,973

(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, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 3 of 5)	2021			Unaudited 2020
	Final Budget	Actual	Variance, With Final Budget	Actual
Expenditures				
General government:				
Mayor - city council				
Salaries and benefits	\$ 41,620	\$ 46,821	\$ (5,201)	\$ 35,167
Other	22,674	7,783	14,891	10,368
	<u>64,294</u>	<u>54,604</u>	<u>9,690</u>	<u>45,535</u>
Administration:				
Salaries, wages and benefits	388,241	379,823	8,418	317,815
Other	33,468	20,262	13,206	20,548
	<u>421,709</u>	<u>400,085</u>	<u>21,624</u>	<u>338,363</u>
Finance:				
Salaries, wages and benefits	224,050	212,780	11,270	260,346
Other	49,272	26,784	22,488	24,448
	<u>273,322</u>	<u>239,564</u>	<u>33,758</u>	<u>284,794</u>
Central services:				
Employee benefits	202,200	198,123	4,077	208,790
Professional services	253,885	229,215	24,670	166,067
Other	242,088	188,776	53,312	158,670
	<u>698,173</u>	<u>616,114</u>	<u>82,059</u>	<u>533,527</u>
Community projects	<u>130,920</u>	<u>123,750</u>	<u>7,170</u>	<u>175,665</u>
Information technology:				
Salaries, wages and benefits	-	6,285	(6,285)	93,173
Other	61,035	45,458	15,577	84,266
	<u>61,035</u>	<u>51,743</u>	<u>9,292</u>	<u>177,439</u>
Cemetery, buildings and grounds:				
Salaries, wages and benefits	298,896	260,512	38,384	272,547
Other	104,603	103,019	1,584	79,392
	<u>403,499</u>	<u>363,531</u>	<u>39,968</u>	<u>351,939</u>
Garage:				
Salaries, wages and benefits	94,651	94,141	510	89,433
Other	28,244	24,224	4,020	16,503
	<u>122,895</u>	<u>118,365</u>	<u>4,530</u>	<u>105,936</u>
Total general government	<u>2,175,847</u>	<u>1,967,756</u>	<u>208,091</u>	<u>2,013,198</u>

(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, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 4 of 5)	2021			Unaudited 2020
	Final Budget	Actual	Variance, With Final Budget	Actual
Public safety:				
Police:				
Salaries, wages and benefits	\$ 3,518,476	\$ 3,450,723	\$ 67,753	\$ 3,431,335
Capital outlay	-	-	-	22,668
Other	557,367	511,806	45,561	455,578
	<u>4,075,843</u>	<u>3,962,529</u>	<u>113,314</u>	<u>3,909,581</u>
Fire & EMS				
Salaries, wages and benefits	4,382,085	4,327,638	54,447	4,208,178
Other	867,336	868,139	(803)	719,810
	<u>5,249,421</u>	<u>5,195,777</u>	<u>53,644</u>	<u>4,927,988</u>
Inspections:				
Salaries, wages and benefits	560,460	529,086	31,374	583,451
Other	117,432	66,554	50,878	67,929
	<u>677,892</u>	<u>595,640</u>	<u>82,252</u>	<u>651,380</u>
Total public safety	<u>10,003,156</u>	<u>9,753,946</u>	<u>249,210</u>	<u>9,488,949</u>
Highways and streets:				
Transportation:				
Salaries, wages and benefits	449,734	453,368	(3,634)	416,776
Other	278,738	249,248	29,490	293,004
	<u>728,472</u>	<u>702,616</u>	<u>25,856</u>	<u>709,780</u>
Powell Bill funds	87,200	63,431	23,769	53,773
Total highways and streets	<u>815,672</u>	<u>766,047</u>	<u>49,625</u>	<u>763,553</u>
Recreation:				
Salaries, wages and benefits	244,927	225,469	19,458	403,979
Other	215,389	184,701	30,688	170,980
	<u>460,316</u>	<u>410,170</u>	<u>50,146</u>	<u>574,959</u>
Parks:				
Salaries, wages and benefits	317,904	312,045	5,859	244,705
Other	359,239	353,060	6,179	300,051
	<u>677,143</u>	<u>665,105</u>	<u>12,038</u>	<u>544,756</u>
Total recreation and parks	<u>1,137,459</u>	<u>1,075,275</u>	<u>62,184</u>	<u>1,119,715</u>

(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, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 5 of 5)	2021			Unaudited 2020
	Final Budget	Actual	Variance, With Final Budget	Actual
Library:				
Salaries, wages and benefits	\$ 57,500	\$ 56,051	\$ 1,449	\$ 80,801
Other	72,500	58,033	14,467	74,581
Total library	130,000	114,084	15,916	155,382
Disaster planning and recovery:				
Other	827,850	348,766	479,084	861,693
Total disaster planning and recovery	827,850	348,766	479,084	861,693
Debt service:				
Principal retirement	418,030	417,991	39	303,516
Interest fees	393,720	393,715	5	400,426
Total debt service	811,750	811,706	44	703,942
Total expenditures	15,901,734	14,837,580	1,064,154	15,106,432
Revenue over expenditures	25,597	3,554,118	3,528,521	1,915,541
Other financing sources (uses):				
Fund balance appropriated	1,070,126	-	(1,070,126)	-
Sale of capital assets	18,668	26,452	7,784	8,101
Transfers in:				
Government CPF	-	-	-	9,500
Transfers out:				
Governmental CPF	(1,098,946)	(1,048,946)	50,000	(2,044,113)
Morehead City Municipal Campus CPF	-	-	-	(1,088,800)
Contingency	(15,445)	-	15,445	-
Total other financing sources (uses), net	(25,597)	(1,022,494)	(996,897)	(3,115,312)
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	2,531,624	\$ 2,531,624	(1,199,771)
Fund balance, beginning		8,124,865		9,324,636
Fund balance, ending		\$ 10,656,489		\$ 8,124,865

MOREHEAD MUNICIPAL CAMPUS FUND

TOWN OF MOREHEAD CITY, NORTH CAROLINA

MOREHEAD CITY MUNICIPAL CAMPUS PROJECT FUND SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL From Inception and for the Year Ended June 30, 2021

	Project	Actual		Project
	Authorization	Prior Years	Current Year	To Date
Revenue:				
Investment earnings	\$ 52,005	\$ 55,540	\$ 6,223	\$ 61,763
Total revenue	52,005	55,540	6,223	61,763
Expenditures:				
General government	53,124	25,617	14,138	39,755
Capital outlay:				
General government	8,907,222	3,463,186	4,793,153	8,256,339
	8,960,346	3,488,803	4,807,291	8,296,094
Total expenditures	8,960,346	3,488,803	4,807,291	8,296,094
Revenue under expenditures	(8,908,341)	(3,433,263)	(4,801,068)	(8,234,331)
Other financing sources:				
Issuance of debt	3,100,000	3,100,000	-	3,100,000
Transfer from Water and Sewer Fund	3,837,200	3,837,200	-	3,837,200
Transfer from General Fund	1,971,141	1,987,680	-	1,987,680
Total other financing sources	8,908,341	8,924,880	-	8,924,880
Revenue and other financing sources over (under) expenditures	\$ -	\$ 5,491,617	(4,801,068)	\$ 690,549
Fund balance, beginning			5,491,617	
Fund balance, ending			\$ 690,549	

GOVERNMENTAL CAPITAL PROJECT FUND

TOWN OF MOREHEAD CITY, NORTH CAROLINA

GOVERNMENTAL CAPITAL PROJECTS FUND SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL From Inception and for the Year Ended June 30, 2021

	Project	Actual		Project
	Authorization	Prior	Current	To Date
		Years	Year	
Revenue:				
Insurance claims and reimbursements	\$ 249,935	\$ 249,935	\$ -	\$ 249,935
Capital contributions	251,560	200,000	25,056	225,056
Federal and state grants	2,228,750	638,920	250,481	889,401
Sale of capital assets	-	2,094	-	2,094
Interest revenue	-	4,415	120	4,535
Total revenue	2,730,245	1,095,364	275,657	1,371,021
Expenditures:				
Capital outlay	7,739,690	3,728,946	1,879,933	5,608,879
Total expenditures	7,739,690	3,728,946	1,879,933	5,608,879
Revenue under expenditures	(5,009,445)	(2,633,582)	(1,604,276)	(4,237,858)
Other financing sources (uses):				
Transfer to General Fund	(9,500)	(9,500)	-	(9,500)
Transfer from General Fund	4,375,077	3,276,131	1,048,946	4,325,077
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	299,493	294,340	-	294,340
Total other financing sources (uses), net	5,009,445	3,905,346	1,048,946	4,954,292
Revenue and other financing sources over (under) expenditures	\$ -	\$ 1,271,764	(555,330)	\$ 716,434
Fund balance, beginning			<u>1,271,764</u>	
Fund balance, ending			<u>\$ 716,434</u>	

