

Town of Morrisville
100 Town Hall Drive
Morrisville, NC 27560
919-463-6200
www.townofmorrisville.org



Morrisville

Fiscal Year 2017 - Comprehensive Annual Financial Report

Town of Morrisville North Carolina

Comprehensive Annual Financial Report

For the Fiscal Year
Ended June 30, 2017



Prepared by:
Town of Morrisville Finance Department

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Introductory Section

This section, which is unaudited, introduces the reader to the report and to the Town. It includes the letter of transmittal and listings of Town officials, as well as other information regarding the Town of Morrisville.



TOWN OF MORRISVILLE

100 Town Hall Drive
Morrisville, NC 27560

October 13, 2017

The Honorable Mayor Mark Stohlman
Members of the Town Council and Citizens
Town of Morrisville
100 Town Hall Drive
Morrisville, North Carolina 27560

Dear Mayor, Members of the Town Council, and Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Town of Morrisville, North Carolina, for the fiscal year ended June 30, 2017 is submitted for your review and use. This report has been prepared by the Town's Finance Department, and it is the comprehensive publication of the Town's financial position and results of operations for the fiscal year. North Carolina general statutes require each unit of local government to publish a complete set of financial statements within four months after the close of the fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017, and to provide further accountability to citizens and other parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

Town management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All necessary disclosures to enable the reader to obtain an understanding of the Town's financial activities have been included.

This report includes financial statements and supplementary schedules audited by Cherry Bekaert LLP, Certified Public Accountants. The financial section of this document includes the auditor's report conveying their unmodified ("clean") opinion that the financial statements present fairly

in conformity with GAAP, in all material respects, the financial position and changes in financial position for the Town of Morrisville, North Carolina, as of June 30, 2017. The independent auditor's report on the basic financial statements is located at the beginning of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Morrisville's MD&A can be found immediately following the independent auditor's report.

The town's system of internal accounting controls is designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with state statutes, authorization of the Town Council and GAAP, and that financial records are a reliable basis for preparation of both interim and annual financial statements. Because the cost of internal controls should not outweigh their benefits, the Town's controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge, this financial report is complete and reliable in all material respects.

PROFILE OF THE TOWN

Morrisville was incorporated in 1875, and is a thriving community in the heart of the Triangle area of North Carolina. The Triangle area has been repeatedly ranked among the top regions in the country to live, work, start a business, raise a family and/or retire. Morrisville has approximately 10 square miles within its borders and according to the Office of State Budget and Management, a population of 24,456. Morrisville is a crossroads in the region with great access to Research Triangle Park, the State Capital, and major transportation hubs like Interstate Highways 40 and 540, and Raleigh-Durham International Airport. Morrisville's location is its defined uniqueness, which sets the Town apart from all others. Morrisville features an economy based on highly skilled professional and technology industries, and a population that is diverse, affluent, and highly educated. People in Morrisville *"Live Connected, Live Well"*.

In January 2017, Morrisville was named Best Suburb to Live in North Carolina by Niche. Morrisville was also ranked Best Suburb to Raise a Family and Best Suburb to Buy a House in North Carolina. The list of best places to live are based on crime, public schools, cost of living, job opportunities and local amenities. Additionally, the Town ranked 11th Safest Suburb and 8th Most Diverse Suburb in the state. Morrisville won the National League of Cities Diversity Award and in March 2017 received first place for the "less than 50,000 residents" category for its East Meets West Festival. The festival is a Morrisville Chamber of Commerce Program in which the Town partners with the Chamber. This Municipal Cultural Diversity Award showcased the festival and the energy and diversity of the community. Morrisville ranked #200 in the LendEDU's study on the Best Cities for Building Wealth and the 7th Best City to Build Wealth in North Carolina. Evaluators look at data related to median earnings from income, median home value, average monthly cost of home, and property tax rates in developing the rankings. Finally, Morrisville ranked 90th Best Place to Live in America by Money Magazine. Morrisville maintains a strong local economy that provides good jobs and the amenities that people look for when choosing a place to live.

Morrisville operates under a Council-Manager form of government. The Town Council is a seven-member governing board and is comprised of the Mayor, four District Council Members from designated districts and two At-Large members. Each of the council members and the mayor serve four-year staggered terms. The Council members serve as the Town's policymaking body, responsible for adopting an annual balanced

budget, establishing legislative direction for the Town, and hiring a professional Town Manager to serve as chief executive and to direct the daily activities and operations of the Town's departments. The Town Council utilizes a number of appointed boards and committees in the development of policy decisions.

The Town provides its citizens with a full range of services, including police and fire protection, recreational activities, land use development, solid waste collection and disposal, storm water management, general administration and management, and the construction and maintenance of streets, curbs, gutters, sidewalks and other infrastructure. This report includes all the Town's activities in delivering and administering these services.

The Morrisville Town Council is required to adopt a balanced annual operating budget by July 1 of each year. The Town is empowered to levy a property tax on both real and personal property located within its boundaries. The Town's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Morrisville's financial planning and control. The Town Manager is authorized by the budget ordinance to make certain limited transfers within funds to facilitate budget execution consistent with Council's intent.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Morrisville operates.

LOCAL ECONOMY

On the national level, most economic indicators are improving. Within the greater Triangle area, Morrisville and the surrounding communities continue to be the hub of a strong regional economy. The Town's location relative to a number of facilities is integral to its economic vitality:

- Raleigh Durham International Airport (RDU) is located just 4.5 miles from the Town, serves 10 major airlines and 18 commuter airlines, and operates three runways, providing service to 50 non-stop destinations on more than 400+ daily flights including non-stop intercontinental service to London and Paris. In October 2016, RDU completed its 25-year master planning project, Vision 2040 which was developed to help guide future development of the nearly 2,000 acres of unused land surrounding the airport. The plan builds upon the aviation infrastructure and allows for expansion of air service to meet the needs of a growing and thriving Triangle Region. Critical infrastructure costs are estimated at \$905 million.
- Research Triangle Park (RTP), the tremendously successful industrial research park, lies adjacent to the Town's northern border. Founded in 1959 as a collaborative effort of the three major universities in the Triangle (University of North Carolina at Chapel Hill, North Carolina State University, Duke University), RTP continues to be a major economic engine with 7,000 acres, 22.5 million square feet of built office space, 200+ research companies and over 50,000 high tech workers. A 100-acre area in the heart of RTP has been identified as Park Center and is the first major redevelopment project in RTP's history. Park Center is

envisioned to incorporate restaurants, apartments and shopping within the surrounding science park. They hope to break ground in early 2019.

- The Town and State have continued to add and improve transportation facilities in, around and through Morrisville to manage traffic growth and enhance the quality of life through connectivity. Major highways (I-40, I-540, NC 54, NC 147) either run through the Town or provide convenient regional access to the Town.
- In the 2016 General Election, Wake County voters approved a one-half cent local sales and use tax referendum to fund the Wake County Transit Plan. The transit plan will provide improved connections within Wake County and across the Triangle region through expanded bus and commuter rail services. A rail stop in Morrisville is being studied and evaluated as part of the routing options.
- In May 2017, Wake County School Public School System approved the design for the new E-50 Parkside Elementary School to be built off Davis Drive in Morrisville. Although the school location has a Morrisville address, it is actually in the jurisdiction of Research Triangle Park. The elementary school will serve Morrisville students.
- Wake Technical Community College is part of the North Carolina System of community colleges and purchased 94 acres in the Town for its RTP campus located in Morrisville. Phase I is a 28-acre site that includes 110,000 sq. ft. building with 720 parking spaces. The campus will provide a technology rich environment, focusing on the need of the workforce pledging a corporate collegial atmosphere with a diverse learning experience. Classes are scheduled to begin Summer or Fall 2018.

Morrisville Town Council approved two incentive grant agreements. INC Research currently employs approximately 1,000 people in North Carolina and plans to relocate and expand its operations in the Town of Morrisville. Construction for the new facility is slated for mid-2018 and is estimated to cost \$37,980,000 and add a minimum of 495 new full-time jobs. Relias Learning, LLC plans to move and build a new corporate headquarters in Morrisville of approximately 130,000 sq. ft. in Perimeter Park. The move is currently scheduled for 2019. The relocation of the global headquarters will add a minimum of 320 new full-time jobs with an average annual wage of at least \$75,805. Morrisville will realize a significant increase in tax revenue.

Morrisville is committed to the development of a mixed-use Town Center Core and is interested in partnering with private developers to realize our goals and visions of the Town Center. The proposed private development project is a 4-story mixed-use project composed of commercial, residential, and structured parking on the block between Jeremiah Street and Carolina Street on Town Hall Drive. In total, the proposed program consists of 172 residential units, 20,000 square feet of commercial space, and a 358-space parking structure.

The Town of Morrisville and Wake County have identified the intersection of Town Hall Drive and the future Carolina Street Extension as the location for the future Morrisville Branch of the Wake County library system. Wake County is engaging in design of the library site in Fall 2017 and expected construction for the library is projected to begin in Fall 2018.

The Town has also designed the most significant single greenway corridor in our system with construction that began in fall 2016. The 2.5 mile-long Crabtree Creek and Hatcher Creek Greenway project will connect several neighborhoods to parks, shopping centers, and other greenways that will greatly expand the Town's trail network in the region. This project is expected to be complete in 2018.

The Town is actively involved in partnering with other communities in the region to pursue funding for needed improvements to transportation facilities, including roads and highways (NC54, McCrimmon Parkway Extension, Morrisville-Carpenter Road), local surface street improvements, (including a major commitment in the Town's fiscal year 2015, 2016, 2017 and 2018 budgets to aggressively upgrade and maintain Town-maintained streets and completion of two Municipal Service District road projects), sidewalks (including both Town and CDBG funded projects on various Town roads), and greenways that are part of the regional greenway connectivity initiative. In November 2016, Wake County voters approved a half-cent sales tax dedicated to pay for transit initiatives (bus, commuter rail, light rail.)

In 2012, Morrisville residents overwhelmingly approved 20 million dollars in General Obligation bonds (\$14.3M for Street Improvements and \$5.7M for Parks and Recreation), and in September 2016 the Town issued 10 million in bonds for street improvements for the McCrimmon Parkway Extension project. Construction for Phase I of this project is currently underway with an estimated completion date of summer 2018. Phase II of the project will be managed by NCDOT and construction is estimated to start in February 2018 where both projects will be proceeding concurrently. The Town will be issuing the remaining \$4.3 million in bonds in FY18 and plans in FY19 to issue \$5.7 million in bonds to help pay for the Morrisville Aquatic Fitness Center Renovation Project. Town staff are working with consultants to execute the approved design concept, which includes a 6-lane pool and OpenAire pool cover.

In fiscal year 2017, the Town issued 191 new building permits totaling over \$99.5 million in additional tax valuation for Morrisville. Of the 191 permits, 171 were for residential development with a tax value of approximately \$27million. Morrisville residential construction continues to flourish with a mix of both single family and townhome type units. Morrisville's residential construction continues to outpace many of the towns in Wake County.

A number of residential projects are at varying stages of review and development. These residential developments will add over 1,400 dwelling units to the Town inventory. The Town also continues to experience growth in its industrial and commercial base, including expansion at existing business parks and new multi-use commercial centers. With new and approved projects, the town anticipates the allocation of tax base broken down between residential (47%) and commercial/industrial (53%).

Fiscal year 2018 represents a strategic phase for the Town of Morrisville. Staff will be revising the Parks and Recreation Master Plan, Land Use Plan, and Transportation Plan. In addition, a town-wide strategic plan initiative will include a review of the Town's mission and vision

statements. The process will identify the most critical issues for Morrisville to focus on in the next five years and include the establishment of goals and objectives that will be incorporated into a five-year Strategic Plan.

LONG-TERM FINANCIAL PLANNING

The Town Council is committed to key goals and initiatives. These goals and initiatives, along with Town accomplishments, are discussed in the Town's annual budget document and on the Town's website at www.townofmorrisville.org.

Morrisville's long range forecasting and community investment planning provides a framework to strategically develop subsequent annual operating and capital budgets to achieve a long-term financial goal of sustainability including the main financial goals of flexibility, efficiency, risk management, sufficiency and credibility. The long range forecasting CIP provides for long-term visioning and reporting of multi-year financial performance casting a 5-year budget shadow.

The Town maintains an unassigned fund balance sufficient to maintain consistent cash flow and eliminate the need for short-term borrowings, and provides flexibility for unanticipated opportunities and needs during emergencies or disasters. In addition, fiscally responsible budgeting has been a factor in maintaining and improving the Town's outstanding bond ratings. . In September 2016, the Town was awarded AAA ratings from all three major bond rating agencies following meetings in August with *Standards and Poor's*, *Moody's* and *Fitch*. The ratings are associated with the issuance of \$10,000,000 in general obligation bonds that were sold on September 13, 2016. As of the end of this fiscal year, the Town of Morrisville maintained its AAA bond rating with *Standards and Poor's* and Aaa by *Moody's*.

Add Master Plan Update, Transportation Plan, Land Use Plan, Parks & Rec and Strategic Planning. There continues to be a public demand for government transparency, especially concerning budgeting and financial management. Morrisville embraces the concept and continues to improve its transparency of financial information and public vetting of the budget and long range financial planning processes.

RISK MANAGEMENT

The Town is fully insured for property, general liability and workers' compensation. An appointed safety committee reviews workers' compensation accidents and injuries and discusses remedies to eliminate repetition of such accidents and injuries. The committee also receives and reviews reports of independent safety inspectors such as OSHA to ensure a safe and healthful environment for all employees and the citizens of Morrisville. In addition, various risk control techniques, including but not limited to employee accident prevention training have been implemented to minimize accident related losses. A full time safety, health and risk management manager administers the safety and risk management program and is responsible for administering ADA rules and regulations. Costs associated with risk management are recorded in the general fund. Since 2015, the Town has received NC Labor's Public Sector SHARP recognition for its Parks and Recreation, Police, Public Works and Fire departments. The Town is one of only 14 public sector programs to hold this Safety and Health Achievement Recognition designation. Additional information on the Town's risk management activity can be found in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Town of Morrisville, North Carolina for the *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2016. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Town of Morrisville has received this prestigious award for 24 consecutive years. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We appreciate the assistance and dedication of the Finance Department staff throughout the year and for their preparation of this comprehensive annual financial report. The cooperation of each department is appreciated as we work together to conduct the Town's financial operations. In addition, we express our appreciation to the Mayor and Town Council for their continued support and leadership in planning and conducting the financial activities of the Town in a responsible and progressive manner.



Martha Paige, Town Manager

Nancy H. B. Emslie, Finance Director

Government Finance Officers Association



Certificate of Achievement for
Excellence in Financial
Reporting

Presented to

Town of Morrisville
North Carolina

For its Comprehensive Annual
Financial Report for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading 'Jeffrey R. Enos'. The signature is written in a cursive, flowing style.

Executive Director/CEO

Town Council



Mark Stohlman
Mayor



Steve Rao
Mayor Pro-Tem (At-Large)



Satish Garimella
Council Member (At-Large)



Michael Schlink
Council Member (District 1)



TJ Cawley
Council Member (District 2)



Liz Johnson
Council Member (District 3)



Vicki Scroggins-Johnson
Council Member (District 4)

**In January 2017, Town Council approved a new residency district map. Districts were updated effective for November 2017 elections.*

Town Management



Martha Paige
Town Manager

- **Frank Gray, Town Attorney**
- **Todd Wright, Assistant Town Manager**
- **Erin Hudson, Town Clerk**

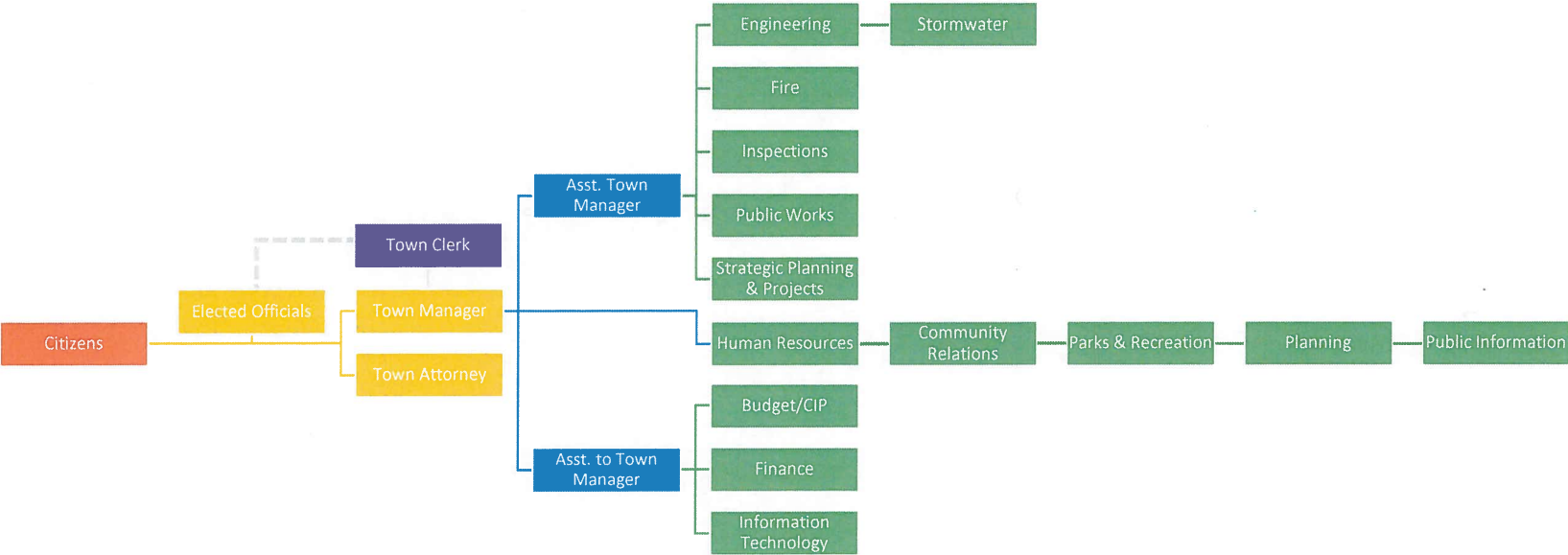
Appointed and Administrative Positions

Martha Paige.....	Town Manager*
Frank Gray.....	Town Attorney*
Todd Wright	Assistant Town Manager
Jeanne Hooks	Assistant to Town Manager
Sarah Baker	Community Relations Liaison
Nancy Emslie	Finance Director
Foy Jenkins, Jr.	Fire Chief
Lauri Shedlick	Human Resources Director
Dan Birckbichler	Information Technology Director
Shandy Padgett	Inspections Director
Jerry Allen.....	Parks, Recreation and Cultural Resources Director
Courtney Tanner	Planning Director
Patrice Andrews	Police Chief
Stephanie Smith	Public Information Officer
Blake Mills	Public Works Director
Joshua Baird	Stormwater Engineering Manager
Erin Hudson.....	Town Clerk*
Interim (James Meyer).....	Town Engineer

**Appointed by Town Council*

As of June 30, 2017

Town of Morrisville Organizational Chart
as of June 30, 2017



Financial Section

This section includes the report of independent auditor, the management discussion and analysis, the basic financial statements (government-wide and fund financial statements), notes to the financial statements and required supplementary information other than management discussion and analysis (budget to actual comparison of major governmental funds and pension schedules).

Report of Independent Auditor

To the Honorable Mayor and Town Council
Town of Morrisville
Morrisville, 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 the Town of Morrisville, North Carolina (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Town'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 Town'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 financial statement 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 as of June 30, 2017, 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.

Emphasis of Matter

As discussed in Note 1.F to the basic financial statements, three restatements occurred as follows 1) the Town adopted Governmental Accounting Standards Board Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, Amendments to certain provisions of GASB Statements 67 and 68. As a result, governmental activities net position as of June 30, 2016 has been restated. 2) a prior period adjustment was noted, which resulted in a restatement of net position as of June 30, 2016 for governmental and business-type activities. 3) a fund was reclassified in the current year from a business-type activity to a governmental type activity. As a result the governmental and business-type activities as of June 30, 2016 have been restated. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The introductory section, combining and individual fund statements and schedules, other schedules, statistical section, and Schedule of Expenditures of Federal and State Awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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, based on our audit, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and the statistical sections 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 assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Morrisville, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with the transmittal letter in the front of this report and the basic financial statements and accompanying notes to the financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The Town's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$148,656,847 (*net position*). Of this amount, \$13,550,620 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$14,065,265 in fiscal year 2017 of which \$15,763,481 was derived from governmental activities. Business-type activities reported a decrease of \$1,698,216 in fiscal year 2017.
- As of the close of the current fiscal year, the Town of Morrisville's governmental funds reported a combined ending fund balance of \$41,282,874, an increase of \$11,275,171 over the prior year. Approximately 31.43% of total governmental funds fund balance, or \$12,975,732 is available for spending at the Town's discretion (*Unassigned fund balance*).
- The total fund balance in the General Fund increased by \$2,050,426. At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,254,649 or 59.26% of total general fund expenditures for the fiscal year. The Town's policy is to maintain a minimum of 25% of expenditures in unassigned fund balance.
- The Town's total outstanding debt increased by \$9,939,737 in the current fiscal year due to the issuance of new general obligation bonds for street improvements and the refunding of the Town's 2007 public improvement bonds.
- As of the end of this fiscal year, the Town of Morrisville maintained its AAA bond rating with Standards and Poor's and Fitch and its Aaa rating by Moody's.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Morrisville's basic financial statements. The Town's basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Morrisville.

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. The **Required Supplementary Information** contains additional information required by generally accepted accounting principles. After the notes and the required supplementary information, other supplementary information is provided. The other supplementary information shows details about the Town's individual funds, including budgetary information required by North Carolina General Statutes.

Government-wide Financial Statements

The government-wide financial statements, a *statement of net position* and a *statement of activities*, are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities of the Town include general government, development services, public safety, public works, and cultural and recreational. Property taxes and unrestricted state funds finance most of these activities. The business-type activities of the Town consist of water and sewer utility services and Stormwater activities. The water and sewer utility system services were transferred to the Town of Cary effective April 1, 2006. The Town formally closed the Water and Sewer Fund during this fiscal year. The Shiloh Sewer Capital Project Fund has been reclassified to a non-major capital project fund and is now reported in governmental activities.

In accordance with the Governmental Accounting Standards Board criteria for inclusion in the reporting entity, the Town of Morrisville has no component units that are included in this report.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Morrisville, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements,

such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Morrisville can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

During the fiscal year ending as of June 30, 2017, the Town of Morrisville utilized eleven individual governmental funds: the General Fund (which includes the Fire Apparatus Capital Reserve Fund, Roadway and Transportation Capital Reserve Fund, CIP Capital Reserve Fund and the Municipal Service District Fund, which are consolidated in the General Fund under GASB 54) and ten Capital Project Funds (to account for construction projects spanning more than one annual budget year). During the year, the Town opened three new capital project funds, the Town Center Capital Project Fund, the Historic Church Parking Lot Expansion Capital Project Fund and the Morrisville Aquatics & Fitness Center Renovation Capital Project Fund. In addition, the Shiloh Sewer Capital Project Fund was reclassified to a non-major capital project fund and is now reported in governmental activities. The General Fund and the McCrimmon Parkway Extension Capital Project Fund are the only governmental funds considered to be major funds. The other governmental funds are considered non-major and their information is presented in the aggregate.

The Town of Morrisville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, management, and the decisions of the Town Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town of Morrisville 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 council; 2) the final budget as amended by the 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.

The basic governmental fund financial statements can be found on Exhibits 3 through 5. Governmental funds considered to be non-major are presented as a single column in these statements.

Proprietary Funds: The Town of Morrisville has two proprietary funds; both are an enterprise-type fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Morrisville uses enterprise funds to account for its water and sewer and stormwater activities. Minimal activity is recorded in the water and sewer fund due to the merger of the water and sewer activities with the Town of Cary. The Town formally closed the Water and Sewer Fund this fiscal year. The Shiloh Sewer Capital

Project Fund has been reclassified to a non-major capital project fund and is now reported in governmental activities. These enterprise funds are the same as what is shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

The basic proprietary fund financial statements can be found on Exhibits 6 through 8 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are *not* available to support the Town's own programs. The accounting used for a fiduciary fund is much like that used for proprietary funds. The Town has one fiduciary fund, a retirement health care fund.

The basic fiduciary fund financial statements can be found on Exhibits 9 and 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements are located on pages 30 -71 of this report.