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ENTERPRISE FUNDS

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TOWN OF MOREHEAD CITY, NORTH CAROLINA

WATER AND SEWER FUND SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 1 of 3)

	2021			Unaudited 2020
	Budget	Actual	Variance With Final Budget	Actual
Operating revenue:				
Charges for sales and services:				
Sewer charges	\$ 3,470,875	\$ 3,707,107	\$ 236,232	\$ 3,574,977
Water charges	3,808,250	4,061,475	253,225	3,986,848
Extension fees	12,500	26,360	13,860	27,928
Tap fees	30,000	65,718	35,718	44,742
Total charges for sales and services	7,321,625	7,860,660	539,035	7,634,495
Miscellaneous	136,324	416,010	279,686	712,769
Total operating revenue	7,457,949	8,276,670	818,721	8,347,264
Operating expenditures:				
Cost of sales and services -				
Water, wells and pumping stations:				
Salaries, wages and employee benefits	150,739	174,765	(24,026)	150,556
Other	398,083	366,894	31,189	322,659
Repairs and maintenance	138,776	102,683	36,093	127,786
Total cost of sales and services -				
water, wells and pumping stations	687,598	644,342	43,256	601,001
Cost of sales and services -				
Water distribution and sewer collection:				
Salaries, wages and employee benefits	919,573	846,683	72,890	992,451
Other	2,440,471	2,385,071	55,400	2,251,534
Repairs and maintenance	184,250	152,157	32,093	135,778
Total cost of sales and services - water				
distribution and sewer collection	3,544,294	3,383,911	160,383	3,379,763
Cost of sales and services -				
Lift stations and sewer mains:				
Other	99,200	114,108	(14,908)	107,041
Repairs and maintenance	86,000	74,699	11,301	116,985
Total cost of sales and services -				
lift stations and sewer mains	185,200	188,807	(3,607)	224,026

(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, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 2 of 3)

	2021			Unaudited 2020
	Budget	Actual	Variance With Final Budget	Actual
Cost of sales and services -				
Wastewater treatment plant:				
Salaries, wages and employee benefits	\$ 564,975	\$ 571,475	\$ (6,500)	\$ 562,201
Other	372,725	341,163	31,562	251,565
Repairs and maintenance	170,900	168,502	2,398	158,248
Capital outlay	-	-	-	82,115
Total cost of sales and services - wastewater treatment plant	1,108,600	1,081,140	27,460	1,054,129
Cost of sales and services -				
Water billing and collection				
Salaries, wages and employee benefits	311,401	320,292	(8,891)	235,981
Other	153,026	106,996	46,030	89,707
Total cost of sales and services - water billing and collection	464,427	427,288	37,139	325,688
Total operating expenditures	5,990,119	5,725,488	264,631	5,584,607
Operating revenue over operating expenditures	1,467,830	2,551,182	1,083,352	2,762,657
Nonoperating revenue (expenditures):				
Interest revenue	104,000	1,349	(102,651)	133,401
Disaster planning and recovery	-	287,552	287,552	102,425
Interest and fiscal charges	(330,580)	(329,618)	962	(354,538)
Sale of surplus property	-	4,168	4,168	19,555
Bond and installment agreement principal payments	(1,213,750)	(1,213,750)	-	(1,211,750)
Total nonoperating revenues (expenditures), net	(1,440,330)	(1,250,299)	190,031	1,310,907
Revenue over expenditures	27,500	1,300,883	1,273,383	1,451,750

(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, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

(Page 3 of 3)

	2021			Unaudited 2020
	Budget	Actual	Variance With Final Budget	Actual
Other financing sources (uses):				
Transfers out:				
Water and Sewer Capital Project Funds	\$ (460,200)	\$ (460,200)	\$ -	\$ (2,678,790)
Morehead Municipal Campus Capital Projects Fund	-	-	-	(3,427,200)
Stormwater Fund	(160,000)	(160,000)	-	-
Contingency	(4,600)	-	4,600	-
Fund balance appropriated	597,300	-	(597,300)	-
Total other financing sources (uses), net	(27,500)	(620,200)	(592,700)	6,105,990
Revenue and other sources over expenditures and other financing uses	\$ -	\$ 680,683	\$ 680,683	\$ (4,654,240)

Reconciliation of modified accrual basis to
full accrual basis:

Revenue and other financing sources over expenditures and other financing uses	\$ 680,683	\$ (4,654,240)
Depreciation	(1,853,327)	(1,777,886)
Note and installment agreement principal payment	1,213,750	1,211,750
Capitalized expenditures included in capital outlay and other expenditures	977,716	3,636,233
Donated capitalized assets	-	878,764
Capital outlay from capital project funds	(968,766)	(3,554,120)
Net transfers to Water and Sewer Capital Project Funds	460,200	2,678,790
Miscellaneous revenues	-	1,280
Development fees	145,197	264,385
Repairs and maintenance expense from capital project funds	(24,761)	(32,866)
Capital contributions	31,086	373,000
Interest earned from capital project funds	185	10,039
Increase (decrease) in deferred outflows of resources - pensions	67,686	(40,688)
(Increase) decrease in net pension liability	(193,044)	(60,139)
Decrease (increase) in deferred inflows of resources - pensions	4,819	(3,488)
Increase (decrease) in deferred outflows of resources - OPEB	42,946	111,700
Decrease (increase) in deferred inflows of resources - OPEB	20,336	13,726
Decrease (Increase) in OPEB liability	(92,543)	(143,671)
Net income, full accrual basis	\$ 512,163	\$ (1,087,431)

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)

Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
Development fees	\$ 1,008,460	\$ 374,913	\$ 145,197	\$ 520,110
Interest	-	12,193	121	12,314
Total revenue	1,008,460	387,106	145,318	532,424
Other financing sources (uses):				
Transfer from water and sewer CRF	423,117	423,117	-	423,117
Transfer to water and sewer capital project fund	(327,960)	(200,960)	(127,000)	(327,960)
Reserved for WWTP rehabilitation	(1,103,617)	-	-	-
Total other financing sources (uses), net	(1,008,460)	222,157	(127,000)	95,157
Revenue over expenditures	\$ -	\$ 609,263	\$ 18,318	\$ 627,581

TOWN OF MOREHEAD CITY, NORTH CAROLINA

WATER AND SEWER CAPITAL PROJECT FUND STATEMENT OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL (NON-GAAP) Year Ended June 30, 2021

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
Interest	\$ -	\$ 4,253	\$ 64	\$ 4,317
Miscellaneous	-	1,280	-	1,280
Capital contributions	406,680	373,000	31,086	404,086
Total revenue	406,680	378,533	31,150	409,683
Capital outlay	4,851,139	3,554,120	968,766	4,522,886
Repair and maintenance	57,627	32,866	24,761	57,627
Total expenditures	4,908,766	3,586,986	993,527	4,580,513
Revenue under expenditures	(4,502,086)	(3,208,453)	(962,377)	(4,170,830)
Other financing sources:				
Transfers in:				
Water and sewer fund	3,138,990	2,678,790	460,200	3,138,990
Water and sewer system development fund	327,960	200,960	127,000	327,960
Water and sewer capital projects fund	387,088	387,088	-	387,088
Water and sewer capital reserve fund	523,728	523,728	-	523,728
Water and sewer rebatable capital reserve fund	70,579	70,579	-	70,579
Water/sewer extensions improvement capital project fund	48,930	48,930	-	48,930
West End Force main capital projects fund	4,811	4,811	-	4,811
Total other financing sources	4,502,086	3,914,886	587,200	4,502,086
Revenue and other financing sources over (under) other financing sources	\$ -	\$ 706,433	\$ (375,177)	\$ 331,256