Other Information

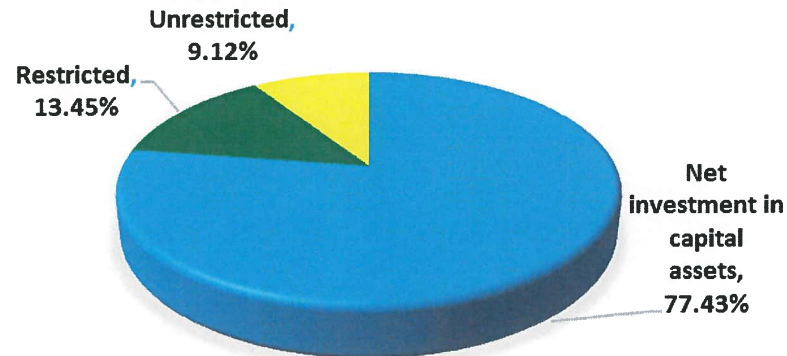
In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligations to provide benefits to its employees. Required supplementary information begins on page 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Town of Morrisville's Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 45,798,185	\$ 32,185,276	\$ 1,333,360	\$ 2,171,875	\$ 47,131,545	\$ 34,357,151
Capital assets	128,696,584	113,827,451	650,915	1,468,020	129,347,499	115,295,471
Total assets	<u>174,494,769</u>	<u>146,012,727</u>	<u>1,984,275</u>	<u>3,639,895</u>	<u>176,479,044</u>	<u>149,652,622</u>
Deferred Outflows of Resources						
Pension deferrals	3,825,756	1,374,758	77,655	28,056	3,903,411	1,402,814
Deferred charge on refunding	154,198	-	-	-	154,198	-
Total deferred outflows of resources	<u>3,979,954</u>	<u>1,374,758</u>	<u>77,655</u>	<u>28,056</u>	<u>4,057,609</u>	<u>1,402,814</u>
Long-term debt outstanding	26,919,990	12,810,187	88,881	32,576	27,008,871	12,842,763
Other liabilities	4,612,794	3,094,947	59,476	16,890	4,672,270	3,111,837
Deferred inflows of resources	195,915	499,808	2,750	9,446	198,665	509,254
Total liabilities and deferred inflows of resources	<u>31,728,699</u>	<u>16,404,942</u>	<u>151,107</u>	<u>58,912</u>	<u>31,879,806</u>	<u>16,463,854</u>
Net position:						
Net investment in capital assets	114,455,319	103,511,580	650,915	1,468,020	115,106,234	104,979,600
Restricted	19,999,993	13,141,913	-	-	19,999,993	13,141,913
Unrestricted	12,290,712	14,329,050	1,259,908	2,141,019	13,550,620	16,470,069
Total net position	<u>\$ 146,746,024</u>	<u>\$ 130,982,543</u>	<u>\$ 1,910,823</u>	<u>\$ 3,609,039</u>	<u>\$ 148,656,847</u>	<u>\$ 134,591,582</u>

BREAKDOWN OF 2017 TOTAL NET POSITION



As noted earlier, net position may serve over time as one useful indicator of the Town's financial condition. The assets and deferred outflows of the Town of Morrisville exceeded liabilities and deferred inflows by \$148,656,847 as of June 30, 2017. The Town's net position increased by \$14,065,265 for the fiscal year ended June 30, 2017. The largest portion (77.43%) of net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Morrisville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$19,999,993 (13.45%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,550,620 (9.12%) of the Town's net position is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Town of Morrisville's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,984,074	\$ 2,877,084	\$ 718,165	\$ 834,314	\$ 3,702,239	\$ 3,711,398
Operating grants and contributions	693,441	657,133	10,449	54,985	703,890	712,118
Capital grants and contributions	10,749,548	3,236,487	-	-	10,749,548	3,236,487
General revenues:						
Property taxes	17,600,497	16,380,456	-	-	17,600,497	16,380,456
Other taxes and licenses	285,897	273,725	-	-	285,897	273,725
Unrestricted intergovernmental	8,296,852	7,964,820	-	-	8,296,852	7,964,820
Unrestricted investment earnings	232,552	81,621	4,917	4,275	237,469	85,896
Miscellaneous	342,517	411,923	-	-	342,517	411,923
Parkland payment in lieu	412,778	640,609	-	-	412,778	640,609
Gain (Loss) on disposal of capital assets	-	-	-	-	-	-
Total revenues	41,598,156	32,523,858	733,531	893,574	42,331,687	33,417,432
Expenses:						
General government	6,203,972	5,012,357	-	-	6,203,972	5,012,357
Development services	2,259,598	1,874,840	-	-	2,259,598	1,874,840
Public safety	9,189,668	8,510,593	-	-	9,189,668	8,510,593
Public works - Streets & sanitation	6,133,623	5,186,053	-	-	6,133,623	5,186,053
Cultural and recreation	2,002,012	1,797,070	-	-	2,002,012	1,797,070
Interest on long-term debt	433,651	367,433	-	-	433,651	367,433
Stormwater	-	-	488,053	475,490	488,053	475,490
Total expenses	26,222,524	22,748,346	488,053	475,490	26,710,577	23,223,836
Increase (decrease) in net position before transfers	15,375,632	9,775,512	245,478	418,084	15,621,110	10,193,596
Transfers	(112,983)	(126,200)	112,983	126,200	-	-

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Increases (decreases) in net position after transfers	15,262,649	9,649,312	358,461	544,284	15,621,110	10,193,596
Net position, July 1	133,028,421	122,480,300	1,563,161	2,044,575	134,591,582	124,524,875
Restatement	<u>(1,545,046)</u>	<u>(1,147,069)</u>	<u>(10,799)</u>	<u>1,020,180</u>	<u>(1,555,845)</u>	<u>(126,889)</u>
Net position, June 30	<u>\$ 146,746,024</u>	<u>\$ 130,982,543</u>	<u>\$ 1,910,823</u>	<u>\$ 3,609,039</u>	<u>\$ 148,656,847</u>	<u>\$ 134,591,582</u>

GOVERNMENTAL ACTIVITIES: Governmental activities increased the Town's net position by \$15,763,481. Overall, revenues related to governmental activities increased this fiscal year compared to FY2016 by \$9,074,298 or 27.90%, along with an increase in expenses of \$3,474,178 or 15.27% compared to FY2016. Key elements of this increase in net position are as follows:

- Local option sales taxes increased 6.57% or \$307,158 over fiscal year 2016 related to overall improved economic conditions and the increase in retail development in town.
- Ad valorem taxes increased 7.46% or \$1,222,771 over fiscal year 2016 and reflects a growth in the tax base. Town Council approved a decrease in the property tax rate from \$0.41 for fiscal year 2016 to \$0.39 for fiscal year 2017.
- Permits and fees increased by \$72,382 from \$1,768,241 in fiscal year 2016 to \$1,840,623 in fiscal year 2017.
- In fiscal year 2017, \$412,778 was received as Parkland Payment-in-Lieu deposits to be used for recreational improvements.
- Per capita revenue (local option sales taxes and Powell Bill) increased by \$340,108 or 4% in fiscal year 2017 as a result of the special census that was completed earlier in Fall 2015.
- Total spending was up; \$3,474,178 (15.27%), and reflects the addition of eight staff positions along with routine capital expenditures including fire rescue replacement, sidewalk improvements, street paving, facility improvements, computer equipment, software, land purchase, heavy equipment and replacement vehicles. The Town had several vacant positions during fiscal year 2017 which resulted in lower personnel costs overall.
- Fiscal year 2017 reflects the issuance of \$14,320,000 General Obligation Bonds in October 2016, of which \$10,000,000 was for street improvements and \$4,320,000 was for refunding bonds. The Town received \$1,695,098 in premiums for the 2016 Bond Series.

BUSINESS-TYPE ACTIVITIES: Business-type activities increased the Town of Morrisville's net position by \$358,461. This increase is the result of Stormwater activities. The Water and Sewer Utility System of the Town was transferred to the Town of Cary effective April 1, 2006. The Town formally closed the Water and Sewer Fund during the fiscal year. The Shiloh Sewer Capital Project Fund, previously reported as a sub-fund of the Water and Sewer Fund in business-type activities, has been reclassified to a non-major capital project fund. Please refer to Note 1.F for more details.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town of Morrisville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Town of Morrisville'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's financing requirements. Specifically, unassigned fund balance can be a useful measure of the Town's net resources available for spending at the end of the fiscal year.

At June 30, 2017, the governmental funds of the Town of Morrisville reported a combined fund balance of \$41,282,874 an increase of \$12,515,498 compared to the prior year. This change in fund balance is primarily due to an increase in fund balance in the General Fund.

The General Fund is the chief operating fund of the Town of Morrisville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,254,649 while total fund balance for the General Fund was \$27,717,701. 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. Unassigned fund balance represents 59.26% of total General Fund expenditures, while total fund balance represents 107.68% of that same amount (compared to 111.01% in 2016).

The Town of Morrisville has adopted a minimum fund balance policy for the General Fund, which states that the unassigned fund balance shall be no less than three months operating expenditures or 25% of the total budgeted operating expenditures. If unassigned fund balance available is in excess of 45%, the Town Council may appropriate the excess for one-time capital expenditures, economic development related expenditures, or transfer the excess to the Capital Reserve Fund. For fiscal year 2017, the Town originally appropriated \$1,013,000 of fund balance to balance the budget. Since expenditures in the General Fund ended better than anticipated by \$4,590,861, it was not necessary to draw from fund balance.

The fund balance of the Town's general fund increased by \$2,050,426 during the 2017 fiscal year. Key components of this change are as follows:

- Ad valorem taxes received increased by \$1,222,771, primarily due to increase in the tax base from new residential and commercial activity.
- Unrestricted intergovernmental revenues increased by \$332,032 primarily due to increases in sales.
- General fund expenditures were 84.86% of budgeted amounts representing a savings of \$4,590,861. Some of these savings were related to the following:

- 1) Several incomplete projects/items which resulted in outstanding purchase orders in the amount of \$1,087,248 were rolled over to fiscal year 2018 which mainly consisted of sidewalk projects and consulting services (Town Center, parks & recreation comprehensive master plan update, website redesign, miscellaneous consulting and transportation plan update), and vehicle replacements.
- 2) Personnel cost savings of \$1,495,389 (as compared to budget) is mainly due to lapse salaries.
- 3) Delayed spending for capital projects such as pedestrian enhancements, farmers market, and land acquisitions.

The Capital Project Funds reported at the end of the current fiscal year a total fund balance of \$13,565,173, an increase of \$10,465,072 from the prior year. The McCrimmon Parkway Extension capital project had significant expenditures this fiscal year totaling \$3,241,037; however, there was some offsetting revenue via bond proceeds as other financing sources. The Hatcher Creek Greenway capital project also had significant expenditures this fiscal year totaling \$716,082 and was offset by grant revenue of \$671,549.

General Fund Budgetary Highlights- Fiscal Year 2017: During the fiscal year, the Town revised the budget on several occasions recognizing unrealized revenue and appropriating fund balance. Generally, budget amendments are made to recognize new funding amounts from external sources, such as federal and state grants or to increase appropriations from fund balance to maintain or expand services. During the current fiscal year, there was a total increase in the original budget of \$7,651,322 (\$5,310,672 from recognized revenues and \$2,340,650 appropriation of fund balance) to the final amended budget at year-end. The additional appropriations from budget amendments during the year included: 1) recognized for insurance claims \$27,835, 2) FEMA reimbursements \$29,688, 3) DOJ drug proceeds \$9,905, 4) Grants \$127,375, 5) additional Powell Bill receipts \$7,313, 6) outstanding Purchase Orders year-end \$779,982, 7) land acquisitions \$950,000, 8) \$500,000 Town Center Capital Project, 9) traffic signal \$85,750, 10) Fines & Forfeitures re-appropriation \$24,918, and 11) Refunding Bond Series 2016B Proceeds \$5,108,556. Due to revenues exceeding original budgeted expectations and delayed spending due to unfinished projects, the Town did not have to use fund balance appropriation for fiscal year 2017. The Town has adopted a minimum fund balance policy for the General Fund, which states that the unassigned fund balance shall be no less than three months operating expenditures or 25% of the total budgeted operating expenditures. If unassigned fund balance available is in excess of 45%, the Town Council may appropriate the excess for one-time capital expenditures, economic development related expenditures, or transfer the excess to a Capital Reserve Fund. As of June 30, 2017, the Town's unassigned fund balance was 59.26% of total general fund expenditures.

Proprietary Funds: The Town of Morrisville's Proprietary Funds provide the same type of information found in the government-wide statements but in more detail. The Enterprise Funds at the end of the fiscal year reported a total ending net position of \$1,910,823. The change in net position for the enterprise funds was an increase of \$358,461. The Proprietary Funds are discussed further in the business-type activities along with Note 1.F. The Stormwater Fund, previously reported in the General Fund, was established in fiscal year 2016 as an enterprise fund and is used to account for the activities related to the Town's Stormwater Management System. The Town formally closed the Water and Sewer Fund during the fiscal year. The Shiloh Sewer Capital Project Fund, previously reported as a sub-fund of the Water and Sewer Fund in business-type activities, has been reclassified to a non-major capital project fund. Please refer to Note 1.F for more details.

CAPITAL ASSETS AND DEBT ADMINISTRATION

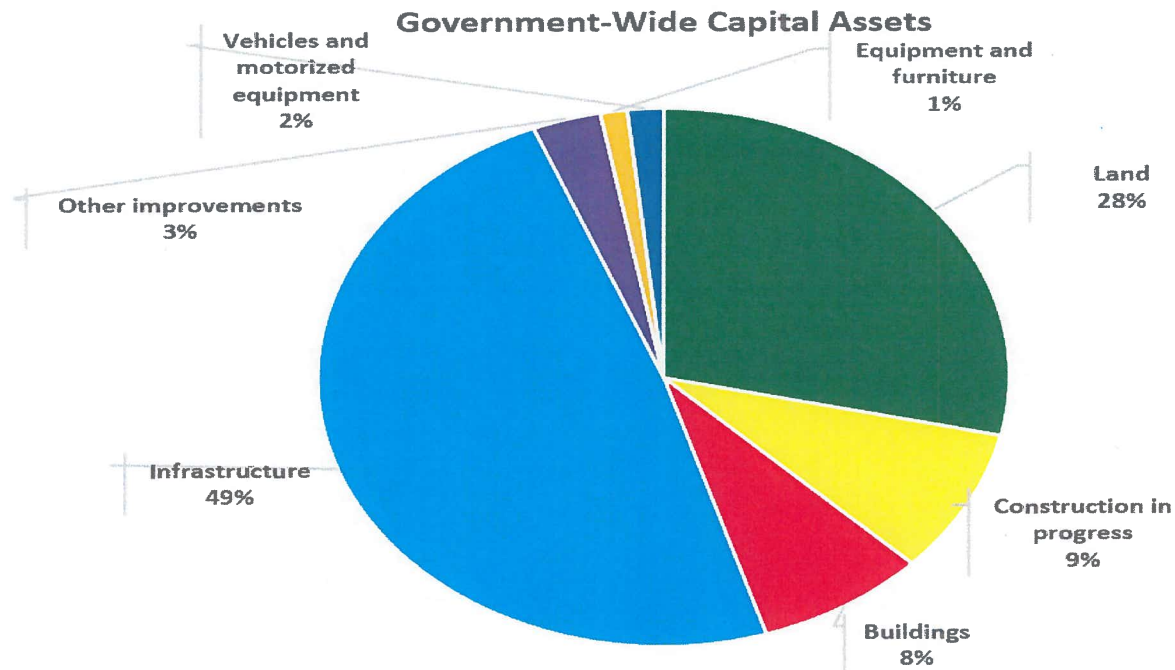
Capital Assets: The Town of Morrisville's capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$129,347,499 (net of accumulated depreciation). These assets include land, streets and sidewalks, buildings, machinery and equipment, vehicles, park facilities, and construction in progress.

Major capital asset transactions during the year included the following:

- Additions to land for governmental activities totaled \$2,672,695, which was attributed to land right-of-ways donated by developers, and the purchase of land to enhance the Town Center Core plan.
- Infrastructure assets used in governmental activities increased by \$7,838,059 primarily due to the value of streets and sidewalks donated by developers.
- Major equipment purchases, totaling \$343,567 in the governmental activities, included the replacement of in-car camera equipment for all assigned and spare police vehicles, an information technology upgrade to the Town's data storage, and six Toughbook laptops to be used by the Police Department.
- The Town placed new vehicles into service, totaling \$902,223 in the governmental activities, including a new Fire and Rescue vehicle, a Fire and Light Rescue truck, a new vehicle for the Inspections and Public Works Departments, and eleven new vehicles for the Police Department.
- Construction in progress additions in the governmental activities totaled \$6,251,315, and include ongoing projects for street improvements, sidewalks, parks and greenways, building improvements, a new Town Center and six vehicles acquired which, as of the fiscal year-end, have not been placed into service. The increase also includes \$805,551 for the reclassification of the Shiloh Sewer capital project's capital assets from business-type to governmental activities. Construction in progress additions in the business-type activities totaled \$10,449, which represents the costs incurred for the Kit Creek Reach 5-1 Stormwater Retrofit capital project.

**Town of Morrisville's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 36,674,650	\$ 34,001,955	\$ 194,178	\$ 194,178	\$ 36,868,828	\$ 34,196,133
Construction in progress	11,187,096	5,046,664	76,945	872,047	11,264,041	5,918,711
Buildings	10,299,362	10,616,443	-	-	10,299,362	10,616,443
Infrastructure	62,769,771	56,505,910	176,422	183,207	62,946,193	56,689,117
Other improvements	3,960,519	4,125,483	185,901	197,625	4,146,420	4,323,108
Equipment and furniture	1,616,175	1,716,941	11,026	13,232	1,627,201	1,730,173
Vehicles and motorized equipment	2,189,011	1,814,055	6,443	7,731	2,195,454	1,821,786
Total assets	<u>\$128,696,584</u>	<u>\$113,827,451</u>	<u>\$ 650,915</u>	<u>\$ 1,468,020</u>	<u>\$129,347,499</u>	<u>\$115,295,471</u>



Additional information on the Town's capital assets can be found in Note 5 of the Basic Financial Statements.

- **Long-term Debt:** As of June 30, 2017, the Town of Morrisville had total general obligation bonded debt (including premiums) outstanding of \$19,330,301, and installment purchase related debt of \$1,603,275. The Town's total outstanding debt increased by \$9,939,737 in the current fiscal year due to the issuance of new general obligation bonds for street improvements and the refunding of the Town's 2007 public improvement bonds.

As mentioned in the financial highlights sections of this document, as of the end of this fiscal year, the Town of Morrisville maintained its AAA bond rating with Standards and Poor's and Fitch and Aaa by Moody's. In September 2016, the Town was awarded AAA ratings from all three major bond rating agencies following meetings in August with *Standards and Poor's*, *Moody's* and *Fitch*. The ratings are associated with the issuance of \$10,000,000 in general obligation bonds that were sold on September 13, 2016.

**Town of Morrisville's Outstanding Debt
General Obligation Bonds and Installment Purchases**

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 17,705,000	\$ 8,935,000	\$ -	\$ -	\$ 17,705,000	\$ 8,935,000
Installment Purchases	1,603,275	2,011,957	-	-	1,603,275	2,011,957
Premiums	1,625,301	46,882	-	-	1,625,301	46,882
Total	<u>\$ 20,933,576</u>	<u>\$ 10,993,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,933,576</u>	<u>\$ 10,993,839</u>

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 the Town of Morrisville is \$343,309,115. The Town has the authority to issue \$10,000,000 in general obligation bonds, \$5,700,000 for parks and recreation and \$4,300,000 for streets.

Additional information regarding the Town of Morrisville's long-term debt can be found in Note 10 of the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in preparing the Town of Morrisville's budget for fiscal year 2018:

- The Town's tax base grew 15% from the previous fiscal year. Fiscal year 2018 property tax remained at \$0.0039 per \$100 of property valuation and is estimated at \$17,973,000.
- The property tax collection rate is trending at over 99% and overall revenues are approximately 5% over fiscal year 2017 estimated actuals.
- The unemployment rate for the Raleigh-Cary Metropolitan area as of June 2017 is 3.7%, which is a significant decrease from a year ago at 4.3%. The unemployment rate compares favorably to the state's average unemployment rate in June 2017 of 4.2%.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2018

- The budget is balanced with no change in the \$0.39 tax rate originally adopted for fiscal year 2017. Of the \$0.39 tax rate, one cent of the tax rate or \$460,000 is allocated to the Roadway and Transportation Capital Reserve Fund for use on projects identified by Town Council.
- Moderate user fee adjustments were made where market comparisons supported changes.
- Conservative revenue projections.
- Maintain basic operational services and continue to provide these core services at an affordable cost.
- The fiscal year 2018 budget reflects a fund balance appropriation of \$2,823,000 for Town Center Core infrastructure, 65% match required for the Wake County grant for the Church Street Park Field lights and the NCDOT match for the Airport Boulevard Bike/Pedestrian project.
- Town Council approved the establishment of a Sidewalk and Pedestrian Enhancement Capital Project Ordinance for \$703,000. This project will receive funding from the NCDOT STIP Reimbursable Grant and from the General Fund.
- Replacement of major Fire Apparatus Ladder 3.
- Funding for update of 2009 Land Use Plan, replacement of Town's ERP system and proactive roadway maintenance.
- Bond issuance cost and debt for McCrimmon Parkway Extension Phase II.
- Continued appropriations to CIP Capital Reserve and Fire Apparatus Capital Reserve.
- Merit for eligible employees averaged at 3% and addition of five full-time positions (3 Firefighters, 1 K9 unit, Transportation Planner).

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Nancy Emslie, Finance Director, Town of Morrisville, 100 Town Hall Drive, Morrisville, NC, 27560, (919) 463-6178 or nemslie@townofmorrisville.org.