TOWN OF MOREHEAD CITY, NORTH CAROLINA

SOLID WASTE FUND

STATEMENT OF REVENUE AND EXPENDITURES

– BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

	2021			Unaudited 2020
	Budget	Actual	Variance, With Final Budget	Actual
Revenue:				
Operating revenue:				
Charges for sales and services:				
Refuse collections - carts	\$ 1,054,500	\$ 1,223,980	\$ 169,480	\$ 1,120,811
Miscellaneous	-	100	100	562
Total operating revenue	1,054,500	1,224,080	169,580	1,121,373
Operating expenditures:				
Contracted Services	804,100	808,288	(4,188)	748,693
Salaries, wages and employee benefits	60,403	50,825	9,578	47,662
Operating	207,291	156,146	51,145	200,080
Total operating expenditures	1,071,794	1,015,259	56,535	996,435
Operating revenue over (under) operating expenditures	(17,294)	208,821	226,115	124,938
Nonoperating revenue:				
Disaster recovery	36,495	27,643	(8,852)	65,456
Interest revenue	5,000	167	(4,833)	7,446
Restricted intergovernmental	6,500	7,131	631	7,183
Total nonoperating revenue	47,995	34,941	(13,054)	80,085
Revenue over expenditures	30,701	243,762	213,061	205,023
Other financing sources (uses):				
Transfers out:				
Solid waste capital project fund	(12,266)	(12,266)	-	-
Contingency	(18,435)	-	18,435	-
Total other financing uses	(30,701)	(12,266)	18,435	-
Revenue and other financing sources over expenditures	\$ -	\$ 231,496	\$ 231,496	\$ 205,023
Reconciliation of modified accrual basis with full accrual basis:				
Revenue and other financing sources over (under) expenditures	\$ 231,496			\$ 205,023
Disaster planning and recovery income from CPFs	-			895,190
Other expenses from CPFs	(13)			-
Net transfers to capital project funds	12,266			-
Depreciation	(35,343)			(35,343)
Increase (Decrease) in deferred outflows of resources - OPEB	1,516			3,942
Decrease (Increase) in deferred inflows of resources - OPEB	718			484
Decrease (Increase) in OPEB liability	(3,266)			(5,070)
Increase (Decrease) in deferred outflows of resources - pensions	1,927			(892)
Decrease (Increase) in net pension liability	(5,495)			(1,317)
Decrease (Increase) in deferred inflows of resources - pensions	137			(76)
Net income, full accrual basis	\$ 203,943			\$ 1,061,941

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, 2021

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
FEMA reimbursement	\$ 1,000,000	\$ 895,190	\$ -	\$ 895,190
Total revenue	1,000,000	895,190	-	895,190
Expenditures:				
Debris removal	1,000,000	930,460	-	930,460
Capital outlay	12,266	-	-	-
Other	-	-	13	13
Total expenditures	1,012,266	930,460	13	930,473
Other financing sources:				
Transfer from solid waste fund	12,266	-	12,266	12,266
Total other financing sources	12,266	-	12,266	12,266
Revenue over (under) expenditures	\$ -	\$ (35,270)	\$ 12,253	\$ (23,017)

TOWN OF MOREHEAD CITY, NORTH CAROLINA

STORMWATER FUND

SCHEDULE OF REVENUE AND EXPENDITURES

– BUDGET AND ACTUAL (NON-GAAP)

Year Ended June 30, 2021 (With Comparative Actual Amounts for Year Ended June 30, 2020)

	2021			Unaudited 2020
	Budget	Actual	Variance, With Final Budget	Actual
Other financing sources (uses):				
Transfers in:				
Water and Sewer Fund	160,000	160,000	-	-
Transfers out:				
Stormwater Capital Project Fund	(160,000)	(160,000)	-	-
Total other financing uses, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Reconciliation of modified accrual basis with full accrual basis:

Interest from capital project fund	7
Net transfers to capital project fund	<u>160,000</u>
Net income, full accrual basis	<u><u>\$ 160,007</u></u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

**STORMWATER CAPITAL PROJECT FUND
SCHEDULE OF REVENUE AND EXPENDITURES
– BUDGET AND ACTUAL (NON-GAAP)
Year Ended June 30, 2021**

	Project Authorization	Prior Years	Current Year	Project to Date
Revenue:				
Interest	\$ -	\$ -	\$ 7	\$ 7
Total revenue	-	-	7	7
Capital outlay	160,000	-	-	-
Total expenditures	160,000	-	-	-
Revenue over (under) expenditures	(160,000)	-	7	7
Other financing sources:				
Transfer from Stormwater Fund	160,000	-	160,000	160,000
Total other financing sources	160,000	-	160,000	160,000
Revenue over expenditures	\$ -	\$ -	\$ 160,007	\$ 160,007

OTHER FINANCIAL INFORMATION

TOWN OF MOREHEAD CITY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE June 30, 2021

Year Ended June 30	Uncollected Balance June 30, 2020	Additions (Releases) Net	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 8,704,037	\$ 8,641,493	\$ 62,544
2019-2020	105,606	(17,343)	58,403	29,860
2018-2019	28,864	(12,884)	(1,928)	17,908
2017-2018	16,975	(12,762)	(6,647)	10,860
2016-2017	9,606	(12,619)	(10,467)	7,454
2015-2016	5,479	(11,930)	(10,878)	4,427
2014-2015	1,650	(126)	21	1,503
2013-2014	4,861	(2,762)	21	2,078
2012-2013	6,953	(3,165)	20	3,768
2011-2012	4,247	(3,549)	-	698
2010-2011	588	(588)	-	-
2009-2010	397	(397)	-	-
	<u>\$ 185,226</u>	<u>\$ 8,625,912</u>	<u>\$ 8,670,038</u>	<u>141,100</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>17,300</u>
Ad valorem taxes receivable - net				<u>\$ 123,800</u>
<u>Reconciliation to revenues:</u>				
Taxes - Ad valorem, General Fund				\$ 8,611,029
Reconciling items:				
Amounts adjusted for tax discount				101,387
Less penalties and interest collected, net				<u>(42,378)</u>
Subtotal				<u>59,009</u>
Total collections and credits				<u>\$ 8,670,038</u>

TOWN OF MOREHEAD CITY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

For the Fiscal Year Ended June 30, 2021

	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	\$ 2,270,938,174	0.380	\$ 8,629,565	\$ 8,198,355	\$ 431,210
Late listing penalties	-	-	359	359	-
Total	2,270,938,174		8,629,924	8,198,714	431,210
Discoveries:					
Current year taxes	35,600,039	0.380	135,280	135,280	-
Prior year taxes	289,817	0.380	1,046	1,046	-
Total	35,889,856		136,326	136,326	-
Abatements					
Current year taxes	16,349,062	0.380	62,177	62,177	-
Other adjustments	-	-	36	36	-
Total	16,349,062		62,213	62,213	-
Total property valuation	<u>\$ 2,290,478,968</u>				
Net levy			8,704,037	8,272,827	431,210
Uncollected taxes at June 30, 2021			62,544	62,544	-
Current year's taxes collected			<u>\$ 8,641,493</u>	<u>\$ 8,210,283</u>	<u>\$ 431,210</u>
Current levy collection percentage			<u>99.28%</u>	<u>99.24%</u>	<u>100.00%</u>

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STATISICAL SECTION

TOWN OF MOREHEAD CITY, NORTH CAROLINA

STATISTICAL SECTION (UNAUDITED)

TABLE OF CONTENTS

This part of the Town of Morehead City's annual comprehensive 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.

Contents	Page
Financial Trends	96
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time	
Revenue Capacity	106
These schedules contain information to help the reader assess the government's most significant local revenue source, property taxes.	
Debt Capacity	110
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.	
Demographic and Economic Information	116
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	119
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.	

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year		
	2012	2013	2014
Governmental activities:			
Net investment in capital assets	\$ 28,409,590	\$ 29,832,269	\$ 29,797,242
Restricted	3,029,403	2,236,110	2,328,152
Unrestricted	3,318,508	3,043,941	3,226,255
Total governmental activities			
net position	<u>\$ 34,757,501</u>	<u>\$ 35,112,320</u>	<u>\$ 35,351,649</u>
Business-type activities:			
Net investment in capital assets	\$ 28,868,465	\$ 28,439,320	\$ 31,102,147
Unrestricted	5,908,427	7,291,817	7,933,557
Total business-type activities			
net position	<u>\$ 34,776,892</u>	<u>\$ 35,731,137</u>	<u>\$ 39,035,704</u>
Primary government:			
Net investment in capital assets	\$ 57,278,055	\$ 58,271,589	\$ 60,899,389
Restricted	3,029,403	2,236,110	2,328,152
Unrestricted	9,226,935	10,335,758	11,159,812
Total primary government			
net position	<u>\$ 69,534,393</u>	<u>\$ 70,843,457</u>	<u>\$ 74,387,353</u>

NET POSITION BY COMPONENT**Last Ten Fiscal Years****(Accrual Basis of Accounting)****(Unaudited)**

Fiscal Year						
2015	2016	2017	2018	2019	2020	2021
\$ 30,996,748	\$ 30,553,783	\$ 30,588,767	\$ 30,839,716	\$ 33,012,289	\$ 34,501,559	\$ 41,466,910
2,251,305	2,512,603	2,734,866	3,232,564	5,358,178	10,045,571	5,312,953
4,023,536	5,093,407	5,277,817	4,904,475	1,685,300	(276,571)	766,201
<u>\$ 37,271,589</u>	<u>\$ 38,159,793</u>	<u>\$ 38,601,450</u>	<u>\$ 38,976,755</u>	<u>\$ 40,055,767</u>	<u>\$ 44,270,559</u>	<u>\$ 47,546,064</u>
\$ 33,535,086	\$ 33,488,345	\$ 33,869,014	\$ 33,989,708	\$ 34,987,905	\$ 38,892,348	\$ 39,195,147
9,644,766	11,099,637	12,475,309	12,975,444	11,942,336	7,629,363	8,202,677
<u>\$ 43,179,852</u>	<u>\$ 44,587,982</u>	<u>\$ 46,344,323</u>	<u>\$ 46,965,152</u>	<u>\$ 46,930,241</u>	<u>\$ 46,521,711</u>	<u>\$ 47,397,824</u>
\$ 64,531,834	\$ 64,042,128	\$ 64,457,781	\$ 64,829,424	\$ 68,000,194	\$ 73,393,907	\$ 80,662,057
2,251,305	2,512,603	2,734,866	3,232,564	5,358,178	10,045,571	5,312,953
13,668,302	16,193,044	17,753,126	17,879,919	13,627,636	7,352,792	8,968,878
<u>\$ 80,451,441</u>	<u>\$ 82,747,775</u>	<u>\$ 84,945,773</u>	<u>\$ 85,941,907</u>	<u>\$ 86,986,008</u>	<u>\$ 90,792,270</u>	<u>\$ 94,943,888</u>

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year		
	2012	2013	2014
Expenses:			
Governmental activities:			
General government	\$ 1,608,076	\$ 1,805,015	\$ 1,787,898
Public safety	5,941,696	7,074,479	7,315,678
Highways and streets	932,790	231,503	1,019,054
Disaster planning and recovery	-	-	-
Cultural and recreation	1,066,750	763,721	1,159,643
Library	135,880	140,368	158,508
Interest on long-term debt	340,508	297,958	314,150
Total governmental activities expenses	10,025,700	10,313,044	11,754,931
Business-type activities:			
Water and sewer	4,933,504	4,907,070	5,028,282
Solid waste	966,224	872,407	899,208
Total business-type activities expenses	5,899,728	5,779,477	5,927,490
Total primary government expenses	15,925,428	16,092,521	17,682,421
Program revenue:			
Governmental activities:			
Charges for services			
General government	91,956	87,547	66,419
Public safety	115,574	621,344	1,187,605
Cultural and recreation	103,211	114,772	138,247
Library	7,947	6,858	5,070
Operating grants and contributions			
General government	47,863	39,525	39,286
Public safety	304,801	263,607	537,708
Highways and streets	252,306	-	-
Economic and physical development	-	-	-
Library	53,075	53,075	53,075
Capital grants and contributions			
General government	-	-	150,000
Public safety	179,812	200,000	-
Highways and streets	498,563	339,608	271,051
Cultural and recreation	100,000	195,251	-
Total governmental activities program revenue	1,755,108	1,921,587	2,448,461
Business-type activities:			
Charges for services:			
Water and sewer	4,758,541	5,160,283	5,486,373
Solid waste	927,927	920,217	927,360
Operating grants and contributions	127,767	255,525	14,853
Capital grants and contributions	522,823	77,691	2,447,316
Total business-type activities program revenue	6,337,058	6,413,716	8,875,902
Total primary government program revenue	8,092,166	8,335,303	11,324,363

CHANGES IN NET POSITION**Last Ten Fiscal Years****(Accrual Basis of Accounting)****(Unaudited)**

Fiscal Year						
2015	2016	2017	2018	2019	2020	2021
\$ 1,797,065	\$ 1,667,275	\$ 2,249,699	\$ 1,530,546	\$ 3,292,821	\$ 3,518,140	\$ 2,724,717
7,663,099	8,629,216	9,176,852	9,269,368	10,257,915	10,208,297	11,121,126
939,536	999,423	1,224,621	1,073,074	688,813	968,323	1,003,113
-	-	-	-	-	861,693	348,766
1,139,113	1,425,224	954,597	1,388,170	900,708	1,554,753	1,544,114
170,326	205,802	162,679	227,680	184,756	174,304	133,006
319,016	311,099	389,976	370,413	298,219	350,909	393,715
12,028,155	13,238,039	14,158,424	13,859,251	15,623,232	17,636,419	17,268,557
5,382,993	5,786,961	5,924,219	6,665,800	6,445,950	7,524,679	8,074,044
906,383	887,987	904,126	954,371	1,913,039	1,034,708	1,055,065
6,289,376	6,674,948	6,828,345	7,620,171	8,358,989	8,559,387	9,129,109
18,317,531	19,912,987	20,986,769	21,479,422	23,982,221	26,195,806	26,397,666
116,299	109,376	183,486	145,116	133,177	137,053	256,762
2,019,975	2,134,520	2,447,323	1,901,309	2,182,223	2,090,607	1,657,306
160,427	149,198	204,194	175,230	174,319	104,287	152,466
3,760	2,370	3,054	2,684	2,711	2,005	426
35,000	86,000	199,664	60,553	129,989	76,291	287,755
167,796	106,174	120,450	766,054	642,743	1,458,791	1,667,786
-	-	-	237,917	264,020	-	-
-	-	94,340	-	-	-	-
53,075	53,075	53,075	53,075	53,075	53,075	-
200,000	-	-	-	-	-	2,518,256
1,324,477	-	-	260,000	-	838,920	-
274,388	272,445	269,286	29,522	-	-	-
144,953	206,596	4,195	-	-	-	-
4,500,150	3,119,754	3,579,067	3,631,460	3,582,257	4,761,029	6,540,757
6,040,613	6,490,182	6,880,212	6,976,210	7,284,789	7,634,495	8,005,857
945,157	944,477	952,979	954,945	958,737	1,120,811	1,223,980
81,053	6,096	6,328	6,235	7,025	1,070,254	322,326
3,171,344	300,785	434,544	104,876	232,899	1,251,764	31,086
10,238,167	7,741,540	8,274,063	8,042,266	8,483,450	11,077,324	9,583,249
14,738,317	10,861,294	11,853,130	11,673,726	12,065,707	15,838,353	16,124,006

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year		
	2012	2013	2014
Net (expense) revenue:			
Governmental activities	\$ (8,270,592)	\$ (8,391,457)	\$ (9,306,470)
Business-type activities	437,330	634,239	2,948,412
Total primary government net expense	(7,833,262)	(7,757,218)	(6,358,058)
General revenue and other changes in net position:			
Governmental activities:			
Taxes:			
Property taxes, levied for general purpose	5,953,304	5,411,825	6,110,807
Local option sales tax	1,842,063	2,006,679	1,963,754
Other taxes	263,509	93,464	93,306
Unrestricted intergovernmental	902,888	1,089,515	1,118,241
Investment earnings, unrestricted	21,560	11,551	8,939
Gain (loss) on disposal of assets	-	-	-
Miscellaneous income, unrestricted	122,668	133,242	250,752
Transfers	-	-	-
Total governmental activities	9,105,992	8,746,276	9,545,799
Business-type activities:			
Investment earnings	36,205	27,689	23,066
Gain (Loss) on disposal of assets	-	-	-
Miscellaneous income	294,614	292,317	333,089
Transfers	-	-	-
Total business-type activities	330,819	320,006	356,155
Total primary government	9,436,811	9,066,282	9,901,954
Changes in net position:			
Governmental activities	835,400	354,819	239,329
Business-type activities	768,149	954,245	3,304,567
Total primary government	\$ 1,603,549	\$ 1,309,064	\$ 3,543,896