Basic

Financial Statements

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 32,327,756	\$ 1,326,118	\$ 33,653,874
Receivables:			
Taxes	10,402	-	10,402
Accounts	31,023	-	31,023
Due from other governments	2,709,099	7,242	2,716,341
Prepaid items	8,886	-	8,886
Restricted cash and cash equivalents	10,711,019	-	10,711,019
Non-current assets:			
Capital assets:			
Land, improvements and construction in progress	47,861,746	271,123	48,132,869
Other capital assets, net of depreciation	80,834,838	379,792	81,214,630
Total assets	<u>174,494,769</u>	<u>1,984,275</u>	<u>176,479,044</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	3,825,756	77,655	3,903,411
Deferred charge on refunding	154,198	-	154,198
Total deferred outflows of resources	<u>3,979,954</u>	<u>77,655</u>	<u>4,057,609</u>
LIABILITIES			
Accounts payable and accrued expenses	4,009,823	59,476	4,069,299
Accrued interest	149,471	-	149,471
Grants received in advance	453,500	-	453,500
Due within one year:			
Compensated absences	850,460	7,385	857,845
Bonds and notes payable	1,657,014	-	1,657,014
Due in more than one year:			
Other postemployment benefits	560,737	9,938	570,675
LEOSSA pension liability	1,014,588	-	1,014,588
Compensated absences	94,496	821	95,317
LGERS pension liability	3,466,133	70,737	3,536,870
Bonds and notes payable	19,276,562	-	19,276,562
Total liabilities	<u>31,532,784</u>	<u>148,357</u>	<u>31,681,141</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes and fees	41,586	-	41,586
Pension deferrals	154,329	2,750	157,079
Total deferred inflows of resources	<u>195,915</u>	<u>2,750</u>	<u>198,665</u>
NET POSITION			
Net investment in capital assets	114,455,319	650,915	115,106,234
Restricted for:			
Stabilization by State statute	15,958,607	-	15,958,607
Recreation improvements	2,419,600	-	2,419,600
Street improvements	1,599,108	-	1,599,108
Police operations and activities	22,678	-	22,678
Unrestricted	12,290,712	1,259,908	13,550,620
Total net position	<u>\$ 146,746,024</u>	<u>\$ 1,910,823</u>	<u>\$ 148,656,847</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 6,203,972	\$ 242,190	\$ -	\$ -	\$ (5,961,782)	\$ -	\$ (5,961,782)
Development services	2,259,598	1,757,021	4,000	-	(498,577)	-	(498,577)
Public safety	9,189,668	83,602	29,688	9,905	(9,066,473)	-	(9,066,473)
Public works	6,133,623	-	659,753	10,008,117	4,534,247	-	4,534,247
Culture and recreation	2,002,012	901,261	-	731,526	(369,225)	-	(369,225)
Interest on long-term debt	433,651	-	-	-	(433,651)	-	(433,651)
Total governmental activities	26,222,524	2,984,074	693,441	10,749,548	(11,795,461)	-	(11,795,461)
Business-type activity:							
Stormwater	488,053	718,165	10,449	-	-	240,561	240,561
Total government	<u>\$ 26,710,577</u>	<u>\$ 3,702,239</u>	<u>\$ 703,890</u>	<u>\$ 10,749,548</u>	<u>(11,795,461)</u>	<u>240,561</u>	<u>(11,554,900)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					17,600,497	-	17,600,497
Other taxes and licenses					285,897	-	285,897
Unrestricted intergovernmental revenues					8,296,852	-	8,296,852
Unrestricted investment earnings					232,552	4,917	237,469
Miscellaneous					342,517	-	342,517
Parkland payments in lieu					412,778	-	412,778
Total general revenues not including transfers					27,171,093	4,917	27,176,010
Transfers					(112,983)	112,983	-
Total general revenues and transfers					27,058,110	117,900	27,176,010
Change in net position					15,262,649	358,461	15,621,110
Net position - beginning					130,982,543	3,609,039	134,591,582
Change in accounting principle (see Note 1.F)					(942,388)	-	(942,388)
Prior period adjustment (see Note 1.F)					(602,658)	(10,799)	(613,457)
Restatement (see Note 1.F)					2,045,878	(2,045,878)	-
Net position - ending					<u>\$ 146,746,024</u>	<u>\$ 1,910,823</u>	<u>\$ 148,656,847</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Exhibit 3

	Major Funds			Total Governmental Funds
	General	McCrimmon Parkway Extension Capital Project Fund	Nonmajor Funds	
Assets				
Cash and cash equivalents	\$ 24,761,077	\$ 2,622,750	\$ 4,943,929	\$ 32,327,756
Receivables				
Taxes	10,402	-	-	10,402
Accounts	31,023	-	-	31,023
Due from other governments	2,310,057	7,908	391,134	2,709,099
Prepays	8,886	-	-	8,886
Due from other funds	2,334,695	-	-	2,334,695
Restricted cash and cash equivalents	1,599,108	6,692,311	2,419,600	10,711,019
Total assets	\$ 31,055,248	\$ 9,322,969	\$ 7,754,663	\$ 48,132,880
Liabilities				
Accounts payable and accrued liabilities	\$ 3,182,059	\$ 551,555	\$ 276,209	\$ 4,009,823
Due to other funds	-	2,276,903	57,792	2,334,695
Grants received in advance	103,500	350,000	-	453,500
Total liabilities	3,285,559	3,178,458	334,001	6,798,018
Deferred inflows of resources				
Taxes receivable	10,402	-	-	10,402
Prepaid taxes and fees	41,586	-	-	41,586
Total deferred inflows of resources	51,988	-	-	51,988
Fund balances				
Non-Spendable:				
Prepays	8,886	-	-	8,886
Restricted:				
Stabilization by State statute	5,763,023	4,450,169	5,745,415	15,958,607
Recreation improvements	-	-	2,419,600	2,419,600
Street improvements	1,599,108	-	-	1,599,108
Police operations and activities	22,678	-	-	22,678
Committed:				
General governmental capital	1,902,254	-	-	1,902,254
LEOSSA pension liability	344,103	-	-	344,103
Capital projects	-	-	3,228,906	3,228,906
Assigned:				
Subsequent year's expenditures	2,823,000	-	-	2,823,000
Unassigned	15,254,649	1,694,342	(3,973,259)	12,975,732
Total fund balances	27,717,701	6,144,511	7,420,662	41,282,874
Total liabilities, deferred inflows of resources and fund balances	\$ 31,055,248	\$ 9,322,969	\$ 7,754,663	\$ 48,132,880

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

TOWN OF MORRISVILLE, NORTH CAROLINA**Exhibit 3****RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION***JUNE 30, 2017*

Total fund balances - governmental funds		\$ 41,282,874
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Governmental capital assets	\$ 168,475,466	
Less accumulated depreciation	<u>(39,778,882)</u>	128,696,584
Deferred outflows of resources related to pensions are not reported in the funds		3,825,756
Deferred charge on refunding is not available or due in the current period, and, therefore, is not reported in the funds		154,198
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported in the funds		
Other postemployment benefits	(560,737)	
LEOSSA pension liability	(1,014,588)	
Government bonds and notes payable	(19,308,275)	
Deferred bond premium	(1,625,301)	
Compensated absences	(944,956)	
LGERS pension liability	<u>(3,466,133)</u>	(26,919,990)
Liabilities for earned revenues are considered deferred inflows of resources in fund statements and are susceptible to full accrual on the entity-wide statements		
Deferred inflows of resources for taxes		10,402
Pension related deferrals		(154,329)
Other liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued interest payable		<u>(149,471)</u>
Net position of governmental activities		<u>\$ 146,746,024</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
Exhibit 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Major Funds			Total Governmental Funds
	General Fund	McCrimmon Parkway Extension Capital Project Fund	Nonmajor Funds	
Revenues				
Ad valorem taxes	\$ 17,620,181	\$ -	\$ -	\$ 17,620,181
Other taxes and licenses	288,953	-	-	288,953
Unrestricted intergovernmental	8,296,852	-	-	8,296,852
Restricted intergovernmental	689,441	-	731,526	1,420,967
Permits and fees	1,840,623	-	412,778	2,253,401
Sales and services	1,143,451	-	-	1,143,451
Investment earnings	144,604	54,517	33,341	232,462
Miscellaneous	346,207	-	-	346,207
Total revenues	30,370,312	54,517	1,177,645	31,602,474
Expenditures				
Current				
General government	4,302,843	-	-	4,302,843
Development services	2,230,718	-	-	2,230,718
Public safety	8,166,536	-	-	8,166,536
Public works	5,925,474	-	-	5,925,474
Culture and recreation	1,728,506	-	-	1,728,506
Capital outlay	1,723,223	3,241,037	2,229,929	7,194,189
Debt service				
Principal	1,108,682	-	-	1,108,682
Interest	454,038	-	-	454,038
Bond issuance costs	101,821	-	-	101,821
Total expenditures	25,741,841	3,241,037	2,229,929	31,212,807
Excess (deficiency) of revenues over (under) expenditures	4,628,471	(3,186,520)	(1,052,284)	389,667
Other financing sources (uses)				
Transfers in	-	-	2,855,113	2,855,113
Transfers out	(2,669,900)	-	(298,196)	(2,968,096)
Refunding bonds issued	4,320,028	-	-	4,320,028
Bond proceeds	-	10,000,062	-	10,000,062
Premium on bonds issued	788,528	906,570	-	1,695,098
Payment to refunded bond escrow agent	(5,016,701)	-	-	(5,016,701)
Total other financing sources (uses)	(2,578,045)	10,906,632	2,556,917	10,885,504
Net change in fund balance	2,050,426	7,720,112	1,504,633	11,275,171
Fund balances (deficits), beginning	25,667,275	(1,575,601)	4,675,702	28,767,376
Restatement (see Note 1.F)	-	-	1,240,327	1,240,327
Fund balances (deficits), beginning, as restated	25,667,275	(1,575,601)	5,916,029	30,007,703
Fund balances, ending	\$ 27,717,701	\$ 6,144,511	\$ 7,420,662	\$ 41,282,874

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

TOWN OF MORRISVILLE, NORTH CAROLINA**Exhibit 4**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds		\$ 11,275,171
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 7,194,189	
Less current year depreciation	<u>(3,027,843)</u>	4,166,346
Contributions to the LGERS pension plan in the current fiscal year are not included on the Statement of Activities.		
		1,193,394
Benefit payments made for LEOSSA in the current fiscal year are not included on the Statement of Activities.		
		74,950
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, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.		
Debt issued:		
General obligation bonds	(14,320,000)	
Plus premium	(1,695,098)	
Principal repayments:		
General obligation debt	1,108,682	
Payment to escrow agent for refunding	<u>5,016,701</u>	(9,889,715)
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.		
Donated capital assets	10,008,117	
Change in reserve for taxes receivable	(19,684)	
Change in reserve for decals receivable	<u>(3,056)</u>	9,985,377
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 the governmental funds.		
Amortization of bond premiums	116,679	
Amortization of deferred charge on refunding	(12,503)	
Loss on disposal of capital assets	(110,883)	
Change in accrued interest payable	(83,789)	
Change in compensated absences	(50,179)	
Change in other post employment benefits	(276,598)	
Pension expense	<u>(1,125,601)</u>	(1,542,874)
Change in net position of governmental activities		<u>\$ 15,262,649</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
Exhibit 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Ad valorem taxes	\$ 17,216,000	\$ 17,216,000	\$ 17,620,181	\$ 404,181
Other taxes and licenses	275,400	275,400	288,953	13,553
Unrestricted intergovernmental	8,037,100	8,044,900	8,296,852	251,952
Restricted intergovernmental	969,300	1,021,376	689,441	(331,935)
Permits and fees	971,200	971,200	1,840,623	869,423
Sales and services	1,149,200	1,149,200	1,143,451	(5,749)
Investment earnings	42,000	42,600	144,604	102,004
Miscellaneous	367,000	509,240	346,207	(163,033)
Total revenues	<u>29,027,200</u>	<u>29,229,916</u>	<u>30,370,312</u>	<u>1,140,396</u>
Expenditures				
Current				
General government	4,344,100	4,768,462	4,302,843	465,619
Development services	2,651,200	3,082,704	2,230,718	851,986
Public safety	9,112,700	9,104,478	8,166,536	937,942
Public works	5,713,500	6,555,356	5,925,474	629,882
Culture and recreation	1,953,600	1,959,207	1,728,506	230,701
Capital outlay	2,467,600	3,143,041	1,723,223	1,419,818
Debt service				
Bond and note principal	1,108,700	1,108,700	1,108,682	18
Bond and note interest	518,900	518,900	454,038	64,862
Bond issuance costs	-	91,854	101,821	(9,967)
Total expenditures	<u>27,870,300</u>	<u>30,332,702</u>	<u>25,741,841</u>	<u>4,590,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,156,900</u>	<u>(1,102,786)</u>	<u>4,628,471</u>	<u>5,731,257</u>
Other financing sources (uses)				
Transfers out	(2,169,900)	(2,669,900)	(2,669,900)	-
Refunding bonds issued	-	4,320,028	4,320,028	-
Premium on refunding bonds issued	-	788,528	788,528	-
Payment to refunded bond escrow agent	-	(5,016,702)	(5,016,701)	1
Fund balance appropriated	1,013,000	3,680,832	-	(3,680,832)
Total other financing sources (uses)	<u>(1,156,900)</u>	<u>1,102,786</u>	<u>(2,578,045)</u>	<u>(3,680,831)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,050,426</u>	<u>\$ 2,050,426</u>
Fund balance, beginning			<u>25,667,275</u>	
Fund balance, ending			<u>\$ 27,717,701</u>	

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

Exhibit 6

	Stormwater Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 1,326,118
Due from other governments	7,242
Total current assets	<u>1,333,360</u>
Non-current assets	
Capital assets	
Land, improvements and construction in progress	271,123
Other capital assets, net of depreciation	379,792
Total non-current assets	<u>650,915</u>
Total assets	<u>1,984,275</u>
Deferred outflows of resources	
Pension deferrals	<u>77,655</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	59,476
Compensated absences	7,385
Total current liabilities	<u>66,861</u>
Non-current liabilities	
Other postemployment benefits	9,938
Compensated absences	821
LGERS pension liability	70,737
Total non-current liabilities	<u>81,496</u>
Total liabilities	<u>148,357</u>
Deferred inflows of resources	
Pension deferrals	<u>2,750</u>
Net position	
Net investment in capital assets	650,915
Unrestricted	1,259,908
Total net position - business-type activities	<u>\$ 1,910,823</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

Exhibit 7

	Stormwater Fund	Water and Sewer Fund	Total Enterprise Funds
Operating revenues			
Permits and fees	\$ 166,154	\$ -	\$ 166,154
Stormwater ERU charges	550,804	-	550,804
Operating grants	10,449	-	10,449
Miscellaneous	1,207	-	1,207
Total operating revenues	728,614	-	728,614
Operating expenses			
Stormwater operations	466,049	-	466,049
Depreciation	22,004	-	22,004
Total operating expenses	488,053	-	488,053
Operating income	240,561	-	240,561
Nonoperating revenues			
Investment earnings	4,917	-	4,917
Income before transfers	245,478	-	245,478
Transfer from General Fund	114,900	-	114,900
Transfer to Shiloh Sewer Capital Project Fund	-	(1,917)	(1,917)
Change in net position	360,378	(1,917)	358,461
Net position - beginning of year	1,561,244	2,047,795	3,609,039
Prior period adjustment (see Note 1.F)	(10,799)	-	(10,799)
Restatement (see Note 1.F)	-	(2,045,878)	(2,045,878)
Net position, beginning of year, as restated	1,550,445	1,917	1,552,362
Net position, end of year	\$ 1,910,823	\$ -	\$ 1,910,823

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

Exhibit 8

	Stormwater Fund	Water and Sewer Fund	Total Enterprise Funds
Cash flows from operating activities			
Cash received from Stormwater charges	\$ 716,958	\$ -	\$ 716,958
Cash received from Stormwater grant	58,422	-	58,422
Cash paid to or on behalf of employees for services	(226,714)	-	(226,714)
Cash paid for goods and services	(190,942)	-	(190,942)
Other operating revenues	1,207	-	1,207
Net cash from operating activities	358,931	-	358,931
Cash flows from noncapital financing activities			
Transfers from (to) other funds	114,900	(1,917)	112,983
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(10,449)	-	(10,449)
Cash flows from investing activities			
Investment earnings	4,916	-	4,916
Net increase (decrease) in cash and cash equivalents	468,298	(1,917)	466,381
Cash and cash equivalents, beginning of year	868,619	1,917	870,536
Cash used for a prior period adjustment	(10,799)	-	(10,799)
Cash and cash equivalents, beginning of year, as restated	857,820	1,917	859,737
Cash and cash equivalents, end of year	<u>\$ 1,326,118</u>	<u>\$ -</u>	<u>\$ 1,326,118</u>
Reconciliation of operating income to net cash from operating activities:			
Operating income	\$ 240,561	\$ -	\$ 240,561
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,004	-	22,004
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Decrease in due from other governments	48,007	-	48,007
Increase in deferred outflows of resources - pensions	(49,599)	-	(49,599)
Increase in accounts payable and accrued expenses	42,586	-	42,586
Increase in other postemployment benefits liability	15,701	-	15,701
Decrease in compensated absences	(6,980)	-	(6,980)
Increase in LGERS pension liability	53,347	-	53,347
Decrease in deferred inflows of resources - pensions	(6,696)	-	(6,696)
Net cash provided by operating activities	<u>\$ 358,931</u>	<u>\$ -</u>	<u>\$ 358,931</u>

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

Exhibit 9

	Retirement Health Care Fund
	<hr/>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,554,095
Accounts receivable	<hr/> 292
Total assets	<hr/> 2,554,387
Liabilities	
Current liabilities	
Accounts payable	<hr/> 1,912
Net position	
Held in fund for retiree health care	<hr/> \$ 2,552,475

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

TOWN OF MORRISVILLE, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2017

Exhibit 10

	Retirement Health Care Fund
Additions	
Contributions - employer	\$ 284,439
Investment earnings	<u>9,674</u>
Total additions	294,113
Deductions	
Benefits paid to plan members	<u>32,055</u>
Change in net position	262,058
Net position, beginning of year	<u>2,290,417</u>
Net position, end of year	<u><u>\$ 2,552,475</u></u>

Note 1 – Summary of significant accounting policies

The accounting policies of the Town of Morrisville conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting entity

The Town of Morrisville (the “Town”), a political subdivision of the state of North Carolina in Wake County, is a municipal corporation that is governed by an elected Mayor and a six-member Town Council. There are no component units which are required to be included in these financial statements.

B. Basis of presentation

Government-wide Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information on all of the activities of the Town. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements - The fund financial statements provide information about the Town’s funds, including the fiduciary fund. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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 investment earnings, result from ancillary activities.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter is excluded from the entity-wide financial statements.

Note 1 – Summary of significant accounting policies (continued)

B. Basis of presentation (continued)

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund is used to account for all financial resources of the general government except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and various other taxes. The primary expenditures are for public safety, public works, culture and recreation, development services and general governmental services. Additionally, the Town has legally adopted three Capital Reserve Funds and a Municipal Service District Fund as sub-funds of the General Fund. Under Governmental Accounting Standards Board ("GASB") Statement No. 54 guidance, these funds are consolidated in the General Fund.

McCrimmon Parkway Extension Capital Project Fund - The McCrimmon Parkway Extension Capital Project Fund is used to account for financial resources to be used for the purpose of constructing, reconstructing, widening and improving streets and related sidewalk, streetscape and utility improvements, along with the acquisition of any necessary land and rights-of-way, for McCrimmon Parkway. At the completion of the project, the Town will transfer the McCrimmon Parkway Extension, with the exception of the multi-use paths on each side of the road, to the North Carolina Department of Transportation.

The Town reports the following nonmajor governmental funds:

Parkland Payment-In-Lieu Capital Project Fund – The Parkland Payment-In-Lieu Capital Project Fund is used to account for financial resources to be used for recreation improvements.

Fire Station 1 Capital Project Fund – The Fire Station 1 Capital Project Fund is used to account for financial resources to be used for fire station improvements.

Hatcher Creek Greenway Capital Project Fund - The Hatcher Creek Greenway Capital Project Fund is used to account for financial resources to be used for the development of the Hatcher Creek Greenway.

Northwest Park Capital Project Fund - The Northwest Park Capital Project Fund is used to account for financial resources to be used for the development of Northwest Park.

Church Street Park Capital Project Fund - The Church Street Park Capital Project Fund is used to account for financial resources to be used for Church Street Park.

Morrisville Carpenter Road Capital Project Fund – The Morrisville Carpenter Road Capital Project Fund is used to account for financial resources to be used for the widening and improving of Morrisville Carpenter Road.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of significant accounting policies (continued)

B. Basis of presentation (continued)

Town Center Capital Project Fund – The Town Center Capital Project Fund is used to account for the financial resources to be used for the design and construction of public improvements associated with the Town Center project.

Historic Christian Church Parking Lot Expansion Capital Project Fund – The Historic Christian Church Parking Lot Expansion Capital Project Fund is used to account for the design and construction of a parking lot that will enhance safety, expand program uses and address space for dedicated senior programs.

Morrisville Aquatics & Fitness Center Renovation Capital Project Fund – The Morrisville Aquatics & Fitness Center Renovation Capital Project Fund is used to account for the redesign and reconstruction of the Morrisville Aquatics and Fitness Center.

Shiloh Sewer Capital Project Fund – The Shiloh Sewer Capital Project Fund is used to account for the design and construction of a sanitary sewer line in the undeveloped Shiloh area of the Town. At the completion of the project, the Town will transfer the project's assets to the Town of Cary, the provider of water and sewer services in the Town of Morrisville.

The Town reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund was closed during the fiscal year. This is further discussed in Note 1.F. Water and Sewer operations of the Town were transferred to the Town of Cary effective April 1, 2006.

Stormwater Fund – The Stormwater Fund is used to account for the activities related to the Town's Stormwater Management System. The Stormwater Fund is comprised of two sub-funds: Stormwater Operations and the Kit Creek Reach 5-1 Stormwater Retrofit Capital Project Fund, where activity is reported together for financial reporting purposes.

Additionally, the Town reports the following fiduciary fund type:

Retirement Health Care Fund – The Retirement Health Care Fund accounts for the activities of the Retirement Health Care Plan of the Town of Morrisville, which accumulates resources for health insurance costs for qualified retirees of the Town.

Note 1 – Summary of significant accounting policies (continued)

C. Measurement focus and basis of accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all 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 water and sewer fund was closed during the fiscal year (this is further discussed in Note 1.F). The principal operating revenue source of the Town's Stormwater Fund is charges for Stormwater Equivalent Residential Units ("ERU"), which are generally levied and collected by Wake County. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town considers revenues to be available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of significant accounting policies (continued)

C. Measurement focus and basis of accounting (continued)

the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Morrisville because the tax is levied by Wake County and then remitted to and distributed by the State. Certain intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Retirement Health Care Fund and the Proprietary Funds. All annual appropriations lapse at fiscal year-end. Project ordinances, which may cover more than one year, are adopted for capital project funds and proprietary capital project funds. The proprietary fund's projects are consolidated with the operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds.

The Town Manager/Budget Officer is authorized to reallocate any appropriations within departments and may execute contracts for construction or repair projects, which do not require formal competitive bid procedures. They may execute contracts for: (1) purchase of apparatus, supplies, and materials or equipment, which are within budgeted departmental appropriations; and (2) leases of personal property for one-year duration and within budgeted departmental appropriations. They may execute grant agreements to or from public and nonprofit organizations, which are within budgeted appropriations, unless a grantor organization requires execution by the Town Council. Also, they may execute contracts, as the lessor or lessee of real property, for a maximum duration of five years or less, provided funds allocated are within budgeted appropriations. They shall be authorized to appropriate funding received as cost share reimbursements for fire protection services, fire protection equipment, facility maintenance services, and direct said funds back to the appropriate department. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity

1. Deposits and investments

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

State law (G.S. 159.30 (c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. The NCCMT - Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value.

2. Cash and cash equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted assets

The unexpended bond proceeds for the McCrimmon Parkway Extension Capital Project are restricted in the McCrimmon Parkway Extension Capital Project Fund because their use is completely restricted to the purpose for which the bonds were originally issued. Unexpended revenues received for parks and recreation improvements that are restricted by revenue source are classified as restricted cash. Unexpended revenues received for street improvements that are restricted by revenue source are also classified as restricted cash.

Governmental activities:	
General Fund - Street Improvements	\$ 1,599,108
McCrimmon Parkway Extension Capital Project Fund -	
Unspent bond proceeds	6,692,311
Nonmajor funds - Recreation Improvements	<u>2,419,600</u>
Total governmental activities	<u>10,711,019</u>
Total restricted cash and cash equivalents	<u>\$ 10,711,019</u>

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

4. Ad valorem taxes receivable

In accordance with State laws (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2016.

5. Allowance 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 as well as including known bankruptcies.

6. Prepaid items

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

7. Capital assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 for equipment & fixtures, \$10,000 for vehicles, \$50,000 for buildings, \$50,000 for other improvements, and \$100,000 for infrastructure, or more and a useful life in excess of one year. 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. General infrastructure assets acquired prior to July 1, 2003, are reported at 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. Any interest incurred during the construction phase of business-type capital assets is included as part of the capitalized value of the asset constructed.

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

7. Capital assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30-50 years
Buildings and improvements	20-50 years
Equipment and furniture	3-10 years
Vehicles and motorized equipment	3-10 years
Other improvements	10-30 years

8. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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, therefore, will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion – pension deferrals for the 2017 fiscal year and an unamortized loss on a bond defeasance for general obligation refunding bonds. In addition to liabilities, the statement of net position and governmental funds' 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 that applies to a future period and, therefore, will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – prepaid taxes and fees, and pension deferrals. Additionally on the governmental funds' balance sheet the Town has taxes receivable in *deferred inflows of resources*.

9. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities 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 premium or discount. Bond issuance costs are expensed in the reporting period in which they are incurred.

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

9. Long-term obligations (continued)

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 proceeds received, are reported as debt service expenditures.

10. Compensated absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Town also allows employees to accrue compensatory time for hours worked in excess of a regular workweek. Non-exempt employees may accumulate this time and then use it at a later date in lieu of using vacation time or they will be paid for these hours when leaving the Town's employment. Exempt employees may accumulate compensatory time up to a maximum of 80 hours and use this in lieu of vacation. Exempt employees lose any time accumulated over 80 hours and are not paid for accumulated compensatory time upon leaving service. The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave, no provision has been made for this in the accompanying government-wide financial statements. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

For the Town's government-wide funds and proprietary fund types in the fund financial statements, an expense and a liability for compensated absences and salary-related payments are recorded as the leave is earned. In the governmental fund financial statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

11. Net position/fund balances

Net Position - Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are 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.

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

11. Net position/fund balances (continued)

The governmental fund types classify fund balances as follows:

Non-Spendable 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.

Prepays – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

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

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

Restricted for Recreation Improvements – portion of fund balance restricted by revenue source for parks and recreation improvements.

Restricted for Street Improvements – portion of fund balance restricted by revenue source for street improvements.

Restricted for Police Operations and Activities – portion of fund balance that represents unspent drug forfeiture funds and unspent unauthorized substance tax receipts that are restricted for specific police operations and activities.

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

Committed for General Governmental Capital - portion of fund balance in the General Fund committed by Town Council for large capital expenditures.

Committed for LEOSSA pension liability – portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

11. Net position/fund balances (continued)

Committed for Capital Projects - portion of fund balance committed by Town Council for each capital project fund.

Assigned Fund Balance – The portion of fund balance that the Town 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 Town Council approves the appropriation. Budget amendments requiring additional appropriations must receive Town Council approval in the form of a Budget Ordinance Amendment unless the Annual Budget Ordinance authorizes otherwise.

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

State law (G.S. 159-13(b) (16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and unavailable or unearned revenues arising from cash receipts, as those amounts stand at the close of the fiscal year preceding the budget year.

For projects that include multiple revenue sources, the Town's standard practice is that resources will be used in the following hierarchy: bond proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and lastly unassigned fund balance. The Finance Director or appointee has the authority to deviate from this policy in order to comply with grant agreements, bond orders or if it is in the best interest of the Town.