CHANGES IN NET POSITION**Last Ten Fiscal Years****(Accrual Basis of Accounting)****(Unaudited)**

Fiscal Year						
2015	2016	2017	2018	2019	2020	2021
\$ (7,528,005)	\$ (10,118,285)	\$ (10,579,357)	\$ (10,227,791)	\$ (12,040,975)	\$ (12,875,390)	\$ (10,727,800)
3,948,791	1,066,592	1,445,718	422,095	124,461	2,517,937	454,140
(3,579,214)	(9,051,693)	(9,133,639)	(9,805,696)	(11,916,514)	(10,357,453)	(10,273,660)
6,322,041	6,785,757	6,911,703	7,004,591	7,139,424	8,290,873	8,098,835
2,307,936	2,484,746	2,840,811	2,972,776	3,176,645	3,341,214	4,094,492
74,189	29,145	35,257	29,959	45,791	39,392	52,649
1,353,173	1,402,712	1,402,462	1,397,389	1,444,489	1,422,392	1,504,200
3,629	19,089	54,295	114,618	200,836	139,690	9,023
-	(47,026)	38,842	(17,483)	6,015	10,195	26,452
177,698	203,182	189,630	106,666	408,187	419,226	217,654
(2,427)	-	37,500	-	698,600	3,427,200	-
10,236,239	10,877,605	11,510,500	11,608,516	13,119,987	17,090,182	14,003,305
18,660	28,221	62,457	125,561	218,349	140,847	1,695
-	-	1,614	21,185	861	19,555	4,168
319,532	313,317	284,052	324,148	320,018	340,331	416,110
2,427	-	(37,500)	-	(698,600)	(3,427,200)	-
340,619	341,538	310,623	470,894	(159,372)	(2,926,467)	421,973
10,576,858	11,219,143	11,821,123	12,079,410	12,960,615	14,163,715	14,425,278
2,708,234	759,320	931,143	1,380,725	1,079,012	4,214,792	3,275,505
4,289,410	1,408,130	1,756,341	892,989	(34,911)	(408,530)	876,113
\$ 6,997,644	\$ 2,167,450	\$ 2,687,484	\$ 2,273,714	\$ 1,044,101	\$ 3,806,262	\$ 4,151,618

FUND BALANCES, GOVERNMENTAL FUNDS**Last Ten Years****(Modified Accrual Basis of Accounting)****(Unaudited)**

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund:					
Non Spendable	\$ 3,506	\$ 3,886	\$ 4,403	\$ 9,752	\$ 3,381
Restricted	1,306,003	1,493,214	1,921,287	1,873,344	2,076,481
Committed	131,979	131,979	132,979	150,503	282,427
Assigned	955,600	129,500	571,850	603,900	1,742,091
Unassigned	3,078,547	3,423,270	3,279,443	4,280,262	4,061,123
Total General Fund	\$ 5,475,635	\$ 5,181,849	\$ 5,909,962	\$ 6,917,761	\$ 8,165,503
All Other Governmental Funds:					
Non Spendable	\$ 7,189	\$ -	\$ -	\$ -	\$ -
Restricted	1,723,400	742,896	400,865	377,961	436,122
Committed	-	-	-	-	-
Assigned	927,864	461,662	608,569	753,456	952,246
Unassigned	(145,110)	-	(117,951)	(118,111)	(76,539)
Total all other Governmental Funds	\$ 2,513,343	\$ 1,204,558	\$ 891,483	\$ 1,013,306	\$ 1,311,829

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

FUND BALANCES, GOVERNMENTAL FUNDS**Last Ten Years****(Modified Accrual Basis of Accounting)****(Unaudited)**

	Fiscal Year				
	2017	2018	2019	2020	2021
General Fund:					
Non Spendable	\$ 13,895	\$ 31,805	\$ 236,131	\$ 15,664	\$ 32,539
Restricted	2,344,026	2,266,667	2,944,614	3,282,190	3,924,093
Committed	649,395	188,349	219,929	178,609	219,578
Assigned	1,603,568	1,660,014	484,060	915,277	2,015,752
Unassigned	4,870,510	5,619,742	5,439,902	3,733,125	4,464,527
Total General Fund	\$ 9,481,394	\$ 9,766,577	\$ 9,324,636	\$ 8,124,865	\$ 10,656,489
All Other Governmental Funds:					
Non Spendable	\$ -	\$ -	\$ -	\$ -	\$ 18,123
Restricted	390,840	965,897	2,413,564	6,763,381	1,388,860
Committed	-	1,369,926	-	-	-
Assigned	1,357,434	366,480	-	-	-
Unassigned	(78,830)	-	-	-	-
Total all other Governmental Funds	\$ 1,669,444	\$ 2,702,303	\$ 2,413,564	\$ 6,763,381	\$ 1,406,983

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CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**Last Ten Fiscal Years****(Modified Accrual Basis of Accounting)****(Unaudited)**

	Fiscal Year		
	2012	2013	2014
Revenue:			
Taxes	\$ 5,921,562	\$ 5,405,814	\$ 6,106,245
Other taxes and licenses	263,509	93,464	93,306
Capital contributions	-	-	-
Intergovernmental	3,595,747	4,149,263	4,133,115
Permits and fees	119,754	193,414	263,773
Sales and services	657,197	1,170,479	1,228,315
Investment earnings	21,560	11,551	8,939
Miscellaneous	154,852	133,242	250,752
Total revenue	10,734,181	11,157,227	12,084,445
Expenditures:			
General government	1,316,704	1,329,077	1,492,138
Public safety	5,603,595	5,814,771	6,695,853
Highway and streets	811,191	840,581	866,211
Culture and recreation	822,249	797,993	924,901
Disaster planning and recovery	-	-	-
Capital outlay	1,601,481	2,879,010	1,122,716
Debt service:			
Interest	297,089	300,644	328,535
Principal	276,913	281,816	239,053
Total expenditures	10,729,222	12,243,892	11,669,407
Excess of revenue (under) expenditures	4,959	(1,086,665)	415,038
Other financing sources (uses):			
Sales of capital assets	-	-	-
Transfers in	1,565,000	2,553,133	2,063,847
Transfers out	(1,565,000)	(2,553,133)	(2,063,847)
Debt issued	2,075,000	-	-
Total other financing sources	2,075,000	-	-
Net changes in fund balance	\$ 2,079,959	\$ (1,086,665)	\$ 415,038
Debt service as a percentage of noncapital expenditures	6.29%	6.22%	5.38%

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**Last Ten Fiscal Years****(Modified Accrual Basis of Accounting)****(Unaudited)**