The Town of Morrisville has adopted a minimum fund balance policy for the General Fund which states that the unassigned fund balance shall be no less than three months operating expenditures or 25% of the total budgeted operating expenditures. In the event of an extreme emergency, the Town Council may utilize unassigned fund balance that will reduce fund balance below the 25% policy. If fund balance falls below 25%, the Town Council will adopt a written plan as part of the following year's budget process to restore the fund balance available to the policy level within 24 months from the date of the budget adoption. If unassigned fund balance available is in excess of 45%, the Town Council may appropriate the excess for one-time capital expenditures, economic development related expenditures, or transfer the excess to a Capital Reserve Fund.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

11. Net position/fund balances (continued)

The following schedule provides management and citizens with information on the portion of General Fund fund balance that is available for appropriation:

Total fund balance - General Fund	\$27,717,701
Less:	
Prepays	8,886
Stabilization by State statute	5,763,023
Street improvements	1,599,108
Police operations and activities	22,678
General governmental capital	1,902,254
LEO pension obligation	344,103
Subsequent year's expenditures	<u>2,823,000</u>
Remaining fund balance - General Fund	<u>\$15,254,649</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The following represents encumbrances outstanding as of June 30, 2017:

Encumbrances:	
General Fund	\$ 1,087,248
McCrimmon Parkway Extension Capital Project Fund	4,442,261
Non-major funds	5,354,281

12. Defined benefits 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 Morrisville's employer contributions are recognized when due and the Town of Morrisville 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.

Note 1 – Summary of significant accounting policies (continued)

E. Assets, liabilities, deferred outflows/inflows of resources and fund equity (continued)

12. Defined benefits cost-sharing plans (continued)

For purposes of measuring the net position 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.

F. Change in accounting principle/restatements

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (year ending December 31, 2016). As a result, net position for governmental activities decreased by \$942,388.

During the fiscal year ended June 30, 2017, the Town determined that the net other postemployment benefit obligation (OPEB) was incorrectly calculated as of June 30, 2016. A new actuarial report was obtained to determine the correct net OPEB obligation as of June 30, 2016. Based on the new actuarial report obtained, the Town reduced its beginning net position in governmental activities and business-type activities by \$602,658 and \$10,799, respectively, to adjust for the net OPEB obligation.

The Town formally closed the Water and Sewer Fund during the fiscal year. The Shiloh Sewer Capital Project Fund, previously reported as a sub-fund of the Water and Sewer Fund in business-type activities, has been reclassified to a nonmajor capital project fund, and is now reported in governmental activities. Accordingly, \$1,240,327 in net position previously reported in the Shiloh Sewer Capital Project Fund has been reclassified to beginning fund balance in the governmental fund, \$805,551 in capital assets has been reclassified from business-type to governmental activities in the statement of net position and \$2,045,878 has been reclassified from beginning net position of business-type activities to governmental activities in the statement of activities.

Note 2 – Stewardship, compliance, and accountability

Deficit in fund balance or net position of individual funds

At June 30, 2017, the Morrisville Aquatics & Fitness Center Renovation Capital Project Fund had a fund deficit in the amount of \$72,042. Budgeted revenues in this fund are from a future sale of general obligation bonds. Design fees have been paid from this fund through a loan from the General Fund in the amount of \$57,792 as of June 30, 2017. The Town intends to repay this loan when the bonds are issued in a subsequent fiscal year.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Cash and investments

A. Deposits

All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in the Town's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$13,374,810 and a bank balance of \$13,549,431. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2017, the Town's petty cash fund totaled \$2,500.

B. Investments

At June 30, 2017, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2017</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$ 19,903,937	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	<u>13,637,741</u>	.09 years	Unrated
Total		<u>\$ 33,541,678</u>		

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 – Cash and investments (continued)

B. Investments (continued)

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 – As a means of limiting its exposure to fair value losses arising from interest rates, the Town's investment policy limits direct investment of operating funds to securities maturing no more than two years from the date of purchase. Also, the Town's investment policy requires purchases of securities to be ladderized with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the Town's overall operations. Reserve funds may be invested in securities exceeding two years if the maturities of such investments are made to coincide with the expected use of funds.

Credit Risk – The Town has a formal policy that addresses the management of credit risk in various ways, including its compliance with NC G.S. 159-30. The Town's investment policy restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high-grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

Note 4 – Receivables – Allowance for doubtful accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of an allowance for doubtful accounts in the General Fund of \$121,478 for ad valorem and motor vehicle decal taxes receivable and \$2,165 for accounts receivable.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Capital assets

A. Governmental capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Restatement	Beginning Balances, as Restated	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>						
Capital assets not being depreciated:						
Land	\$ 34,001,955	\$ -	\$ 34,001,955	\$ 2,672,695	\$ -	\$ 36,674,650
Construction in progress	5,046,664	805,551	5,852,215	5,445,764	(110,883)	11,187,096
Total capital assets not being depreciated	39,048,619	805,551	39,854,170	8,118,459	(110,883)	47,861,746
Capital assets being depreciated:						
Buildings	16,215,961	-	16,215,961	-	-	16,215,961
Infrastructure	77,684,208	-	77,684,208	7,838,059	-	85,522,267
Other improvements	7,421,435	-	7,421,435	-	-	7,421,435
Equipment and furniture	4,074,614	-	4,074,614	343,567	-	4,418,181
Vehicles and motorized equipment	6,300,197	-	6,300,197	902,223	(166,544)	7,035,876
Total capital assets being depreciated	111,696,415	-	111,696,415	9,083,849	(166,544)	120,613,720
Less accumulated depreciation for:						
Buildings	5,599,518	-	5,599,518	317,081	-	5,916,599
Infrastructure	21,178,298	-	21,178,298	1,574,198	-	22,752,496
Other improvements	3,295,952	-	3,295,952	164,964	-	3,460,916
Equipment and furniture	2,357,673	-	2,357,673	444,333	-	2,802,006
Vehicles and motorized equipment	4,486,142	-	4,486,142	527,267	(166,544)	4,846,865
Total accumulated depreciation	36,917,583	-	36,917,583	\$ 3,027,843	\$ (166,544)	39,778,882
Total capital assets being depreciated, net	74,778,832	-	74,778,832			80,834,838
Governmental activities capital assets, net	\$ 113,827,451	\$ 805,551	\$ 114,633,002			\$ 128,696,584

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Capital assets (continued)

A. Governmental capital assets (continued)

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

General government	\$ 1,745,430
Development services	15,894
Public safety	936,195
Public works	74,309
Cultural and recreation	256,015
Total depreciation expense	<u>\$ 3,027,843</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Capital assets (continued)

B. Business-type capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Restatement	Beginning Balances, as Restated	Increases	Decreases	Ending Balance
<u>Business-type activities:</u>						
Stormwater Fund						
Capital assets not being depreciated:						
Land	\$ 194,178	\$ -	\$ 194,178	\$ -	\$ -	\$ 194,178
Construction in progress	66,496	-	66,496	10,449	-	76,945
Total capital assets not being depreciated	260,674	-	260,674	10,449	-	271,123
Capital assets being depreciated:						
Infrastructure	203,563	-	203,563	-	-	203,563
Other improvements	234,484	-	234,484	-	-	234,484
Equipment and furniture	22,054	-	22,054	-	-	22,054
Vehicles and motorized equipment	22,548	-	22,548	-	-	22,548
Total capital assets being depreciated	482,649	-	482,649	-	-	482,649
Less accumulated depreciation for:						
Infrastructure	20,356	-	20,356	6,785	-	27,141
Other improvements	36,859	-	36,859	11,724	-	48,583
Equipment and furniture	8,822	-	8,822	2,206	-	11,028
Vehicles and motorized equipment	14,817	-	14,817	1,288	-	16,105
Total accumulated depreciation	80,854	-	80,854	22,003	-	102,857
Total capital assets being depreciated, net	401,795	-	401,795	(22,003)	-	379,792
Stormwater capital assets, net	662,469	-	662,469	(11,554)	-	650,915
Water and Sewer Fund						
Capital assets not being depreciated:						
Construction in progress	805,551	(805,551)	-	-	-	-
Business-type activities capital assets, net	\$ 1,468,020	\$ (805,551)	\$ 662,469	\$ (11,554)	\$ -	\$ 650,915

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 – Capital assets (continued)

C. Construction commitments

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
McCrimmon Parkway Extension Capital Project	\$ 4,816,638	\$ 4,442,261
Hatcher Creek Greenway Capital Project	1,313,231	4,475,540
Northwest Park Capital Project	1,720,301	3,865
Church Street Park Capital Project	5,205,483	144,639
Morrisville Carpenter Road Capital Project	1,122,462	482,247
Town Center Capital Project	148,853	246,282
Morrisville Aquatics & Fitness Center Renovation Capital Project	72,042	1,708
Total	<u>\$ 14,399,010</u>	<u>\$ 9,796,542</u>

Note 6 – Pension plan and postemployment obligations

A. Local Governmental Employees' Retirement System

Plan Description - The Town of Morrisville is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees' Retirement System (continued)

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

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

Contributions - Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Morrisville 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 Morrisville's contractually required contribution rate for the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.3% 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 by the Town of Morrisville were \$1,217,749 for the year ended June 30, 2017, of which \$509,046 relates to the Town's accrued liability contribution, and the remaining \$708,703 represents current year pension plan contributions.

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

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees' Retirement System (continued)

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

At June 30, 2017, the Town reported a liability of \$3,536,870 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.1667%, which was a decrease of 0.027% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$1,070,373, of which \$1,048,964 was charged to the governmental activities and \$21,409 was charged to the business-type activities. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,452	\$ 123,936
Changes of assumptions	242,244	-
Net difference between projected and actual earnings on pension plan investments	1,955,445	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	400,880	13,545
Town contributions subsequent to the measurement date	1,217,749	-
Total	<u>\$ 3,882,770</u>	<u>\$ 137,481</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees' Retirement System (continued)

\$1,217,749 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2018	\$ 442,724
2019	443,061
2020	1,039,055
2021	<u>602,700</u>
	<u><u>\$ 2,527,540</u></u>

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50% to 7.75%, including inflation and productivity factor
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees' Retirement System (continued)

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, 2016 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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%. All rates of return and inflation are annualized.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees' Retirement System (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	<u>\$ 8,394,645</u>	<u>\$ 3,536,870</u>	<u>\$ (520,703)</u>

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

Accrued Liability Contribution - The Town is required to make a monthly payment towards an accrued liability contribution which covers the liabilities for past services at a rate of 5.35% of covered salaries. At July 1, 2003, the date the Town entered into the LGERS, an actuarial study determined the valuation of accrued liability to be equal to \$3,622,690. The annual required contribution percentage was determined as part of the July 1, 2003 actuarial valuation. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) an inflation component of 3.75%. This liability was originally payable for a period of 24 years. In January 2012, a decision was made to change the way this additional contribution rate was calculated beginning July 1, 2012. This change reduced the number of years that some employers, including the Town of Morrisville, will pay the additional contribution rate. The unfunded accrued liability as of December 31, 2013 was \$1,858,607 and is estimated to be liquidated June 30, 2018.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

A. Local Governmental Employees’ Retirement System (continued)

During the years ended June 30, 2017, 2016 and 2015, the Town had covered payroll of \$9,514,872, \$9,692,159 and \$9,218,986, respectively and made accrued liability payments of \$509,046, \$493,493 and \$493,215 for these respective years. Using an interest rate of 7.25% for the years ended June 30, 2017 and 2016 and 7% for the year ended June 30, 2015 to amortize this liability results in a remaining liability at June 30, 2017, 2016 and 2015, of \$316,961, \$826,007 and \$1,319,500, respectively.

B. Law enforcement officers special separation allowance

Plan Description - The Town of Morrisville administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	33
Total	<u>37</u>

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

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

Note 6 – Pension plan and postemployment obligations (continued)

B. Law enforcement officers special separation allowance (continued)

Actuarial Assumptions - The entry age normal actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Projected salary increases	3.50 to 7.35%
Discount rate	3.86%

The discount rate used to measure the total pension liability is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted for males and females.

Contributions - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$54,094 as benefits came due for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$1,014,588. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$76,639.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

B. Law enforcement officers special separation allowance (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions and other inputs	\$ -	\$ 19,598
Benefit payments and administrative expenses subsequent to the measurement date	<u>20,641</u>	<u>-</u>
Total	<u>\$ 20,641</u>	<u>\$ 19,598</u>

\$20,641 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 to the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 4,058
2019	4,058
2020	4,058
2021	4,058
2022	<u>3,366</u>
Total	<u>\$ 19,598</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate - The following presents the Town's total pension liability calculated using the discount rate of 3.86%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

	<u>1% Decrease (2.86%)</u>	<u>Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Total pension liability	<u>\$ 1,098,444</u>	<u>\$ 1,014,588</u>	<u>\$ 937,101</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

B. Law enforcement officers special separation allowance (continued)

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

	<u>2017</u>
Beginning balance	\$ 1,011,856
Changes for the year:	
Service cost	45,324
Interest	35,158
Changes of assumptions and other inputs	(23,656)
Benefit payments	<u>(54,094)</u>
Ending balance	<u>\$ 1,014,588</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.

C. Supplemental retirement income plan for law enforcement officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. The Town made contributions of \$105,212 for the reporting year.

Note 6 – Pension plan and postemployment obligations (continued)

D. Supplemental retirement income plan for employees other than law enforcement officers

Plan Description - All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan, a defined contribution pension plan as described above.

Funding Policy - The Town contributes each month an amount equal to five percent of each employee's (excluding law enforcement officers) salary, and all amounts contributed are vested immediately. These employees may also make voluntary contributions to the plan. The Town made contributions of \$375,065 for the reporting year.

E. Firefighters' and rescue squad workers' pension fund

Plan Description - The State of North Carolina contributes, on behalf of the Town of Morrisville, to the Firefighters' and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund 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 Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided - The Fund 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 the 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 Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. The Town's proportionate share of the State's contribution is \$13,309.

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 the refund payment cancels the individual's right to employer contributions or any other benefit provided by the Fund.

Note 6 – Pension plan and postemployment obligations (continued)

E. Firefighters' and rescue squad workers' pension fund

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

At June 30, 2017, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the Fund. The total portion of the net pension liability that was associated with the Town and supported by the State was \$34,813. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2016 and at June 30, 2015 was 0%.

For the year ended June 30, 2017, the Town recognized pension expense of \$10,214 and revenue of \$10,214 for support provided by the State. At June 30, 2017, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	Not applicable
Investment rate of return	7.25%, 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – Healthcare benefits

Plan Description - Under the terms of a Town resolution adopted July 24, 2006, the Town provides healthcare benefits through the Healthcare Benefits Plan (“HCB Plan”) as a single-employer defined benefit plan to cover retirees of the Town who participate in the North Carolina Local Government Employees’ Retirement System (“System”) and have at least fifteen years of creditable service with the Town. The Town has elected to partially pay the future overall cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the Town’s group rates at full cost to the retiree. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Employees
Retirees receiving benefits	6	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	113	31
Total	<u>119</u>	<u>31</u>

Funding Policy - The Town Council established the eligibility of an employee who meets the conditions set forth under the provision of the North Carolina Local Government Employees’ Retirement System (“NCLGERS”) may elect to retire and receive all benefits earned under the retirement plan. An employee who retires directly from the Town may elect to continue on the Town’s group health insurance plan if requested within 30 days of the retirement date. Employees hired April 10, 2006 and later are required to have 15 consecutive years of Town service. When a retiree reaches Medicare coverage age, the retiree will no longer be eligible for coverage under the Town’s group health insurance. The Town will subsidize the cost of the health insurance premiums for the retiree as follows:

- 15 years of service: 50% subsidy
- An additional 2.5% subsidy added for every year up to 35 years of consecutive Town service.

An employee hired on or before April 10, 2006 who retires with the Local Government Retirement System with between five and fourteen years of consecutive Town service will be eligible to remain on the Town’s group health insurance at full cost to the employee. If the employee has fifteen or more years of consecutive service with the Town, the group rate will be subsidized at the percentages noted above.

The current annual required contribution (“ARC”) rate is 2.56% of annual covered payroll. For the current year, the Town set aside in a separate fund \$284,439 or 3.0% of annual covered payroll. Note that amounts set aside in a separate fund within the Town’s assets are not considered contributions to an OPEB trust. The Town obtains healthcare coverage through private insurers. The Town’s required contributions for employees

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

not engaged in law enforcement and for law enforcement officers represented 3.00% and 3.00% of covered payroll, respectively. There were no contributions made by employees. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

Summary of Significant Accounting Policies - The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Under a Town resolution, the contributions are recognized when due and the Town will provide the contributions to the HCB Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Administration costs of the HCB Plan are financed through investment earnings.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Town's net OPEB asset for the postemployment healthcare benefits:

Annual required contribution	\$ 337,818
Interest on net OPEB obligation	11,567
Adjustment to annual required contribution	<u>(11,050)</u>
Annual OPEB cost	338,335
Actual contribution made	<u>(56,835)</u>
Increase in net OPEB obligation	281,500
Net OPEB obligation, beginning of year	<u>289,175</u>
Net OPEB obligation, end of year	<u>\$ 570,675</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation as of June 30 were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost ("AOC")	Percentage of AOC Contributed	Net OPEB Obligation
2017	\$ 338,335	16.8%	\$ 570,675
2016	313,900	12.6%	289,175
2015	304,245	5.5%	14,857

Funding Status and Funding Progress - As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,029,456. The covered payroll (annual payroll of active employees covered by the plan) was \$8,241,429, and the ratio of UAAL to the covered payroll was 36.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for the financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.75 and 5.0%. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected unit credit on level percentage of pay, closed basis.

Note 6 – Pension plan and postemployment obligations (continued)

F. Other postemployment benefits – healthcare benefits (continued)

The remaining amortization period at June 30, 2016, was 30 years. Also note, the Town is only required to have an actuarial study performed every three years due to the number of employees.

The net position of the Town's Fiduciary Fund held in the fund for retiree healthcare at June 30, 2017 was \$2,552,475.

Note 7 – Other employment benefits

Group Term Life Insurance is offered to all eligible active employees only. Once an active employee separates from service (resignation, retirement or etc.), they are no longer covered under the Town's group term life insurance policy. The coverage is 1.5 times the employee's annual salary, with a maximum of \$100,000.

Local Government Death Benefit – The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 termination of service or retirement and have at least one year of contributing membership service in the System at the time of death are eligible to receive death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death; however, the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Deferred outflows and inflows of resources

Deferred outflows of resources at year-end are comprised of the following:

	Governmental Activities	Business-type Activities
Pension deferrals - LGERS	\$ 3,805,115	\$ 77,655
Pension deferrals - Separation Allowance	20,641	-
Deferred charge on refunding	154,198	-
Total	<u>\$ 3,979,954</u>	<u>\$ 77,655</u>

Deferred inflows of resources at year-end are comprised of the following:

	Governmental Activities	Business-type Activities	Governmental Funds
Taxes receivable, net	\$ -	\$ -	\$ 10,402
Prepaid taxes and fees	41,586	-	41,586
Pension deferrals - LGERS	134,731	2,750	-
Pension deferrals - Separation Allowance	19,598	-	-
Total	<u>\$ 195,915</u>	<u>\$ 2,750</u>	<u>\$ 51,988</u>

Note 9 – Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial coverage for these and for all other risks of loss. There have been no significant reductions in insurance coverage between the current and prior years. Settled claims from these risks have not exceeded coverage in any of the past three years.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 – Risk management (continued)

Major policies and their limits of coverage include the following:

Building and personal property	\$ 15,417,500
Comprehensive general liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Business auto	1,000,000
Equipment	818,768
Comprehensive electronic data processing	1,055,000
Law enforcement liability	2,000,000
Public officials liability	2,000,000
Public official bond:	
Finance Director	100,000
Wake County Tax Collector	100,000
Durham County Tax Collector	10,000
Umbrella	4,000,000
Public employees crime/theft coverage	100,000
Earthquake and flood coverage	1,000,000
Workers compensation	1,000,000

In accordance with G.S. 159-29, the Town's employees whose duties include the collection or processing of cash are performance bonded with a crime insurance policy with theft coverage of \$100,000. The Finance Director and the Wake County Tax Collector are individually bonded for \$100,000. The Durham County Tax Collector is bonded for \$10,000.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 10 – Long-term obligations

A. Installment note indebtedness

The Town has various installment notes for capital projects and equipment. Installment notes payable at June 30, 2017 are comprised of the following individual notes:

Serviced by the General Fund:

\$2,700,000 installment obligation for new Fire Station #1 issued September 15, 2010; semi-annual payments of \$135,000 plus interest at 2.58%, secured by real property	\$ 945,000
\$1,000,000 installment obligation for emergency radio equipment issued 2014; semi-annual payments of \$76,725 which includes interest at 1.9%, secured by equipment	<u>658,275</u>
Total	<u><u>\$ 1,603,275</u></u>

Annual debt service payments of the installment notes as of June 30, 2017, including \$81,124 of interest, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 411,382	\$ 34,723
2019	414,134	25,005
2020	416,939	15,253
2021	284,799	5,407
2022	<u>76,021</u>	<u>736</u>
Total	<u><u>\$ 1,603,275</u></u>	<u><u>\$ 81,124</u></u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 10 – Long-term obligations (continued)

B. General obligation bond indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the construction of the public safety facility and street improvements, and for parks and recreation projects. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2017 are comprised of the following individual issues:

Serviced by the General Fund:

\$10,000,000 October 4, 2016 street improvement bonds due in annual installments of \$500,000 plus interest through October 2036; interest at varying rates from 2.0% to 5.0%	\$ 10,000,000
\$4,320,000 October 4, 2016 public improvement (refunding) bonds due in annual installments ranging from \$420,000 to \$440,000 plus interest through June 2027; interest at varying rates from 2.0% to 5.0%	4,305,000
\$4,000,000 July 3, 2013 parks and recreation bonds due in annual installments of \$200,000 plus interest through August 2033; interest at varying rates from 2.0% to 3.0%	<u>3,400,000</u>
Total	<u>\$ 17,705,000</u>

Annual debt service requirements to maturity for bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2018	\$ 1,120,000	\$ 621,275
2019	1,120,000	571,275
2020	1,125,000	521,275
2021	1,130,000	471,025
2022	1,130,000	420,525
2023-2027	5,680,000	1,386,025
2028-2032	3,500,000	559,963
2033-2037	<u>2,900,000</u>	<u>163,875</u>
Total	<u>\$ 17,705,000</u>	<u>\$ 4,715,238</u>

Note 10 – Long-term obligations (continued)

B. General obligation bond indebtedness (continued)

At June 30, 2017, the Town had a legal debt margin of \$343,309,115. The Town had authorized but unissued bonds outstanding at June 30, 2017 totaling \$10,000,000. The bonds will be used for parks and recreation improvements and street improvements in the amounts of \$5,700,000 and \$4,300,000, respectively.

C. Advance refunding

During the fiscal year, the Town issued \$4,320,000 in public improvement bonds with interest rates ranging from 2.0% to 5.0%. The proceeds were used to advance refund \$4,850,000 of outstanding 2007 public improvement bonds which had interest rates ranging from 3.65 to 4.0%. The net proceeds of \$5,016,701 (including a \$788,528 premium and after payment of \$91,827 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, the 2007 public improvement bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$166,701. This amount is being amortized over the remaining life of the refunding debt. At June 30, 2017, \$154,198 remains on the deferred charge on refunding, and is reflected as a deferred outflow of resources on the statement of net position.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 10 – Long-term obligations (continued)

D. Changes in long-term liabilities

	Balances at June 30, 2016	Restatement	Balances at June 30, 2016, as Restated	Increases	Decreases	Balances at June 30, 2017	Current Portion
<u>Governmental activities</u>							
Bonds payable							
General obligation bonds	\$ 8,935,000	\$ -	\$ 8,935,000	\$14,320,000	\$ 5,550,000	\$ 17,705,000	\$ 1,120,000
Premiums on issuance	46,882	-	46,882	1,695,098	116,679	1,625,301	125,632
Total bonds payable	8,981,882	-	8,981,882	16,015,098	5,666,679	19,330,301	1,245,632
Installment notes	2,011,957	-	2,011,957	-	408,682	1,603,275	411,382
Compensated absences	894,777	-	894,777	855,478	805,299	944,956	850,460
Other postemployment benefits	(318,519)	602,658	284,139	276,598	-	560,737	-
LGERS pension liability	852,103	-	852,103	2,614,030	-	3,466,133	-
LEOSSA pension liability	69,468	942,388	1,011,856	2,732	-	1,014,588	-
Governmental activities long-term liabilities	<u>\$12,491,668</u>	<u>\$ 1,545,046</u>	<u>\$ 14,036,714</u>	<u>\$19,763,936</u>	<u>\$ 6,880,660</u>	<u>\$ 26,919,990</u>	<u>2,507,474</u>
<u>Business-type activities</u>							
Compensated absences	\$ 15,186	\$ -	\$ 15,186	\$ 6,687	\$ 13,667	\$ 8,206	\$ 7,385
Other postemployment benefits	(5,763)	10,799	5,036	4,902	-	9,938	-
LGERS pension liability	17,390	-	17,390	53,347	-	70,737	-
Business-type activities long-term liabilities	<u>\$ 26,813</u>	<u>\$ 10,799</u>	<u>\$ 37,612</u>	<u>\$ 64,936</u>	<u>\$ 13,667</u>	<u>\$ 88,881</u>	<u>\$ 7,385</u>

For the governmental activities, compensated absences and the net pension obligation are generally liquidated in the General Fund.