		Fiscal Year					
	2015	2016	2017	2018	2019	2020	2021
\$	6,331,129	\$ 6,785,716	\$ 6,907,397	\$ 6,989,089	\$ 7,122,202	\$ 7,777,233	\$ 8,611,029
	74,189	29,145	35,257	29,959	45,791	39,392	52,649
	-	-	-	-	-	-	25,056
	4,544,321	4,609,994	5,146,188	5,429,714	5,352,864	6,762,285	6,669,625
	329,559	345,461	538,310	339,069	353,200	428,398	654,776
	1,762,902	2,050,003	2,129,870	2,224,339	2,492,430	2,333,952	2,517,484
	7,652	19,089	54,294	114,618	200,836	139,690	9,023
	170,622	203,182	200,820	90,930	413,084	419,226	133,936
	13,220,374	14,042,590	15,012,136	15,217,718	15,980,407	17,900,176	18,673,578
	1,606,902	1,598,377	1,920,483	1,247,054	2,231,401	2,038,757	1,967,756
	7,351,304	7,812,983	8,380,586	8,646,949	9,561,350	9,488,949	9,753,946
	1,033,748	840,835	1,014,976	883,713	791,831	763,553	766,047
	1,658,429	1,172,332	665,102	1,053,086	894,039	1,275,097	1,189,359
	-	-	-	-	-	861,693	348,766
	202,747	641,985	3,820,429	1,278,067	2,452,671	6,155,534	6,687,224
	324,036	312,495	304,253	432,126	1,186,191	303,516	417,991
	320,586	327,762	331,639	375,309	298,219	400,426	393,715
	12,497,752	12,706,769	16,437,468	13,916,304	17,415,702	21,287,525	21,524,804
	722,622	1,335,821	(1,425,332)	1,301,414	(1,435,295)	(3,387,349)	(2,851,226)
	-	81,559	85,500	16,628	6,015	10,195	26,452
	2,203,261	2,757,020	3,006,227	3,440,865	5,384,367	6,569,613	1,048,946
	(2,203,261)	(2,757,020)	(2,968,727)	(3,440,865)	(4,685,767)	(3,142,413)	(1,048,946)
	407,000	-	2,605,000	-	-	3,100,000	-
	407,000	81,559	2,728,000	16,628	704,615	6,537,395	26,452
\$	1,129,622	\$ 1,417,380	\$ 1,302,668	\$ 1,318,042	\$ (730,680)	\$ 3,150,046	\$ (2,824,774)
	5.24%	5.31%	5.04%	6.39%	9.92%	4.59%	6.04%

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	
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%
2019	1,753,582,991	270,320,852	30,733,697	2,054,637,540	0.0035	2,080,980,443	98.52%	98.73%
2020	1,785,809,355	265,637,454	32,180,535	2,083,627,344	0.0038	2,203,494,390	93.71%	94.56%
2021	1,965,807,335	291,579,603	33,092,030	2,290,478,968	0.0038	2,487,751,887	90.88%	92.07%

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, 2021.
- 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 City 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 City 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 City, County and State.

* Excludes tax exempt property

Includes registered motor vehicles billed and collected by Carteret County

~ Estimated based on prior fiscal year ending LGC Memorandum published Assessment to Sales Ratio Percentage

TOWN OF MOREHEAD CITY, NORTH CAROLINA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

Per \$100 of assessed value

Fiscal Year Ending June 30,	Direct Rate Morehead City	Overlapping Rate Carteret County
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
2019	0.350	0.310
2020	0.380	0.310
2021	0.380	0.330

Notes:

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

TOWN OF MOREHEAD CITY, NORTH CAROLINA

PRINCIPAL PROPERTY TAX OWNERS

Current Year and Ten Years Ago

(Unaudited)

Customer	Fiscal Year Ending June 30, 2021			Fiscal Year Ending June 30, 2012		
	Taxable Assessed Value	Rank	% of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Town Taxable Assessed Value
ITAC 192 LLC	28,737,604	1	1.32	21,272,864	1	1.12
USPG PORTFOLIO FIVE LLC	25,754,286	2	1.18			
CARTERET PLACE INVESTORS LLC	25,378,932	3	1.17			
DUKE ENERGY PROGRESS INC	18,695,895	4	0.86			
STEVENS TOWING COMPANY	17,403,699	5	0.80			
WAL MART REAL EST BUSINESS TR	15,057,944	6	0.69	10,936,264	6	0.58
4 SISTERS-00 LLC ETAL	13,805,492	7	0.63			
VININGS AT MOREHEAD LLC	12,352,117	8	0.57			
ZP NO 185 LLC	9,841,675	9	0.45	13,657,722		0.72
CARTERET INVESTMENT ASSOC LLC	9,173,438	10	0.42	9,124,298		0.48
USPG PORTFOLIO TWO LLC				15,079,895	2	0.80
PROGRESS ENERGY CAROLINAS				14,061,554	3	0.74
MOREHEAD PLAZA LLC ETAL				13,099,338	4	0.69
OLD TOWNE YACHT CLUB INC				11,037,348	5	0.58
CAROLINA TELEPHONE				8,669,236	9	0.46
RADIO ISLAND MARINA CLUB INC				8,846,000	8	0.47
SOUTHSTAR HODING MHC LLC ETAL				10,151,061	7	0.54
SHORES DEVELOPMENT INC				7,954,567	10	0.42
	176,201,082		8.09	143,890,147		7.59

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

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
2012	\$ 5,240,988	\$ 5,181,661	98.87	57,770	\$ 5,239,431	99.97
2013	5,260,008	5,205,324	98.96	50,527	5,255,850	99.92
2014	5,865,417	5,810,430	99.06	52,722	5,863,152	99.96
2015	6,131,180	6,089,596	99.32	38,828	6,128,424	99.96
2016	6,558,115	6,508,576	99.24	53,657	6,562,233	100.06
2017	6,678,662	6,630,957	99.29	45,148	6,676,105	99.96
2018	6,762,936	6,708,097	99.19	42,460	6,750,562	99.82
2019	6,857,218	6,808,666	99.29	20,601	6,829,267	99.59
2020	7,543,849	7,438,242	98.60	58,403	7,496,645	99.37
2021	8,272,827	8,210,283	99.24	-	8,210,283	99.24

Source: Town of Morehead City tax reports.

Note: Excludes motor vehicle taxes

RATIOS OF OUTSTANDING DEBT BY TYPE**Last Ten Fiscal Years****(Unaudited)**

Fiscal Year	Governmental Activities				General Obligation Bonds	
	General Obligation Bonds	Installment Contracts	Notes Payable	Capital Leases		
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	-	-	-
2019	-	8,753,807	-	-	-	-
2020	-	11,550,291	-	-	-	-
2021	-	11,132,300	-	-	-	-

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

N/A Not Available

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Business-Type Activities			Total Primary Government	Population Estimate	Total Debt Per Capita	Total Debt as Percentage of Personal Income
Revenue Bonds	Installment Contracts	Notes Payable				
\$ -	\$ 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%
4,701,000	-	12,007,250	25,462,057	9,481	2,686	0.71%
4,619,000	-	10,877,500	27,046,791	9,517	2,842	0.08%
4,535,000	-	9,747,750	25,415,050	9,540	2,664	N/A

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
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	-
2019	-	2,080,980,443	0.00%	9,481	-
2020	-	2,203,494,390	0.00%	9,517	-
2021	-	2,487,751,887	0.00%	9,540	-

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

N/A - information not yet available for the year listed.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

For the Year Ended June 30, 2021

(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	\$ 16,775,000	14.12%	\$ 2,368,375
Subtotal, overlapping debt	<u>\$ 16,775,000</u>		<u>2,368,375</u>
City direct debt	25,415,050	100.00%	<u>25,415,050</u>
Total direct and overlapping debt			<u><u>\$ 27,783,425</u></u>

Notes:

- 1 Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Morehead City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.
- 2 The source of County debt is the Carteret County Finance Office.

LEGAL DEBT MARGIN INFORMATION**Last Ten Fiscal Years****(dollars in thousands)****(Unaudited)**

	2012	2013	2014	2015	2016
Debt limit	\$ 151,675,002	\$ 153,023,693	\$ 155,861,337	\$ 154,488,046	\$ 156,307,610
Total net debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 151,675,002</u>	<u>\$ 153,023,693</u>	<u>\$ 155,861,337</u>	<u>\$ 154,488,046</u>	<u>\$ 156,307,610</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 2021					
Total assessed valuation	\$ 2,290,478,968				
Debt limit (8% of assessed value)	<u>183,238,317</u>				
Legal debt margin	<u>\$ 183,238,317</u>				

LEGAL DEBT MARGIN INFORMATION**Last Ten Fiscal Years****(dollars in thousands)****(Unaudited)**

2017	2018	2018	2019	2020	2021
\$ 159,180,007	\$ 155,861,337	\$ 161,367,841	\$ 155,861,337	\$ 166,690,188	\$ 183,238,317
-	-	-	-	-	-
\$ 159,180,007	\$ 155,861,337	\$ 161,367,841	\$ 155,861,337	\$ 166,690,188	\$ 183,238,317

0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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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)
2012	8,810	8,336	2,585	9.3%	\$ 41,724	\$ 2,827,606
2013	9,163	8,307	2,588	8.5%	41,068	2,808,576
2014	9,313	8,254	2,599	6.5%	42,958	2,948,157
2015	9,319	8,445	2,665	5.8%	44,957	3,089,114
2016	9,362	8,141	2,526	5.7%	46,895	3,226,766
2017	9,361	8,072	2,620	4.9%	47,385	3,265,826
2018	9,380	8,006	2,556	4.3%	49,435	3,432,675
2019	9,481	7,892	2,554	4.7%	51,582	3,583,559
2020	9,517	8,058	2,582	5.2%	53,276	3,705,783
2021	9,540	7,975	2,477	4.9%	N/A	N/A

Notes:

- 1 Population and median age provided by NC Office of State Budget & Management
- 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) New figures are for prior calendar year.