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11 – Interfund balances and activity

At June 30, 2017, the McCrimmon Parkway Extension Capital Project Fund has a loan due to the General Fund in the amount of \$2,276,903. This loan is to cover expenditures for design and engineering fees until the remainder of the project's general obligation bonds is issued. In addition, the Morrisville Aquatics & Fitness Center Capital Project Fund has a loan due to the General Fund in the amount of \$57,792 to cover professional services fees until general obligation bonds are issued.

During the fiscal year, the Town's interfund transfers were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Funds	\$ 2,555,000	For capital expenditures
General Fund	Stormwater Fund	114,900	For operating expenses
Parkland Payment-in-Lieu Capital Project Fund	Hatcher Creek Greenway Capital Project Fund	298,196	For partial project funding
Water and Sewer Fund	Shiloh Sewer Capital Project Fund	<u>1,917</u>	To close Water and Sewer Fund
		<u>\$ 2,970,013</u>	

Note 12 – Net investment in capital assets

The following table provides detail information of the net investment in capital assets that is presented in the government-wide financial statements:

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets, net of depreciation	\$ 128,696,584	\$ 650,915
Less: Long-term debt	(20,933,576)	-
Add: Unspent debt proceeds	<u>6,692,311</u>	<u>-</u>
Net investment in capital assets	<u>\$ 114,455,319</u>	<u>\$ 650,915</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 13 – Summary disclosure of significant contingencies

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

Note 14 – Subsequent events

The Town has evaluated subsequent events through October 13, 2017, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

Required Supplementary Information

TOWN OF MORRISVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2017

Exhibit A-1

	<u>2017</u>
Total pension liability, beginning balance	\$ 1,011,856
Changes for the year:	
Service cost at end of year	45,324
Interest	35,158
Changes of assumptions and other inputs	(23,656)
Benefit payments	<u>(54,094)</u>
Total pension liability, ending balance	<u>\$ 1,014,588</u>

The amounts presented were determined as of the prior fiscal year ending December 31.
Information is not available for years prior to the one presented.

TOWN OF MORRISVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
JUNE 30, 2017

Exhibit A-2

	<u>2017</u>
Total pension liability	\$ 1,014,588
Covered-employee payroll	1,905,496
Total pension liability as a percentage of covered-employee payroll	53.25%

Notes to the required schedules:

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

Information is not available for years prior to the one presented.

TOWN OF MORRISVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Exhibit A-3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2005	\$ -	\$ 1,109,703	\$ 1,109,703	0.0%	\$ 6,231,580	17.8%
December 31, 2006	-	1,234,466	1,234,466	0.0%	6,790,743	18.2%
December 31, 2007	241,037	1,266,470	1,025,433	19.0%	6,804,015	15.1%
December 31, 2010	879,713	1,385,923	506,210	63.5%	8,271,055	6.1%
December 31, 2013	-	2,407,887	2,407,887	0.0%	8,765,032	27.5%
June 30, 2016	-	3,029,456	3,029,456	0.0%	8,241,429	36.8%

Note: Fiscal year ending June 30, 2008 was the first year that the Town recognized this liability under GASB 45. Also, note, the Town is only required to have an actuarial study performed every three years due to the number of employees. The years shown above represent the actual years that the actuarial study was performed.

TOWN OF MORRISVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Exhibit A-4

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	\$ 216,778	123.52%
2009	216,778	109.13%
2010	216,778	110.42%
2011	233,341	105.86%
2012	233,341	110.07%
2013	233,341	107.79%
2014	157,294	165.79%
2015	304,732	5.52%
2016	313,874	12.61%
2017	337,818	16.82%

Notes to the required schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%

TOWN OF MORRISVILLE, NORTH CAROLINA
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS*

Exhibit A-5

Schedule of Proportionate Share of Net Pension Liability (Asset)

	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.1667%	0.1937%	(0.1924%)	0.1800%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,536,870	\$ 869,493	\$ (1,134,613)	\$ 2,221,523
Town's covered-employee payroll	9,692,159	9,218,986	8,826,890	8,448,530
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.49%	9.43%	(12.31)%	25.20%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

Schedule of Contributions

	2017	2016	2015	2014
Contractually required contribution	\$ 708,703	\$ 614,882	\$ 664,606	\$ 627,967
Contributions in relation to the contractually required contribution	708,703	614,882	664,606	627,967
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 9,514,872	\$ 9,692,159	\$ 9,218,986	\$ 8,826,890
Contributions as a percentage of covered-employee payroll	7.4%	6.3%	7.2%	7.1%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Information is not available for years prior to those presented.

TOWN OF MORRISVILLE, NORTH CAROLINA
FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND
LAST THREE FISCAL YEARS*

Exhibit A-6

Schedule of Proportionate Share of Net Pension Liability

	2017	2016	2015
Town's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	34,813	48,890	40,887
Total	<u>\$ 34,813</u>	<u>\$ 48,890</u>	<u>\$ 40,887</u>
Town's covered-employee payroll	\$ 2,757,188	\$ 2,939,216	\$ 2,729,868
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.26%	1.66%	1.50%
Plan fiduciary net position as a percentage of the total pension liability	84.94%	91.40%	93.42%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
Information is not available for years prior to those presented.

Combining and Individual Fund Statements and Schedules

This section contains additional information on the Governmental (includes sub-funds of the General Fund) and Proprietary Funds (budget to actual comparison) and other schedules (ad-valorem taxes receivable, current tax levy and general obligation debt service requirements and maturity schedule).

TOWN OF MORRISVILLE, NORTH CAROLINA
SUB-FUND COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2017

Schedule 1

	Sub-Funds					
	General Fund	Fire Apparatus Capital Reserve Fund	Roadway and Transportation Capital Reserve Fund	Capital Investment Plan Capital Reserve Fund	Municipal Service District Fund	Total General Fund
Assets						
Cash and cash equivalents	\$ 22,647,303	\$ 1,259,704	\$ 441,753	\$ 200,797	\$ 211,520	\$ 24,761,077
Receivables						
Taxes	10,402	-	-	-	-	10,402
Accounts	31,023	-	-	-	-	31,023
Due from other governments	2,306,290	-	-	-	3,767	2,310,057
Prepays	8,886	-	-	-	-	8,886
Due from other funds	2,334,695	-	-	-	-	2,334,695
Restricted cash	1,599,108	-	-	-	-	1,599,108
Total assets	<u>\$ 28,937,707</u>	<u>\$ 1,259,704</u>	<u>\$ 441,753</u>	<u>\$ 200,797</u>	<u>\$ 215,287</u>	<u>\$ 31,055,248</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 3,182,059	\$ -	\$ -	\$ -	\$ -	\$ 3,182,059
Grants received in advance	103,500	-	-	-	-	103,500
Total liabilities	<u>3,285,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,285,559</u>
Deferred inflows of resources						
Taxes receivable	10,402	-	-	-	-	10,402
Prepaid taxes and fees	41,586	-	-	-	-	41,586
Total deferred inflows of resources	<u>51,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,988</u>
Fund balances						
Non-Spendable:						
Prepays	8,886	-	-	-	-	8,886
Restricted:						
Stabilization by State statute	5,759,256	-	-	-	3,767	5,763,023
Street improvements	1,599,108	-	-	-	-	1,599,108
Police operations and activities	22,678	-	-	-	-	22,678
Committed:						
General governmental capital	-	1,259,704	441,753	200,797	-	1,902,254
LEO pension obligation	344,103	-	-	-	-	344,103
Assigned:						
Subsequent year's expenditures	2,823,000	-	-	-	-	2,823,000
Unassigned	15,043,129	-	-	-	211,520	15,254,649
Total fund balances	<u>25,600,160</u>	<u>1,259,704</u>	<u>441,753</u>	<u>200,797</u>	<u>215,287</u>	<u>27,717,701</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,937,707</u>	<u>\$ 1,259,704</u>	<u>\$ 441,753</u>	<u>\$ 200,797</u>	<u>\$ 215,287</u>	<u>\$ 31,055,248</u>

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 2

SUB-FUND COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Sub-Funds					Total General Fund
	General Fund	Fire Apparatus Capital Reserve Fund	Roadway and Transportation Capital Reserve Fund	Capital Investment Plan Capital Reserve Fund	Municipal Service District Fund	
Revenues						
Ad valorem taxes	\$ 17,523,436	\$ -	\$ -	\$ -	\$ 96,745	\$ 17,620,181
Other taxes and licenses	288,953	-	-	-	-	288,953
Unrestricted intergovernmental	8,296,852	-	-	-	-	8,296,852
Restricted intergovernmental	689,441	-	-	-	-	689,441
Permits and fees	1,840,623	-	-	-	-	1,840,623
Sales and services	1,143,451	-	-	-	-	1,143,451
Investment earnings	136,189	5,000	1,753	797	865	144,604
Miscellaneous	346,207	-	-	-	-	346,207
Total revenues	30,265,152	5,000	1,753	797	97,610	30,370,312
Expenditures						
Current						
General government	4,302,843	-	-	-	-	4,302,843
Development services	2,230,718	-	-	-	-	2,230,718
Public safety	8,166,536	-	-	-	-	8,166,536
Public works	5,683,226	-	-	-	242,248	5,925,474
Culture and recreation	1,728,506	-	-	-	-	1,728,506
Capital outlay	1,723,223	-	-	-	-	1,723,223
Debt service						
Principal	1,108,682	-	-	-	-	1,108,682
Interest	454,038	-	-	-	-	454,038
Bond issuance costs	101,821	-	-	-	-	101,821
Total expenditures	25,499,593	-	-	-	242,248	25,741,841
Excess (deficiency) of revenues over (under) expenditures	4,765,559	5,000	1,753	797	(144,638)	4,628,471
Other financing sources (uses)						
Transfers in	-	652,000	440,000	200,000	-	1,292,000
Transfers out	(3,961,900)	-	-	-	-	(3,961,900)
Refunding bonds issued	4,320,028	-	-	-	-	4,320,028
Premium on refunding bonds issued	788,528	-	-	-	-	788,528
Payment to refunded bond escrow agent	(5,016,701)	-	-	-	-	(5,016,701)
Total other financing sources (uses)	(3,870,045)	652,000	440,000	200,000	-	(2,578,045)
Net change in fund balance	895,514	657,000	441,753	200,797	(144,638)	2,050,426
Fund balances, beginning	24,704,646	602,704	-	-	359,925	25,667,275
Fund balances, ending	\$ 25,600,160	\$ 1,259,704	\$ 441,753	\$ 200,797	\$ 215,287	\$ 27,717,701

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (SUB-FUND)
YEAR ENDED JUNE 30, 2017

Schedule 3
Page 1 of 6

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Current year	\$ 17,055,000	\$ 17,487,242	\$ 432,242
Prior years	35,000	12,796	(22,204)
Penalties and interest	32,300	23,398	(8,902)
Total ad valorem taxes	<u>17,122,300</u>	<u>17,523,436</u>	<u>401,136</u>
Other taxes and licenses			
Motor vehicle decal tax	<u>275,400</u>	<u>288,953</u>	<u>13,553</u>
Unrestricted intergovernmental			
Local option sales taxes	4,741,000	4,983,950	242,950
Rental vehicle tax	81,600	91,635	10,035
Utilities sales tax	1,590,000	1,573,050	(16,950)
Telecommunication and video programming sales tax	664,000	677,860	13,860
Beer and wine tax	107,000	107,188	188
Wake County fire tax	840,000	846,120	6,120
Fire reimbursements	7,800	1,142	(6,658)
Solid waste disposal tax	13,500	15,907	2,407
Total unrestricted intergovernmental	<u>8,044,900</u>	<u>8,296,852</u>	<u>251,952</u>
Restricted intergovernmental			
Powell Bill allocation	554,313	554,313	-
Federal grants	467,063	135,128	(331,935)
Total restricted intergovernmental	<u>1,021,376</u>	<u>689,441</u>	<u>(331,935)</u>
Permits and fees			
Building permits	683,200	1,171,525	488,325
Planning fees	85,000	115,364	30,364
Engineering fees	130,000	470,132	340,132

TOWN OF MORRISVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - GENERAL FUND (SUB-FUND)****YEAR ENDED JUNE 30, 2017****Schedule 3**

Page 2 of 6

	Final Budget	Actual	Variance Positive (Negative)
Permits and fees (continued)			
Officer fees	\$ 21,000	\$ 17,092	\$ (3,908)
Fire permits	52,000	66,510	14,510
Total permits and fees	971,200	1,840,623	869,423
Sales and services			
Recreation	881,800	901,261	19,461
Rents	267,400	242,190	(25,210)
Total sales and services	1,149,200	1,143,451	(5,749)
Investment earnings	42,600	136,189	93,589
Miscellaneous			
ABC revenue	133,000	157,736	24,736
Surplus property	50,000	36,098	(13,902)
Wake County Landfill	47,000	83,604	36,604
Miscellaneous	164,835	54,864	(109,971)
Fines and forfeitures	9,905	9,905	-
Contributions and donations - private sources	104,500	4,000	(100,500)
Total miscellaneous	509,240	346,207	(163,033)
Total revenues	29,136,216	30,265,152	1,128,936
Expenditures			
General government			
Governing body			
Personnel costs	105,450	103,557	1,893
Contract and professional services	420,685	409,925	10,760
Other operating	154,400	123,499	30,901

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (SUB-FUND)
YEAR ENDED JUNE 30, 2017

Schedule 3
Page 3 of 6

	Final Budget	Actual	Variance Positive (Negative)
General government (continued)			
Governing body (continued)			
Capital outlay	\$ 956,600	\$ 406,432	\$ 550,168
Subtotal	1,637,135	1,043,413	593,722
Administration			
Personnel costs	1,036,476	1,028,867	7,609
Contract and professional services	64,651	1,771	62,880
Other operating	693,500	650,053	43,447
Subtotal	1,794,627	1,680,691	113,936
Information technology			
Personnel costs	514,100	337,092	177,008
Contract and professional services	85,800	70,456	15,344
Other operating	607,300	586,064	21,236
Capital outlay	343,624	128,580	215,044
Subtotal	1,550,824	1,122,192	428,632
Finance			
Personnel costs	434,700	423,879	10,821
Contract and professional services	195,500	161,079	34,421
Other operating	26,600	16,727	9,873
Subtotal	656,800	601,685	55,115
Human resources			
Personnel costs	303,050	292,624	10,426
Contract and professional services	84,700	63,824	20,876
Other operating	41,550	33,426	8,124
Subtotal	429,300	389,874	39,426
Total general government	6,068,686	4,837,855	1,230,831

TOWN OF MORRISVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - GENERAL FUND (SUB-FUND)****YEAR ENDED JUNE 30, 2017****Schedule 3**

Page 4 of 6

	Final Budget	Actual	Variance Positive (Negative)
Development services			
Engineering			
Personnel costs	\$ 496,783	\$ 473,790	\$ 22,993
Contract and professional services	148,147	78,506	69,641
Other operating	29,700	19,831	9,869
Capital outlay	155,000	-	155,000
Subtotal	<u>829,630</u>	<u>572,127</u>	<u>257,503</u>
Inspections			
Personnel costs	569,050	459,863	109,187
Other operating	32,000	26,606	5,394
Subtotal	<u>601,050</u>	<u>486,469</u>	<u>114,581</u>
Planning			
Personnel costs	1,003,200	873,075	130,125
Contract and professional services	481,374	161,766	319,608
Other operating	167,450	137,281	30,169
Subtotal	<u>1,652,024</u>	<u>1,172,122</u>	<u>479,902</u>
Total development services	<u>3,082,704</u>	<u>2,230,718</u>	<u>851,986</u>
Public safety			
Police			
Personnel costs	3,574,322	3,098,092	476,230
Contract and professional services	154,900	146,498	8,402
Other operating	274,475	206,898	67,577
Capital outlay	228,548	214,987	13,561
Subtotal	<u>4,232,245</u>	<u>3,666,475</u>	<u>565,770</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (SUB-FUND)
YEAR ENDED JUNE 30, 2017

Schedule 3
Page 5 of 6

	Final Budget	Actual	Variance Positive (Negative)
Public safety (continued)			
Fire and rescue			
Personnel costs	\$ 4,387,727	\$ 4,097,169	\$ 290,558
Contract and professional services	180,400	140,741	39,659
Other operating	532,654	477,138	55,516
Capital outlay	22,600	10,258	12,342
Subtotal	<u>5,123,381</u>	<u>4,725,306</u>	<u>398,075</u>
Total public safety	<u>9,355,626</u>	<u>8,391,781</u>	<u>963,845</u>
Public works			
Personnel costs	1,546,676	1,395,591	151,085
Contract and professional services	1,407,185	1,372,353	34,832
Other operating	2,626,299	2,360,969	265,330
Capital outlay	1,591,669	962,966	628,703
Subtotal	<u>7,171,829</u>	<u>6,091,879</u>	<u>1,079,950</u>
Powell Bill			
Other operating	<u>554,314</u>	<u>554,313</u>	<u>1</u>
Total public works	<u>7,726,143</u>	<u>6,646,192</u>	<u>1,079,951</u>
Culture and recreation			
Personnel costs	1,538,000	1,430,546	107,454
Contract and professional services	119,000	44,194	74,806
Other operating	<u>302,207</u>	<u>253,766</u>	<u>48,441</u>
Total culture and recreation	<u>1,959,207</u>	<u>1,728,506</u>	<u>230,701</u>

TOWN OF MORRISVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - GENERAL FUND (SUB-FUND)**

YEAR ENDED JUNE 30, 2017

Schedule 3

Page 6 of 6

	Final Budget	Actual	Variance Positive (Negative)
Debt service			
Principal	\$ 1,108,700	\$ 1,108,682	\$ 18
Interest	518,900	454,038	64,862
Bond issuance costs	91,854	101,821	(9,967)
Total debt service	1,719,454	1,664,541	54,913
Total expenditures	29,911,820	25,499,593	4,412,227
Revenues over (under) expenditures	(775,604)	4,765,559	5,541,163
Other financing sources (uses)			
Transfers out			
Capital Reserve Funds	(1,292,000)	(1,292,000)	-
Morrisville-Carpenter Road Capital Project Fund	(1,600,000)	(1,600,000)	-
Town Center Capital Project Fund	(500,000)	(500,000)	-
Historic Christian Church Parking Lot Expansion Capital Project Fund	(455,000)	(455,000)	-
Stormwater Fund	(114,900)	(114,900)	-
Refunding bonds issued	4,320,028	4,320,028	-
Premium on refunding bonds issued	788,528	788,528	-
Payment to refunded bond escrow agent	(5,016,702)	(5,016,701)	1
Fund balance appropriated	4,645,650	-	(4,645,650)
Total other financing sources (uses)	775,604	(3,870,045)	(4,645,649)
Net change in fund balance	\$ -	895,514	\$ 895,514
Fund balance, beginning		24,704,646	
Fund balance, ending		\$ 25,600,160	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 4****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FIRE APPARATUS CAPITAL RESERVE FUND (SUB-FUND)
YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Investment earnings	\$ -	\$ 5,000	\$ 5,000
Other financing sources			
Transfers in			
General Fund	652,000	652,000	-
Fund balance appropriated	(652,000)	-	652,000
Total other financing sources	-	652,000	652,000
Net change in fund balance	<u>\$ -</u>	<u>657,000</u>	<u>\$ 657,000</u>
Fund balance, beginning		<u>602,704</u>	
Fund balance, ending		<u>\$ 1,259,704</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 5****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - ROADWAY AND TRANSPORTATION CAPITAL RESERVE FUND (SUB-FUND)***YEAR ENDED JUNE 30, 2017*

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Investment earnings	\$ -	\$ 1,753	\$ 1,753
Other financing sources			
Transfers in			
General Fund	440,000	440,000	-
Fund balance appropriated	(440,000)	-	440,000
Total other financing sources	-	440,000	440,000
Net change in fund balance	<u>\$ -</u>	<u>441,753</u>	<u>\$ 441,753</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ 441,753</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 6****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL - CAPITAL INVESTMENT PLAN CAPITAL RESERVE FUND (SUB-FUND)***YEAR ENDED JUNE 30, 2017*

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Investment earnings	\$ -	\$ 797	\$ 797
Other financing sources			
Transfers in			
General Fund	200,000	200,000	-
Fund balance appropriated	(200,000)	-	200,000
Total other financing sources	-	200,000	200,000
Net change in fund balance	<u>\$ -</u>	<u>200,797</u>	<u>\$ 200,797</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ 200,797</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 7****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MUNICIPAL SERVICE DISTRICT FUND (SUB-FUND)
YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad valorem taxes	\$ 93,700	\$ 96,745	\$ 3,045
Investment earnings	-	865	865
Total revenues	93,700	97,610	3,910
Expenditures			
Contract and professional services	420,882	242,248	178,634
Revenues under expenditures	(327,182)	(144,638)	182,544
Other financing sources			
Fund balance appropriated	327,182	-	(327,182)
Net change in fund balance	<u>\$ -</u>	<u>(144,638)</u>	<u>\$ (144,638)</u>
Fund balance, beginning		<u>359,925</u>	
Fund balance, ending		<u>\$ 215,287</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA
Schedule 8
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MCCRIMMON PARKWAY EXTENSION CAPITAL PROJECT FUND
FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Grants	\$ 350,000	\$ -	\$ -	\$ -
Investment earnings	-	-	54,517	54,517
Total revenues	350,000	-	54,517	54,517
Expenditures				
Professional services	3,470,343	1,520,033	1,223,668	2,743,701
Construction	10,554,957	19,368	1,428,977	1,448,345
Land acquisition	624,700	36,200	588,392	624,592
Total expenditures	14,650,000	1,575,601	3,241,037	4,816,638
Revenues under expenditures	(14,300,000)	(1,575,601)	(3,186,520)	(4,762,121)
Other financing sources				
Bond proceeds	14,300,000	-	10,000,062	10,000,062
Premium on bonds issued	-	-	906,570	906,570
Total other financing sources	14,300,000	-	10,906,632	10,906,632
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,575,601)</u>	7,720,112	<u>\$ 6,144,511</u>
Fund deficit, beginning			(1,575,601)	
Fund balance, ending			<u>\$ 6,144,511</u>	

	Capital Projects										
	Parkland Payment-In-Lieu Capital Project Fund	Fire Station 1 Capital Project Fund	Hatcher Creek Greenway Capital Project Fund	Northwest Park Capital Project Fund	Church Street Park Capital Project Fund	Morrisville Carpenter Road Capital Project Fund	Town Center Capital Project Fund	Historic Christian Church Parking Lot Expansion Capital Project Fund	Morrisville Aquatics & Fitness Center Renovation Capital Project Fund	Shiloh Sewer Capital Project Fund	Total Nonmajor Governmental Funds
Assets											
Cash and cash equivalents	\$ -	\$ 72,348	\$ 725,426	\$ 15,525	\$ 686,718	\$ 1,385,689	\$ 362,035	\$ 448,994	\$ -	\$ 1,247,194	\$ 4,943,929
Due from other governments	-	-	370,801	333	20,000	-	-	-	-	-	391,134
Restricted cash	2,419,600	-	-	-	-	-	-	-	-	-	2,419,600
Total assets	<u>\$ 2,419,600</u>	<u>\$ 72,348</u>	<u>\$ 1,096,227</u>	<u>\$ 15,858</u>	<u>\$ 706,718</u>	<u>\$ 1,385,689</u>	<u>\$ 362,035</u>	<u>\$ 448,994</u>	<u>\$ -</u>	<u>\$ 1,247,194</u>	<u>\$ 7,754,663</u>
Liabilities											
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 149,395	\$ -	\$ 8,291	\$ 94,578	\$ 9,695	\$ -	\$ 14,250	\$ -	\$ 276,209
Due to other funds	-	-	-	-	-	-	-	-	57,792	-	57,792
Total liabilities	<u>-</u>	<u>-</u>	<u>149,395</u>	<u>-</u>	<u>8,291</u>	<u>94,578</u>	<u>9,695</u>	<u>-</u>	<u>72,042</u>	<u>-</u>	<u>334,001</u>
Fund balances (deficits)											
Restricted											
Stabilization by State statute	-	-	4,846,341	4,198	164,639	482,247	246,282	-	1,708	-	5,745,415
Recreation improvements	2,419,600	-	-	-	-	-	-	-	-	-	2,419,600
Committed											
Capital projects	-	72,348	-	11,660	533,788	808,864	106,058	448,994	-	1,247,194	3,228,906
Unassigned	-	-	(3,899,509)	-	-	-	-	-	(73,750)	-	(3,973,259)
Total fund balances (deficits)	<u>2,419,600</u>	<u>72,348</u>	<u>946,832</u>	<u>15,858</u>	<u>698,427</u>	<u>1,291,111</u>	<u>352,340</u>	<u>448,994</u>	<u>(72,042)</u>	<u>1,247,194</u>	<u>7,420,662</u>
Total liabilities and fund balances (deficits)	<u>\$ 2,419,600</u>	<u>\$ 72,348</u>	<u>\$ 1,096,227</u>	<u>\$ 15,858</u>	<u>\$ 706,718</u>	<u>\$ 1,385,689</u>	<u>\$ 362,035</u>	<u>\$ 448,994</u>	<u>\$ -</u>	<u>\$ 1,247,194</u>	<u>\$ 7,754,663</u>

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	Capital Projects										
	Parkland Payment-In-Lieu Capital Project Fund	Fire Station 1 Capital Project Fund	Hatcher Creek Greenway Capital Project Fund	Northwest Park Capital Project Fund	Church Street Park Capital Project Fund	Morrisville Carpenter Road Capital Project Fund	Town Center Capital Project Fund	Historic Christian Church Parking Lot Expansion Capital Project Fund	Morrisville Aquatics & Fitness Center Renovation Capital Project Fund	Shiloh Sewer Capital Project Fund	Total Nonmajor Governmental Funds
Revenues											
Grants	\$ -	\$ -	\$ 671,549	\$ -	\$ 59,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 731,526
Investment earnings	9,563	287	3,157	349	3,915	8,130	1,193	1,797	-	4,950	33,341
Parkland payments in lieu	412,778	-	-	-	-	-	-	-	-	-	412,778
Total revenues	422,341	287	674,706	349	63,892	8,130	1,193	1,797	-	4,950	1,177,645
Expenditures											
Capital projects	-	-	716,082	310,509	43,433	931,207	148,853	7,803	72,042	-	2,229,929
Revenues over (under) expenditures	422,341	287	(41,376)	(310,160)	20,459	(923,077)	(147,660)	(6,006)	(72,042)	4,950	(1,052,284)
Other financing sources (uses)											
Transfers in:											
General Fund	-	-	-	-	-	1,600,000	500,000	455,000	-	-	2,555,000
Parkland Payment-in-Lieu Capital Project Fund	-	-	298,196	-	-	-	-	-	-	-	298,196
Water and Sewer Fund	-	-	-	-	-	-	-	-	-	1,917	1,917
Transfers out - Hatcher Creek Greenway Capital Project Fund	(298,196)	-	-	-	-	-	-	-	-	-	(298,196)
Total other financing sources (uses)	(298,196)	-	298,196	-	-	1,600,000	500,000	455,000	-	1,917	2,556,917
Net change in fund balance	124,145	287	256,820	(310,160)	20,459	676,923	352,340	448,994	(72,042)	6,867	1,504,633
Fund balances, beginning	2,295,455	72,061	690,012	326,018	677,968	614,188	-	-	-	-	4,675,702
Restatement	-	-	-	-	-	-	-	-	-	1,240,327	1,240,327
Fund balances, beginning, as restated	2,295,455	72,061	690,012	326,018	677,968	614,188	-	-	-	1,240,327	5,916,029
Fund balances (deficits), ending	\$ 2,419,600	\$ 72,348	\$ 946,832	\$ 15,858	\$ 698,427	\$ 1,291,111	\$ 352,340	\$ 448,994	\$ (72,042)	\$ 1,247,194	\$ 7,420,662

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 11

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

PARKLAND PAYMENT-IN-LIEU CAPITAL PROJECT FUND

FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 97,392	\$ 9,563	\$ 106,955
Parkland payments in lieu	-	3,860,921	412,778	4,273,699
Total revenues	-	3,958,313	422,341	4,380,654
Other financing sources (uses)				
Transfers in (out)				
General Fund	-	1,842,517	-	1,842,517
Capital Reserve Fund	-	1,684,257	-	1,684,257
Northwest Park Capital Project Fund	-	(1,733,903)	-	(1,733,903)
Northwest Park Capital Project Fund	-	28,930	-	28,930
Shiloh Greenway Capital Project Fund	-	(1,110,712)	-	(1,110,712)
NC 54 Multi-Use Path Capital Project Fund	-	(249,040)	-	(249,040)
Church Street Park Project Fund	-	(1,083,047)	-	(1,083,047)
Indian Creek Greenway Capital Project Fund	-	(1,041,860)	-	(1,041,860)
Hatcher Creek Greenway Capital Project Fund	-	-	(298,196)	(298,196)
Total other financing uses	-	(1,662,858)	(298,196)	(1,961,054)
Net change in fund balance	\$ -	\$ 2,295,455	124,145	\$ 2,419,600
Fund balance, beginning			2,295,455	
Fund balance, ending			\$ 2,419,600	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 12****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL****FIRE STATION 1 CAPITAL PROJECT FUND***FROM INCEPTION TO JUNE 30, 2017*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 9,680	\$ 287	\$ 9,967
Expenditures				
Professional services	4,490	4,489	-	4,489
Construction	55,935	12,779	-	12,779
Capital outlay	60,000	51,605	-	51,605
Total expenditures	120,425	68,873	-	68,873
Revenues over (under) expenditures	(120,425)	(59,193)	287	(58,906)
Other financing sources				
Transfers in				
General Fund	120,425	131,254	-	131,254
Net change in fund balance	<u>\$ -</u>	<u>\$ 72,061</u>	287	<u>\$ 72,348</u>
Fund balance, beginning			72,061	
Fund balance, ending			<u>\$ 72,348</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 13****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL****HATCHER CREEK GREENWAY CAPITAL PROJECT FUND***FROM INCEPTION TO JUNE 30, 2017*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Grants	\$ 4,773,816	\$ 435,610	\$ 671,549	\$ 1,107,159
Investment earnings	-	2,173	3,157	5,330
Total revenues	4,773,816	437,783	674,706	1,112,489
Expenditures				
Professional services	1,061,323	525,969	72,732	598,701
Capital outlay	4,790,265	1,378	643,350	644,728
Land acquisition	69,802	69,802	-	69,802
Total expenditures	5,921,390	597,149	716,082	1,313,231
Revenues under expenditures	(1,147,574)	(159,366)	(41,376)	(200,742)
Other financing sources				
Transfers in				
Parkland Payment-in-Lieu Capital Project Fund	1,147,574	849,378	298,196	1,147,574
Net change in fund balance	\$ -	\$ 690,012	256,820	\$ 946,832
Fund balance, beginning			690,012	
Fund balance, ending			\$ 946,832	

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 14

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

NORTHWEST PARK CAPITAL PROJECT FUND

FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 1,907	\$ 349	\$ 2,256
Expenditures				
Professional services	192,502	179,647	11,903	191,550
Capital outlay	1,541,401	1,230,145	298,606	1,528,751
Total expenditures	1,733,903	1,409,792	310,509	1,720,301
Revenues under expenditures	(1,733,903)	(1,407,885)	(310,160)	(1,718,045)
Other financing sources				
Transfers in				
Parkland Payment-In-Lieu Capital Project Fund	1,733,903	1,733,903	-	1,733,903
Net change in fund balance	<u>\$ -</u>	<u>\$ 326,018</u>	(310,160)	<u>\$ 15,858</u>
Fund balance, beginning			326,018	
Fund balance, ending			<u>\$ 15,858</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 15

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

CHURCH STREET PARK CAPITAL PROJECT FUND

FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Grants	\$ 1,538,703	\$ 1,478,726	\$ 59,977	\$ 1,538,703
Investment earnings	8,503	16,614	3,915	20,529
Parkland payments in lieu	-	92,491	-	92,491
Total revenues	1,547,206	1,587,831	63,892	1,651,723
Expenditures				
Professional services	450,269	416,190	2,841	419,031
Construction	3,778,372	2,964,838	40,592	3,005,430
Land acquisition	1,611,870	1,781,022	-	1,781,022
Total expenditures	5,840,511	5,162,050	43,433	5,205,483
Revenues over (under) expenditures	(4,293,305)	(3,574,219)	20,459	(3,553,760)
Other financing sources (uses)				
Transfers in (out)				
General Fund	587,429	587,429	-	587,429
General Fund	(587,429)	(587,429)	-	(587,429)
Parkland Payment-in-Lieu Capital Project Fund	264,283	223,165	-	223,165
Bonds issued	4,000,000	4,000,000	-	4,000,000
Bond premium	29,022	29,022	-	29,022
Total other financing sources	4,293,305	4,252,187	-	4,252,187
Net change in fund balance	<u>\$ -</u>	<u>\$ 677,968</u>	20,459	<u>\$ 698,427</u>
Fund balance, beginning			677,968	
Fund balance, ending			<u>\$ 698,427</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 16****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL****MORRISVILLE CARPENTER ROAD CAPITAL PROJECT FUND***FROM INCEPTION TO JUNE 30, 2017*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 1,443	\$ 8,130	\$ 9,573
Expenditures				
Professional services	880,000	191,255	325,945	517,200
Land acquisition	1,524,000	-	605,262	605,262
Total expenditures	2,404,000	191,255	931,207	1,122,462
Revenues under expenditures	(2,404,000)	(189,812)	(923,077)	(1,112,889)
Other financing sources				
Transfers in				
General Fund	2,404,000	804,000	1,600,000	2,404,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 614,188</u>	676,923	<u>\$ 1,291,111</u>
Fund balance, beginning			<u>614,188</u>	
Fund balance, ending			<u>\$ 1,291,111</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 17****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL****TOWN CENTER CAPITAL PROJECT FUND***FROM INCEPTION TO JUNE 30, 2017*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,193	\$ 1,193
Expenditures				
Professional services	500,000	-	148,853	148,853
Revenues under expenditures	(500,000)	-	(147,660)	(147,660)
Other financing sources				
Transfers in General Fund	500,000	-	500,000	500,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	352,340	<u>\$ 352,340</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ 352,340</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 18

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

HISTORIC CHRISTIAN CHURCH PARKING LOT EXPANSION CAPITAL PROJECT FUND

FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,797	\$ 1,797
Expenditures				
Professional services	80,000	-	7,803	7,803
Capital outlay	375,000	-	-	-
Total expenditures	455,000	-	7,803	7,803
Revenues under expenditures	(455,000)	-	(6,006)	(6,006)
Other financing sources				
Transfers in				
General Fund	455,000	-	455,000	455,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	448,994	<u>\$ 448,994</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ 448,994</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 19****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -****BUDGET AND ACTUAL****MORRISVILLE AQUATICS & FITNESS CENTER RENOVATION CAPITAL PROJECT FUND***FROM INCEPTION TO JUNE 30, 2017*

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Bond proceeds	\$ 600,000	\$ -	\$ -	\$ -
Expenditures				
Professional services	600,000	-	72,042	72,042
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(72,042)	<u>\$ (72,042)</u>
Fund balance, beginning			-	
Fund deficit, ending			<u>\$ (72,042)</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 20

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

SHILOH SEWER CAPITAL PROJECT FUND

FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ 197,166	\$ 210,580	\$ 4,950	\$ 215,530
Miscellaneous	7,135	7,135	-	7,135
Total revenues	204,301	217,715	4,950	222,665
Expenditures				
Professional services	139,847	32,239	-	32,239
Property acquisition	16,398	16,397	-	16,397
Construction	1,876,219	756,915	-	756,915
Total expenditures	2,032,464	805,551	-	805,551
Revenues over (under) expenditures	(1,828,163)	(587,836)	4,950	(582,886)
Other financing sources				
Transfers in				
Water/Sewer Capital Reserve	1,562,500	1,562,500	-	1,562,500
Cape Fear Capital Project Fund	265,663	265,663	-	265,663
Water and Sewer Fund	-	-	1,917	1,917
Total other financing sources	1,828,163	1,828,163	1,917	1,830,080
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,240,327</u>	<u>6,867</u>	<u>\$ 1,247,194</u>
Fund balance, beginning			-	
Restatement			<u>1,240,327</u>	
Fund balance, beginning, as restated			<u>1,240,327</u>	
Fund balance, ending			<u>\$ 1,247,194</u>	

TOWN OF MORRISVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL (NON-GAAP)****STORMWATER FUND****YEAR ENDED JUNE 30, 2017****Schedule 21**

Page 1 of 2

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Permits and fees	\$ 25,000	\$ 166,154	\$ 141,154
Stormwater ERU charges	547,500	550,804	3,304
Investment earnings	-	4,870	4,870
Miscellaneous	-	1,207	1,207
Total revenues	572,500	723,035	150,535
Expenditures			
Stormwater operations			
Personnel costs	277,300	233,525	43,775
Professional services	230,709	124,072	106,637
Other operating	176,561	113,478	63,083
Capital outlay	75,000	-	75,000
Total expenditures	759,570	471,075	288,495
Revenues over (under) expenditures	(187,070)	251,960	439,030
Other financing sources			
Transfer In - General Fund	114,900	114,900	-
Fund balance appropriated	72,170	-	(72,170)
Total other financing sources	187,070	114,900	(72,170)
Revenues and other sources over expenditures	\$ -	366,860	\$ 366,860

TOWN OF MORRISVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -****BUDGET AND ACTUAL (NON-GAAP)****STORMWATER FUND****YEAR ENDED JUNE 30, 2017****Schedule 21**

Page 2 of 2

Reconciliation from budgetary basis (modified accrual) to full accrual:

Add (deduct):

Decrease in compensated absences liability	\$ 6,980
Increase in deferred outflows of resources - pensions	49,599
Increase in net pension liability	(53,347)
Decrease in deferred inflows of resources - pensions	6,696
Increase in accrued OPEB liability	(4,902)
Depreciation expense	(22,004)
	<hr/>

Change in net position

349,882**Net position, beginning of year**

1,482,336

Prior period adjustment - other postemployment benefits liability

(10,799)**Net position, beginning of year, as restated**

1,471,537**Net position, end of year**

\$ 1,821,419

TOWN OF MORRISVILLE, NORTH CAROLINA

Schedule 22

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -

BUDGET AND ACTUAL (NON-GAAP)

KIT CREEK REACH 5-1 STORMWATER RETROFIT CAPITAL PROJECT FUND

FROM INCEPTION TO JUNE 30, 2017

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ -	\$ 47	\$ 47
Grants	101,077	54,985	10,449	65,434
Total revenues	101,077	54,985	10,496	65,481
Expenditures				
Professional services	56,000	-	10,449	10,449
Construction	69,000	66,496	-	66,496
Total expenditures	125,000	66,496	10,449	76,945
Revenues over (under) expenditures	(23,923)	(11,511)	47	(11,464)
Other financing sources				
Transfer in:				
Stormwater Fund	23,923	23,923	-	23,923
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ 12,412</u>	47	<u>\$ 12,459</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:				
Add - Capital outlay			10,449	
Change in net position			10,496	
Net position, beginning of year			78,908	
Net position, end of year			<u>\$ 89,404</u>	

Other Schedules

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2017

Schedule 23

<u>Fiscal Year</u>	<u>Balance June 30, 2016</u>	<u>Current Levy</u>	<u>Collection Adjustments and Releases</u>	<u>Balance June 30, 2017</u>
2016 - 2017	\$ -	\$ 17,500,964 (1)	\$ 17,487,652 (2)	\$ 13,312
2015 - 2016	11,026	-	7,598	3,428
2014 - 2015	3,672	-	2,444	1,228
2013 - 2014	6,389	-	1,053	5,336
2012 - 2013	9,406	-	1,065	8,341
2011 - 2012	10,325	-	479	9,846
2010 - 2011	24,099	-	147	23,952
2009 - 2010	19,498	-	55	19,443
2008 - 2009	9,267	-	117	9,150
2007 - 2008	11,515	-	1,611	9,904
2006 - 2007	10,790	-	10,790	-
	<u>\$ 115,987</u>	<u>\$ 17,500,964</u>	<u>\$ 17,513,011</u>	103,940
Less allowance for uncollectible taxes				<u>(95,743)</u>
Ad valorem taxes receivable, net				<u>\$ 8,197 (3)</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes, General Fund			\$ 17,502,221 (4)	
Add - taxes written off			<u>10,790</u>	
Total collections, adjustments and releases			<u>\$ 17,513,011</u>	

Note (1) and (2) - The Town's taxes are collected by Wake County and a small percentage from Durham County.

Note (3) - Ad valorem taxes receivable only; does not include net decal tax receivable of \$2,204

Note (4) - Does not include Municipal Service District taxes of \$96,745.

TOWN OF MORRISVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
YEAR ENDED JUNE 30, 2017

Schedule 24

	Town-Wide			Total Levy	
	Property Valuation	Tax Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 4,523,620,513	\$ 0.3900	\$ 17,642,120	\$ 16,548,053	\$ 1,094,067
Penalties	-		20,626	20,626	-
Total	4,523,620,513		17,662,746	16,568,679	1,094,067
Discoveries					
Prior year's taxes	9,096,856		35,290	35,290	-
Less - Abatements	-		(197,072)	(196,685)	(387)
Total property valuation	<u>\$ 4,532,717,369</u>				
Net levy			17,500,964	16,407,284	1,093,680
Uncollected taxes at June 30, 2017			<u>13,488</u>	<u>13,313</u>	<u>175</u>
Current year's taxes collected			<u>\$ 17,487,476</u>	<u>\$ 16,393,971</u>	<u>\$ 1,093,505</u>
Current levy collection percentage			<u>99.92%</u>	<u>99.92%</u>	<u>99.98%</u>

Note: The Town's taxes are collected by Wake County, the North Carolina Vehicle Tax System and a small percentage from Durham County.

TOWN OF MORRISVILLE, NORTH CAROLINA**Schedule 25****GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE***JUNE 30, 2017*

Fiscal Year	Principal	Principal and Interest
2017 - 2018	\$ 1,120,000	\$ 1,741,275
2018 - 2019	1,120,000	1,691,275
2019 - 2020	1,125,000	1,646,275
2020 - 2021	1,130,000	1,601,025
2021 - 2022	1,130,000	1,550,525
2022 - 2023	1,135,000	1,505,025
2023 - 2024	1,140,000	1,459,275
2024 - 2025	1,135,000	1,409,675
2025 - 2026	1,135,000	1,367,275
2026 - 2027	1,135,000	1,324,775
2027 - 2028	700,000	847,175
2028 - 2029	700,000	826,975
2029 - 2030	700,000	811,375
2030 - 2031	700,000	795,375
2031 - 2032	700,000	779,063
2032 - 2033	700,000	762,437
2033 - 2034	700,000	745,500
2034 - 2035	500,000	530,938
2035 - 2036	500,000	518,750
2036 - 2037	500,000	506,250
Total	<u>\$ 17,705,000</u>	<u>\$ 22,420,238</u>

Statistical Section

This part of the Town of Morrisville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. This section is the chief source of information regarding a government's economic condition and is organized around the following five specific objectives:

- Financial Trends**
- Revenue Capacity**
- Debt Capacity**
- Demographic and Economic Information**
- Operating Information**

TOWN OF MORRISVILLE, NORTH CAROLINA

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

Table 1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 42,376,489	\$ 51,321,291	\$ 58,997,742	\$ 65,670,263	\$ 74,067,797	\$ 88,628,766	\$ 93,088,451	\$ 99,549,312	\$ 103,511,580	114,455,319
Restricted	101,080	608,571	245,183	4,645,589	3,774,979	4,059,415	5,701,761	5,131,025	13,141,913	19,999,993
Unrestricted	12,741,668	8,407,026	9,471,189	11,185,131	12,228,459	12,780,461	14,499,006	17,799,963	14,329,050	12,290,712
Total governmental activities net position	<u>55,219,237</u>	<u>60,336,888</u>	<u>68,714,114</u>	<u>81,500,983</u>	<u>90,071,235</u>	<u>105,468,642</u>	<u>113,289,218</u>	<u>122,480,300</u>	<u>130,982,543</u>	<u>146,746,024</u>
Business-type activities										
Net investment in capital assets	2,149,752	2,602,234	2,615,882	2,713,257	2,899,810	2,040,473	650,551	805,551	1,468,020	650,915
Unrestricted	1,981,045	1,548,985	1,531,573	1,430,844	1,239,423	(15,849)	1,375,949	1,239,024	2,141,019	1,259,908
Total business-type activities net position	<u>4,130,797</u>	<u>4,151,219</u>	<u>4,147,455</u>	<u>4,144,101</u>	<u>4,139,233</u>	<u>2,024,624</u>	<u>2,026,500</u>	<u>2,044,575</u>	<u>3,609,039</u>	<u>1,910,823</u>
Primary government										
Net investment in capital assets	44,526,241	53,923,525	61,613,624	68,383,520	76,967,607	89,434,031	93,739,002	100,354,863	104,979,600	115,106,234
Restricted	101,080	608,571	245,183	4,645,589	3,774,979	4,059,415	5,701,761	5,131,025	13,141,913	19,999,993
Unrestricted	14,722,713	9,956,011	11,002,762	12,615,975	13,467,882	13,999,820	15,874,955	19,038,987	16,470,069	13,550,620
Total primary government net position	<u>\$ 59,350,034</u>	<u>\$ 64,488,107</u>	<u>\$ 72,861,569</u>	<u>\$ 85,645,084</u>	<u>\$ 94,210,468</u>	<u>\$ 107,493,266</u>	<u>\$ 115,315,718</u>	<u>\$ 124,524,875</u>	<u>\$ 134,591,582</u>	<u>\$ 148,656,847</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
CHANGES IN NET POSITION ⁽¹⁾
LAST TEN FISCAL YEARS

Table 2
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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 3,835,378	\$ 4,195,035	\$ 4,194,444	\$ 4,853,531	\$ 5,393,251	\$ 5,809,595	\$ 6,105,290	\$ 5,724,056	\$ 5,012,357	\$ 6,203,972
Public safety	7,499,853	6,957,469	7,076,662	7,360,981	7,659,788	7,808,292	8,324,497	9,274,703	8,510,593	9,189,668
Public works	3,044,031	3,115,900	3,335,102	3,346,456	3,550,843	3,433,293	3,768,812	4,805,597	5,186,053	6,133,623
Economic and physical development	758,428	-	-	-	-	-	-	-	-	-
Engineering	517,231	-	-	-	-	-	-	-	-	-
Development services	-	2,184,754	1,962,172	1,994,138	2,068,150	2,264,328	2,552,421	2,900,259	1,874,840	2,259,598
Culture and recreation	1,953,029	1,950,948	1,858,567	1,902,841	2,024,179	1,990,604	2,086,939	2,315,218	1,797,070	2,002,012
Interest on long-term debt	374,889	509,857	440,155	445,300	416,960	451,847	419,214	379,060	367,433	433,651
Total governmental activities expenses	<u>17,982,839</u>	<u>18,913,963</u>	<u>18,867,102</u>	<u>19,903,247</u>	<u>21,113,171</u>	<u>21,757,959</u>	<u>23,257,173</u>	<u>25,398,893</u>	<u>22,748,346</u>	<u>26,222,524</u>
Business-type activities:										
Stormwater	-	-	-	-	-	-	-	-	475,490	488,053
Water and sewer	85,518	78,018	68,950	64,538	46,394	42,470	13,606	5,425	-	-
Total business-type activities expenses	<u>85,518</u>	<u>78,018</u>	<u>68,950</u>	<u>64,538</u>	<u>46,394</u>	<u>42,470</u>	<u>13,606</u>	<u>5,425</u>	<u>475,490</u>	<u>488,053</u>
Total primary government expenses	<u><u>\$ 18,068,357</u></u>	<u><u>\$ 18,991,981</u></u>	<u><u>\$ 18,936,052</u></u>	<u><u>\$ 19,967,785</u></u>	<u><u>\$ 21,159,565</u></u>	<u><u>\$ 21,800,429</u></u>	<u><u>\$ 23,270,779</u></u>	<u><u>\$ 25,404,318</u></u>	<u><u>\$ 23,223,836</u></u>	<u><u>\$ 26,710,577</u></u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 106,419	\$ 162,176	\$ 158,925	\$ 167,843	\$ 164,707	\$ 164,670	\$ 275,713	\$ 254,375	\$ 253,233	\$ 242,190
Public safety	771,578	51,126	29,815	39,712	52,029	50,202	64,120	71,221	91,033	83,602
Economic and physical development	65,015	-	-	-	-	-	-	-	-	-
Engineering	252,596	-	-	-	-	-	-	-	-	-
Development services	-	695,411	469,198	815,626	848,905	1,480,815	1,813,936	2,028,806	1,677,208	1,757,021
Culture and recreation	781,963	760,001	790,847	778,096	877,125	867,187	835,626	912,401	855,610	901,261
Operating grants and contributions										
General government	-	-	-	-	100,000	-	-	-	105,804	-
Public safety	27,252	5,603	6,363	3,921	21,638	8,429	8,394	5,946	5,092	29,688
Public works	349,163	10,288	31,187	24,442	202,128	458,759	489,215	502,929	546,237	659,753
Development services	-	-	-	-	39,542	-	-	-	-	4,000
Culture and recreation	-	-	-	1,594	-	-	-	-	-	-
Capital grants and contributions										
Public safety	-	207,894	76,236	16,036	-	76,819	-	6,309	24,427	9,905
Public works	5,406,739	4,865,703	7,994,785	9,070,081	7,402,863	13,846,086	3,904,328	7,597,616	3,189,718	10,008,117
Culture and recreation	2,048,859	434,090	157,484	124,261	689,613	399,532	1,401,342	23,407	22,342	731,526
Total governmental activities program revenues	<u>9,809,584</u>	<u>7,192,292</u>	<u>9,714,840</u>	<u>11,041,612</u>	<u>10,398,550</u>	<u>17,352,499</u>	<u>8,792,674</u>	<u>11,403,010</u>	<u>6,770,704</u>	<u>14,427,063</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
CHANGES IN NET POSITION ⁽¹⁾
LAST TEN FISCAL YEARS