U.S Bureau of Economic Analysis revised statistics for 2012-2018

N/A - information not yet available for the year listed.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

(Unaudited)

	2021		2012	
Employer	Employees	Rank	Employees	Rank
Carteret County Board of Education	1000+	1	>1000	1
Carteret County General Hospital	1000+	2	500-999	2
Carteret County	500-999	3	250-499	3
Walmart	250-499	4	250-499	4
Lowes Home Improvement	250-499	5	250-499	6
Food Lion	250-499	6	250-499	8
Carteret Community College	250-499	7	250-499	5
Lowes Food	100-249	8	N/A	
Town of Morehead City	100-249	9	N/A	
NC Dept of Environment & Natural Resources	100-249	10	250-499	7
McDonald's	50-99	11	100-249	10
Big Rock Sports	N/A		250-499	9

Notes:

- 1 Information for number of employees only available in ranges.
- 2 Source of information is NC Department of Commerce 1st quarter 2021
- 3 N/A = Information not available.

TOWN OF MOREHEAD CITY, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAMS

Last Ten Fiscal Years
(Unaudited)

FUNCTION	Full-Time Equivalent Employees as of June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government:										
Administration	5	5	5	5	4	4	4	5	5	5
Information Technology	0	2	2	2	1	1	1	-	-	-
Finance	7	7	7	7	7	7	7	7	7	6
Building & Grounds	6	5	5	5	5	5	6	5	5	5
Garage	2	2	2	1	2	2	2	2	2	2
Public Safety:										
Police	46	48	45	45	47	46	46	48	47	45
Fire/EMS	52	54	51	54	52	49	44	38	35	34
Planning & Inspections	7	8	8	7	7	7	7	7	7	6
Transportation:										
Streets	9	10	9	10	9	9	9	9	9	9
Recreation & Culture:										
Recreation	5	4	8	8	8	7	8	7	7	6
Parks	5	5	4	5	4	3	3	3	3	3
Library	2	3	3	3	3	3	3	3	5	4
Water & Sewer:										
Billing & collections	5	4	4	4	4	4	4	4	4	4
Wells & water treatment	2	2	2	2	2	2	2	2	1	-
Water Distbr. & sewer collect.	13	15	15	15	16	14	15	14	14	15
Wastewater treatment	8	8	8	8	8	9	8	8	8	7
Solid Waste:										
Operations	1	1	1	1	1	1	1	1	1	1
TOTAL	175	183	179	182	180	173	170	163	160	152

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OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	2012	2013	2014	2015
Function/Program				
Public Safety				
Police calls dispatched ##	72,351	72,194	75,004	68,038
Number of building permits issued ##	1,050	1,256	985	1,094
Construction value of building permits issued ##	\$ 38,126,292	\$ 21,528,398	\$ 26,764,940	\$ 68,690,713
Fire/EMS area served in square miles ##	15.73	15.73	15.73	28.00
Fire calls answered ##	1,015	762	707	667
EMS calls answered ##	2,058	2,261	2,505	2,499
Highways and Streets				
Miles of streets maintained **	50.27	50.27	50.27	50.35
Water/Sewer				
Number of customers served **	5,375	5,419	5,454	5,339
Daily avg. gallons water consumption **	1,208,000	1,163,000	1,165,000	1,160,000
Daily avg. gallons waste water treated **	1,169,000	1,121,000	1,144,000	1,340,000
Sanitation				
Solid waste collected annually (tons) **	3,204	3,077	3,080	3,010
Recyclables collected annually (tons) **	398	366	365	435

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

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

2016	2017	2018	2019	2020	2021
58,144	59,164	56,360	45,735	43,208	43,552
1,256	1,110	1,227	1,382	1,507	1,686
\$ 37,701,802	\$ 36,314,424	\$ 46,359,377	\$ 45,115,238	\$62,437,469	\$91,794,958
28.00	28.00	28.00	28.00	28.00	21.15
785	507	516	635	514	841
3,201	3,470	3,476	3,669	3712	3382
50.35	50.35	50.35	50.64	50.64	50.64
5,534	5,623	5,797	5,857	6,357	6,246
1,191,000	990,000	1,030,000	1,024,000	1,218,000	1,269,482
1,438,000	1,396,000	1,430,000	1,549,000	1,448,000	1,321,603
3,056	3,047	3,045	3,227	3,240	3,216
469	515	492	598	563	616

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Function/Program	Calendar Year		
	2012	2013	2014
General Government			
Number of cemeteries	3	3	3
Public Safety			
Number of police stations/substations	4	2	2
Number of patrol units	50	46	46
Number of police boats	1	1	1
Number of Fire/EMS stations	4	3	3
Number of engines	5	5	5
Number of ambulances	4	5	5
Number of Fire/EMS boats	1	1	1
Highways and Streets			
Miles of streets	50.27	50.27	50.27
Number of street sweepers	0	0	0
Culture and Recreation			
Number of parks	16	16	16
Number of public water accesses	22	22	23
Park acreage	76.00	77.50	77.50
Tennis and multipurpose courts	7	7	7
Playgrounds	5	6	6
Ballfields	11	10	10
Number of libraries	1	1	1
Water/Sewer			
Miles of water mains	83.25	83.25	83.25
Miles of sanitary sewers	79.50	79.50	79.50
Number of water treatment plants	1	1	1
Number of treatment plants	2	2	2
Sanitation			
Number of yard waste trucks	2	2	2

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(Unaudited)

Calendar Year						
2015	2016	2017	2018	2019	2020	2021
3	3	3	3	3	3	3
2	2	2	2	2	2	2
48	47	44	44	46	46	43
1	1	1	1	1	1	1
3	3	3	3	3	3	3
7	7	7	7	7	7	7
5	5	5	5	5	5	5
1	1	1	1	1	1	1
50.35	50.35	50.35	50.35	50.64	50.64	50.64
0	0	0	0	0	1	1
16	16	16	16	16	16	16
23	23	23	23	23	23	23
77.50	77.50	77.50	77.50	77.50	77.50	77.50
7	7	7	7	7	7	7
6	6	6	6	6	6	6
10	10	10	10	10	10	10
1	1	1	1	1	1	1
83.50	83.50	83.50	83.50	83.50	83.50	83.50
80.00	80.00	80.00	80.00	80.00	80.00	80.00
3	3	3	3	3	3	3
2	2	2	2	2	2	1
2	2	2	2	2	2	2

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COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and
Members of the City 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 City), as of and for the year ended June 30, 2021, 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 November 29, 2021.

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) as a basis for designing 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 City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during the audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as finding 2021-001 that we consider to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City Response to Finding

Town of Morehead City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

PBMares, LLP

Morehead City, North Carolina
November 29, 2021



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for each Major Federal Program

We have audited Town of Morehead City, North Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Morehead City's major federal program for the year ended June 30, 2021. Town of Morehead City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Town of Morehead City, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

PBMares, LLP

Morehead City, North Carolina
November 29, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Report on Compliance for the Major State Program

We have audited the Town of Morehead City, North Carolina's (the City) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Town of Morehead City's major State program for the year ended June 30, 2021. The Town of Morehead City's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major State Program

In our opinion, Town of Morehead City, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

PBMares, LLP

Morehead City, North Carolina
November 29, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were presented in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies) identified? _____ X yes _____ none reported

Noncompliance material to financial statements noted

_____ yes _____ X no

Federal Awards

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies) identified? _____ yes _____ X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes _____ X no

Identification of major Federal program:

Federal Assistance Listing No.	Names of Federal Program or Cluster
97.036	Disaster Grants-Public Assistance Grant (FEMA)
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes _____ X no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results (Continued)

State Awards

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

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

_____ yes X no

Identification of major State program:

Federal Assistance Listing No.	Names of State Program or Cluster
97.036	Disaster Grants-Public Assistance Grant (FEMA)
N/A	NC Department of Transportation NonState System Street Aid Allocation (Powell Bill)

Dollar threshold used to distinguish
 between Type A and Type B Programs

\$500,000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2021

Section II. Financial Statement Findings**Significant Deficiencies****Finding 2021-001-Inventory Pricing Error and Inventory Tracking**

Criteria: According to generally accepted accounting principles and the accrual basis of accounting, inventory pricing may be determined under any one of several assumptions as to the flow of cost factors (such as average cost, FIFO, and LIFO).