Table 2
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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Stormwater										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	834,314	718,165
Operating grants and contributions	-	-	-	-	-	-	-	-	54,985	10,449
Total business-type activities program revenues	-	-	-	-	-	-	-	-	889,299	728,614
Total primary government program revenues	<u>\$ 9,809,584</u>	<u>\$ 7,192,292</u>	<u>\$ 9,714,840</u>	<u>\$ 11,041,612</u>	<u>\$ 10,398,550</u>	<u>\$ 17,352,499</u>	<u>\$ 8,792,674</u>	<u>\$ 11,403,010</u>	<u>\$ 7,660,003</u>	<u>\$ 15,155,677</u>
Net (Expense) Revenue										
Governmental activities	\$ (8,173,255)	\$ (11,721,671)	\$ (9,152,262)	\$ (8,861,635)	\$ (10,714,621)	\$ (4,405,460)	\$ (14,464,499)	\$ (13,995,883)	\$ (15,977,642)	\$ (11,795,461)
Business-type activities	(85,518)	(78,018)	(68,950)	(64,538)	(46,394)	(42,470)	(13,606)	(5,425)	413,809	240,561
Total primary government net expense	<u>\$ (8,258,773)</u>	<u>\$ (11,799,689)</u>	<u>\$ (9,221,212)</u>	<u>\$ (8,926,173)</u>	<u>\$ (10,761,015)</u>	<u>\$ (4,447,930)</u>	<u>\$ (14,478,105)</u>	<u>\$ (14,001,308)</u>	<u>\$ (15,563,833)</u>	<u>\$ (11,554,900)</u>
General revenues and other changes in net assets										
Governmental activities:										
Property taxes	\$ 10,383,614	\$ 11,256,354	\$ 11,908,172	\$ 12,295,448	\$ 12,323,383	\$ 12,949,904	\$ 14,577,176	\$ 14,745,618	\$ 16,380,456	\$ 17,600,497
Other taxes and licenses	984,997	1,027,701	1,162,337	1,299,114	1,455,079	1,509,323	1,753,968	1,724,212	273,725	285,897
Unrestricted intergovernmental revenues	4,256,342	4,170,532	4,173,221	4,432,357	5,068,135	5,346,806	5,574,758	6,563,000	7,964,820	8,296,852
Unrestricted investment earnings	585,124	284,852	43,053	47,868	34,611	31,760	27,487	22,745	81,621	232,552
Miscellaneous	139,244	155,882	242,705	277,104	499,768	220,266	224,459	296,522	411,923	342,517
Gain (Loss) on disposition of capital assets	34,920	(216,409)	-	7,181	(96,103)	93,808	127,227	(41,118)	-	-
Parkland payment in lieu	-	-	-	-	-	-	-	551,487	640,609	412,778
Transfers	98,995	-	-	-	-	-	-	-	(126,200)	(112,983)
Special item: settlement	-	-	-	-	-	(349,000)	-	-	-	-
Total governmental activities	<u>16,483,236</u>	<u>16,678,912</u>	<u>17,529,488</u>	<u>18,359,072</u>	<u>19,284,873</u>	<u>19,802,867</u>	<u>22,285,075</u>	<u>23,862,466</u>	<u>25,626,954</u>	<u>27,058,110</u>
Business-type activities:										
Unrestricted investment earnings	175,053	98,440	65,186	61,184	41,526	28,102	15,482	21,615	4,275	4,917
Miscellaneous	-	-	-	-	-	-	-	1,885	-	-
Special item: loss on transfer of assets to the Town of Cary	(623,377)	-	-	-	-	(2,100,241)	-	-	-	-
Transfers	(98,995)	-	-	-	-	-	-	-	126,200	112,983
Total business-type activities	<u>(547,319)</u>	<u>98,440</u>	<u>65,186</u>	<u>61,184</u>	<u>41,526</u>	<u>(2,072,139)</u>	<u>15,482</u>	<u>23,500</u>	<u>130,475</u>	<u>117,900</u>

TOWN OF MORRISVILLE, NORTH CAROLINA
CHANGES IN NET POSITION ⁽¹⁾
LAST TEN FISCAL YEARS

Table 2
Page 3 of 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total primary government	\$ 15,935,917	\$ 16,777,352	\$ 17,594,674	\$ 18,420,256	\$ 19,326,399	\$ 17,730,728	\$ 22,300,557	\$ 23,885,966	\$ 25,757,429	\$ 27,176,010
Change in net position										
Governmental activities	8,309,981	4,957,241	8,377,226	9,497,437	8,570,252	15,397,407	7,820,576	9,866,583	9,649,312	15,262,649
Business-type activities	(632,837)	20,422	(3,764)	(3,354)	(4,868)	(2,114,609)	1,876	18,075	544,284	358,461
Total primary government	\$ 7,677,144	\$ 4,977,663	\$ 8,373,462	\$ 9,494,083	\$ 8,565,384	\$ 13,282,798	\$ 7,822,452	\$ 9,884,658	\$ 10,193,596	\$ 15,621,110

Notes:

(1) This table was prepared using the accrual basis of accounting.

TOWN OF MORRISVILLE, NORTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Table 3
Page 1 of 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund			
Reserved for:			
State statute	\$ 1,076,150	\$ 1,022,704	\$ 1,022,921
Streets	101,080	292,205	245,183
Community development	-	-	-
Recreation improvements	1,667,692	1,369,416	-
Other	13,003	-	-
Total Reserved	<u>2,857,925</u>	<u>2,684,325</u>	<u>1,268,104</u>
Designated	659,055	-	-
Unreserved, undesignated	<u>6,476,083</u>	<u>7,584,454</u>	<u>8,362,587</u>
Total General Fund	<u>9,993,063</u>	<u>10,268,779</u>	<u>9,630,691</u>
All Other Governmental Funds			
Reserved for:			
Recreation improvements	1,365,558	437,658	1,992,627
Other	1,278	-	-
Total Reserved	<u>1,366,836</u>	<u>437,658</u>	<u>1,992,627</u>
Unreserved, reported in:			
Capital projects funds	<u>5,117,856</u>	<u>2,572,767</u>	<u>2,589,195</u>
Total all other Governmental Funds	<u>6,484,692</u>	<u>3,010,425</u>	<u>4,581,822</u>
Total Governmental Fund Balances	<u><u>\$ 11,593,939</u></u>	<u><u>\$ 10,157,221</u></u>	<u><u>\$ 10,951,782</u></u>

Fund balance reporting prior to GASB 54.

TOWN OF MORRISVILLE, NORTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Table 3
Page 2 of 2

	2011	2012	2013	2014	2015	2016	2017
General Fund							
Non Spendable:							
Prepays	\$ 9,306	\$ 170,762	\$ 4,458	\$ 1,383	\$ 13,326	\$ 40,263	\$ 8,886
Restricted:							
Stabilization by State statute	1,133,847	1,294,281	1,443,902	3,820,617	3,690,527	5,544,570	5,763,023
Stormwater	-	-	78,630	127,750	542,679	-	-
Street improvements	44,639	71,476	41,336	-	978,545	1,563,938	1,599,108
Police operations and activities	-	-	-	-	-	24,918	22,678
Total Restricted	1,178,486	1,365,757	1,563,868	3,948,367	5,211,751	7,133,426	7,384,809
Committed:							
General governmental capital	-	1,217,294	1,190,373	496,830	747,441	602,704	1,902,254
LEO pension obligation	-	-	-	-	-	328,296	344,103
Total Committed	-	1,217,294	1,190,373	496,830	747,441	931,000	2,246,357
Assigned:							
Subsequent year's expenditures	816,920	274,758	526,368	1,155,254	1,106,219	2,305,000	2,823,000
Unassigned	10,138,929	10,265,046	11,118,066	11,680,455	14,173,439	15,257,586	15,254,649
Total General Fund	12,143,641	13,293,617	14,403,133	17,282,289	21,252,176	25,667,275	27,717,701
All Other Governmental Funds							
Restricted:							
Stabilization by State statute	-	-	-	-	757,506	3,135,257	10,195,584
Recreation improvements	2,090,388	2,409,222	2,495,547	1,753,394	2,017,903	2,873,230	2,419,600
Total Restricted	2,090,388	2,409,222	2,495,547	1,753,394	2,775,409	6,008,487	12,615,184
Committed:							
Capital projects	-	-	-	-	-	165,073	3,228,906
Fire station	1,376,715	-	-	-	-	-	-
Total Committed	1,376,715	-	-	-	-	165,073	3,228,906
Assigned:							
Subsequent year's expenditures	509,862	720,157	366,493	3,380,941	2,430,001	-	-
Unassigned	-	-	-	-	(1,138,919)	(3,073,459)	(2,278,917)
Total All Other Governmental Funds	3,976,965	3,129,379	2,862,040	5,134,335	4,066,491	3,100,101	13,565,173
Total Governmental Fund Balances	\$ 16,120,606	\$ 16,422,996	\$ 17,265,173	\$ 22,416,624	\$ 25,318,667	\$ 28,767,376	\$ 41,282,874

Note: Fiscal Year 2011 and forward is presented in conformity with GASB Statement No. 54 which was implemented in Fiscal Year 2011.

TOWN OF MORRISVILLE, NORTH CAROLINA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (1)
LAST TEN FISCAL YEARS

Table 4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Ad valorem taxes	\$ 10,377,472	\$ 11,234,550	\$ 11,906,215	\$ 12,272,395	\$ 12,480,910	\$ 12,947,896	\$ 14,603,628	\$ 14,784,833	\$ 16,397,410	\$ 17,620,181
Other taxes and licenses	982,591	1,025,286	1,159,433	1,290,397	1,449,940	1,505,393	1,761,048	1,731,430	277,630	288,953
Unrestricted intergovernmental	4,256,342	4,170,532	4,173,221	4,432,357	5,068,135	5,346,806	5,574,758	6,563,000	7,964,820	8,296,852
Restricted intergovernmental	1,346,966	892,701	451,632	382,853	661,987	1,002,662	1,710,823	823,293	573,671	1,420,967
Permits and fees	2,167,742	836,319	625,759	979,599	1,570,674	1,830,710	2,717,451	2,651,514	2,408,850	2,253,401
Sales and services	922,608	950,119	949,772	945,939	1,041,832	1,031,857	1,111,339	1,166,776	1,108,843	1,143,451
Investment earnings	583,691	282,828	41,029	45,844	32,587	29,736	24,133	22,745	81,621	232,462
Miscellaneous	336,600	346,082	273,146	314,089	560,725	404,864	351,686	302,603	542,152	346,207
TOTAL REVENUES	20,974,012	19,738,417	19,580,207	20,663,473	22,866,790	24,099,924	27,854,866	28,046,194	29,354,997	31,602,474
EXPENDITURES										
Current:										
General government	2,809,968	2,859,491	2,576,902	2,815,839	3,171,131	3,206,886	3,153,654	3,115,978	3,541,976	4,302,843
Public safety	854,571	6,351,936	6,401,636	6,776,367	7,119,811	7,196,338	7,582,421	8,484,213	8,159,452	8,166,536
Public works	6,872,325	2,981,461	3,206,013	3,207,809	3,395,494	3,272,849	3,614,871	4,869,772	5,206,847	5,925,474
Economic and physical development	2,894,819	-	-	-	-	-	-	-	-	-
Engineering	516,023	-	-	-	-	-	-	-	-	-
Development services	-	2,120,916	1,930,198	1,978,652	2,031,951	2,216,347	2,534,564	2,978,817	1,989,194	2,230,718
Culture and recreation	1,707,253	1,616,748	1,506,923	1,551,834	1,680,598	1,665,116	1,771,664	1,889,020	1,618,153	1,728,506
Capital outlay	5,773,133	5,055,029	1,541,487	3,120,661	3,517,951	3,739,631	6,333,562	4,000,792	3,590,493	7,194,189
Debt service										
Principal	1,519,604	1,429,280	1,359,900	1,130,920	1,229,267	1,236,924	1,130,803	1,319,864	1,091,035	1,108,682
Interest	356,170	483,286	440,205	426,962	418,197	374,656	385,898	396,742	367,040	454,038
Bond issuance costs	-	-	-	-	-	-	-	-	-	101,821
TOTAL EXPENDITURES	23,303,866	22,898,147	18,963,264	21,009,044	22,564,400	22,908,747	26,507,437	27,055,198	25,564,190	31,212,807
REVENUES OVER (UNDER) EXPENDITURES	(2,329,854)	(3,159,730)	616,943	(345,571)	302,390	1,191,177	1,347,429	990,996	3,790,807	389,667
OTHER FINANCING SOURCES (USES)										
Issuance of debt	1,368,805	117,135	-	2,700,000	-	-	-	-	-	-
Issuance of bonds	9,739,717	-	-	-	-	-	4,029,022	-	-	10,998,487
Installment debt issuance proceeds	-	-	-	-	-	-	-	1,000,000	-	-
Transfers in	4,782,027	1,537,860	4,352,645	1,775,200	318,500	584,336	1,651,084	(587,429)	804,000	2,855,113
Transfers out	(4,683,032)	(1,537,860)	(4,352,645)	(1,775,200)	(318,500)	(584,336)	(1,651,084)	587,429	(930,200)	(2,968,096)
Claims/settlements	-	-	-	-	-	(349,000)	(225,000)	(7,008)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	11,207,517	117,135	-	2,700,000	-	(349,000)	3,804,022	992,992	(126,200)	10,885,504
NET CHANGE IN FUND BALANCES	\$ 8,877,663	\$ (3,042,595)	\$ 616,943	\$ 2,354,429	\$ 302,390	\$ 842,177	\$ 5,151,451	\$ 1,983,988	\$ 3,664,607	\$ 11,275,171
Debt Service as a percentage of non-capital expenditures	10.7%	10.7%	10.3%	8.7%	8.6%	8.4%	7.5%	7.4%	6.6%	6.5%

Note:

(1) This table was prepared using the modified accrual basis of accounting.

TOWN OF MORRISVILLE, NORTH CAROLINA
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS

Table 5

Fiscal Year	GENERAL REVENUES						PROGRAM REVENUES				Fiscal Year Total
	Property Taxes	Other Taxes and Licenses	Unrestricted Intergovernmental	Miscellaneous	Parkland Payment in Lieu	Unrestricted Investment Earnings	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Special Items	
2008	\$ 10,383,614	\$ 984,997	\$ 4,256,342	\$ 174,164	\$ -	\$ 760,177	\$ 1,977,571	\$ 376,415	\$ 7,455,598	\$ -	\$ 26,368,878
2009	11,256,354	1,027,701	4,170,532	155,882	-	383,292	1,668,714	15,891	5,191,321	-	23,869,687
2010	11,908,172	1,162,337	4,173,221	242,705	-	108,239	1,448,785	37,550	8,228,505	-	27,309,514
2011	12,295,448	1,299,114	4,432,357	277,104	-	109,052	1,801,277	29,957	9,210,378	7,181	29,461,868
2012	12,323,383	1,455,079	5,068,135	499,768	-	76,137	1,942,766	363,308	8,092,476	(96,103)	29,724,949
2013	12,949,904	1,509,323	5,346,806	220,266	-	59,862	2,562,874	467,188	14,322,437	(2,355,433)	35,083,227
2014	14,577,176	1,753,968	5,574,758	351,686	-	42,969	2,989,395	497,609	5,305,670	-	31,093,231
2015	14,745,618	1,724,212	6,563,000	257,289	551,487	44,360	3,266,803	508,875	7,627,332	-	35,288,976
2016	16,380,456	273,725	7,964,820	411,923	640,609	85,896	3,711,398	712,118	3,236,487	-	33,417,432
2017	17,600,497	285,897	8,296,852	342,517	412,778	237,469	3,702,239	703,890	10,749,548	-	42,331,687

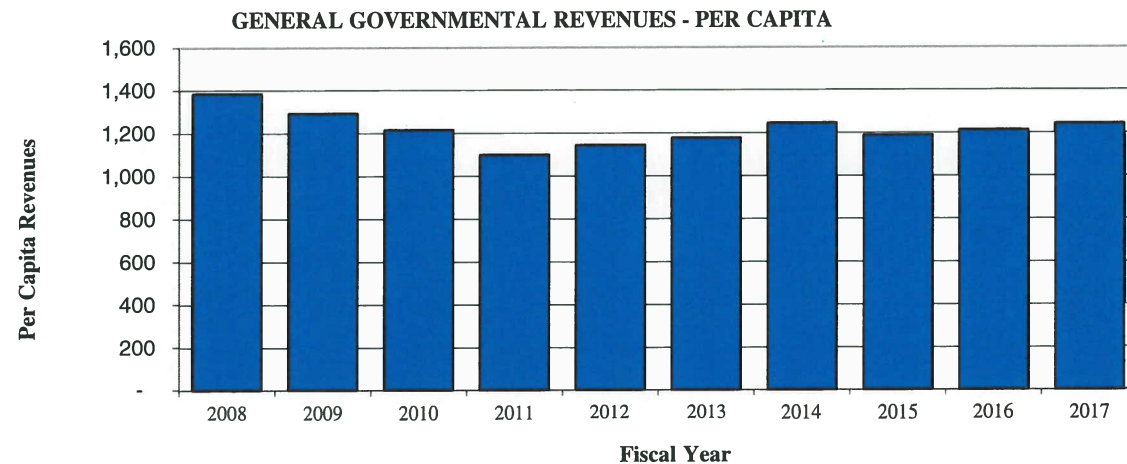
TOWN OF MORRISVILLE, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Table 6

Fiscal Year	Taxes	Intergovernmental	Licenses, Permits and Fees	Investment Earnings	Sales and Services	Miscellaneous	Fiscal Year Total	Per Capita Revenues (3)
2008	\$ 11,360,063	\$ 4,667,228	\$ 2,167,742	\$ 349,915	\$ 922,608	\$ 329,889	\$ 19,797,445	1,384
2009	12,259,836	4,746,867	836,319	181,396	950,119	346,082	19,320,619	1,292
2010	13,065,648	4,594,115	499,013	33,005	949,772	273,146	19,414,699	1,214
2011	13,562,792	4,815,210	855,338	34,202	945,939	314,089	20,527,570	1,098
2012	13,930,850	5,710,249	900,934	27,545	1,041,832	560,725	22,172,135	1,143
2013	14,453,155	6,249,629	1,531,017	25,349	1,031,857	404,864	23,695,871	1,175
2014	16,364,676	6,097,255	1,878,056	17,069	1,111,339	351,686	25,820,081	1,244
2015	16,516,263	7,101,077	2,100,027	17,869	1,166,776	302,603	27,204,615	1,187
2016	16,675,040	8,516,149	1,768,241	72,091	1,108,843	542,152	28,682,516	1,211
2017	17,909,134	8,986,293	1,840,623	144,604	1,143,451	346,207	30,370,312	1,242

Notes:

- (1) Includes only the General Fund.
- (2) This table was prepared using the modified accrual basis of accounting.
- (3) See Table 12 for population data.



TOWN OF MORRISVILLE, NORTH CAROLINA
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 7

<u>Fiscal Year</u>	<u>Assessed Value (1)</u>		<u>Total</u>	<u>Property Tax Rate (Per \$100 Assessed Value)</u>
	<u>Real Property</u>	<u>Personal Property (3)</u>		
2008	\$ 1,766,258,079	\$ 437,020,739	\$ 2,203,278,818	.4677
2009	2,601,669,307	433,448,166	3,035,117,473	.4677
2010	2,780,286,761	462,614,695	3,242,901,456	.3665
2011	2,834,372,014	511,012,254	3,345,384,268	.3665
2012	2,882,863,424	507,301,119	3,390,164,543	.3665
2013	2,968,527,049	552,879,301	3,521,406,350	.39
2014	3,162,756,944	497,841,371	3,660,598,315	.39
2015	3,406,956,056	352,773,964	3,759,730,020	.39
2016 (2)	3,715,276,039	265,544,793	3,980,820,832	.41
2017	4,249,456,268	283,261,101	4,532,717,369	.39

Notes:

(1) Assessed value is established by Wake County Tax Department.

(2) A revaluation of all property is required every eight (8) years by State statute. The most recent revaluation occurred in 2016.

(3) Personal property includes Public Service values and vehicle values.

TOWN OF MORRISVILLE, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Table 8

Fiscal Year	Town of Morrisville	Wake County	Combined Tax Rate per \$100 of Assessed Value
2008	.4677	0.534	1.0017
2009	.3665	0.534	0.9005
2010	.3665	0.534	0.9005
2011	.3665	0.534	0.9005
2012	.3665	0.534	0.9005
2013	.3665	0.534	0.9005
2014	.39	0.578	0.968
2015	.39	0.6145	1.0045
2016	.41	0.6005	1.0105
2017	.39	0.615	1.005

TOWN OF MORRISVILLE, NORTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO

Table 9

Taxpayer	2017			2008		
	2016 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2007 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
WMCi Raleigh LLC	\$ 117,732,638	1	13.1%	\$ 39,700,207	3	2.1%
Park West Village LLC	112,705,135	2	3.0%			-
LP Limited	85,847,991	3	2.3%	-		-
LSREF3 Bravo (Raleigh) LLC	51,244,020	4	1.4%			-
Raleigh Flex East Ridge, LLC	51,192,162	5	1.4%	-		-
Bell Fund IV Morrisville Apartments	47,388,613	6	1.3%	-		-
Lenovo (United States) Inc.	47,116,851	7	1.3%	-		-
Cary SPE LLC	42,289,372	8	1.1%	-		-
SVT Perimeter Three LP	42,216,484	9	1.1%	-		-
SVT 5200 Paramount LP	41,727,613	10	1.1%	-		-
Weeks Realty LP	-		-	149,545,005	1	8.0%
Southport Business Park Limited	-		-	70,846,668	2	3.8%
Duke Realty Limited Partnership	-		-	36,601,445	4	
Raleigh Flex Owner LLC	-		-	35,497,756	5	1.9%
UDR Oaks at Weston LLC	-		-	28,774,060	6	1.5%
EQR Fankey 2004 LMTD Partnership	-		-	27,962,981	7	1.5%
Summit Properties	-		-	26,742,238	8	1.4%
Tekelec Inc.	-		-	25,670,019	9	1.4%
Cary Parkway Marquis LP	-		-	23,691,323	10	1.3%
	<u>\$ 639,460,879</u>		<u>17.1%</u>	<u>\$ 465,031,702</u>		<u>22.9%</u>

Source: Wake County Revenue Department and 2008 CAFR.

TOWN OF MORRISVILLE, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 10

Fiscal Year	Original Levy	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy
2008	\$ 10,371,492	\$ (6,958)	\$ 10,364,534	\$ 10,272,964	99.1%	\$ 78,792	\$ 10,351,756	99.9%
2009	11,242,777	(55,400)	11,187,377	11,130,849	99.5%	43,278	11,174,127	99.9%
2010	11,913,726	(40,412)	11,873,314	11,812,109	99.5%	35,925	11,848,034	99.8%
2011	12,365,390	-	12,365,390	12,244,947	99.0%	62,222	12,307,169	99.5%
2012	12,462,076	-	12,462,076	12,378,660	99.3%	69,036	12,447,696	99.9%
2013	12,948,450	-	12,948,450	12,859,051	99.3%	74,022	12,933,073	99.9%
2014	14,424,648	-	14,424,648	14,385,604	99.7%	26,073	14,411,677	99.9%
2015	14,672,918	-	14,672,918	14,657,124	99.9%	11,700	14,668,824	99.9%
2016	16,269,228	-	16,269,228	16,258,202	99.9%	7,598	16,265,800	100.0%
2017	17,500,964	-	17,500,964	17,487,652	99.9%	-	17,487,652	99.9%

TOWN OF MORRISVILLE, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 11

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	(1) Debt per Capita
	General Obligation Bonds	Capital Leases	Installment Notes	General Obligation Bonds	Installment Notes			
2008	\$ 10,065,000	\$ 52,009	\$ 2,940,807	\$ 2,085,000	\$ 80,700	\$ 15,223,516	2.3	1,064
2009	9,395,000	89,083	2,261,588	1,810,000	60,379	13,616,050	-	910
2010	8,667,430	38,985	1,611,786	1,505,601	39,402	11,863,204	-	742
2011	8,140,000	-	3,814,851	1,150,000	22,208	13,127,059	-	702
2012	7,550,000	-	3,175,584	775,000	-	11,500,584	-	593
2013	6,960,000	-	2,528,661	410,000	-	9,898,661	1.3	491
2014	10,423,832	-	1,987,856	155,000	-	12,566,688	1.6	606
2015	9,670,357	-	2,417,992	-	-	12,088,349	1.3	528
2016	8,981,882	-	2,011,957	-	-	10,993,839	1.2	464
2017	19,330,301	-	1,603,275	-	-	20,933,576	2.1	856

Note:

(1) See Table 16 for population and personal income data.

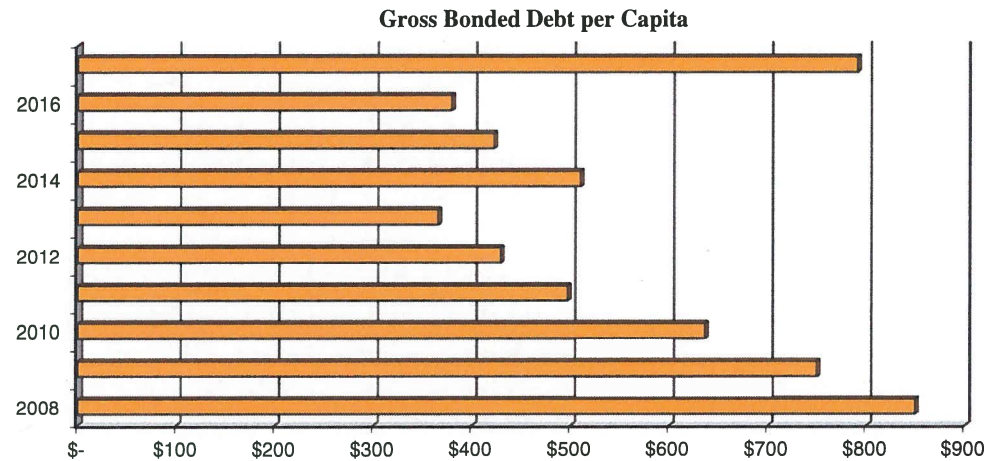
TOWN OF MORRISVILLE, NORTH CAROLINA
RATIO OF GROSS BONDED DEBT TO ASSESSED VALUE AND
GROSS/NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Table 12

Fiscal Year	(1) Population	Assessed Value	Gross Bonded Debt	Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio of Gross Bonded Debt to Assessed Value	Net Bonded Debt per Capita	Gross Bonded Debt per Capita
2008	14,308	\$ 2,203,278,818	\$ 12,150,000	\$ 2,085,000	\$ 10,065,000	0.46	\$ 703	\$ 849
2009	14,956	3,035,117,473	11,205,000	1,810,000	9,395,000	0.31	628	749
2010	15,996	3,242,901,456	10,173,031	1,505,601	8,667,430	0.27	542	636
2011	18,700	3,345,384,268	9,290,000	1,150,000	8,140,000	0.24	435	497
2012	19,406	3,390,164,543	8,325,000	775,000	7,550,000	0.22	389	429
2013	20,164	3,521,406,350	7,370,000	410,000	6,960,000	0.21	345	366
2014	20,753	3,660,598,315	10,578,832	155,000	10,423,832	0.29	502	510
2015	22,914	3,759,730,020	9,670,357	-	9,670,357	0.26	422	422
2016	23,682	3,980,820,832	8,981,882	-	8,981,882	0.23	379	379
2017	24,456	4,532,717,369	19,330,301	-	19,330,301	0.43	790	790

Notes:

(1) North Carolina Office of State Planning -
Certified Population Estimate.



TOWN OF MORRISVILLE, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Table 13

Fiscal Year	Assessed Value	Debt Limit 8% of Total Assessed Value	(1) Less: Amount of Debt Applicable to Debt Limit - Net Bonded Debt	Legal Debt Limit
2008	\$ 2,203,278,818	\$ 176,262,305	\$ (15,171,507)	\$ 161,090,798
2009	3,035,117,473	242,809,398	(13,526,967)	229,282,431
2010	3,242,901,456	259,432,116	(11,824,219)	247,607,897
2011	3,345,384,268	267,630,741	(13,127,059)	254,503,682
2012	3,390,164,543	271,213,163	(11,500,584)	259,712,579
2013	3,521,406,350	281,712,508	(9,898,661)	271,813,847
2014	3,660,598,315	292,847,865	(12,512,856)	280,335,009
2015	3,759,730,020	300,778,402	(12,037,992)	288,740,410
2016	3,980,820,832	318,465,667	(10,946,957)	307,518,710
2017	4,532,717,369	362,617,390	(19,308,275)	343,309,115

Notes:

(1) Net Bonded Debt Calculation for FY 2017

Total debt applicable to limitation:

Bonded debt:

Outstanding:

Public improvement bonds

\$ 17,705,000

Installment obligations

1,603,275

Total amount of debt applicable to debt limit

\$ 19,308,275

TOWN OF MORRISVILLE, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT -
GENERAL OBLIGATION BONDS
JUNE 30, 2017

Table 14

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Net Installment Note Debt Outstanding</u>	<u>Percentage Applicable to Town (1)</u>	<u>Amount Applicable to Town</u>
Direct:				
Town of Morrisville	\$ 17,705,000	\$ 1,603,275	100%	\$ 19,308,275
Overlapping: (2)				
Wake County	1,727,865,000 (3)		3.21%	<u>55,384,115</u>
Total direct and overlapping debt				<u><u>\$ 74,692,390</u></u>

Notes:

- (1) Based on total assessed values.
- (2) Overlapping debt does not include the debt of the Special Airport District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of Airport revenue.
- (3) Wake County Revenue Department.

TOWN OF MORRISVILLE, NORTH CAROLINA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Table 15

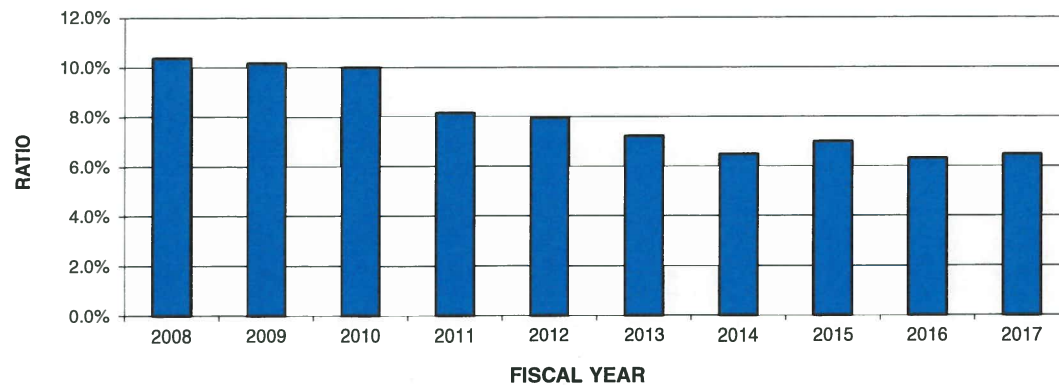
Fiscal Year	Principal	Interest	Total Debt Service (1)	Total General Governmental Expenditures (2)	Ratio of Debt Service to Total General Expenditures
2008	\$ 1,519,604	\$ 356,170	\$ 1,875,774	\$ 18,098,726	10.4%
2009	1,429,280	483,286	1,912,566	18,826,448	10.2%
2010	1,359,900	440,205	1,800,105	18,027,067	10.0%
2011	1,130,920	426,962	1,557,882	19,099,176	8.2%
2012	1,229,267	418,197	1,647,464	20,732,159	7.9%
2013	1,236,924	374,656	1,611,580	22,345,251	7.2%
2014	1,130,803	385,898	1,516,701	23,417,539	6.5%
2015	1,319,864	396,742	1,716,606	24,564,304	7.0%
2016	1,091,035	367,040	1,458,075	23,121,319	6.3%
2017	1,108,682	555,859	1,664,541	25,741,841	6.5%

Note:

(1) Includes General Long Term debt and capitalized leases.

(2) Includes General Fund.

RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES



TOWN OF MORRISVILLE, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 16

Fiscal Year	(1) Population	Per Capita Personal Income	(5) Median Age	(4) Wake County School Enrollment	(2) Unemployment Rate Percentage
2008	14,308	\$ 46,819	34.9	138,000	5.0
2009	14,956	(3)	34.9	137,706	9.3
2010	15,996	(3)	(3)	139,599	8.9
2011	18,700	(3)	32.6 (6)	143,289	8.6
2012	19,406	(3)	32.5 (6)	146,687	8.0
2013	20,164	38,504 (6)	33.5 (6)	149,508	7.5
2014	20,753	38,856 (6)	33.4 (6)	153,300	6.4
2015	22,914	39,734 (7)	33.3 (6)	155,184	5.8
2016	23,682	39,229 (7)	32.9 (6)	157,180	4.3
2017	24,456	40,693 (7)	33.1 (6)	159,549	3.7

Notes and Data Sources:

- (1) North Carolina Office of State Budget and Management - Certified Population Estimate.
- (2) North Carolina State Employment Security Commission for the Raleigh-Cary, NC Metropolitan Statistical area.
Separate figures for the Town are not available.
- (3) Information is unavailable.
- (4) Wake County, NC, Comprehensive Annual Financial Reports or WCPSS, Demographics Resource Center.
- (5) American FactFinder, U.S. Census Bureau estimates, 2011-2015 American Community Survey for Morrisville, NC.
Separate figures for the Town were not available for FY2008-FY2015.
- (6) American FactFinder, U.S. Census Bureau estimates, 2011-2015 American Community Survey for Morrisville, NC.
- (7) US Census QuickFacts (2011-2015).

TOWN OF MORRISVILLE, NORTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

Table 17

Company/Institution	2017			2008		
	Approximate Number of Employees (1)	Rank	Percentage of Total Employment in the Raleigh-Cary Metropolitan Statistical Area (2)	Approximate Number of Employees (3)	Rank	Percentage of Total Employment in the Raleigh-Cary Metropolitan Statistical Area (3)
Lenovo	4200	1	0.65%	1600	1	0.30%
Pharmaceutical Product Development, Inc. (PPD)	2000	2	0.31%	1330	2	0.25%
Credit Suisse	1800	3	0.28%			
Spectrum (formerly known as Time Warner)	1800	4	0.28%	875	3	0.17%
NetApp	1700	5	0.26%	-	-	-
Laboratory Corporation of America	1500	6	0.23%	-	-	-
Titan Private Holdings I, LLC	1291	7	0.20%	-	-	-
Luihn Four Inc.	1290	8	0.20%	-	-	-
Channel Adviisor Corporation	697	9	0.11%	-	-	-
Oracle	625	10	0.10%	-	-	-
Tekelec, Inc.	-		-	700	4	0.13%
Fujifilm Diosynth Biotechnologies	-		-	450	5	0.09%
Calalent	-		-	310	6	0.06%
ZC Sterling	-		-	215	7	0.04%
Ceridian Corporation	-		-	207	8	0.04%
BE & K Engineering	-		-	175	9	0.03%
Salix Pharmaceutical, Inc.	-		-	167	10	0.03%
Totals	16,903		2.61%	6,029		1.14%

Notes and Data Sources:

- (1) Town of Morrisville Chamber of Commerce.
- (2) U.S. Bureau of Labor Statistics, Raleigh-Cary, NC.
- (3) Town of Morrisville FY2018 CAFR.

TOWN OF MORRISVILLE, NORTH CAROLINA
NEW COMMERCIAL AND NEW RESIDENTIAL ACTIVITY
LAST TEN FISCAL YEARS

Table 18

Fiscal Year	Commercial			Residential			Total	
	Number of New Permits	Property Value		Number of New Permits	Property Value		Number of New Permits	Property Value
2008	42	\$ 52,387,641 (1)		211	\$ 38,969,078		253	\$ 91,356,719
2009	11	15,166,861 (1)		262	30,198,479		273	45,365,340
2010	7	3,105,773 (1)		220	30,073,164		227	33,178,937
2011	22	20,943,758 (1)		194	27,608,493		216	48,552,251
2012	22	28,140,638 (1)		248	38,362,353		270	66,502,991
2013	24	21,175,709 (1)		258	36,753,611		282	57,929,320
2014	8	18,286,282 (1)		263	40,857,029		271	59,143,311
2015	26	34,550,075 (1)		327	43,134,691		353	77,684,766
2016	11	29,267,441 (1)		236	27,998,196		247	57,265,637
2017	20	72,280,802 (1)		171	27,006,285		191	99,287,087

Notes:

(1) Includes multi-family.

Compiled by the Town of Morrisville Inspections Department.

TOWN OF MORRISVILLE, NORTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

Table 19

Fiscal Year	General Government	Economic and Physical Development	Public Safety	Public Works	Engineering	Development Services	Culture and Recreation	(2) Capital Outlay	Debt Service	Fiscal Year Total	Per Capita Expenditures
2008	\$ 2,809,968	\$ 854,571	\$ 6,872,325	\$ 2,894,819	\$ 516,023	\$ -	\$ 1,707,253	\$ 567,993	\$ 1,875,774	\$ 18,098,726	1,341
2009	2,859,491	-	6,351,936	2,981,461	-	2,120,916	1,616,748	983,330	1,912,566	18,826,448	1,316
2010	2,576,902	-	6,401,636	3,206,013	-	1,930,198	1,506,923	605,290	1,800,105	18,027,067	1,205
2011	2,815,839	-	6,776,367	3,207,809	-	1,978,652	1,551,834	1,210,793	1,557,882	19,099,176	1,194
2012	3,171,131	-	7,119,811	3,395,494	-	2,031,951	1,680,598	1,685,710	1,647,464	20,732,159	1,109
2013	3,206,886	-	7,196,338	3,272,849	-	2,216,347	1,665,116	3,176,135	1,611,580	22,345,251	1,151
2014	3,153,654	-	7,582,421	3,614,871	-	2,534,564	1,771,664	3,243,664	1,516,701	23,417,539	1,161
2015	3,115,978	-	8,484,213	4,869,772	-	2,978,817	1,889,020	1,509,898	1,716,606	24,564,304	1,072
2016	3,541,976	-	8,159,452	5,206,847	-	1,989,194	1,618,153	1,147,622	1,458,075	23,121,319	976
2017	4,302,843	-	8,166,536	5,925,474	-	2,230,718	1,728,506	1,723,223	1,664,541	25,741,841	1,053

Notes:

Includes only the General Fund.

(1) This table was prepared using the modified accrual basis of accounting.

(2) Capital outlay is budgeted within departments and shown separate for this schedule.

TOWN OF MORRISVILLE, NORTH CAROLINA

EMPLOYEE POSITION AUTHORIZATION BY DEPARTMENT (1)

LAST TEN FISCAL YEARS (2)

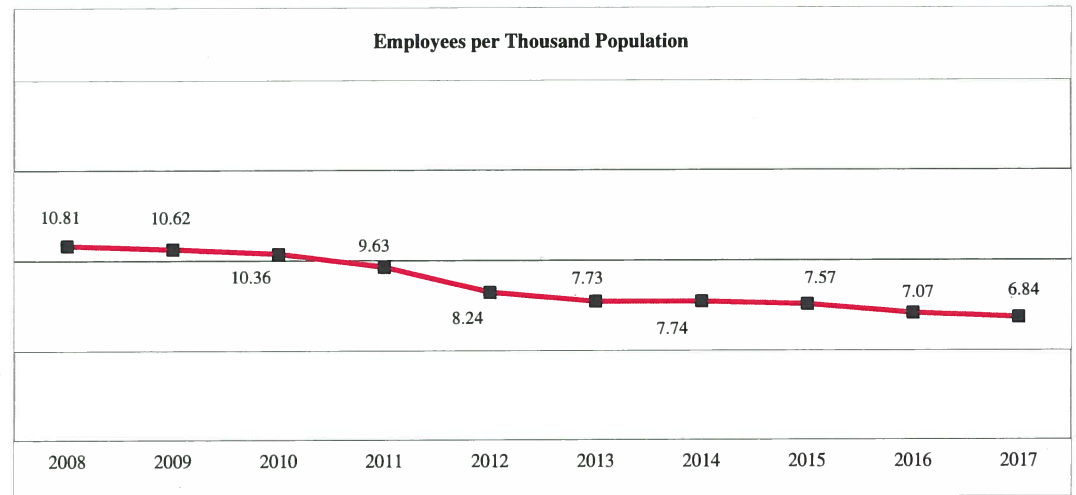
Table 20

Fiscal Year	(3) Administration	(4) Planning, Engineering and Stormwater	Police	Inspections	Public Works	Parks and Recreation	Fire	Finance	Fiscal Year Total
2008	13	12	36	8	20	14	43	6	152
2009	14	14	36	8	19	14	43	7	155
2010	14	13	36	8	20	13	43	7	154
2011	14	13	36	8	20	13	43	7	154
2012	14	13	35	6	20	13	43	6	150
2013	14	15	35	6	20	13	46	7	156
2014	15	15	36	6	20	13	46	6	157
2015	15	16	36	6	21	13	49	6	162
2016	16	17	36	5	21	13	49	5	162
2017	15	20	41	6	21	13	49	5	170

Restated historical data based on authorized positions grouping as noted below.

Notes:

- (1) Regular full-time employees only per the annual operating budget, does not include part-time, temporary or seasonal employees.
- (2) As of June 30 of the fiscal year.
- (3) Includes Administration, Human Resources, and Information Technology,
- (4) Includes Planning, Engineering, and Stormwater.



TOWN OF MORRISVILLE, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS

Table 21

Function/Program	2011	2012	2013	2014	2015	2016	2017
General government							
Privilege licenses issued	1,637	1,804	1,744	794	950	-	-
New building permits issued	216	270	282	271	354	247	191
Police							
Police calls for service	11,207	8,985	8,044	9,949	9,905	11,611	18,198
Physical arrests	156	174	133	212	262	308	247
Traffic accidents reported	427	487	494	432	500	745	708
Traffic violations	3,148	3,027	3,576	2,089	2,629	2,334	1,963
Warrants served	188	521	175	72	87	61	184
Fire							
Child safety seat inspections	719	624	625	672	662	611	577
Emergency responses	1,584	1,638	1,864	1,944	2,020	2,316	2,225
Fires extinguished	69	57	71	40	83	43	41
Property losses due to fire (dollars)	\$210,218	\$101,451	\$1,784,225	\$301,996	\$290,400	\$212,126	\$403,226
Fire code violations corrected	862	1,695	1,165	1,412	1,344	1,716	2,049
Streets							
Miles of road maintained	35	39	45	46	48	49	52
Environmental Protection							
Number of households served	4,440	4,690	4,953	5,170	5,440	5,856	6,011
Municipal solid waste collected (tons)	2,481	2,802	3,103	2,902	3,110	4,330	3,735
Recycling collected (tons)	822	886	943	1,050	998	1,249	1,276
Yard waste collected (tons)	193	213	212	202	240	222	231
Recreation and Parks							
Youth program participants	1,509	1,606	1,894	1,841	1,595	1,957	1,886
Athletic program participants (youth and adult)	2,676	2,589	2,426	2,363	2,446	2,139	2,228
Recreation program participants (youth and adult)	2,033	1,532	1,285	1,270	975	983	1,876
Senior program participants	186	172	427	414	405	435	570
Park and community center facility reservations	1,958	2,582	2,671	3,004	5,411	6,272	6,598

Source: Town of Morrisville - Finance, Police, Fire, Parks and Recreation, and Public Works Departments.

Notes:

(1) Information prior to 2011 is not available.

TOWN OF MORRISVILLE, NORTH CAROLINA
CAPITAL ASSETS BY FUNCTION
LAST SEVEN FISCAL YEARS

Table 22

Function/Program	2011	2012	2013	2014	2015	2016	2017
Police							
Police stations	1	1	1	1	1	1	1
Patrol units	26	26	25	31	24	24	31
Detective units	4	4	4	9	4	4	4
K-9 units	1	1	1	1	1	1	1
Fire							
Fire stations	3	3	3	3	3	3	3
Fire trucks/command vehicles	8 / 2	8 / 2	8 / 5	8 / 5	8 / 5	8 / 5	8 / 3
Streets							
Streets (miles)	35.42	38.62	44.94	46.47	48.28	49.17	51.98
Recreation and Parks							
Number of developed parks	5	5	5	5	6	6	7
Developed Park Acreage	96	96	96	96	108	108	113
Baseball fields	4	4	4	4	4	4	4
Tennis courts	3	3	3	3	6	6	6
Racquetball courts	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1
Aquatic centers	1	1	1	1	1	1	1
Greenway miles	7.96	9.02	9.02	11.08	11.98	11.98	12.14

Source: Town of Morrisville - Police, Fire, and Parks and Recreation Departments.

Notes:

(1) Information prior to 2011 is not available.

Compliance Section

**Report of Independent Auditor 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***

To the Honorable Mayor and Town Council
Town of Morrisville
Morrisville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Morrisville, North Carolina (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cheryl Bekaert LLP

Raleigh, North Carolina
October 13, 2017

**Report of Independent Auditor on Compliance With Requirements
Applicable To Each Major State Program and Internal Control Over Compliance
In Accordance with the Uniform Guidance and the
State Single Audit Implementation Act**

To the Honorable Mayor and Town Council
Town of Morrisville
Morrisville, North Carolina

Report on Compliance for each Major State Program

We have audited the Town of Morrisville, North Carolina (the "Town"), compliance with the types of requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2017. The Town'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 the requirements of laws, regulations, contracts and grants applicable to its major state program.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town 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's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance 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 Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. 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.

Cherry Bekaert LLP

Raleigh, North Carolina
October 13, 2017

TOWN OF MORRISVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s Report Issued on whether the financial statements were prepared in accordance with GAAP: *Unmodified*

Internal control over Financial Reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

State Awards

Internal control over major state program:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to state awards? ☐ yes ☒ no

Type of auditor’s report issued on compliance for major State program: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act? ☐ yes ☒ no

Identification of major State programs:

Names of State Program or Cluster

Non-State System Street-Aid Allocation Fund (Powell Bill)

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section II – Findings Related to the Audit of the Basic Financial Statements

None.

Section III. State Award Findings and Questioned Costs

None.

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2017

None.

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures (Direct and Pass-Through)	State Expenditures
Federal Grants				
<u>U.S. Department of Transportation</u>				
Passed Through North Carolina Department of Transportation Highway Planning and Construction	20.205	WBS 46233.1.1	\$ 671,063	\$ -
<u>U.S. Department of Homeland Security</u>				
Passed Through North Carolina Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	183-44520-00 FEMA-4285-DR-NC	18,159	-
Passed Through North Carolina Department of Agriculture & Consumer Services Fire Management Assistance Grant	97.046	FMAG-5161	11,529	-
<u>U.S. Department of Justice</u>				
Direct From U.S. Department of Justice Equitable Sharing Program	16.922	n/a	12,145	-
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through Wake County Community Development Block Grants/Entitlement Grants	14.218	n/a	6,111	-
<u>U.S. Department of the Interior</u>				
Passed Through North Carolina Department of Natural and Cultural Resources Outdoor Recreation, Acquisition, Development and Planning	15.916	5640	20,000	-
Total Assistance - Federal Programs			739,007	-

TOWN OF MORRISVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2017

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-Through Grantor's Number</u>	<u>Federal Expenditures (Direct and Pass-Through)</u>	<u>State Expenditures</u>
State Grants				
<u>North Carolina Department of Transportation</u>				
Powell Bill	n/a	1000006748	\$ -	\$ 554,313
<u>North Carolina Clean Water Management Trust Fund</u>				
Innovative Stormwater Project	n/a	2015-1002	-	10,449
<u>North Carolina Department of Environment and Natural Resources</u>				
North Carolina Parks and Recreation Trust Fund (PARTF)	n/a	2013-767	-	39,977
Total Assistance - State Programs			-	604,739
Total Assistance			<u>\$ 739,007</u>	<u>\$ 604,739</u>

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

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 Morrisville, North Carolina under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Morrisville, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Morrisville.

Note 2 - Summary of Significant Accounting Policies

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

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

The Town of Morrisville has not contracted or made awards to any subrecipients.