Condition and Context: The Town of Morehead City values its inventory at cost using the first-in, first out method. The City did not appropriately track their inventory purchases and work orders to update their pricing and instead was valuing some inventory items at their fair value, rather than cost or net realizable value. In addition, it was found that some items were included in inventory that were also capitalized.

Identification of Repeat Finding: This is a repeat finding from the prior year audit (2020-001).

Effect: The factual misstatement for the pricing error was a \$2,080 overstatement of inventory and the projected misstatement was a \$20,104 overstatement. The error related to inventory items that were also capitalized was \$8,954.

Cause: The City does not have a formal, documented method for tracking inventory utilized on work orders and inventory was only being updated during the year-end count.

Recommendation: We recommend that the City utilizes the inventory module within their accounting software to appropriately track additions and deletions of inventory items. In addition, PBmares, LLP recommends that the finance department performs a more detailed review of inventory at year end and to help ensure the count procedures are appropriately performed.

Management Response: See Corrective Action Plan.

Section III. Findings and Questioned Costs for Federal Awards

None reported

Section IV. Findings and Questioned Costs for State Awards

None reported.



November 23, 2021

Corrective Action Plan
For the Fiscal Year Ended June 30, 2021

Section II. Financial Statement Findings

Name of contact person: Daniel Williams, Public Services Director
Jewel Lasater, Finance Director

Proposed completion date: January 31, 2022

Significant Deficiencies

Finding: 2021-001 Inventory Pricing Error and Inventory Tracking

Corrective Action: The Town of Morehead City began implementation of an Inventory and Work Order module of Munis in April 2020. The Work Order & Inventory system launched in the live environment in October 2020. The Work Order portion tracks inventory out, and the Inventory system tracks inventory in through manual entry until the inventory module is fully integrated with the already existing Purchase module. The integration of the inventory module to the purchasing module is being developed currently and is expected to be completed in January 2022 which was delayed during 2021 due to lack of personnel resources. Once all system developed is completed quantity and cost of inventory purchases is managed and reviewed by several individuals through the requisition, purchasing and payment process. All inventory changes will be tied to some type of inventory transaction. The individual departments have already begun and have almost completed labeling items that were capitalized during construction of water & sewer infrastructure to flag these items to not be counted with the inventory but to count them in a separate group of tracked items with no inventory value. Policies and instructions are being developed by the Public Services department with assistance from the Finance Department to aid individuals with gaining the required knowledge to assist them in identifying what is an actual inventory item.

Individual departments are ultimately responsible for year-end inventory counts; however, the Finance department plans assist and train individuals on the inventory identification & process. Automation provided by new software modules and assistance from the Finance department will ensure a more accurate accounting of inventory in the future.

Sincerely,

Jewel A. Lasater
Finance Director

Daniel Williams
Public Services Director

TOWN OF MOREHEAD CITY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

Section II. Financial Statement Findings

2020-01- Inventory Pricing Error and Inventory Tracking

See current year finding 2021-001 as this is a repeat finding.

Section III. Findings and Questioned Costs for Federal Awards

There were no findings reported during the year ended June 30, 2020.

Section IV. Findings and Questioned Costs for State Awards

There were no findings reported during the year ended June 30, 2020.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS **For the Fiscal Year Ended June 30, 2021**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number/ State Program	Federal/State Pass-Through Grantor's Number	Expenditures		
			Federal	State	Local
Federal Awards:					
US Department of Housing and Urban Development Pass through East Carolina Regional Housing Authority Public Housing Drug Elimination Program	14.854	NC19P010022-95A	\$ 35,000	\$ -	\$ -
US Department of Justice Direct Programs:					
Bulletproof Vest Partnership Grant	16.607	unavailable	1,888	-	-
Pass through Carteret County Board of Education School Resource Officer	16.594	unavailable	224,300	-	248,390
Total US Department of Justice			226,188	-	248,390
US Department of Homeland Security Pass through Dept of Public Safety Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	unavailable	37,397	-	-
Pass through NC Department of Public Safety Division of Emergency Management Public Assistance Grant (FEMA):					
DR4393NC - City-Wide Debris Removal	97.036	PW 69616	-	265,635	-
DR4393NC - Emergency Protective Measures	97.036	PW 69620	-	121,269	-
DR4393NC - Cat F-Utilities (WWTP)	97.036	PW 69631	80,850	26,950	-
DR4393NC - Cat E-Buildings & Equipment	97.036	PW 69621	67,139	22,380	-
DR4393NC - Cat F-Utilities (Lift stations)	97.036	PW 69627	86,539	28,846	-
DR4465NC-Cat E-Parks and Recreations Facilities	97.036	PW 126864	33,207	11,069	-
DR4465NC-Cat Z-Management Cost	97.036	PW 144012	11,970	-	-
DR4568NC-Cat C-Debris Removal	97.036	PW 164228	14,870	4,957	-
DR4568NC-Cat B-Emergency Potective Measures	97.036	PW 164254	6,769	2,256	-
DR4568NC-Cat Z-Management Cost	97.036	PW 177336	1,443	-	-
DR4393NC-Cat G-Parks and Recreation Facilities	97.036	PW 69639	36,623	12,208	-
DR4393NC-Cat A-Debris Removal	97.036	PW 69676	126,818	42,273	-
DR4393NC-Cat Z-Management Cost	97.036	PW 173896	133,307	-	-
DR4393NC-Cat E-Parks and Recreation Facilities	97.036	PW 69373	-	77,146	-
Total Public Assistance Grant (FEMA)			599,535	614,989	-
Total US Department of Homeland Security			636,932	614,989	-

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number/ State Program	Federal/State Pass-Through Grantor's Number	Expenditures		
			Federal	State	Local
US Treasury Department					
Pass through Carteret County					
COVID-19 Coronavirus Relief Fund	21.019	unavailable	\$ 212,863	\$ -	\$ -
Total US Treasury Department			<u>212,863</u>	<u>-</u>	<u>-</u>
State Grants:					
NC Department of Environmental Quality					
Division of Water Resources					
CAMA Part F	CW17444	n/a	-	21,604	11,250
NC Department of Public Safety					
NC Office of Recovery and Resiliency					
State Grant for Financially Distressed Local Governments	DR-4393	n/a	-	174,000	-
NC Department of Transportation					
Nonstate System Street Aid Allocation	DOT-4	n/a	-	248,845	-
Total federal expenditures			<u><u>\$ 1,110,983</u></u>		
Total state expenditures				<u><u>\$ 1,059,438</u></u>	
Total local expenditures					<u><u>\$ 259,640</u></u>

See Notes to the Schedule of Expenditures of Federal and State Awards.

n/a-not applicable

TOWN OF MOREHEAD CITY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the Town of Morehead City under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFSA presents only a select portion of the operations of the Town of Morehead City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Morehead City. There were no federal or State awards passed through to subrecipients for the year ended June 30, 2021.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the SEFSA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Loans Outstanding

The Town of Morehead City has outstanding loan balances from federal and State funding sources that are not required to be presented within the SEFSA because there are no continuing requirements beyond the repayment of the loan balances in accordance with loan agreement provisions. Loans outstanding at June 30, 2021 consist of:

<u>Program Title</u>	<u>Amount Outstanding</u>
Safe Drinking Water Revolving Loan Fund	\$ 170,000
Clean Water Revolving Loan Fund	200,000
Clean Water State Revolving Loan Fund	6,000,000
Drinking Water State Revolving Loan Fund	290,250
Katherine Davis Park	2,201,168
Police Station E911 Building Loan	4,184,707
Fire/EMS Station #2	1,853,093
Water Treatment Facilities	4,535,000

Note 4. Indirect Cost

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